Telia Company

LEADING THE WAY IN A DIGITAL WORLD

ANNUAL + SUSTAINABILITY REPORT 2016

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OUR COMPANY

DIRECTORS’ REPORT

CORPORATE GOVERNANCE

SUSTAINABILITY WORK

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OTHER INFORMATION

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TV AND MEDIA
FIXED VOICE AND DATA
FINANCING
SECURITY
INTERNET OF THINGS
DEVICE SALES
E-HEALTH

TELIA COMPANY AND 2016 IN BRIEF

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

OUR BUSINESS

Telia Company's operations stretch around the globe. 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 ecosystem of new start-ups and major service providers. Together we provide the infrastructure for creativity, growth and change.

PURPOSE

BRINGING THE WORLD CLOSER - ON THE CUSTOMER'S TERMS

VALUES

DARE, CARE, SIMPLIFY

AT YEAR-END

21,030 Employees

16.7 Million mobile subscriptions

2.6 Million fixed voice subscriptions

2.6 Million fixed broadband subscription

1.7 Million TV subscriptions

512,841 Shareholders

159 SEK billion market cap

Year-end figures for number of employees and subscriptions refer to continuing operations, i.e. the group excluding the former segment region Eurasia.

2016 IN BRIEF

FINANCIAL TARGETS AND OUTCOME 2016

EBITDA

Outlook: In line or slightly above the level in 2015
Outcome: +2.6%

From continuing operations excluding non-recurring items, in local currencies, excluding acquisitions and disposals

CAPEX

Outlook: SEK 14-15 billion
Outcome: SEK 15 billion

From continuing operations, excluding license and spectrum fees, in reported currency

DIVIDEND

Outlook: Minimum 80% of free cash flow, at least SEK 2 per share
Outcome: SEK 2 per share

From continuing operations
Proposed

CONTINUING OPERATIONS

84,178
(86,498)
Net sales (SEK million)

25,836
(25,281)
EBITDA excluding non-recurring items (SEK million)

30.7
(29.2)
EBITDA margin (%) excluding non-recurring items

CONTINUING AND DISCONTINUED OPERATIONS

0.86
(1.97)
Earnings per share (SEK)

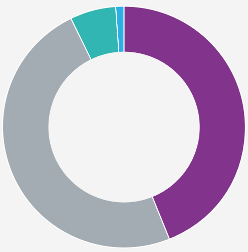
2.00
(3.00)
Proposed dividend per share (SEK)

7.7
(8.9)
Return on capital employed (percent, rolling 12 months)

1.69
(1.53)
Net debt/EBITDA excluding non-recurring items (multiple, rolling 12 months)

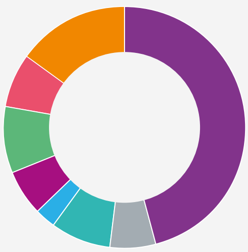
NET SALES SPLIT

per region



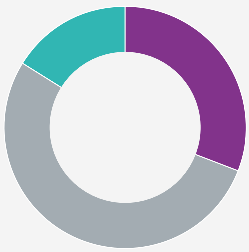
- Region Sweden, 44%
- Region Europe, 49%
- Telia Carrier, 6%
- Other, 1%

per service



- Mobile, 46%
- Fixed telephony, 6%
- Fixed broadband, 8%
- TV, 3%
- Business solutions, 6%
- Other, 9%
- Carrier, 7%
- Equipment, 15%

per segment



- B2B, 31%
- B2C, 53%
- Wholesale and Other, 16%

SIGNIFICANT EVENTS

- TeliaSonera AB changed name to Telia Company AB
- Telia Company divested its holdings in Ncell in Nepal to Axiata, one of Asia's largest telecom groups and its holding in Spanish Yoigo to Masmovil, a Spanish telecom operator
- The group released a new Code of Responsible Business Conduct
- Human rights impact assessments were conducted in regions Eurasia and Sweden and in Lithuania
- Telia Company signed agreements to divest its holding in the operator Tcell in Tajikistan and its Nordic and Baltic credit management services and debt purchase business Sergel to Marginalen
- An agreement was signed to acquire Phonero in Norway
- Telia Company received a settlement proposal of USD 1.45 billion by the US and Dutch authorities related to the entry into Uzbekistan in 2007

85%
(70)

In total we purchased 782 GWh renewable electricity during the year, 85% of total electricity consumption in regions Sweden and Europe

169
(140)

On-site supplier audits conducted

POTENTIAL OF INCREASED DIGITALIZATION

€ 100 BILLION

can be added to the Nordic and Baltic economies in 2021 due to increased digitalization in society

470,000 JOBS

can be created in the Nordics and Baltics due to enhanced use of digital solutions among governments, businesses and consumers

24,000 DEATHS

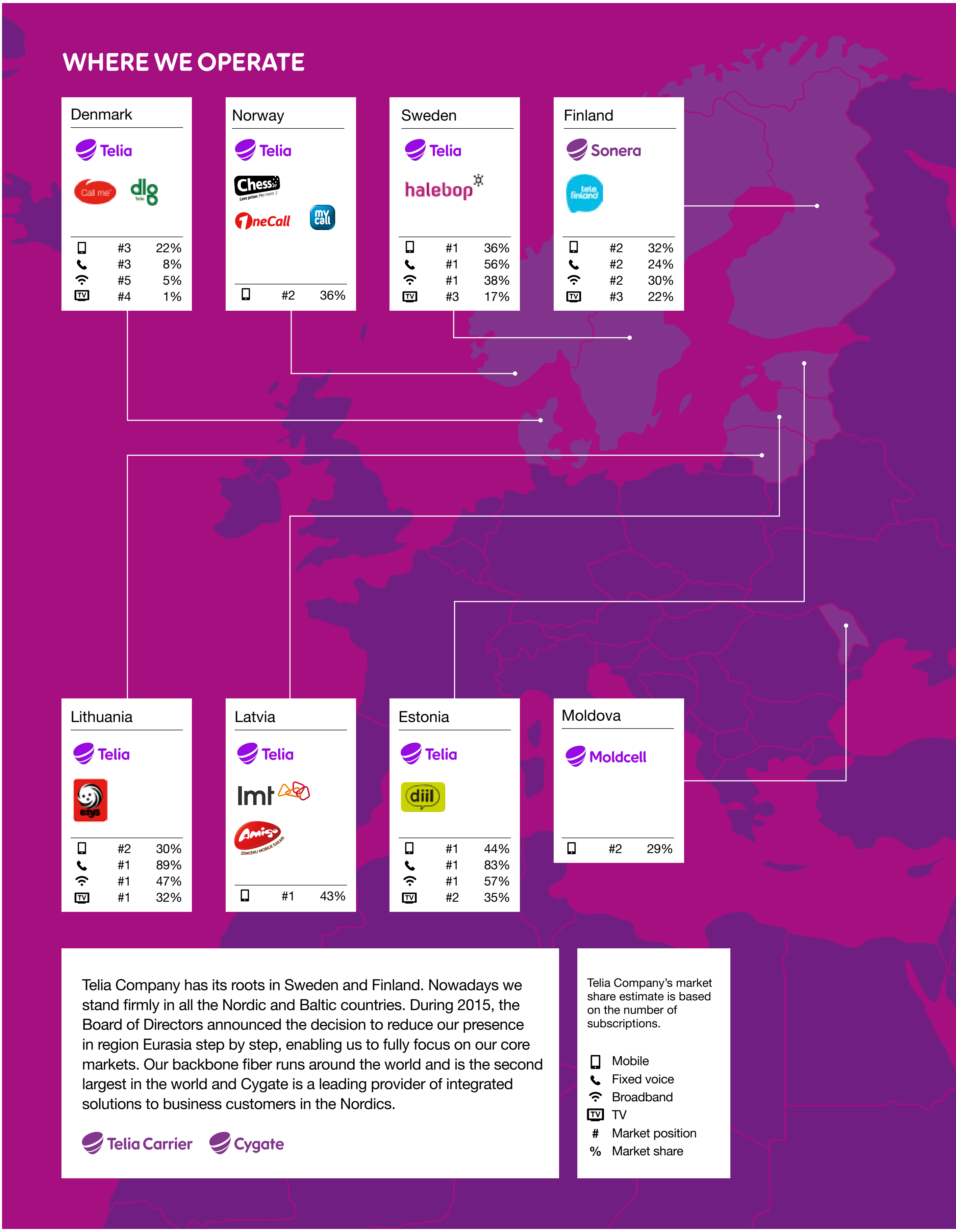
can be avoided annually through e-healthcare and connected smart transportation on the roads

20%

reduction of greenhouse gas emissions if we can take 9 million cars off the roads for a year

Source: "Accelerating Sustainable Growth" report, Deloitte and Telia Company, September 2016
http://www.teliacompany.com/en/about-the-company/publications/accelerating-sustainable-growth

WHERE WE OPERATE



Denmark

Telia, Call me, dlg

	#	%
Mobile	#3	22%
Fixed voice	#3	8%
Broadband	#5	5%
TV	#4	1%

Norway

Telia, Chess, OneCall, MyCall

	#	%
Mobile	#2	36%

Sweden

Telia, halebop

	#	%
Mobile	#1	36%
Fixed voice	#1	56%
Broadband	#1	38%
TV	#3	17%

Finland

Sonera, tele finland

	#	%
Mobile	#2	32%
Fixed voice	#2	24%
Broadband	#2	30%
TV	#3	22%

Lithuania

Telia, ezys

	#	%
Mobile	#2	30%
Fixed voice	#1	89%
Broadband	#1	47%
TV	#1	32%

Latvia

Telia, lmt, Amigo

	#	%
Mobile	#1	43%

Estonia

Telia, diil

	#	%
Mobile	#1	44%
Fixed voice	#1	83%
Broadband	#1	57%
TV	#2	35%

Moldova

Moldcell

	#	%
Mobile	#2	29%

Telia Company has its roots in Sweden and Finland. Nowadays we stand firmly in all the Nordic and Baltic countries. During 2015, the Board of Directors announced the decision to reduce our presence in region Eurasia step by step, enabling us to fully focus on our core markets. Our backbone fiber runs around the world and is the second largest in the world and Cygate is a leading provider of integrated solutions to business customers in the Nordics.

Telia Carrier Cygate

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

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

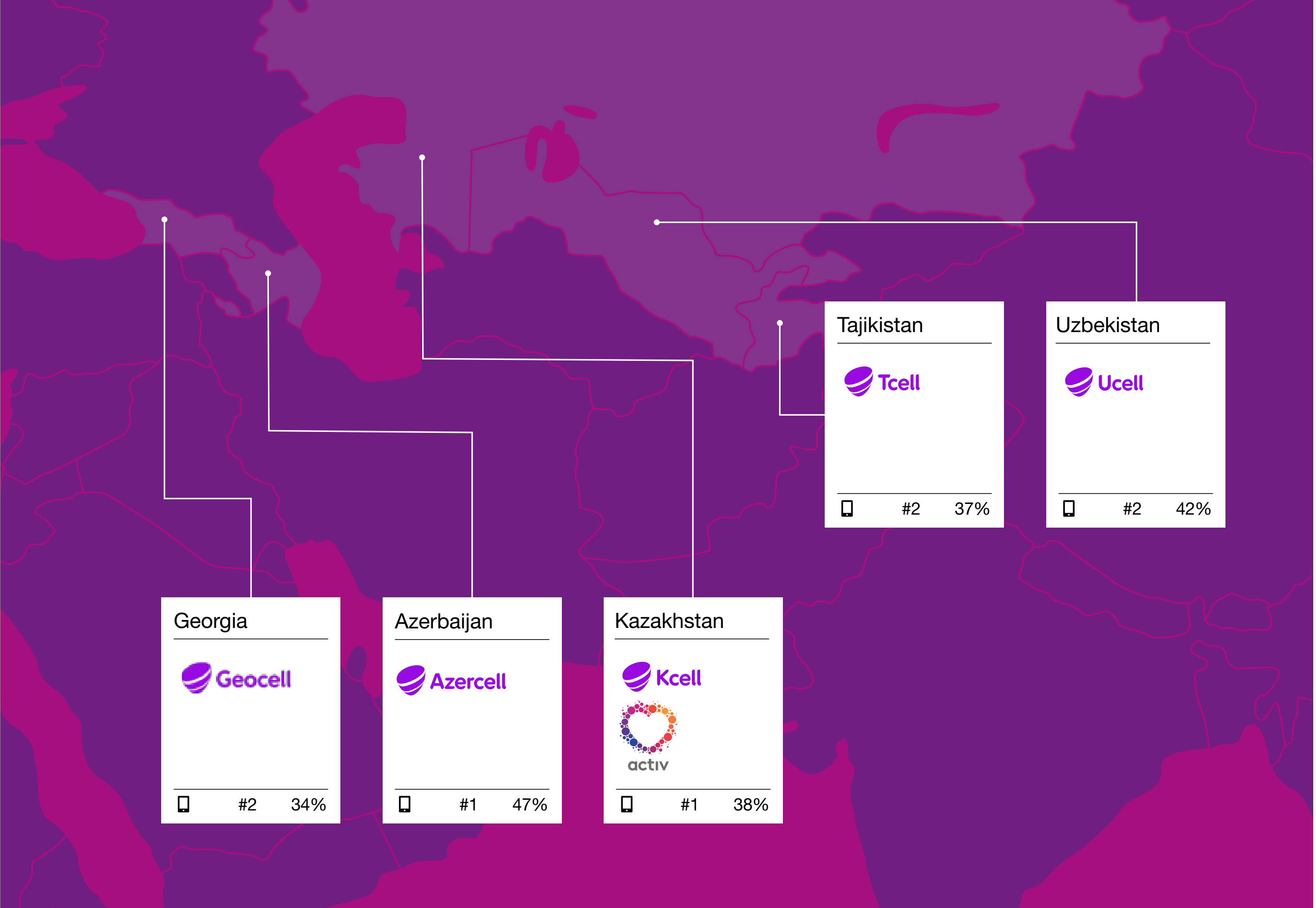
Ownership – Subsidiaries

Country	Trademark	Ownership[1] %	Consolidated share[2] %
Sweden	Telia, Halebop	100	100
Finland	Sonera, TeleFinland	100	100
Norway	Telia, Chess, MyCall, OneCall	100	100
Denmark	Telia, Call me, DLG Tele	100	100
Lithuania	Telia, Ezys	88.2	88.2
Latvia	Telia, Lmt Okarte, Amigo	60.3[3]	60.3[3]
Estonia	Telia, Diil	100	100
Kazakhstan	Kcell, Activ	61.9	61.9
Azerbaijan	Azercell	38.1	69.5
Uzbekistan	Ucell	94.0	94.0
Tajikistan	Tcell	60.0	60.0
Georgia	Geocell	74.3	74.3
Moldova	Moldcell	74.3	74.3

Ownership – Associated companies

Country	Trademark	Ownership[1] %	Consolidated share[2] %
Latvia	Lattelecom	49.0	49.0
Russia	MegaFon	25.2	26.2
Turkey	Turkcell	38.0	38.2

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.



HOW WE CREATE VALUE

Continuing operations

RESOURCES AND ASSETS

RESOURCES

- People
- Energy
- Suppliers
- Offices and stores

FINANCIAL ASSETS

- Debt
- Equity

INTANGIBLE ASSETS

- Telecom licenses and spectrum
- Patents
- Strategic partnerships
- Brand trust

INFRASTRUCTURE ASSETS

- Fiber
- Copper
- Mobile networks
- Data centers
- Global IP carrier network

WHAT WE PROVIDE

SERVICES AND SUPPORT

TELIA COMPANY

- MOBILE VOICE AND DATA
- CLOUD
- TV AND MEDIA
- FIXED VOICE AND DATA
- FINANCING
- SECURITY
- INTERNET OF THINGS
- DEVICE SALES
- E-HEALTH

CONNECTIVITY

- MOBILE
- MACHINE TO MACHINE
- IP CAPACITY
- FIXED

WHAT WE CREATE

84,178
Net sales SEK million

3.76
Earnings per share, SEK

16.7
Mobile subscriptions, million

2.6
Fixed voice subscriptions, million

2.6
Broadband subscriptions, million

1.7
TV subscriptions, million

287,000
tons CO_2e emissions

>96%
4G population coverage in the Nordics

1.5
million households in Sweden reached with fiber

110
countries in which Telia Carrier connects their customers

CREATED STAKEHOLDER VALUE

CONSUMERS

Most satisfied consumers in Finland[1]
#1

Operator of the year in Sweden[2]
#1

BUSINESS CUSTOMERS

Most satisfied business customers in Sweden[3]
#1

Best network performance & customer service of global IP carriers[4]

EMPLOYEES

SEK billion salaries
12.1

Purple Voice score (74)
77%

INVESTORS

Total shareholder return
-6%

SEK billion dividend paid
13.0

SUPPLIERS AND PARTNERS

SEK billion CAPEX excluding licenses
15.0

Supplier capacity building through training

SOCIETY

Enabling sustainable economic growth

Contributing to the UN Sustainable Development Goals

SEK billion tax paid
3.4

1) According to EPSI survey
2) Awarded at the Swedish Telecom Gala
3) According to Svenskt kvalitetsindex survey
4) According to Atlantic-ACM

COMMENTS BY THE CHAIR

EVERYONE TO BE INCLUDED IN THE DIGITAL SOCIETY

For advanced connectivity, telecom companies with a long-term outlook are needed; we build the infrastructure that our customers will use for a very long time. We are ready to build the networks that allow the Nordic and Baltic regions to be frontrunners in the next phase of digitalization.

Our network is our backbone and we want our customers to be confident that they will always get the best connection from Telia Company.

In order to offer a competitive customer offering and positive long-term returns for shareholders, we have continued the important and challenging change agenda during the year. IT systems continue to become more efficient, the product portfolio is simpler and the old copper technology is being replaced with modern communication solutions. Our continued path to modernization allows us to keep the customer in focus, and allows tomorrow's products and services to be at our customer's fingertips sooner.

Connectivity and technology have a significant impact on society and Telia Company has an important role to play. We want to have an active role in society that marries together good business and sustainable development and ensures that everyone is included in the new digital world. The All-In strategy is our way of making that a reality. Together with the rest of our sustainability work, which is aligned with the UN Sustainable Development Goals, Global Compact principles and our compliance framework, we show our ambition to be a successful and responsible company.

In our region digitalization is at the very forefront of economic growth, societal development and long-term sustainability. With our new focus on the Nordics and Baltics we are at the right place to maintain our world leading position in digital development.

After several years of hard work, we are beginning to reach a point where we can sum up the consequences of the wrongful conduct in Eurasia. The investigation conducted by authorities in the Netherlands and the United States, this year resulted in a settlement proposal, which is now being discussed between the parties.

In accordance with our strategy, we have now sold our operations in Nepal and Spain and an agreement is signed to divest Tcell i Tajikistan. The remaining operations in region Eurasia will be divested as soon as we can reach an agreement that meets our requirements. We are now separated from businesses and employees that will always be part of the company's history. Together we learned a lot about ourselves and about each other. We leave businesses with good potential to contribute to positive development in their respective countries, both in terms of technical expertise and customer offerings, and that can also contribute to spreading ethical values and sustainable practices.

2016 has been a busy year and on behalf of the Board I wish to extend a warm thanks to all our employees for their outstanding efforts during the year. I also want to thank the shareholders for the trust to lead Telia Company.

Stockholm, March 8, 2017

Marie Ehrling
Chair of the Board

COMMENTS BY THE CEO

ON THE EVE OF THE GIGABIT SOCIETY

Telia Company is a company with strong values and we want digitalization and our services to be used to help overcome the challenges of our time. I am more convinced than ever that a commitment to digitalization is the way to effectively underpin our customers' changing reality, our societies increasing awareness and to create value for our shareholders.

Our customers will be the pioneer users of the new generation mobile technology, 5G; Stockholm, Tallinn and Helsinki will be first out and we thus enable our home markets to be the world's testing ground for connected cars, medical care and other services that we today can barely imagine. Our ambition is that the Nordic and Baltic countries will take the first steps into the Gigabit society and that Telia Company leads the way.

TO BE SOMETHING MORE

Digitalization is not an event but a series of components that together create a pattern. Our customers are the drivers of ingenuity and change and in the same way, Telia Company is changing. There are days when I think that the pace of change is too slow, and then it is good to stop and look back. In this perspective, it becomes clear that we really have changed since we embarked on the path that is gradually bringing us closer to being the New Generation Telco. This does not mean that we want to be anything different but that we want to be something more.

We have now reached the stage in our development where we have been able to manifest the change with a new name and updated visual style. In more and more countries Telia signs are put up with the aim of creating a cohesive and strong brand in all our core markets. Norway was the success case earlier in 2016 as they rebranded to Telia from Netcom. Our mobile and fixed operations in Lithuania which have merged, now also meet the customers as Telia.

LEADING ON THE CUSTOMERS' TERMS

We are broadening our offerings step by step and invite consumers, as well as small and large companies to cooperate with us. Our TV service is growing steadily and is now one of the most attractive reasons for customers to choose our connections. We adapt continuously to our customers' changing habits in order to meet their present and future needs. In line with this ambition we offer free roaming in the Nordic and Baltic countries as part of our core mobile bundles, and in some countries, we are offering the ability for our customers to use their favorite social media services without worry and without limits. Across the group, we now extend our hands to small and large companies for more and deeper cooperation. This is driven from our new Division X, where we are taking advantage of the entrepreneurial spirit and passion for discovery in the company, and where we aim to find new solutions and business opportunities at the edge of the core business.

DEVELOPMENT STEMS FROM COOPERATION

The power of Nordic-Baltic digitalization is huge. It is done in collaboration between the public and private sectors with the goal that development should benefit everyone. We will continue to do our job and enable this kind of development and hope we can continue to make a positive contribution to our customers and society.

SUSTAINABLE BUSINESS AND COMMITMENTS

In order to be a responsible company we work hard on sustainability, which is aligned with the UN SDG's, Global Compact principles and our compliance framework. One initiative during the year was that we decided to be committed to Children's rights. We recognize our obligation to empower and protect children according to children's rights, as they are set forth in the UN Global Compact Children's Rights and Business Principles, by advancing our processes and educating our employees to be able to respect and support children's rights in our daily operations.

2016 A CHALLENGING AND INTERESTING YEAR

When I look back on 2016 it was a challenging and interesting year. We continued to work in our strategic direction by investing in infrastructure to secure future demand and to deliver a superior customer experience. We are also executing on our reshaping of the company from 17 countries to focus on the Nordic and Baltic countries. We have divested Ncell in Nepal and Yoigo in Spain, signed an agreement to divest Tcell in Tajikistan as well as divesting the credit management services and debt purchase business Sergel. We see it highly probable that the remaining assets in Eurasia will be disposed during 2017. As for acquisitions, we signed an agreement to buy Phonero in Norway. Closing of the transaction has unfortunately been disrupted as Norwegian competition authorities recently announced that they at this stage would not approve the transaction. Next step is to present additional arguments for approving the transaction to them which they will reply to and base their final decision on no later than April 10.

In December 2016, we announced a new organizational structure with more country exposure to enhance our business and enable us to ramp up execution across our markets even further.

I am very pleased that we were able to fulfill our financial targets to uphold or improve our EBTIDA versus 2015 and that the board proposes an ordinary dividend of SEK 2 per share to be distributed to our shareholders.

CAPTURE OPPORTUNITIES TO CREATE VALUE

Change is hard and takes time. We are on a historic change mission in times of massive transformation around us. We are not happy with a slightly negative total shareholder return for our over 500,000 shareholders in 2016. But to stop changing is not an option. It gives us even more energy and determination to speed up execution on our great journey. Persistency is a virtue and I strongly believe in our simple formula that engaged employees create loyal and happy customers that will enable growth and will also make our stakeholders, notably shareholders, happy. That is why we are here – our purpose is clear "bringing the world closer – on the customer's terms".

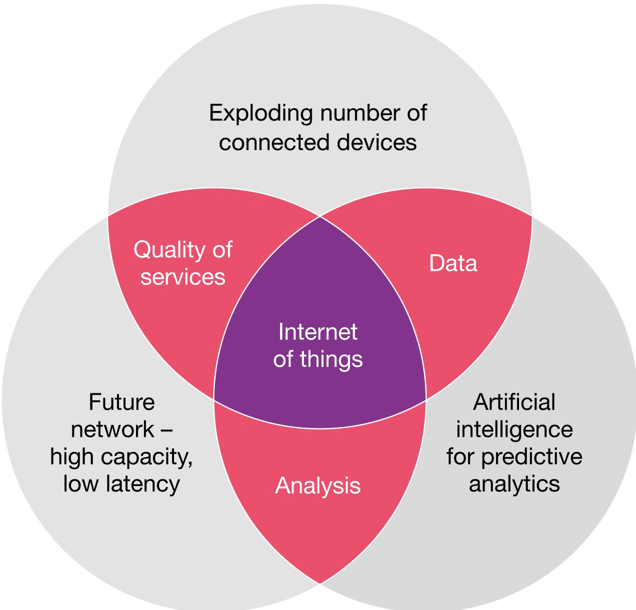
More humble than ever – more determined than ever – thank you for your support.

Stockholm, March 8, 2017

Johan Dennelind
President and CEO

TRENDS AND STRATEGY

Three major inputs are the cornerstones for how we develop and formulate the strategy, namely megatrends, stakeholders' opinions and our capabilities and resources.

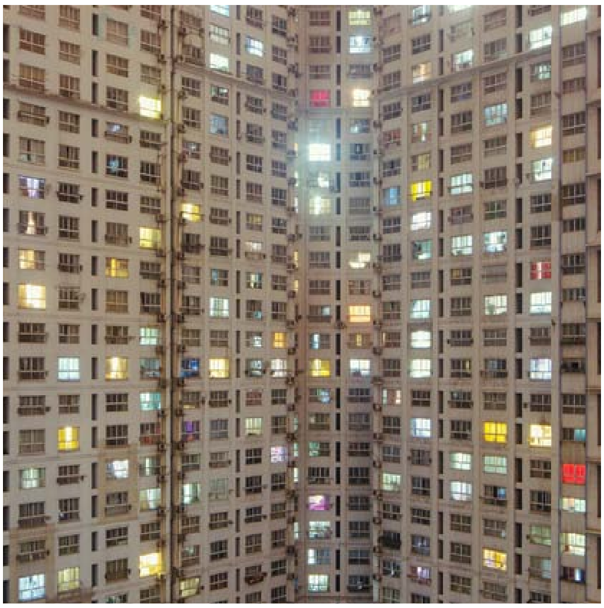


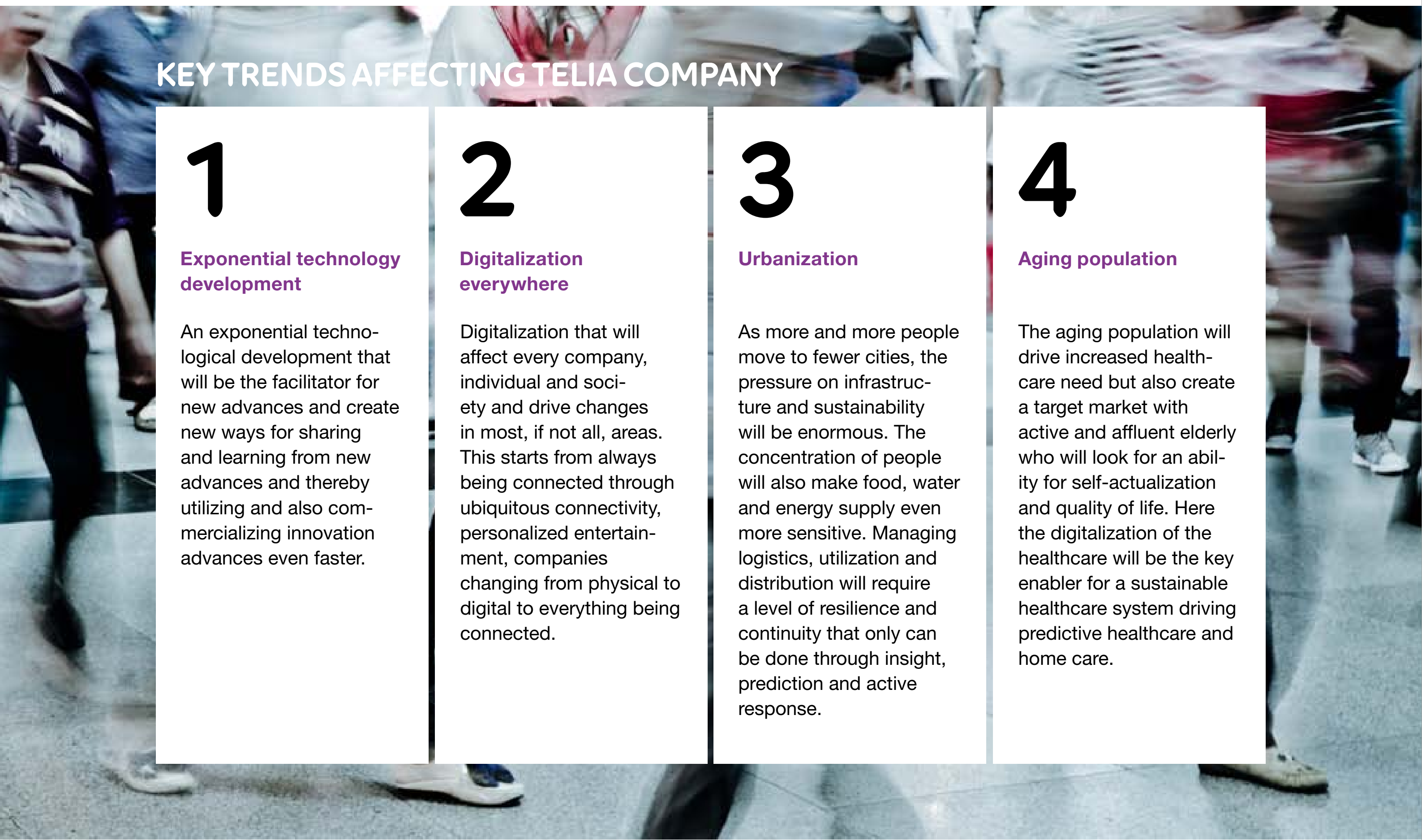
Our society is changing more rapidly through digitalization. Three megatrends are driving the telecom business.

MEGATRENDS

Our society is changing more rapidly through digitalization. This might be a shift as big as the industrial revolution. The shift is enabled by the radically reduced cost for storage and computing, exponentially increasing number of connected devices combined with advanced analytics and artificial intelligence. This is what we believe will lead to the tipping point. As other technologies are becoming generally available the digitalization will take further steps. The sweet spot will be the intersection of these trends.

At the same time, we have a number of trends that are the legacy of how we implemented industrialization. Climate change, increased inequality and rapid urbanization. This requires societal attention and drives the need for a sustainable approach to all that we do. As we also live longer than ever, medical advances give cure, and relief from more and more deceases we will have a pressure on our social security systems but also a risk of a health inequality that might further challenge our social structure.





KEY TRENDS AFFECTING TELIA COMPANY

1 Exponential technology development

An exponential technological development that will be the facilitator for new advances and create new ways for sharing and learning from new advances and thereby utilizing and also commercializing innovation advances even faster.

2 Digitalization everywhere

Digitalization that will affect every company, individual and society and drive changes in most, if not all, areas. This starts from always being connected through ubiquitous connectivity, personalized entertainment, companies changing from physical to digital to everything being connected.

3 Urbanization

As more and more people move to fewer cities, the pressure on infrastructure and sustainability will be enormous. The concentration of people will also make food, water and energy supply even more sensitive. Managing logistics, utilization and distribution will require a level of resilience and continuity that only can be done through insight, prediction and active response.

4 Aging population

The aging population will drive increased healthcare need but also create a target market with active and affluent elderly who will look for an ability for self-actualization and quality of life. Here the digitalization of the healthcare will be the key enabler for a sustainable healthcare system driving predictive healthcare and home care.

IMPACT OF THE TRENDS

On society

Our societies in the Nordic and Baltic regions will change more rapidly than other regions due to strong infrastructure, tech savvy population and a leading digitalized position. As many jobs will disappear and be replaced by new, the need for re-training and innovation will be required over the coming years. To deal with the root cause of the environmental change the use of renewable energy and energy efficiency will be at the top of the agenda. The digital divide must be closed to secure that the digitalization gives opportunities for many people to be active in the change and create new companies, services, experiences and possibilities.

On our customers

For the consumer customers there will be a need for affordable connectivity, services that make everyday life easier and entertainment services that offer adaptation to every customer's preferences. The need for services that create new possibilities for personal development and take away time waste will grow rapidly over the coming years. At the same time, the need for security and privacy will increase. Some customers care about privacy and some do not. This requires services and service providers to adapt to the preferences of each individual.

For the business customers the need for a digitalization partner is the key driving force. Many if not all companies, are facing the challenge to adapt their business to the demands of the digitalized world. Every product or service must gather information to further refine and develop the product. This will drive companies to connect their products to the internet. The pay-per-use model is likely to grow as more and more products are turned into services. In this world of rapidly evolving technologies, most companies want to buy services to enable digitalization. The areas of value creation will stay in the company but the enablers and supporting services are more likely to be bought from someone else as a service.

On Telia Company

Firstly, the need of connectivity will continue to grow exponentially. The data growth will require both build-out of new technologies and continuously expansion of capacity. Customers are being more and more technology agnostic, and take connectivity for granted. This will require that any operator remains relevant to the customers and provides a competitive advantage versus competitors. It will also require a clear choice of competitive position.

STAKEHOLDER ENGAGEMENT

Engaging with key stakeholders that directly or indirectly impact or are impacted by our business is imperative for insight in how to best navigate our business long-term.

CONSUMERS

How we engage
- Stores and other sales channels (O)
- Customer service (O)
- Social media (O)
- Local websites and newsletter (O)
- Net Promoter Score (NPS) surveys (O)

Key topics
- Network quality and coverage
- Value for money – pricing and data
- Reachability and easy to deal with
- Keeping our promise and support on service and delivery
- Privacy and security of personal data
- Ensuring high speed access in rural areas
- Acting socially responsible

Our response
- Continued high speed access roll-out
- Ensuring a responsible technology transition in rural areas through mobile access and fiber
- Simplifying offerings and revising price plans
- Value added services and bundling such as TV and media, family plans and "roam like home"
- Increased focus on customer experience and centricity
- Follow-up to identify and correct where we fail the customer promise
- Evaluating how customers can get better understanding and control over their personal data

BUSINESS CUSTOMERS

How we engage
- Stores and other sales channels (O)
- Account manager dialogue (M)
- Seminars and events (M)
- Net Promoter Score (NPS) surveys (O)
- Local websites (O)
- Social media (O)

Key topics
- Network quality and coverage
- End-to-end solutions and support that meet our customers' ICT needs – a one-stop shop
- Single point of contact experience
- Improving efficiency, productivity and quality of life using digital tools
- Telia Company as an ethical business partner
- Privacy and data security

Our response
- Continued high speed access roll-out
- Transformation programs to secure single point of contact experience in end–to-end solutions and deliveries
- Launched personal advisor and personal technician concept in Sweden
- White papers and seminars in the area of digitalization towards enterprise customers
- Work towards becoming "as a service" provider
- Developing our offerings around data security

EMPLOYEES

How we engage
- Purple Voice employee survey (A)
- You First employee/manager approach (O)
- Local and corporate intranets (O)
- Employer/worker cooperation (O)

Key topics
- Using You First to build a feedback culture
- Equal focus on "how" and "what" in how we work
- Strengthening customer focus and cross-functional collaboration
- Connecting personal goals with the big picture
- Create engagement around the Code of Responsible Business Conduct
- Managing psycho-social well-being

Our response
- Action plans for cross-functional collaboration
- Activities to increase customer insight for non-customer facing teams, and to strengthen customer focus in customer facing teams
- Local roll-out of and engagement around the new Code
- Continued roll-out of You First

INVESTORS

How we engage
- Annual General Meeting (A)
- Quarterly report press and analyst conferences (M)
- Investor meetings (M)

Key topics
- Financial performance, cash flow generation and leverage
- CAPEX levels going forward
- New revenue streams and growth possibilities in core markets
- Market consolidation
- Region Eurasia divestment timeline
- Settlement proposal from US and Dutch authorities

Our response
- Divested Ncell in Nepal and Yoigo in Spain
- Signed agreements to divest Tcell in Tajikistan and Sergel in Sweden
- Strengthen offering and market position in Norway by signing an agreement to acquire Phonero
- Capital markets day focusing on region Sweden

SUPPLIERS

How we engage
- Contract engagements (O)
- Strategic vendor meetings (O)
- Supplier due diligence and audits (O)

Key topics
- Supplier code of conduct understanding and adherence
- Supplier base reduction to reduce cost and administration
- Developing strategic partnerships with fewer suppliers
- Improve common ways of working in procurement throughout the group

Our response
- Further development and implementation of common procurement process and documents
- New due diligence platform for sustainability requirements
- 169 on-site supplier sustainability audits
- New structure and roles in procurement, including supplier relationship managers

SOCIETY

How we engage
- ICT sector organizations (O)
- Seminars and conferences (O)
- Public presentations and town hall meetings (O)
- Bilateral meetings with policy makers (O)

Key topics
- Digitalization's impacts on societal development
- Building future networks and "gigabit societies"
- Human rights and business ethics
- Contributing to the UN Sustainable Development Goals
- Contributing to a safe, friendly online environment
- Regulatory changes and spectrum allocation

Our response
- "Accelerating sustainable growth" report and Telia Talks on the impacts of digitalization
- Reporting on government requests, local legislation and law enforcement statistics
- Public engagement on business ethics and our contribution to the UN Sustainable Development Goals
- Campaigns such as #hatahat in Sweden and Tal ordentligt in Denmark for a friendlier online experience
- Blocking and collaboration around fighting child sexual abuse material online
- Engagement on national and EU level regarding legislative predictability

Frequency
(A) = Annual
(M) = Multiple
(O) = Ongoing

CAPABILITIES AND RESOURCES

The key assets that Telia Company has is the customer base, trust from customers and an excellent network infrastructure. We are good at delivering volume-based services efficiently and creating B2B solutions including management. We have operations in low-cost countries and leading competence in networks and operations.

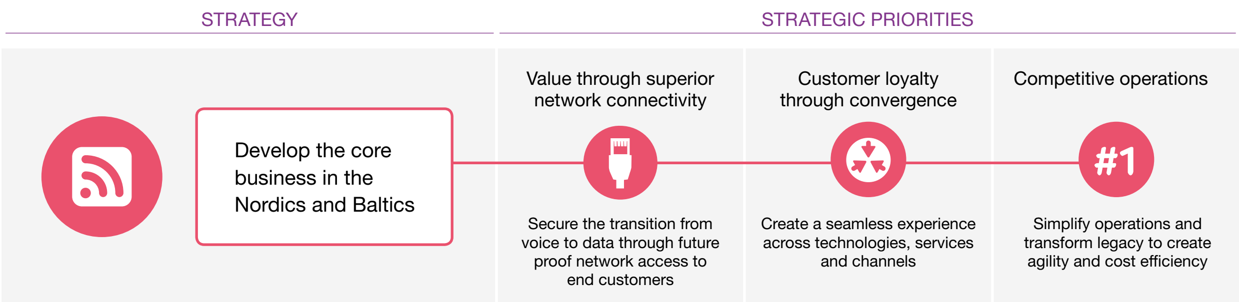
STRATEGY

Our strategy is in the third year of execution. It is based on continuous development of our core business combined with focused bets in areas that are strengthening the core but also build new businesses in growing areas.

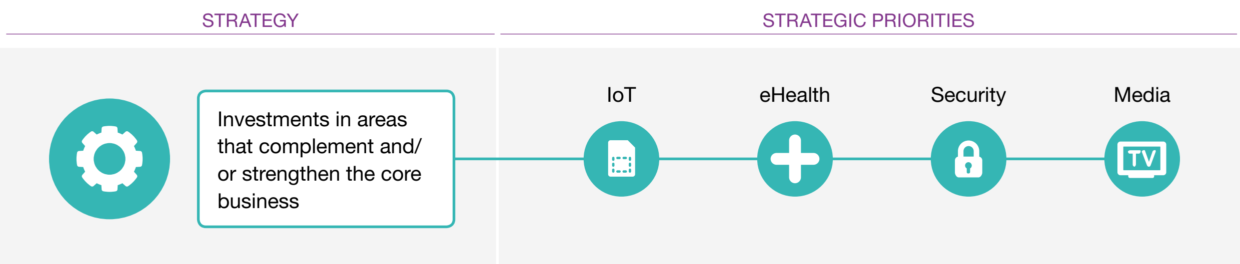
Enhance the core
The foundation is superior network connectivity. This means that we secure a network that can transport massive data volumes with high quality and our investments are steered towards modern technologies such as fiber and 4G. We are also developing 5G together with our industry partners and have started to virtualize our network and drive the software defined networks. As voice is declining we monetize data to compensate for that.

However, a quality network must be combined with an excellent customer experience and customer loyalty. This means that we need to offer customers a seamless experience independent of which networks they are moving between. As the mobile and the fixed networks are converging, we can optimize the transportation of data to secure both the experience and the production of data. However, to further build the experience we must deliver solutions and functionality in order to sell things as a service. This means that we are focusing on the IT and telecom conver-

ENHANCE THE CORE



EXPLORE OPPORTUNITIES CLOSE TO THE CORE



gence for the B2B customers. As IT moves to cloud and several customers are using the same production environment, the IT business is moving towards the telco logic and thereby gives us an opportunity to capture a larger part of the customers' telco and IT spend.

In the B2C market we are focusing on delivering a converged customer experience. This means that we secure that the customer can interact with us and our services seamless between channels, devices, networks and services with a unified and constant experience. By giving the customer the best experience, we also build loyalty and preference towards our services.

In order to secure competitive operations we are rebuilding our factory. This is what we call transformed operations. We start by simplifying our product portfolio and secure attractive business rules. After that, we build new IT systems that are agile and flexible to secure a competitive cost level. By using a modern operational transformation architecture with application program interfaces we can secure adaptability also for future needs. Driving this through an online first mentality, we can also simplify and make our distribution more customer-friendly.

We are also managing things cross border to secure that we take out scale synergies in the areas where we can. One of the key areas is sourcing where we reduce cost through scale sourcing and demand driven from group-level.

In the networks area we optimize build-out through analytics and by closing down legacy networks.

Explore opportunities close to the core

In order to further grow our business and create customer relevance we have chosen four focus areas in adjacencies:

- IoT – Internet of things. Which is connected devices combined with analytics and rule engines. This is offered as connectivity, enabling platforms, vertical solutions of eco-system services. IoT is another example of the convergence between IT and telecom.
- eHealth – In this area we are offering connected medical devices, home care solutions and special services targeting the treatment of specific diseases. We are also working with hospitals and clinics on digitalized journals and decision support systems.
- Security – In this area we secure customers' networks from intrusion and cyber-attacks. We also offer solutions to secure identity and the integrity of customer solutions.
- Media – We are today a leading TV provider in the Nordics and Baltics. We are now moving our services to on-demand and OTT to secure a leading position in media services targeting the new consumption behavior. We seek the richest content offering and best user experience combining multiple content sources.

DELIVERING ON STRATEGY - SOME EXAMPLES

In Lithuania Telia was the first operator to launch the voice transmission technology VoLTE (Voice over LTE) in its 4G network. This ensures a high data transfer rate even when simultaneously making or receiving a call. It also improves call quality and speeds up the call connection process.

In Denmark we launched two new value adding services – Flipp which provides access to a large number of digital magazines and Zetland which is a digital newspaper.

During the year we were awarded the best networks in Sweden, Finland, Norway, Lithuania and Estonia.

In Sweden we carried out a 5G field test during the year – an outdoor test on the first 5G trial system in Europe over a live network and included tests on speed and latency.

TELIA APP MARKET

A host for enterprise cloud services is available in Sweden, Finland, Lithuania and since October 2016, also in Norway.

At Telia App Market we have gathered all the best business applications to provide any organization with Software-as-a-Service (SaaS) through cloud computing to make it more efficient. App market hosts a range of services for enterprise customers, including Microsoft Onedrive & Office 365, F-secure and Spotify Business. The demand for cloud services and popular business applications is growing.

In Sweden Telia was the first operator in the world to introduce a cloud based solution for the connected car - Telia Sense. By using an app together with a piece of car hardware, owners of somewhat older cars get access to smart services and features that up until now were only accessible in high-end cars. Telia Sense comes with car control features, 4G wifi connectivity and partner services such as car inspection and maintenance, road assistance and insurance.

OSLO

We launched an IoT sustainability partnership with Urban Infrastructure Partner in Norway where we will measure air pollution in Oslo with sensors and provide information for the inhabitants.

In Norway we launched Smart Farming - a ground breaking service based on Narrow Band-IoT which provides farmers with a smart system for monitoring irrigation systems. The Smart Farming service is the first service based on the new technology narrowband IoT, that enables excellent coverage indoors, outdoors and in the ground. It is ideal for things that run on battery or only send data irregularly.

BOARD OF DIRECTORS' REPORT

Telia Company reports its financial results by the two operating segments region Sweden and region Europe. The regions are country-based organizations, and for which certain financial information is reported. Collectively reported as Other operations are the international carrier operations, customer financing and dunning operations, Telia Company Holding, Telia Company's shareholdings in Russian MegaFon (25 percent) and Turkish Turkcell (38 percent) as well as Group functions. Group functions include Communications, Corporate Development (including M&A), Finance (including Procurement and Real Estate), Human Resources, Legal Affairs, Global Services and Operations, CEO Office, Ethics and Compliance Office and Internal Audit.

The organizational structure changed on January 1, 2017. For more information, see www.teliacompany.com.

In this Report, prior period has been restated to reflect certain classification errors between net sales and cost of sales referring to insurance sales in region Europe. For additional information on restatements, see Note C1.

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. The Sergel companies (Sergel) are included in continuing operations but classified as assets held for sale since June 30, 2016. For information on assets held for sale and discontinued operations, see Note 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 2015, unless otherwise stated.

GROUP DEVELOPMENT IN 2016

Financial highlights

Net sales in local currencies, excluding acquisitions and disposals, declined 0.8 percent. In reported currency, net sales declined 2.7 percent to SEK 84,178 million (86,498). Service revenues in local currencies, excluding acquisitions and disposals, declined 0.4 percent.

EBITDA, excluding non-recurring items, increased 2.6 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 2.2 percent to SEK 25,836 million (25,281). The EBITDA margin, excluding non-recurring items, increased to 30.7 percent (29.2).

Financial highlights SEK in millions, except key ratios, per share data and changes	2016	2015	Change (%)
Net sales	84,178	86,498	-2.7
Change (%) local organic	*-0.8*		
of which service revenues (external)[1]	71,516	72,907	-1.9
change (%) local organic	*-0.4*		
EBITDA[1] excluding non-recurring items[2]	25,836	25,281	2.2
Change (%) local organic	*2.6*		
Margin (%)	30.7	29.2	
Operating income excluding non-recurring items[2]	17,123	17,814	-3.9
Operating income	21,090	14,606	44.4
Income after financial items	19,249	11,689	64.7
Net income, continuing operations	16,433	9,532	72.4
Net income, discontinued operations	-9,937	673	
Total net income	6,496	10,205	-36.3
of which attributable to owners of the parent company	3,732	8,551	-56.4
Earnings per share, total (SEK)	0.86	1.97	-56.4
Earnings per share, continuing operations (SEK)	3.76	2.16	74.1
Total free cash flow	7,267	16,550	-56.1
of which from continuing operations	7,152	12,520	-42.9
CAPEX excluding license and spectrum fees	15,016	14,289	5.1

1) See Definitions
2) See section "Non-recurring items" for details

Operating income, excluding non-recurring items, decreased 3.9 percent to SEK 17,123 million (17,814).

Total net income attributable to owners of the parent company dropped to SEK 3,732 million (8,551) and earnings per share to SEK 0.86 (1.97), mainly due to provision for settlement amount proposed by the US and Dutch authorities.

Significant events in 2016

Operations

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

On March 18, 2016, Telia Company announced and confirmed that it was in exclusive discussions with Zegona Communications regarding a potential divestment of Yoigo in Spain.

On April 11, 2016, Telia Company announced that it had initiated a strategic review of its Nordic and Baltic credit management services and debt purchase business, Sergel.

On April 13, 2016, the Swedish Companies Registration Office approved the name change of the company from TeliaSonera AB to Telia Company AB.

On June 21, 2016, Sonera, Telia Company's Finnish operation, announced its interest in acquiring Anvia Telecom, a Finnish wireline operator. On June 29, 2016, Anvia Group announced that it intended to sell its telecoms business to Finnish Elisa.

On June 21, 2016, Telia Company hosted its 2016 Capital Market Day. Presentations included updates on group strategy and the financials together with a special section on the Swedish operations. The full year 2016 outlook was reiterated.

On September 15, 2016, Telia Company announced that it had received a settlement proposal of USD 1.45 billion from the US and Dutch authorities.

On October 21, 2016, Telia Company announced that it will explore together with Turkcell a joint divestment of Fintur Holdings. This will most likely happen in 2017.

Associated companies

On March 29, 2016, Telia Company announced that no decision was made on dividend at Turkcell's Ordinary General Assembly. No material changes took place in the corporate governance of Turkcell during the year, regarding the continued deadlock between the shareholders Çukurova, LetterOne and Telia Company. Telia Company is actively trying to contribute to the resolution of the deadlock through continued contacts with both Çukurova and LetterOne. The Turkcell Board of Directors consisted of seven independent members, all appointed by the Turkish Capital Markets Board (CMB). For information regarding certain disputes related to shares in Turkcell Holding, see Note C29 to the consolidated financial statements.

Board of Directors and Group Executive Management

On January 12, 2016, Telia Company announced that it had appointed Anders Olsson Chief Operating Officer and Head of Global Services & Operations and member of the Group Executive Management team.

On April 12, 2016, Telia Company announced that the ordinary members of the Board Marie Ehrling, Olli-Pekka Kallasvuo, Mikko Kosonen, Nina Linander and Martin Lorentzon were re-elected. Susanna Campbell, Anna Settman and Olaf Swantee were elected new members to the Board. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuo was elected Vice-Chair of the Board.

The Annual General Meeting also decided upon a dividend to shareholders of SEK 3.00 per share and that the payment should be distributed in two equal tranches of SEK 1.50 each to be paid in April and October, respectively.

On December 14, 2016, Telia Company announced organizational changes in Group Executive Management as of January 1, 2017. For more information, see www.teliacompany.com.

Funding

On October 3, 2016, Telia Company announced that it had signed a new dual tranche EUR 1,500 million Revolving Credit Facility with a group of thirteen relationship banks.

Treasury shares

As of December 31, 2015, 4,588 Telia Company shares were held by the company itself and the total numbers of issued and outstanding shares were 4,330,084,781 and 4,330,080,193, respectively. On April 29, 2016, Telia Company AB acquired additional 118,398 own shares at an average price of SEK 38.6519 to cover commitments under the "Long term Incentive Program 2013/2016". During the second quarter of 2016, Telia Company distributed 122,986 shares to the incentive program participants. As of December 31, 2016, 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.

Net sales

In continuing operations, net sales decreased 2.7 percent to SEK 84,178 million (86,498). Net sales in local currencies and excluding acquisitions and disposals, decreased 0.8 percent. The positive effect from exchange rate fluctuations was 0.1 percent and the negative effect of acquisitions and disposals was 2.0 percent. Service revenues in local currencies, excluding acquisitions and disposals, decreased 0.4 percent as growth in mobile service revenues in most of our markets and fiber installation revenues in Sweden was not enough to mitigate pressure on traditional fixed telephony revenues and the decline of low margin voice revenues in Telia Carrier. Also contributing to the decline in service revenues was lower interconnect revenues in Finland and Norway, driven by changes in termination rates. Excluding decline in Telia Carrier and lower revenues from interconnect, service revenues in local currencies and excluding acquisitions and disposals, would have increased by 0.3 percent.

Net sales SEK in millions	2016	2015	Change (SEK million)	Change (%), total	Change (%), of which Local organic[1]	 M&A effects	 FX effects[2]
Region Sweden	37,251	37,336	-85	-0.2	-0.3	0.1	0.0
Region Europe	41,746	43,658	-1,913	-4.4	-0.4	-4.2	0.3
Other operations	7,468	7,753	-285	-3.7	-3.0	0.0	-0.7
Elimination of internal sales	-2,287	-2,249	-38	1.7	n/a	n/a	n/a
Total, continuing operations	**84,178**	**86,498**	**-2,320**	**-2.7**	**-0.8**	**-2.0**	**0.1**

1) In local currencies and excluding acquisitions and disposals (M&A effects)
2) Effects of exchange rate fluctuations

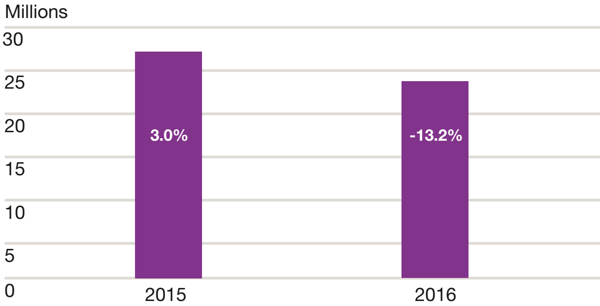
Operating expenses SEK in millions	2016	2015	Change (SEK million)	Change (%)
COGS	-33,578	-35,931	2,353	-6.5
of which goods and sub-contracting services purchased	-17,441	-18,176	735	-4.0
of which interconnect and roaming expenses	-7,971	-9,042	1,071	-11.8
of which other network expenses	-4,695	-4,949	254	-5.1
of which change in inventories	-3,470	-3,763	293	-7.8
Personnel expenses	-12,105	-12,171	66	-0.5
Marketing expenses	-4,319	-4,847	528	-10.9
Other expenses	-8,456	-9,124	668	-7.3
Subtotal	**-58,458**	**-62,073**	**3,615**	**-5.8**
Amortization, depreciation and impairment losses, total	-11,534	-12,780	1,246	-9.7
Other operating income and expenses, net[1]	4,093	-433	4,526	
Total, continuing operations	**-65,899**	**-75,286**	**9,388**	**-12.5**

1) Excluding amortization, depreciation and impairment losses

Subscription growth

The total number of subscriptions in continuing operations declined by 3.6 million to 23.5 million, of which mobile subscriptions declined by 3.3 million to 16.7 million. The decrease refers mainly to the disposal of Yoigo in Spain (3.253 million). Fixed telephony subscriptions decreased by 0.3 million, while TV increased by 0.1 million and the number of broadband subscriptions was flat.

SUBSCRIPTIONS (MILLIONS) AND CHANGE YEAR-ON-YEAR (%), CONTINUING OPERATIONS



Operating expenses

Expense items affecting operating income in continuing operations were as follows.

Cost of goods and services sold (COGS) was SEK 33,578 million (35,931) or equal to a 6.5 percent decrease compared to 2015. Around half of the decrease is due to the divestment of Yoigo in Spain and half of the decrease is mainly due to lower handset sales in Finland, as well as lower interconnect costs in Finland and Norway.

Personnel expenses, in local currencies and excluding acquisitions and disposals, decreased 0.9 percent compared to 2015, driven by region Sweden, partly offset by an increase in region Europe. In region Sweden, the lower personnel expenses were primarily due to lower pension costs. In region Europe, Finland was the main driver of increased personnel expenses due to salary inflation and higher costs for variable pay.

Marketing expenses, in local currencies and excluding acquisitions and disposals, decreased 4.9 percent, mainly due to lower marketing spend in Norway. As for the other cost items, figures in reported SEK are impacted by the divestment of Yoigo in Spain.

Amortization, depreciation and impairment losses decreased 9.7 percent to SEK 11,534 million (12,780), mainly explained by impairment losses related to Denmark in 2015, and the divestment of Yoigo in Spain from the fourth quarter of 2016. Amortization and depreciation excluding non-recurring items increased 6.0 percent to SEK 11,534 million (10,880). In local currencies and excluding acquisitions and disposals, the increase was 6.5 percent.

Non-recurring items SEK in millions	2016	2015
Within EBITDA	**3,977**	**-1,289**
Restructuring charges, synergy implementation costs, etc.:		
Region Sweden	-362	-495
Region Europe	-189	-615
Other operations	-134	-194
Capital gains/losses	4,662	14
Within Amortization, depreciation and impairment losses	**–**	**-1,900**
Impairment losses, accelerated depreciation:		
Region Sweden	–	–
Region Europe	–	-1,900
Other operations	–	–
Within Income from associated companies and joint ventures	**-10**	**-19**
Capital gains/losses	-10	-19
Total, continuing operations	**3,967**	**-3,208**

EBITDA excluding non-recurring items SEK in millions	2016	2015	Change (SEK million)	Change (%)
Region Sweden	14,455	14,267	189	1.3
Region Europe	11,036	10,584	452	4.3
Other operations	345	430	-85	-19.8
Eliminations	0	0	0	
Total, continuing operations	**25,836**	**25,281**	**555**	**2.2**

Operating income excluding non-recurring items SEK in millions	2016	2015	Change (SEK million)	Change (%)
Region Sweden	9,569	9,797	-228	-2.3
Region Europe	5,219	4,875	344	7.0
Other operations	2,335	3,141	-806	-25.7
Eliminations	0	0	0	
Total, continuing operations	**17,123**	**17,814**	**-691**	**-3.9**

Other operating income and expenses, net excluding amortization, depreciation and impairment losses, was SEK 4,093 million (-433) impacted by a capital gain from the divestment of Yoigo in Spain.

Non-recurring items

Non-recurring items affecting operating income in continuing operations totaled SEK 3,967 million (-3,208) and were mainly related to a capital gain from the divestment of Yoigo in Spain and restructuring charges in connection to cost reduction initiatives.

Earnings

In continuing operations, EBITDA, excluding non-recurring items, increased 2.2 percent to SEK 25,836 million (25,281). In local currencies and excluding acquisitions and disposals, EBITDA, excluding non-recurring items, increased 2.6 percent with positive development in both region Sweden and Europe, respectively. EBITDA excluding non-recurring items, in region Sweden increased primarily due to growth in fixed broadband, tv and fiber installation revenues and lower costs which compensated for lower traditional fixed revenues. The increase in EBITDA excluding non-recurring items, in region Europe was mainly attributable to Finland and Norway, driven by growth in mobile service revenues. Other operations contributed negatively, primarily due to higher pension and variable pay expenses as well as costs related to Division X. The EBTIDA margin, excluding non-recurring items, increased to 30.7 percent (29.2).

In continuing operations, operating income, excluding non-recurring items, decreased 3.9 percent to SEK 17,123 million (17,814), mainly due to lower income from associated companies and higher depreciation and amortization which more than offset the EBITDA increase. The lower income from associated companies was mainly explained by negative foreign exchange rate effects. The operating margin, excluding income from associated companies and non-recurring items affecting operating income, was 17.0 percent (16.7).

Financial net, taxes and net income

Financial net improved to SEK -1,841 million (-2,917), primarily impacted by foreign exchange rate effects, lower interest costs and changes in the interest component of the defined benefit pension plan.

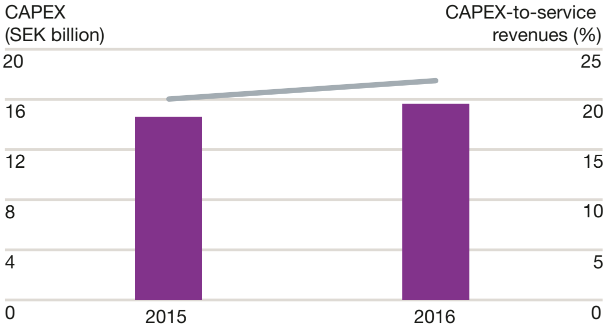
Income taxes increased to SEK -2,816 million (-2,157). The effective tax rate was 14.6 percent (18.5), mainly related to non-taxable capital gain on the sale of Yoigo in Spain.

Net income from continuing operations increased to SEK 16,433 million (9,532) and net income from discontinued operations decreased to SEK -9,937 million (673). Total net income decreased to SEK 6,496 million (10,205) of which SEK 3,732 million is attributable to the owners of the parent company. Earnings per share attributable to owners of the parent company increased to SEK 3.76 (2.16) for continuing operations.

CAPEX

In continuing operations, capital expenditures (CAPEX) increased to SEK 15,625 million (14,595) and the CAPEX-to-service revenues ratio to 21.8 percent (20.0). Main CAPEX components were fiber investments in Sweden (SEK 3.2 billion), continued roll-out of 4G in region Europe as well as IT investments focusing on improved business support. Further, telecom licenses and spectrum permits were acquired in Finland, Norway, Denmark and Lithuania. CAPEX, excluding license and spectrum fees, amounted to SEK 15,016 million (14,289) and the CAPEX-to-service revenues ratio was 21.0 percent (19.6).

CAPEX AND CAPEX-TO-SERVICE REVENUES, CONTINUING OPERATIONS



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. For additional information on discontinued operations, see Note C34 to the consolidated financial statements.

Discontinued operations SEK in millions, except margins and changes	2016	2015	Change (%)
Net sales (external)	13,653	20,742	-34.2
EBITDA excluding non-recurring items	5,880	11,035	-46.7
Margin (%)	43.1	53.2	
CAPEX	5,813	4,195	38.6
CAPEX excluding license and spectrum fees	2,432	3,784	-35.7

Net sales decreased 34.2 percent in reported currency to SEK 13,653 million (20,742), mainly due to the divestment of Ncell in Nepal and foreign exchange rate fluctuations in most markets.

EBITDA, excluding non-recurring items, decreased to SEK 5,880 million (11,035), and the EBITDA margin, excluding non-recurring items, declined to 43.1 percent (53.2).

Non-recurring items within EBITDA was SEK -11,952 million (-474) impacted by a provision for settlement amount proposed by the US and Dutch authorities (see Note C34 for further information).

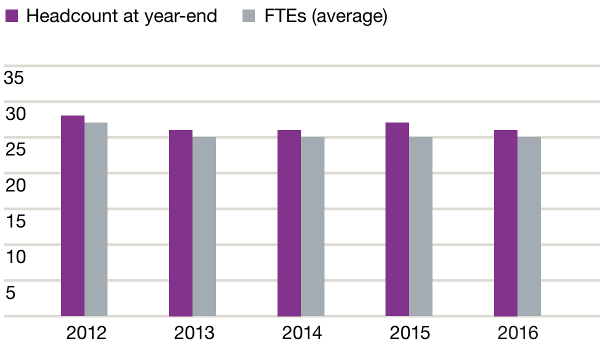
Net income was SEK -9,937 million (673), impacted by a provision for settlement amount proposed by the US and Dutch authorities. See Note C34 for further information.

CAPEX increased to SEK 5,813 million (4,195) and CAPEX, excluding license and spectrum fees, decreased to SEK 2,432 million (3,784).

Human resources

During 2016, the number of employees in continuing operations decreased by 312 to 21,030 at year-end, from 21,342 at year-end 2015. The number of employees in discontinued operations decreased by 566 to 4,987 from 5,553 at year-end 2015.

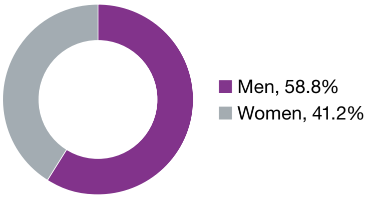
EMPLOYEES, TOTAL (THOUSANDS)



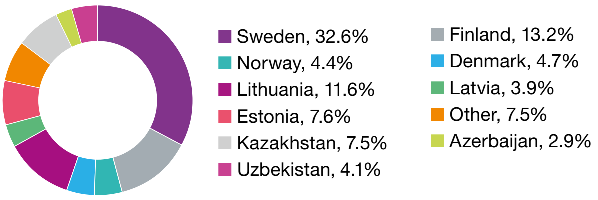
The total average number of full-time employees in 2016 was 24,898 (25,450), of which in continuing operations 19,822 (20,036). In total, operations were conducted in 28 countries (29), of which continuing operations in 21 countries (21). See also Note C31 to the consolidated financial statements.

EMPLOYEES, TOTAL (FTES, %)

BY GENDER



BY COUNTRY



For additional information on employees and labor practices, see Occupational health and safety and GRI Index, section "Labor practices and decent work."

FINANCIAL POSITION, CAPITAL RESOURCES AND LIQUIDITY

Financial position

The financial position remained stable year-on-year.

Goodwill increased to SEK 57.9 billion mainly explained by positive exchange rate differences, no impairment charges were recorded for continuing operations. Other intangible assets totaled SEK 13.0 billion, positively impacted through CAPEX (investments) of SEK 2.8 billion and exchange rate differences but negatively impacted by amortization of SEK 2.6 billion.

Property, plant and equipment, totaling SEK 58.1 billion, increased through CAPEX (investments) totaling SEK 12.8 billion and decreased due to depreciations amounting to SEK 8.9 billion. The divestment and deconsolidation of Yoigo in Spain in the fourth quarter of 2016 affected property, plant and equipment by SEK 2.2 billion. The effects from exchange rate differences were positive.

Financial and other non-current assets comprise investments in associated companies and joint ventures, deferred tax assets, pension obligation assets and other assets, mainly long-term interest-bearing receivables.

The carrying value of associated companies and joint ventures was SEK 22.7 billion, of which the carrying values of Russian MegaFon and Turkish Turkcell were SEK 4.7 billion and SEK 17.1 billion, respectively. Share of net income in the associates and joint ventures amounting to SEK 2.8 billion added value, offset by dividends received from the companies, in total SEK 2.1 billion. Currency effects were

Financial position SEK in millions	2016	2015	Change (SEK million)	Change (%)
Goodwill and other intangible assets	70,947	67,933	3,014	4.4
Property, plant and equipment	58,107	55,093	3,014	5.5
Financial and other non-current assets	50,420	50,823	-402	-0.8
Total non-current assets	**179,475**	**173,850**	**5,625**	**3.2**
Other current assets	30,402	29,708	694	2.3
Cash and cash equivalents	14,510	14,647	-137	-0.9
Assets classified as held for sale	29,042	35,812	-6,770	-18.9
Total current assets	**73,955**	**80,167**	**-6,212**	**-7.7**
Total assets	**253,430**	**254,017**	**-587**	**-0.2**
Total equity	94,869	102,202	-7,334	-7.2
Borrowings	94,468	100,983	-6,515	-6.5
Provisions and other liabilities	50,466	39,234	11,232	28.6
Liabilities directly associated with assets held for sale	13,627	11,598	2,029	17.5
Total equity and liabilities	**253,430**	**254,017**	**-587**	**-0.2**

negative at SEK 1.4 billion, due to negative development of the Turkish lira, partly offset by positive development of the Russian rubel, both versus the Swedish krona.

Deferred tax assets decreased mainly due to the divestment of Yoigo in Spain and deconsolidation of tax loss carry-forwards related to the Spanish operation, whilst deferred tax liabilities (included in Provisions and other liabilities) were stable. All in all, the net deferred tax liability was SEK 6.2 billion at year-end 2016.

Total long-term interest-bearing receivables increased to SEK 18.1 billion (16.4), mainly as a result of using surplus cash to invest in bonds.

Cash and cash equivalents in total were stable versus 2015. Cash flow from operations and the divestments of Ncell in Nepal and Yoigo in Spain had positive impact offset by pay-out of ordinary dividend and changes in the debt portfolio described further below.

Assets classified as held for sale, totaling SEK 29.0 billion, decreased mainly as a result of the divestment and deconsolidation of Ncell in Nepal and impairment charges, see Note C34 for further information. These effects were partially offset by a prolonged license in Uzbekistan.

Total equity decreased 7.2 percent to SEK 94.9 billion (102.2) negatively impacted by dividends of SEK 13.0 billion to the owners of the parent company and SEK 2.4 billion to non-controlling interests whilst net income of SEK 6.5 billion affected equity positively. Other comprehensive income had a positive impact of SEK 1.5 billion with positive currency effects of total SEK 2.2 billion offset by negative remeasurement effects on pension obligations net amounting to SEK 1.3 billion.

Total gross borrowings decreased to SEK 94.5 billion (100.9) mainly explained by the divestment and deconsolidation of Yoigo in Spain and repayments of the debt portfolio partly related to a credit facility related to the acquisition of Tele2 in Norway in 2015.

Provisions and other liabilities increased mainly due to the provision for the settlement amount proposed by the US and Dutch authorities, see Note C34 for further information.

Liabilities directly associated with assets held for sale, totaling SEK 13.6 billion, increased mainly due to the above described license in Uzbekistan, partly offset by a derecognition of a put option. See Note C34 for further information.

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

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 the 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 29.8 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 were SEK 16.0 billion.

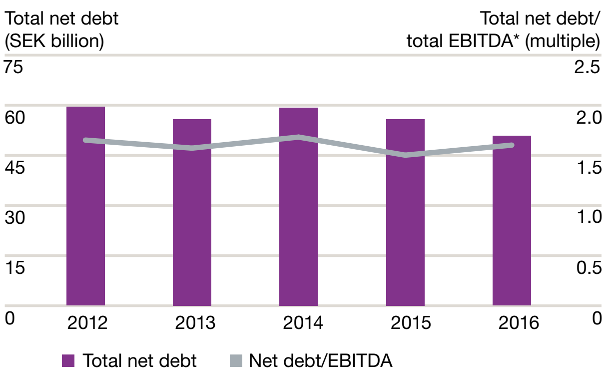
Telia Company AB shall target a solid investment grade long-term credit rating, defined as A- to BBB+. In May 2016 Moody's decided to downgrade Telia Company's long- term rating to Baa1 with stable outlook after an extensive period with negative outlook. The short term rating was reconfirmed as P-2.

After the announcement of the proposed settlement from the US and Dutch authorities in September 2016, Standard & Poor's Ratings Services decided to put its long term credit rating of Telia Company of A- on CreditWatch negative but confirmed A-2 for short-term borrowings.

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 2016, Telia Company AB issued no new debt in the debt capital markets but announced in May 2016 a tender offer in GBP under which an amount of GBP 153.9 million of the outstanding bond with maturity 2042 was bought back. At year-end, the average time to maturity of Telia Company AB's overall debt portfolio was approximately 7.8 years.

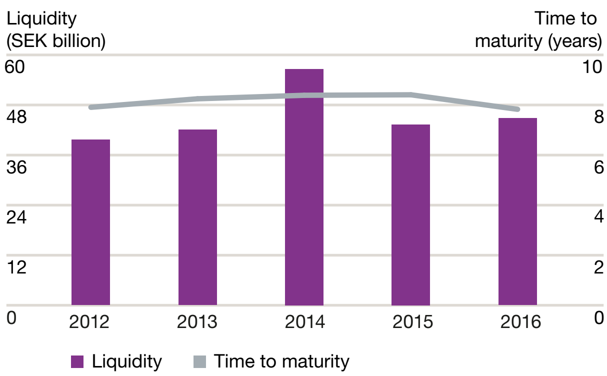
At the end of 2016, no Commercial Papers were outstanding.

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



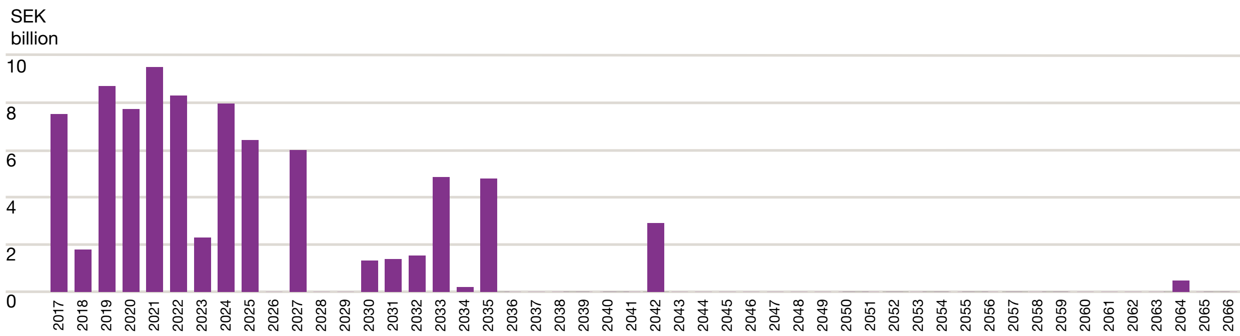
1) Excluding non-recurring items
2) Total Telia Company group including both continuing and discontiued operations

LIQUIDITY AND TIME TO MATURITY[1]



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

DEBT PORTFOLIO MATURITY SCHEDULE – 2017 AND ONWARDS



Cash flow, continuing and discontinued operations

Cash flow from operating activities decreased to SEK 26.0 billion (35.2), mainly due to Ncell in Nepal not being consolidated the full year, weakened operational performance in Eurasia and dividend received from Turkcell of SEK 4.7 billion net of taxes in 2015.

Cash flow from investing activities, totaling SEK -7.4 billion (-29.0) consists of investments in intangible assets, property plant and equipment, acquisitions and divestments, changes in loans receivable and in short term investments, and repayments from or additional contributions to pension funds. Cash CAPEX remained flat compared to 2015. Cash received from divestments was SEK 12.1 billion (4.7), which mainly refers to Ncell in Nepal and Yoigo in Spain. Cash paid for business combinations and other equity instruments was SEK 0.1 billion (6.2). Contribution from the Swedish pension fund was SEK 0.5 billion (0). Net cash used for granting loans was SEK -2.9 billion (-10.5) mainly net from investment bonds. Cash inflow from net changes in short-term investments was SEK 1.5 billion (1.6).

Cash outflow from financing activities in 2016, totaling SEK 22.5 billion (9.6), included dividends paid to shareholders of the parent company of SEK 13.0 billion (13.0) and to non-controlling interests of SEK 2.4 billion (0.8). Net outflow from new and repaid borrowings amounted to SEK 8.9 billion (inflow 4.1) mainly from repayment of a credit facility related to the acquisition of Tele2 in Norway in 2015. New for 2016 is repurchase agreements which net were SEK 0.6 billion (0) and net of other derivatives was SEK 1.1 billion (0.5).

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

Outlook for 2017

Free cash flow from continuing operations, excluding licenses and dividends from associated companies, is expected to be above SEK 7 billion. This operational free cash flow together with dividends from associates, should cover a dividend around the 2016 level.

EBITDA from continuing operations, excluding non-recurring items, in local currencies, excluding acquisitions and disposals, is expected to be around the 2016 level.

Dividend policy

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

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

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

Cash flow SEK in millions	2016	2015	Change (SEK million)	Change (%)
Cash flow from operating activities	**25,970**	**35,249**	**-9,279**	**-26.3**
Cash CAPEX	-18,703	-18,699	-4	0
Free cash flow	**7,267**	**16,550**	**-9,283**	**-56.1**
Cash flow from other investing activities	11,275	-10,285	21,560	
Cash flow from investing activities	**-7,428**	**-28,985**	**21,557**	**-74.4**
Cash flow from financing activities	**-22,491**	**-9,628**	**-12,863**	**133.6**
Cash and cash equivalents, opening balance	**25,334**	**28,735**	**-3,401**	**-11.8**
Cash flow for the period	**-3,949**	**-3,363**	**-586**	**17.4**
of which continuing operations	-3,925	-7,082	3,157	-44.6
Exchange rate differences	1,523	-38	1,561	
Cash and cash equivalents, closing balance	**22,907**	**25,334**	**-2,427**	**-9.6**
of which continuing operations	*14,605*	*14,647*	*-42*	*-0.3*

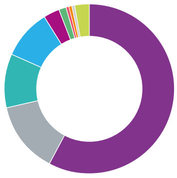
TELIA COMPANY SHARE

The Telia Company share is listed on Nasdaq Stockholm and Helsinki. In 2016, the share price in Stockholm declined 13 percent, to SEK 36.71. During the same period, the OMX Stockholm 30 Index increased 4.9 percent and the STOXX 600 Telecommunications Index fell 15.9 percent.

At year-end 2016, Telia Company's market capitalization was SEK 159 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 decreased from 35.1 percent to 32.0 percent. Telia Company had 512,841 shareholders at year-end, of which one shareholder held more than 10 percent of the shares and votes: the Swedish State with 37.3 percent. No other shareholder held more than 5 percent of the shares and votes.

SHAREHOLDINGS BY COUNTRY, DECEMBER 31, 2016 (% 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)

SHAREHOLDER STRUCTURE, DECEMBER 31, 2016

Number of shares	Number of shareholders	Number of issued shares	Percent of issued shares/votes
1 – 500	405,685	72,630,800	1.7
501 – 1,000	39,091	31,047,509	0.7
1,001 – 5,000	51,772	119,807,687	2.8
5,001 – 10,000	8,410	62,451,839	1.4
10,001 – 15,000	2,535	31,793,429	0.7
15,001 – 20,000	1,395	25,421,407	0.6
20,001 –	3,953	3,986,932,110	92.1
Total, issued shares	**512,841**	**4,330,084,781**	**100.0**

MAJOR SHAREHOLDERS, DECEMBER 31, 2016

Shareholder	Number of issued shares	Percent of issued shares/votes
Swedish State	1,614,513,748	37.3
Capital Group Funds	162,536,783	3.8
Solidium Oy	137,123,642	3.2
Blackrock	69,067,163	1.6
Swedbank Robur Funds	66,877,430	1.5
Vanguard	59,015,939	1.4
AMF Insurance and Funds	44,964,265	1.0
XACT Funds	43,173,239	1.0
Nordea Funds	39,353,815	0.9
Nordea Funds (Luxemburg)	28,516,526	0.7
Total other shareholders	2,064,942,231	47.6
Total, issued shares	**4,330,084,781**	**100.0**

Share data	2016	2015
Paid at year-end (SEK)	36.71	42.19
Highest paid during the year (SEK)	43.24	55.65
Lowest paid during the year (SEK)	34.20	40.05
Number of shares at year-end (millions)	4,330.1	4,330.1
Number of shareholders at year-end	512,841	515,437
Earnings per share, total (SEK)	0.86	1.97
Earnings per share, continuing operations (SEK)	3.76	2.16
Dividend per share (SEK)[1]	2.00	3.00
Pay-out ratio (%)[2]	121	151.9
Equity per share (SEK)	20.75	22.60

1) For 2016 as proposed by the Board of Directors
2) For 2015 based on EPS and for 2016 based on free cash flow
Sources: Euroclear Sweden and Modular Finance

As of December 31, 2016, 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, 2016, Telia Company's Finnish pension fund held 366,802 shares and its Finnish personnel fund 673,749 shares in the company, respectively, in total representing 0.03 percent of the outstanding shares.

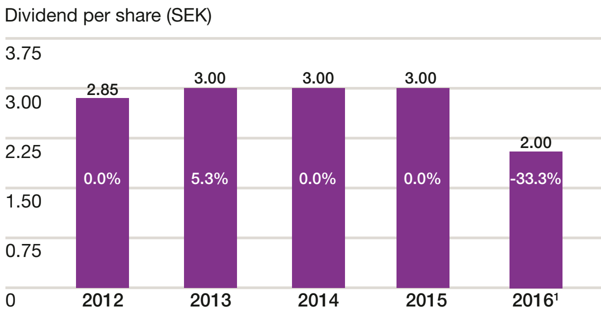
There are no provisions in either the Swedish legislation or in Telia Company AB's Articles of Association that would limit the possibility to transfer Telia Company shares. Telia Company is not aware of any agreements between major shareholders of the company regarding the Telia Company shares.

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 2017. 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 5, 2017, 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 2017. 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 AB, 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 2016, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.00 (3.00), totaling SEK 8,660 million (12,990), or 121 percent of free cash flow attributable to continuing operations. The dividend should be split and distributed into two equal tranches of SEK 1.00 each, one in April 2017 and one in October 2017. See also section "Proposed appropriation of earnings."

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



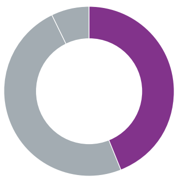
1) For 2016 as proposed by the Board of Directors

REGION AND COUNTRY DEVELOPMENT IN 2016

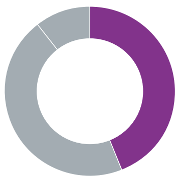
Improved profitability in region Sweden

SHARE OF GROUP TOTAL, CONTINUING OPERATIONS (%)

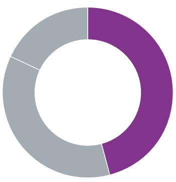
NET SALES



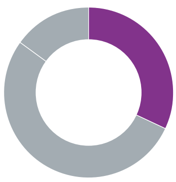
OPERATING INCOME



CAPEX



NO. OF EMPLOYEES



SEK in millions, except margins, operational data and changes	2016	2015	Change (%)
Net sales	37,251	37,336	-0.2
Change (%) local organic	*-0.3*		
of which service revenues (external)	32,128	32,268	-0.4
change (%) local organic	*-0.6*		
EBITDA excl. non-recurring items	14,455	14,267	1.3
Margin (%)	38.8	38.2	
Income from associated companies and joint ventures	1	-20	
Operating income excl. non-recurring items	9,569	9,797	-2.3
Operating income	9,360	9,284	0.8
CAPEX excl. license and spectrum fees	7,119	6,179	15.2
% of service revenues	22.2	19.1	
EBITDA excl. non-recurring items less CAPEX	7,337	8,088	-9.3
Subscriptions, period-end (thousands)			
Mobile	6,207	6,119	1.4
Fixed telephony	1,675	1,896	-11.7
Broadband	1,299	1,306	-0.5
TV	765	730	4.8
Employees, period-end	6,720	6,718	0.0

Additional (unaudited) segment information available at www.teliacompany.com; see also the preamble to this Report for information on restated financial information.

In region Sweden, the journey towards more connectivity and converged offerings continued. In the consumer segment, mobile billed revenues continued to grow and as the first operator in the world, Telia Sweden offered customers free mobile surf on the most popular social media sites and apps, including Facebook, Instagram and Twitter. Customers continued to demand fiber and a record of 186,000 new households were reached and SDU villa campaigns grew 44 percent. The enterprise segment remained challenging with high price pressure within the large enterprise segment. The offerings to SME and SoHo (Small office/Home office) customers were further strengthened with the launch of personal technicians in addition to personal advisors in order to assist and take care of the customers' IT and technology. The year ended with Division X launching Telia Sense in the connected car space and Telia Zone which is a connected home play.

Net sales excluding acquisitions and disposals decreased 0.3 percent. Net sales in reported currency including acquisitions and disposals decreased 0.2 percent to SEK 37,251 million (37,336). The positive effect of acquisitions and disposals was 0.1 percent. Service revenues, excluding acquisitions and disposals, decreased 0.6 percent. Mobile service revenues increased 0.4 percent, supported by strong consumer and wholesale revenues that more than compensated for the decline in the enterprise segment. Mobile ARPU rose and the increase in postpaid subscriptions more than compensated for the decline in prepaid subscriptions. Fixed service revenues declined 0.6 percent due to the drop in revenues from traditional fixed telephony and various business solutions. However, fiber installation revenues continued to partly mitigate that drop. In addition, Swedish quality index (SKI) reported that Telia continues to have the most satisfied TV customers in Sweden which is shown in a continued strong intake. Furthermore, the TV ARPU displayed a double-digit growth. Broadband revenues grew boosted by growth in recurring fiber revenues and higher ARPU.

EBITDA, excluding non-recurring items, increased 1.3 percent to SEK 14,455 million (14,267) while EBITDA excluding non-recurring items, acquisitions and disposals increased 1.2 percent. The growth in mobile, broadband, TV, fiber and wholesale revenues, cost savings from transformation, procurement and general efficiencies were the main drivers behind the EBITDA growth despite the drop in revenues from traditional fixed telephony. In addition, new revenue streams such as value added and adjacent services also contributed to the EBITDA growth. The EBITDA margin increased to 38.8 percent (38.2).

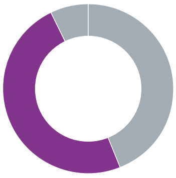
Operating income, excluding non-recurring items, decreased 2.3 percent to SEK 9,569 million (9,797). Non-recurring items impacted operating income were SEK 209 million (514) and were mainly related to restructuring charges and an old court case partly offset by a divestment of real estate.

CAPEX increased to SEK 7,119 million (6,179). No licenses and spectrum were acquired during the year, since the anticipated 700 MHz auction was postponed. The investments were primarily in fiber, 4G and business transformation. Telia was awarded best mobile network which shows that superior network connectivity is created and that the customer journey from voice to data continued to be supported.

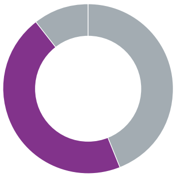
Solid development in region Europe

SHARE OF GROUP TOTAL, CONTINUING OPERATIONS (%)

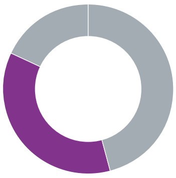
NET SALES



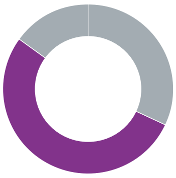
OPERATING INCOME



CAPEX



NO. OF EMPLOYEES



SEK in millions, except margins, operational data and changes	2016	2015	Change (%)
Net sales	41,746	43,658	-4.4
Change (%) local organic	*-0.4*		
of which service revenues (external)	33,497	34,429	-2.7
change (%) local organic	*0.7*		
EBITDA excl. non-recurring items	11,036	10,584	4.3
Margin (%)	26.4	24.2	
Income from associated companies and joint ventures	115	119	-3.5
Operating income excl. non-recurring items	5,219	4,875	7.0
Operating income	9,529	2,375	
CAPEX excl. license and spectrum fees	4,993	5,517	-9.5
% of service revenues	14.9	16.0	
EBITDA excl. non-recurring items less CAPEX	5,434	4,761	14.1
Subscriptions, period-end (thousands)			
Mobile	10,488	13,914	-24.6
Fixed telephony	890	942	-5.5
Broadband	1,260	1,283	-1.8
TV	923	900	2.6
Employees, period-end	11,093	11,323	-2.0

Additional (unaudited) segment information available at www.teliacompany.com; see also the preamble to this Report for information on restated financial information.

The focus on monetization on the growing data traffic continued in our markets during 2016 and "Roam like home" offerings were successfully launched in all markets within region Europe. The number of mobile subscriptions declined during the year mainly impacted by the divestment of Yoigo in Spain but also due to decline of customers' demand for multiple subscriptions. The share of post-paid subscriptions increased from 82 percent to 88 percent of the total. Among the fixed services, traditional fixed telephony continued to decline and the move from copper- to fiber-based services continued. In the consumer segment, ARPU improved in most markets while price pressure continued within the enterprise segment, most apparent in Norway and Denmark.

Net sales in local currencies, and excluding acquisitions and disposals decreased 0.4 percent, mainly due to decreased equipment sales while service revenues increased. Net sales in reported currency decreased 4.4 percent to SEK 41,746 million (43,658). The effect from exchange rate fluctuations was positive by 0.2 percent and the negative effect of acquisitions and disposals was 4.2 percent. Service revenues, in local currency and excluding acquisitions and disposals, increased 0.7 percent, as mobile service revenue growth compensated for the decline in fixed service revenues.

EBITDA, excluding non-recurring items, increased to SEK 11,036 million (10,584) in reported currency, and the margin increased to 26.4 percent (24.2), mainly due to network efficiencies and lower marketing costs in Norway combined with cost control in most countries. In local currencies and excluding acquisitions and disposals, EBITDA, excluding non-recurring items increased 5.5 percent.

Operating income, excluding non-recurring items, increased 7.0 percent in reported currency. Non-recurring items in 2016 were mainly related to a capital gain from the divestment of Yoigo in Spain and personnel restructuring across the markets. Operating income increased to SEK 9,529 million (2,375) in reported currency, primarily as 2016 was positively impacted by the capital gain from the divestment of Yoigo in Spain and 2015 being negatively impacted by goodwill impairment charges related to the operation in Denmark.

CAPEX excluding license and spectrum fees decreased 9.5 percent mainly driven by lower mobile network investments in Norway and Finland.

Finland – Growth in mobile billed revenues

SEK in millions, except margins, operational data and changes	2016	2015	Change (%)
Net sales	13,042	13,279	-1.8
Change (%) local organic	*-3.0*		
of which service revenues (external)	11,197	11,065	1.2
change (%) local organic	*-0.1*		
EBITDA excl. non-recurring items	4,059	3,945	2.9
Margin (%)	31.1	29.7	
Subscriptions, period-end (thousands)			
Mobile	3,253	3,306	-1.6
Fixed telephony	65	80	-18.8
Broadband	497	527	-5.7
TV	489	486	0.6

Net sales in reported currency decreased 1.8 percent to SEK 13,042 million (13,279). In local currency excluding acquisitions and disposals the decrease was 3.0 percent, mainly due to decline in equipment sales. Service revenues declined 0.1 percent in local currency, excluding acquisitions and disposals, as growth in mobile billed revenues was offset by decline in interconnect revenues and fixed service revenues. Growth in mobile billed revenues stems primarily from higher ARPU in the consumer segment which more than offset the interconnect revenue decline. TV revenues grew as a result of higher ARPU while fixed broadband revenues declined as competition from mobile services impacted both broadband ARPU and the number of broadband subscriptions.

The EBITDA margin, excluding non-recurring items, increased to 31.1 percent (29.7), positively impacted by lower share of equipment sales. In local currency, excluding acquisitions and disposals, EBITDA excluding non-recurring items increased 1.7 percent.

During the year, the number of TV subscriptions grew by 3,000. Mobile, fixed telephony and broadband subscriptions decreased by 53,000, 15,000 and 30,000, respectively, the latter due to customers abandoning fixed broadband in favour of mobile services.

Norway – Improved profitability

SEK in millions, except margins, operational data and changes	**2016**	**2015**	**Change (%)**
Net sales	9,057	9,094	-0.4
Change (%) local organic	*-0.5*		
of which service revenues (external)	7,516	7,485	0.4
change (%) local organic	*-0.2*		
EBITDA excl. non-recurring items	3,125	2,761	13.2
Margin (%)	34.5	30.4	
Subscriptions, period-end (thousands)			
Mobile	2,211	2,311	-4.3

Net sales in reported currency decreased 0.4 percent to SEK 9,057 million (9,094). Service revenues decreased 0.2 percent in local currency, excluding acquisitions and disposals, mainly due to decline in interconnect and fixed service revenues. The latter due to the divestment of the fixed telephony subscription base in the fourth quarter of 2015. Mobile service revenue increased slightly as wholesale revenues compensated for the interconnect decline. Mobile ARPU declined, driven by the lower interconnect rate, despite improved consumer ARPU.

The EBITDA margin, excluding non-recurring items, increased to 34.5 percent (30.4), explained by network efficiencies and lower cost for customer acquisitions and marketing spend.

The number of mobile subscriptions decreased by 100,000 during the year.

Denmark – Still fierce competition

SEK in millions, except margins, operational data and changes	**2016**	**2015**	**Change (%)**
Net sales	5,880	5,890	-0.2
Change (%) local organic	*-1.6*		
of which service revenues (external)	4,270	4,247	0.5
change (%) local organic	*-0.9*		
EBITDA excl. non-recurring items	692	743	-6.8
Margin (%)	11.8	12.6	
Subscriptions, period-end (thousands)			
Mobile	1,606	1,644	-2.3
Fixed telephony	101	114	-11.4
Broadband	128	135	-5.2
TV	28	28	0.0

Net sales in reported currency decreased 0.2 percent to SEK 5,880 million (5,890). Service revenues decreased 0.9 percent in local currency, excluding acquisitions and disposals. Mobile service revenues increased 2.5 percent despite a decline in the subscription base, due to growth in wholesale and interconnect revenues. Fixed broadband and TV revenues showed growth but fixed service revenues as a whole decreased driven by decline in traditional fixed telephony and business solutions.

The EBITDA margin, excluding non-recurring items, declined to 11.8 percent (12.6), negatively impacted by continued price pressure in the enterprise segment.

The number of mobile subscriptions decreased by 38,000 during the year. Fixed telephony subscriptions decreased by 13,000 and broadband subscriptions by 7,000, while TV subscriptions remained flat.

Lithuania – Revenue and earnings growth

SEK in millions, except margins, operational data and changes	**2016**	**2015**	**Change (%)**
Net sales	3,268	3,146	3.9
Change (%) local organic	*2.6*		
of which service revenues (external)	2,662	2,536	5.0
change (%) local organic	*3.7*		
EBITDA excl. non-recurring items	1,139	1,051	8.4
Margin (%)	34.9	33.4	
Subscriptions, period-end (thousands)			
Mobile	1,318	1,327	-0.7
Fixed telephony	417	447	-6.7
Broadband	402	390	3.1
TV	229	212	8.0

Net sales in reported currency increased 3.9 percent to SEK 3,268 million (3,146). Service revenues increased 3.7 percent in local currency, excluding acquisitions and disposals driven by both mobile and fixed service revenues as the decline in fixed telephony was more than compensated for by growth in other fixed services. Mobile ARPU increased 8.1 percent mainly due to a higher share of post-paid subscriptions.

The EBITDA margin, excluding non-recurring items, increased to 34.9 percent (33.4), driven by the increase in service revenues coupled with cost control and integration synergies.

The number of mobile subscriptions decreased by 9,000 during the year, pre-paid subscriptions declined while post-paid increased in line with the overall trend in the market. Fixed telephony subscriptions declined by 30,000, while broadband subscriptions grew by 12,000 and TV subscriptions by 17,000.

Latvia – Good net sales growth

SEK in millions, except margins, operational data and changes	**2016**	**2015**	**Change (%)**
Net sales	1,788	1,660	7.8
Change (%) local organic	*6.4*		
of which service revenues (external)	1,202	1,188	1.1
change (%) local organic	*-0.1*		
EBITDA excl. non-recurring items	580	548	5.8
Margin (%)	32.4	33.0	
Subscriptions, period-end (thousands)			
Mobile	1,200	1,119	7.3

Net sales in reported currency increased 7.8 percent to SEK 1,788 million (1,660), driven by growth in equipment sales. Service revenues declined by 0.1 percent in local currency, excluding acquisitions and disposals. Mobile billed revenues increased and almost compensated for lower other mobile service revenues. Mobile ARPU increased 4.0 percent due to a shift from pre-paid to post-paid subscriptions with higher ARPU.

The EBITDA margin, excluding non-recurring items, decreased to 32.4 percent (33.0), due to a higher share of equipment sales.

The number of mobile subscriptions increased by 81,000, as a decline of 23,000 in pre-paid was more than offset by an increase of 105,000 post-paid subscriptions driven by subscriptions used for machine-to-machine services.

Estonia – Growing subscription base

SEK in millions, except margins, operational data and changes	**2016**	**2015**	**Change (%)**
Net sales	2,733	2,692	1.5
Change (%) local organic	*-1.3*		
of which service revenues (external)	2,080	2,062	0.8
change (%) local organic	*-2.1*		
EBITDA excl. non-recurring items	811	817	-0.8
Margin (%)	29.7	30.3	
Subscriptions, period-end (thousands)			
Mobile	901	863	4.4
Fixed telephony	307	301	2.0
Broadband	233	231	0.9
TV	177	174	1.7

Net sales in reported currency increased 1.5 percent to SEK 2,733 million (2,692). Service revenues declined 2.1 percent in local currency, excluding acquisitions and disposals, as growth in mobile service revenues was offset by lower sales of travel products and as quarter four last year included high revenues from the Estonian subsidiary Green IT.

The EBITDA margin, excluding non-recurring items, decreased to 29.7 percent (30.3) percent, mainly due to lower wholesale revenues.

The number of mobile subscriptions increased net by 38,000, with 53,000 increase of post-paid subscriptions of which 50,000 related to subscriptions used for machine-to-machine services. The number of TV subscriptions increased by 3,000 during the year.

Spain – Divested as of quarter four 2016

SEK in millions, except margins, operational data and changes	**2016**	**2015**	**Change (%)**
Net sales	6,073	7,992	-24.0
Change (%) local organic	*3.6*		
of which service revenues (external)	4,572	5,847	-21.8
change (%) local organic	*5.3*		
EBITDA excl. non-recurring items	630	720	-12.5
Margin (%)	10.4	9.0	
Subscriptions, period-end (thousands)			
Mobile	–	3,344	

Net sales in reported currency decreased 24.0 percent to SEK 6,073 million (7,992), as the Spanish operation was divested and hence deconsolidated from quarter four 2016. During the period January to September 2016, service revenues increased 5.3 percent in local currency, excluding acquisitions and disposals.

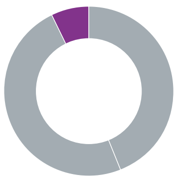
The EBITDA margin, excluding non-recurring items, increased to 10.4 percent (9.0). During the period January to September 2016, EBITDA in local currency, and excluding acquisitions and disposals increased by 28.3 percent.

Other operations

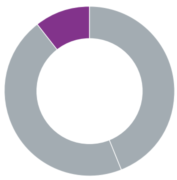
Other operations include the international carrier operations, customer financing and dunning operations, Telia Company Holding, Telia Company's shareholding in the associates Russian MegaFon and Turkish Turkcell as well as Group functions.

SHARE OF GROUP TOTAL, CONTINUING OPERATIONS (%)

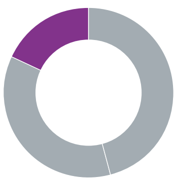
NET SALES



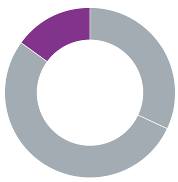
OPERATING INCOME



CAPEX



NO OF EMPLOYEES



SEK in millions, except margins, operational data and changes	2016	2015	Change (%)
Net sales	7,468	7,753	-3.7
Change (%) local organic	*-3.0*		
of which Telia Carrier	6,227	6,631	-6.1
EBITDA excl. non-recurring items	345	430	-19.8
of which Telia Carrier	498	401	24.3
Margin (%)	4.6	5.5	
Income from associated companies and joint ventures	2,695	3,295	-18.2
of which Russia	899	1,413	-36.4
of which Turkey	1,805	1,894	-4.7
Operating income excl. non-recurring items	2,335	3,141	-25.7
Operating income	2,201	2,948	-25.3
CAPEX	2,905	2,593	12.0
Employees, period-end	3,217	3,301	-2.5

Additional (unaudited) segment information available at www.teliacompany.com.

Net sales in local currencies and excluding acquisitions and disposals decreased 3.0 percent. In reported currency, net sales decreased 3.7 percent to SEK 7,468 million (7,753). The decrease was mainly explained by lower service revenues related to voice traffic in Telia Carrier.

EBITDA, excluding non-recurring items, decreased to SEK 345 million (430) due to higher pension and variable pay expenses as well as costs related to Division X. For Telia Carrier, EBITDA increased by 24.3 percent due to a more favourable product mix and lower operating expenses.

Income from associated companies decreased to SEK 2,695 million (3,295) due to lower contribution from MegaFon and Turkcell.

Operating income declined to SEK 2,201 million (2,948), mainly due to lower income from associated companies.

CAPEX of SEK 2,905 million (2,593) were mainly related to building and enhancing technology assets, such as IT systems, core network and product platforms managed on group level to benefit several countries.

ACQUISITIONS AND DISPOSALS

In 2016, agreements involving subsidiaries were made as follows. For further information on business combinations, see Note C33 and discontinued operations and assets classified as held for sale, see Note C34 to the consolidated financial statements.

Signing/Closing date	Country	Comments
March 1, 2016	Sweden	• Telia Company acquired all shares in the Swedish company Telecom3 Fibernät i Sverige AB.
April 11, 2016	Nepal	• Telia Company completed the divestment of its holdings in Ncell in Nepal to Axiata, one of Asia's largest telecommunication groups. The transaction has been approved by all relevant authorities.
June 21, 2016	Denmark, Finland, Latvia, Lithuania, Norway, Sweden	• Telia Company signed an agreement to divest its 100 percent holding in Sergel (credit management services and debt purchase business) to Marginalen at an enterprise value of SEK 2.1 billion. The transaction is conditional on relevant regulatory approvals including the Swedish Financial Supervisory Authority as well as Competition Authorities.
July 1, 2016	Sweden	• Telia Company acquired a business consisting of fiber networks from Comne Work AB.
September 7, 2016	Tajikistan	• 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 is currently the minority owner in Central Asian Telecommunications Development B.V. with a 40 percent holding. The transaction price for Tcell is based on an enterprise value of USD 66 million, of which Telia Company's 60 percent share corresponds to USD 39 million. The transaction is subject to regulatory approvals in Tajikistan and is not yet closed.
October 5, 2016	Spain	• Telia Company completed the divestment of its holding in Yoigo in Spain to Masmovil, a Spanish telecommunications operator. The transaction has been approved by all relevant authorities.
November 7, 2016	Norway	• Telia Company signed an agreement to acquire Norwegian Phonero at an enterprise value of NOK 2,300 million on a cash and debt free basis. The acquisition is subject to approval from the Norwegian competition authorities.
December 30, 2016	Estonia	• Telia Company acquired a minor business from the Estonian company AK Süsteemid OÜ, consisting of IT Hosting and Workplace management solutions.

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 the provision for the settlement amount proposed by the US and Dutch authorities, see Notes C22, C29 and C34 and Risks and uncertainties, particularly section "Review of Eurasian transactions."

INNOVATION, RESEARCH AND DEVELOPMENT

Innovation, research and development (R&D) activities are performed to ensure Telia Company's leading position in the telecom industry as well as to support competitive operations in the short and long term. During 2016, Telia Company further strengthened its focus on boosting innovation by the establishment of Division X, which is tasked with spearheading and accelerating Telia Company's activities in emerging business areas such as Cloud, Internet of Things and eHealth. Also the existing Purple+ innovation unit has joined Division X to fast track and quickly ramp up new growth initiatives.

Telia Company and Spotify continued their innovation co-operation, which resulted in the joint launch of the software developer API "Premium Zone" in June 2016, enabling exciting new services such as "CoPlay", which is a dynamic playlist generated through social integration between Spotify users. At the same time the new digital ecosystem "Telia Zone" including start-up partners such as Glue, Manetos, Jaramba, Bright, etc. was announced and the roll-out to our customers started in November 2016.

Telia Company has also launched a partnership with as well as invested into eBuilder, the innovative provider of the orchestrated customer care, which will reduce support waiting time across all channels for our customers. The service is operational in Sweden and will be rolled-out in the Nordics and Baltics during 2017.

Telia Sense, the cloud-based solution enabling high-end car features for the cars of today and tomorrow, had its Swedish commercial launch in November 2016, with leading ecosystems partners like Bilia, Bilprovningen and Folksam. During 2017, more partners will be signing up and the service to be rolled out across the Nordics and Baltics, and also likely to be launched by other operators, which are piloting Telia Sense.

As of December 31, 2016, Telia Company had 326 patent "families" and 1,646 patents and patent applications. In 2016, Telia Company has completed the streamlining of Patent portfolio in which 25 patent "families" were abandoned or expired, which cover outdated solutions or otherwise the value of the patent family is reduced.

In the continuing operations, Telia Company in 2016 incurred R&D expenses of SEK 173 million (147).

ENVIRONMENT

Telia Company is committed to environmental responsibility in its own operations and throughout the value chain. The work is guided by the group environmental policy, which also covers majority-owned subsidiaries, and the supplier code of conduct which clarifies environmental requirements on suppliers. As a minimum, Telia Company companies shall comply with local legal requirements wherever they operate. All major subsidiaries in regions Sweden and Europe are required to work towards ISO 14001 environmental management system certification, and to set local targets that contribute to the group environmental targets to reduce greenhouse gas emissions, increase energy efficiency and improve waste management. Telia Company in Sweden does not conduct any operations subject to environmental permits from authorities according to the Swedish Environmental Code, Chapter 9.

For additional information, see Environmental responsibility.

REMUNERATION TO EXECUTIVE MANAGEMENT

Proposed remuneration principles for Group Executive Management 2017

The Board of Directors proposes that the Annual General Meeting on April 5, 2017, 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 up to twelve (12) months. Severance pay shall not constitute a basis for calculation of vacation pay or pension benefits. Termination 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 make minor deviations on an individual basis from the principles stated above. The 2016 remuneration policy is reproduced in Note C31 to the consolidated financial statements.

Long-term incentive program 2016/2019

The Annual General Meeting held on April 12, 2016, 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 LTI program should strengthen Telia 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 of key employees. The LTI program rewards performance measured over a minimum of a three-year period (performance period), is capped to a maximum value of 60 percent of the annual base salary and is equity based (delivered in Telia Company shares with the ambition that the employees should remain shareholders also after vesting). A prerequisite for pay-out from the LTI program is the continuous employment during the length of the program (vesting period).

The LTI program measures performance over a 3-year period. Financial targets are earnings before interest, tax, depreciation and amortisation (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 the equivalent of 30 percent of the participant's annual salary. 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 97.5 percent (or less) of the target is met, 0 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.

No Performance Shares will vest under the EBITDA part if the Company's accumulated EBITDA is below the minimum level (97.5 percent) and no additional Performance Shares will vest if the Company's accumulated EBITDA is above the maximum level (100 percent).

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 2010-2015. 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.

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 unchanged at SEK 4 million (4), of which SEK 3 million (3) was billed to subsidiaries. Income before taxes decreased to SEK 11,479 million (12,879) mainly driven by a provision made for a settlement amount proposed by the US and Dutch authorities partly offset by increased dividends received and reversal of untaxed reserves. Net income was SEK 10,367 million (11,685).

Financial investments were SEK 1,498 million (8,013). The investments in 2015 were mainly related to the acquisition of Tele2's Norwegian mobile operations and shares in Spotify Technology S.A.

Cash and cash equivalents totaled SEK 12,232 million (13,558) at year-end. The balance sheet total was stable at SEK 215,184 million (223,213), Shareholders' equity was SEK 80,286 million (82,901), of which non-restricted equity SEK 64,573 million (67,189). The equity/assets ratio was 36.5 percent (35.7). As of December 31, 2016, the number of employees was 273 (298).

SIGNIFICANT EVENTS AFTER YEAR-END 2016

No significant events have occurred after the end of the reporting period.

PROPOSED APPROPRIATION OF EARNINGS

At the disposal of the Annual General Meeting:

	SEK
Retained earnings	54,206,643,071
Net income	10,366,679,823
Total	**64,573,322,894**

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.00 per share ordinary dividend to the shareholders	8,660,169,562
To be carried forward	55,913,153,332
Total	**64,573,322,894**

The dividend should be split and distributed into two equal tranches of SEK 1.00 each, one in April 2017 and one in October 2017.

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.

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

RISKS AND UNCERTAINTIES

Telia Company operates in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry. As a result, Telia Company is subject to a variety of risks and uncertainties. Telia Company has defined risk as anything that could have a material adverse effect on the achievement of Telia Company's goals. Risks can be threats, uncertainties or lost opportunities relating to Telia Company's current or future operations or activities.

Telia Company has an established risk management framework in place to regularly identify, analyze, assess and report business, financial as well as ethics and sustainability risks and uncertainties, and to mitigate such risks when appropriate. Risk management is an integrated part of Telia Company's business planning process and monitoring of business performance.

Risks and uncertainties that could specifically impact the quarterly results of operations during 2017 include, but may not be limited to:

Risk	Description	Mitigating activities
Customer privacy	Vast amounts of data are generated in and through Telia Company's services and networks. New ways of connecting and data-driven business models increase the complexity of understanding and retaining control over how data is collected and used. It is challenging to establish and maintain unassailable privacy protection in increasingly sophisticated data environments and in ever-changing legal, technical and threat landscapes. **Potential impact** Actual or perceived issues related to data network integrity, data security and customer privacy may lead to an unfavourable perception of how Telia Company handles these matters, which in turn may adversely impact business. Not meeting national and EU legislation may cause significant financial penalties.	• Implementation of the EU General Data Protection Regulation • Mitigation activities based on roadmaps driven by countries and group • Privacy officers appointed throughout the organisation • Efforts ongoing to strengthen information asset and vendor management
Freedom of expression and privacy	The telecommunications industry faces high risks related to the freedom of expression and privacy of users. Risks relate to how national laws and regulations on surveillance of communications or shutdown of networks can be overly broad in ways that violate human rights, and complicity by ICT companies in violations linked to major and problematic government requests. Telia Company may be legally required to comply and, like other operators, only have limited possibility to investigate, challenge or reject such (often strictly confidential) requests. **Potential impact** Actual failure in respecting freedom of expression and privacy may first and foremost damage rights holders by limiting their freedom of expression and privacy. Actual or perceived failure may also damage the perception of Telia Company, leading to exclusion from procurement or institutional investment processes. Network shutdowns and blocking also limit core business which may negatively affect revenues.	• Building leverage to influence national laws and regulations with peer companies (Telecommunications Industry Dialogue) and joining efforts with multi stakeholder Global Network Initiative (GNI) • Transparent reporting on statistics of day-to-day conventional authority requests (Law Enforcement Disclosure Reports) and of unconventional requests ("major events") • Human Rights Impact Assessments carried out supported by external expertise, building knowledge and defining actions for improvement and risk mitigation

Risk	Description	Mitigating activities
Children online	Children and young people are active users of Telia Company's services. However, children are particularly vulnerable to online threats such as cyber bullying and inappropriate content. Telia Company's services may also be used for distributing or accessing child sexual abuse material. **Potential impact** Telia Company may indirectly be complicit in violating children's rights if products and services as well as network filters are not properly assessed. Actual or perceived failure to create a safe online experience for children and young people may negatively affect brand perception, incurring loss of business.	• Blocking child sexual abuse material (CSAM) in customer networks and detecting and reporting CSAM in internal IT system • Regular follow up our performance against a number of industry self-regulatory initiatives in the area of protection of children online • Understanding children's perspectives on online life through a Children's Advisory Panel • Assessing impact on children's rights in all relevant business activities
Occupational health and safety (OHS)	The most significant accident risks related to occupational health and safety (OHS) are linked to construction and maintenance work carried out primarily by contractors. Telia Company employees work mainly in office or retail environments where the main risks relate to psychosocial well-being and ergonomics. **Potential impact** Failure to maintain a healthy and safety working environment may lead to increasing sick leave, low employee engagement and a higher number of accidents and injuries, incurring increased costs and potential loss of critical competence.	• Implementation of OHSAS 18001 occupational health and safety management system in all major operations • OHSAS 18001 implementation activities include risk assessments, training, investments and support to employees' wellbeing • OHS KPI s to follow fatalities, rate of lost time, injuries and sickness absence followed up quarterly locally and on group level
Ability to recruit and retain skilled employees	People is at the core of everything that we do and it is the people with all their talents that will enable us to execute on our strategy. There is an increased demand for talents in the area of ICT and the competition is getting tougher. In order to win the battle of talents Telia Company needs be great at attract, recruit, and retain highly skilled employee to ensure the demand and supply. **Potential impact** Failure to recruit and retain necessary skilled employees may impact the ability to develop new or high growth business areas and thereby deliver on the strategy.	• Efforts to build a strong employer brand to ensure talent attraction • Establish a modern and efficient global recruitment process • Providing internal growth opportunities • Continuous improvements and follow up of the results from yearly employee survey
Environment	Climate change is increasingly driving regulation and taxation related to reduction of greenhouse gas emissions and the use of fossil fuels. **Potential impact** Increasing scarcity of natural resources, particularly rare minerals used in network and consumer technology hardware, may lead to increased hardware costs. Increasing energy costs, greenhouse gas emissions taxation and price increases caused by natural resource scarcity may incur additional costs. As a consequence of climate change, extreme weather conditions might be more common which may negatively impact network performance and customer satisfaction.	• Work to increase energy efficiency and improve waste management • Purchasing "green electricity" in regions Sweden and Europe • Buy-back and recycling programs for mobile devices • Implementation of ISO 14001 environmental management system in regions Sweden and Europe

Risk	Description	Mitigating activities
Customer service and network quality	Telia Company focuses on offering high-quality services and networks, which is fundamental to customer perception now and in the future. The ambition to create a service company on the customers' terms requires a major internal change of processes, attitude and focus in many parts of the company. Additionally, Telia Company currently outsources many of its key support services, including network construction and maintenance in most of its operations. **Potential impact** Extreme weather conditions and natural disasters may cause serious problems to network quality and availability. The limited number of outsourced service suppliers, and the terms of Telia Company's arrangements with current and future suppliers, may restrict its operational flexibility and incur unnecessary costs. Failure to meet customers' quality requirements or expectations may have an adverse impact on customer retention and acquisition.	• Ensuring network resilience through a combination of sound risk management, business continuity planning and incident management • A group wide crisis management organization handles unexpected and critical incidents negatively affecting our operations • Continuous work to improve internal as well as outsourced operational processes to fulfil customer expectations • Customer satisfaction is continuously measured both to improve our understanding of, and fulfil, customers' expectations
Corruption and unethical business practices	Some of the countries in which Telia Company operates are ranked as having high levels of corruption. The telecommunications industry is particularly susceptible to a range of corrupt practices as it requires government approvals and necessitates large investments. Key areas where the threat of corruption is significant include the licensing process, market regulation and price setting, the supply chain, and third-party management and customer services. **Potential impact** Actual or perceived corruption or unethical business practices may damage the perception of Telia Company and result in financial penalties and debarment from procurement and institutional investment processes. Related fraud may significantly impact financial results. Ongoing divestment processes may in themselves pose risks of corruption, fraud and unethical business practices.	• Anti-bribery and corruption (ABC) program, based on Telia Company's compliance framework, implemented in all parts of the organization • "Responsible exit" plan for region Eurasia containing actions to ensure continued third party due care activities to prevent, detect and remedy ABC risks • Education and communication efforts on ABC to targeted audiences, specifically high-risk roles
Responsible procurement	Telia Company relies on a vast number of suppliers and sub-suppliers, many of which are located in countries or industries with challenges in upholding ethical business practices, human and labour rights, health and safety and environmental protection. Despite efforts to conduct due diligence and onsite audits, suppliers and sub-suppliers may be in violation of Telia Company's supplier requirements and/or national and international laws, regulations and conventions. **Potential impact** Failure or perception of failure of Telia Company's suppliers to adhere to these rules and regulations may damage customers' or other stakeholders' perception of Telia Company. Violations of laws and regulations puts suppliers and sub-suppliers at risk of needing to limit or terminate their operations, which may negatively affect how Telia Company is able to deliver its services. Severe violations may lead to Telia Company needing to seek new suppliers, which may negatively impact procurement costs and delivery times.	• 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

Risk	Description	Mitigating activities
Global financial markets unrest	Changes in the global financial markets are difficult to predict but are affected by macroeconomics as well as political and geopolitical developments. Telia Company operates in a relatively non-cyclical or late cyclical industry and strongly favor having a strong balance sheet, which is very important through difficult times. **Potential impact** A severe or long-term financial crisis may have an impact on customers' purchasing power and spending on ICT investments and services, which may negatively affect growth and results of operations. Unfavorable changes in the global financial markets could limit the access to capital market funding and may increase Telia Company's cost of funding. Unusually high volatility in the foreign exchange market with fluctuations of the currency rates have effects on the balance sheet and the income statement.	• Maintaining a strong Investment grade rating is key to ensure a good access to diversified debt investor's and bank funding • Important to forecast and manage liquidity carefully to avoid any liquidity shortage. By ensuring a smooth and reasonably sized maturity profile of the debt portfolio the refinancing risk is limited • The main sources of funding is the free cash flow from operations and issuance in the capital markets. By constantly monitoring the capital markets and take the opportunity to fund in advance when market conditions are favorable, the cost of funding can be managed in an efficient and risk adverse way • Telia Company has a committed revolving credit facility supported by 13 core banks as a back-up for any unexpected liquidity needs
Competition and price pressure	Telia Company is subject to substantial and historically increasing competition and price pressure. Competition has from time to time led to increasing customer churn, decreasing customer bases and to declines in the prices, Telia Company charges for its products and services, and may have similar effects in the future. Transition to new business models in the ICT industry may lead to structural changes and different competitive dynamics. **Potential impact** Failure to anticipate and respond to industry dynamics, and to drive a change agenda to meet mature and developing demands in the marketplace, may affect Telia Company's customer relationships, service offerings and position in the value chain. Competition from a variety of sources, including current market participants, new entrants and new products and services, may also adversely affect Telia Company's results of operations.	• Actively monitor changes in customer and market behaviour to create and execute mitigation plans • Business transformation programs and new business initiatives in line with our business strategy • Continuously exploring opportunities close to our core services to create new revenues

Risk	Description	Mitigating activities
Emerging markets	Telia Company has made significant investments in telecom operators in Eurasia (Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal), Russia, Turkey and Afghanistan. In September 2015, Telia Company announced its decision to reduce the presence in, and over time leave, region Eurasia. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in developed markets. The nature of these markets, including potential government intervention, combined with the fact that the assets are not fully-owned and there are undertakings and obligations in various shareholder agreements, reputational issues regarding the assets and fewer potential buyers than in more mature markets, makes the complexity of these divestments processes high. **Potential impact** The political situation in these emerging markets may remain or become increasingly unpredictable, even to the extent that Telia Company will be forced to exit a country or a specific operation within a country. There may be unexpected or unpredictable litigation cases under civil or tax legislation. Foreign exchange restrictions or administrative issues may effectively prevent Telia Company from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. Another risk is the potential establishment of foreign ownership restrictions or other formal or informal possible actions against entities with foreign ownership. Such negative developments or weakening of the local economies or currencies may have a significantly negative effect on Telia Company's results of operations. The nature of these markets with significant uncertainties and complexity may affect the sales process regarding both expected outcome and timing. The sanctions against the Russian Federation may negatively affect the Russian ruble and the Russian economy, which in turn may impact countries whose economies are closely linked to the Russian economy, such as a number of region Eurasia countries.	• A decision has been made to divest our operations in Eurasia. The divestment process is ongoing • The divestment of Ncell in Nepal was completed on April 11, 2016 • An agreement to sell Tcell in Tajikistan has been signed and closing activities are ongoing • Focus on management of foreign exchange and counterparty risk exposure, combined with continued development financial policies and risk management processes • Efforts to ensure tax, legal and regulatory compliance at local level, with compliance oversight at regional and group level

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, including the cost of acquiring, renewing or maintaining telecom licenses and spectrum permits, the cost of new technology, availability of new and attractive services, the costs associated with providing these services, the timing of their introduction, the market demand and prices for such services, and competition. Failing to reach the targets set for business transformation, customer attraction and future growth may negatively impact the results of operations.	• Savings and business transformation programs ensuring competitive cost levels as well as ensuring capabilities for future growth • Focused execution on Telia Company's business strategy with the aim of becoming a New Generation Telco

Risk	Description	Mitigating activities
Associated companies and joint operations	Telia Company conducts some of its activities through associated companies, the major ones being MegaFon in Russia and Turkcell in Turkey, in which Telia Company does not have full ownership or controlling interest and are due to that not in full control but still have significant influence over the conduct of these businesses. In turn, these associated companies own stakes in numerous other companies. Under the governing documents for certain of these associated companies, Telia Company's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to the timing and amount of cash, as well as protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder-related matters. The risk of actions outside Telia Company's or its associated companies' control and adverse to their interests is inherent in associated companies and jointly controlled entities. **Potential impact** The financial performance of these associated companies may have a significant impact on Telia Company's short- and long-term results. As part of its strategy, Telia Company may want to increase or decrease its shareholdings in some of its associated companies. This may be complicated due to a variety of factors, including factors beyond Telia Company's control, such as willingness on the part of other existing shareholders to dispose or accept dilution of their shareholdings and, in the event Telia Company gains greater control, its ability to successfully manage the relevant businesses. As they are jointly controlled, there is a risk that the partners may disagree on important matters, including funding of the operations which may affect Telia Company's position to act as planned. A disagreement or deadlock or a breach by one of the parties of the material provisions of the co-operation arrangements may have a negative effect on Telia Company.	• Monitoring of the associates' performance and development • Active board work in our associated compnaies (e.g. MegaFon), driving issues of key importance to Telia Company • Continuous work to solve the deadlock between the main shareholders of Turkcell

Risk	Description	Mitigating activities
Impairment losses and restructuring charges	Factors generally affecting the telecom markets as well as changes in the economic, regulatory, business or political environment may negatively change management's expectation of future cash flows attributable to certain assets. Telia Company may then be required to recognize asset impairment losses, including but not limited to goodwill and fair value adjustments recorded in connection with historical or future acquisitions. Telia Company also has significant deferred tax assets resulting from earlier recorded impairment losses and restructuring charges. **Potential impact** Significant adverse changes in the economic, regulatory, business or political environment, as well as in Telia Company's business plans, may affect Telia Company's financial position, and results of operations, impairment losses, restructuring charges which may adversely affect Telia Company's ability to pay dividends. In addition, these effects may limit us to use tax assets in full to reduce its future tax obligations, consequently leading to an additional tax charge when such tax asset is derecognized.	• Management constantly reviews and refines the business plans, and may make exit decisions or take other actions in order to effectively execute on business strategy • Restructuring and streamlining initiatives, which have resulted in substantial restructuring and streamlining charges. Similar initiatives may be undertaken in the future
Regulation and licenses	Telia Company operates in a highly regulated industry, and regulations impose significant limits on Telia Company's flexibility to manage its business. In a number of countries, Telia Company entities are designated as a party with significant market power in one or several telecom submarkets. As a result, Telia Company is required to provide certain services on regulated terms and prices, which may differ from the terms on which it would otherwise have provided those services. Effects from regulatory intervention may be both retroactive and prospective. **Potential impact** Changes in regulation or government policy affecting Telia Company's business activities, as well as decisions by regulatory authorities or courts, including granting, amending or revoking of telecom licenses and spectrum permits, may adversely affect Telia Company's possibility of carrying out business and subsequently results of operations.	• Proactive work in shaping the new EU Telecom Framework, by sharing detailed solutions with relevant stakeholders within the EU • Continiously exploring options to rebalance increased costs and loss of revenues due to regulatory changes

Risk	Description	Mitigating activities
Review of Eurasian transactions	In late 2012, the then Board of Directors appointed Swedish law firm Mannheimer Swartling (MSA) to investigate allegations of corruption related to Telia Company's investments in Uzbekistan. MSA's report was made public on February 1, 2013. In April 2013, the Board of Directors assigned the international law firm Norton Rose Fulbright (NRF) to review transactions and agreements made in Eurasia by Telia Company in the past years with the intention to give the Board a clear picture of the transactions and a risk assessment from a business ethics perspective. For advice on implications under Swedish legislation, the Board assigned two Swedish law firms. In consultation with the law firms, Telia Company has promptly taken steps, and will continue to take steps, in its business operations as well as in its governance structure and with its personnel which reflect concerns arising from the review. The Swedish Prosecution Authority's investigation with respect to Uzbekistan is still ongoing and Telia Company continues to cooperate with and provide assistance to the Prosecutor. If continued assessments and investigations would lead to new observations and findings, it cannot be excluded that the consequences of such findings would be that the results of operations and financial position in Telia Company's operations in the Eurasian jurisdictions are adversely impacted. Another risk is presented by the Swedish Prosecution Authority's notification in the beginning of 2013 within the investigation of Telia Company's transactions in Uzbekistan, that the Authority is separately investigating the possibility of seeking a corporate fine against Telia Company, which under the Swedish Criminal Act can be levied up to a maximum amount of SEK 10 million per instance, and forfeiture of any proceeds to Telia Company resulting from the alleged crimes.	• Telia Company will continue its negotiations with the authorities • Telia Company cooperate with and continuously hand over information to law enforcement agencies, who are better equipped to assess whether any criminal acts have occurred

Risk	Description	Mitigating activities
Review of Eurasian transactions – Continued	The Swedish Prosecution Authority may take similar actions with respect to transactions made or agreements entered into by Telia Company relating to operations in its other Eurasian markets, but it could be noted that the Swedish prosecutor made a public statement in May 2016, that it had decided not to investigate any other of Telia Company's operations in Eurasia. Further, actions taken, or to be taken, by the police, prosecution or regulatory authorities in other jurisdictions against Telia Company's operations or transactions, or against third parties, whether they be Swedish or non-Swedish individuals or legal entities, might directly or indirectly harm Telia Company's business, results of operations, financial position, cash flows or brand reputation. As examples, investigations concerning bribery and money laundering in connection with the transactions in Uzbekistan are conducted by the Dutch prosecutor and police authorities, and by the US Department of Justice and the US Securities and Exchange Commission. As requested by the Dutch authorities, Telia Company has provided a bank guarantee of EUR 10 million as collateral for any financial claims which may be decided against one of its Dutch subsidiaries. Telia Company is cooperating fully with the Dutch and US authorities and has done so since it was informed of the investigations in March 2014 and has engaged leading US and Dutch law firms as legal counsel for advice and support. On September 14, 2016, Telia Company received a proposal from the US and the Dutch authorities for financial sanctions amounting to a total of approximately USD 1.45 billion or approximately SEK 12.5 billion at that point in time. It is not at present possible to assess when the investigations will be finally resolved. Telia Company has received requests to make public the reviews made by NRF and other law firms. However, despite risking criticism, it is not possible to publish the reviews with respect to people, companies, business agreements, privacy and thus the risk of Telia Company incurring lawsuits as the law firms' views are not necessarily shared by those implicated.	

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.

Significant stakeholder groups include:
- Shareholders
- Consumers
- Business customers
- Employees
- Investors
- Suppliers
- Society

The Annual General Meeting is the primary forum for shareholder engagement. Telia Company continuously engages with other stakeholders in many ways. See "Trends and strategy" for more information about stakeholder engagement.

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 of Directors. 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.

Telia Company monitors and discloses the progress on these material business aspects through this combined Annual and Sustainability Report. The group reports its financial and operational performance on a quarterly basis, and its sustainability work on a semi-annual basis.

COMPLIANCE

This Corporate Governance Statement was adopted by the Board of Directors at its meeting on March 8, 2017. 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 of Directors' description of the internal control environment and risk management regarding financial reporting.

It is the opinion of the Board of Directors that Telia Company in all respects complied with the Swedish Corporate Governance Code during 2016.

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.

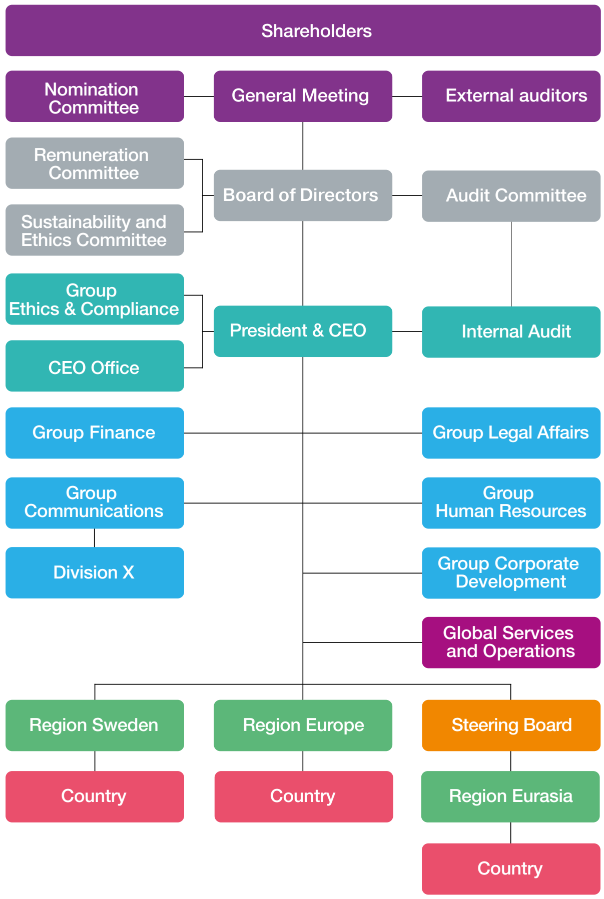
Updated information required by the Swedish Corporate Governance Code is available at: www.teliacompany.com/en/about-the-company/corporate-governance/corporate-governance/ (Information on the Telia Company website does not form part of this Statement)

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

TELIA COMPANY'S GOVERNING BODIES



Note: Organization structure changed as of January 1, 2017

SHAREHOLDERS

Telia Company is a Swedish public limited liability company and is bouned 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 regarding:

- Swedish Companies Act (2005:551), Annual Reports Act (1995:1554), Securities Market Act (2007:528): www.riksdagen.se/en, www.government.se
- Nasdaq Stockholm (issuer rules and surveillance): www.nasdaqomx.com/listing/europe/surveillance/stockholm
- Swedish Corporate Governance Code and specific features of Swedish corporate governance: www.corporategovernanceboard.se

Telia Company has only one type of shares. Each Telia Company share represents one vote at the Annual General Meeting. As of December 31, 2016, Telia Company had 512,841 shareholders.

The Swedish State is the single largest shareholder, owning a 37.3 percent stake at year-end. For companies with State ownership, the Swedish Government has issued an ownership policy. Among others, the policy sets forth requirements related to remuneration, sustainable business, diversity and gender equality. 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.

Annual General Meetings 2016

The Annual General Meeting 2016 was held in Stockholm on April 12, 2016, and decided, among other issues, upon the following:

- Composition of the Board of Directors
- Election of auditors
- Composition of the Nomination Committee
- Appropriation of earnings
- Remuneration policy for the executive management
- Authorization for the Board to decide upon acquisitions of the company's shares within certain limits
- Amendment of the company's articles of association (change of the company name)
- Long-term incentive program for key employees

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 consists of representatives of the company's in terms of votes four largest shareholders at the turn of the month before the notice of the Annual General Meeting and which also wish to participate in the nomination process ("Nominating Shareholders"), and the Chair of the Board of Directors. 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)
- Kari Järvinen (Solidium Oy)
- Johan Strandberg (SEB 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 of Directors
- 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 Committee assesses the functioning of the Board and the competences needed in the Board as a whole. The 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
- Operational sustainability work
- Board work in listed companies
- Work in executive positions
- Structural changes and change processes

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 distribution on the Board, the competences of present Board members and the present Board members' availability for re-election, the 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 at the Annual General Meeting and 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 distribution in the Board. 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 of Directors 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 ensure 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. In this role the Board makes and if applicable subsequently supervises the implementation of decisions on inter alia:

- The group's strategic direction and key strategic initiatives
- Major investments
- The capital structure and dividend policy
- Appointment and dismissal of the CEO
- The delegation of authority
- The development of group policies
- The overall organization of the group
- The group's internal control environment and risk management model
- The core content of the group's external communication
- Sustainability and responsible business conduct

Instructions for the work of the Board of Directors are set forth in its rules of procedure, which are reviewed and adopted at least once a year include the rules of procedure detail matters to be addressed at ordinary board meetings and regulate the number of ordinary board meetings, agenda items for ordinary board meetings, the duties of the Chair of the Board and the allocation of responsibilities between the Board and the CEO as well as the CEO's reporting to the Board. The rules of procedure also include instructions for the work in board committees, inter alia stipulating the committees' duties, the number of committee meetings, the matters to be addressed at the meetings and how the committees shall report to the Board.

Members and independence

The Board of Directors 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 is present at the Board meetings, but without voting rights. 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, Mikko Kosonen, Nina Linander, Martin Lorentzon, Anna Settman and Olaf Swantee.

In accordance with the guidelines of the Swedish Corporate Governance Code, all members elected by the Annual General Meeting 2016 are considered to be independent in relation to the company, to the administration of the company and to major shareholders.

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

Annual work cycle

The work of the Board follows an annual cycle. This enables 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, but the Board has an ambition to hold at least one other meeting elsewhere to be able to discuss local issues more deeply, make specific site visits, etc. In 2016, the Board conducted a study and strategy trip to San Francisco (Palo Alto, Silicon Valley) to meet with key players within the IT industry.

Inaugural meeting

The annual cycle starts with the inaugural Board meeting which is held immediately after the Annual General Meeting. At this meeting, members of the Committees are appointed and the Board resolves on matters such as signatory powers.

Q1 report meeting

At the next ordinary meeting, the Board approves the interim financial report and reviews the risk report for the first quarter of the year.

Strategy input meeting

At the third ordinary meeting, the Board is updated on and discusses various strategic issues.

Q2 report meeting

The Board convenes to approve the interim financial report and review the risk report for the second quarter of the year.

First strategic planning meeting

An ordinary Board meeting focused on the first step of the strategic planning process by discussing the scope and key assumptions.

Q3 report meeting

An ordinary Board meeting is held to approve the interim financial report and review the risk report for the third quarter of the year and to discuss the second step of the strategic planning process – the strategic options. This meeting is also devoted to the annual evaluation of the Board's internal work.

Business and financial plan meeting

As the final step of the strategic planning process, an ordinary meeting is held for the Board to approve management's business and financial plan and to discuss target setting for executive management. This meeting also comprises an annual review of the capital structure and dividend policy.

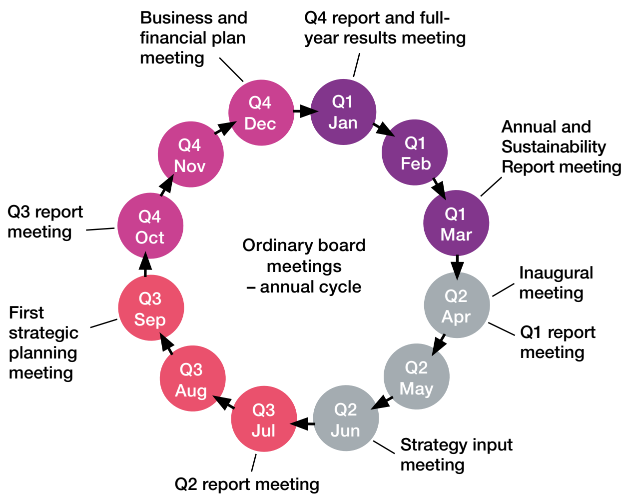
Q4 report and full-year financial results meeting

Following the end of the calendar year, this ordinary Board meeting focuses on the financial results of the entire year and the fourth-quarter financial report and risk report, also including a final decision on target setting for executive management and the dividend proposal for the year.

Annual and Sustainability Report meeting

This ordinary meeting closes the annual work cycle of the Board of Directors by an approval of the Annual and Sustainability Report.

THE BOARD'S ANNUAL WORK CYCLE



ORGANIZATION OF THE BOARD WORK

Board of Directors
11 members (of which 3 are employee representatives)

Remuneration Committee
3 members

Oversight over
- Executive compensation
- Incentive programs
- Succession planning
- Group policies, processes and systems

Audit Committee
3 members

Oversight over
- Financial reporting
- Internal controls
- Auditing
- Group policies, processes and systems

Sustainability and Ethics Committee
3 members

Oversight over
- Sustainability strategy
- Action and implementation plans
- Reporting
- Group policies, processes and systems

In addition, ordinary Board meetings include:

- An integrated management report by the CEO, comprising:
  - Comments on progress towards the long-term ambitions in terms of customers, shareholders, people and sustainability
  - Financial performance and an operational update covering competitor, 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 2016

In 2016, the Board of Directors held 8 ordinary meetings (whereof one inaugural meeting) and 6 extra meetings. In addition to following up on the day-to-day business of the group, the Board of Directors paid special attention to:

- Strategic options, with specific review of the changing business environment in the telecom industry
- Assessment of the operations in region Eurasia, focusing both on business and compliance issues
- Follow-up of major strategic initiatives within the business operations
- Review of the overall sustainability risks for the group, including decisions on new or updated group policies
- Continued close monitoring and control of the investigations of the severe corruption and money-laundering allegations related to the investments in Uzbekistan, by the Swedish Prosecution Authority, by the Dutch prosecutor and police authorities, and by the US Department of Justice and the US Securities and Exchange Commission
- Follow-up and review of the Telia Company's exit process from Eurasia
- Divestments of Yoigo and of Sergel Group, as well as other M&A activities
- Reviewing 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 frequency permits
- Follow-up of CAPEX, in particular related to network investments
- Developments in the associated companies in Turkey and Russia
- Capital structure of the group
- Operating model and organizational issues
- Human Resources issues, in particular succession planning and performance management

Further, the Board of Directors evaluated its internal work during 2016 by self-assessment, based on individually responding to formal surveys and bilateral interviews with the Chair of the Board and the Nomination Committee, the latter to which the result of the evaluation was also reported.

Committees and committee work in 2016

To improve board work efficiency, the Board of Directors has appointed a Remuneration Committee, an Audit Committee and a Sustainability and Ethics Committee. The committees prepare recommendations for the Board.

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 of Directors.

The Audit Committee reviews for example financial statements, accounting, internal controls over financial reporting and auditing. The Audit Committee has the authority to decide on audit scope and audit fees and to approve purchase of other services from the external auditors.

The Sustainability and Ethics Committee primarily reviews the sustainability strategy, the progress of the Sustainability Priority Action Plan and the Ethics and Compliance programs as well as the external sustainability reporting.

Remuneration Committee

Marie Ehrling is Chair of the Remuneration Committee. In 2016, the Committee held 6 meetings. At each Board meeting following a Committee meeting, the Committee Chair reported on key discussion items and brought proposals on decision items. Committee work included, amongst others, the following issues:

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

As part of the Board of Directors' overall assessment, the Remuneration Committee evaluated its internal work during 2016 by self-assessment.

MEMBERS OF THE BOARD COMMITTEES

Members of the Committees of the Board of Directors in 2016

Remuneration Committee	Audit Committee	Sustainability and Ethics Committee
• Marie Ehrling (Chair) • Susanna Campbell • Olli-Pekka Kallasvuo	• Nina Linander (Chair) • Marie Ehrling • Olaf Swantee	• Mikko Kosonen (Chair) • Marie Ehrling • Anna Settman

Audit Committee

Nina Linander is Chair of the Audit Committee. In 2016, the Committee held 7 meetings. At each Board meeting following a Committee meeting, the Committee Chair reported a summary of the issues raised, decision proposals as well as assessments and reviews performed by the Committee. When identifying risk areas related to financial reporting, the Committee collaborates with the CEO and CFO, the external auditors as well as the internal audit and internal control functions. Information gathered hereby forms the basis when deciding on future focus areas. Committee work in 2016 included, amongst others, the following issues:

- Overseeing improvements of financial reporting and financial processes, with specific focus on risk identification and assessment of the internal control environment
- Assessment and review of the quality and integrity of risk management, risk assessment and risk reporting as well as review and follow-up of whistle-blower reports
- Reviews of the company's external financial reporting
- Reviews of important risk areas, e.g. treasury, procurement, taxes, litigation, insurance and IT systems
- Review of the CAPEX process and quarterly follow-up of CAPEX programs
- Reviews of significant accounting policies and key sources of estimation uncertainty, e.g. accounting for discontinued operations and assets held for sale, revenue recognition, valuation of pension obligations, and asset valuation, including the annual impairment testing process and setting of significant testing parameters
- 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 without management being present, and performance assessment

As part of the Board of Directors' overall assessment, the Audit Committee evaluated its internal work during 2016 by self-assessment.

Sustainability and Ethics Committee

Mikko Kosonen is Chair of the Sustainability and Ethics Committee. The Committee held 5 meetings during 2016. At each Board meeting following a Committee meeting, the Committee Chair reported on key discussion items and brought proposals on decision items. Committee work included, amongst others, the following issues:

- Review of the sustainability strategy
- Map and review of the status of ongoing ethics, compliance and sustainability initiatives in Telia Company
- Approval of the sustainability priority action plan and regular follow-up, with special attention on status and actions of the anti-bribery and corruption program, including e.g. corruption risk-assessment by country, instructions and training, whistle-blowing tools, etc.
- Reviews of sustainability-related risks in the quarterly risk reports
- Review of Telia Company's external sustainability reporting

As part of the Board of Directors' overall assessment, the Sustainability and Ethics Committee evaluated its internal work during 2016 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 of Directors' instructions for the CEO and other decisions made by the Board.

Headed by the CEO, Group Executive Management currently comprises the CEO, CFO, General Counsel, Head of Group Human Resources, Head of Group Communications, Head of Group Corporate Development, Head of Global Services and Operations and the Heads of regions Sweden and Europe. Group Executive Management meets on a monthly basis. 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. 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.

As established in 2015, a separate Steering Board, chaired by the CEO, has the overall strategic responsibility for region Eurasia. The Head of region Eurasia presents the operations of the region to the Steering Board. The model ensures continued strong governance and alignment within the group, while allowing Group Executive Management to focus on the New Generation Telco agenda and the home markets in regions Sweden and Europe.

See also section "Governance, Risk, Ethics and Compliance (GREC) meetings."

Note that the organization structure changed as of January 1, 2017. For further information, see www.teliacompany.com.

GROUP-WIDE GOVERNANCE FRAMEWORK

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

↓

Setting the boundaries for how we act

↓

Follow-up of our performance

Telia Company's group-wide governance framework has been approved by the Board of Directors. It is designed 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 purpose, set of values, roles, responsibilities and authority to act.

Deciding what we shall achieve

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

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

↓

Setting the boundaries for how we act

↓

Follow-up of our performance

In order to provide overall guidance to the employees, the Board of Directors has approved a Telia Company purpose statement. Further, the Board yearly adopts a strategy, setting more specific directions for the coming three-year period as well as yearly operational and financial targets.

Purpose: Bringing the world closer – on the customer's terms

Our ambition is to take Telia Company to the next level, to become a New Generation Telco. To grow our business and to stay inspired in our daily work, we need to be truly relevant to our consumer and business customers. Our purpose that shows us how we will get there is therefore from the customer perspective.

Strategic priorities

Our strategic priorities are:
- Value through superior network connectivity – secure the transition from voice to data through future proof network access to end customers
- Customer loyalty through convergence – create a seamless experience across technologies, services and channels
- Competitive operations – simplify operations and transform legacy to create agility and cost efficiency
- Explore opportunities in adjacent areas close to the core in internet of things, e-healthcare, security and media

Operational and financial targets

Operational and financial targets are set for the group as a whole and for each region, country and business unit.

Setting the boundaries for how we act

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

↓

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

↓

Follow-up of our performance

The Board of Directors sets the boundaries on how the employees shall act. Key elements are Telia Company's set of values, the code of reponsible business conduct, governance of the sustainability work, group policies, organizational structure and delegation of obligations and authority.

Set of values

Telia Company's set of values – Dare, Care and Simplify – is the compass that leads us in how we act and behave in our daily work.
- We dare to – innovate by sharing ideas, taking risk and continuously learn; lead by engaging with our customers and challenging ourselves; speak up by expressing opinions and concerns
- We care for – our customers by providing solutions that are adapted to their needs; each other by being supportive, respectful and honest; our world by acting responsibly and in accordance with our ethical standards
- We simplify – execution by taking actionable decisions and deliver with speed; teamwork by transparent communication, active collaboration and knowledge sharing; our operations by efficient processes and clear ownership

Code of Responible Business Conduct

Telia Company launched a new Code of Responsible Business Conduct in September 2016, replacing the previous code of ethics and conduct. The Code, issued

Group policies issued by the Board – area and purpose	
Financial management	To set the rules for managing financial risks and for counterparty credit ratings
Financial accounting and reporting	To require that proper accounting and reporting standards are prepared, regularly updated and made available to consolidated entities and applied by the entities when reporting to the group
Procurement	To provide a single point of reference and direction for procurement activities and a clear understanding of the procurement principles
Enterprise risk management	To define the enterprise risk management framework
Environment	To ensure pro-active management of environmental impacts throughout the full life cycle of delivering products and services
Electromagnetic fields (EMF)	To define the elements of the serious approach towards EMF-related health concerns
Security	To ensure that security measures are characterized by appropriate security and risk awareness, prevention, preparedness, and the ability to respond to, and recover from, incidents and environmental changes
Customer privacy	To set high and consistent standards to respect and protect customer privacy
Communication	To ensure that all communication is accurate and provided in a professional and timely manner
Freedom of expression in telecommunications	To reduce human rights risks, and to ensure that customers feel confident that we will, whenever possible, support, respect and safeguard their freedom of expression when we receive requests or demands from governments regarding surveillance of communications
Anti-bribery and corruption	To set common standards regarding compliance with the zero tolerance policy towards any form of bribery and corruption, and compliance with local laws
People	To define employer expectations on the employees as well as what expectations employees should have on each other
Occupational health and safety	To make the health and safety culture part of all employees' everyday working life and to achieve a safe and legally compliant workplace for employees, vendors and visitors
Remuneration	To set the strategic direction and clarify the approach on designing and implementing remuneration practices for employees at all levels
Recruitment	To ensure that all recruitments are based on respect for the individual, that demands stated in job profiles are based on our common values and that the selection processes are fair
Pensions	To assist in providing pension benefits by clarifying the structure, design and management of pension plans
Competition	To set the principle of not engaging in any practices or conducting business activities that are in breach of relevant competition or antitrust legislation
Inside information and insider trading	To ensure correct handling of inside information and a high standard of ethical behaviour towards the capital markets

by the Board of Directors, provides guidance on Telia Company's framework of policies and instructions. It helps create a Telia Company way of doing business by defining 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 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 in 12 languages in a printed newspaper format document and on the intranet.

The Telia Company Code of Responsible Business is available at: http://dontdothisatwork.teliacompany.com/
(Information on the Telia Company website does not form part of this Statement)

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 aligning core business with solving societal challenges as laid out by the UN Sustainable Development Goals. The approach is guided by international guidelines and frameworks, such as the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Global Compact principles, the core conventions of the ILO (International Labour Organization) and the OECD Guidelines for Multinational Enterprises.

Group Executive Management and GREC are the decision-making forums, with oversight by the Board of Directors' Sustainability and Ethics Committee. The Head of Sustainability Strategy and the Chief Ethics and Compliance Officer are responsible for coordination and development of the sustainability work.

Policy framework
The heads of group functions and departments secure that necessary group policies and instructions are issued within their respective area of responsibility.

Group policies are relatively short and mainly principle-based. Group instructions are normally more detailed and operational. All group policies and instructions are binding for all entities in which Telia Company has management responsibility.

Group policies are approved by the Board of Directors, at least on an annual basis, after a preparatory review by the relevant board committee. Group instructions are approved by the CEO or the head of the relevant group function or department, after being reviewed at a group GREC or GEM meeting. All valid policies and instructions on group level are published on a common governance documents database available to all employees. The database provides a complete audit trail of the entire document lifecycle.

In addition to the overall policy document Telia Company Code of Responsible Business Conduct, the Board has currently issued the group policies presented in the table above.

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

Organization
Telia Company's largest businesses are mobile, broadband, TV and fixed-line operations in the Nordics and Baltics, and mobile operations in Eurasia.

The guiding principle for Telia Company's organizational structure is to provide clarity, accountability and to support a customer-centric operating model. The operating model is country-based with strong commercial and technology functions on group level. Countries are grouped in three geographical regions.

Note that the organization structure changed as of January 1, 2017. For further information see www.teliacompany.com.

Region Sweden
The region comprises Telia Company's mobile, broadband, TV and fixed-line operations in Sweden. The region Head reports to the CEO and is a member of Group Executive Management.

Region Europe
The region comprises Telia Company's mobile, broadband, TV and fixed-line operations in Finland, Norway, Denmark, Lithuania, Latvia and Estonia (the operation in Spain was divested during 2016). The region Head reports to the CEO and is a member of Group Executive Management.

Region Eurasia
The region comprises Telia Company's mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Georgia and Moldova (the operation in Nepal was divested and an agreement was signed to divest Tcell in Tajikistan during 2016). The region Head reports to a Steering Board, headed by the CEO (for additional information, see section "CEO and Group Executive Management").

Group functions
The group functions assist the CEO in setting the framework for the activities of the countries and provide the countries with process development support and common platforms within the areas communication, corporate development (including M&A), finance (including procurement and real estate), human resources, legal affairs, group-wide commercial (including the international carrier operations) and technology (including IT) issues, CEO Office (also responsible for the holdings in MegaFon and Turkcell), Ethics and Compliance Office and Internal Audit.

Delegation of obligations and authority
The CEO has issued a Delegation of Obligations and Authority (the DOA), which defines the obligations imposed on the heads of regions and group functions, and within which limits they may make decisions. Within this framework, obligations and decision authorities are further delegated person-to-person via solid reporting lines based on the roles in the operational organization.

Follow-up of our performance

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

↓

Setting the boundaries for how we act

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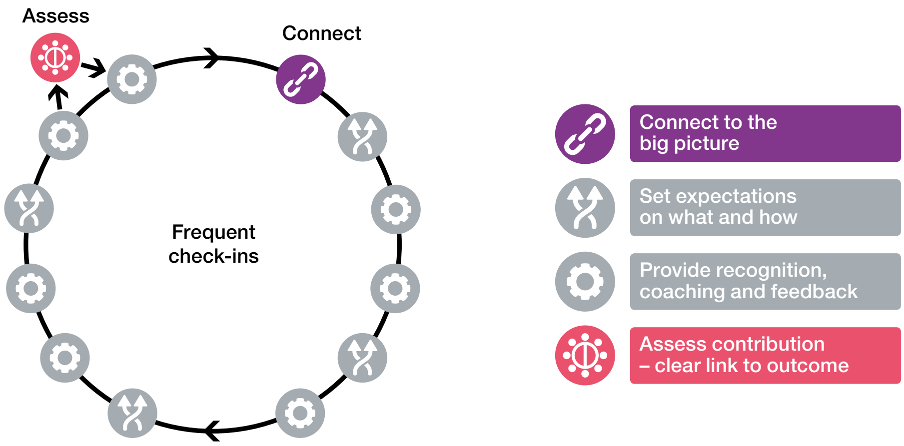
Follow-up of our performance
- Business reviews
- Risk and compliance reviews
- Individual performance management - YouFirst

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.

Business reviews
The CEO sets goals for the operations based on the decisions of the Board of Directors. To ensure performance, managers have annual targets for their respective operation. The plan for each business is documented in annual operating plans and follow-up is conducted on a monthly basis, complemented with quarterly forecasts.

Business reviews are meetings held on a monthly basis and include financial and business 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 and region 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 region review meetings, the CEO, CFO, Head of

INDIVIDUAL PERFORMANCE MANAGEMENT – KEY COMPONENTS



The Board of Directors' Remuneration Committee reviews the individual performance of Group Executive Management members on a yearly basis.

Corporate Control, Head of Investor Relations and selected members of Group Executive Management attend, in addition to the respective region management.

The Board of Directors 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 the Board's annual work cycle as described in section "Board of Directors").

Risk and compliance reviews

GREC meetings on group, region and country level are the primary governing bodies for risk and compliance follow-up. For further information, see section "Governance, Risk, Ethics and Compliance (GREC) meetings."

Individual performance management – YouFirst

Telia Company is developing a purpose and value based performance culture in order to outperform competition and reach challenging goals. Setting individual objectives linked to strategic business goals and providing frequent feedback are crucial activities for managers at all levels. Telia Company applies a group-wide model for individual performance management – YouFirst – where what you do and how you do it are equally important.

Telia Company's performance management approach is a key component to drive the right objectives and behaviours towards becoming a New Generation Telco, where everyone's performance matters and all activities support the strategic direction. The shift is from an annual event-driven process to a dynamic, ongoing set-up, integrated with the daily work through frequent dialogue meetings. These frequent "check ins" are held in an environment of recognition, coaching and feedback with self-leadership as a key component.

To ensure execution of strategy and cultural change, the individual objectives are connected to the strategic areas and to the key behaviours stated in Telia Company's values – Dare, Care and Simplify. Total contribution is assessed and it is equally important that expectations are met regarding both objectives and behaviours. The assessment of the total contribution is integrated in all relevant processes such as development activities, salary review and variable pay.

The frequent coaching and feedback enable and reinforce a more dynamic and business oriented way of working with expectations and priorities to ensure focus on what matters most: to challenge and stretch performance and create accountability for key results.

ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

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 Telia Company's current or future operations or activities. Risks and uncertainties related to business and sustainability as well as to shareholder issues are described in Risks and uncertainties and financial risks in Note C26 to the consolidated financial statements.

Three-line defense – integrated governance, risk management and compliance

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 that may pose a threat to achieving business objectives are identified and assessed, and measures are implemented to mitigate and monitor the identified risks. The aim is not only to focus on risks from a negative perspective, but also to acknowledge that successful risk management is essential for strategy execution and sustainable growth.

ENTERPRISE RISK MANAGEMENT – LINES OF DEFENSE

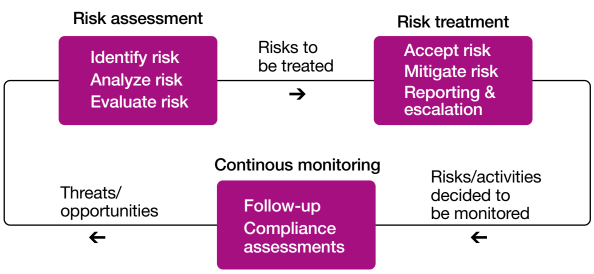
The defense-line roles and responsibilities include:

- ***First-line 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 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 and the Governance, Risk, Ethics and Compliance (GREC) meetings
- ***Third-line defense:*** The group internal audit function provides independent assurance on the risk management process and internal control environment. 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

Risk management process

As a basis for first-line defense, Telia Company's group instructions on risk management define roles and responsibilities as well as the main components of the risk management process, which are risk assessment, risk response and continuous monitoring.

RISK MANAGEMENT – PROCESS FLOW



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, treated 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.

Quarterly, the Audit Committee and the Board of Directors receive a consolidated risk report, aligned with the Board's annual work cycle as described in section "Board of Directors." The consolidated report is divided into four categories:

- Financial risks
- Operational and societal risks
- Strategic and emerging risks
- Legal and regulatory risks

Under each of these categories, risks are presented either as group-wide or by region with a:

- Risk description
- Description of risk mitigating activities and status of execution
- Potential financial impact when possible
- Probability grading (low, medium, high and very high risk)

In addition, the Audit Committee quarterly receives a consolidated litigation report with short-form details of ongoing, pending and threatened legal and administrative proceedings. Each case description also includes alleged nominal and estimated financial impact when possible and a probability grading (low, medium and high risk).

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

The most significant risk areas are monitored by the risk management function including the GREC meetings (see sections "Group-level enterprise risk management (ERM) function," and "Governance, Risk, Ethics and Compliance (GREC) meetings"), the internal controls function within Group Finance (see section "Internal controls over financial reporting") and the Group Ethics and Compliance Office (see section "Compliance framework and programs").

Group-level enterprise risk management (ERM) function

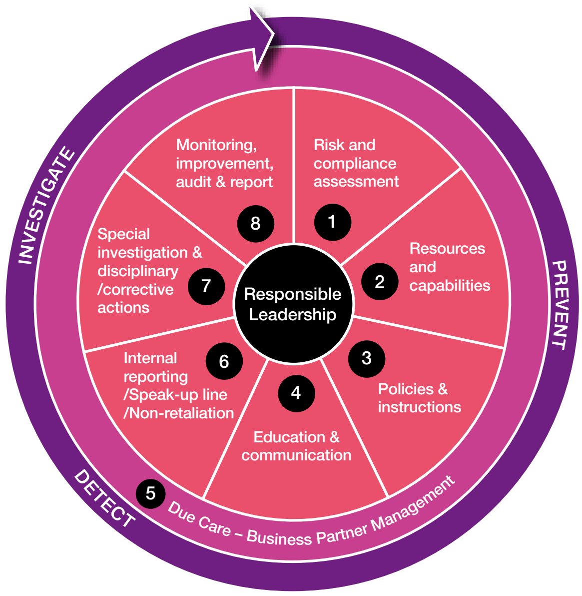
The Head of the ERM function, within group function Corporate Development, acts as the owner of the group-common ERM process to ensure a structured approach towards risk management, compliance and reporting within the group. Function responsibilities include to:

- 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

Compliance framework and programs

Also supporting first-line defense, Telia Company has established a framework to enable systematic work with compliance issues. The compliance framework consists of eight 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 prevent, detect and investigate principles.

COMPLIANCE FRAMEWORK

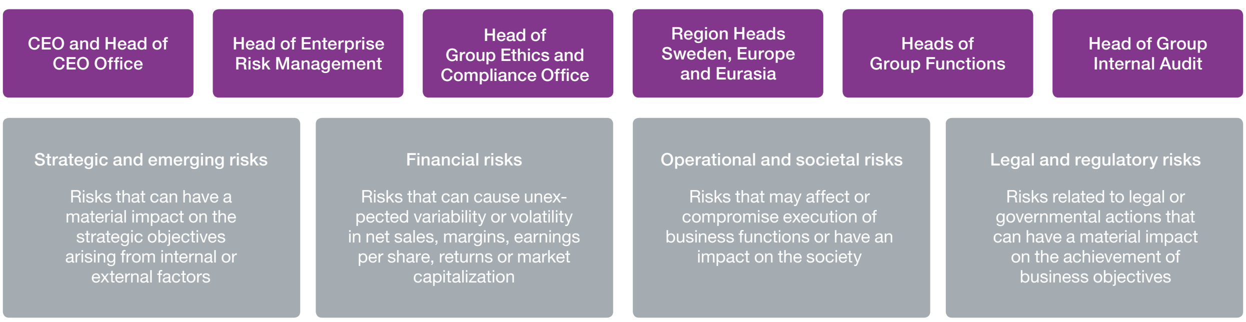


Prioritized risk areas are identified based on risk assessments. The most significant risks are monitored by the Group Ethics and Compliance Office and managed according to the framework through subject-specific compliance programs to ensure consistency and follow-up in implementation and reporting. Currently prioritized risk areas are reflected by the following ongoing programs:

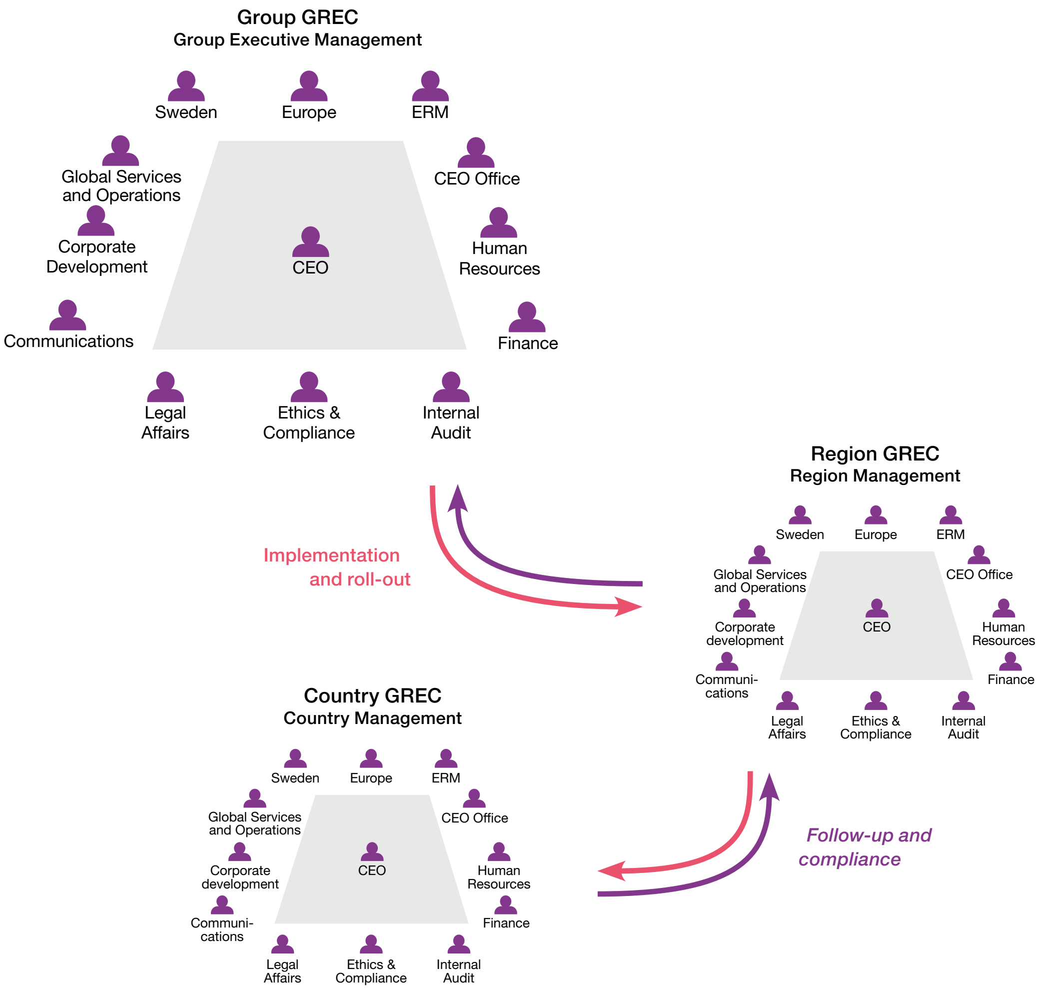
- Anti-bribery and corruption
- Freedom of expression
- Customer privacy
- Occupational health and safety
- Responsible procurement
- Environment

For additional information on the approach and work in the respective area, see Sustainability Work, sections "Sustainability in Telia Company," "Anti-bribery and corruption," "Freedom of expression and privacy," "Customer privacy" and "Occupational health and safety."

GREC MEETING (GROUP LEVEL) - PARTICIPANTS AND RISK CATEGORIES



GOVERNANCE, RISK, ETHICS AND COMPLIANCE MEETINGS



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 sustainability focus areas. The purpose of the GREC meetings is to:

- Consolidate risk reporting from regions, countries and units
- Assess country, regional and group wide risks
- Review risk levels in relation to risk appetite
- Recommend and decide on risk mitigation actions
- Escalate and report risks and follow up on mitigation actions
- Monitor compliance for key risk areas
- Build risk awareness culture
- Monitor and respond to non-compliance against internal and external requirements
- Ensure communication and feed-back to all relevant stakeholders

GREC meetings are held on group, region and country level. On group level, the GREC meeting is chaired by the CEO and consists of Group Executive Management extended with the Head of CEO Office, 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. For region Eurasia, GREC issues on group level are addressed by a Steering Board, headed by the CEO and reported to group GREC (for additional information, see section “CEO and Group Executive Management”).

Whistle-blowing process

Speak-Up Line

2016 was the second full year of operations of Telia Company’s Speak-Up Line, the whistle-blowing tool enabling employees and others to anonymously report violations of proper accounting, reporting or internal controls, as well as non-compliance with local laws or breaches of Telia Company’s policies and ethical 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.

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

Speak-Up Line 2016

Number of whistle-blowing case reports during 2016	**123**
• Investigations opened by the Special Investigations Office of Group Ethics and Compliance	35 (27)
• Reports related to HR matters (handled jointly with Group HR)	19 (42)
• 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)	69 (72)

Reporting channel	**%**
• Speak-Up Line portal	50
• Line managers	18
• Direct contact with ethics and compliance officers at group or local level	17
• Sent to the Speak-Up Line e-mail address	12
• Telia Company's executive management	2

Share of all reports that was submitted anonymously or by reporters requesting to be anonymous 26 percent (40).

Origins of reports during 2016 (2015)	**%**
• Region Eurasia	56 (74)
• Nordics	33 (22)
• Other group companies	11 (4)

During 2016, customer complaints or enquiries, conflicts of interest and ethical concerns or reproaches against management were the most commonly reported matters, in particular from region Eurasia. Other significant issues included improper third party relationships, abuse of position, discrimination and harassment. Several suppliers complained about biased tender results. Several employees complained about wrongful termination.

In 2016, 24 (13) investigations were requested by managers. This increase is viewed positively as it shows that employees feel comfortable addressing concerns directly with their managers.

Where allegations were substantiated, 10 (17) disciplinary decisions were taken by the Group Ethics Forum. The majority of the decisions resulted in terminations of employments, but warnings were issued in some cases.

Consolidated case reports were presented to the Audit Committee throughout the year. The reports included allegations of certain significance, progress of investigations and the final results of the investigations. All case closure reports were submitted to the Group Ethics Forum for oversight and decisions on disciplinary action.

Internal investigation KPIs	**Target**	**2016**	**2015**
Whistle-blowing cases closed within eight weeks	80%	83%	72%
Disciplinary decisions implemented within four weeks after Group Ethics Forum decision	100%	70%	53%

INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors 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 interrelated 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 controls 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 boards of directors, 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 for 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 parts of Telia Company's control environment are the group policies with related group instructions and 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 staff 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 with 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
- Required reconciliations are properly performed
- Material business and financial risks are identified and reported

The Telia Company financial shared services unit 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 section "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.

The internal controls function within Group Finance are continuously performing monitoring activities and compile and share the results with management teams on region and country level. Sharing gives a good opportunity for benchmarks and learning.

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 monthly 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 all countries, regions and group functions and consists of a self-assessment 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, to the GREC meetings and to the Board of Directors' Audit Committee. The Audit 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 of Directors meets with the external auditors, in part without the presence of management.

GROUP INTERNAL AUDIT

The group internal audit function reviews the group operations and makes proposals aiming at improving the internal control environment as well as efficiency in processes and systems. Through operational reviews, a systematic and disciplined approach is used to evaluate and improve the effectiveness of governance within the group.

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 business plan and strategy. The audit plan determines priorities and resource allocation. It is approved by the Board of Directors' Audit 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 2016, audits were performed in group functions and all regions. Important focus areas were:
- Transformation to New Generation Telco
- Information security and privacy
- Supply chain and outsourced business
- Customer experience and operational excellence
- Sustainable business

The Head of Group Internal Audit reports administratively to the CEO and functionally to the Audit Committee. The results from each specific audit assignment are reported to the line manager responsible for the audited area or unit, and in addition to the relevant function-related area manager and to the external auditors. A summary of audit findings is reported to the Audit Committee on a quarterly basis.

The Head of Group Internal Audit is also responsible, together with two external members acting within the Equality of Access Board, for overseeing developments in relation to equal treatment of internal and external wholesale customers in Sweden. The CEO decided to end the activity of the Equality of Access Board by December 31, 2016, primarily due to the changed market conditions as well as changes in the regulatory environment.

During the second half of 2015, the Head of Group Internal Audit temporarily assumed an operational role as CFO of the Swedish organization and has therefore during the entire year of 2016 been withdrawn from audit work related to Sweden.

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 duties of the auditors include:
- Updating the Board of Directors on the planning, scope and content of the annual audit
- Examining financial statements to assess accuracy and completeness of the accounts and adherence to applicable financial reporting standards
- Examining the Board of Directors' and the President's administration of the company
- Conducting a statutory examination of this Corporate Governance Statement
- Advising the Board of Directors of non-audit services performed, the consideration paid and other issues determining the auditors' independence

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 financial statements. The auditors submit a report on Telia Company's financial statements quarterly to the Audit Committee and Group Executive Management and, in November each year, a 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."

In addition, the auditors perform an annual limited assurance of the information presented in Sustainability Work and GRI Index.

Current auditors and fees

At the Annual General Meeting 2016, Deloitte AB was elected as auditor until the end of the Annual General Meeting 2017. 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 AB.

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 Nordea Bank AB and Vice-Chair of Axel Johnson AB. She is selected 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.

Shares in Telia Company: 20,000

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 today Chair of Veikkaus Oy, Chair of Zenterio AB and Vice-Chair of SRV Group Plc., and he is also a board member of Cleantech Industries Global N.V., Entrada Oy, Limestone Platform AS and Foundation for Economic Education. Mr. Kallasvuo holds a Master of law and an honorary doctorate.

Shares in Telia Company: 35,896

Susanna Campbell

Born 1973. Elected to the Board of Directors in 2016. Susanna Campbell is former CEO of Ratos. Prior to that she held positions at McKinsey and Alfred Berg Corporate Finance. Ms. Campbell has an Master of Science of Business and Administration.

Shares in Telia Company: 10,000

Mikko Kosonen

Born 1957. Elected to the Board of Directors in 2013. Mr. Kosonen is since 2008 the president of the Finnish Innovation Fund Sitra. Prior to that, he held several leading positions at Nokia between 1984 and 2007, where his final role was that of Senior Vice President, Strategy and Business Infrastructure. He is a member of the board of Technology Academy Finland, Foundation for Economic Education and Vice-Chair of Aalto University Board. Mr. Kosonen holds a doctorate degree in economics/International business.

Shares in Telia Company: 2,000

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 2001–2005. Nina Linander is currently a board member of AB Industrivärden, Skanska AB, Castellum AB, Awa Holding AB and OneMed AB. Ms. Linander holds a BSc degree in Economics and a MBA (IMD) degree.

Shares in Telia Company: 5,700

Martin Lorentzon

Born 1969. Elected to the Board of Directors in 2013. Mr. Lorentzon is founder and Vice-Chair of the Board of Spotify AB. He was also founder of TradeDoubler AB where he also served as a board member. Mr. Lorentzon holds a Master of Science Engineering.

Shares in Telia Company: 1,100,000

Anna Settman

Born 1970. Elected to the Board of Directors in 2016. Anna Settman is founder of the investment company The Springfield Project and has prior to that gained significant experience from the media sector, mainly from Aftonbladet where she served as CEO. Anna Settman is a member of the board of Directors of Nordnet Bank AB and Anticimex AB. 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 an European MBA.

Shares in Telia Company: 0

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

Eva-Marie Penttilä

Born 1977. Finnish employee representative without voting rights, appointed by Trade Union Pro.

Shares in Telia Company: 0

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]
Marianne Johansson (born 1957), Unionen-Tele. Shares in Telia Company: 1,500[2]
Arja Kovin (born 1964), Unionen-Tele. Shares in Telia Company: 0[2]

REMUNERATION DURING 2016, ATTENDANCE AND NUMBER OF SHARES

			Meeting attendance					
Name	Elected year	Position	Board	Remuneration Committee	Audit Committee	Sustainability & Ethics Committee	Total remuneration (SEK thousand)[1]	Shares in Telia Company[2]
Marie Ehrling	2013	Chair of the Board and Chair of the Remuneration Committee	15/15	5/5	7/7	5/5	1,855	20,000
Olli-Pekka Kallasvuo	2012	Vice-Chair of the Board	15/15	5/5			817	35,896
Susanna Campbell	2016	Director	12/12	4/4			428	10,000
Mikko Kosonen	2013	Director and Chair of the Sustainability and Ethics Committee	15/15			5/5	633	2,000
Nina Linander	2013	Director and Chair of the Audit Committee	15/15		7/7		727	5,700
Martin Lorentzon	2013	Director	14/15		2/2	2/2	597	1,100,000
Anna Settman	2016	Director	12/12			3/3	428	0
Olaf Swantee	2016	Director	10/12		5/5		500	0
Agneta Ahlström	2007	Employee representative	14/15				-	200
Stefan Carlsson	2009	Employee representative	12/15				-	650
Peter Wiklund	2014	Employee representative	14/15				-	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. Mr. Lorentzon's shares are held through companies. Holdings as of the date of this Annual and Sustainability Report.

GROUP EXECUTIVE MANAGEMENT

Johan Dennelind

Born 1969. President and Chief Executive Officer. 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: 154,500

Robert Andersson

Born 1960. Executive Vice President and Head of Corporate Holdings. Prior to joining Telia Company, Mr. Andersson held several managerial positions within Nokia in different international business and support roles, including Executive Vice President of Customer and Market Operations, Executive Vice President, Devices Finance, Strategy and Sourcing and Senior Vice President Corporate Alliances and Business Development. He is a member of the board of PAO MegaFon. Mr. Andersson holds a Master of Science in Economics degree and a Master in Business Administration.

Shares in Telia Company: 10,000

Hélène Barnekow

Born 1964. Executive Vice President and Head of Telia Sweden. Ms. Barnekow has several years of experience from the mobile and IT business, most recently as head of Worldwide Field & Partner Marketing at EMC Corporation. Prior to that she held several managerial positions at Sony Ericsson Mobile Communications between 2001 and 2009. She has also been working at Ericsson. Ms. Barnekow holds a Master of Science in International Business.

Shares in Telia Company: 12,000

Jonas Bengtsson

Born 1970. Senior Vice President and Group General Counsel. 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, inter alia, 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 Group Communications and Chair of Division X. 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: 30,000

Abraham Foss

Born 1964. Senior Vice President and CEO of Telia Norway since 2015. 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. Mr. Foss holds an MBA and has studied Russian.

Shares in Telia Company: 0

Christian Luiga

Born 1968. Executive Vice President and Chief Financial Officer. 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: 52,859

Cecilia Lundin

Born 1970. Senior Vice President and Head of People and Brand. Previously, Ms. Lundin was Head of Human Resources at Investment AB Kinnevik. Prior to that she held positions as human resources executive at Novartis in the Nordics, Tele2 and Billerud, respectively. Cecilia Lundin holds a Master of Science in Economics.

Shares in Telia Company: 1,000

Anders Olsson

Born 1969. Senior Vice President, COO and Head of Global Services and Operations. Prior to joining Telia Company, Mr. Olsson worked at Tele2 where he had several managerial positions including Executive Vice President, CCO and Head of Region Central Europe and Benelux. He is member of the board of BIMA. Mr. Olsson holds a Master of Science in Business Administration and Economics.

Shares in Telia Company: 140,000

Ingrid Stenmark

Born 1966. Senior Vice President, Head of CEO Office; Strategy & Responsible Business. Ingrid Stenmark is responsible for Group Strategy, Risk Management, and also overseeing Internal Audit. Since joining Telia Company in 1994, she 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 serves as a board member of MegaFon and Kcell. Ms. Stenmark holds a Master of law.

Shares in Telia Company: 10,874

Henriette Wendt

Born 1969. Senior Vice President and Head of Cluster. Previously Ms. Wendt was Head of Corporate Strategy and Participation Management at Swisscom. Prior to that she held various managerial positions within Motorola. She started her career as a strategy consultant with Monitor Company and other technology companies. Ms. Wendt holds a Master's Degree in Business Administration.

Shares in Telia Company: 8,500

Stein-Erik Vellan

Born 1965. Senior Vice President and CEO of Sonera Finland. 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

Information on the members of Group Executive Management is also available at www.teliacompany.com/Corporate-Governance. 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.

REMUNERATION AND OTHER BENEFITS DURING 2016, 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	15,794	1,358	75	6,204	23,431	-
Other members of Group Executive Management (8 individuals)	41,507	3,371	1,383	12,835	59,095	1,351

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

SUSTAINABILITY IN TELIA COMPANY

Digitalization is fundamentally impacting people and businesses everywhere, and it is a key factor in societal development and sustainable economic growth. We aim to capture the business opportunities of digitalization and run our business in a responsible way to create value for our company and for society as a whole.

OUR APPROACH TO SUSTAINABILITY

ALL IN – SHARED VALUE CREATION

- CONNECTING THE UNCONNECTED
- A HEALTHY AND SAFE SOCIETY
- EDUCATION FOR ALL
- DIGITAL INNOVATION AND ENTREPRENEURSHIP

RESPONSIBLE BUSINESS

- ANTI-BRIBERY AND CORRUPTION
- RESPONSIBLE PROCUREMENT
- FREEDOM OF EXPRESSION
- OCCUPATIONAL HEALTH AND SAFETY
- CUSTOMER PRIVACY
- CHILDREN ONLINE
- ENVIRONMENTAL RESPONSIBILITY

Our approach is based on two elements: the All in strategy for shared value creation and the Responsible Business programs to ensure sustainable operations and ethical business practices. Shared value creation is integrated in our business strategy by leveraging our purpose, expertise and assets to address societal and environmental challenges while creating business value. By conducting our business in a responsible way throughout our operations, we comply with legal requirements and voluntary commitments and also meet our own and stakeholder expectations of ethical business practices. This responsibility extends throughout our value chain.

To find out more about how we create economic, social and environmental value, see Our Company, section "How we create value."

Supporting the Sustainable Development Goals
Our approach contributes directly to a number of the UN Sustainable Development Goals (SDGs) as digitalization is at the heart of the transformational change needed to reach the goals. Through Responsible Business, we contribute to several of the targets of SDG16: Peace, justice and strong institutions such as to reduce corruption and bribery and ensure public access to information. The All in focus areas contribute directly to SDG3: Good health and well-being, SDG4: Quality education and SDG9: Industry, innovation and infrastructure. By reducing our own environmental footprint and developing services that increase resource efficiency and reduce greenhouse gas emissions, we contribute to SDG13: Climate action.

OUR COMMITMENTS

We are committed to a number of international principles and charters, including:

- The UN Universal Declaration of Human Rights
- The core conventions of the International Labour Organization (ILO)
- The OECD Guidelines for Multinational Enterprises
- Signatory to the United Nations Global Compact

We seek to respect human rights including children's rights, as laid out in the UN Guiding Principles on Business and Human Rights and the Children's Rights and Business Principles.

These commitments are incorporated into our Code of Responsible Business Conduct that is applicable to all employees and companies where we have management control. For more information about the Code and the policy framework, see Corporate Governance, section "Group-wide governance framework."

UNDERSTANDING STAKEHOLDERS

To ensure that we focus on the most material issues and our ability to impact, we regularly review our priorities with our stakeholders. For more information about stakeholder engagement, see Our Company, section "Trends and strategy."

In 2014, we conducted a sustainability materiality review through internal and external workshops and interviews. The results confirmed our responsible business focus areas and determined our shared value creation strategy focus areas. It also highlighted other areas that we need to actively manage, such as protection of children online. See 2014 Annual and Sustainability Report, Sustainability Work, section "Stakeholder engagement" for more information. An in-depth materiality review will be conducted in 2017 to ensure the right focus as we leave region Eurasia.

In 2015, to better understand internal and external views on our sustainability work, we introduced two survey-based indexes: the Sustainability Perception Index (SPI) and the Responsible Business Index (RBI).

In 2016, SPI surveys were sent out twice to all key stakeholder groups in regions Sweden and Europe. According to the survey results, 43 percent of the some 2400 external stakeholders who responded perceive that we are contribute positively to society and the environment, and run our business in an ethical way. 8 percent perceive that we do not. A large share of respondents, 30 percent, answered that they don't know about our work and impact. Increasing stakeholders' awareness is a priority going forward.

The RBI survey was not conducted in 2016, but will be conducted in early 2017, to better measure the effect of the roll-out of the new Code.

SUSTAINABILITY PERCEPTION INDEX

According to the survey, the majority of external stakeholders that are aware of our contribution perceives it positively. Almost a third responded that they don't know about our work or impact.

Percentage of external stakeholders who perceive that we contribute positively to society and the environment, and run our business in an ethical way:

43%

Employees and external stakeholders want us to increase our focus mainly on:

DIGITAL INCLUSION
Connecting the unconnected, geographically or otherwise, to the digital society

PRODUCT AND SERVICE RESPONSIBILITY
Safe products and services, customer privacy

In the annual Purple Voice employee survey, 73 percent of employees said that they are proud of the way Telia Company contributes to a better society, up from 65 percent in 2015.

GOVERNANCE AND ORGANIZATION

The illustration below describes sustainability-related decision-making and reporting. The ultimate responsibility for sustainability issues lies with the Board of Directors. The Heads of Sustainability Strategy and Enterprise Risk Management report to the Head of Corporate Development, who is a member of Group Executive Management, and the Group Governance, Risk, Ethics and Compliance (GREC) meeting. The Chief Ethics and Compliance Officer, who is Head of Group Ethics and Compliance Office, reports directly to the CEO and is a member of GREC.

For more information about the governance of specific focus areas, see the respective focus area,section Governance. For group governance, see Corporate Governance, sections "Group-wide governance framework" and "Enterprise risk management (ERM) framework."

> »In the annual Purple Voice employee survey, 73 percent of employees said that they are proud of the way Telia Company contributes to a better society.«

SUSTAINABILITY GOVERNANCE

- Monitors sustainability work
- Follows up on risks, opportunities and compliance
- Approves policies

- Sets strategic ambition and direction
- Ensures focus and resourcing
- Approves instructions

- Develops and integrates sustainability strategy with business strategy
- Monitors performance of and reports on sustainability work
- Ensures consistent approach to compliance and risk management

- Implements sustainability strategy and compliance programs
- Creates awareness and builds expertise in our sustainability approach
- Reports to group

SUSTAINABILITY FOCUS AREA SUMMARY

In 2016, our sustainability work focused on the areas below. See the respective focus area section for more information, including goals and outcomes.

STRATEGIC OBJECTIVE	2018 GOALS	2016 PROGRESS	2017 PLANNED ACTIVITIES
All in - shared value creation • Connecting the unconnected. • A healthy and safe society. • Education for all. • Digital innovation and entrepreneurship.	• Shared value creation an explicit part of Telia Company's culture, purpose and values. • All in integrated in all relevant company processes such as business planning. • Reporting on clear metrics for shared value creation. • 20,000 days of employee volunteer work connected to All in strategic objectives.	• Published “Accelerating Sustainable Growth” report. • Accelerator programs and events to support innovation and entrepreneurship. • Products and services to connect the unconnected, such as Telia Sense and M2M in a box. • Growth in education programs.	• Internal trainings and workshops to ensure integration into company processes. • Active public dialog on societal impact of digitalization. • Local All in activities running according to business plans. • Employee volunteering program launched.
Anti-bribery and corruption • Best in class anti-bribery and corruption (ABC) program. • Zero tolerance for unethical business conduct.	• All employees are aware of our ABC requirements. • All employees are familiar with the channels for reporting concerns and potential violations. • Certified ethics and compliance professionals in all region Eurasia markets (by end of 2016).	• Over 2,000 employees received ABC face to face training, and over 4,300 completed ABC e-learning. • Review of compliance framework and ABC program carried out by Ethisphere. • Due to the relocation of two region Eurasia ethics and compliance officers to group level, the number of markets with certified professionals remained at three.	• Develop local plans for ABC program implementation. • Develop training plan for roles exposed to high corruption and bribery risks. • ABC training as part of the roll-out of the new Code. • Improve the ABC risk self-assessment tool and the competence to carry out local self-assessments. • Third party due care capacity building in region Eurasia.
Freedom of expression • Enable, respect and support freedom of expression and privacy. • Telia Company is trusted as an ICT industry leader in human rights.	• All markets covered in law enforcement disclosure reports with regard to number of conventional requests and information on local legislation. • All closed unconventional requests challenged. • Contribute actively to the work of the Telecommunications Industry Dialogue (ID) and its collaboration with the Global Network Initiative (GNI).	• Eight countries covered in law enforcement disclosure reports with regard to number of conventional requests. • Five countries covered with regard to information on local legislation. • Almost half of closed unconventional requests challenged, often by transparency. • Contributed to the ID and GNI joining forces.	• Continue contributing to shared learning and standardization of reporting within the ID and GNI. • Improve governance and training to speed up assessments and escalations, especially regarding direct access requests. • Implement human rights remedy and grievance mechanisms. • Review and implement recommendations from BSR's HRIAs.
Customer privacy • Respect and protect our customers’ privacy. • We are regarded as a trusted actor in handling personal data on the customer’s terms.	• “Privacy by design” implemented in all relevant project management processes. • All employees aware of the privacy requirements related to their work duties. • Clear and easy to understand information about processing personal data readily available to customers. • Mitigation of EU Data Protection Regulation (GDPR) compliance risks.	• Privacy Impact Assessment process implemented in Telia Company’s project model. • Group-common “Privacy Notice” model created. • Local gap assessments against GDPR completed and risk mitigation roadmaps developed in regions Sweden and Europe. • Strengthened governance and resources to meet GDPR requirements.	• Execute GDPR risk migitation activities according to local and group-level mitigation plans. • Strengthen privacy governance, including carrying out training to increase awareness of privacy requirements. • Revise relevant group policies and instructions to ensure they reflect GDPR requirements.

STRATEGIC OBJECTIVE	2018 GOALS	2016 PROGRESS	2017 PLANNED ACTIVITIES
Occupational health and safety • An occupational health and safety culture that supports the ambition of Telia Company as THE place to work.	• Lost-Time Injury Frequency (LTIF) maximum 0.52. • Sickness Absence Rate (SAR) maximum 1.9 percent. • No fatal accidents. • OHSAS 18001 implemented in all major companies (by end of 2016). • Engagement index: 83 percent.	• LTIF: 0.36 (0.41). • SAR: 2.4 percent (2.2). • No fatal accidents (0). • Operations in Finland, Norway, Estonia, Azerbaijan, Uzbekistan and Kazakhstan OHSAS 18001 certified. • Engagement Index: 80 percent (78).	• Local companies not yet OHSAS 18001 certified continue working towards certification. • Begin transition from OHSAS 18001 to ISO 45001. • Focus on employee well-being and engagement in regions Sweden and Europe.
Responsible procurement • All suppliers comply with our sustainability requirements. • All suppliers have signed our supplier code of conduct.	• 75 percent of assessed suppliers compliant with the supplier code of conduct. • 25 percent reduction of supplier base (baseline 2015).	• 60 percent (58) of suppliers assessed through audits or EcoVadis compliant with the supplier code of conduct. • Launched a standardized supplier due diligence platform, 1,443 due diligence assessments carried out. • 169 on-site audits carried out. • Launched focus area programs in seven critical supply chain areas.	• Continued work within the focus area programs. • Further develop the due diligence platform. • Training and capacity building of suppliers, to better understand and meet our supplier code of conduct and security directives requirements. • Strengthen local due diligence expertise in region Eurasia, to enable local sustainability risk evaluation.
Environmental responsibility • Minimize negative and maximize positive environmental impact throughout our value chain.	• All major operations in regions Sweden and Europe ready for ISO 14001 certification (by end of 2017). • Buy-back programs for mobile devices established in region Europe (by end of 2017). • 10 percent lower energy consumption per subscription equivalent. • 33 percent lower CO_2e emissions per subscription equivalent.	• ISO 14001 certification in Telia in Sweden and Sonera in Finland. • 85,000 devices collected through buy-back programs. • 28.8 kWh per subscription equivalent (28.2). • 1.9 kg CO_2e emissions per subscription equivalent (2.5).	• Continued ISO 14001 implementation in regions Sweden and Europe. • Strengthen expertise, governance and local resources responsible for environmental management. • EU Energy Efficiency Directive assessments and reporting.
Children online • Respect and support children's rights.	• Understand impact on children's rights in relevant business activities. • Block child sexual abuse material (CSAM) in regions Sweden and Europe. • Detect and report CSAM in internal IT systems in regions Sweden and Europe. • Establish Children's Advisory Panel.	• Initiated assessment for Children's Rights and Business Principles. • Implemented blocking of CSAM in regions Sweden and Europe. • Implemented detection and reporting of CSAM in internal IT systems in six countries and in Telia Carrier. • Introduced Children's Advisory Panel in regions Sweden and Europe.	• Implement the action plan based on the Children's Rights and Business Principles assessment. • Share and present CAP findings, and use the results to improve our approach to children as users of our services. • Further cooperation to improve detection and blocking of CSAM, and encourage other organizations to do the same.

NEW CODE OF RESPONSIBLE BUSINESS CONDUCT

In September, we launched our new Code of Responsible Business Conduct that replaces the previous code of ethics and conduct.

The Code is a tool to raise awareness and engagement regarding ethics, values, dilemmas, culture and leadership. The new Code more clearly reflects the “tone from the top” and the expectations of employees and management as well as the consequences of non-compliance. Its 17 chapters reflect group policies and instructions and also provide practical, instructional information on how to interpret the Code requirements. It also includes information about contact points for raising concerns and whistle-blowing through the externally available Speak-Up Line.

The Code is available in English, Russian, Kazakh, Azeri, Romanian, Georgian and all Nordic and Baltic languages both online and in a printed newspaper-format document.

Roll-out of the Code

The roll-out of the Code started in Sweden and continued with management teams in local companies, covering ten countries by year-end. Participants took part in an interactive dilemma game based on real Telia Company cases. The game allows people to discuss different approaches to and the consequences of ethical dilemmas. At the end of each session, participants anonymously submit their own dilemmas to be used in updated versions of the game.

Feedback from employees has been positive and many have commented that the new Code addresses serious matters in a fun, lighthearted way that is easy to understand and apply. We aim to conduct face-to-face training on the Code and ethical dilemmas with employees in 2017.

E-learning program

The launch of the Code was complemented by an e-learning program that was introduced in December. This program is compulsory for all employees. The main module covering the Code’s purpose, expectations of employees and our speak-up culture will be followed by topical e-learning courses to be rolled out during 2017.

The Code is available at dontdothisatwork.teliacompany.com. If you have feedback or would like to know more, just contact us at ask-us (at) teliacompany.com.

The Code is available online and in printed newspaper format

Chapter 1: Don't accept shiny gifts

HUMAN RIGHTS IMPACT ASSESSMENTS

Human rights impact assessments give us insights into the local and group-level impacts, risks and opportunities, and for people affected by our daily operations.

REGION EURASIA

In 2015, Telia Company commissioned the independent non-profit organization BSR to undertake human rights impact assessments (HRIAs) of the companies in region Eurasia as part of ensuring local human rights due diligence and a responsible exit from 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. No assessment was carried out for Ncell in Nepal, as a divestment was announced in December 2015.

General conclusions
The six stand-alone HRIA reports identified actual and potential human rights impacts, risks and opportunities for each company related, for example, to security and privacy, freedom of expression and children's rights. BSR's HRIA summary report drew the following general conclusions:

- On group level, Telia Company has made substantial progress in addressing human rights since the last impact assessment was undertaken in 2013.
- On the local level, each subsidiary has undertaken proactive action to respect human rights, with many company leaders displaying a strong commitment to international standards of business conduct.
- The regional corruption and human rights context presents significant systemic challenges to applying Telia Company's human rights infrastructure.
- Active and engaged ownership is a pre-condition for advancing respect for human rights in local markets.
- Ownership transparency has a material influence on human rights leverage.
- Law enforcement disclosure reports are influential.
- Some significant challenges, for example direct government access to networks (e.g. SORM), are similar across former Soviet republics.
- Diplomacy, collaboration and advocacy present the most promising opportunities for sustained impacts over time.
- The amount of space available for civil society organizations is a key variable in the extent of human rights leverage.
- Increased dialog with local stakeholders on topics such as telecommunications policy reform and economic development may help establish a more supportive policy context.
- Significant human rights challenges remain and the prospects of addressing them will depend on the human rights commitment of the purchasing entity or entities.

Recommendations and next steps
The summary report presents recommendations in three categories: Company-specific "management and mitigation plans" to integrate human rights into local company management by current and future owners, a "responsible divestment plan," and how Telia Company can improve its group-wide human rights approach.

The responsible divestment plan included, among other, the following recommendations:

- Undertaking pre-sale due diligence on potential purchasing entities.
- Attaching human rights conditions to sales conditions.
- Undertaking post-sale activities designed to enhance respect for human rights after Telia Company's exit.

The group-wide approach recommendations were:

- Establishing a single human rights policy.
- Identifying likely remedy options for potential human rights grievances.

Local challenges differ between markets, but are in essence connected to complexities in the local operating environment, resources and prioritizations. Each local company, guided by region and group experts, is developing an action plan based on BSR's recommendations that will be embedded in local business operations. Quarterly updates on the execution of these action plans will be presented at local governance, risk, ethics and compliance (GREC)

» On group level, Telia Company has made substantial progress in addressing human rights since the last impact assessment was undertaken in 2013.«

meetings and monitored by group experts. As to the responsible divestment recommendations, the main challenges on the group level are connected to the complexity of the divestment processes.

The local BSR HRIA report and insights on the local human rights context were shared with AKFED during the divestment process (to be finalized) of Tcell in Tajikistan.

LITHUANIA AND SWEDEN

We further commissioned BSR to carry out HRIAs for operations in Lithuania and Sweden, which were finalized in September and December respectively. Some of the general conclusions were:

Lithuania

- Telia Company's group policies and instructions are well understood and implemented.
- The current geopolitical situation may cause increased human rights risks for local operations related, for example, to limiting freedom of expression for national security reasons.
- Social attitudes, which are sometimes reinforced by discriminatory laws, constrain a number of human rights protections, especially in the area of non-discrimination.
- There are opportunities to increase multi-stakeholder dialog and collaboration, as well as to push the boundaries of transparency.
- Telia (and Telia Company) may face new human rights dilemmas in the media industry arising from offering new media content.

Sweden

- Sweden's status as an established liberal democracy is the source of significant human rights protections and substantially reduces the severity of Telia's human rights risks.
- While many meaningful protections are in place, there are a number of shortcomings in the privacy oversight and protections in Sweden's legal framework governing law enforcement and national security.
- There are opportunities for Telia to address human rights deep in the local supply chain.
- Telia's efforts to comply with the General Data Protection Regulation (GDPR) will significantly enhance privacy protection.
- Telia's success in big data analytics and other adjacent market opportunities will rely on users' trust that Telia will protect and use personal data fairly.
- There are opportunities for Telia to comment on government policies and proposals in ways that address human rights risks and opportunities, as well as to lead by example on human rights.

Recommendations and next steps

The HRIA reports outlined recommendations in customer privacy, freedom of expression, anti-discrimination and vulnerable groups, labor rights and public policy. These recommendations include proactive engagement with the government on regulatory issues regarding freedom of expression and customer privacy, undertaking discrimination awareness and unconscious bias trainings, paying particular emphasis on non-discrimination of vulnerable groups, and enhancing responsibility over the supply chain.

Telia in Lithuania and Sweden will prepare action plans for implementing BSR's recommendations in 2017 and onwards. We are looking into possibilities to undertake HRIA in other markets in region Europe with a slightly modified methodology that might not involve full-scale stakeholder engagement and extended country visits.

More information

BSR's summary report of HRIAs in region Eurasia is available at www.teliacompany.com/sustainability/reporting.

ALL IN - SHARED VALUE CREATION

To leverage our core competencies and business to create shared value – combining social good with business benefits – we have created All in.

The development and use of information and communications technology (ICT) has many positive effects on societal development. According to studies[1] ICT development positively correlates to a country's social progress, and there is evidence[2] that mobile and fixed network coverage directly and positively affects GDP growth. Digitalization can have a fundamental impact on progress on the UN Sustainable Development Goals (SDGs) by improving quality of life, fostering equitable growth and protecting the environment[3].

All in is our approach to integrating shared value creation in business strategy in core markets. It focuses on the biggest opportunities for positive societal impact and providing solutions to reach the UN SDGs, and potential new business. It focuses on four areas:

- Connecting the unconnected
- Education for all
- A healthy and safe society
- Digital innovation and entrepreneurship

During the year, local companies in regions Sweden and Europe further integrated All in in their business planning processes and carried out activities to support its objectives. We also released the "Accelerating Sustainable Growth" report, to use as a tool to create awareness of the opportunities of digitalization in our core markets.

1) ICT Development Index and Social Progress Index correlation, Zeév Likwornik, 2013
2) Value of connectivity report, Deloitte, 2014
3) #System Transformation report, GeSI, 2016

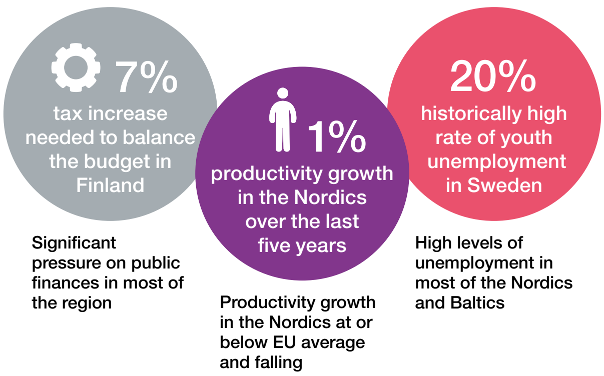
"ACCELERATING SUSTAINABLE GROWTH" REPORT

In this report by Deloitte UK, commissioned by Telia Company and released in September, Deloitte has taken a closer look at how the services made possible by digitalization can accelerate more sustainable growth in the Nordics and Baltics.

The Nordic countries have historically performed well but are currently facing a number of socio-economic challenges. These include low economic and productivity growth, high unemployment especially among young people, and the rising cost of healthcare for a growing and aging population. The Baltic countries face similar economic challenges as the Nordic countries and lag behind other EU countries' income and productivity.

According to the report, increasing the scope and scale of digitalization in the Nordics and Baltics could add up to EUR 100 billion to their economies in 2021, while also contributing to all UN dimensions of sustainable development.

NEW SOURCES OF GROWTH ARE NEEDED TO OVERCOME ECONOMIC CHALLENGES IN THE REGION



Source: Eurostat, Deloitte analysis

The report highlights three critical areas:

1. BOOSTING SUSTAINABLE GROWTH

Enhanced use of digital solutions among governments, businesses and consumers could increase productivity by 3.5 percent on average across the Nordics and Baltics while creating up to 470,000 additional jobs.

Estimated effects realized in 2021.
Source: Deloitte analysis

ENHANCED USE OF DIGITALIZATION IN THE NORDICS AND BALTICS COULD UNLOCK GROWTH IN THE REGION

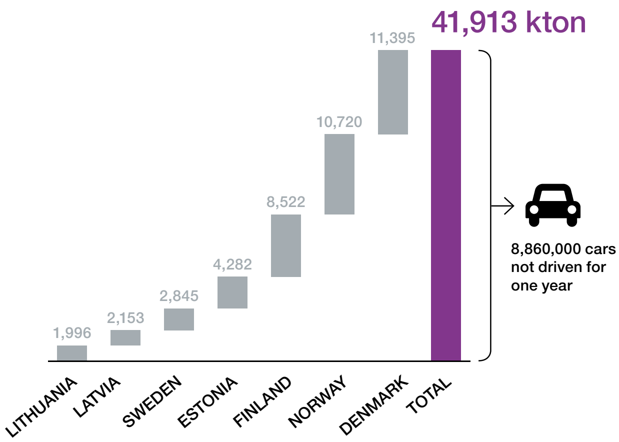
	Nordics	Baltics
PRODUCTIVITY	+3.1 %	+7.8 %
EMPLOYMENT	+330 k (2.5 %)	+140 k (4.4 %)
G.D.P.	+€ 82.7 bn (5.7 %)	+€ 13.5 bn (2.7 %)
WAGES PER EMPLOYEE	+€ 2.6 k (3.8 %)	+€ 1.8 k (9.6 %)

2. PROTECTING THE ENVIRONMENT

Increased digitalization of the Nordic and Baltic economies could reduce greenhouse gas emissions by up to 20 percent. This is equal to taking nearly nine million cars off the road for a year.

*Estimation based on 2013 values across all sectors, kton GHG
Source: Eurostat/EEA, GeSI #SystemTransformation

UP TO 20 PERCENT ANNUAL* GREENHOUSE GAS EMISSIONS SAVINGS THROUGH ENHANCED DIGITALIZATION IN 2021

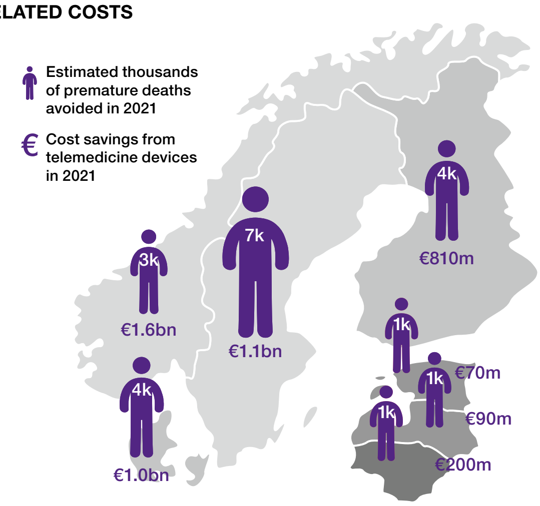


3. IMPROVING PEOPLE'S LIVES

Up to 23,000 premature deaths could be avoided through e-healthcare while connected smart transportation could save up to 1,000 lives annually on our roads in 2021.

Differences due to rounding.
Source: Eurostat/EEA, Statistics Norway, Deloitte analysis

E-HEALTH COULD SAVE LIVES AND REDUCE CARE RELATED COSTS



E-Health gross savings opportunity as share of health expenditure:

■ >8% ■ 5%–8% ■ 2.5%–5% ■ <2.5%

OVERCOMING THE BARRIERS

While digitalization may unlock new more sustainable economic growth, a number of significant barriers still need to be overcome to realize the opportunities of digital services. These include development of the regulatory environment for complex issues such as privacy, data security, taxation of shared assets and liability for machine actions.

Download the full report at www.teliacompany.com/accelerating-sustainable-growth. If you have any questions or for more information, contact sustainability-group (at) teliacompany.com.

» Digitalization can have a fundamental impact on progress on the UN Sustainable Development Goals by improving quality of life, fostering equitable growth and protecting the environment.«

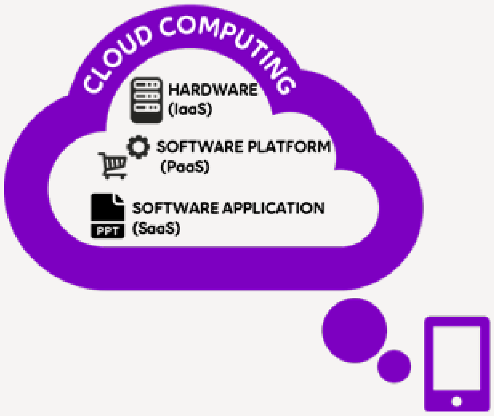
Source: Accelerating sustainable growth

ACTIONS NEEDED TO INCREASE DIGITALIZATION AND UPTAKE IN THE NORDICS AND BALTICS

Policy barriers	Supply barriers	Demand barriers
1. Developing the regulatory environment to facilitate increased digitalization **2.** Increasing awareness among stakeholders about ICT's potential in accelerating more sustainable growth **3.** Creating effective investment and financing incentives	**1.** Furthering cross-industry collaborations **2.** Increasing available capital for financing of digital solutions to sustainable growth challenges **3.** Achieving integrated standards across technologies	**1.** Improving ICT literacy and digital skills **2.** Addressing the affordability of necessary devices, sensors and software **3.** Ensuring more local content in digital applications **4.** Increasing awareness among businesses and consumers about ICT's potential in accelerating more sustainable growth

Sources: Telia Company, GeSI #SystemTransformation

CASE



TELIA APP MARKET

Reducing the cost of doing business with cloud computing

Telia App Market has gathered a number of business applications to provide any organization with Software-as-a-Service (SaaS) through cloud computing to make it more efficient. Cloud computing refers to access of digital services and applications virtually, including data storage. The capacities and servfices used can be adjusted on-demand by the user/organization.

Remote access to IT infrastructure hardware (IaaS), software platforms (PaaS) and applications (SaaS) in the cloud, can enable new business models, increase business agility and reduce costs. Cloud services normally also include pooling IT resources with others and thus saves energy and materials consumption, which can reduce negative environmental impact. These benefits may be realized by both private sector businesses and public sector organizations.

According to the "Accelerating sustainable growth" report, cloud services such as IaaS and SaaS, could help create up to 23,000 new small and medium sized enterprises by 2021 in the Nordics and Baltics, mainly through reducing upfront IT capital expenditure required of entrepreneurs to operate their businesses.

The use of PaaS could also allow easier access to markets through e-commerce, which in turn could spur more economic growth in the region.

Telia App Market addresses targets in the UN Sustainable Development Goals 8, 9, 12 and 13.

CASE

INCREASING EFFICIENCY OF IRRIGATION SYSTEMS SAVING WATER IN FARMING

Smart irrigation addresses the need for increased resource efficiency in farming

Telia in Norway has launched a Smart Farming service based on NB-IoT (Narrow-Band Internet of Things). The service provides farmers with an intelligent system for monitoring irrigation systems.

The "smart irrigation" service has been developed in collaboration with the Norwegian company 7Sense. The result is a system for monitoring of irrigation systems used in agriculture, making the systems better and more precise. The water sprinkler has a sensor that registers the position using GPS, alerts in case of falling pressure and provides the operating status of the irrigation system using various sensors. The sensor unit is connected to the mobile network with a NB-IoT module and sends data at regular intervals. Using ICT technology such as IoT devices, helps farmers to accurately assess how much irrigation and fertilizer is needed, saving emissions and water consumption.

The factors driving the smart irrigation market are increasing demands within food production, resource efficiency to reduce costs, and increasing concerns over water conservation. According to market research by Irrigation Controller, the global smart irrigation market is expected to reach USD 1,500 million by 2022, at a CAGR of 17.2% between 2016 and 2022.

Smart irrigation addresses targets in the United Nations Sustainable Development Goals 6 and 12.

ANTI-BRIBERY AND CORRUPTION

Some of our markets are among the most challenging in the world when it comes to doing business due to bribery and corruption. In addition, the telecommunications industry is exposed to a high risk of corruption. We are committed to fighting corruption in all of its forms and to doing business with the highest sense of transparency and integrity. We do not accept bribery or corruption in any form.

STRATEGIC OBJECTIVE	2018 GOALS	2016 PROGRESS
• Best in class anti-bribery and corruption (ABC) program. • Zero tolerance for unethical business conduct.	• All employees are aware of our ABC requirements. • All employees are familiar with the channels for reporting concerns and potential violations. • Certified ethics and compliance professionals in all region Eurasia companies (by end of 2016).	• Over 2,000 employees received ABC face to face training, and over 4,300 completed ABC e-learning. • Review of compliance framework and ABC program carried out by Ethisphere. • Due to the relocation of two region Eurasia ethics and compliance officers to group level, the number of markets with certified professionals remained at three.

In the last few years, we have come to understand the scale of the unethical and possibly illegal business practices in region Eurasia. The way that these markets were entered, for example by selecting partners with unclear ultimate beneficial owners, is not in line with our current responsible business practices. We have worked extensively to analyze our corruption risks, investigate potential fraud and corruption schemes, educate employees and build a culture where people are expected to speak up when they see potential or actual corrupt practices. Our work to fight corruption continues in the region by ensuring that sufficient capacity and knowledge is in place to continue this work under new ownership.

Although risks are lower in regions Sweden and Europe, we need to ensure solid anti-bribery and corruption (ABC) practices throughout our own operations and supply chain. As we mature, we are moving beyond awareness and training to process development and implementation. This supports the integration of ethical business conduct into everyday work and decision-making.

GOVERNANCE

The ABC program

Telia Company's Board of Directors, Group Executive Management and chief ethics and compliance officer set the tone from the top and are responsible for the governance and compliance frameworks required to implement the ABC program.

The ABC program provides a systematic way of implementing the group ABC policy and instructions. The program is based on our compliance framework and includes the key elements of an effective compliance program and adequate procedures as set forth in the U.S. Sentencing Guidelines and the UK Bribery Act Adequate Procedures.

We have since its launch in 2013 taken firm action to better understand and improve control of risks and contextual challenges by increasing awareness of ABC risks, implementing control mechanisms, improving third party engagement and other processes, and carrying out extensive training. 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, still focused in 2016 on region Eurasia. Regions Sweden and Europe started implementation in 2015 and are following the same implementation framework but with appropriate adjustments for the level of risk. The roll-outs shall be completed group-wide by 2018.

Ethics and compliance network

The ABC program is managed by the group ethics and compliance office, which is responsible for the program design and annual plan as well as follow-up and reporting to the group Governance, Risk, Ethics and Compliance (GREC) meetings and to the Board of Directors.

Program implementation is the responsibility of local line organizations as well as group functions, with strong support from the ethics and compliance network. This network includes group and regional ethics and compliance officers, dedicated officers or coordinators in each local company who act as focal points for other compliance activities including GREC meetings, due diligence experts in high risk markets and the group special investigations office which handles internal investigations related to potential corruption or fraud.

All country ethics and compliance officers are required to complete anti-bribery or compliance certification through TRACE or SCCE, and due diligence experts are encouraged to do the same. By the end of 2016, a total of seven group and three country ethics and compliance officers, and one third party due diligence specialist, had been certified.

WORK DURING THE YEAR

ABC risk assessments

Region Eurasia companies received prority in the execution of independent country, institutional and operational ABC risk assessments in 2013 and 2014. Risk mitigation action plans were formulated and implemented in the region during 2015. In 2016, follow-up first generation self-risk assessments were conducted in region Eurasia, and action plans updated. Self-risk assessments were also carried out in regions Sweden and Europe for the first time. These will be reviewed and supplemented during 2017.

The results from the risk assessments were analyzed together with input from third party due care processes and Speak-Up Line cases. Risk areas and action points were:

- Review the level of understanding of and compliance with policies and instructions regarding sponsorships, donations, gifts and hospitality.
- Quantify and fulfil resource and capacity building requirements for effective third party ABC risk management.
- Improve the quality of ABC training for employees and third parties.
- Extend the rollout of the conflict of interest (COI) registration tool, implement COI analysis and monitoring, and ensure that information can be accessed and shared for COI risk management purposes.
- Identify ABC risks in the customer due diligence process.

» Telia Company has made incredible progress since 2013 in developing its ethics and compliance program, most notably its anti-corruption program. Telia Company appears to be very engaged in implementing a best practice ethics and compliance program.«

Source: Ethisphere Institute

Policies and instructions

Local companies in region Eurasia established a framework for continuous self-monitoring of the adoption and implementation of group policies and instructions. Compliance status is reported quarterly in country and regional GREC meetings. This effort will be extended to regions Sweden and Europe in 2017.

Third party due care

The purpose of third party due care is to enforce our ABC principles throughout the supply chain and to all third parties we engage with. Our ABC policy requires risk-based due diligence on third parties and inclusion of an anti-corruption clause in high risk engagement contracts.

During 2016, we continued the “backlog” projects which started in 2014 in region Eurasia. The projects reviewed third party engagements that we entered into prior to the implementation of an adequate due care process. The projects applied a risk-based approach to third-party screening and payment analysis, to ensure that business relations with high risk third parties were thoroughly reviewed and where necessary investigated, and that remedial actions - which could include freezing payments, terminating or re-negotiating contracts and permanent blocking - were taken as required.

By the end of the year, the backlog processes were completed or closing off in Kcell in Kazakhstan, Azercell in Azerbaijan, Ucell in Uzbekistan and Tcell in Tajikistan. Backlog cases raising potential corruption concerns were referred to the special investigations office for attention. Geocell in Georgia and Moldcell in Moldova will carry out their backlog projects in 2017.

The ABC program in region Eurasia was also strengthened by the implementation of the third party due care processes covering new and renewed third party engagements. Read more in "Responsible procurement".

Continuous improvement

In June, we engaged the Ethisphere Institute to review our ABC program and compliance framework. The best practice review was based on interviews, document review and benchmarking against peer groups, US and UK anti-bribery legislation and guidelines, UN and OECD guidance among others. According to Ethisphere's assessment:

"Telia Company has made incredible progress since 2013 in developing its ethics and compliance program, most notably its anti-corruption program. Telia Company appears to be very engaged in implementing a best practice ethics and compliance program."

Ethisphere's recommendations will inform the planning of ABC program activities in 2017.

External collaboration

In May, we hosted the first Telecommunications Industry Integrity Initiative forum together with Transparency International Hungary. Eight companies including Orange, Vodafone, Ericsson and Nokia participated. The second meeting was held at Orange in January 2017. On the agenda were matters such as new bribery and corruption legislation, best practices sharing and drafting a charter for the Initiative. The initiative will be open for additional telecom companies to join.

Telia Company is also a member of TRACE International. We sponsored the TRACE scholarship program which fully funds one student from the CIS region to pursue ABC studies in the the US or the UK for one year.

PLANNED WORK IN 2017

Work in 2017 will include:

- Based on learning from 2016, improve the ABC risk self-assessment tool and the competence of local ethics and compliance officers to carry out the assessment.
- Local ethics and compliance officers guided by the group ABC program lead will develop an annual plan for the ABC program for their operations. The group program lead monitors the progress of the program implementation on the local and regional levels.
- Multi-year advanced training plan for roles exposed to high corruption risks, to create a better understanding how to prevent, detect and report such risks.
- Basic ABC e-learning included as part of roll-out of the new Code of Responsible Business Conduct.
- Expand ABC training to third parties.
- Accelerated capacity building for third party due care in region Eurasia.
- Certification of the remaining ethics and compliance officers in region Eurasia and other ethics and compliance professionals elsewhere in the group.
- Testing the design, implementation and effectiveness of the ABC program.

FREEDOM OF EXPRESSION

Telecommunications enable access to information and the exchange of ideas in a way that supports openness and transparency. It is our duty to respect our customers' and users' freedom of expression and privacy.

STRATEGIC OBJECTIVE	2018 GOALS	2016 PROGRESS
• Enable, respect and support freedom of expression and privacy. • Telia Company is trusted as an ICT industry leader in human rights.	• All markets covered in law enforcement disclosure reports with regard to number of conventional requests and information on local legislation. • All closed unconventional requests challenged. • Contribute actively to the work of the Telecommunications Industry Dialogue (ID) and its collaboration with the Global Network Initiative (GNI).	• Eight countries covered in law enforcement disclosure reports with regard to number of conventional requests. • Five countries covered with regard to information on local legislation. • Almost half of closed unconventional requests challenged in some way, often by transparency. • Contributed to the ID and GNI joining forces.

Issues related to freedom of expression and privacy pose a high risk to users of telecom services globally. Such risks include mass surveillance (e.g. direct access), network and services shutdowns, localization of mobile devices and blocking or restriction of certain content. Through legislation and decisions from authorities, states define the scope of surveillance of communications and limitations to the free flow of information. We see growing debate as legislators seek additional surveillance measures to fight crime and terrorism.

The right to customer privacy is widely understood as an essential requirement for the right to freedom of expression. This is why we have direct commitments both as to surveillance privacy (when authorities require access to user data) and customer privacy (processing customer data for our own needs). Read more about our customer privacy work in “Customer privacy.”

The societal value of upholding freedom of expression

Recent assessments estimate that network shutdowns cost countries billions of dollars in GDP loss globally on an annual basis. As stated by the GNI, “the economic and human rights harms of network shutdowns reinforce each other.” By pushing back on network shutdowns and blocking of sites, we seek to also reduce societal costs while maintaining our core business.

GOVERNANCE

Frameworks guide our work

We aim to fulfill our responsibility and commitment to respect freedom of expression and privacy as laid out 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 that these are at risk. Our work is also guided by the Telecommunications Industry Dialogue Principles on Freedom of Expression and Privacy.

The group policy on freedom of expression in telecommunications addresses our commitments in relation to unconventional requests or demands that could potentially have serious impacts on freedom of expression in telecommunications ("major events"), such as:

- Mass surveillance where authorities demand direct access

- Shutdown of all or parts of a network
- Blocking or restricting access to specific content
- Blocking or restricting access to services or network
- Obligations to transmit mandatory communications
- Potentially overbroad proposals for new laws or significant operational changes in the area of surveillance

The revised policy, which was approved in September 2015, has been formally adopted and implemented in all subsidiaries except Ucell in Uzbekistan where formal adoption is planned for the first half of 2017.

Assessment and escalation

A group instruction sets out practical steps regarding assessments and escalation that are to be carried out whenever a local company receives a request or demand that may have potentially serious impacts on the freedom of expression of individuals. 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 government requests are to be assessed by the local company and escalated within Telia Company for informed decision-making, including considerations from outside of the often complex and stressed specific local context, on if and how to perform a "point of challenge". This means adherling to local legislation while at the same time seeking to carry out measures to respect and support the rights of our users. Most often, what we can do is seek to share as much information as possible about the request publicly. While the process is intended to identify and mitigate potential violations to individuals' freedom of expression and privacy, the actual outcome heavily depends on local laws, the safety and the capabilities of local employees.

WORK DURING THE YEAR

Industry Dialogue and Global Network Initiative

The Industry Dialogue (ID), which in December 2016 included eight international telecom companies, adds leverage to advocacy promoting freedom of expression and privacy in the telecommunications industry. A description of the ID's activities in which we actively contributed to shared learning during the year is available at www.telecomindustrydialogue.org. More information on how we implement the ID principles is available in a separate document.

The ID has a formal collaboration with the multi-stakeholder Global Network Initiative (GNI). By working together, the two initiatives provide a common platform for shared learning and leverage to advance freedom of expression and privacy rights in the ICT sector more effectively. In February, the ID and GNI agreed to merge and Telia Company entered with observer status within the GNI. We have continually been active in promoting the collaboration, which is intended to take full effect in March 2017.

Stakeholder engagement

We have promoted the ID principles at Turkcell, informing them of our work and inviting them to ID meetings and external events on freedom of expression and privacy. This dialog will continue in 2017.

During the divestment process of Tcell in Tajikistan, we met with Akfed, the buyer, to inform it of our work and share our experiences. Tcell's escalations of major events continued after signing the divestment agreement.

Law enforcement disclosure reporting

We believe that the transparency of surveillance activities contributes to a world where freedom of expression and privacy is more strongly enforced. This is why we publish law enforcement disclosure reports (LEDR) twice a year. These reports can be found at www.teliacompany.com/en/sustainability/reporting/law-enforcement-disclosure-report.

The most recent report, which was released with this Annual and Sustainability Report, includes statistics covering conventional (day-to-day) requests from the police and other authorities in eight countries. The statistics, presented in the table below, show the number of authority requests in each country based on a court order or other legal demand by the police or other authority. These statistics are subject to limited assurance by Deloitte.

Authority requests* 2016

Country	Lawful interception	Historical data	Subscription data	Challenged /rejected requests
Denmark	5,940	2,089	9,649	3
Estonia	3,403[1]	1,870	275,431[2]	1,583[3]
Finland	3,513	2,070	7,301	19
Georgia	No statistics available	558	276	403
Moldova	No statistics available	10,296	5,462	179
Norway	2,273	6,382	9,781	129
Spain[4]	9,464	12,825	17,265	312
Sweden	3,425	2,425	1,885	165

* As explained below, direct access is not included in the statistics.
1) In Estonia, a direct access system is used. Telia in Estonia has full visibility into the number of requests.
2) This figure includes all requests for Subscription data. For other countries the corresponding figure only covers 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 not of our operations but of another operator.
4) Figures cover the first and second quarter.

Telia Company and Telia in Lithuania have not been granted permission to publish statistics regarding how many requests we have received in Lithuania. For further information, see the full Law Enforcement Disclosure Report.

Differences in market share as well as the working methods of both authorities and within Telia Company make it difficult to compare statistics between countries. For definitions of the categories, please see the LEDR.

It is important to note that the figures show the number of requests from authorities, not 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), however, 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.

Our reporting on country local laws on freedom of expression and privacy in telecommunications is performed through contributions to the ID database on country legal frameworks. The database is available at www.telecomindustrydialogue.org/resources/country-legal-frameworks/. Additionally, the LEDR 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 of such surveillance (when, who and what) and cannot provide any statistics beyond those provided within this report.

Unconventional requests

In addition to reporting statistics on conventional requests, we seek to publish information on unconventional requests or demands from governments ("major events"). During 2016, we closed some 40 such unconventional requests or demands from governments across our operations. To ensure consistency, group level experts facilitated local assessments and escalations. Points of challenge, where possible to establish and most often by being transparent, were defined jointly by local, regional and group management.

There are challenges when seeking to be transparent. 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 is difficult and subjective as they range from a demand to block one or several websites or shutting down a network locally to requests regarding direct access.

PLANNED WORK IN 2017

In 2017, our work includes to:

- Continue contributing to shared learning and standardization of reporting within the ID and GNI.
- Improve governance and training to make internal process of assessments and escalations swifter, especially regarding requests and demands for direct access.
- Implement human rights remedy and grievance mechanisms.
- Develop a human rights policy to put freedom of expression and privacy into a clearer context of human rights commitments.
- Review and implement the recommendations from BSR's Human Rights Impact Assessments. See case.

CASE

UNDERSTANDING AND EMBEDDING FREEDOM OF EXPRESSION

Freedom of expression and privacy issues are often complex, not the least in the local context. Starting in October 2015, the independent non-profit organization BSR conducted human rights impact assessments of our respective operations in Eurasia, Lithuania and Sweden. BSR's general recommendations[1] how to continue embedding freedom of expression in our operations during 2017 and onwards are:

- Consider the possibility of the ID/GNI to convene in a Eurasian country.
- Continue transparent reporting on unconventional requests ("major events").
- Whenever possible, participate in policy legislative and regulatory consultation processes on telecoms and related laws.
- Consider training of decision-makers in ICT and how freedom of expression and privacy can be supported or harmed.
- Continue to actively contribute to drafting and using the ID and GNI position papers.
- Continue collecting and reporting statistics on the number of conventional requests.
- Collect and update information on laws on direct access.
- Investigate new human rights risks that may arise in the TV and entertainment sector that may not be foreseen by the existing freedom of expression policy.

Read more about the HRIAs and the findings in "Human rights impact assessments".

1) Specific local recommendations have been omitted here.

CUSTOMER PRIVACY

Vast amounts of data are generated when our customers use our services and networks. Customer privacy is becoming more important to manage as customer expectations increase and legislation is strengthened.

STRATEGIC OBJECTIVE	2018 GOALS	2016 PROGRESS
• Respect and protect our customers' privacy. • We are regarded as a trusted actor in handling personal data on the customer's terms.	• "Privacy by design" implemented in all relevant project management processes. • All employees aware of the privacy requirements related to their work duties. • Clear and easy to understand information about processing personal data readily available to customers. • Mitigation of EU Data Protection Regulation (GDPR) compliance risks.	• Privacy Impact Assessment process implemented in Telia Company's project model. • Group-common "Privacy Notice" model created. • Local gap assessments against GDPR completed and risk mitigation roadmaps developed in regions Sweden and Europe. • Strengthened governance and resources to meet GDPR requirements.

The EU Data Protection Regulation (GDPR) was approved in April and will come into effect in May 2018. The new requirements will have a fundamental impact on our industry as the amount of personal data processed is increasing exponentially, cloud-based services and cross-border data transfers are becoming increasingly common, threat landscapes are rapidly changing and customer trust is a cornerstone for business.

In light of events in recent years, there is a growing focus on privacy from the societal, operator and customer perspectives. We foresee that customer privacy risks are becoming increasingly important to manage as customer expectations grow and legislation is strengthened in the EU and other markets. In addition, this area can also present new business opportunities.

GOVERNANCE

Our work is guided by the group customer privacy policy that defines principles regarding collecting, processing and retaining personal data as well as customers' rights. The group security policy defines measures to safeguard the confidentiality and integrity of customers' personal data. In addition, the GDPR sets new requirements.

Group-wide governance for driving GDPR compliance and risk mitigation is led by a steering committee chaired by Telia Company's Chief Operating Officer. This ensures strong group-level oversight and control over GDPR risk mitigation activities.

Country organizations and group functions are responsible for ensuring GDPR compliance and risk mitigation. This work is led by privacy officers appointed in each country and group function. Progress is regularly reported to local and regional GREC meetings and to Group Executive Management.

A group level privacy team, led by the group privacy officer, provides harmonized GDPR interpretations and guidance to local units, oversees risk mitigation status, performs reviews, and steers and follows up closely on implementation. In addition, external resources support development of processes and IT architecture as well as security safeguards in line with GDPR requirements.

WORK DURING THE YEAR

GDPR gap assessments and mitigation plans
In 2016, the main focus was on preparing for the GDPR. Initial gap assessments were carried out by local privacy officers in regions Sweden and Europe, and on group level. The assessments focused on defining actions to ensure timely implementation of the requirements and appropriate risk mitigation. Group-level interpretations of the new requirements were developed and all privacy officers were trained in them. A specific data-mapping project was carried out to strengthen information asset and vendor management as well as to deliver an overview of data processing activities.

Privacy impact assessment integration
"Privacy by design" – taking privacy into account at the earliest possible stage of projects, initiatives and product development – is one of Telia Company's key privacy policy principles. The privacy impact assessment model facilitates a privacy by design approach by proactively ensuring that the target design of a project or other initiative is compliant with laws and internal requirements from the early stages.

The privacy impact assessment process was integrated into Telia Company's main project model as a mandatory activity. Project managers were also trained in the requirements.

Transparency of data processing
To increase the transparency of the collection and use of personal data, a group common "privacy notice" model was created to set a standard for how Telia Company provides information on data processing to customers. The privacy notice contains information on, for example, the reasons that personal data is processed and the rights customers have. Several local privacy notices were aligned with the common privacy notice model in regions Sweden and Europe.

PLANNED WORK IN 2017

In 2017, the focus will be on executing GDPR risk mitigation activities in accordance with local and group-level mitigation plans. These include changes in our IT environment, processes and data processing practices as well as activities to continuously increase awareness and strengthen privacy governance. Relevant group policies and instructions will be revised to reflect the new GDPR requirements.

CASE

TELIA IN NORWAY DEVELOPS "TRUST AS A SERVICE"

The GDPR is the biggest change in privacy regulation in over 20 years in Europe. As a member of the EEA, Norway will also implement the regulation.

Telia in Norway is developing a consent management solution with the goal of providing "Trust as a Service" between end-users and the applications they interact with. The service enables users to access their online personal data, focusing on the user's right to control who gains access to their data and for what processing purposes. The solution is part of Telia Norway's developer platform and will be available to any internal or external service provider in early 2017.

The service allows service providers – that is, any site, application or service – to create dialogs between them and end-users with regard to asking for consent for data processing. Once the user gives consent, the agreement is delivered to both parties in a format that links the agreed data processing into a human- and machine-readable format.

"Apart from the legal need to be compliant, privacy is rapidly becoming a defining issue of the digital era where consumer trust is essential for our success. To deliver on our brand promise on the customer's terms, we must see GDPR as a business opportunity," says Linn Hege M. Bade, Engineering Lead for User and Privacy Management at Telia in Norway.

OCCUPATIONAL HEALTH AND SAFETY

Ensuring health, safety and well-being is not only our responsibility, but also vital to ensure employee engagement and make Telia Company THE place to work.

STRATEGIC OBJECTIVE	2018 GOALS	2016 PROGRESS
• An occupational health and safety culture that supports the ambition of Telia Company as THE place to work.	• Lost-Time Injury Frequency[1] (LTIF) maximum 0.52. • Sickness Absence Rate[2] (SAR) maximum 1.9 percent. • No fatal accidents. • OHSAS 18001 implemented in all major companies (by end of 2016). • Engagement index: 83 percent.	• LTIF: 0.36 (0.41). • SAR: 2.4 percent (2.2). • No fatal accidents (0). • Operations in Finland, Norway, Estonia, Azerbaijan, Uzbekistan and Kazakhstan OHSAS 18001 certified. • Engagement Index: 80 percent (78).

1) Lost-Time Injury Frequency: the total number of lost-time injuries per million possible working hours.
2) Sickness Absence Rate: the total number of hours of sickness absence per possible working hours (full-year average).
For more information, see the GRI Index, G4-LA6.

Work environment defines OHS risks

The most significant accident risks related to occupational health and safety (OHS) are linked to construction and maintenance work carried out primarily by contractors. Telia Company employees work mainly in office or retail environments where the main risks relate to psycho-social well-being and ergonomics. Particularly in region Eurasia, we work with suppliers who meet few of our OHS requirements and lack key elements such as risk identification, safety equipment and training.

Building a common OHS approach

A great deal of progress has been made since 2014 when we established our common OHS management model. Although all companies now have our OHS management model in place, much work remains to continue improving it and to shift focus from health and safety to well-being and employee engagement.

GOVERNANCE

As stated in the group OHS policy, our approach consists of promoting good health, identifying and reducing or preventing risks and rapidly reacting to ill health in all of our operations. We believe that all accidents, incidents, injuries, work-related illnesses and unsafe actions and conditions are preventable.

All local companies are required to implement the OHSAS 18001 management system. A network of local OHS coordinators is responsible for OHSAS 18001 implementation and meets regularly to share best practices. The group HR function is responsible for coordinating and reporting on progress to the group-level GREC meeting.

WORK DURING THE YEAR

OHS 18001 certification

Telia in Estonia, Sonera in Finland, Azercell in Azerbaijan and Telia in Norway received OHSAS 18001 certification during 2016. Ucell in Uzbekistan and Kcell in Kazakhstan have been certified since 2015.

Regional activities

Below is a description of some of the activities that were carried out during the year. Risk assessment, training and communication within the scope of OHSAS 18001 was ongoing in all companies.

Region Sweden

OHS was renamed "health and well-being" and the "Well-being@Work" concept was launched as described in more detail in the case below. The move of 3,500 employees to the new head office in Stockholm put ergonomics and work environment into focus, as we transition to an activity-based way of working.

Region Europe

Telia in Norway developed local OHS KPIs for bi-weekly management follow-up, an "OHS on the Agenda" tool to work with and follow up on OHS risks, goals and activities, and a new online OHS handbook for easy access to information and guidelines.

Telia in Denmark offered pre-natal counseling to pregnant women and their partners. This led to a decrease in pregnancy-related sick leave from 30 sick days per pregnant woman per year to only five days.

Region Eurasia

Local OHS coordinators supported group procurement auditors in supplier audits. All companies organized first aid and other training, fire drills and other emergency exercises based on local risks such as earthquakes. Most companies also invested in infrastructure safety measures such as automatic firefighting systems, first aid kits and new alarm systems.

PLANNED WORK IN 2017

OHSAS 18001 certification

Local companies that failed to meet the goal of being certified at the end of 2016, are working to be certified in 2017. Several companies are preparing to transition from the old OHSAS 18001 standard to the new ISO45001 standard. The new standard is better suited to our office environment and the change is expected to be straight-forward.

Focus on well-being in regions Sweden and Europe

In regions Sweden and Europe, the focus will be on promoting and increasing employee well-being and engagement through initiatives such as Well-being@Work.

CASE

WELL-BEING@WORK IN SWEDEN

In November, Telia in Sweden launched the online portal "Well-being@Work". Based on our values Dare, Care and Simplify, it is one of several strategic initiatives launched at create a more employee engagement, a better work environment and improved performance.

Well-being@Work is an individual and team based activity challenge for all employees and consultants. There are four activity challenges each year on topics such as good sleep, adapting to change and dietary habits. Each topic has a mix of to-do's and training through short films and text. The first activity challenge was daily exercise, since there is a well documented correlation between physical activity and lower sick leave. Over 1,500 employees participated, logging 7.5 laps around the globe.

Other activities carried out in Sweden that support well-being and engagement were implementation of a support system for managers in alcohol and drug prevention that include rehabilitation if needed, and mandatory OHS training for all managers which will be carried out in 2017.

RESPONSIBLE PROCUREMENT

Telia Company purchases goods and services from tenths of thousands of suppliers. Choosing suppliers with sustainable operations is a way for us to create positive impacts that extend beyond our own operations.

STRATEGIC OBJECTIVE	2018 GOALS	2016 PROGRESS
• All suppliers comply with our sustainability requirements. • All suppliers have signed our supplier code of conduct.	• 75 percent of assessed suppliers compliant with the supplier code of conduct. • 25 percent reduction of supplier base (baseline 2015).	• 60 percent (58) of suppliers assessed through audits or Eco-Vadis compliant with the supplier code of conduct. • Launched a standardized supplier due diligence platform, 1,443 due diligence assessments carried out. • 169 on-site audits carried out. • Launched focus area programs in seven critical supply chain areas.

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 our efforts, we know that some of our suppliers and sub-suppliers violate Telia Company's supplier requirements or national and international laws, regulations and conventions.

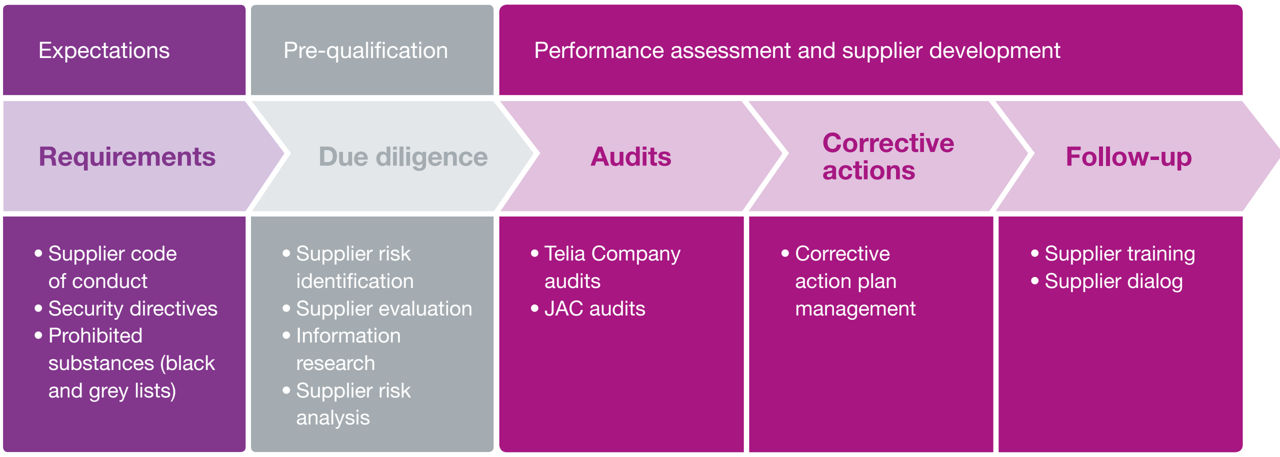
Ensuring that suppliers live up to our requirements and implementing common ways of working with responsible procurement across Telia Company will take several years. It requires joint efforts that are only possible if suppliers, sub-suppliers and distributors are transparent about their challenges.

GOVERNANCE

The supplier code of conduct is the guiding document that outlines our sustainability requirements and shall be included in all new or renegotiated contracts. Exceptions can be made when a supplier has demonstrated that corresponding or higher requirements are already in place. Other governing documents such as the security directives that specify IT security requirements for suppliers handling customer data are used for certain products and services.

Supplier sustainability due diligence is part of the supplier due care process and is carried out in high-risk categories such as network maintenance and manufacturing of electronics before suppliers and contractual agreements are approved. A dedicated team in group sourcing and procurement is responsible for evaluating and developing suppliers' sustainability performance, for example through on-site audits and training. Local procurement teams are responsible for initiating the due diligence process.

SUPPLIER DUE CARE PROCESS



WORK DURING THE YEAR

Developing common processes

A high priority in 2016 was to further develop and implement a common process and governance framework for procurement throughout the group. By using a common process and standardized contracts that include our supplier code and improving the supplier approval process, we increased control of payees and decreased administration.

New due diligence platform

To strengthen the due diligence assessment process, we developed and implemented a due diligence platform based on an online supplier self-evaluation questionnaire available in several languages. The platform, which evaluates supplier fulfillment of the requirements in the supplier code and security directives, replaces previous due diligence processes that were carried out mainly manually using different templates. It was implemented in region Eurasia during the year and will be gradually introduced in regions Sweden and Europe in 2017. For potential high-risk suppliers, an extended due diligence is performed to identify specific risks related to the supplier and its owners.

We performed 1,443 due diligence assessments based on supplier self-evaluations. 102 of these indicated major deviations from our requirements, mainly related to potential risks in the areas of information security and corruption. 18 suppliers that did not meet our requirements were given conditional approval before contracting with Telia Company, complemented by a plan for risk mitigating activities.

As the new due diligence platform was implemented, we begun phasing out the EcoVadis supplier assessment tool. 35 EcoVadis assessments were carried out during the year.

Supplier audits

169 on-site supplier audits by Telia Company and another 79 by the Joint Audit Cooperation (JAC) were carried out in 24 countries. Audits are selected mainly based on supplier risk category, spend and the focus area programs. The audit focus was on supplier code compliance, OHS, quality and security. Out of the audits compliant with Telia Company's standardized scoring methodology, 13 audited suppliers met the requirements, and 57 had minor deviations but were still approved. 29 suppliers did not meet critical requirements within areas such as illegal overtime, financial punishment or forced labor and were not approved. Corrective action plans are monitored and continuously followed up.

For the remaining 152 audits, Telia Company's standardized scoring methodology was not applied. Standardization of audit evaluations will be carried out in 2017.

During the year we closed 661 compliance deviations identified during audits in 2016 or earlier.

Supplier assessments

Supplier assessments (cumulative)	2016	2015
Due diligence	2,478	1,035
Self assessments	608	573
Audits	537	289
Total	**3,623**	**1,897**

Supplier audits

Supplier and sub-supplier audits	2016	2015
Audits performed by Telia Company	169	140
Audits performed by JAC	79	61
Total	**248**	**201**

Focus area programs

Based on findings from audits conducted in 2015, industry discussions, new customer requirements and new EU guidelines, we defined the following focus area programs for 2016 and onwards. Considering the scope and nature of the challenges, some of these programs will take several years to complete.

Occupational health and safety (OHS)
The program aims to support suppliers performing hazardous work in achieving OHSAS 18001 certification or the equivalent and to improve their reporting of work-related accidents and fatalities. In 2016, a number of site visits to increase expertise in OHSAS 18001 requirements within Telia Company and with local suppliers were carried out mainly in region Europe.

Mapping and managing privacy risk
The program aims to prepare our supply chain for the new EU privacy and data security regulations (GDPR). In 2016, we focused on taking inventory of processes and systems where suppliers handle customer data and identifying suppliers where we will conduct audits and training in 2017 to prepare them for the new requirements.

Financial punishment
Financial punishment, for example withholding salary for lack of performance, is a widespread disciplinary measure found in our supply chain in almost all regions where we have performed audits. In 2017, we will focus on training and strengthening requirements to reduce this practice where it is in conflict with national laws.

Overtime at suppliers in China
In eight out of ten audits of Chinese suppliers in 2015 and 2016, we identified consistent use of overtime in violation of Chinese labor law and our supplier code requirements. In 2017, we will engage in dialogs and training with these suppliers.

SIM card suppliers in China
In a pre-assessment for a SIM card tender in 2015, we conducted audits of manufacturers in China. We identified several serious compliance deviations from our supplier code as well as security and quality requirements. This program has addressed these deviations and we now have a list of four pre-qualified suppliers and two more to audit before the program is completed.

Responsible sourcing of minerals
We aim to strengthen our supplier code requirements to ensure that our supply chain sources minerals responsibly and does not contribute to potential human rights violations in high-risk regions. Fulfillment of revised requirements will be evaluated through the due diligence platform.

Bond contracts in India
See case.

PLANNED WORK IN 2017

In addition to the focus area programs, we will continue to develop our suppliers' capacity to meet our requirements through audit programs and supplier training covering our supplier code and security directives. The due diligence platform will be improved, based on internal and external feedback, mainly to increase ease of use and scope. We aim to strengthen local due diligence expertise especially in region Eurasia to enable local companies to conduct sustainability risk evaluation prior to contracting vendors.

There is need for further development of common systems, templates, definitions and reporting processes, to ensure that we measure and report internally and externally in a consistent way. Alongside this we aim to revise the 2018 goals, to ensure that they are aligned with strategic and organizational changes in sourcing and procurement.

CASE

ADDRESSING BOND CONTRACTS IN THE INDIAN IT SECTOR

In 2015, audits of Indian IT service suppliers revealed the use of bond contracts between the suppliers and recent IT graduates. This practice seems to be common and may be in violation of national labor laws, and at the moment, labor unions to protect labor rights barely exist in the Indian IT sector.

According to these bond contracts, companies may offer two-year employee contracts that stipulate the employee's right to training to carry out work tasks. If the employee terminates the contract, he or she may be forced to pay back training fees and accumulated earned salary.

In seven out of eight audits conducted, we found evidence of such bond contracts. We initiated audits of all eleven main suppliers and found this practice at nine of them. In response, we initiated a joint effort with these suppliers to develop a training program to address the issue. The program focuses on identifying solutions to maintain employee motivation without the use of bond contracts and to create top management commitment to these solutions.

Tackling this and other labor rights challenges is complex and requires multi-stakeholder collaboration to arrange recurring training sessions and knowledge sharing. We have initiated a dialog with the Birmingham Business School and Advisory for Sustainable and Responsible Business in India to explore potential ways of reducing the use of bond contracts in the ICT supply chain.

ENVIRONMENTAL RESPONSIBILITY

Telia Company's services are key enablers of an environmentally sustainable economy. Cloud hosting, machine-to-machine services, tools that enable remote working and other services can contribute positively to disconnecting economic growth from negative environmental impact.

STRATEGIC OBJECTIVE	2018 GOALS	2016 PROGRESS
• Minimize negative and maximize positive environmental impact throughout our value chain.	• All major operations in regions Sweden and Europe ready for ISO 14001 certification (by end of 2017). • Buy-back programs for mobile devices established in region Europe (by end of 2017). • 10 percent lower energy consumption per subscription equivalent.[1] • 33 percent lower CO_2e emissions per subscription equivalent.	• ISO 14001 certification in Telia in Sweden and Sonera in Finland. • 85,000 devices collected through buy-back programs. • 28.8 kWh per subscription equivalent (28.2). • 1.9 kg CO_2e emissions per subscription equivalent (2.5).

1) Subscription equivalent is based on energy consumption for different subscriptions. Targets are based on total energy consumption and scope 1 + 2 emissions. Baseline 2015. Figures exclude energy consumption and emissions from region Eurasia, Telia Carrier and Yoigo in Spain.

Global challenges related to climate change, resource and energy scarcity and developing the circular economy rely on ICT solutions for solving these challenges. The GeSI SMARTer2030 report highlights that in 2030, ICT will have the potential to hold global greenhouse gas (GHG) emissions at 2015 levels while increasing resource efficiency in, for example, agriculture, transportation and electricity distribution. According to the report, the ICT industry has a GHG emissions abatement potential of 20 percent of global emissions, more than the combined emissions of the EU and the US. According to the "Accelerating sustainable Growth" report by Deloitte UK, which was commissioned by Telia Company, increased digitalization of the Nordic and Baltic economies could enable a reduction of the regions' greenhouse gas emissions by up to 20 percent, equal to taking nearly nine million cars off the roads for one year.

Key environmental impacts

Energy, GHG emissions and waste, particularly electronic waste, are the key environmental impacts to manage in our own operations. The largest share of our total environmental impact is in the value chain of delivering an ICT service, particularly from the production and use phase of consumer electronics (see case below).

Regional differences define our approach

Significant regional differences define our approach. The biggest challenges are found in region Eurasia - weak legislation, lack of waste management infrastructure and low levels of interest from customers. In regions Sweden and Europe, customers expect us to be proactive in our work and the solutions we offer, to show how we act responsibly and help them understand how our services reduce their own environmental impacts.

GOVERNANCE

According to the group environmental policy, we adopt a structured management approach to managing key environmental impacts. We do this by implementing ISO

14001 environmental management systems (EMS) in all large subsidiaries in regions Sweden and Europe. The local companies set targets aligned with group environmental goals and related to their key environmental impacts. Local companies in region Eurasia are exempt from the requirement to implement ISO 14001.

The group environmental manager has the overall responsibility for developing and implementing the group policy. Local companies implementing ISO 14001 have a clearly appointed function responsible for managing the local EMS.

WORK DURING THE YEAR

ISO 14001 certification in Finland and Sweden

In September, Sonera in Finland received ISO 14001 certification and it is now the only ISO 14001 certified operator in the country. The EMS covers all of Sonera's operations and focuses on two of the group's key environmental aspects: energy and waste. The greatest positive opportunities were identified in increasing energy efficiency and improving waste recycling.

In addition, Telia in Sweden's "enterprise customers" organization is ISO 14001 certified since earlier.

Buy-back programs extend the life of mobile devices

Buy-back programs, also known as take-back or upgrade programs, extend the lifetime of mobile devices that are often in good working condition. In April, Telia in Estonia launched its buy-back program. This means that all companies in regions Sweden and Europe except Sonera in Finland now have buy-back programs in place. During the year, 85,000 mobile devices were bought back through customer channels. Through its leasing agreements, Telia Finance took back another 18,700 mobile devices, computers and other hardware.

Procuring and producing renewable electricity

As part of a new procurement instruction on electricity, regions Sweden and Europe shall purchase electricity from renewable sources, either through a "green contract" or by purchasing Renewable Energy Certificates (REC). In contracts where we are the tenant or co-host, we will strive to influence the electricity contract owner to use renewable energy. In total, we purchased 782 GWh of renewable electricity during the year, 85 percent (70) of total electricity consumption in regions Sweden and Europe.

Ucell in Uzbekistan and Tcell in Tajikistan produced 2 GWh of solar energy at base stations equipped with solar panels.

SMARTer2030 Action Coalition

Together with GeSI and some of its members, Telia Company signed the SMARTer2030 Action Coalition that was launched at the COP22 climate conference held in Marrakech in November. The coalition highlights the ICT industry's commitment to both minimize its own environmental impacts and develop services that contribute to global GHG emissions reductions, thereby contributing to the UN Sustainable Development Goal 13: Climate Action.

PLANNED WORK IN 2017

Focus will be on continued ISO 14001 implementation with the goal for all larger operations in regions Sweden and Europe to be ready for certification by the end of 2017. The EU Energy Efficiency Directive will also require local assessments and reporting of energy consumption, which we aim to combine with ISO 14001 impact assessments.

CASE

DECOUPLING OF ENVIRONMENTAL FOOTPRINT FROM DATA GROWTH IN SWEDEN

In August, the Royal Institute of Technology (KTH) published a research paper on the environmental footprints of the ICT and E&M (entertainment and media) sectors in Sweden. Using a life-cycle assessment approach, researchers at Telia Company and Ericsson examined the total energy use and related GHG emissions of production, use and end of life treatment for both sectors, including consumer electronics, from 2010 to 2015.

The study identifies a clear decoupling of increased data volumes from energy use and total environmental footprint in these sectors. In total the ICT and E&M sectors account for approximately seven percent of Sweden's annual electricity usage, which in absolute terms is lower than in 2010 as reported in a previous study published in 2013. During the period data volumes continued to increase - fivefold in 2015 compared to 2010. The largest share of the environmental impact from the sectors relates to embedded emissions in electronics produced in countries where energy is "dirtier" than in Sweden.

The researchers expect to find similar correlation in other countries where the level of "ICT maturity" is increasing.

Read more at www.kth.se/cesc

CHILDREN ONLINE

Children and young people are active users of our services. We recognize our responsibility to empower and protect children, their parents and caretakers according to the Children's Rights and Business Principles.

STRATEGIC OBJECTIVE	2018 GOALS	2016 PROGRESS
• Respect and support children's rights.	• Understand impact on children's rights in relevant business activities. • Block CSAM* in regions Sweden and Europe. • Detect and report CSAM in internal IT systems in regions Sweden and Europe. • Establish Children's Advisory Panel.	• Initiated assessment for Children's Rights and Business Principles. • Implemented blocking of CSAM in regions Sweden and Europe. • Implemented detection and reporting of CSAM in internal IT systems in six countries and in Telia Carrier. • Introduced Children's Advisory Panel in seven markets.

* Child sexual abuse material.

The internet enriches children's lives and provides them with opportunities to improve their digital skills as well as to socialize, play and learn. Children, however, are particularly vulnerable to online threats such as cyber bullying and inappropriate content.

GOVERNANCE

Our work is guided by group policies where children's rights shall be taken into consideration, by the Children's Rights and Business Principles, and by what we consider important societal challenges related to our services. Most of the practical implementation of our commitments is integrated in local operations, with group level oversight and coordination. In early 2017, Children's rights became a Responsible business focus area.

We are also a signatory of several self-regulatory industry initiatives covering areas such as parental control, child sexual abuse content, education and awareness.

WORK DURING THE YEAR

Children's Advisory Panel
To better understand children's own perspectives on the online and digital aspects of their lives, we partnered with children's rights organizations and schools to set up a Children's Advisory Panel (CAP) in regions Sweden and Europe. Approximately 700 children participated in workshops and contributed with their ideas and knowledge about their lives online, and more than 50 children were interviewed in depth. Through the CAP, we aim to identify qualitative opportunities and the benefits of online activity for children and young people. More information is provided in the case below.

Fighting online child sexual abuse material
We actively participate in the fight against child sexual abuse material (CSAM) online. During the year, we ensured blocking of websites defined by law enforcement as illegal for hosting CSAM in regions Sweden and Europe. As Telia Company stands for and promotes an open internet, this is the only area where we have taken an active stand for voluntary blocking.

In regions Sweden and Europe, we activated technology that provides an alert if CSAM is detected anywhere in

Telia Company's own IT equipment. If CSAM is detected, a police report is filed and a criminal investigation is carried out. We are cooperating with other industry partners, law enforcement and NGOs such as ECPAT to develop this area further. During the year, we also ran a number of activities where we presented our approach and called for other companies to start similar detection.

Child-safeguarding services

In regions Sweden and Europe, we offer child-safeguarding services that enable caregivers to set time restrictions for browsing and block websites with inappropriate content. We also offer mechanisms that enable caregivers to limit exposure to unsuitable TV content.

Child helplines

During 2016, we focused on supporting the development of solutions for children to reach helplines via chat on mobile devices, as this seems to be the preferred way for children to communicate.

Fighting cyber bullying

In many of our markets, we educate children and parents on how to deal with cyber bullying and disrespectful behavior online. Activities include information in our stores, educational sessions at children's summer camps and marketing campaigns such as the Swedish campaign "Hata hat" (Hate the hate).

Children's Rights and Business Principles

We partnered with Save the Children Centre for Child Rights and Business for an assessment based on the "Children's Rights and Business Principles" of how our operations impact children's rights. Material and insights were collected through workshops, an online survey and interviews with key employees.

Partnerships

Telia Company is a co-founder of the World Childhood Foundation. During the year, the partnership was developed to focus on keeping children safe and in control online. We have also formed country level partnerships with NGOs with regard to child safety issues.

PLANNED WORK IN 2017

The assessment based on the Children's Rights and Business Principles will result in an action plan to be implemented in all operations to ensure that Telia Company respects and supports children's rights.

The CAP findings will be shared through reports, seminars and online for further discussion in the industry and society about children as online citizens. They will also be used to improve our own approach to children's rights as users of our technology.

We will cooperate with other industry partners, law enforcement and NGOs to develop the fight against CSAM online and to promote the work against online CSAM in the private sector as part of the work of supporting UN Sustainable Development Goals 16:2: End abuse, exploitation, trafficking and all forms of violence against and torture of children.

» Imagine the impact that could be achieved if all Communication Service Providers globally worked this way with blocking. An ethical, responsible business model like that used by Telia Company and the global work of ECPAT are key parts of the solution. Well done, Telia Company and ECPAT – children are safer because of you.«

Neil Walsh, United Nations Chief of the Global Programme on Cybercrime

CASE

CHILDREN'S ADVISORY PANEL IN SWEDEN

In Sweden, three partner schools hosted co-creation workshops where 6th and 9th grade students were given a challenge related to real life and the internet and had to work together to come up with solutions. The workshops were led by the local children's organization Friends.

First, the pupils had to think about what they would save from the internet if everything online disappeared. The 9th graders at Ersängsskolan in Umeå proposed a long list of apps to rebuild. Among the "must have" apps were a communication app, a buy-and-sell app and video and film apps. After the ranking, the students discussed issues related to values spread online, net hate and the capacity of the internet to enable cultural exchange.

"The students we met stressed solidarity, consideration, inclusion and democracy. And there is a concrete demand for language apps to facilitate integration," says Olle Cox of Friends.

"It will be very interesting to analyze the material to identify opportunities for improvement, both as a company and as an industry and society at large," says Marie Trogstam, Head of Sustainability Strategy at Telia in Sweden.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data	Note	Jan–Dec 2016	Jan–Dec 2015
Continuing operations			
Net sales	C1, C5, C6	84,178	86,498
Cost of sales	C7	-50,691	-52,710
Gross profit	C1	**33,487**	**33,788**
Selling and marketing expenses	C1, C7	-13,507	-14,269
Administrative expenses	C7	-5,620	-5,826
Research and development expenses	C7	-173	-147
Other operating income	C8	5,490	1,124
Other operating expenses	C8	-1,397	-3,457
Income from associated companies and joint ventures	C14	2,810	3,394
Operating income	C5	**21,090**	**14,606**
Finance income	C9	803	609
Finance costs	C9	-2,644	-3,526
Income after financial items		**19,249**	**11,689**
Income taxes	C10	-2,816	-2,157
Net income from continuing operations		**16,433**	**9,532**
Discontinued operations			
Net income from discontinued operations[1]	C34	-9,937	673
Total net income		**6,496**	**10,205**
Items that may be reclassified to net income:			
Foreign currency translation differences from continuing operations	C11	1,303	-6,868
Foreign currency translation differences from discontinued operations	C11, C34	868	-5,478
Income from associated companies	C11, C14	-340	-2
Cash flow hedges	C11	-128	614
Available-for-sale financial instruments	C11	134	-2
Income taxes relating to items that may be reclassified	C10, C11	668	-667
Items that will not be reclassified to net income:			
Remeasurements of defined benefit pension plans	C21	-1,297	4,322
Income tax relating to items that will not be reclassified	C10	276	-922
Associates' remeasurements of defined benefit pension plans	C14	-20	6
Other comprehensive income		**1,463**	**-8,997**
Total comprehensive income		**7,959**	**1,208**
Net income attributable to:			
Owners of the parent		3,732	8,551
Non-controlling interests	C19	2,764	1,654
Total comprehensive income attributable to:			
Owners of the parent		4,833	987
Non-controlling interests	C19	3,125	221
Earnings per share (SEK), basic and diluted, total	C19	0.86	1.97
Earnings per share (SEK), basic and diluted, continuing operations		3.76	2.16
Earnings per share (SEK), basic and diluted, discontinued operations		-2.90	-0.19

1) Includes expenses for the provision for the settlement amount proposed by the US and Dutch authorities, see Note C34.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Dec 31, 2016	Dec 31, 2015
Assets			
Goodwill	C12	57,923	54,938
Other intangible assets	C12	13,024	12,995
Property, plant and equipment	C13	58,107	55,093
Investments in associated companies and joint ventures	C14	22,698	23,341
Deferred tax assets	C10	4,366	5,054
Pension obligation assets	C21	3,380	3,773
Long-term interest bearing receivables	C15	18,120	16,368
Other non-current assets	C1, C15	1,856	2,287
Total non-current assets	C1	**179,475**	**173,850**
Inventories	C16	1,792	1,871
Trade and other receivables	C1, C17	16,839	17,090
Current tax receivables		628	69
Interest-bearing receivables	C1, C18	11,143	10,679
Cash and cash equivalents	C1, C18	14,510	14,647
Assets classified as held for sale[2,4]	C34	29,042	35,812
Total current assets		**73,955**	**80,167**
Total assets[1]		**253,430**	**254,017**
Equity and liabilities			
Equity attributable to owners of the parent		89,833	97,884
of which capital		*35,520*	*35,496*
of which reserves and retained earnings		*54,313*	*62,388*
Equity attributable to non-controlling interests	C19	5,036	4,318
Total equity		**94,869**	**102,202**
Long-term borrowings	C20	83,161	91,646
Deferred tax liabilities	C10	10,567	10,627
Provisions for pensions and employment contracts	C21	2,109	1,824
Other long-term provisions[3,4]	C22	5,173	4,375
Other long-term liabilities	C23	725	702
Total non-current liabilities		**101,734**	**109,175**
Short-term borrowings	C20	11,307	9,337
Short-term provisions[5]	C22	13,673	847
Current tax payables		19	85
Trade payables and other current liabilities	C24	18,200	20,774
Liabilities directly associated with assets classified as held for sale[4]	C34	13,627	11,598
Total current liabilities		**56,826**	**42,641**
Total equity and liabilities		**253,430**	**254,017**

1) The sales price for Telia Company's 60.4 percent direct ownership in Ncell and Telia Company's share in the holding company Reynolds Holding and Telia Company's sales price for the economic interest in the 20 percent local shares in Ncell are included in continuing operations.
2) The minority owner Visor's share of the sales price for Visor's 19.6 percent ownership in Ncell and Visor's share in the holding company Reynolds Holding were retained within discontinued operations and classified as assets held for sale. The major part of the price has been distributed to Visor during the third quarter of 2016 and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of December 31, 2016.
3) Includes provisions for transaction warranties relating to the divestment of Ncell in Nepal.
4) For more information on the divestment of Ncell in Nepal, see Notes C4 and C34.
5) Short-term provisions as of December 31, 2016, include the provision for the settlement amount proposed by the US and Dutch authorities, see Notes C22, C29 and C34.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Note	Jan–Dec 2016	Jan–Dec 2015
Net income		6,496	10,205
Adjustments for:			
Amortization, depreciation and impairment losses		13,662	21,705
Capital gains/losses on sales/disposals of non-current assets and operations		-6,275	283
Income from associated companies and joint ventures, net of dividends received	C14	-701	3,471
Pensions and other provisions		11,981	-487
Financial items		147	-290
Income taxes		649	1,537
Miscellaneous non-cash items		4	-239
Cash flow before change in working capital		**25,964**	**36,184**
Increase (-)/Decrease (+) in operating receivables		-1,943	146
Increase (-)/Decrease (+) in inventories		61	-384
Increase (+)/Decrease (-) in operating liabilities		1,888	-698
Change in working capital		**6**	**-935**
Cash flow from operating activities	C30	**25,970**	**35,249**
of which from discontinued operations		*3,460*	*8,121*
Intangible assets and property, plant and equipment acquired		-18,703	-18,699
Intangible assets and property, plant and equipment divested		173	153
Business combinations and other equity instruments acquired	C30, C33	-94	-6,248
Operations and other equity instruments divested	C30	12,084	4,724
Loans granted and other similar investments	C1	-6,198	-11,764
Repayment of loans granted and other similar investments		3,272	1,218
Compensation from pension fund		500	–
Net change in short-term investments		1,538	1,631
Cash flow from investing activities[1,2]	C1	**-7,428**	**-28,985**
of which from discontinued operations[2]		*-1,508*	*-4,823*
Cash flow before financing activities	C1	**18,542**	**6,264**
Repurchased treasury shares including transaction costs		-5	-14
Acquisition of non-controlling interests		–	-356
Dividends paid to owners of the parent		-12,990	-12,990
Dividends paid to holders of non-controlling interests	C30	-2,376	-781
Proceeds from long-term borrowings		1,523	8,437
Repayment of long-term borrowings		-6,898	-8,307
Net change in short-term borrowings		-3,484	3,934
Settlement of derivative contracts for economic hedges and CSA		1,180	450
Cash received for repurchase agreements		6,975	–
Cash paid for repurchase agreements		-6,416	–
Cash flow from financing activities		**-22,491**	**-9,628**
of which from discontinued operations		*-1,976*	*422*
Net change in cash and cash equivalents		**-3,949**	**-3,363**
of which from discontinued operations		*-24*	*3,719*
Cash and cash equivalents, opening balance	C1	**25,334**	**28,735**
Net change in cash and cash equivalents for the year		-3,949	-3,363
Exchange rate differences in cash and cash equivalents		1,523	-38
Cash and cash equivalents, closing balance	C18	**22,907**	**25,334**
of which from continuing operations (including Sergel and Yoigo)[1]		*14,605*	*14,647*
of which from discontinued operations (Eurasia)[2]	C34	*8,302*	*10,687*

1) Includes sales price paid in cash for Telia Company's 60.4 percent ownership in Ncell, Telia Company's share in the holding company Reynolds Holding and Telia Company's economic interest in the 20 percent local shares in Ncell. For more information, see Note C34.

2) Includes sales price paid in cash in for minority owner Visor's share of Ncell and Visor's share in the holding company Reynolds Holding. The major part of the price has been distributed to Visor during the third quarter of 2016 and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of December 31, 2016. For more information, see Note C34.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Note	Share capital	Other con-tributed capital	Hedging reserve	Fair value reserve	Foreign currency translation reserve	Revalu-ation reserve	Inflation reserve	Equity transac-tions in associates	Retained earnings	Total owners of the parent	Non-con-trolling interests	Total equity
Closing balance, December 31, 2014		**13,856**	**21,630**	**102**	**6**	**-15,372**	**266**	**4,909**	**-1,725**	**87,711**	**111,383**	**4,981**	**116,364**
Dividends	C19	–	–	–	–	–	–	–	–	-12,990	-12,990	-835	-13,825
Non controlling interest acquired		–	–	–	–	–	–	–	–	-309	-309	-47	-356
Share-based payments	C31	–	23	–	–	–	–	–	–	–	23	–	23
Other transactions with owners	C19	–	-14	–	–	–	–	–	–	–	-14	–	-14
Total transactions with owners		–	*10*	–	–	–	–	–	–	*-13,299*	*-13,289*	*-882*	*-14,171*
Net income	C19	–	–	–	–	–	–	–	–	8,551	8,551	1,654	10,205
Other comprehensive income	C11, C19	–	–	480	4	-11,455	–	–	–	3,407	-7,564	-1,433	-8,997
Total comprehensive income		–	–	*480*	*4*	*-11,455*	–	–	–	*11,958*	*987*	*221*	*1,208*
Effect of Turkcell's acquisition of NCI	C14	–	–	–	–	–	–	–	-1,197	–	-1,197	–	-1,197
Closing balance, December 31, 2015		**13,856**	**21,640**	**582**	**10**	**-26,827**	**266**	**4,909**	**-2,922**	**86,370**	**97,884**	**4,318**	**102,202**
Dividends	C19	–	–	–	–	–	–	–	–	-12,990	-12,990	-2,365	-15,355
Changes in non controlling interests		–	–	–	–	–	–	–	–	42	42	-43	0
Share-based payments	C31	–	28	–	–	–	–	–	–	–	28	–	28
Other transactions with owners	C19	–	-5	–	–	–	–	–	–	–	-5	–	-5
Total transactions with owners		–	*24*	–	–	–	–	–	–	*-12,948*	*-12,924*	*-2,408*	*-15,331*
Net income	C19	–	–	–	–	–	–	–	–	3,732	3,732	2,764	6,496
Other comprehensive income	C11, C19	–	–	-100	105	2,137	–	–	–	-1,042	1,101	362	1,463
Total comprehensive income		–	–	*-100*	*105*	*2,137*	–	–	–	*2,691*	*4,833*	*3,125*	*7,959*
Effect of Turkcell's acquisition of treasury shares	C14	–	–	–	–	–	–	–	39	–	39	–	39
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**

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 8, 2017. 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 5, 2017.

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 Reports 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 ended 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 period classification errors
Prior periods have been restated to reflect the discovery of certain classification errors between net sales and cost of sales referring to insurance sales in region Europe. The corrections were as follows:

Condensed consolidated statement of comprehensive income

	2015		
SEK in millions	**Reported**	**Restatement**	**Restated**
Net sales	86,569	-71	86,498
Cost of sales	-52,782	71	-52,710
Gross profit	**33,788**	**–**	**33,788**

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 "Segment information." For inormation on discontinued operations, see Note C34 "Discontinued operations and assets classified as held for sale."

Recently issued accounting standards
New and amended standards and interpretations effective in 2016
As of January 1, 2016, the following new or amended standards became applicable:

The amendment to IFRS 11 "Accounting for acquisitions of interests in joint operations" clarifies that the principles and disclosure requirements in IFRS 3 "Business Combinations" also are applicable to an acquired share in a joint operation. The amendment has been applied since January 1, 2016, and has not had any material affect on Telia Company's consolidated financial statements.

The following amendments has been applied since January 1, 2016:
- Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation," "Disclosure Initiative"
- Amendments to IAS 1 "Disclosure Initiative"
- Annual Improvements to IFRSs 2012-2014 cycle

The amendments relevant to Telia Company are in certain cases in line with already applied interpretations and otherwise have had no or very limited impact on results or financial position.

New or revised/amended standards and interpretations effective on or after January 1, 2017
Telia Company has not pre-adopted any of the new or revised/amended standards effective on or after January 1, 2017.

IFRS 15 "Revenue from Contracts with Customers" is effective January 1, 2018, with earlier application permitted, and among others gives detailed guidance on the accounting for:

Bundled offerings: Telia Company's current accounting and recognition of revenue for bundled offerings and allocation of the consideration between equipment and service is in line with IFRS 15. A detailed analyzis of the performance obligations and the revenue recognition for each type of customer contract is being performed and possibly the model currently used must be refined.

Incremental costs for obtaining a contract: Sales commissions and equipment subsidies granted to dealers for obtaining a specific contract should be capitalized and deferred over the contract term if the contract is beyond one year. Deferral related to contracts with shorter terms is allowed but not mandatory. Telia Company currently does not capitalize such costs. The potential effects are dependent on to what extent current commissions and subsidies are "incremental," etc. and are being analyzed further.

Financing: If the period between payment and transfer of goods and services is beyond one year, adjustments for the time value of money should be made at the prevailing interest rates in the relevant market. Telia Company currently apply discounting, using the group's average borrowing rate. This discount rate might have to be adjusted. The potential effects are being analyzed further.

Contract modifications: Guidance is included on when to account for modifications retrospectively or progressively. The effects, if any, are being analyzed further.

Disclosures: IFRS 15 adds a number of disclosure requirements in annual and interim 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.

Transition methods: Either a full retrospective approach with adjustments to all periods presented or a modified approach with only the current period adjusted which however requires disclosures of all financial statement line items in the year of adoption as if prepared under current standards, i.e. effectively requiring two sets of accounting records during the year of adoption.

The IFRS 15 project has continued during the year and is proceeding according to plan. Telia Company is continuing to assess the total impact of IFRS 15 on the financial statements of the group and additional effects may be identified.

IFRS 9 "Financial Instruments" is effective as of January 1, 2018, and replaces IAS 39 "Financial Instruments: Recognition and Measurement." The standard's three main projects have been classification and measurement, impairment and hedge accounting.

Classification and measurement: Depending on how certain specified conditions are met after assessing the asset's contractual cash flow characteristics and the entities business model for managing the asset, 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). The classification of financial liabilities is more or less unchanged from existing requirements. Preliminary, for Telia Company's financial assets, the change into three categories will in most cases have no major effect on the measurement of a specific financial asset since the measurement bases are already today amortized cost or fair value, and, for financial liabilities, the changes will not impact Telia Company.

Impairment: IFRS 9 introduces a general three-stage model for impairment (expected credit losses) based on changes in credit quality since initial recognition. Calculation of amortized cost/effective interest differs between the stages; it either includes or excludes the allowance. The impairment model however includes some simplifications for trade receivables that do not have a significant financing component and a policy choice for trade receivables which contain a significant financing component and lease receivables, to either apply the simplified approach, or to apply the general model. In some cases the model will probably result in earlier recognition of losses than currently for Telia Company. In addition, extensive disclosures are required to identify and explain amounts that arise from expected credit losses and the effect of decline and improvement in credit risk.

Hedge accounting: IFRS 9 applies to all hedge relationships, with the exception of "fair value macro hedges." The IASB is working on a project to address macro hedging, so in the meantime IFRS 9 provides an accounting policy choice for hedge accounting: either to continue to apply the requirements of IAS 39 until the macro hedging project is finalized, or apply IFRS 9. The hedge accounting requirements in IFRS 9 retain the three hedge accounting mechanisms but introduces greater flexibility in the types of transactions eligible for hedge accounting, the risks that can be hedged, and the instruments that can be used as hedging instruments. The new hedge accounting model enables a better reflection of risk management activities in the financial statements. The current 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 expects no major effects based on current hedging activities. On the contrary, IFRS 9 is assumed to make it easier to achieve hedge accounting. However, the increased hedge accounting possibilities also require increased disclosures about 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".

Telia Company's IFRS 9 project is proceeding according to plan and the assessment of the IFRS 9 impact continues. Additional effects may be identified.

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 customer. The new standard removes the classification of leases as operating leases or finance leases as is required by IAS 17 and, instead introduces a single accounting model. According to the new model all leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. The lessee is required to recognize: a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and b) depreciation of lease assets separately from interest on lease liabilities in the income statement. The new standard does not include significant changes to the requirements for accounting by lessors. When the new standard is implemented, Telia Company's long 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 income statement. Telia Company is assessing the effects of IFRS 16 and cannot provide an estimate of the effects of the new lease standard until the group has performed a detailed review.

Amendments to IAS 7 "Disclosure Initiative" are effective January 1, 2017. Comparative information for earlier periods are not required. The objective of the amendments is to improve the information about financing activities in the cash flow statements. The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. When applying the changes Telia Company expects to extend cash flow disclosures relating to financing activities in the consolidated financial statements.

Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture" address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. According to the amendments a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss (only to the extent of the unrelated investors' interests in that associate or joint venture) is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The effective date of these amendments has been postponed indefinitely. The amendments may have an impact on Telia Company's consolidated financial statements in future periods if such transactions should arise.

IFRIC 22 "Foreign currency transactions and advance considerations" is effective January 1, 2018. The new interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The interpretation may have an impact on Telia Company's consolidated financial statements in future periods if such transactions should arise.

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 12 "Recognition of deferred tax assets for unrealised losses," effective January 1, 2017.
- Amendments to IFRS 2 "Classification and measurement of share-based payment transactions", effective January 1, 2018.
- Annual Improvements to IFRSs 2014-2016 cycle, effective January 1, 2017 and 2018.

Other issued amendments are deemed not applicable for Telia Company.

EU endorsement status

As of the beginning of March 2017, all standards, amendments to standards and interpretations mentioned above had been adopted by the EU, except for IFRS 16, amendments to IAS 7, IFRS 10/IAS 28, IAS 12, IFRS 2, Annual improvments 2014-2016 cycle, clarification to IFRS 15 and IFRIC 22.

C2 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 "Significant accounting policies."

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 (mainly content services) 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: responsibility for providing the goods or services and the group has latitude in establishing prices or provides additional goods and services. Features indicating that the group is acting as an agent include: the group does not have exposure to significant risks and rewards associated with the sale of goods or services or the amount the group earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

Bundling of products and services

In bundling of products and services, determining fair values and if or when revenue should be recognized requires management judgment. Revenue is allocated between the goods and services using relative fair values. The fair values determined for goods or services may impact the timing of the recognition of revenue. Determining the fair value of each element can require complex estimates but is 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 "Income taxes."

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 2016 and 2015, amortization, depreciation and impairment losses totaled SEK 11,533 million and SEK 12,780 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 "Goodwill and other intangible assets" and Note C13 "Property, plant and equipment."

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 telecommunications services, costs to maintain and develop communications 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 "Goodwill and other intangible assets."

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

Collectability of trade receivables

Telia Company's allowance for doubtful receivables reflects estimated losses that result from the inability of customers to make required payments. Management determines the size of the allowance based on the likelihood of recoverability of accounts receivable taking into account actual losses in prior years and current collection trends. Should economic or specific industry trends worsen compared to management estimates, the allowance may have to be increased, negatively impacting earnings. See section "Credit risk management" in Note C26 "Financial risk management" for a description of how risks related to trade receivables are mitigated. For additional information on the allowance for doubtful receivables and its carrying value as of the end of the reporting period, see Note C17 "Trade and other receivables."

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 pensions and employment contracts."

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 management 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. There are ongoing investigations in Sweden, the Netherlands and the US regarding Telia Company's operations in Uzbekistan and suspected irregularities related to those and to the market entry into Uzbekistan. As announced on September 15, 2016, Telia Company received a proposal from the authorities for resolution of the pending investigations. The authorities have proposed a global resolution that includes a total financial sanction of USD 1.45 billion. Without certainty as to the timing and amount that may be paid at the time of a final resolution, Telia Company has recorded a USD 1.45 billion (SEK 13.2 billion) provision at the balance sheet date. For more information on these investigations, see Note C34

"Discontinued operations and assets classified as held for sale" and "Risks and uncertainties" section "Review of Eurasian transactions."

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 "Other provisions" and C29 "Contingencies, other contractual obligations and litigation," 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 criteria 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 parts of Eurasia and the delay during 2016 in the sales process was caused by events and circumstances beyond Telia Company's control. The remaining Eurasian parts are available for immediate sale and divestment of these units are deemed highly probable within one year. Due to the specific circumstances in each market and the complex owner structures there is some uncertainty relating to the timing of the divestment of Eurasia. See Note C34 "Discontinued operations and assets classified as held for sale" 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. The valuation is based on an overall assessment of the input from the sales process and the risks in the different countries. 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 are no directly observable prices for Telia Company's discontinued operations and fair values have therefore been estimated using other valuation techniques which require the use of judgement. For the Eurasian operations the estimated fair values are based on agreed sales prices, indicative bids received, valuation discussions with potential buyers and for Uzbekistan the combined results of different valuation models. Apart from the normal business risks, there are a number of specific risks related to the valuation of the different Eurasian operations such as cash repatriation issues, foreign exchange risks, unstable regulatory environment, owner structure and finding the right buyer from a sustainability point of view. Given the lack of precedents and factual evidence, it is difficult to quantify the valuation impact of all such risks. Any potential discount, moreover, will be highly subject to the specific views of an interested buyer. The specific risks of each country have also been factored in to the fair value estimates. See Note C34 "Discontinued operations and assets classified as held for sale" and "Risks and uncertainties" for more information on discontinued operations and risks that may affect the estimated fair values.

Unquoted equity instruments

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. Although Telia Company uses its best judgement, and cross references results of the primary valuation model against other models in estimating the fair value of unlisted equity instruments, there are inherent limitations in any estimation techniques. The fair value estimates presented herein are not necessarily indicative of an amount that Telia Company could realize in a current transaction. Future confirming events will also affect the estimates of fair value. The effect of such events on the estimates of fair value could be material. Unlisted equity instruments for which the fair value cannot be reliably measured are measured at cost less any impairment. For information on unquoted equity instruments, see section "Fair value measurement of Level 3 financial instruments" in C25 "Financial assets and liabilities by category and level."

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 "Changes in group composition and events after the reporting period" and C19 "Equity and earnings per share."

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 "Financial risk management."

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 (eg 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 and taxes paid or refunded. Changes in non-interest bearing receivables and liabilities are reported in working capital, except for IRU-related prepayments 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 compensation from or contributions to the Swedish pension fund, payments related to leasing 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. Proceeds from and repayment of long-term 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 (including blocked amounts) 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 on a geographical basis. Countries are grouped in two geographical regions: Sweden and Europe. Operating segments that are not individually reportable, the associates MegaFon and Turkcell, and certain 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 "Segment information." 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 available-for-sale equity instruments 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 sale, 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

Net sales principally consist of traffic charges including interconnect and roaming, subscription fees, connection and installation fees, service charges and equipment sales. Sales revenues are recognized at fair value of the consideration received, normally being the sales value, adjusted for rebates and discounts granted and sales-related taxes.

Revenue is recognized in the period in which the service is performed, based on actual traffic or over the contract term, as applicable. Revenue from rendering of services is recognized when it is probable that the economic benefits associated with a transaction will flow to Telia Company, and the amount of revenue, and the associated costs incurred, or to be incurred, can be measured reliably. Revenue from voice and data services is recognized when the services are used by the customer. Revenue from interconnect traffic with other telecom operators is recognized at the time of transit across Telia Company's network. When invoicing end-customers for third-party content services, amounts collected on behalf of the principal are excluded from revenue.

Subscription fees are recognized as revenue over the subscription period. Sales relating to pre-paid phone cards, primarily mobile, are deferred and recognized as revenue based on the actual usage of the cards. 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 converter, 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. Revenue from equipment sales is recognized when delivery has occurred and the significant risks and rewards have been transferred to the customer, i.e. normally on delivery and when accepted by the customer.

Under customer loyalty programs, customers are entitled to certain discounts (award credits) relating to services and goods provided by Telia Company. Based on relative fair values, proceeds are allocated between services and goods provided and the award credits for future services and goods. For the proportion of award credits expected to be redeemed, revenue is deferred and subsequently recognized when the award credits are redeemed and the obligations to supply the awards are fulfilled. For recognition of customer acquisition costs, see section "Operating expenses" below.

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). In some cases, the arrangements include initial installation, initiation, or activation services and involve consideration in the form of a fixed fee or a fixed fee coupled with a continuing payment stream. The revenue is allocated to equipment and services in proportion to the fair value of the individual items. Services invoiced based on usage are not included in the allocation. Customized equipment that can be used only in connection with services or products provided by Telia Company is not accounted for separately and revenue is deferred over the total service arrangement period.

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. Revenue for such functionality agreements is recognized over the service period but part of the periodic fixed fee is deferred to meet the costs at the end of the contract period (maintenance and up-grades).

Service and construction contract revenues are recognized using the percentage of completion method. 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.

Within the international carrier operations, sales of Indefeasible Rights of Use (IRU) regarding fiber and duct are recognized as revenue over the period of the agreement (see also section "Telia Company as operating lessor" below).

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. Bad debt losses as well as doubtful debt allowances 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.

Costs for retailer commissions, other customer acquisition costs, 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 measured at fair value 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 is 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 exceeds the recoverable amount.

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

Financial instruments

Categories

Financial instruments are for measurement purposes grouped into categories. The categorization depends on the purpose or by definition in IAS 39 and is determined at initial recognition. Category "Financial assets at fair value through profit and loss" comprises derivatives not designated as hedging instruments (held-for-trading) with a positive fair value and investments held-for-trading. Category "Held-to-maturity" comprises non-derivative financial assets with fixed or determinable payments and fixed maturity that Telia Company has the positive intention and ability to hold to maturity. This category includes commercial papers, certain government bonds and treasury bills. Category "Loans and receivables" comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes trade receivables, accrued revenues for services and goods, loan receivables, bank deposits and cash at hand. Category "Available-for-sale financial assets" comprises non-derivative financial assets that are designated to this category or not to any of the other categories. This category currently includes equity instruments and convertible bonds. Assets included in the categories are reported under the statement of financial position items Other non-current assets (Note C15), Trade and other receivables (Note C17), Interest-bearing receivables, cash and cash equivalents (Note C18).

Category "Financial liabilities at fair value through profit and loss" comprises derivatives not designated as hedging instruments (held-for-trading) with a negative fair value. Category "Financial liabilities measured at amortized cost" comprises all other financial liabilities, such as borrowings, trade payables, accrued expenses for services and goods, and certain provisions settled in cash. Liabilities included in the categories are reported under the statement of financial position items Long-term and short-term borrowings (Note C20), Other provisions (Note C22), Other long-term liabilities (Note C23) and Trade payables and other current liabilities (Note C24).

Transaction costs, impairment and derecognition

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. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively. Evidence of impairment includes that debtors, individually or collectively, default in payments or other indications that they experience significant financial difficulty, including the probability of entering bankruptcy or other financial reorganization.

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.

Fair value hierarchy levels

The carrying values of classes of financial assets and liabilities measured at fair value were 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 classified as available-for-sale or held-for-trading
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 held-for-trading 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 classified as available-for-sale or held-for-trading

Inputs for fair value measurements disclosed for assets and liabilities that are not carried at fair value are categorized to fair level hierarchy 2.

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 and liabilities are recognized and derecognized applying settlement date accounting.

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 other than impairment losses up to the date of sale are recognized in other comprehensive income and accumulated in the fair value reserve. If the fair value of a quoted equity instrument classified as availabe for sale declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. Evidence of impairment is a significant or prolonged decline in the fair value below the cost of the instrument. 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. Unquoted equity instruments whose fair value cannot be reliably determined are valued at cost less any impairment. An impairment loss on an unquoted equity instrument is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on equity investments carried at cost are not subsequently reversed and impairment losses on equity instruments classified as available-for-sale are never reversed through net income. Holdings in venture capital entities are measured at fair value with changes in fair value recognized in net income.

Government bonds and treasury bills held-to-maturity are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method, less impairment. Bonds available for sale are 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 government bonds and treasury bills held-to-maturity and 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 held-for-trading. 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 fair value if categorized as held-for-trading, otherwise 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. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation 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 impairment (bad debt 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 doubtful receivables is made when collection of the full amount is no longer probable. 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.

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. Currency 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 whether the hedging instrument used is highly effective in offsetting changes in fair values or cash flows of the hedged item.

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.

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.

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.

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 remains 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 criteria 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 a 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, 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 fair value reserve and the foreign currency translation reserve are reclassified 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 for 2016 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 contingent consideration resulting from business combinations or from put options granted to holders of non-controlling interests in existing subsidiaries (for additional information, see section "Consolidated financial statements – Non-controlling interests" above) as well as 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.

Leasing 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 duct 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.

C4 CHANGES IN GROUP COMPOSITION AND EVENTS AFTER THE REPORTING PERIOD

Group composition

Subsidiaries

Telia Company's principal operating subsidiaries as of December 31, 2016, are disclosed in Where we 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 "Equity and earnings per share." Subsidiaries in discontinued operations with material non-controlling interests are described in Note C34 "Discontinued operations and assets classified as held for sale."

Associated companies

Material associated companies are disclosed in Note C14 "Investments in associated companies and joint ventures."

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.

Business combinations

There have been no material business combinations during 2016. See Note C33 "Business combinations" for further information on other minor business combinations and business combinations after the reporting period.

Disposals

On April 11, 2016, Telia Company completed the divestment of its holdings i Ncell in Nepal. On October 5, 2016, Telia Company divested all its holdings in the Spanish operator Yoigo. For more information see Note C34 "Discontinued operations and assets classified as held for sale".

Events after the reporting period

No events occurred after the reporting period that will have any material effect on the financial statements of the Telia Company group.

C5 SEGMENT INFORMATION

Telia Company's operating model is based on geographical areas. The group's operations are managed and reported by the two operating segments; region Sweden and region Europe. The regions are country-based organizations and the head of each region reports directly 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. The Sergel companies (Sergel) are included in continuing operations but classified as assets held for sale since June 30, 2016. See Note C34 "Discontinued operations and assets classified as held for sale" for more information.

- Region Sweden comprises Telia Company's mobile, broadband, TV and fixed-line operations in Sweden.
- Region Europe comprises Telia Company's mobile, broadband, TV and fixed-line operations in Finland, Norway, Denmark, Lithuania, Latvia, and Estonia. Spain was part of the reportable segment region Europe up until the deal was closed on October 5, 2016.
- Other operations include the international carrier operations, customer financing and dunning operations, Telia Company Holding, Telia Company's shareholding in the associates Russian MegaFon and Turkish Turkcell as well as Group functions.

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 non-recurring 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 "Goodwill and other intangible assets."

Telia Company will have a revised organizational setup as of January 1, 2017. Based on the new operating model Telia Company will report the following six operating segments separately from 2017: Sweden, Finland, Norway, Denmark, Lithuania and Estonia. Other operations will include Latvia, the international carrier operations, Telia Company's shareholding in the associates Russian MegaFon and Turkish Turkcell as well as Group functions.

	January–December 2016 or December 31, 2016					
SEK in millions	**Sweden**	**Europe**	**Other**	**Discontinued operations and assets and liabilities held for sale**	**Eliminations**	**Group**
Net sales	37,251	41,746	7,468	–	-2,287	**84,178**
External net sales	36,938	41,350	5,891	–	–	**84,178**
EBITDA excluding non-recurring items	14,455	11,036	345	–	–	**25,836**
Non-recurring items	-209	4,321	-134	–	–	**3,977**
Amortization, depreciation and impairment losses	-4,887	-5,943	-705	–	–	**-11,534**
of which impairment losses	–	–	–	–	–	**–**
Income from associated companies and joint ventures	1	115	2,695	–	–	**2,810**
Operating income	9,360	9,529	2,201	–	–	**21,090**
Financial items, net						**-1,841**
Income taxes						**-2,816**
Net income from continuing operations						**16,433**
Investments in associated companies and joint ventures	6	806	21,887	–	–	**22,698**
Other operating segment assets	46,151	95,949	11,791	–	-1,849	**152,042**
Current and deferred tax assets						**4,994**
Other unallocated assets						**44,653**
Assets classified as held for sale				29,042		**29,042**
Total assets						**253,430**
Operating segment liabilities	11,304	8,294	20,937	–	-1,855	**38,680**
Current and deferred tax liabilities						**10,586**
Other unallocated liabilities						**95,668**
Liabilities directly associated with assets classified as held for sale	–	–	–	13,627	–	**13,627**
Total non-current and current liabilities						**158,560**
Investments, continuing operations	7,224	5,867	3,016	–	–	**16,108**
of which CAPEX, continuing operations	*7,119*	*5,602*	*2,905*	–	*-1*	***15,625***
Number of employees	6,720	11,093	3,217	4,987	–	**26,017**

	January–December 2015 or December 31, 2015					
SEK in millions	**Sweden**	**Europe**	**Other**	**Discontinued operations and assets and liabilities held for sale**	**Eliminations**	**Group**
Net sales	37,336	43,658	7,753	–	-2,249	**86,498**
External net sales	37,051	43,238	6,210	–	–	**86,498**
EBITDA excluding non-recurring items	14,267	10,584	430	–	–	**25,281**
Non-recurring items	-495	-601	-194	–	–	**-1,289**
Amortization, depreciation and impairment losses	-4,468	-7,728	-583	–	–	**-12,780**
of which impairment losses	*0*	*-1,917*	*-3*	–	–	***-1,920***
Income from associated companies and joint ventures	-20	119	3,295	–	–	**3,394**
Operating income	9,284	2,375	2,948	–	–	**14,606**
Financial items, net						**-2,917**
Income taxes						**-2,157**
Net income from continuing operations						**9,532**
Investments in associated companies and joint ventures	5	783	22,553	–	–	**23,341**
Other operating segment assets	42,510	95,235	11,206	–	-1,859	**147,092**
Current and deferred tax assets						**5,123**
Other unallocated assets						**42,649**
Assets classified as held for sale	–	–	–	35,812	–	**35,812**
Total assets						**254,017**
Operating segment liabilities	11,123	11,626	5,692	–	-1,868	**26,573**
Current and deferred tax liabilities						**10,712**
Other unallocated liabilities						**102,933**
Liabilities directly associated with assets classified as held for sale	–	–	–	11,598	–	**11,598**
Total non-current and current liabilities						**151,816**
Investments, continuing operations	6,337	10,441	3,634	–	–	**20,413**
of which CAPEX, continuing operations	*6,179*	*5,823*	*2,593*	–	*0*	***14,595***
Number of employees	6,718	11,323	3,301	5,553	–	**26,895**

C6 NET SALES

External net sales were distributed by product area as follows.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Mobile services	39,049	39,784
Fixed services	31,526	32,075
Other services	941	1,048
Equipment	12,663	13,591
Total	**84,178**	**86,498**

Fixed services mainly include telephony, broadband, data and TV services. Prior period has been restated to reflect the discovery of certain classification errors between net sales and cost of sales referring to insurance sales in region Europe.

2015 has also been restated to reflect a new product classification. The total restatements have affected Total Net sales by SEK -71 million, Mobile services by SEK -206 million, Fixed services by SEK 101 million, Other services by SEK 107 million and Equipment by SEK -74 million.

Net sales by external customer location and intangible fixed assets and property, plant and equipment, respectively, were distributed among individually material countries as follows.

	Jan–Dec 2016		Jan–Dec 2015		Dec 31, 2016		Dec 31, 2015	
	Net sales				Intangible assets and property, plant and equipment			
	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
Sweden	36,696	43.6	36,782	42.5	38,705	30.0	35,119	28.5
Finland	12,816	15.2	12,945	15.0	43,169	33.4	40,843	33.2
Norway	9,196	10.9	9,202	10.7	25,977	20.1	23,526	19.1
Denmark	5,835	6.9	6,179	7.1	6,269	4.9	5,895	4.8
Spain	6,133	7.3	8,035	9.3	0	0.0	3,547	2.9
All other countries	13,502	16.0	13,357	15.4	14,934	11.6	14,095	11.5
Total	**84,178**	**100.0**	**86,498**	**100.0**	**129,054**	**100.0**	**123,026**	**100.0**

Net sales by external customer location were distributed among economic regions as follows.

	Jan–Dec 2016		Jan–Dec 2015	
	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	81,141	96.4	82,996	96.0
of which European Union (EU) member states	*71,851*	*85.4*	*73,786*	*85.2*
Rest of Europe	738	0.9	1,292	1.5
North-American Free Trade Agreement (NAFTA)	791	0.9	1,052	1.2
Rest of world	1,508	1.8	1,158	1.3
Total	**84,178**	**100.0**	**86,498**	**100.0**

The 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.

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 2016	Jan–Dec 2015
Goods and sub-contracting services purchased	-17,441	-18,176
Interconnect and roaming expenses	-7,971	-9,042
Other network expenses	-4,695	-4,949
Change in inventories	-3,470	-3,763
Personnel expenses (see also Note C31)	-12,105	-12,171
Marketing expenses	-4,319	-4,847
Other expenses	-8,456	-9,124
Amortization, depreciation and impairment losses	-11,533	-10,880
Total	**-69,991**	**-72,953**

Prior period has been restated to reflect the discovery of certain classification errors between net sales and cost of sales referring to insurance sales in region Europe affecting Goods and sub-contracting services purchased by SEK 71 million. 2015 has also been restated to reflect a new cost classification affecting Interconnect and roaming expenses by SEK 71 million and Goods and sub-contracting services purchased by SEK -71 million. 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 2016	Jan–Dec 2015
Cost of sales	-9,959	-9,353
Selling and marketing expenses	-1,019	-1,004
Administrative expenses	-509	-499
Research and development expenses	-47	-23
Total	**-11,533**	**-10,880**

Total amortization, depreciation and impairment losses for 2016 amounted to SEK 11,533 million, all allocated to the functions above. For more information on amortization, depreciation and impairment losses see Notes C12 "Goodwill and other intangible assets" and C13 "Property, plant and equipment." Amortization, depreciation and impairment losses are broken down by reportable segment in Note C5 "Segment information."

C8 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Other operating income		
Capital gains	4,686	95
Exchange rate gains	522	509
Commissions, license and patent fees, etc.	70	88
Grants	25	27
Recovered accounts receivable	91	266
Court-settled fees with other operators	17	73
Damages received	79	66
Total other operating income	**5,490**	**1,124**
Other operating expenses		
Capital losses	-84	-69
Transaction costs in business combinations	-2	-15
Provisions for onerous contracts	0	0
Exchange rate losses	-561	-568
Restructuring costs	-594	-811
Impairment losses	–	-1,900
Court-settled fees with other operators	-128	-83
Damages paid	-28	-11
Total other operating expenses	**-1,397**	**-3,457**
Net effect on income	**4,092**	**-2,333**
of which net exchange rate losses on derivative instruments held-for-trading	*10*	*1*

In the first quarter of 2016, the capital gain was affected by a divestment of real estate amounted to SEK 152 million and in the last quarter of 2016, by the disposal of Xfera Móviles S.A, (Yoigo) amounted to SEK 4,504 million. For more information on impairment losses, see Notes C12 “Goodwill and other intangible assets” and C13 “Property, plant and equipment.” 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 2016	Jan–Dec 2015
Finance income		
Interest income	329	475
Interest income on finance leases	98	91
Changes in fair value of held-for-trading-investments	–	-15
Net exchange rate gains	184	–
Net interest on the net defined benefit liability (asset)	97	–
Other finance income	15	–
Unwinding of discounts, receivables	80	59
Total finance income	**803**	**609**
Finance costs		
Interest expenses	-2,669	-3,089
Interest expenses on finance leases	-3	-3
Unwinding of provision discounts	-30	-45
Capitalized interest	91	83
Changes in fair value of held-for-trading-investments	-8	–
Credit losses on finance leases	-25	–
Net exchange rate losses	–	-265
Net interest on the net defined benefit liability (asset)	–	-72
Other finance costs	–	-137
Total finance costs	**-2,644**	**-3,526**
Net effect on income	**-1,841**	**-2,917**

Details on interest expenses, net exchange rate gains and losses and interest income related to hedging activities, loan receivables and borrowings were as follows.

	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
SEK in millions	**Interest expenses**		**Net exchange rate gains and losses**		**Interest income**	
Fair value hedge derivatives	387	-1,648	130	-41	–	–
Cash flow hedge derivatives	10	-34	-457	95	–	–
Derivatives held-for-trading	695	1,117	125	-55	–	–
Held-to-maturity investments	–	–	–	–	13	10
Loans and receivables	–	–	1,364	-1,125	128	416
Borrowings in fair value hedge relationships	-1,415	-1,450	-3,190	1,991	–	–
Borrowings and other financial liabilities at amortized cost	-2,308	-1,061	2,212	-1,137	–	–
Other	-39	-12	–	7	187	50
Total	**-2,669**	**-3,089**	**184**	**-265**	**329**	**475**

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 2016	Jan–Dec 2015
Tax items recognized in net income		
Current tax	-2,160	-1,391
Adjustment of current tax related to prior years	6	-17
Deferred tax	-577	-666
Adjustment of deferred tax related to prior years	-68	-55
Effect on deferred tax from changes in tax rates	-17	-28
Total tax expense recognized in net income	**-2,816**	**-2,157**
Tax items recognized in other comprehensive income		
Current tax	640	-538
Deferred tax	304	-1,051
Total tax recognized in other comprehensive income	**944**	**-1,589**
Tax items recognized directly in equity		
Deferred tax related to treasury share repurchase made by associated company	-4	–
Total tax recognized directly in equity	**-4**	**–**

Income before taxes was SEK 19,249 million in 2016 and SEK 11,689 million in 2015. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan–Dec 2016	Jan–Dec 2015
Swedish income tax rate	22.0	22.0
Effect of higher or lower tax rates in subsidiaries	-0.4	-0.2
Withholding tax on earnings in subsidiaries and associated companies[1]	1.1	-1.7
Prior year adjustment of current tax expense	0.0	0.1
Prior year adjustment of deferred taxes	0.4	0.5
Effect on deferred tax expense from changes in tax rates	0.1	0.2
Income from associated companies	-3.2	-6.5
Current year losses for which no deferred tax asset was recognized	0.4	0.1
Non-deductible expenses[2]	0.5	5.7
Tax-exempt income[3]	-6.3	-1.7
Effective tax rate in net income	**14.6**	**18.5**
Effective tax rate excluding effects from associated companies	*17.6*	*26.8*

1) Withholding tax on earnings in subsidiaries and associated companies is impacted by an intragroup restructuring in Q1 2015. The intragroup restructuring resulted in a revaluation and one-off effect of the withholding tax provision and a decrease of the deferred tax liability.
2) Non-deductible expenses are impacted by non-tax deductible goodwill impairment in Denmark in 2015.
3) Tax-exempt income is influenced by non taxable capital gain related to the divestment of Xfera Mòviles S.A., (Yoigo) in 2016.

Deferred tax assets and liabilities

Movement in deferred tax assets and liabilities were as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Deferred tax assets		
Opening balance	5,054	5,955
Change recognized in comprehensive income	-359	-1,346
Operations acquired	–	1,054
Operations divested	-510	–
Reversals of offset tax liabilities/assets, other reclassifications	-50	-256
Change in tax rate[1]	-17	-72
Exchange rate differences	266	-173
Reclassification to assets classified as held for sale	-18	-108
Deferred tax assets, closing balance	**4,366**	**5,054**
Deferred tax liabilities		
Opening balance	10,627	10,840
Change recognized in comprehensive income	-19	895
Change of withholding taxes recognized directly in equity	4	–
Operations acquired	–	743
Operations divested	-33	–
Reversals of offset tax assets/liabilities, other reclassifications	-32	-158
Change in tax rate[1]	0	-45
Exchange rate differences	20	-403
Reclassification to liabilities directly associated with assets classified as held for sale	0	-1,245
Deferred tax liabilities, closing balance	**10,567**	**10,627**

1) The effect of change in tax rate relates to the reduction of the Norwegian corporate income tax rate effective from January 1, 2017. The change triggered a recalculation of existing deferred tax assets and liabilities in Telia Company's Norwegian operations, resulting in a net deferred tax expense of SEK 17 million in 2016.

Deferred tax asset and liabilities are allocated to the following temporary differences and tax loss carry-forwards.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Gross deferred tax assets		
Non-current assets	3,408	3,283
Provisions	1,034	1,033
Accounts receivables and other current assets	13	115
Interest expense carry-forwards	199	92
Tax loss carry-forwards, continuing operations	1,843	4,308
Tax loss carry-forwards reclassification to assets classified as held for sale	–	440
Subtotal	**6,497**	**9,271**
Valuation allowances		
Non-current assets	-4	-4
Accounts receivables and other current assets	-3	-17
Tax loss carry-forwards, continuing operations	-1,569	-3,192
Tax loss carry-forwards reclassification to assets classified as held for sale	–	-407
Subtotal	**-1,576**	**-3,620**
Offset deferred tax liabilities/assets	-537	-489
Reclassification to assets classified as held for sale	-18	-108
Total deferred tax assets	**4,366**	**5,054**
Deferred tax liabilities		
Withholding taxes subsidiaries and associated companies	1,210	1,561
Non-current assets	6,619	6,637
Provisions	1,062	1,354
Accounts receivables and other current assets	272	13
Profit equalization reserves	1,941	2,796
Subtotal	**11,104**	**12,361**
Offset deferred tax assets/liabilities	-537	-489
Reclassification to liabilities associated with assets classified as held for sale	–	-1,245
Total deferred tax liabilities	**10,567**	**10,627**
Net deferred tax assets (+)/liabilities (-)	**-6,201**	**-5,573**
Net increase (+)/decrease (-) in valuation allowance	**-2,044**	**79**

Unrecognized deferred tax

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2016, were expected to expire as follows.

Expected expiry, SEK in millions	2017	2018	2019	2020	2021	2022-2025	Unlimited	Total
Unrecognized deferred tax assets	0	0	0	0	0	811	758	**1,569**

As of December 31, 2016 and 2015, unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated such income tax that is levied on dividends paid, totaled SEK 52 million and SEK 122 million respectively.

Tax loss carry-forwards

Deferred tax assets originating from tax loss carry-forwards mainly related to international carrier operations. Tax losses in the international carrier operations refer mainly to impairment losses on plant and machinery incurred in 2002. Telia Company's accumulated tax loss carry-forwards were SEK 6,711 million in 2016 and SEK 16,662 million in 2015. The decrease is mainly related to the divestment of Xfera Mòviles S.A., (Yoigo).

Tax loss carry-forwards as of December 31, 2016 are expected to expire as follows.

Expected expiry, SEK in millions	2017	2018	2019	2020	2021	2022-2036	Unlimited	Total
Tax loss carry-forwards	0	0	0	0	2	3,734	2,975	**6,711**

C11 OTHER COMPREHENSIVE INCOME

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan–Dec 2016	Jan–Dec 2015
Other comprehensive income that may be reclassified to net income			
Foreign currency translation differences			
Translation of foreign operations, continuing operations	Foreign currency translation reserve	4,293	-9,277
Translation of foreign operations, discontinued operations	Foreign currency translation reserve	555	-4,081
Translation of foreign non-controlling interests, continuing operations	Non-controlling interests	48	-36
Translation of foreign non-controlling interests, discontinued operations	Non-controlling interests	313	-1,396
Hedging of foreign operations	Foreign currency translation reserve	-3,039	2,445
Income tax effect	Foreign currency translation reserve	669	-538
Total foreign currency translation differences		**2,839**	**-12,884**
of which attributable to non-controlling interests		*361*	*-1,433*
Income from associated companies			
Net changes in fair value of cash flow hedges	Hedging reserve	0	1
Translation of foreign operations	Foreign currency translation reserve	-340	-3
Total income from associated companies		**-340**	**-2**
Cash flow hedges			
Net changes in fair value	Hedging reserve	214	621
Transferred to finance costs in net income	Hedging reserve	-343	-7
Income tax effect	Hedging reserve	28	-135
Total cash flow hedges		**-101**	**479**
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	134	-2
Disposals transferred to other financial items in net income	Fair value reserve	–	–
Income tax effect	Fair value reserve	-29	6
Total available-for-sale financial instruments		**105**	**4**
Total other comprehensive income that may be reclassified to net income		**2,504**	**-12,404**
of which total income tax effects (see also Note C10)		*668*	*-667*
of which attributable to non-controlling interests		*362*	*-1,433*
Other comprehensive income that will not be reclassified to net income			
Remeasurements of defined benefit pension plans	Retained earnings	-1,297	4,322
Income tax relating to items that will not be reclassified	Retained earnings	276	-922
Associates' remeasurements of defined benefit pension plans	Retained earnings	-20	6
Total other comprehensive income that will not be reclassified to net income		**-1,042**	**3,407**
of which total income tax effects (see also Note C10)		*276*	*-922*
Total other comprehensive income		**1,463**	**-8,997**
of which attributable to non-controlling interest, continuing operations		*48*	*-36*
of which attributable to non-controlling interest, discontinued operations		*313*	*-1,396*

The hedging reserve comprises gains and losses on derivatives hedging interest rate and foreign currency exposure, with a net effect in equity of SEK -100 million as of December 31, 2016, and SEK 479 million as of December 31, 2015. Future gains or losses will affect net income in 2017, 2018, 2019 and later, when the hedged items mature. See also section "Financial instruments" in Note C3 "Significant accounting policies." See Note C21 "Provisions for pensions and employment contracts" for details of "Remeasurements of defined benefit pension plans."

C12 GOODWILL AND OTHER INTANGIBLE ASSETS

The total carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
	Goodwill		**Other intangible assets**	
Accumulated cost	66,974	63,316	39,842	38,750
Accumulated amortization	–	–	-25,347	-24,235
Accumulated impairment losses	-9,051	-8,378	-1,471	-1,520
Advances	–	–	–	–
Carrying value	**57,923**	**54,938**	**13,024**	**12,995**
of which work in progress	–	–	*1,296*	*886*
Carrying value, opening balance	54,938	70, 895	12,995	15,266
Investments	–	–	2,786	3,106
of which capitalized interest	–	–	*21*	*17*
Sales and disposals	-552	–	–	-21
Operations acquired	34	1,769	8	2,882
Reclassifications	–	0	121	63
Adjustments related to put options and contingent consideration	–	-198	–	–
Amortization for the year, continuing operations	–	–	-2,620	-2,532
Amortization for the year, discontinued operations	–	–	–	-922
Impairment losses for the year, continuing operations	–	-1,900	-3	-6
Impairment losses for the year, discontinued operations	–	-1,628	–	-293
Advances	–	–	–	155
Exchange rate differences	3,527	-6,573	570	-1,308
Reclassification to assets classified as held for sale	-24	-7,427	-15	-3,395
Carrying value, closing balance	**57,923**	**54,938**	**13,024**	**12,995**

In 2016 and 2015, investments in telecom licenses and frequency permits amounted to SEK 609 million and SEK 307 million, respectively. Operations acquired in 2015 were primarily related to the acqusition of Tele2's Norweigan mobile operations. In 2015, a goodwill write down of SEK 1,900 million was recognized in the cash-generating unit Denmark, as a result of updated earnings projections following the decision to withdraw from the proposed joint venture with Telenor. For information on discontinued operations, see Note C34.

Apart from goodwill, there are currently no intangible assets with indefinite useful lives. No general changes of useful lives were made in 2016. For amortization rates applied, see section "Useful lives" in Note C2 "Key sources of estimation uncertainty." 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.

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, 2016	Dec 31, 2015
Region Europe	56,871	53,893
of which Finland	*30,493*	*29,082*
of which Norway	*18,110*	*16,422*
of which Denmark	*2,126*	*2,020*
of which Lithuania	*2,698*	*2,574*
of which Estonia	*2,465*	*2,351*
of which other countries	*979*	*1,445*
Region Sweden	950	922
Other operations	102	122
Total goodwill	**57,923**	**54,938**

The total carrying value of other intangible assets was distributed by asset type as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Trade names	57	82
Telecom licenses and frequency permits	5,049	5,314
Customer and vendor relationships, interconnect and roaming agreements	3,135	3,142
Capitalized development expenses	2,899	2,562
Patents, etc.	35	2
Leaseholds, etc.	552	1,012
Work in progress, advances	1,297	881
Total other intangible assets	**13,024**	**12,995**

Capitalized development expenses 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 “Discontinued operations and assets classified as held for sale.”

Goodwill is, for impairment testing purposes, allocated to cash generating units in accordance with Telia Company’s business organization. In most cases, each country within the respective reportable segment constitutes a cash-generating unit (CGU). Carrying values (for impairment testing purposes defined as segment operating capital and allocated common assets from Global Services and Operations 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 “Segment information” and Definitions. The recoverable amounts (that is, the higher of value in use and fair value less cost to sell) are 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. 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 equity 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.

	2016								
Years/Percent	**Sweden**	**Finland**	**Norway**	**Denmark**	**Lithuania**	**Latvia**	**Estonia**	**Spain**	**Telia Carrier**
Forecast period, years	5	5	5	5	5	5	5	–	5
Post-tax WACC rate, %	4.6	4.5	5.5	4.4	5.1	4.9	5.0	–	5.0
Pre-tax WACC rate, %	5.4	5.4	7.1	5.5	5.7	5.7	6.1	–	5.9
Terminal growth rate of free cash flow, %	2.1	2.0	2.5	2.0	2.2	2.0	2.2	–	2.1

	2015								
Years/Percent	**Sweden**	**Finland**	**Norway**	**Denmark**	**Lithuania**	**Latvia**	**Estonia**	**Spain**	**Telia Carrier**
Forecast period, years	5	5	5	5	5	5	5	5	5
Post-tax WACC rate, %	4.2	4.3	4.9	4.3	4.9	4.9	5.7	5.0	4.5
Pre-tax WACC rate, %[1]	4.9	5.3	6.4	5.4	5.6	5.7	7.1	6.4	5.9
Terminal growth rate of free cash flow, %	2.0	1.8	1.9	2.0	2.1	2.0	2.7	1.9	2.0

1) Disclosures of pre-tax WACC rate 2015 have been restated, but with no effect on the 2015 impairment test.

Sensitivity analysis

The estimated recoverable amounts for Finland, Norway and Denmark were in proximity of the carrying values as of December 31, 2016. As of December 31, 2015, the estimated recoverable amounts for Finland and Estonia were in proximity of the carrying values and for Denmark the recoverable amount equaled the carrying value.

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.

	2016		
5-year period/Percent	**Finland**	**Norway**	**Denmark**
Sales growth, lowest in period (%)	0.6	0.2	1.1
Sales growth, highest in period (%)	1.9	1.6	2.3
EBITDA margin, lowest in period (%)	31.4	34.1	11.5
EBITDA margin, highest in period (%)	33.8	36.2	14.4
CAPEX-to-sales, lowest in period (%)	13.3	12.2	7.2
CAPEX-to-sales, highest in period (%)	22.5	23.7	17.7

	2015		
5-year period/Percent	**Finland**	**Norway**	**Denmark**
Sales growth, lowest in period (%)	-2.7	2.3	-0.9
Sales growth, highest in period (%)	1.9	4.5	1.5
EBITDA margin, lowest in period (%)	31.3	32.1	11.7
EBITDA margin, highest in period (%)	33.8	35.0	14.3
CAPEX-to-sales, lowest in period (%)	12.2	8.7	7.1
CAPEX-to-sales, highest in period (%)	16.2	16.1	17.0

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 carring value for the respective cash generating unit. The decrease in headroom between the recoverable amount and the carrying value for Norway to SEK 6.0 billion (15.8) is primarily due to higher WACC and more conservative assumptions regarding CAPEX.

	2016		
Percentage points, SEK in billions	**Finland**	**Norway**	**Denmark**
Sales growth each year in the 5-year period (%)	-2.1	-2.0	0.0
EBITDA margin each year in the 5-year period and beyond (%)	-2.5	-2.6	0.0
CAPEX-to-sales ratio each year in the 5-year period and beyond (%)	2.9	2.5	0.1
Terminal growth rate (%)	-0.8	-0.9	0.0
Post-tax WACC rate (%)	0.7	0.8	0.0
Effect of a one percentage-point upward shift in WACC (SEK in billions)	-13.5	-7.4	-1.3
Change in the recoverable value to equal the carrying value (SEK in billions)	-10.6	-6.0	0,0

	2015		
Percentage points, SEK in billions	**Finland**	**Norway**	**Denmark**
Sales growth each year in the 5-year period (%)	-2.1	-5.5	0.0
EBITDA margin each year in the 5-year period and beyond (%)	-2.7	-6.6	0.0
CAPEX-to-sales ratio each year in the 5-year period and beyond (%)	2.6	6.3	0.0
Terminal growth rate (%)	-0.8	-2.8	0.0
Post-tax WACC rate (%)	0.7	2.3	0.0
Effect of a one percentage-point upward shift in WACC (SEK in billions)	-13.9	-9.2	-1.9
Change in the recoverable value to equal the carrying value (SEK in billions)	-10.6	-15.8	0.0

C13 PROPERTY, PLANT AND EQUIPMENT

The carrying value was distributed and changed as follows.

SEK in millions	Property Dec 31, 2016	Property Dec 31, 2015	Plant and machinery Dec 31, 2016	Plant and machinery Dec 31, 2015	Equipment, tools and installations Dec 31, 2016	Equipment, tools and installations Dec 31, 2015	Total Dec 31, 2016	Total Dec 31, 2015
Accumulated cost	8,049	7,702	183,301	181,877	7,659	7,470	**199,009**	**197,050**
Accumulated depreciation	-4,411	-4,158	-119,999	-120,117	-4,990	-4,931	**-129,401**	**-129,205**
Accumulated impairment losses	-515	-751	-10,885	-11,920	-104	-162	**-11,504**	**-12,833**
Advances	–	–	3	81	–	0	**3**	**82**
Carrying value	**3,124**	**2,794**	**52,419**	**49,922**	**2,565**	**2,378**	**58,107**	**55,093**
of which assets under construction	–	–	*6,759*	*5,621*	–	–	***6,759***	***5,621***
Carrying value, opening balance	2,794	4,216	49,922	62,458	2,378	2,996	**55,093**	**69,669**
Investments	365	183	11,581	14,477	893	758	**12,838**	**15,418**
of which capitalized interest	–	–	*70*	*66*	–	–	***70***	***66***
Sales and disposals	-1	-39	-215	-337	-7	-55	**-223**	**-431**
Dismantling and restoration	-4	–	218	295	-3	–	**211**	**295**
Operations acquired	2	0	21	288	0	52	**23**	**340**
Operations divested	-2	–	-2,231	–	-50	–	**-2,283**	–
Grants received	–	-3	-4	-18	–	–	**-4**	**-21**
Reclassifications	78	211	-491	-555	297	292	**-117**	**-53**
Depreciation for the year, continuing operations	-224	-206	-7,660	-7,197	-998	-926	**-8,882**	**-8,329**
Depreciation for the year, discontinued operations	–	-81	–	-2,502	–	-120	**–**	**-2,703**
Impairment losses for the year, continuing operations	-1	–	-24	-14	-4	0	**-28**	**-14**
Impairment losses for the year, discontinued operations	–	–	–	-3,378	–	–	**–**	**-3,378**
Advances	–	-4	–	-29	–	13	**–**	**-20**
Exchange rate differences	118	-561	1,301	-4,511	66	-229	**1,485**	**-5,301**
Reclassification to assets classified as held for sale	–	-922	–	-9,054	-6	-404	**-6**	**-10,379**
Carrying value, closing balance	**3,124**	**2,794**	**52,419**	**49,922**	**2,565**	**2,378**	**58,107**	**55,093**

No general changes of useful lives were made in 2016. For depreciation rates applied, see section "Useful lives" in Note C2 "Key sources of estimation uncertainty." 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 "Expenses by nature" and C8 "Other operating income and expenses." For information on contractual obligations regarding future acquisitions of property, plant and equipment, see Note C29 "Contingencies, other contractual obligations and litigation."

Property

Telia Company's real estate holdings include approximately 3,800 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, 2016	Dec 31, 2015
Depreciable property (buildings, etc.)	2,755	2,456
Non-depreciable property (land)	369	338
Total property	**3,124**	**2,794**

C14 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

The total carrying value was distributed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Interests in associated companies	22,673	23,313
Interests in joint ventures	26	28
Total carrying value	**22,698**	**23,341**

Items recognized in net income and in total comprehensive income were as follows.

	January–December	
SEK in millions	2016	2015
Share of income from associated companies	2,809	3,422
Gains/losses net from disposals of shares in associates	-5	-19
Income from joint ventures	6	-9
Recognized in net income	**2,810**	**3,394**
Other comprehensive income from associated companies	-361	4
Recognized in total comprehensive income	**2,450**	**3,398**

Details of material associated companies

Telia Company has two material associated companies, PAO MegaFon and Turkcell Iletisim Hizmetleri A.S. PAO MegaFon has its operations mainly in Russia. The ownership interest and voting power is 25 percent and the consolidated share is 26 percent (25 percent/26 percent). MegaFon's holding of treasury shares is included in Telia Company's consolidated share. Turkcell Iletisim Hizmetleri A.S, in which Telia Company's ownership and voting power as well as consolidated share is 38 percent (38 percent), operates in Turkey, Ukraine and Belarus. Both companies are mobile operators. MegaFon and Turkcell, reported in Telia Company's financial statements using the equity method, are publicly listed companies 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. For more information, see Risks and uncertainties, section "Associated companies and joint operations." Market values of Telia Company's holdings at year-end were:

SEK in millions	Dec 31, 2016	Dec 31, 2015
PAO MegaFon, Russia	13,387	15,145
Turkcell Iletisim Hizmetleri A.S., Turkey	21,088	23,770

The following table summarizes the financial information of MegaFon and Turkcell 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 "Changes in group composition and events after the reporting period."

Statements of financial position **SEK in millions**	**December 31** **MegaFon** **2016**	**2015**	**Turkcell** **2016**	**2015**	**Total** **2016**	**2015**
Non-current assets	51,283	41,101	63,279	47,861	**114,562**	**88,961**
Current assets	12,418	8,656	14,592	8,618	**27,010**	**17,274**
Non-current liabilities	35,447	20,206	16,710	1,671	**52,157**	**21,877**
Current liabilities	12,866	12,921	21,553	14,852	**34,419**	**27,774**
Net assets (100 percent)	15,388	16,629	39,608	39,955	**54,996**	**56,582**
Non-controlling interests	-5	11	388	-199	**383**	**-188**
Net assets excluding non-controlling interests	15,383	16,641	39,996	39,756	**55,379**	**56,394**
Adjustment for differences in accounting principles	5	-569	-377	1,236	**-372**	**667**
Net assets after adjustments	15,388	16,071	39,619	40,992	**55,007**	**57,064**
Group's share	4,032	4,211	15,119	15,593	**19,150**	**19,804**
Adjustment, Turkcell part of Fintur equity	–	–	-1,370	-1,406	**-1,370**	**-1,406**
Adjustment, fair values	702	396	3,334	3,484	**4,036**	**3,880**
Carrying value of interests in MegaFon and Turkcell	**4,733**	**4,606**	**17,082**	**17,672**	**21,816**	**22,278**
Carrying value of other associated companies not individually material (group's share)					**857**	**1,035**
Carrying value of joint ventures (group's share)					**26**	**28**
Total carrying value of interests in associated companies and joint ventures					**22,698**	**23,341**

Statements of comprehensive income **SEK in millions**	**January–December** **2016** **MegaFon**	**2015**	**2016** **Turkcell**	**2015**	**2016** **Total**	**2015**
Net sales	39,318	46,450	39,121	28,224	**78,439**	**74,674**
Net income	3,432	5,395	5,021	5,537	**8,453**	**10,931**
Other comprehensive income	-142	-118	-847	89	**-989**	**-29**
Total comprehensive income (100 percent)	3,290	5,277	4,173	5,625	**7,464**	**10,902**
Total comprehensive income (group's share)	862	1,382	1,597	2,140	**2,459**	**3,522**
Adjustment Turkcell part of Fintur total comprehensive income	–	–	-115	-314	**-115**	**-314**
Total comprehensive income after adjustments, group's share	862	1,382	1,481	1,826	**2,343**	**3,208**
Other associated companies not individually material						
Net sales (100 percent)					**2,107**	**1,866**
Net income (group's share)					**105**	**218**
Total comprehensive income from other associated companies					**105**	**218**
Gains/losses from sale of shares in other associates					**-5**	**–**
Joint ventures not individually material						
Net income (group's share)					**6**	**-28**
Total comprehensive income joint ventures (group's share)					**6**	**-28**
Group's share of total comprehensive income for associated companies and joint ventures					**2,450**	**3,398**
Dividends received from MegaFon and Turkcell	1,700	1,607	77	5,150	**1,777**	**6,756**
Dividends received from other associated companies					**341**	**140**
Total dividends received from associated companies and joint ventures					**2,117**	**6,896**

The carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Goodwill and fair value adjustments	3,822	4,110
Share of equity	18,876	19,231
Carrying value	**22,698**	**23,341**
Carrying value, opening balance	23,341	32,793
Shareholder contributions	–	–
Share of net income for the year	2,821	3,453
Share of other comprehensive income for the year	-20	6
Amortization and write-downs of fair value adjustments	-6	-9
Dividends received	-2,117	-6,896
Acquisitions and operations acquired	–	43
Divestments and operations divested	-9	15
Transactions in equity	39	-1,197
Reclassifications	23	22
Exchange rate differences	-1,372	-4,669
Reclassification to assets classified as held for sale	–	-220
Carrying value, closing balance	**22,698**	**23,341**

The carrying value is broken down by reportable segment in Note C5 “Segment Information” and by company as follows.

			Equity participation in consolidated accounts		Carrying value in the parent company	
Company, corp. reg. no., registered office	**Participa-tion (%)**	**Number of shares**	**2016**	**2015**	**2016**	**2015**
			SEK in millions			
Parent company holdings						
Swedish companies						
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	25	225	21	198
Springworks AB, 556915-3983, Stockholm	30	21,429	28	29	32	32
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	6	5	1	1
Non-Swedish companies						
Yoga AS, 11486721, Tallinn	25	1,013,333	7	7	0	8
ZeroGroup Holding OÜ, 11536594, Tartu	25	1	8	11	0	12
Other operating, dormant and divested companies			0	10	0	15
Total parent company					**54**	**267**
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies			–	–		
Non-Swedish companies						
AS Sertifitseerimiskeskus, 10747013, Tallinn	50	32	16	14		
SIA Lattelecom, 00030527, Riga	49	71,581,000	766	732		
Turkcell Holding A.S., 430991, Istanbul	47	214,871,670	10,796	11,189		
Turkcell Iletisim Hizmetleri A.S., 304844, Istanbul	14	308,531,984	6,286	6,483		
OCH A/S, 18936909, Copenhagen	25	250	0	3		
PAO MegaFon, 1027809169585, Moscow	25	156,080,311	4,733	4,606		
4T af 1. oktober 2012 ApS, 32348882, Copenhagen	25	–	7	9		
Suomen Numerot NUMPAC Oy, 1829232-0, Helsinki	25	3,000	1	1		
SCF Huolto Oy, 1892276-7, Loimaa	20	20	0	0		
Strex AS, 985867569, Oslo	49	49,001	19	9		
Other operating, dormant and divested companies			0	7		
Total group			**22,698**	**23,341**		

The share of voting power in Overseas Telecom AB is 42 percent. Turkcell Holding A.S. owns 51 percent of the shares in Turkcell Iletisim Hizmetleri A.S.

For additional information related to associated companies, see Note C28 “Related Party Transactions,” and Note C29 “Contingencies, other contractual obligations and litigation.”

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, 2016**	**Dec 31, 2015**
Equity instruments available-for-sale	1,162	1,053
Equity instruments held-for-trading	26	35
Other derivatives held-for-trading	–	65
Bonds available-for-sale	10,185	8,841
Interest rate and cross currency interest rate swaps at fair value	4,453	4,742
of which designated as fair value hedges	*1,039*	*1,153*
of which held-for-trading	*2,116*	*1,917*
of which designated as cash flow hedges	*1,298*	*1,671*
Subtotal *(see Fair value hierarchy levels – Note C25)*	***15,825***	***14,736***
Government bonds and treasury bills held-to-maturity	9	29
Loans and receivables at amortized cost	2,997	2,549
Subtotal *(see Categories – Note C25)*	***18,830***	***17,315***
Finance lease receivables	712	546
Subtotal *(see Credit risk – Note C26)*	***19,542***	***17,860***
Equity instruments at cost	48	44
Deferred expenses	387	751
Total other non-current assets	**19,976**	**18,655**
of which interest-bearing	*18,120*	*16,368*
of which non-interest-bearing	*1,856*	*2,287*

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, 2016, contractual cash flows for Government bonds and treasury bills and Loans and receivables represented the following expected maturities.

Expected maturity, SEK in millions	**2018**	**2019**	**2020**	**2021**	**Later years**	**Total**
Government bonds and treasury bills	9	–	–	–	–	**9**
Loans and receivables	1,801	335	212	128	520	**2,997**

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, see Note C25 “Financial assets and liabilities by category and level” and section “Credit risk management” in Note C26 “Financial risk management,” respectively. For information on leases, see Note C27 “Leasing agreements.”

C16 INVENTORIES

SEK in millions	**Dec 31, 2016**	**Dec 31, 2015**
Goods for resale	1,637	1,708
Other inventories and expense incurred on construction contracts	155	163
Total	**1,792**	**1,871**

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 195 million in 2016 and SEK 170 million in 2015.

C17 TRADE AND OTHER RECEIVABLES

The total carrying value of trade and other receivables was distributed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Currency swaps, forward exchange contracts and currency options held-for-trading	259	351
Subtotal *(see Fair value hierarchy levels – Note C25)*	***259***	***351***
Accounts receivable at amortized cost	9,676	10,549
Loans and receivables at amortized cost	3,735	3,739
Subtotal *(see Categories – Note C25 and Credit risk – Note C26)*	***13,670***	***14,639***
Other current receivables	1,021	667
Deferred expenses	2,147	1,784
Total trade and other receivables	**16,839**	**17,090**

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, 2016	Dec 31, 2015
Geographical area		
Nordic countries	10,726	10,862
Baltic countries	1,765	1,513
Other countries	920	1,913
Total carrying value	**13,411**	**14,288**
Customer segment		
Consumers	3,737	6,520
Business customers	7,532	5,551
Other operators	1,947	2,048
Distributors	195	169
Total carrying value	**13,411**	**14,288**

The geographic concentration to the Nordic operations reflects a relatively higher share of post-paid 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 “Financial assets and liabilities by category and level” and section “Credit risk management” in Note C26 “Financial risk management” 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 doubtful and ageing of accounts receivable, respectively, were as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Accounts receivable invoiced	10,517	11,710
Allowance for doubtful accounts receivable	-841	-1,161
Total accounts receivable	**9,676**	**10,549**
Accounts receivable not due	7,062	7,411
Accounts receivable past due but not impaired	2,614	3,138
of which less than 30 days	*1,798*	*1,559*
of which 30–180 days	*640*	*647*
of which more than 180 days	*176*	*932*
Total accounts receivable	**9,676**	**10,549**

As of the end of the reporting period, ageing of loans and receivables were as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Loans and receivables not due	3,518	3,332
Loans and receivables past due but not impaired	217	407
of which less than 30 days	*123*	*211*
of which 30–180 days	*67*	*118*
of which more than 180 days	*27*	*78*
Total loans and receivables	**3,735**	**3,739**

Receivables past due as of the end of the reporting period were not provided for as there had been no significant change in credit quality and the amounts were still considered recoverable. See also section “Credit risk management” in Note C26 “Financial risk management” for information on mitigation of risks related to accounts receivable.

Total bad debt expenses were SEK 455 million in 2016, excluding assets classified as held for sale, and SEK 481 million in 2015. Recovered accounts receivable were SEK 21 million in 2016, excluding assets classified as held for sale, and SEK 266 million in 2015. Refer to note C8 “Other operating income and expenses” for more information on recovered accounts receivables.

The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Opening balance	1,161	1,479
Net of charges for doubtful receivables in the period and receivables written off	-47	29
Operations acquired and divested	-303	3
Unused allowances reversed	-18	-46
Exchange rate differences	48	-108
Reclassification to assets classified as held for sale	–	-196
Closing balance	**841**	**1,161**

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, 2016	Dec 31, 2015
Interest rate swaps and cross currency interest rate swaps at fair value	984	804
of which designated as fair value hedges	*301*	–
of which held-for-trading	*683*	*804*
Subtotal *(see Fair value hierarchy levels – Note C25)*	***984***	***804***
Short-term investments with maturities over 3 months	5,660	5,635
of which bonds available for sale	*5,181*	*5,635*
of which bank deposits at amortized cost	*479*	–
Loans and receivables at amortized cost	4,334	3,916
Subtotal *(see Categories – Note C25)*	***10,978***	***10,355***
Finance lease receivables	165	324
Total *(see Credit risk – Note C26)*	**11,143**	**10,679**

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. Refer to Note C25 “Financial assets and liabilities by category and level” and section “Credit risk management” in Note C26 “Financial risk management” 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 “Leasing agreements.”

Cash and cash equivalents

Cash and cash equivalents were distributed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Short-term investments with maturities up to and including 3 months	8,656	3,718
of which bonds available for sale	*3,810*	1,262
of which bank deposits at amortized cost	*4,846*	*2,456*
Cash and bank	5,854	10,929
Total *(see Categories – Note C25 and Credit risk – Note C26)*	**14,510**	**14,647**

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. Refer to Note C25 "Financial assets and liabilities by category and level" and section "Credit risk management" in Note C26 "Financial risk management" for more information on financial instruments classified by category and exposed to credit risk, respectively, and to Note C29 "Contingencies, other contractual obligations and litigation" 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	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 2007, 2008 and 2009	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 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 and 2015	13,856,271,299	4,330,084,781	3.20
Issued share capital, December 31, 2016	13,856,271,299	4,330,084,781	3.20

Treasury shares

As of December 31, 2015, 4,588 Telia Company shares were held by the company itself and the total numbers of issued and outstanding shares were 4,330,084,781 and 4,330,080,193, respectively. On April 29, 2016 Telia Company AB acquired additional 118,398 own shares at an average price of SEK 38.6519 to cover commitments under the "Long term Incentive Program 2013/2016". During the second quarter of 2016, Telia Company distributed 122,986 shares to the incentive program participants. As of December 31, 2016, 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 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 "Discontinued operations and assets classified as held for sale."

Dividends paid to NCIs are disclosed in Note C30 "Cash flow information."

Dec 31, 2016 SEK in millions, except percentages	TEO LT, AB, Lithuania	Latvijas Mobilais Telefons SIA, Latvia	Other subsidiaries, continuing operations	Discontinued operations	Total
Assets					
Non-current assets	3,626	1,679			
Current assets	702	639			
Liabilities					
Non-current liabilities	-1,040	-678			
Current liabilities	-817	-566			
Net assets	2,471	1,074			
NCI percentage	11.8	39.7			
Carrying amount of NCI	**293**	**427**	**213**	**4,104**	**5,036**
Net sales	1,965	1,196			
Net income	296	97			
Net income allocated to NCI	**35**	**39**	**64**	**2,626**	**2,764**
Cash flows from operating activities	693	501			
Free cash flow	339	237			

Dec 31, 2015 SEK in millions, except percentages	TEO LT, AB, Lithuania	Latvijas Mobilais Telefons SIA, Latvia	Other subsidiaries, continuing operations	Discontinued operations	Total
Assets					
Non-current assets	2,157	1,594			
Current assets	445	559			
Liabilities					
Non-current liabilities	-85	-637			
Current liabilities	-391	-438			
Net assets	2,125	1,077			
NCI percentage	11.8	39.7			
Carrying amount of NCI	**252**	**428**	**136**	**3,502**	**4,318**
Net sales	1,914	1,127			
Net income	320	101			
Net income allocated to NCI	**38**	**40**	**92**	**1,484**	**1,654**
Cash flows from operating activities	601	323			
Free cash flow	284	41			

Earnings per share and dividends

	Jan–Dec 2016	Jan–Dec 2015
Net income attributable to owners of the parent (SEK million)	3,732	8,551
Average number of outstanding shares, basic and diluted (thousands)	4,330,083	4,330,082
Earnings per outstanding share, basic and diluted (SEK)	0.86	1.97
Ordinary cash dividend (for 2016 as proposed by the Board of Directors)		
– Per share (SEK)	2.00	3.00
– Total (SEK million)	8,660	12,990

C20 LONG-TERM AND SHORT-TERM BORROWINGS

Open-market financing programs

Telia Company's open-market financing (excluding debt derivatives) entails the following programs.

Program		Characteristics	Limit currency	Dec 31, 2016 Limit (in millions)	Utilized (in millions)	Interest rate type Floating (in millions)	Interest rate type Fixed (in millions)	Average maturity (years)	Dec 31, 2015 Limit (in millions)	Utilized (in millions)
Telia Company AB	Euro Medium Term Note (EMTN)	Uncommitted, International, Long-term	EUR	12,000	8,611	629	7,981	8.46	12,000	9,408
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	–	–	–	–	12,000	–

Borrowings

Long-term and short-term borrowings were distributed as follows.

SEK in millions	Dec 31, 2016 Carrying value	Dec 31, 2016 Fair value	Dec 31, 2015 Carrying value	Dec 31, 2015 Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	37,189	46,135	37,672	41,021
Interest rate swaps at fair value	37	37	627	627
of which designated as hedging instruments	*18*	*18*	*591*	*591*
of which held-for-trading	*18*	*18*	*36*	*36*
Cross currency interest rate swaps at fair value	2,648	2,648	1,694	1,694
of which hedging net investments	*1,778*	*1,778*	*1,333*	*1,333*
of which designated as hedging instruments	*549*	*549*	*198*	*198*
of which held-for-trading	*320*	*320*	*164*	*164*
Subtotal *(see Fair value hierarchy levels – Note C25)*	***39,873***	***48,819***	***39,993***	***43,342***
Open-market financing program borrowings at amortized cost	41,334	45,209	47,908	53,577
of which hedging net investments	*32,444*	*35,182*	*29,820*	*34,809*
Other borrowings at amortized cost	1,733	1,733	3,699	3,699
Subtotal *(see Categories – Note C25)*	***82,940***	***95,761***	***91,600***	***100,618***
Finance lease agreements	221	221	46	46
Total long-term borrowings	**83,161**	**95,982**	**91,646**	**100,664**
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	7,486	7,551	–	–
Interest rate swaps designated as hedging instruments	–	–	43	43
Interest rate swaps held for trading	3	3	7	7
Cross currency interest rate swaps held-for trading	191	191	21	21
Subtotal *(see Fair value hierarchy levels – Note C25)*	***7,679***	***7,744***	***72***	***72***
Utilized bank overdraft and short-term credit facilities at amortized cost	0	0	9	9
Open-market financing program borrowings	2,258	2,265	5,627	5,648
of which hedging net investments	–	–	*1,583*	*1,589*
of which at amortized cost	*2,258*	*2,265*	*4,043*	*4,059*
Repurchase agreement liabilities	559	559	–	–
Other borrowings at amortized cost	801	801	3,623	3,623
Subtotal *(see Categories – Note C25)*	***11,297***	***11,368***	***9,330***	***9,351***
Finance lease agreements	10	10	7	7
Total short-term borrowings	**11,307**	**11,378**	**9,337**	**9,358**

The fair values of borrowings above relate to hierarchy level 2. For a description of valuation techniques, see Note C3 "Significant accounting principles," 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.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Nominal portfolio value	89,621	77,847
of which intended for overall management of the funding portfolio structure and hence not included in hedge relationships	–	–

Note that the nominal amounts are outstanding absolute values. The net amounts are SEK 676 million (286).

Refer to Note C25 "Financial assets and liabilities by category and level" for more information on financial instruments classified by category/fair value hierarchy level and to Note C26 "Financial risk management" 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 0.15 percent and the share of total number of active insured in ITP 2 is 0.9 percent. Expected contribution to the ITP 2 plan for 2017 is SEK 37 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, 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; 22 percent active members, 42 percent vested deferreds and 37 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.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Present value of funded pension obligations	23,413	21,888
Fair value of plan assets	-26,146	-25,110
Surplus/Deficit of funded plans	**-2,733**	**-3,222**
Present value of unfunded pension obligations	1,462	1,274
Net assets (-)/provisions (+) for pension obligations	**-1,271**	**-1,949**
of which recognized as provisions	*2,109*	*1,824*
of which recognized as assets	*-3,380*	*-3,773*

Total pension expenses were distributed as follows.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Current service cost	297	368
Curtailment of pension obligations	-48	-32
Termination benefits	6	7
Pension premiums, defined benefit/defined contribution pension plans and pay-as-you-go systems	869	795
Pension-related social charges and taxes, other pension expenses	63	183
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring charges	-31	-23
Total pension expenses in operating income from continuing operations	**1,156**	**1,298**
of which defined benefit pension plans	*249*	*336*
of which pension premiums paid to the ITP pension plan	*36*	*32*
Total pension expenses in operating income, discountinued operations	2	2
Net interest on the net defined benefit liability (asset)	-97	72
Total pension expenses (+)/income (-) in financial items	**-97**	**72**
Remeasurement gains (-)/losses (+)		
Gain/loss from change in financial assumptions	2,333	-4,184
Experience gains/losses	-451	-423
Gain/loss from change in demographic assumptions	-62	317
Return on plan assets (excluding interest income)	-523	-32
Total pension expenses recorded in OCI, defined benefit pension plans	**1,297**	**-4,322**

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	2016	2015
Opening balance, present value of pension obligations	23,162	27,734
Current service cost	297	368
Interest expenses	811	787
Benefits paid	-1,143	-1,149
Benefits paid, early retirement	-4	-4
Termination benefits	6	7
Curtailment of pension obligations	-48	-32
Operations acquired	–	15
Remeasurement gains (-)/losses (+)		
Gain/loss from change in financial assumptions	2,333	-4,184
Experience gains/losses	-451	-423
Gain/loss from change in demographic assumptions	-62	317
Exchange rate differences	178	-274
Reclassification to liabilities directy associated with assets classified as held for sale	-205	–
Closing balance, present value of pension obligations	**24,875**	**23,162**

Movements in the fair value of plan assets were as follows.

SEK in millions	2016	2015
Opening balance, fair value of plan assets	25,110	24,519
Interest income	908	715
Contribution to pension funds	79	81
Payment from pension funds	-616	-80
Operations acquired	–	12
Remeasurement gains (-)/losses (+)		
Return on plan assets (excluding interest income)	523	32
Exchange rate differences	199	-169
Reclassification to liabilities directy associated with assets classified as held for sale	-57	–
Closing balance, fair value of plan assets	**26,146**	**25,110**

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 and Norway, management has chosen to use the annual inflation target rates set by the national and European central banks. For Finland, the inflation assumption is derived from long-term inflation swaps. See below for a sensitivity analysis related to a change in the significant assumptions used in calculating the pension provision.

Percentages, except longevity	**Dec 31, 2016**	**Dec 31, 2015**
Discount rate	2.99	3.57
Annual adjustments to pensions	1.81	1.81
Longevity		
life expectancy 65 year old male (year)	*20*	*20*
life expectancy 65 year old female (year)	*23*	*23*

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions was as follows.

	Change in assumption (p.p.)	**Impact on defined benefit obligation (SEK in millions)**
Discount rate	+0.50	-2,285
Discount rate	-0.50	2,598
Annual adjustments to pensions	+0.50	2,477
Annual adjustments to pensions	-0.50	-2,179
Longevity	+1 year	744

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 the growth of pension liability. 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 (Swedish Fund) which represents approximately 85 percent of the total group plan assets, Telia Company apply a minimum funding requirement. The allocation was successful and the portfolio's performance was positive throughout the year. As of December 31, 2016, the strategic asset allocation decided by the Board of the Swedish Fund, was 54 percent fixed income, 27 percent equities and 19 percent alternative investments. The Alternative investments include Hedge Funds and Private Equity. The actual allocation may deviate from the strategic allocation in a range up to a specified risk limit. The work to improve balance between risk and return in the Swedish Pension Fund continues. Reduced allocation to fixed income in favor of equity and real estate enhanced the risk and return during 2016. Implications of changes during 2016 are both enhanced diversification, lower cost and increased performance.

Total plan-asset allocation

As of the end of the reporting period, plan assets were allocated as follows.

SEK in millions Asset category	Dec 31, 2016 Quoted	 Unquoted	 Total	 Percent	Dec 31, 2015 Quoted	 Unquoted	 Total	 Percent
Equity instruments	8,500	216	8,716	33	6,925	142	7,067	28
Debt instruments	12,062	371	12,433	48	13,185	419	13,604	54
Real estate	–	1,014	1,014	4	–	283	283	1
Cash and cash equivalents	274	111	385	1	286	83	368	1
Alternative investments	185	3,255	3,440	13	177	3,462	3,639	15
Other	–	158	158	1	–	149	149	1
Total	**21,021**	**5,125**	**26,146**	**100**	**20,573**	**4,538**	**25,110**	**100**
of which shares in Telia Company AB	*14*		*14*	*0.1*	*15*		*15*	*0.1*

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 99 million in 2017.

C22 OTHER PROVISIONS

Changes in other provisions were as follows.

SEK in millions	December 31, 2016 Put options and contingent consideration	 Restructuring provisions	 Asset retirement obligations	 Other provisions	 Total
Opening balance	850	672	2,896	805	**5,222**
of which financial liabilities at amortized cost	–	–	–	*287*	***287***
Provisions for the period	–	608	243	15,280	**16,131**
Operations divested	-881	–	-74	-339	**-1,294**
Utilized provisions	–	-889	-95	-78	**-1,062**
Reversals of provisions	–	-7	-1	-251	**-259**
Reclassifications	–	-7	-8	–	**-15**
Timing and interest-rate effects	–	–	7	1	**8**
Exchange rate differences	31	10	55	20	**116**
Reclassification to liabilities directly associated with assets classified as held for sale	–	–	–	-1	**-1**
Closing balance	**0**	**387**	**3,023**	**15,436**	**18,846**
of which non-current portion	–	*83*	*3,015*	*2,076*	***5,173***
of which current portion	–	*304*	*8*	*13,361*	***13,673***
of which financial liabilities at amortized cost (see Notes Categories – C25 and Credit risk – C26)	–	–	–	–	–

Other provisions include the provision for the settlement amount proposed by the US and Dutch authorities, see Note C34 for more information. For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note C25 "Financial assets and liabilities by category and level" for more information on financial instruments classified by category.

Put options and contingent consideration

The closing balance as of December 31, 2015 in total SEK 850 million, was related to Yoigo in Spain, which was divested in the fourth quarter of 2016. See Note C34 for information on sale of Yoigo in Spain and on put options in discontinued operations.

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 actual number of months an employee is staying in redeployment before leaving and in the actual outcome of negotiations with lessors, sub-contractors 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, 2016, are expected to be fully utilized in the period 2017–2045, 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 proposed by 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 2017–2028.

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, 2016	Dec 31, 2015
Danish license fee liabilities at amortized cost	42	78
Finnish license fee liabilities at amortized cost	162	48
Other liabilities at amortized cost	51	37
Liabilities at amortized cost *(see Categories – Note C25)*	***255***	***163***
Prepaid operating lease agreements	297	332
Other liabilities	172	207
Total other long-term liabilities	**725**	**702**

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. Refer to Note C25 "Financial assets and liabilities by category and level" for more information on financial instruments classified by category and to Note C26 "Financial risk management" on management of liquidity risk.

As of December 31, 2016, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	2018	2019	2020	2021	Later years	Total	Carrying value
Liabilities at amortized cost	108	54	51	48	11	271	255

For information on leases, see Note C27 “Leasing agreements.” Other liabilities mainly comprise customer advances for broadband build-out. Further included was deferred “day 1 gains” which changed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Opening balance	46	73
Operations divested	-36	–
Recognized in net income	-14	-19
Exchange rate differences	4	-8
Closing balance	**–**	**46**
of which current portion	*–*	*19*

C24 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Currency swaps, forward exchange contracts and currency options held-for-trading	694	101
Subtotal *(see Fair value hierarchy levels – Note C25)*	***694***	***101***
Accounts payable at amortized cost	6,610	8,685
Current liabilities at amortized cost	2,170	2,296
Subtotal *(see Categories – Note C25)*	***9,474***	***11,082***
Other current liabilities	4,815	5,941
Deferred income	3,911	3,751
Total trade payables and other current liabilities	**18,200**	**20,774**

For accounts payable and current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. Refer to Note C25 “Financial assets and liabilities by category and level” for more information on financial instruments classified by category/fair value hierarchy level and to Note C26 “Financial risk management” on management of liquidity risk.

As of December 31, 2016, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	Total
Liabilities at amortized cost	8,370	69	68	273	**8,780**

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.

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 discussed in Note C27 "Leasing agreements."

SEK in millions	Note	Dec 31, 2016	Dec 31, 2015
Financial assets			
Derivatives designated as hedging instruments	C15, C18	2,637	2,824
Financial assets at fair value through profit and loss		3,084	3,172
of which derivatives not designated as hedging instruments (held-for-trading)	*C15, C17, C18*	*3,058*	*3,137*
of which other held-for-trading investments	*C15*	*26*	*35*
Held-to-maturity investments	C15, C18	9	29
Loans and receivables	C15, C17, C18	31,920	34,138
Available-for-sale financial assets	C15, C18	20,348	16,792
Total financial assets by category		**57,999**	**56,955**
Financial liabilities			
Derivatives designated as hedging instruments	C20, C24	2,346	2,165
Derivatives not designated as hedging instruments	C20, C24	1,226	329
Financial liabilities measured at amortized cost	C20, C22, C23, C24	100,394	108,098
Financial guarantees	C22	–	287
Total financial liabilities by category		**103,966**	**110,879**

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, 2016				December 31, 2015			
		Carrying	of which			Carrying	of which		
SEK in millions	Note	value	Level 1	Level 2	Level 3	value	Level 1	Level 2	Level 3
Financial assets at fair value									
Equity instruments available-for-sale	C15	**1,162**	–	–	1,162	**1,053**	–	–	1,053
Equity instruments held-for-trading	C15	**26**	–	–	26	**35**	–	–	35
Long- and short-term bonds available-for-sale	C15, C18	**19,186**	19,186	–	–	**15,739**	15,739	–	–
Derivatives designated as hedging instruments	C15, C18	**2,637**	–	2,637	–	**2,824**	–	2,824	–
Derivatives held-for-trading	C15, C17, C18	**3,058**	–	3,058	–	**3,137**	–	3,072	65
Total financial assets at fair value by level		**26,069**	**19,186**	**5,696**	**1,188**	**22,789**	**15,739**	**5,896**	**1,153**
Financial liabilities at fair value									
Derivatives designated as hedging instruments	C20, C24	**2,346**	–	2,346	–	**2,165**	–	2,165	–
Derivatives held-for-trading	C20, C24	**1,226**	–	1,226	–	**329**	–	329	–
Total financial liabilities at fair value by level		**3,572**	**–**	**3,572**	**–**	**2,494**	**–**	**2,494**	**–**

There were no transfers between Level 1 and 2 in 2016 and 2015.

Fair value measurement of Level 3 financial instruments

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

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

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

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

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

The table below presents the movement in Level 3 instruments for the twelve-month period ended December 31, 2016.

	December 31, 2016					December 31, 2015				
SEK in millions	**Equity instruments available-for-sale**	**Equity instruments held-for-trading**	**Long- and short-term bonds available for sale**	**Derivatives held-for-trading**	**Total**	**Equity instruments available-for-sale**	**Equity instruments held-for-trading**	**Long- and short-term bonds available for sale**	**Derivatives held-for-trading**	**Total**
Level 3, opening balance	1,053	35	–	65	**1,153**	275	61	0	55	**391**
Changes in fair value	-4	–	–	–	**-4**	10	-26	0	10	**-6**
of which recognized in net income	–	–	–	–	**–**	*-15*	*-26*	*0*	*10*	***-31***
of which recognized in other comprehensive income	*-4*	–	–	–	***-4***	*25*	–	–	–	***25***
Purchases/capital contributions	48	–	–	–	**48**	994	4	–	–	**998**
Exercise of warrants	65	–	–	-65	**–**	–	–	–	–	**–**
Transfers out of level 3	–	–	–	–	**–**	–	–	–	–	**–**
Disposals	–	-10	–	–	**-10**	–	–	–	–	**–**
Exchange rate differences	–	–	–	–	**–**	16	-5	0	0	**11**
Reclassified to assets classified as held for sale	–	–	–	–	**–**	-242	–	–	-1	**-243**
Level 3, closing balance	**1,162**	**26**	**–**	**–**	**1,188**	**1,053**	**35**	**–**	**65**	**1,153**

The purchases in 2015 mainly related to the acquisition of a 1.4 percent stake in Spotify for USD 115 million, corresponding to SEK 976 million at the transaction date on June 9, 2015. Changes in fair value recognized in net income are included in line item Other financial items, see specification in Note C9 "Finance costs and other financial items." Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. For further information, see Note C34 "Discontinued operations and assets classified as held for sale."

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 AB. 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.

Former segment region Eurasia is since 2015 classified as held for sale and discontinued operations since December 31, 2015, and therefore not included in the figures for 2016. For further information, see Note C34 "Discontinued operations and assets classified as held for sale."

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.

Telia Company shall target a solid investment grade long-term credit rating of A- to BBB+ and a leverage corresponding to Net debt/EBITDA of 2x plus/minus 0.5x to secure the company's strategically important financial flexibility for investments in future growth, both organically and by acquisitions.

In May 2016, Moody's Investors Service confirmed its P-2 rating for short-term borrowings and announced a downgrade to Baa1 rating for long-term borrowings with a stable outlook. In September 2016, Standard & Poor's Ratings Services placed its rating of A- for long-term borrowings on a credit watch negative and affirmed its A-2 rating for short-term borrowings. 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.

Telia Company defines capital as equity.

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, 2016	Dec 31, 2015
Other non-current assets	C15	19,542	17,860
Trade and other receivables	C17	13,670	14,639
Interest-bearing receivables	C18	11,143	10,679
Cash and cash equivalents	C18	14,510	14,647
Total		**58,865**	**57,825**

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 2016, 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, 2016	Dec 31, 2015
Counterparty rating Aa3	727	271
Counterparty rating Aa2	121	312
Counterparty rating A1	769	320
Counterparty rating A2	–	1,128
Counterparty rating A3	226	216
Counterparty rating Baa1	–	–
Counterparty rating Baa2	–	2
Counterparty rating Baa3	–	2
Total exposure of counterparties in derivatives	**1,842**	**2,251**

Surplus cash in Telia Company can be invested in bank deposits and securities issued by banks and corporates with at least a rating of A- (Standard & Poor's) or A3 (Moody's). In addition, cash can 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.

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 bad debt losses and is based on group-internal information on payment behavior, if necessary supplemented by credit and business information from external sources. Bad debt expense in relation to consolidated net sales was approximately 0.5 percent in 2016 and 0.6 percent in 2015.

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 is managed with the liquidity reserve described below.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Surplus liquidity		
Cash and bank	5,854	10,929
Cash equivalents[1]	8,656	3,718
Cash and cash equivalents (see also Note C18)	**14,510**	**14,647**
Short-term investments[2] (see also Note C18)	5,043	5,216
Total	**19,553**	**19,862**
Long-term investments[3] (see also Note C15)	10,185	8,841
Total surplus liquidity	**29,738**	**28,703**
Committed credit facilities		
Revolving credit facilities (limit amount)	14,365	18,270
Bank overdraft and short-term credit facilities (limit amount)	3,817	2,063
Utilized credit facilities	-2,196	-4,110
Total unutilized committed credit facilities	**15,986**	**16,223**
Liquidity position	**45,724**	**44,926**

1) Bank deposits and securities which matures 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. excluding 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 Group entity	Type	Characteristics	Final maturity	Currency	Dec 31, 2016 Limit	Dec 31, 2015 Limit
Telia Company AB	Revolving credit facility	Committed, syndicated	December 2017	EUR	–	9,135
Telia Company AB	Revolving credit facility	Committed, syndicated	June 2017	EUR	–	9,135
Telia Company AB	Revolving credit facility	Committed, syndicated	September 2021	EUR	14,365	–
Telia Company AB and subsidiaries	Bank overdraft facility	Committed, bilateral	Extended yearly	(various)	3,817	2,063

As of December 31, 2016, contractual undiscounted cash flows for the group represented the following expected maturites. The amounts regarding the group's interest-bearing borrowings and derivatives include installments and estimated interest payments. 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 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
Utilized bank overdraft and short-term credit facilities		–	-185	–	–	–	–	–	–	–	**-185**
Open-market financing program borrowings		-9,164	-57	-351	-1,792	-4,453	-11,267	-10,513	-11,489	-59,088	**-108,175**
Other borrowings		-291	-75	-75	-74	-296	-293	-290	-72	–	**-1,466**
Finance lease agreements		-2	-2	-2	-2	-7	-6	-6	-7	-11	**-45**
Cross currency interest rate swaps and interest rate swaps											
Payables		-6,770	-950	-57	-3,079	-6,755	-5,306	-7,685	-1,110	-26,392	**-58,104**
Receivables		8,269	1,077	68	3,000	7,146	5,696	8,002	1,133	26,451	**60,842**
Currency swaps and forward exchange contracts											
Payables		-47,500	-2,157	–	-450	–	–	–	–	–	**-50,107**
Receivables		47,131	2,052	–	448	–	–	–	–	–	**49,631**
Goverment bonds and treasury bills	C15	–	–	–	–	9	–	–	–	–	**9**
Loans and receivables	C15	–	–	–	–	1,801	335	212	128	520	**2,997**
Financial guarantees	C22	–	–	–	–	–	–	–	–	–	**–**
Other long term liabilities	C23	–	–	–	–	-108	-54	-51	-48	-11	**-271**
Trade Payables and Other Current Liabilities	C24	-8,370	-69	-68	-273	–	–	–	–	–	**-8,780**
Credit and performance guarantees	C29	–	–	–	–	-112	–	–	–	–	**-112**
Total		**-16,697**	**-366**	**-485**	**-2,222**	**-2,775**	**-10,895**	**-10,331**	**-11,465**	**-58,531**	**-113,766**

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 abroad.

Financial transaction exposure risk
As of December 31, 2016, contractual undiscounted financial cash flows split by currency, for the group's interest-bearing borrowings, assets and derivatives represented the following expected maturities, including installments 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 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
DKK	Interest bearing asset	–	–	–	–	–	–	–	–	–	–
	Interest bearing debt	–	–	–	–	–	–	–	–	–	–
	Derivatives	-5,004	–	–	–	–	–	–	–	–	-5,004
	Net	**-5,004**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**-5,004**
EUR	Interest bearing asset	4,846	479	–	–	–	–	–	–	–	5,325
	Interest bearing debt	-8,854	-942	-414	-754	-3,617	-7,155	-9,767	-10,872	-46,795	-89,171
	Derivatives	18,029	1,019	25	-26	1,139	4,927	7,211	-76	-6,622	25,626
	Net	**14,021**	**556**	**-389**	**-780**	**-2,478**	**-2,228**	**-2,556**	**-10,948**	**-53,417**	**-58,220**
GBP	Interest bearing asset	–	–	–	–	–	–	–	–	–	–
	Interest bearing debt	–	–	–	-121	-121	-121	-121	-121	-5,306	-5,911
	Derivatives	-181	–	–	121	121	121	121	121	5,306	5,730
	Net	**-181**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**-181**
JPY	Interest bearing asset	–	–	–	–	–	–	–	–	–	–
	Interest bearing debt	-8	-2	-8	-353	-794	-7	-7	-7	-1,408	-2,594
	Derivatives	8	2	8	353	794	7	7	7	1,408	2,594
	Net	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
NOK	Interest bearing asset	–	–	–	–	–	–	–	–	–	–
	Interest bearing debt	–	-18	–	-70	-88	-88	-88	-457	-2,261	-3,070
	Derivatives	-702	-3,064	-18	-2,119	-4,774	39	34	399	-18	-10,223
	Net	**-702**	**-3,082**	**-18**	**-2,189**	**-4,862**	**-49**	**-54**	**-58**	**-2,279**	**-13,293**
USD	Interest bearing asset	19	–	–	–	–	–	–	–	–	19
	Interest bearing debt	–	–	–	–	–	–	–	–	–	–
	Derivatives	5,982	–	–	-446	–	–	–	–	–	5,536
	Net	**6,001**	**–**	**–**	**-446**	**–**	**–**	**–**	**–**	**–**	**5,555**
SEK	Interest bearing asset	7,214	817	351	164	429	3,973	3,837	1,840	–	18,625
	Interest bearing debt	-594	-14	-3	-569	-129	-4,189	-820	-104	-3,318	-9,740
	Derivatives	-16,789	2,065	-4	2,040	3,111	-4,705	-7,056	-427	-16	-21,781
	Net	**-10,169**	**2,868**	**344**	**1,635**	**3,411**	**-4,921**	**-4,039**	**1,309**	**-3,334**	**-12,896**
Total, net		**3,966**	**342**	**-63**	**-1,780**	**-3,929**	**-7,198**	**-6,649**	**-9,697**	**-59,030**	**-84,039**

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 SEK, EUR, NOK and DKK.

Currency SEK in millions	Impact on Net income if currency rate depreciates by 10 percent 2016	Impact on Net income if currency rate depreciates by 10 percent 2015
SEK	-510	-369
EUR	450	329
NOK	-13	-36
DKK	14	-9
Other	9	13

The sensitivity analysis is based on the assumption that the operational transaction exposure is equivalent to that in 2016, 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.

	2016			2015		
SEK in millions	**Net investments**	**Hedged through borrowings or derivatives**	**Net**	**Net investments**	**Hedged through borrowings or derivatives**	**Net**
DKK	3,240	–	3,240	608	–	608
EUR	72,461	-43,991	28,470	75,719	-50,231	25,488
GBP	98	–	98	137	–	137
NOK	16,255	-1,438	14,817	13,797	-1,304	12,493
RUB	4,957	–	4,957	4,459	–	4,459
TRY	16,099	–	16,099	16,693	–	16,693
USD	1,746	–	1,746	389	–	389
Other currencies	431	–	431	218	–	218
Total	**115,287**	**-45,429**	**69,858**	**112,021**	**-51,536**	**60,485**

Conversion exposure sensitivity

The positive impact on group equity would be approximately SEK 7.0 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, 2016, 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.

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 AB's outstanding long-term and short-term borrowings as of the end of the reporting period was as follows.

Percent	Dec 31, 2016	Dec 31, 2015
Long-term borrowings	2.07	2.15
Short-term borrowings	1.88	1.62

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, 2016	Dec 31, 2015
Duration (years)	5.1	4.8
Average maturity (years)	7.8	8.4
Short-term borrowings	11,307	9,337
Long-term borrowings	83,161	91,646
Interest rate adjustment <1year	67,170	65,641
Interest rate adjustment >1year	31,737	35,342

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 3 to 7 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, 2016, 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.

SEK in millions	Jan–Mar 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
Fixed										
Interest bearing asset	11,046	947	300	–	–	3,138	2,872	1,540	–	**19,843**
Interest bearing debt	-7,741	-185	–	–	-1,066	-6,215	-7,670	-10,903	-47,325	**-81,106**
Derivatives	7,183	161	–	-168	9,712	6,215	7,183	8,509	14,528	**53,324**
Net	**10,487**	**923**	**300**	**-168**	**8,647**	**3,138**	**2,385**	**-854**	**-32,797**	**-7,939**
Float										
Interest bearing asset	3,465	–	–	–	–	–	–	–	–	**3,465**
Interest bearing debt	-5,676	-350	–	–	–	–	–	–	–	**-6,026**
Derivatives	-43,078	-9,922	–	–	–	–	–	–	–	**-52,999**
Net	**-45,289**	**-10,272**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**-55,560**
Total, net	**-34,802**	**-9,349**	**300**	**-168**	**8,647**	**3,138**	**2,385**	**-854**	**-32,797**	**-63,500**

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 "Long-term and short-term borrowings". 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 "Other comprehensive income." In 2016, 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, 2016, Telia Company had interest-bearing debt of SEK 94.9 billion, carrying value, with duration of interest of approximately 5.1 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 67.2 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, 2017, at a one percentage point higher interest rate than the prevailing rate as per December 31, 2016, and remained at that new level during 12 months, the post-tax interest expense would increase by approximately SEK 524 million. At the same time the effect on equity would be a decrease of SEK 178 million due to cash flow hedges.

Fair value of the loan portfolio would change by approximately SEK 5.0 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 2016.

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, 2016 the average maturity of Telia Company's borrowings was 7.8 years and 11 percent of the borrowings due within 2 years.

Pension obligation risk and sensitivity

See Note C21 "Provisions for pensions and employment contracts" 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 AB 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.

For information on discontinued operations, see Note C34 "Discontinued operations and assets classified as held for sale".

		December 31, 2016					
SEK in millions	**Note**	**Gross amounts, financial assets**	**Gross amounts, financial liabilites**	**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	5,437	–	5,437	-2,517	-1,407	1,513
Currency swaps and forward exchange contracts	C15, C17	259	–	259	-255	–	4
Other assets		34	-19	15	–	–	15
Total		**5,729**	**-19**	**5,711**	**-2,772**	**-1,407**	**1,532**

		December 31, 2016					
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	2,877	–	2,877	-2,517	–	360
Currency swaps and forward exchange contracts	C23, C24	694	–	694	-255	–	440
Other liabilites		36	-19	17	–	–	17
Total		**3,608**	**-19**	**3,589**	**-2,772**	**–**	**817**

		December 31, 2015					
SEK in millions	**Note**	**Gross amounts, financial assets**	**Gross amounts, financial liabilites**	**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	5,546	–	5,546	-2,192	-1,558	1,796
Currency swaps and forward exchange contracts	C15, C17	351	–	351	-26	–	325
Other receivables		24	-8	16	–	–	16
Total		**5,921**	**-8**	**5,913**	**-2,218**	**-1,558**	**2,137**

		December 31, 2015					
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	2,393	–	2,393	-2,192	–	201
Currency swaps and forward exchange contracts	C23, C24	101	–	101	-26	–	75
Other liabilites		29	-8	20	–	–	20
Total		**2,523**	**-8**	**2,514**	**-2,218**	**–**	**296**

C27 LEASING AGREEMENTS

Telia Company as lessee, continuing operations

Finance leases

The group's finance leases concern 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, 2016	Dec 31, 2015
Cost	329	92
Less accumulated depreciation and impairment losses	-85	-79
Net carrying value of finance lease agreements	**244**	**13**

In 2016 and 2015, depreciation and impairment losses totaled SEK 2 million and SEK 4 million, respectively. Leasing fees paid in these years totaled SEK 10 million and SEK 9 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, 2016	Dec 31, 2015
Total future minimum leasing fees	259	68
Less interest charges	-32	-19
Present value of future minimum leasing fees	**228**	**49**

As of December 31, 2016, future minimum leasing 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 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
Future minimum leasing fees	4	4	4	4	17	15	15	15	180	**259**
Present value of future minimum leasing fees	4	4	4	4	14	13	14	14	159	**228**

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, 2016, that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
Future minimum leasing fees	386	410	410	411	1,110	529	459	402	1,522	**5,640**
Minimum sublease payments	6	6	6	6	3	1	–	–	–	**28**

In 2016 and 2015, total rent and leasing fees paid were SEK 1,771 million and SEK 1,818 million, respectively.
The decrease compared to reported expected maturity in the annual report 2015 is mainly related to Yoigo in Spain which was divested in the fourth quarter of 2016.
In these years, revenues for subleased items totaled SEK 24 million and SEK 15 million, respectively.

Apart from certain short-term leases, leasing terms range between 3 months and 31 years with an average term of approximately 5 years. All leases have been entered into on conventional commercial terms. Certain contracts include renewal options for various periods of time.

Telia Company as lessor, continuing operations

Finance leases

The leasing 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 14 quarters. The term of new contracts signed in 2016 was 14 quarters. Of all contracts, 67 percent carry a fixed interest rate and 33 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, 2016	Dec 31, 2015
Minimum lease payments receivables	1,007	947
Unguaranteed residual values accruing to the benefit of the lessor	–	–
Gross investment in finance lease contracts	**1,007**	**947**
Unearned finance income	-130	-77
Present value of future minimum lease payments receivables (net investment in finance lease contracts)	**877**	**870**

As of December 31, 2016, 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 2017	Apr–Jun 2017	Jul-Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
Gross investment	116	116	117	116	221	145	98	53	24	**1,007**
Present value of future minimum lease payments receivables	40	42	42	41	251	187	146	105	23	**877**

As of December 31, 2016 and 2015, 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 leasing 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, 2016	Dec 31, 2015
Cost	3,304	3,249
Less accumulated depreciation and impairment losses	-1,880	-1,886
Gross carrying value	**1,424**	**1,363**
Less prepaid lease payments	-466	-319
Net value of operating lease agreements	**958**	**1,044**

Depreciation and impairment losses totaled SEK 636 million in 2016 and SEK 651 million in 2015.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2016, that could not be canceled in advance and were in excess of one year were as follows:

Expected maturity SEK in millions	Jan–Mar 2017	Apr–Jun 2017	Jul-Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
Future minimum lease payments receivables	155	155	155	155	265	138	53	23	68	**1,168**

C28 RELATED PARTY TRANSACTIONS

The Swedish State

At year-end, the Swedish State held 37.3 percent of the outstanding shares in Telia Company AB. The remaining 62.7 percent of the outstanding 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 43 million in 2016 and SEK 45 million in 2015. 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 2016 and SEK 52 million in 2015.

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	**2016**	**2015**
Sales of goods and services		
PAO MegaFon	76	96
Other	15	16
Total sales of goods and services	**91**	**112**
Total purchases of goods and services	**96**	**83**
Total trade and other receivables	**17**	**7**
Total trade and other payables	**24**	**10**

Pension and personnel funds

As of December 31, 2016, Telia Company's Finnish pension fund held 366,802 shares and its Finnish personnel fund 673,749 shares in Telia Company AB, respectively, in total representing 0.03 percent of the outstanding shares. For information on transactions and balances, see Note C21 "Provisions for pensions and employment contracts."

Key management

See section "Remuneration to corporate officers" in Note C31 "Human resources" 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, 2016	Dec 31, 2015
Credit and performance guarantees, etc.	112	15
Subtotal *(see Liquidity risk – Note C26)*	***112***	***15***
Guarantees for pension obligations	287	283
Total financial guarantees	**398**	**298**

As of December 31, 2016, credit and performance guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
Credit and performance guarantees	–	–	–	96	16	–	–	–	–	**112**

Some loan covenants agreed limit the scope for divesting or pledging certain assets. Some of Telia Company AB'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 AB, as such also resulting in a lowering of Telia Company AB'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, 2016	Dec 31, 2015
For cash: Investment bond pledge under repurchase agreements	559	–
For long-term borrowings: Real estate mortgages and chattel mortgages	137	226
For pension obligations: Real estate mortgages	–	2
For other provisions: Bonds and short-term investments	9	80
For operating leases: Blocked funds in bank accounts	47	45
Total collateral pledged	**752**	**353**

Other unrecognized contractual obligations, continuing operations

As of December 31, 2016, 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 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
Intangible assets	171	31	5	3	–	–	–	–	–	**211**
Property, plant and equipment	1,146	398	99	195	842	1	1	–	–	**2,681**
Other holdings	1	1	1	1	1	–	–	–	–	**5**
Total *(see Liquidity risk – Note C26)*	**1,319**	**430**	**105**	**199**	**843**	**1**	**1**	–	–	**2,897**

Most of the obligations with respect to property, plant and equipment refer to contracted build-out of Telia Company's fixed networks in Sweden and a lease agreement relating to future data center i Finland.

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. Further, Telia Company is involved in some proceedings related to interconnect fees, which could affect revenues. In addition, there are still ongoing investigations in Sweden, the Netherlands and the USA regarding Telia Company's operations in Uzbekistan and suspected irregularities related to those and to the market entry into Uzbekistan. At this point in time, it is not possible to assess how or when the investigations will be resolved. For more information see Risks and uncertainties section "Review of Eurasian transactions" and not C34 "Discontinued operations and assets classified as held for sales". Except for the proceedings described below, 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 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. Telia Company has appealed and the law suits for damages are still ongoing.

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 fibrenetwork and provides ITC services for the corporate segment in Kazakhstan. There is now 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. Telia Company will vigorously defend itself in the proceedings that are expected to continue during 2017.

C30 CASH FLOW INFORMATION

Non-cash transactions, continuing and discontinued operations

Asset retirement obligations (AROs)
In 2016 and 2015, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 258 million and SEK 295 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 66 million in 2016 and SEK 51 million in 2015.

Dividends, interest and income taxes, continuing and discontinued operations

SEK millions	Jan-Dec 2016	Jan-Dec 2015
Dividends received	2,122	6,896
Interest received	785	1,381
Interest paid	-2,448	-3,034
Income taxes paid	-3,375	-3,166

Dividends to holders of non-controlling interests, continuing and discontinued operations

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Subsidiaries		
TeliaSonera Asia Holding B.V.	-2,146	–
AO Kcell	-142	-593
Latvijas Mobilais Telefons SIA	-81	-93
TEO LT AB	-7	-44
Other subsidiaries	–	-52
Total dividends to holders of non-controlling interests	**-2,376**	**-781**

Business combinations, other acquisitions and disposals

The Telia Company group is continually restructured by acquiring and divesting equity instruments or operations.

The total net cash outflow from business combinations in 2016 was SEK 60 million. For information on business combinations in 2016, see Note C33 "Business combinations."

In 2015, the total net cash outflow from business combinations was SEK 5,213 million. The amount included SEK 5,137 million relating to the acquisition of Tele2 Norway and SEK 76 million relating to other minor business combinations.

The total cash inflow from divestement of operations and other equity instruments in 2016 was SEK 12,084 million, which mainly related to the divestments of Ncell in Nepal of SEK 9.3 billion and Yoigo in Spain of SEK 2.6 billion. For more information on these divestments, see Note C34 "Discountinued operations and assets classified as held for sale".

No operations were divested in 2015. Cash inflow for 2015 of SEK 4,724 million from other equity instruments divested comprised the two last tranches received from AF Telecom Holding (AFT) relating to the sale of shares in MegaFon in 2012.

C31 HUMAN RESOURCES

Employees, salaries, and social security expenses
During 2016, the number of employees from continuing operations decreased by 312 to 21,030 at year-end from 21,342 at year-end 2015. The number of employees in discontinued operations decreased by 566 to 4,987 from 5,553 at year-end 2015. The major part of the decrease comes from divestment of Nepal and Spain.

The average number of full-time employees by country was as follows.

	Jan–Dec 2016		Jan–Dec 2015	
Country	**Total (number)**	**of whom men (%)**	**Total (number)**	**of whom men (%)**
Sweden	8,109	61.8	8,172	60.5
Finland	3,276	65.4	3,326	59.9
Norway	1,099	65.2	1,158	64.8
Denmark	1,161	69.7	1,132	70.3
Lithuania	2,885	50.1	2,978	50.9
Latvia	982	47.8	958	48.2
Estonia	1,888	58.8	1,931	54.5
Spain	78	64.2	103	64.1
Russian Federation	33	48.5	37	54.1
United Kingdom	49	71.4	49	63.3
Other countries	262	69.8	192	70.3
Total from continuing operations	**19,822**	**60.5**	**20,036**	**58.7**
Kazakhstan	1,877	43.0	1,801	41.6
Azerbaijan	716	61.7	820	54.5
Uzbekistan	1,032	63.7	953	62.1
Tajikistan	603	68.5	569	67.0
Georgia	375	46.3	357	45.4
Moldova	295	42.0	344	46.8
Nepal	130	74.2	522	73.9
Other countries	48	66.7	48	58.3
Total from discontinued operations	**5,076**	**52.3**	**5,414**	**53.7**
Total	**24,898**	**58.8**	**25,450**	**57.7**

In total, for 2016 and 2015 operations were conducted in 28 and 29 countries, respectively, of which continuing operations were conducted in 21 countries.

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, 2016		Dec 31, 2015	
Percent	**Boards of directors**	**Other senior executives**	**Boards of directors**	**Other senior executives**
Women	24.4	33.5	26.1	32.6
Men	75.6	66.5	73.9	67.4
Total continuing operations	**100.0**	**100.0**	**100.0**	**100.0**
Women	4.2	35.4	3.4	34.7
Men	95.8	64.6	96.6	65.3
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 2016	Jan–Dec 2015
Salaries and other remuneration	**9,534**	**9,408**
Social security expenses		
Employer's social security contributions	2,056	1,992
Pension expenses	1,156	1,298
Total social security expenses	**3,211**	**3,291**
Capitalized work by employees	-1,092	-969
Other personnel expenses	453	441
Total personnel expenses recognized by nature, continuing operations	**12,105**	**12,171**
Total personnel expenses, discontinued operations	**1,096**	**1,495**

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 2016		Jan–Dec 2015	
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	216 (16)	9,318	188 (11)	9,220
Salaries and other remuneration, discontinued operations	28 (3)	878	25 (1)	1,216

Pension expenses for all senior executives totaled SEK 27 million in 2016 and SEK 32 million in 2015.

In 2016 and 2015, employee profit-sharing costs in Telia Company's Finnish subsidiaries amounted to SEK 70 million and SEK 38 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 2016 Annual General Meetings in Telia Company AB resolved to implement performance share programs (PSP), to be offered to a selected group of senior executives and key positions 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 allottment of performance shares will occur. Each program shall in total comprise no more than 1,360,000 (PSP 2013), 2,090,000 (PSP 2014), 3,793,200 (PSP 2015) and 2,370,400 (PSP 2016) Telia Company shares, corresponding to approximately 0.03 percent of the total number of outstanding shares for PSP 2013, 0.05 percent for PSP 2014, 0.08 for PSP 2015 and 0.04 for PSP 2016, 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 2012 to 2014

Financial targets are earnings per share (EPS) 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 EPS development for each of the three years of the performance period in relation to EPS for the preceding year and 50 percent on TSR during the full performance period of three years in relation to TSR of a group of comparable telecom companies defined by the Board of Directors.

Participation in the program requires that the participant has invested in or allocated already held Telia Company shares to the program corresponding to a value of 2 percent of the participant's annual base salary. The maximum financial outcome for a participant, and the maximum number of performance shares that may finally be allotted in a program, shall be capped at such number of performance shares which aggregated market value corresponds to 37.5 percent of each participant's base salary.

PSP 2013 vested during the spring 2016 and 122,986 shares were distributed to 71 participants remaining in the program. Final performance of PSP 2013 was 5.63 percent (of maximum 30 percent). Telia Company AB acquired 118,398 own shares in April 2016, to an average price of SEK 38.6519 to cover the commitments under the PSP 2013 program. Telia Company AB already held 4,588 own shares.

Performance share program 2015 to 2016

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.

The summarized performance share program activity in 2016 was as follows.

Performance share program	2016/2019	2015/2018	2014/2017	2013/2016
Participants				
Number of participants, December 31, 2015	–	191	136	75
New participants in 2016	202	–	–	–
Terminated employments in 2016	-7	-39	-25	-4
Vested employees in 2016	–	–	–	-71
Number of participants, December 31, 2016[1]	**195**	**152**	**111**	**–**
Allotted shares				
Preliminary allotments, December 31, 2015	–	777,530	105,545	129,210
Preliminary allotments in 2016	1,012,823	–	44,626	–
Forfeited shares	–	0	0	0
Cancelled shares	-57,907	-182,598	-32,021	-6,224
Final allotments	–	–	–	-122,986
Number of allotted shares, December 31, 2016	**954,916**	**594,932**	**118,150**	**–**

1) 25 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	2016/2019	2015/2018	2014/2017	2013/2016
Fair value at the date of allotment (SEK in millions)	28	41	19	15
Assumptions used (percentages)				
Achievement of EBITDA-based performance condition	50	50	–	–
Achievement of EPS-based performance condition	–	–	50	50
Achievement of TSR-based performance condition was based on				
Estimated volatility, Telia Company	20	18	21	21
Estimated volatility, peer group companies	17-31	15-36	21-35	20-27
Average reciprocal correlation between Telia Company and the peer group companies	43	33	37	41
Risk-free interest rate	-0.4	-0.3	0.9	1.0

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 2016	Jan–Dec 2015
Salaries and other remuneration	28	23
Social security expenses	7	6
Total personnel expenses, performance share programs	**35**	**29**

Remuneration to corporate officers

Board of Directors

As resolved by the 2016 Annual General Meeting of shareholders (AGM) in Telia Company AB, annual remuneration is paid to the members of the Board of Directors in the amount of SEK 1,600,000 (SEK 1,550,000) to the Chair, SEK 775,000 (SEK 750,000) to the Vice-Chair and SEK 545,000 (SEK 530,000) to each of the other directors, elected by the AGM. In addition, annual remuneration is paid to the members of the Board's Audit Committee in the amount of SEK 200,000 (SEK 150,000) to the Chair and SEK 150,000 (SEK 100,000) 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 (SEK 65,000) to the Chair and SEK 50,000 (SEK 45,000) to each of the other members. Remuneration to the Chair of the Sustainability and Ethics Committee is SEK 70,000 (SEK 150,000) and SEK 50,000 (SEK 100,000) is paid to each of the other members.

Remuneration to Board members

SEK in thousands	Board[1]	Audit Committee	Remuneration Committee	Sustainability and Ethics Committee	Total remuneration
Board of Directors, AGM 2016					
Marie Ehrling, Chair	1,586	136	69	64	**1,855**
Olli-Pekka Kallasvuo, Vice-Chair	768		49		**817**
Susanna Campbell	392		36		**428**
Mikko Kosonen	541			92	**633**
Nina Linander	541	186			**727**
Martin Lorentzon	541	28		28	**597**
Anna Settman	392			36	**428**
Olaf Swantee	392	108			**500**
Board of Directors 2015-2016					
Mats Jansson	150		13		**163**
Per-Arne Sandström	150	28			**178**
Kersti Strandqvist	150			28	**178**
Total	**5,602**	**486**	**166**	**249**	**6,502**

SEK in thousands	Board	Audit Committee	Remuneration Committee	Sustainability and Ethics Committee	Total remuneration
Board of Directors, AGM 2015					
Marie Ehrling, Chair	1,466	100	65	100	**1,731**
Olli-Pekka Kallasvuo, Vice-Chair	750	–	45	–	**795**
Mats Jansson	514	–	45	–	**559**
Mikko Kosonen	514	–	–	150	**664**
Nina Linander	514	150	–	–	**664**
Martin Lorentzon	514	100	–	100	**714**
Per-Arne Sandström	514	100	–	–	**614**
Kersti Strandqvist	514	–	–	100	**614**
Total	**5,297**	**450**	**155**	**450**	**6,353**

1) Board remuneration, remuneration for Audit Committee, remuneration for Remuneration Committee and remuneration for Sustainability and EthicCommittee are presented in separate columns above. The remuneration is paid monthly. Marie Ehrling, Olli-Pekka Kallasvuo, Mikko Kosonen, Nina Linander and Martin Lorentzon were re-elected at the AGM 2016. New Board members are Susanna Campbell, Anna Settman and Olaf Swantee. 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 six SVPs directly reporting to the CEO, constituted the Telia Company Group Executive Management.

The 2016 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 calibre 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, 2016, 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 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[5]
Group Executive Management, 2016						
Johan Dennelind, CEO	15,794	1,358	75	6,204	**23,431**	**–**
Other members of Group Executive Management (including 2 EVPs and 6 SVPs)	41,507	3,371	1,383	12,835	**59,095**	**1,351**
Total	**57,301**	**4,729**	**1,457**	**19,039**	**82,526**	**1,351**
Other former members of Group Executive Management						
Other former members of Group Executive Management (1 individual)[4]	2,670	11	226	946	**4,592**	**–**
Other former CEOs and EVPs (8 individuals)	–	–	–	–	**–**	**169,921**
Total	**2,670**	**11**	**226**	**946**	**4,592**	**169,921**
Grand total	**59,971**	**4,740**	**1,683**	**19,984**	**87,118**	**171,272**

SEK in thousands	Base salary	Other remuneration	Other benefits	Pension expense	Total remuneration	Capital value of pension commitment
Group Executive Management, 2015						
Johan Dennelind, CEO	14,490	147	74	5,685	**20,396**	**–**
Other members of Group Executive Management (including 2 EVPs and 6 SVPs)	36,032	1,589	1,174	11,045	**49,840**	**1,167**
Total	**50,522**	**1,736**	**1,249**	**16,730**	**70,236**	**1,167**
Other former members of Group Executive Management						
Other former members of Group Executive Management (5 individuals)	33,828	715	376	8,301	**43,219**	**9,615**
Other former CEOs and EVPs (8 individuals)	–	–	–	–	**–**	**168,468**
Total	**33,828**	**715**	**376**	**8,301**	**43,219**	**178,083**
Grand total	**84,349**	**2,450**	**1,624**	**25,031**	**113,455**	**179,250**

1) Other remuneration for the CEO is holiday allowance SEK 359,359 (SEK 144,846), payment for unused vacation days SEK 998,808 and minor taxable expenses SEK 220 (SEK 2,060). Other remuneration for Other Memebers of Group Executive management includes payment for unused vacation days.
2) Other benefits refer to company cars and a number of other taxable benefits. Other benefits for the CEO refer to car allowance SEK 60,000 (SEK 60,000) and health insurance SEK 14,630 (SEK 14,400).
3) See further disclosures concerning the terms and conditions of pension benefits below.
4) Other former members of Group Executive Management is one individual who has been a temporary member of the Group Executive Management.
5) Capital value of pension commitment includes defined benefit plans for eight former CEOs and EVPs (left Telia Company before 2016).

Comments on the table related to 2015 can be found in the Annual and Sustainability Report 2015. 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. 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 6,204,229 (compared to base salary for 2016 SEK 15,794,100 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 59,300 for 2016.

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 are eligible to defined contribution pension schemes similar to the ITP plan section 1 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. Two members of Group Executive Mangement have an additional contribution of 10 percent of their base salary. 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
During the year there has been one member with a temporary acting position within Group Executive Management. This individual is participating in ITP plan section 1.

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 169,920,843 (SEK 168,467,937), the capital value for Marie Ehrling of SEK 8,075,343 (SEK 8,121,577) is included relating to her period as president of Telia Company Sweden during 2002–2006. Pension is paid to Marie Ehrling in the amount of SEK 705,180 (SEK 411,355). Since 2008, Telia Company does not offer any defined benefit pension schemes to CEOs and EVPs.

C32 REMUNERATION TO AUDIT FIRMS

The following remuneration from audit firms was expensed for audits and other reviews based on applicable legislation and for advice and other assistance resulting from observations in the reviews. Remuneration was also expensed for 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 12, 2016, as Telia Company AB'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. No separate renumeration has been expensed for the review of interim financial statements.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Remuneration expensed, continuing and discontinued operations		
Deloitte		
Audits	40	46
Audit-related services	3	3
Tax services	1	1
All other services	22	17
Total Deloitte	**65**	**67**
EY		
Audits	1	1
Audit-related services	0	–
Tax services	1	1
All other services	10	3
Total EY	**13**	**6**
KPMG		
Audits	0	1
Audit-related services	–	1
Tax services	6	8
All other services	3	11
Total KPMG	**9**	**21**
PwC		
Audits	0	0
Audit-related services	–	–
Tax services	16	5
All other services	9	4
Total PwC	**26**	**9**
Other audit firms		
Audits, audit-related services	0	0
Tax services and all other services	–	–
Total other audit firms	**0**	**0**
Total remuneration expensed	**112**	**102**
Total remuneration	**112**	**102**

Within the provisions of Swedish legislation, the Audit Committee of the Board of Directors of Telia Company AB 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

Minor business combinations during the period

On March 1, 2016, Telia Company acquired all shares in the Swedish company Telecom3 Fibernät i Sverige AB. The cost and net cash outflow of the combination was SEK 26 million, all attributable to goodwill. On July 1, 2016, Telia Company acquired a business, consisting of fibernetworks from Comne Work AB. The cost of the acquisition was SEK 26 million. On December 30, 2016, Telia Company acquired a minor business from the Estonian company AK Süsteemid OÜ, consisting of IT Hosting and Workplace management solutions. The cost of the acquisition was SEK 8 million.

Business combinations after the reporting period

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

SEK in millions	Fältcom
Cost of combination	**151**
Whereof cash consideration	144
Fair value of net assets acquired	
Property, plant and equipment and intangible assets	8
Other non-current assets	6
Current assets	32
Total assets acquired	***47***
Non-current liabilities	0
Current liabilities	12
Total liabilities assumed	***13***
Total fair value of net assets acquired	**34**
Goodwill	**117**

The net cash flow effect of the business combination was SEK 138 million (cash consideration SEK 144 million less cash and cash equivalents in Fältcom SEK 6 million). Transaction costs amounted to SEK 4 million. The total cost of 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 adjustment.

On March 1, 2017, Telia Company acquired all of the shares in the Swedish company C-SAM AB, a company that develops and maintains fiber and cable networks. The cost of the acquisition was SEK 93 million. Since the acquisition was completed on March 1, 2017, fair values for the net assets acquired have not yet been determined and additional information is therefore not disclosed in this annual report.

C34 DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Classification

Eurasia

Former segment region Eurasia (including holding companies) is classified as held for sale and discontinued operations since December 31, 2015. The holding companies will be divested or liquidated in connection with the transactions. Telia Company is still committed to the plan to divest the remaining parts of Eurasia and the delay during 2016 in the sales process was caused by events and circumstances beyond Telia Company's control. A sales agreement was signed in September 2016 for Tcell, but regulatory approval has not yet been received for the transaction. For the other remaining parts of Eurasia different circumstances arose during 2016 which led to that these units were not sold by the end of the year. Telia Company has taken actions necessary to respond the change in circumstances and the units are being actively marketed at reasonable prices given the change in circumstances. The remaining Eurasian parts are available for immediate sale and divestments of these units are deemed highly probable within one year.

Yoigo

Yoigo in Spain was classified as held for sale since June 2016 when Telia Company signed an agreement to sell its 76.6 percent holding in the Spanish operator Yoigo. The deal was closed on October 5, 2016, see Disposals. Yoigo in Spain was a part of the reportable segment region Europe. It was not considered to represent a separate major line of business or geographical area of operations and is therefore not presented as discontinued operations.

Sergel

In June 2016, Telia Company signed an agreement to divest its 100 percent holding in Sergel (credit management services and debt purchase business) to Marginalen at an enterprise value of SEK 2.1 billion. In 2015, Sergel's EBITDA contribution, excluding non-recurring items, was SEK 206 million. The transaction is conditional on relevant regulatory approvals including the Swedish Financial Supervisory Authority as well as Competition Authorities. The approvals are deemed highly probable and Sergel is therefore classified as held for sale since June 30, 2016. In the segment reporting Sergel is part of Other operations. It is not considered to represent a separate major line of business or geographical area of operations and is therefore not presented as discontinued operations.

Presentation

Former segment region Eurasia (including holding companies), which is classified as discontinued operations, is presented as a single amount in the consolidated statements of comprehensive income. Comparative periods in the consolidated statements of comprehensive income are restated to reflect the classification of region Eurasia as discontinued operations. The consolidated cash flow statement is presented including region Eurasia, but with additional information on cash flows from operating, investing and financing activities and free cash flow for region Eurasia. Eurasia and Sergel are classified as held for sale and the related assets and liabilities are therefore presented separately in two line items in the consolidated statement of financial position. The amounts for discontinued operations and assets and liabilities held for sale (Eurasia and Sergel) in the consolidated financial statements are presented after elimination of intragroup transactions and intragroup balances.

Net income from discontinued operations (region Eurasia)

SEK in millions, except per share data	Jan-Dec 2016	Jan-Dec 2015
Net sales	13,653	20,742
Expenses and other operating income, net[1]	-20,701	-13,775
Operating income	**-7,048**	**6,967**
Financial items, net	-315	1,552
Income after financial items	**-7,364**	**8,519**
Income taxes	-1,208	-2,546
Net income before remeasurement and gain on disposal	**-8,572**	**5,973**
Impairment loss on remeasurement to fair value less costs to sell[2]	-2,400	-5,300
Gain on disposal of Ncell in Nepal (including cumulative Ncell exchange loss in equity reclassified to net income of SEK –1,065 million)[3]	1,035	–
whereof loss attributable to parent shareholders	-927	–
whereof gain attributable to non-controlling interests	1,962	–
Net income from discontinued operations[3]	**-9,937**	**673**
EPS from discontinued operations (SEK)[3]	-2.90	-0.19
EBITDA excl. non-recurring items	5,880	11,035

1) Operating expenses for 2016 include expenses relating to the provision for settlement amount proposed by the US and Dutch authorities. The provision is recognized as a short-term provision relating to continuing operations in the consolidated statements of financial position, see Note C22.
2) Non-tax deductible.
3) Non-taxable gain.

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

SEK in millions	Eurasia Dec 31, 2016[4]	Sergel, Dec 31, 2016	Total Dec 31, 2016	Eurasia Dec 31, 2015
Goodwill and other intangible assets	7,562	38	7,601	10,821
Property, plant and equipment	7,551	6	7,557	10,379
Other non-current assets	448	251	699	586
Short-term interest-bearing receivables	1,889	1	1,890	1,382
Other current assets[4]	2,329	568	2,898	1,957
Cash and cash equivalents[4]	8,302	95	8,397	10,687
Assets classified as held for sale	**28,082**	**960**	**29,042**	**35,812**
Long-term borrowings	355	0	355	238
Long-term provisions	2,652	149	2,801	4,431
Other long-term liabilities	3,711	5	3,716	2,176
Short-term borrowings	1,612	–	1,612	1,230
Other current liabilities	4,932	211	5,144	3,524
Liabilities classified as held for sale	**13,262**	**365**	**13,627**	**11,598**
Net assets classified as held for sale[5]	**14,819**	**596**	**15,415**	**24,214**

4) The major part of the minority owner Visor's share of the sales price for Ncell and Visor's share of the holding company Reynolds Holding has been distributed to Visor during the third quarter of 2016 and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of December 31, 2016. The provisions for transaction warranties and the sales price for Telia Company's 60.4 percent ownership in Ncell and Telia Company's share in the holding company Reynolds Holding, as well as sales price for Telia Company's economic interest in the 20 percent local shares in Ncell are included in continuing operations.
5) Represents 100 percent of external assets and liabilities, i.e. non-controlling interests' share of net assets are included.

Measurement

In accordance with IFRS 5, discontinued operations (Eurasia) and assets held for sale (Sergel) are measured at the lower of carrying value and estimated fair value less costs to sell. The valuation is based on an assessment of the input from the sales process and the risks in the different countries. 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 are no directly observable (quoted) prices for Telia Company's discontinued operations and fair values have therefore been estimated using other valuation techniques which require the use of judgment.

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) would have been SEK 2.0 billion in 2016. Depreciation and amortization in discontinued operations (Eurasia) for 2015 were SEK 3.6 billion.

Uzbekistan

Since December 31, 2015, the operations in Uzbekistan (Ucell) is measured at estimated fair value less costs to sell and is classified within Level 3 of the fair value hierarchy of IFRS 13. For Ucell, valuations have been prepared based on the current business plan. Input from both internal and external advisors have been considered in the valuations. The following different valuation models have been 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, 2016, and December 31, 2015, are presented in the table below.

	Multiple range	WACC %	Terminal growth rate %
Enterprise value/EBITDA	3.00-3.50 (2.75-3.75)	–	–
Enterprise value/OpFCF	5.00-6.00 (4.75-5.75)	–	–
DCF	–	22.31-23.31 (20.78-21.78)	2.00-3.00 (2.00-3.00)
Brokers' EBITDA multiples	1.0-4.3 (2.5-4.0)	–	–

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 are 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 is difficult to quantify the valuation impact of all such risks. Moreover, any potential discount, will be 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.

The remeasurement of the net assets in Ucell per December 31, 2015, resulted in an impairment charge in the fourth quarter of 2015 of SEK 5.3 billion related to goodwill and other fixed assets. Management's best estimate is that the risk adjusted debt free value of Ucell of SEK 3.3 billion as of December 31, 2015, remains unchanged as of December 31, 2016. Due to increased carrying values for Ucell, impairment charges of SEK 200 million, SEK 550 million, SEK 600 million and SEK 600 million were recognized in the first, second, third and fourth quarters of 2016, respectively. In total Ucell was impaired by SEK 1,950 million in 2016.

Changes in any of the estimated risk adjustments would have a material impact on the estimated fair value. The most significant impact on fair value will be the buyer's ability to operate in the country and convert local currency. See also Risks and uncertainties, sections "Emerging markets," and "Review of Eurasian transactions."

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 is currently the minority owner in Central Asian Telecommunications Development B.V. with a 40 percent holding. The transaction is subject to regulatory approvals in Tajikistan. The transaction price for Tcell is based on an enterprise value of USD 66 million, of which Telia Company's 60 percent share corresponds to USD 39 million. Based on current FX-rates, the agreed price implies an EV/EBITDA multiple of approximately 4.0x based on Tcell's 2015 results. The transaction will have limited result and net debt impact. Based on the signed agreement for Tcell and current information in the sales process of Roshan (financial asset relating to shares in an operator in Afghanistan), management's best estimate is that the enterprise value for Tcell (100 percent) and the value of the shares in Roshan (12.25 percent) combined as of June 30, 2016, of SEK 600 million remains unchanged as of December 31, 2016. An impairment loss of SEK 450 million was recognized in the second quarter of 2016 for Tcell and Roshan.

Other parts of discontinued operations
For the other remaining parts of discontinued operations (excluding Ucell and Tcell), the estimated fair values exceeds the carrying value and these parts have therefore not been remeasured at December 31, 2015 or December 31, 2016. The estimated fair values were based on a combination of indicative bids received, valuation discussions with potential buyers and valuation models in the form of multiples from comparable companies (peers) on relevant financial metrics such as EBITDA and discounted cash flow calculations. The specific risks of each country have also been factored in to the fair value estimates. See Risks and uncertainties for more information on the risks.

Disposals
Ncell in Nepal
On April 11, 2016, Telia Company completed the divestment of its holdings in Ncell in Nepal to Axiata, one of Asia's largest telecommunication groups. The deal has been approved by all relevant authorities. Telia Company has completed the sale at an enterprise value of USD 1,030 million for its 60.4 percent ownership of Ncell and Telia Company's share of the holding company Reynolds Holding. The transaction was subject to customary closing adjustments based on net debt and net working capital. Telia Company has been paid for Ncell's cash position in proportion to its economic interest of 80.4 percent. Furthermore, Telia Company has dissolved its economic interests in the 20 percent local ownership in Ncell and received approximately USD 48 million from Sunivera Capital Ventures, Singapore.

The divestment, all transactions included, resulted in a total capital gain of SEK 1,258 million for the group in the second quarter of 2016, whereof a loss of SEK -888 million was attributable to owners of the parent and a gain of SEK 2,146 million was attributable to non-controlling interests. The sale resulted in a loss for the parent shareholders mainly due to the carrying value of goodwill in Ncell (not attributable to minority) and provisions for parent shareholder's transaction warranties. On signing in December 2015, no material effect on net income (attributable to parent shareholders) was expected, but final amounts were subject to deviations in foreign exchange rates and closing adjustments. Compared to the estimated net income effect expected in December 2015, the capital loss relating to parent shareholders of SEK -888 million recognized in the second quarter of 2016 was effected by negative foreign currency effects on the sales price, estimated closing adjustments and estimated additional provisions for transaction warranties. In the fourth quarter of 2016 the total capital gain for the group was reduced to SEK 1,035 million, whereof a loss of SEK -927 million was attributable to owners of the parent and a gain of SEK 1,962 million was attributable to non-controlling interests. The change in the fourth quarter was mainly related to transaction warranties of the minority owners.

The total price for all transactions was SEK 14.0 billion, whereof SEK 12.6 billion has been received in cash as of December 31, 2016. The price received in cash less divested cash and cash equivalents in Ncell of SEK 3.3 billion resulted in a net cash flow effect for the group of SEK 9.3 billion for 2016. The net cash flow effect for the group was SEK 9.8 billion (relating to both parent shareholders and non-controlling-interests) in the second quarter of 2016 and changed to SEK 9.3 billion at the end of the third quarter 2016. The net cash flow change of SEK -0.5 billion related to cash proceeds received in the third quarter of SEK 0.9 billion and SEK -1.4 billion which was part of the proceeds that were recognized as cash in the second quarter that was reported as receivables in the third quarter of 2016. There were no cash flow changes during the fourth quarter of 2016.

Provisions for transaction warranties are included in the statement of financial position for continuing operations. The sales price of SEK 12.9 billion for Telia Company's 60.4 percent direct ownership and the minority owner Visor's 19.6 percent ownership in Ncell and their 100 percent ownership in the holding company Reynolds Holding, have been recognized in the legal entity TeliaSonera Norway

Nepal Holding. A liquidation process has been initiated for TeliaSonera Norway Nepal Holding, which is included within discontinued operations. Telia Company's share of the sales price of SEK 9.6 billion has been classified within continuing operations (whereof SEK 8.9 billion has been included in cash and cash equivalents as of December 31, 2016). The minority owner Visor's share of the sales price of SEK 3.3 billion was included within discontinued operations and was classified as held for sale. The major part of Visor's sales price was distributed to Visor during the third quarter and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of December 31, 2016. The sales price of SEK 1.0 billion for Telia Company's economic interest in the 20 percent local shares has been transferred to Telia Company AB and has been included within cash and cash equivalents in continuing operations. The final amounts relating to the Ncell divestment are still subject to deviations in foreign exchange rates and transaction warranties. Ncell in Nepal was part of the former segment region Eurasia which is classified as discontinued operations.

Yoigo in Spain

In June 2016, Telia Company signed an agreement to sell its 76.6 percent holding in the Spanish operator Yoigo to Masmovil, a Spanish telecommunications operator. The deal has been approved by all relevant authorities and was completed On October 5, 2016, at a price of SEK 3.8 billion for Telia Company's share. The divestment resulted in a capital gain of SEK 4.5 billion, which is recognized as part of "Other operating income" within continuing operations. The transaction had a cash flow effect of SEK 2.6 billion (price received in cash SEK 3.8 billion less divested cash and cash equivalents in Yoigo SEK 1.2 billion) and has reduced net debt for Telia Company by SEK 6.1 billion.

Subsidiaries in discontinued operations with material non-controlling interests

AO Kcell and Azercell Telekom B.M. are held partly by intermediate holding companies where one is partly held by the associated company Turkcell. The NCI in Kcell is 38.1 percent. Based on a put option granted, the NCI in Azercell is accounting-wise reduced to 30.5 percent.

Based on put options granted on 6 percent of the share capital in TeliaSonera Uzbek Telecom Holding B.V. (Uzbek Holding), the subsidiary has previously accountingwise been treated as a wholly-owned subsidiary of Telia Company. During the fourth quarter of 2016 the 6 percent shares owned by the non-controlling owner Takilant were transferred to the Dutch Authorities. As a result the put option can no longer be exercised. The put option provision of SEK 686 million has therefore been derecognized with a corresponding charge to other operating income within discontinued operations. In addition a 6 percent non-controlling interest has been recognized in equity.

Before the divestment, Ncell Pvt. Ltd. was held by intermediate holding companies with an NCI of 39.6 percent, but based on a put option granted the NCI was reduced to 19.6 percent.

Put options

Azertel Telekomünikasyon A.S. (Azertel), the parent company of the mobile operator Azercell Telekom B.M. (Azercell) in Azerbaijan, has 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 arise, the resolution supported by Fintur Holdings B.V. will apply. In such circumstances, the put option gives the largest holder of non-controlling interests the right to sell its 42 percent holding in Azertel to Fintur Holdings B.V. Telia Company consolidates 74.3 percent of Fintur. The exercise price is equal to the fair value at the time of exercise and is to be determined by independent appraisal. The provision represents the present value of management's best estimate of the amount required to settle the liability. The provision may vary as a result of changes in Azertel's estimated fair value and the timing of the option exercise.

Uzbek Holding, the parent company of the mobile operator OOO Coscom (Ucell) in Uzbekistan, had a put option granted that gave the non-controlling owner Takilant the right to sell its 6 percent interest in Uzbek Holding to Telia Company. After the transfer during the fourth quarter 2016 of the 6 percent non-controlling shares to the Dutch authorities, the put option can no longer be exercised and the provision for the put option has been derecognized. See "Subsidiaries in discontinued operations with material non-controlling interests".

Put options and financial receivables are offset in the statement of financial position when there is an enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to settle the put option and financial receivable simultaneously (Ncell before the divestment and Rodnik).

Financial risk management

Telia Company's net investments in the Eurasia region is although classified as discontinued operations, still exposed to fluctuations in foreign exchange rates and managed accordingly.

Transaction risk on proceeds of the divestments 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 conversion risk are AZN, USD, UZS and KZT.

The surplus liquidity and liquidity position for the discontinued operations as of December 31, 2016, were SEK 8,397 million (SEK 10,687 million), which relate to cash and cash equivalents. Based on the current liquidity position and the expected disposal of the Eurasian operations within one year, Telia Company's liquidity risk relating to discontinued operations are 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 net income or cash flows. The interest-bearing borrowings in the discontinued operations refers mainly to fixed rate loans with short maturity and considering the expected divestment of the operations within one year the interest rate risk exposure for Telia Company is therefore deemed limited. The interest rate risk relating to cash and cash equivalents and receivables is deemed limited.

Provision for settlement amount proposed by the US and Dutch authorities

The US and Dutch authorities have investigated historical transactions related to Telia Company's entry into Uzbekistan in 2007. As announced on September 15, 2016, Telia Company received a proposal from the authorities for resolution of the pending investigations. The authorities have proposed a global resolution that includes a total financial sanction of USD 1.45 billion.

Resolution of the various investigations is complex and will require further discussion and negotiation with the various government agencies involved in the investigations. Without certainty as to the timing and amount that may be paid at the time of a final resolution, Telia Company recorded a USD 1.45 billion (SEK 12.5 billion per September 30, 2016, which due to foreign currency changes has increased to SEK 13.2 billion per December 31, 2016) provision at the balance sheet date. This is in line with IFRS requirements, which states that the best estimate must be recorded as a provision. As it is not possible for management to make another reliable estimate at this point in time, this amount is the estimate of the expenditure required to settle this matter at the balance sheet date. Disclosure of further details regarding the assumptions and uncertainties of the provision is expected to prejudice seriously the position of Telia Company. Telia Company has therefore, in accordance with IAS 37.92, not presented any further information on the provision in this Annual report. From end of December 2016, the provision is partly hedged for changes in foreign currencies. The total net income effect of the provision including foreign exchange effects and the hedge effect was SEK 13.5 billion for 2016.

The provision is recognized as a short-term provision 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 sale of the Eurasian net assets. The effect on net income is included in the line item "Net income from discontinued operations" in the consolidated statements of comprehensive income and disclosed as operating expenses in the table "Net income from discontinued operations (Eurasia)" above. The net income effect is classified as part of discontinued operations based on that the expenses are related to the operations in Uzbekistan. The settlement amount is assumed to be non-tax deductible.

PARENT COMPANY INCOME STATEMENTS

SEK in millions	Note	Jan–Dec 2016	Jan–Dec 2015
Net sales	P2	4	4
Cost of sales		–	–
Gross income		**4**	**4**
Selling and marketing expenses	P3	-51	-53
Administrative expenses	P3	-706	-1,140
Other operating income	P4	9	19
Other operating expenses	P4	-13,556	-91
Operating loss/income		**-14,300**	**-1,261**
Finance income	P5	22,684	11,234
Finance costs	P5	-8,472	-3,470
Income after financial items		**-88**	**6,503**
Appropriations	P6	11,567	6,376
Income before taxes		**11,479**	**12,879**
Income taxes	P6	-1,113	-1,194
Net income		**10,367**	**11,685**

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions	Note	Jan–Dec 2016	Jan–Dec 2015
Net income		**10,367**	**11,685**
Items that may be reclassified to net income			
Cash flow hedges, net change in fair value		214	621
Cash flow hedges, transferred to finance costs in net income		-343	-7
Available-for-sale financial instruments, net change in fair value		134	-2
Income taxes relating to other comprehensive income		-1	-130
Total other comprehensive income	P7	**5**	**482**
Total comprehensive income		**10,372**	**12,167**

PARENT COMPANY BALANCE SHEETS

SEK in millions	Note	Dec 31, 2016	Dec 31, 2015
Assets			
Intangible assets	P8	11	7
Property, plant and equipment	P9	2	3
Deferred tax assets	P6	–	–
Other financial assets	P10	162,273	162,690
Total non-current assets		**162,286**	**162,700**
Trade and other receivables	P11	35,043	41,740
Current tax receivables		581	–
Short-term investments	P12	13,699	8,870
Cash and bank	P12	3,576	9,903
Total current assets		**52,898**	**60,513**
Total assets		**215,184**	**223,213**
Shareholders' equity and liabilities			
Restricted equity			
Share capital		13,856	13,856
Statutory reserve		1,855	1,855
Capitalized development expenses		1	–
Non-restricted equity			
Other reserves		591	586
Retained earnings		53,615	54,919
Net income		10,367	11,685
Total shareholders' equity		**80,286**	**82,901**
Untaxed reserves	P6	**8,786**	**12,666**
Provisions for pensions and employment contracts	P14	433	436
Deferred tax liabilities	P6	36	10
Other provisions	P15	49	58
Total provisions		**519**	**504**
Interest-bearing liabilities			
Long-term borrowings	P16	81,207	88,086
Short-term borrowings	P16	29,642	37,537
Current tax payables		–	86
Non-interest-bearing liabilities			
Long-term liabilities	P17	9	8
Short-term provisions, trade payables and other current liabilities	P15, P18	14,735	1,425
Total liabilities		**125,594**	**127,142**
Total shareholders' equity and liabilities		**215,184**	**223,213**

PARENT COMPANY CASH FLOW STATEMENTS

SEK in millions	Note	Jan–Dec 2016	Jan–Dec 2015
Net income		10,367	11,685
Adjustments for:			
Amortization, depreciation and impairment losses		2,877	225
Capital gains/losses on sales/discards of non-current assets		-118	48
Pensions and other provisions		12,942	8
Financial items		3,539	-1,382
Group contributions and appropriations		-11,567	-6,376
Income taxes		-641	989
Cash flow before change in working capital		**17,399**	**5,197**
Increase (-)/Decrease (+) in operating receivables		-103	444
Increase (+)/Decrease (-) in operating liabilities		-46	-801
Change in working capital		**-150**	**-358**
Cash flow from operating activities		**17,249**	**4,839**
Intangible and tangible non-current assets acquired		-7	0
Repayment of capital in subsidiary		501	380
Equity instruments acquired		-1,495	-7,663
Equity instruments and operations divested		3,342	4,817
Loans granted and other similar investments		-11,195	-11,775
Net change in interest-bearing current receivables		1,719	3,303
Repayment of long-term loans		2,716	711
Cash flow from investing activities		**-4,419**	**-10,227**
Cash flow before financing activities		**12,830**	**-5,388**
Repurchased treasury shares including transaction costs		-5	-14
Dividend to shareholders		-12,990	-12,990
Group contributions net		7,394	7,980
Proceeds from long-term borrowings		-337	8,050
Repayment of long-term borrowings		-6,843	-8,173
Change in short-term borrowings		-3,362	3,336
Settlement of derivative contracts for economic hedges and CSA		1,180	450
Cash received for repurchase agreements		6,975	–
Cash paid for repurchase agreements		-6,416	–
Cash flow from financing activities		**-14,403**	**-1,361**
Change in cash and cash equivalents		**-1,573**	**-6,748**
Cash and cash equivalents, opening balance		**13,558**	**20,379**
Change in cash and cash equivalents		-1,573	-6,748
Exchange rate differences in cash and cash equivalents		247	-73
Cash and cash equivalents, closing balance	P12	**12,232**	**13,558**
Dividends received		21,796	7,917
Interest received		884	1,660
Interest paid		-2,198	-2,866
Income taxes paid		-1,754	-206

PARENT COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SEK in millions	Note	Share capital	Statutory reserve	Reserve for develop-ment expenses	Fair value reserve	Retained earnings	Total share-holders' equity
Closing balance, December 31, 2014		**13,856**	**1,855**	**–**	**104**	**67,917**	**83,732**
Dividend	P13	–	–	–	–	-12,990	-12,990
Share-based payments	P25	–	–	–	–	7	7
Treasury shares		–	–	–	–	-14	-14
Total comprehensive income		–	–	–	482	11,685	12,167
Closing balance, December 31, 2015		**13,856**	**1,855**	**–**	**586**	**66,604**	**82,901**
Dividend	P13	–	–	–	–	-12,990	-12,990
Share-based payments	P25	–	–	–	–	8	8
Treasury shares		–	–	–	–	-5	-5
Capitalized development expenses	P8	–	–	1	–	-1	–
Total comprehensive income		–	–	–	5	10,367	10,372
Closing balance, December 31, 2016		**13,856**	**1,855**	**1**	**591**	**63,983**	**80,286**

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 Reports 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 AB applies the same measurement bases and accounting principles as described in Notes to consolidated financial statements (Note C3).

Item	Note	Accounting treatment
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 a repayment of contributed capital reduces the carrying value.
Provisions for pensions and employment contracts	P5, P14	Pension obligations an 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.
Leasing 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 AB, see Notes to consolidated financial statements (corresponding section in Note C1).

Key sources of estimation uncertainty

For information relevant to Telia Company AB, see Notes to consolidated financial statements (Note C2).

P2 NET SALES

Net sales amounted to SEK 4 million (SEK 4 million) and were related to other services to internal and external customers in Sweden.

P3 EXPENSES BY NATURE

Operating expenses are presented on the face of the income statement using a classification based on the functions “Cost of production,” “Selling and marketing expenses” and “Administrative expenses.” Total expenses by function were distributed by nature as follows.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Other network expenses	-5	-1
Personnel expenses (see also Note P25)	-821	-717
Rent and leasing fees	-34	-29
Consultants’ services	-209	-275
IT expenses	29	-154
Invoiced and other expenses, net	287	-12
Amortization, depreciation and impairment losses	-4	-4
Total	**-757**	**-1,193**

Administrative and other parent company expenses which are not classified as shareholder costs are invoiced to the subsidiaries and recognized as cost reductions. Amortization, depreciation and impairment losses were distributed by function as follows.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Administrative expenses	-4	-4
Total	**-4**	**-4**

P4 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Other operating income		
Exchange rate gains	9	19
Total other operating income	**9**	**19**
Exchange rate losses	-16	-30
Restructuring costs	-57	-61
Other operating expenses	-13,483	–
Total other operating expenses	**-13,556**	**-91**
of which amortization, depreciation and impairment losses	–	–
Net effect on income	**-13,547**	**-72**
of which net exchange rate gains/losses on derivative instruments held-for-trading	–	–

Other operating expenses 2016 include the income effect of the provision for settlement amount proposed by the US and Dutch authorities. For more information, see Note C34.

P5 FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs were distributed as follows.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Finance income		
Dividends from subsidiaries	21,796	7,917
Capital gains from subsidiaries	152	1
Dividends from associated companies	0	0
Interest from subsidiaries	400	546
Other interest income	75	226
Changes in fair value of held for trading investments	–	10
Exchange rate gains	255	2,524
Interest to subsidiaries	–	10
Dividens from equity holdings	6	–
Total finance income	**22,684**	**11,234**
Finance costs		
Impairment losses from subsidiaries	-2,671	-207
Capital losses from subsidiaries	-25	-
Capital losses from associated companies	-15	-50
Impairment losses from other financial investments	-202	-13
Other interest expenses	-2,611	-3,043
Interest component of pension expenses	-18	-16
Exchange rate losses	-2,930	-23
Other financial expenses	–	-118
Total finance costs	**-8,472**	**-3,470**
Net effect on income	**14,212**	**7,764**

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.

	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
SEK in millions	**Other interest expenses**		**Net exchange rate gains and losses**		**Other interest income**	
Fair value hedge derivatives	387	-1,648	119	6	–	–
Cash flow hedge derivatives	10	-34	-457	96	–	–
Derivatives held-for-trading	695	1,117	125	-45	–	–
Loans and receivables	–	–	1,379	-1,129	14	179
Bonds available-for-sale	–	–	–	–	61	47
Borrowings in fair value hedge relationships	-1,415	-1,450	-3,190	1,991	–	–
Borrowings and other financial liabilities at amortized cost	-2,201	-965	-652	1,582	–	–
Other	-87	-63	–	–	–	0
Total	**-2,611**	**-3,043**	**-2,675**	**2,501**	**75**	**226**

Borrowings at amortized cost include items in cash flow hedge relationships as well as unhedged items.

P6 INCOME TAXES

Tax items recognized in comprehensive income

Tax items recognized in comprehensive income were distributed as follows.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Tax items recognized in net income		
Current tax	-1,057	-1,189
Adjustment of current tax related to prior years	-1	-6
Deferred tax	-54	1
Total tax expense recognized in net income	**-1,113**	**-1,194**
Tax items recognized in other comprehensive income		
Current tax	-29	6
Deferred tax	28	-136
Total tax recognized in other comprehensive income	**-1**	**-130**

Pre-tax income was SEK 11,479 million in 2016 and SEK 12,879 million in 2015. The difference between the nominal Swedish income tax rate and the effective tax rate comprise the following components.

Percent	Jan–Dec 2016	Jan–Dec 2015
Swedish income tax rate	22.0	22.0
Underprovided or overprovided current tax expense in prior years	0.0	0.1
Non-deductible expenses	29.8	0.8
Tax-exempt income	-42.1	-13.6
Effective tax rate in net income	**9.7**	**9.3**

Non-deductible expenses consist mainly of the provision for settlement amount proposed by US and Dutch authorities. In 2016 and 2015, tax-exempt income consisted primarily of dividends from subsidiaries.

Deferred tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Deferred tax assets		
Carrying value, opening balance	0	125
Change recognized in comprehensive income	-54	1
Reclassification from current tax	–	0
Offset tax liabilities/assets	54	-126
Carrying value, closing balance	**0**	**0**
Deferred tax liabilities		
Carrying value, opening balance	10	–
Change recognized in comprehensive income	-28	136
Offset tax assets/liabilities	54	-126
Carrying value, closing balance	**36**	**10**

Temporary differences in deferred tax assets and liabilities were as follows.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Deferred tax assets		
Delayed expenses for provisions	101	126
Offset deferred tax liabilities/assets	-101	-126
Total deferred tax assets	**–**	**–**
Deferred tax liabilities		
Fair value adjustments, cash-flow hedges and assets available-for-sale	137	136
Offset deferred tax assets/liabilities	-101	-126
Total deferred tax liabilities	**36**	**10**
Net deferred tax assets (+) / liabilities (-)	**-36**	**-10**

In 2016 and 2015, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. As of December 31, 2016 and 2015, the unrecognized deferred tax liability in untaxed reserves amounted to SEK 1,933 million and SEK 2,787 million, respectively.

Untaxed reserves and appropriations

As of December 31, 2016 and 2015, untaxed reserves in the balance sheet consisted of profit equalization reserves totaling SEK 8,786 million and SEK 12,666 million, respectively.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Change in profit equalization reserves	3,880	-1,190
Group contributions received	8,297	16,395
Group contributions paid	-609	-8,829
Net effect on income	**11,567**	**6,376**

P7 OTHER COMPREHENSIVE INCOME

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan–Dec 2016	Jan–Dec 2015
Cash flow hedges			
Net changes in fair value	Fair value reserve	214	621
Transferred to finance costs in net income	Fair value reserve	-343	-7
Income tax effect	Fair value reserve	28	-136
Total cash flow hedges		**-100**	**478**
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	134	-2
Transferred to finance costs in net income	Fair value reserve	0	0
Tax effect	Fair value reserve	-29	6
Total available-for-sale financial instruments		**105**	**4**
Total other comprehensive income		**5**	**482**
of which total income tax effects (see also Note P6)		*-1*	*-130*

P8 INTANGIBLE ASSETS

The total carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Accumulated cost	68	69
Accumulated amortization	-57	-61
Carrying value	**11**	**7**
of which work in progress	*7*	*1*
Carrying value, opening balance	7	10
Investments	7	0
Disposals	0	–
Amortization for the year	-3	-3
Carrying value, closing balance	**11**	**7**

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 “Income taxes.”

The carrying value of intangible assets was distributed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Capitalized development expenses	4	6
Work in progress	7	1
Total carrying value	**11**	**7**

P9 PROPERTY, PLANT AND EQUIPMENT

The total carrying value was distributed and changed as follows.

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
SEK in millions	**Plant and machinery**		**Equipment, tools and installations**		**Total**	
Accumulated cost	6	6	17	19	**24**	**25**
Accumulated depreciation	-4	-2	-17	-18	**-22**	**-21**
Carrying value	**2**	**4**	**0**	**1**	**2**	**3**
Carrying value, opening balance	3	4	0	1	**3**	**5**
Depreciation for the year	-1	-1	0	-1	**-1**	**-2**
Carrying value, closing balance	**2**	**3**	**0**	**0**	**2**	**3**

No general changes of useful lives were made in 2016. For useful lives applied, see Notes to consolidated financial statements (corresponding section in 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 “Income taxes.”

P10 OTHER FINANCIAL ASSETS

The total carrying value changed as follows.

SEK in millions	Investments in associated companies and joint ventures		Investments in other equity instruments		Investments in subsidiaries and other non-current financial assets		Total	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Carrying value, opening balance	267	280	1,077	67	161,346	155,007	**162,690**	**155,355**
New share issues and shareholder contributions	–	3	–	–	1,359	4,275	**1,359**	**4,278**
Repayment of capital	–	–	-2	–	-501	-380	**-503**	**-380**
Repayment of borrowings and interest	–	–	–	–	-3	–	**-3**	–
Additions	–	32	112	1,023	9,977	12,238	**10,089**	**13,293**
Disposals	-15	-49	–	–	-9,309	-3,684	**-9,324**	**-3,733**
Impairment losses	-197	–	-5	-13	-2,623	-207	**-2,825**	**-220**
Reclassifications to short-term investments	0	–	–	–	851	-5,911	**851**	**-5,911**
Changes in fair value	0	–	3	–	-65	9	**-62**	**9**
Carrying value, closing balance	**54**	**267**	**1,186**	**1,077**	**161,031**	**161,346**	**162,273**	**162,690**

For other financial assets, fair values equal carrying values. The total carrying values of other financial assets were distributed as follows.

SEK in millions	Carrying value Dec 31, 2016	Carrying value Dec 31, 2015
Investments in other equity instruments available-for-sale	1,160	1,052
Investments in other equity instruments held-for-trading	26	25
Bonds available-for-sale	10,185	8,841
Interest rate and cross currency interest rate swaps at fair value	4,453	4,742
of which designated as fair value hedges	*1,039*	*1,193*
of which held-for-trading	*2,116*	*1,918*
of which designated as cash flow hedges	*1,298*	*1,631*
Derivatives held-for-trading	–	65
Currency swaps and forward exchange contracts held-for-trading	–	–
Subtotal (see Fair value hierarchy levels – Note P19)	***15,823***	***14,725***
Loans and receivables at amortized cost	54	51
Subtotal (see Categories – Note P19 and Credit risk – Note P20)	***15,877***	***14,776***
Investments in subsidiaries	139,239	144,226
Receivables from subsidiaries	7,103	3,421
Investments in associated companies	54	267
Total other financial assets	**162,273**	**162,690**
of which interest-bearing	*22,979*	*18,132*
of which non-interest-bearing	*139,294*	*144,558*

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, refer to Note P19 “Financial assets and liabilities by category and level” and section “Credit risk management” in Note P20 “Financial risk management,” 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 to consolidated financial statements (Notes C14 and C15).

Subsidiary, Corp. reg. no., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions) Dec 31, 2016	Dec 31, 2015
Swedish companies				
Skanova AB, 556446-3734, Stockholm	100	21,255,000	25,616	27,819
TeliaSonera Sverige AB, 556430-0142, Stockholm	100	3,000,000	4,376	3,021
Telia Nättjänster Norden AB, 556459-3076, Stockholm	100	68,512	3,146	3,146
TeliaSonera Mobile Networks AB, 556025-7932, Stockholm	100	550,000	1,343	2,698
Cygate AB, 556549-8952, Solna	100	61,000	659	659
Telia Finance AB, 556404-6661, Solna	100	45,000	481	481
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, Stockholm	100	2,079,000	353	353
Telia Försäkring AB, 516401-8490, Stockholm	100	2,000,000	200	200
TeliaSonera Sverige Net Fastigheter AB, 556368-4801, Stockholm	100	5,000	169	169
Svenska Stadsnät AB, 556577-9195, Landskrona	100	100,000	70	70
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
Quadracom Networks AB, 556606-6055, Gothenburg	100	10,000	9	71
Sergel Kredittjänster AB, 556264-8310, Stockholm	100	5,000	8	8
Svenska Stadsnät Transit AB, 556333-0934, Täby	100	1,000	8	23
TeliaSonera Network Sales AB, 556458-0040, Stockholm	100	10,000	7	7
Svenska Stadsnät Perspektiv AB, 559028-4153, Stockholm	100	500	4	–
We Care and Repair Nordic AB, 556989-3679, Stockholm	100	500	2	0
Växjö Support Center Försäljnings AB, 556663-4514, Växjö	100	1,000	1	5
Sergel Finans AB, 559067-6416, Stockholm	100	50,000	0	–
Other operating, dormant and divested companies			0	7

Subsidiary, Corp. reg. no., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions) Dec 31, 2016	Dec 31, 2015
Non-Swedish companies				
TeliaSonera Finland Oyj, 1475607-9, Helsinki	100	1,417,360,515	74,863	74,863
Cygate Oy, 0752421-0, Helsinki	100	1,500,000	246	246
Sergel Oy, 1571416-1, Helsinki	100	267,966,000	149	277
Telia Carrier Finland Oy, 1649304-9, Helsinki	100	100	98	98
Bemecon Solutions Oy, 2442892-5, Esbo	100	10,000	6	–
Sergel Finans Oy, 2767856-7, Helsinki	100	250	0	–
Telia Norge AS, 981929055, Oslo	100	30,000	12,786	12,786
Sergel Norge AS, 984272170, Sandefjord	100	227,247	143	143
Telia Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	172	172
TeliaSonera Danmark A/S, 18530740, Copenhagen	100	14,500	19	54
Sergel A/S, 35481036, Copenhagen	100	500,000	1	6
Argon A/S, 36462272, Copenhagen	100	500,000	1	1
TEO LT, AB, 121215434, Vilnius	88.2	513,593,681	4,144	3,310
UAB Sergel, 125026242, Vilnius	100	10,850	7	7
SIA Telia Latvija, 000305757, Riga	100	293,500	29	51
Telia Carrier Latvia SIA, 000325135, Riga	100	208,542	13	13
SIA Sergel, 010318318, Riga	100	3,507	4	4
Latvijas Mobilais Telefons SIA, 000305093, Riga	24.5	200,165	2	2
Telia Eesti AS, 10234957, Tallinn	100	137,954,528	5,686	5,686
Telia Carrier Estonia OÛ, 12606073, Tallin	100	1	11	11
TeliaSonera Kazakhstan Holding B.V., 6547289, Rotterdam	100	10	1,355	–
Telia Carrier France S.A.S., B421204793, Paris	100	2,700,000	681	681
Telia Carrier UK Ltd, 02796345, London	100	1,010,000	268	268
Telia Carrier Germany GmbH, HRB50081, Frankfurt am Main	100	–	249	249
AO Telia Carrier Russia, 102780919327, 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, Praque	100	20,000	126	126
Telia Carrier Austria GmbH, FN191783i, Vienna	100	–	118	118
Telia Carrier Netherlands B.V., 34128048, Amsterdam	100	910	59	59
Telia Carrier Switzerland AG, CHE-105.398.242, Zurich	100	1,000	54	54
Telia Frankfurt Property GmbH, HRB98956, Frankfurt am Main	100	–	49	49
Telia Carrier Poland Sp.z.o.o., KRS0000018616, Warsaw	100	22,500	37	37
Telia Carrier Hungary Kft, 01-09-688192, Budapest	100	–	19	19
Telia Carrier Italy S.p.A., 07893960018, Turin	100	530,211	17	17
Telia Carrier Bulgaria EOOD, 175215740, Sofia	100	29,210	14	14
TeliaSonera Telekomünikasyon Hizmetleri A.S., 381395, Istanbul	99.0	79,193	10	10
Telia Carrier Turkey Telekomünikasyon Ltd Sirketi, 609188, Istanbul	99.5	55,919	8	8
Telia Carrier Slovakia s.r.o., 36709913, Bratislava	100	–	7	7
Telia Carrier Ireland Ltd., 347074, Dublin	100	27	6	6
TOV Telia Carrier Ukraine, 34716440, Kyiv	100	–	6	6
Telia Carrier Romania S.R.L., 20974985, Bukarest	100	10,001	5	5
Telia Carrier Belgium S.A., 0469422293, Brussels	100	50,620	3	3
Telia Carrier Singapore Pte. Ltd., 200005728N, Singapore	100	1,200,002	1	1
Telia Carrier Canada, Inc., BC0968600, Vancouver, BC	100	100	1	1
TeliaSonera Assignments B.V., 24300363, Rotterdam	100	1,810,719,000	0	2
Telia Carrier Croatia d.o.o., 13282149307, Zagreb	100	1	0	–
Other operating, dormant and divested companies			1	4,702
Total			**139,239**	**144,226**

In 2016, the carrying value of Skanova AB was written down to reflect the operational performance and capital structure. Xfera Móviles S.A. was divested to Masmovil, a Spanish telecommunications operator. The carrying value in UAB Omnitel has as part of the intragroup share disposal been transferred to TEO LT, AB and the carrying value in TeliaSonera Mobile Networks AB has as part of the intragroup disposal of all assets and liabilities been transferred to TeliaSonera Sverige AB. Telia Danmark is a branch of Telia Nättjänster Norden AB. Telia Company´s stakes in the networksharing operations in Sweden and Denmark are held through TeliaSonera 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 on Latvijas Mobilais Telefons SIA. Telekomünikasyon Hizmetleri A.S. are owned by TeliaSonera 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 AB indirectly controls a number of operating and dormant subsidaries of subsidiaries.

P11 TRADE AND OTHER RECEIVABLES

The carrying value of trade and other receivables were distributed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Interest rate and cross currency interest rate swaps designated as fair value hedges	301	–
Currency swaps and forward exchange contracts held for trading	942	1,154
Subtotal (see Fair value hierarchy levels – Note P19)	***1,243***	***1,154***
Accounts receivable at amortized cost	–	2
Loans and receivables at amortized cost	0	2
Subtotal (see Categories – Note P19 and Credit risk – Note P20)	***1,243***	***1,159***
Receivables from subsidiaries	33,407	40,375
of which cash-pool balances and short-term deposits	*25,234*	*32,325*
of which trade and other receivables	*8,173*	*8,050*
Other current receivables	369	182
Deferred expenses	25	24
Total trade and other receivables	**35,043**	**41,740**
of which interest-bearing	*26,197*	*33,101*
of which non-interest-bearing	*8,846*	*8,639*

For Accounts receivable and Loans and receivables, the carrying values equal fair value as the impact of discounting is insignificant. 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, 2016	Dec 31, 2015
Geographical area		
Other countries	–	4
Total carrying value	**–**	**4**
Customer segment		
Other customers	0	4
Total carrying value	**0**	**4**

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, refer to Note P19 “Financial assets and liabilities by category and level” and section “Credit risk management” in Note P20 “Financial risk management,” respectively. Conventional commercial terms apply for receivables from subsidiaries.

As of the end of the reporting period, allowance for doubtful and ageing of Accounts receivable, respectively, were as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Accounts receivable invoiced	–	2
Allowance for doubtful accounts receivable	–	–
Total accounts receivable	**–**	**2**
Accounts receivable not due	–	1
Accounts receivable past due but not impaired	–	1
of which 30–180 days	–	*0*
of which more than 180 days	–	*1*
Total accounts receivable	**–**	**2**

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, 2016	Dec 31, 2015
Loans and receivables not due	–	2
Total loans and receivables	–	**2**

There were no bad debt expenses and no recovered accounts receivable in 2016 and in 2015.

P12 SHORT-TERM INVESTMENTS, CASH AND CASH EQUIVALENTS

Short-term investments, cash and cash equivalents were as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Short term investments with maturities longer than 3 months	5,043	5,216
of which bonds available for sale	*4,564*	*5,216*
Short-term investments with maturities up to and including 3 months	8,656	3,655
of which bonds available for sale	*3,810*	*1,234*
of which bank deposits at amortized cost	*4,846*	*2,421*
Total short-term investments	**13,699**	**8,870**
Cash and bank	3,576	9,903
Total *(see Categories – Note P19 and Credit risk – Note P20)*	**17,275**	**18,773**
of which cash and cash equivalents	*12,232*	*13,558*

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, 2016, there were no blocked funds in Telia Company AB's bank accounts. For more information on financial instruments by category and exposed to credit risk, refer to Note P19 "Financial assets and liabilities by category and level" and section "Credit risk management" in Note P20 "Financial risk management," 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:

	SEK
Retained earnings	54,206,643,071
Net income	10,366,679,823
Total	**64,573,322,894**

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.00 per share ordinary dividend to the shareholders	8,660,169,562
To be carried forward	55,913,153,332
Total	**64,573,322,894**

The dividend should be split and distributed into two equal tranches of SEK 1.00 each, one in April 2017 and one in October 2017.

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.

P14 PROVISIONS FOR PENSIONS AND EMPLOYMENT CONTRACTS

Pension obligations and pension expenses

The vast majority of employees in Telia Company AB are covered by a defined benefit pension plan (the ITP-Tele plan and ITP 2 plan) which means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plan mainly includes retirement pension, disability pension and family pension. All employees born in 1979 or later are covered by a defined contribution pension plan (the ITP1 plan).

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, 2016	Dec 31, 2015
Opening balance, pension obligations covered by plan assets	1,569	1,586
Opening balance, pension obligations not covered by plan assets	436	427
Opening balance, total pension obligations	**2,005**	**2,013**
Current service cost	21	24
Interest cost, paid-up policy indexation	125	105
Benefits paid	-131	-127
Divested operations	0	0
Other changes in valuation of pension obligations	-22	-15
Termination benefits	2	6
Closing balance, pension obligations covered by plan assets	1,568	1,569
Closing balance, pension obligations not covered by plan assets	432	436
Closing balance, total pension obligations	**2,001**	**2,005**
of which PRI Pensionsgaranti pensions	*1,343*	*1,357*

The fair value of plan assets changed as follows.

SEK in millions, except percentages	Dec 31, 2016	Dec 31, 2015
Opening balance, plan assets	2,421	2,358
Actual return	133	63
Closing balance, plan assets	**2,555**	**2,421**
Actual return on plan assets (%)	*5.5*	*2.7*

Provisions for pension obligations were recognized in the balance sheet as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Present value of pension obligations	2,001	2,005
Fair value of plan assets	-2,555	-2,421
Surplus capital in pension fund	987	852
Provisions for pension obligations	**432**	**436**

Total pension expenses (+)/income (-) were distributed as follows.

SEK in millions	**Jan–Dec 2016**	**Jan–Dec 2015**
Current service cost	21	24
Interest cost, paid-up policy indexation	125	105
Less interest expenses recognized as financial expenses	-18	-16
Actual return on plan assets	-133	-63
Divested operations, pension obligations	0	0
Other changes in valuation of pension obligations	-22	-15
Termination benefits	2	6
Pension expenses (+)/income (-), defined benefit pension plans	**-25**	**41**
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	85	55
Pension-related social charges and taxes	52	51
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost	-10	-6
Pension expenses (+)/income (-)	**127**	**100**
Decrease (-)/Increase (+) of surplus capital in pension fund	135	80
Recognized pension expenses (+)/income (-)	**237**	**221**
of which pension premiums paid to the ITP pension plan	*6*	*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 2016 and 3.2 percent in 2015. Obligations were calculated based on the salary levels prevailing at December 31, 2016 and 2015, respectively.

Plan-asset allocation

At the end of the reporting period, plan assets were allocated as follows.

	Dec 31, 2016		**Dec 31, 2015**	
Asset category	**SEK in millions**	**Percent**	**SEK in millions**	**Percent**
Fixed income instruments, liquidity	1,244	48.9	1,344	55.5
Shares and other investments	1,310	51.1	1,077	44.5
Total	**2,555**	**100.0**	**2,421**	**100.0**
of which shares in Telia Company AB	–	–	–	–

Future contributions and pension payments

As of December 31, 2016, the fair value of plan assets exceeded the present value of pension obligations. Unless the fair value of plan assets during 2017 should fall short of the present value of pension obligations, Telia Company AB has no intention to make any contribution to the pension fund.

P15 OTHER PROVISIONS

Changes in other provisions were as follows.

	December 31, 2016					
SEK in millions	**Payroll taxes on future pension payments**	**Restructuring provisions**	**Other provisions**	**Damages and court cases**	**Insurance provisions**	**Total**
Opening balance	20	50	–	240	23	**333**
of which financial liabilities at amortized cost	–	–	–	–	–	**–**
Provisions for the period	–	57	10	13,204	–	**13,271**
Utilized provisions	-4	-64	–	–	–	**-69**
Reversals of provisions	–	–	–	-240	–	**-240**
Reclassifications	–	-1	–	–	–	**-1**
Closing balance	**16**	**42**	**10**	**13,204**	**23**	**13,294**
of which non-current portion	*16*	–	*10*	–	*23*	*49*
of which current portion	–	*42*	–	*13,204*	–	*13,245*

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note P19 “Financial assets and liabilities by category and level” 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, is expected to be fully utilized in 2017-2018. Provisions for damages and court cases comprises of the provision for settlement amount proposed by the US and Dutch authorities, 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 2017-2029.

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 AB's open-market financing programs, see Notes to consolidated financial statements (corresponding section in Note C20).

Borrowings

Long-term and short-term borrowings were distributed as follows.

	Dec 31, 2016		Dec 31, 2015	
SEK in millions	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	37,189	46,135	37,672	41,021
Interest rate swaps at fair value	37	37	621	621
of which designated as hedging instruments	*18*	*18*	*591*	*591*
of which held-for-trading	*18*	*18*	*30*	*30*
Cross currency interest rate swaps at fair value	2,648	2,648	1,694	1,694
of which hedging net investments	*1,778*	*1,778*	*1,334*	*1,334*
of which designated as hedging instruments	*549*	*549*	*171*	*171*
of which held-for-trading	*320*	*320*	*190*	*190*
Subtotal (see Fair value hierarchy levels – Note P19)	***39,873***	***48,819***	***39,988***	***43,337***
Open-market financing program borrowings at amortized cost	41,334	45,209	47,908	53,577
Subtotal (see Categories – Note P19)	***81,207***	***94,028***	***87,896***	***96,914***
Borrowings from subsidiaries	–		190	
of which other borrowings	*–*		*190*	
Total long-term borrowings	**81,207**		**88,086**	
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	7,486	7,551	–	–
Interest rate swaps designated as hedging instruments	–	–	43	43
Interest rate swaps designated as held-for trading	3	3	7	7
Cross currency interest rate swaps as held-for trading	191	191	–	–
Subtotal (see Fair value hierarchy levels – Note P19)	***7,679***	***7,744***	***51***	***51***
Open-market financing program borrowings at amortized cost	2,258	2,265	5,627	5,648
of which hedging net investments	*–*	*–*	*1,584*	*1,589*
of which at amortized cost	*2,258*	*2,265*	*4,043*	*4,059*
Other borrowings at amortized cost	559	559	3,354	3,354
Subtotal (see Categories – Note P19)	***10,496***	***10,567***	***9,031***	***9,052***
Borrowings from subsidiaries	19,146		28,506	
of which cash pool balances	*9,229*		*26,603*	
of which other borrowings	*9,917*		*1,903*	
Total short-term borrowings	**29,642**		**37,537**	

As of December 31, 2016 and 2015, fully unutilized bank overdraft facilities had a total limit of SEK 1,342 million and SEK 973 million, respectively.

For additional information on financial instruments classified by category/fair value hierarchy level, refer to Note P19 "Financial assets and liabilities by category and level," and for information on maturities and liquidity risks, refer to section "Liquidity risk management" in Note P20 "Financial risk management." Refer to Notes to consolidated financial statements (corresponding section in 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, 2016	Dec 31, 2015
Liabilities to subsidiaries	0	1
Other liabilities	9	7
Total long-term liabilities	**9**	**8**

For the years 2016 and 2015, 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, 2016	Dec 31, 2015
Currency swaps, forward exchange contracts and currency options held-for-trading	694	101
Subtotal (see Fair value hierarchy levels – Note P19)	***694***	***101***
Accounts payable at amortized cost	86	132
Current liabilities at amortized cost	7	75
Subtotal (see Categories – Note P19)	***788***	***308***
Liabilities to subsidiaries	497	551
Other current liabilities	13,450	567
Total short-term provisions, trade payables and other current liabilities	**14,735**	**1,425**

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. Other current liabilities mainly comprises of the provision for settlement amount proposed by the US and Dutch authorities, for more information see Note C34. For additional information on financial instruments classified by category/fair value hierarchy level and on liquidity risks, refer to Note P19 “Financial assets and liabilities by category and level” and section “Liquidity risk management” in Note P20 “Financial risk management.” As of December 31, 2016, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	Total
Liabilities at amortized cost	94	0	0	0	**94**

Corresponding information for currency derivatives held-for-trading is presented in section “Liquidity risk management” to Note P20 “Financial risk management.”

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 assets and liabilities relating to subsidiaries are not included. Excluded are also investments in associated companies and joint ventures as discussed in Note P10 "Other financial assets" and pension obligations as discussed in Note P14 "Provisions for pensions and employment contracts."

SEK in millions	Note	Dec 31, 2016	Dec 31, 2015
Financial assets			
Derivatives designated as hedging instruments	P10, P11	2,637	2,824
Financial assets at fair value through profit and loss		3,084	3,162
Derivatives not designated as hedging instruments	*P10, P11*	*3,058*	*3,137*
Held-for-trading investments	*P10*	*26*	*25*
Long- and short-term bonds available-for-sale	P10, P12	18,560	15,291
Loans and receivables	P10, P11, P12	40,933	44,033
Available-for-sale financial assets	P10, P12	1,160	1,052
Total financial assets by category		**66,374**	**66,362**
Financial liabilities			
Derivatives designated as hedging instruments	P16	2,346	2,139
Derivatives not designated as hedging instruments	P16, P18	1,226	329
Financial liabilities measured at amortized cost	P16, P18	108,562	124,015
Total financial liabilities by category		**112,133**	**126,483**

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, 2016				December 31, 2015			
			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									
Equity instruments available-for-sale	P10	**1,160**	–	–	1,160	**1,052**	–	–	1,052
Investments in other equity instruments held-for-trading	P10	**26**	–	–	26	**25**	–	–	25
Long and short term bonds available-for-sale	P10, P12	**18,560**	18,560	–	–	**15,291**	15,291	–	–
Derivatives designated as hedging instruments	P10, P11	**2,637**	–	2,637	–	**2,824**	–	2,824	–
Derivatives held-for-trading	P10, P11	**3,058**	–	3,058	–	**3,137**	–	3,072	65
Total financial assets at fair value by level		**25,442**	**18,560**	**5,695**	**1,186**	**22,329**	**15,291**	**5,896**	**1,142**
Financial liabilities at fair value									
Derivatives designated as hedging instruments	P16	**2,346**	–	2,346	–	**2,139**	–	2,139	–
Derivatives held-for-trading	P16, P18	**1,226**	–	1,226	–	**329**	–	329	–
Total financial liabilities at fair value by level		**3,572**	**–**	**3,572**	**–**	**2,468**	**–**	**2,486**	**–**

There were no transfers between Level 1 and 2 in 2016 and 2015.

Level 3 financial assets changed as follows.

	December 31, 2016				December 31, 2015			
SEK in millions	**Equity instruments available-for-sale**	**Investments in other equity instruments held-for-trading**	**Derivatives held-for-trading**	**Total**	**Equity instruments available-for-sale**	**Investments in other equity instruments held-for-trading**	**Derivatives held-for-trading**	**Total**
Level 3, opening balance	1,052	25	65	**1,142**	46	21	55	**122**
Changes in fair value	-4	–	–	**-4**	12	0	10	**22**
of which recognized in net income	*-4*	–	–	**-4**	*-13*	*0*	*10*	**-3**
of which recognized in other comprehensive income	–	–	–	–	*25*	–	–	**25**
Purchases/capital contributions	48	*1*	–	**49**	994	4	–	**998**
Exercise of warrants	65	–	-65	**0**	–	–	–	**–**
Level 3, closing balance	**1,162**	**26**	**0**	**1,186**	**1,052**	**25**	**65**	**1,142**

Changes in fair value recognized in net income are included in line item Financial income and expenses, see specification in Note P5 "Financial income and expenses." For more information see Note C25.

P20 FINANCIAL RISK MANAGEMENT

Principles, capital management and management of financial risks

For information relevant to Telia Company AB, see Notes to consolidated financial statements (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, 2016**	**Dec 31, 2015**
Other financial assets	P10	14,718	14,776
Trade and other receivables	P11	1,244	1,159
Short-term investments, cash and cash equivalents	P12	17,275	18,773
Total		**33,237**	**34,708**

For information on credit risk management relevant to Telia Company AB, see Notes to consolidated financial statements (corresponding section in Note C26).

Liquidity risk management

Liquidity risk is the risk that Telia Company AB 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 AB, see Notes to consolidated financial statements (corresponding section in Note C26).

As of December 31, 2016, contractual undiscounted cash flows for interest-bearing borrowings and non-interest-bearing currency derivatives (excluding intra-group derivatives) represented the following expected maturities, including installments 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 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
Utilizied bank overdraft facilities	–	185	–	–	–	–	–	–	–	**185**
Open-market financing program borrowings	9,164	57	351	1,792	4,453	11,267	10,513	11,489	59,088	**108,175**
Cross currency interest rate swaps and interest rate swaps										
Payables	47,500	2,157	–	450	–	–	–	–	–	**50,107**
Receivables	-47,131	-2,052	–	-448	–	–	–	–	–	**-49,631**
Currency swaps and forward exchange contracts										
Payables	6,770	950	57	3,079	6,755	5,306	7,685	1,110	26,392	**58,104**
Receivables	-8,269	-1,077	-68	-3,000	-7,146	-5,696	-8,002	-1,133	-26,451	**-60,842**
Total, net	**8,034**	**220**	**340**	**1,873**	**4,062**	**10,877**	**10,196**	**11,466**	**59,029**	**106,098**

Expected maturities for and additional information on non-interest-bearing liabilities, guarantees and other contractual obligations are presented in Notes P15 “Other provisions,” P18 “Short-term provisions, trade payables and other current liabilities” and P23 “Contingencies, other contractual obligations and litigation,” respectively.

P21 OPERATING LEASE AGREEMENTS

Telia Company AB 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, 2016, that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
Future minimum leasing fees	8	8	8	8	33	32	32	47	0	**177**

In 2016 and 2015, total rent and leasing fees paid were SEK 43 million and SEK 29 million, respectively.

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 2016 and 2015, sales to subsidiaries totaled SEK 3 million and SEK 3 million, respectively, while purchases from subsidiaries totaled SEK -343 million and SEK -166 million, respectively.

Commitments on behalf of related parties
Telia Company AB has made certain commitments on behalf of group companies and joint ventures. See Note P23 “Contingencies, other contractual obligations and litigation” for further details.

Other transactions
For descriptions of certain other transactions with related parties, see Notes to consolidated financial statements (Note C28).

P23 CONTINGENCIES, OTHER CONTRACTUAL OBLIGATIONS AND LITIGATION

Contingent assets and financial guarantees
As of the end of the reporting period, Telia Company AB had no contingent assets, while financial guarantees reported as contingent liabilities were distributed as follows.

SEK in millions	Dec 31, 2016	Dec 31, 2015
Guarantees on behalf of subsidiaries	11,752	2,556
Guarantees for pension obligations	39	38
Total financial guarantees	**11,791**	**2,595**

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 AB'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 AB could be required to make under the respective guarantee. Guarantees on behalf of subsidiaries include SEK 9,106 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 include SEK 532 million related to Swedish pension obligations and SEK 684 million related to vendor financing. In addition to financial guarantees indicated above, guarantees for fulfillment of contractual undertakings are granted by Telia Company AB 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, 2016	Dec 31, 2015
Investment bonds pledged under repurchase agreements	*559*	*–*
Total collateral pledged	**559**	**–**

Other unrecognized contractual obligations

As of December 31, 2016, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	2018	2019	2020	2021	Later years	Total
Other holdings	1	1	1	1	1	–	–	–	–	5
Total *(see Liquidity risk – Note P20)*	**1**	**1**	**1**	**1**	**1**	**–**	**–**	**–**	**–**	**5**

Reported obligations refer to licenses for and adaption of business support systems.

Legal and administrative proceedings

For additional information relevant to Telia Company AB, see Notes to consolidated financial statements (corresponding section in Note C29).

P24 CASH FLOW INFORMATION

Non-cash transactions

No non-cash transactions were performed during 2016 or 2015.

P25 HUMAN RESOURCES

The number of employees was 273 at December 31, 2016 (298 at year-end 2015). The average number of full-time employees was as follows.

	Jan–Dec 2016		Jan–Dec 2015	
Country	**Total (number)**	**of whom men (%)**	**Total (number)**	**of whom men (%)**
Sweden	286	51	288	48
Total	**286**	**51**	**288**	**48**

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 10 other members (9 members in 2015) of Group Executive Management employed by the parent company.

Percent	Dec 31, 2016		Dec 31, 2015	
	Board of Directors	Other Corporate Officers	Board of Directors	Other Corporate Officers
Women	45.5	33.3	36.4	33.3
Men	54.5	66.7	63.6	66.7
Total	**100.0**	**100.0**	**100.0**	**100.0**

Total personnel expenses were distributed by nature as follows.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Salaries and other remuneration	**418**	**343**
of which performance share programs	*8*	*7*
Social security expenses		
Employer's social security contributions	131	109
of which performance share programs	*3*	*2*
Pension expenses	237	221
Total social security expenses	**371**	**330**
Other personnel expenses	32	44
Total personnel expenses recognized by nature	**821**	**717**

Salaries and other remuneration were divided between Corporate Officers and other employees as follows.

SEK in millions	Jan–Dec 2016		Jan–Dec 2015	
	Corporate Officers (of which variable pay)	Other employees	Corporate Officers (of which variable pay)	Other employees
Salaries and other remuneration	67 (–)	351	91 (–)	252

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 9 other members (9 members in 2015) 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.

SEK in millions	January–December or December 31, 2016	2015
Pension expenses	20	25
Outstanding pension commitments	171	183

For additional information, see sections “Performance share programs” and “Remuneration to corporate officers” in Notes to consolidated financial statements (Note C31).

P26 REMUNERATION TO AUDIT FIRMS

Remuneration billed by audit firms was as follows. See additional information in Notes to consolidated financial statements (Note C32).

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Remuneration expensed		
Deloitte		
Audit	9	11
Audit-related services	0	–
Tax services	–	2
All other services	6	17
Total	**15**	**30**

GRI INDEX

GRI index and other sections of the Annual and Sustainability Report have been prepared according to GRI G4 "In accordance – Core." Additionally we use the Telecommunications Sector Supplement. Deloitte has been engaged to provide a limited level of assurance on these sections, see Auditors' Limited Assurance Report on the Sustainability Report for more information. All disclosures in this GRI index are covered by the limited assurance.

Some of the disclosures in this GRI index, while deemed non-material, are nevertheless included as a response to specific stakeholder requests. In the case of a disclosure not being fully reported, the omission is explained at the end of the disclosure.

The following exceptions to the reporting scope apply:

- Information from Yoigo in Spain and Ncell in Nepal are excluded from 2016 reporting as they were divested during 2016, but are included in 2014 and 2015 information.
- For 2016, information from Tcell in Tajikistan is included only in reported energy, emissions (scope 1 and 2) and occupational health and safety figures.

STRATEGY AND ANALYSIS

G4-1 CEO statement

See Our Company, section "Comments by the CEO."

G4-2 Description of key impacts, risks, and opportunities

See Our Company, sections "How we create value" and "Trends and strategy" and Sustainability Work, sections "Sustainability in Telia Company" and "Sustainability focus area summary."

ORGANIZATIONAL PROFILE

G4-3 Name of the organization

Telia Company AB (publ).

G4-4 Primary brands, products, and services

See Our Company, section "Where we operate."

G4-5 Location of the organization's headquarters

Stockholm, Sweden.

G4-6 Countries where the organization operates

See Our Company, section "Where we operate."

G4-7 Nature of ownership and legal form

See Directors' report, section "Telia Company share."

G4-8 Markets served

See Our Company, section "Where we operate."

G4-9 Scale of the organization

See Our Company, section "Telia Company and 2016 in brief."

G4-10 Total workforce by employment type, employment contract, and region

See Note C31 to the consolidated financial statements.

Omission: We do not report percentage of full-time and part-time employees, or percentage of permanent and temporary employees.

G4-11 Percentage of employees covered by collective bargaining agreements

79 (79) percent of employees were covered by collective bargaining agreements.

In the following countries the percentage is zero: Kazakhstan, Azerbaijan, Georgia, Czech Republic, Germany, Hong Kong, Hungary, Netherlands, Poland, Singapore, United Kingdom, United States, Turkey, Italy and Russia.

Telia Company employees 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 respectfully cooperates with legitimate employee representatives and national labor unions.

G4-12 Description of the supply chain

See Sustainability Work, section "Responsible procurement."

G4-13 Significant changes during the reporting period regarding size, structure, ownership or supply chain

See Our Company, section "Telia Company and 2016 in brief."

G4-14 How the precautionary principle is approached

For Telia Company the precautionary principle relates mainly to product safety and electromagnetic fields. Our overall precautionary approach is addressed through the code of responsible business conduct, supplier code of conduct, other policies, and the compliance framework.

G4-15 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses

See Sustainability Work, section "Sustainability in Telia Company."

G4-16 Memberships of associations

See www.teliacompany.com/en/about-the-company/public-policy/.

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17 Entities included in the consolidated financial statements, and whether any entity is not covered by the report

See Our Company, section "Where we operate" and Note C4 to the consolidated financial statements.

G4-18 Process for defining report content and aspect boundaries, and how the reporting principles for defining report content have been implemented

Report content and aspect boundaries are defined through continuous or annual internal and external stakeholder input, including discussions at Group Executive Management and Board of Directors level on the strategic direction of Telia Company's sustainability work, and as part of the process of producing the Annual and Sustainability Report. See also Our Company, section "Trends and strategy" and Sustainability Work, section "Sustainability in Telia Company."

G4-19 Material aspects identified in the process for defining report content

See Sustainability Work, section "Sustainability in Telia Company" and Our Company, section "Trends and strategy" for an understanding of material topics that define our sustainability work and report content.

G4-20 Aspect boundary within the organization for each material aspect

Material aspects are considered material for the entire organization.

G4-21 Aspect boundary outside the organization for each material aspect

Material aspects are considered material for all external stakeholder groups.

G4-22 Effect of any restatements of information provided in previous reports, and the reasons for such restatements

See "Emissions."

G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries

Operations in Nepal and Spain have been excluded from parts of reporting as they were divested during the year.

STAKEHOLDER ENGAGEMENT

G4-24-27 Stakeholder engagement

See Our Company, section "Strategy and trends" and Sustainability Work, section "Sustainability in Telia Company."

REPORT PROFILE

G4-28 Reporting period

Calendar year 2016.

G4-29 Date of most recent previous report

March 2016.

G4-30 Reporting cycle

Annual. We regularly publish sustainability related information on the Newsroom, and a bi-annual sustainability update and law enforcement disclosure report. See www.teliacompany.com/en/sustainability/reports/.

G4-31 Contact point for questions regarding the report or its contents

Comments and feedback are important to help us develop our sustainability work and reporting. You are welcome to contact us at sustainability-group (at) teliacompany.com.

G4-32 GRI content index

GRI Index.

G4-33 Policy and current practice with regard to seeking external assurance to the report

Deloitte has been engaged to provide a limited level of assurance on sections of the Annual and Sustainability Report. Telia Company will continue this practice.

GOVERNANCE

G4-34-49 Governance of the organization with regards to economic, social and environmental impacts

See Corporate Governance, sections "Governing Bodies," "Shareholders," "Board of Directors," "Group-wide governance framework" and Sustainability Work, section "Sustainability in Telia Company."

ETHICS AND INTEGRITY

G4-56 Values, principles, standards and norms of behavior such as codes of conduct and codes of ethics

See Corporate Governance, section "Group-wide governance framework" and Sustainability Work, section "Sustainability in Telia Company."

G4-58 Internal and external mechanisms for reporting concerns about unethical or unlawful behavior.

See Corporate Governance, section "Enterprise risk management (ERM) framework."

DISCLOSURE ON MANAGEMENT APPROACH

For an understanding of how material aspects have been identified, see Our Company, section "Trends and strategy" and Sustainability Work, section "Sustainability in Telia Company." For more information about sustainability governance, see Sustainability Work, section "Sustainability in Telia Company" and the Governance section of each respective focus area. The Code of Responsible Business Conduct and other governing documents can be found at www.teliacompany.com/en/about-us/public-policies.

Evaluation of management approach of material aspects is the responsibility of the function responsible for the specific material aspect, and is carried out mainly through internal reporting and assessment, including to Group Executive Management and the Board of Directors. To understand how the management approach of material aspects connected to the Responsible business focus areas was evaluated and revised during 2016, see the respective chapter. The management approach of other material aspects was not significantly revised.

ECONOMIC

Economic performance

G4-EC1 Direct economic value generated and distributed

For detailed financial information, see the consolidated financial statements.

Telia Company provides network access, telecommunications and other services to our customers, we buy equipment to develop our networks and IT systems, and we purchase mobile handsets and other consumer electronics from our suppliers. We pay salaries, dividends and taxes that benefit our employees, local communities and national economies. These actions all generate monetary flows affecting TeliaSonera's stakeholders. For more information, see Our Company, section "How we create value."

Tax is an important sustainability issue, 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.

The table below lays out corporate income tax payments by country.

Income taxes paid SEK in millions	2016	2015	2014
Sweden	1,773	220	906
Finland	0	0	-2
Norway	12	264	159
Denmark	0	0	0
Lithuania	38	37	30
Latvia	27	23	28
Estonia	123	91	101
Russia	90	82	100
Turkey	4	438	0
Other countries[1]	11	68	193
Total, continuing operations	**2,078**	**1,223**	**1,515**
Kazakhstan	268	685	649
Azerbaijan	416	410	359
Uzbekistan	0	6	12
Tajikistan	73	136	123
Georgia	-10	0	24
Moldova	0	0	0
Nepal	453	661	492
Other countries[2]	97	45	4
Total, discontinued operations	**1,297**	**1,943**	**1,663**
Total	**3,375**	**3,166**	**3,178**

1) Telia Carrier outside above countries.

2) 4 countries.

Omission: we are unable to accurately report value generated and distributed for all stakeholder groups. As we gain a better understanding of the financial and social impact of our services we aim to improve this reporting.

G4-EC2 Financial implications and other risks and opportunities due to climate change

See Directors' Report, section "Risks and uncertainties." For additional information, see our Carbon Disclosure Project Climate Change Response at www.cdp.net.

Indirect economic impacts

G4-EC8 Significant indirect economic impacts

See Our Company, section "How we create value."

Omission: we are unable to accurately quantify or report on our indirect economic impacts.

ENVIRONMENT

Energy

See "Emissions" regarding reporting scope and changes during the reporting period. All scope 1 energy except solar energy is non-renewable. Part of scope 2 energy is renewable, see Sustainability Work, section "Environmental responsibility" for more information.

G4-EN3 Energy consumption within the organization

Direct energy consumption by geographical area, GWh	2016	2015	2014
Sweden	3	3	4
Europe	27	29	31
Eurasia	104	161	178
Direct energy consumption, total	**134**	**193**	**213**

The figures include energy generated by solar powered base stations in Tcell in Tajikistan and Ucell in Uzbekistan, 2 GWh in total. Direct energy consumption consists mainly of fuel for generators used to provide back-up power, and for company cars. The large figure for Eurasia reflects the need for back-up generators where or when access to grid electricity is limited or unavailable.

Indirect energy consumption by geographical area, GWh	2016	2015	2014
Sweden	439	434	444
Europe	552	639	656
Eurasia	403	421	398
Other countries[1]	47	41	29
Indirect energy consumption, total	**1,441**	**1,535**	**1,527**

1) Telia Carrier outside above areas.

The major share of indirect energy consumed (electricity, district heating and district cooling) is used for running base stations and data centers. The figures also include offices, stores and other locations such as warehouses.

Omission: we are unable to specify energy used for cooling and heating of network equipment.

G4-EN5 Energy intensity

See Sustainability Work, section “Environmental responsibility.”

G4-EN6 Energy saved due to conservation and efficiency improvements

Energy savings initiatives, mainly related to replacing older equipment at base stations and data centers, closing technical sites and various office energy efficiency programs accounted for reported savings of around 60 GWh.

Emissions

WRI, IEA, Defra and Nord Pool emission factors have been used as a basis for calculating greenhouse gas (GHG) emissions. Historical figures have been recalculated using the most recent emission factors and are presented below as market-based emissions, with the following exceptions:

- *Eurasia, Other operations and operations in Spain (which is reported as part of Europe) have been calculated using location-based emission factors, as well as emissions from district heating and district cooling.*
- *Operations in Spain and Nepal are excluded from 2016 figures as they were divested during the year, but are included in 2014 and 2015 figures.*

Leased assets are generally considered as scope 1 and scope 2. All major operations where Telia Company has financial control are included, unless otherwise noted. Joint ventures are included based on ownership share. Emissions are reported as CO_2e as we estimate that the difference between CO_2 and CO_2e is negligible.

G4-EN15-16 Direct and indirect greenhouse gas emissions (scope 1 and scope 2)

Greenhouse gas emissions by geographical area, ktons CO_2e	2016	2015	2014
Direct emissions (scope 1)			
Sweden	1	1	1
Europe	7	7	7
Eurasia	25	40	44
Direct emissions, total	**33**	**48**	**52**
Indirect emissions (scope 2)			
Sweden	0	0	0
Europe	58	105	112
Eurasia	176	167	161
Other countries[1]	20	17	12
Indirect emissions, total	**254**	**289**	**285**
Direct and indirect emissions, total	**287**	**337**	**337**

1) Telia Carrier outside above areas.

Recalculating scope 2 emissions using a market-based approach and excluding figures from Spain in 2016 produced a significant change to Europe.

G4-EN17 Other indirect greenhouse gas emissions (scope 3)

Greenhouse gas emissions by geographical area, ktons CO_2e	2016	2015	2014
Sweden	3	4	4
Europe	3	3	2
Eurasia	2	3	3
Other indirect emissions from business travel, total	**8**	**10**	**9**

A significant share of the total emissions generated in our value chain is generated at suppliers. Correctly calculating these emissions is challenging across all markets as data is often lacking or of low quality. Therefore we only report business travel emissions from all countries.

G4-EN18 Greenhouse gas emissions intensity

See Sustainability Work, section “Environmental responsibility.”

G4-EN19 Reduction of greenhouse gas emissions

See Sustainability Work, section “Environmental responsibility.”

Effluents and waste

G4-EN23 Total weight of waste by type and disposal method

Dismantled telephone poles, ktons	2016	2015	2014
Sweden	5	6	8
Finland	1	4	6
Total	**6**	**10**	**14**

Waste reporting covers only operations in Sweden and Finland, where we are confident in the data provided by waste handlers. To provide meaningful comparison between scopes and years, we limit waste reporting to include only dismantled telephone poles. These poles are mainly dismantled as part of the technology shift from fixed to mobile networks.

In addition, approximately 1,050 tons of electronic waste was reported. The accuracy of this figure is uncertain as much of this waste, generated mainly from replacing equipment at or decommissioning technical sites is handled by contractors. For more information, see Sustainability Work, section “Environmental responsibility.”

Omission: we are continuously reviewing how we can improve waste reporting.

Supplier environmental assessment

G4-EN32 Percentage of new suppliers screened using environmental criteria

See Sustainability Work, section "Responsible procurement."

Omission: we are unable to report separately on the percentage of new suppliers. As we develop our supplier assessment processes, this data might become available.

LABOR PRACTICES AND DECENT WORK

Occupational health and safety

G4-LA6 Injuries, absenteeism, and work-related fatalities

See also Sustainability Work, section "Occupational health and safety."

LTIF and SAR, by geographical area	2016		2015	
	LTIF[1]	SAR[2] (%)	LTIF	SAR (%)
Sweden	0.32	3.0	0.44	2.5
Europe	0.50	2.3	0.54	2.3
Eurasia	0.10	1.5	0.09	1.4
Other countries[3]	0.0	1.2	0.0	0.9
Total	**0.36**	**2.4**	**0.41**	**2.2**

1) Total number of lost-time injuries per million possible working hours.
2) Total hours of sickness absence per possible working hours (full year average).
3) Telia Carrier outside above areas.

Around 20 lost-time injuries were reported. Most injuries occurred in the course of normal work (e.g. in offices or shops) or in traffic. A few cases were stress related.

There have been no fatal accidents involving Telia Company employees reported during 2014-2016.

Omission: we do not consider reporting by gender relevant, as there are no differences in work tasks. We are working on developing supplier reporting, see Sustainability Work, section "Responsible procurement."

Training and education

G4-LA11 Percentage of employees receiving regular performance and career development reviews

Since 2016, Telia Company has a new group-wide people performance approach called YouFirst. See Corporate Governance, section "Group-wide governance framework."

YouFirst covers all employees in regions Sweden and Europe. By year end, 71 percent had documented goals in the YouFirst tool. Local companies in region Eurasia follow the former performance management process which covers 86 percent of employees.

Supplier assessment for labor practices

G4-LA14 Percentage of new suppliers screened using labor practices criteria

See Sustainability Work, section "Responsible procurement."

Omission: we are unable to report separately on the percentage of new suppliers. As we develop our supplier assessment processes, this data might become available.

Labor practices grievance mechanisms

G4-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms

See Corporate Governance, section "Enterprise risk management (ERM) framework."

HUMAN RIGHTS

Investment

G4-HR1 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

See Sustainability Work, sections "Human rights impact assessments" and "Responsible procurement."

G4-HR2 Employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations

See Sustainability Work, sections "New Code of Responsible Business Conduct" and "Freedom of expression."

Non-discrimination

G4-HR3 Total number of incidents of discrimination and actions taken

There were no substantiated cases, with cause for disciplinary action, of discrimination during the year.

Freedom of association and collective bargaining; Child labor; Forced and compulsory labor

G4-HR4-6 **Operations and suppliers identified with significant risks regarding the right to exercise freedom of association and collective bargaining, child labor and forced and compulsory labor**

See Directors' Report, section “Risks and uncertainties”, Sustainability Work, section “Responsible procurement” and UK Modern Slavery Act statement. We generally consider these risks very small in Telia Company’s own operations, but bigger in parts of the supply chain.

Supplier human rights assessment

G4-HR10 **Percentage of new suppliers that were screened using human rights criteria**

See Sustainability Work, section “Responsible procurement.”

Omission: we are unable to report separately on the percentage of new suppliers. As we develop our supplier assessment processes, this data might become available.

Human rights grievance mechanisms

G4-HR12 **Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms**

See Corporate Governance, section “Enterprise risk management (ERM) framework.”

SOCIETY

Local communities

G4-SO1 **Local community engagement**

All local companies engage in a number of commercial sponsorships, events, philanthropic donations and more with the purpose of supporting local communities and to build brand trust and awareness. It is up to the local company to decide what is the most suitable engagement. It is important that such sponsoring and donations are not used to support unethical or corrupt business practices or for purposes that are not in line with Telia Company’s values. To mitigate these risks, the group-wide instruction for sponsorships and donations sets out a number of principles regarding what to sponsor and support, and the correct approval process. During 2016 we identified a need to improve the level of understanding of and compliance with the instruction. See Sustainability Work, section “Anti-bribery and corruption.”

During the year a large number of non-commercial activities were reported, many of which related to supporting children and young people with healthcare or education. Such activities support the local implementation of the All in shared value creation strategy.

Omission: we do not carry out local impact assessments. We aim to develop a more comprehensive approach to assessing the positive and negative impacts of our operations.

Anti-corruption

G4-SO3 **Number and percentage of operations assessed for risks related to corruption and the significant risks identified**

See Sustainability Work, section “Anti-bribery and corruption” and Directors' Report, section “Risks and uncertainties.”

G4-SO4 **Communication and training on anti-corruption policies and procedures**

See Sustainability Work, sections “New Code of Responsible Business Conduct”, “Anti-bribery and corruption” and “Responsible procurement.”

Omission: We are unable to provide more accurate statistics than those provided in the above sections.

G4-SO5 **Confirmed incidents of corruption and actions taken**

See Sustainability Work, section “Anti-bribery and corruption,” Corporate Governance, section “Enterprise risk management (ERM) framework” and “G4-SO8.”

Anti-competitive behavior

G4-SO7 **Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes**

Azercell in Azerbaijan and Telia in Sweden were engaged in ongoing legal cases with claims in excess of 10 MSEK.

Compliance

G4-SO8 **Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations**

Following a tax audit, Azercell in Azerbaijan was engaged in a case related to payment of tax which resulted in a significant amount being paid to the Azerbaijani tax authority by Azercell. Azercell has appealed the decision.

Local companies were engaged in a small number of labor disputes, none of which resulted in significant fines.

Telia Company, some of its subsidiaries and former employees are involved in preliminary investigations in Sweden, the Netherlands and USA primarily relating to investments in Uzbekistan. See Directors' Report, section "Risks and uncertainties" for more information.

PRODUCT RESPONSIBILITY

Product and service labeling

G4-PR5 **Practices related to customer satisfaction, including results of surveys measuring customer satisfaction**

We use NPS (Net Promoter Score) as the key measure to track development towards reaching our vision of becoming loyalty leader on all our markets. NPS was introduced as a group-level KPI in 2015 and is complemented by regular brand tracking in terms of brand consideration and preference. Results are analyzed and action plans are developed on both group and country level.

Due to changes during 2016 in how NPS is measured and calculated, we cannot present comparable, relevant figures for 2015 and 2016.

Omission: We aim to present comparable NPS figures in 2017 reporting.

Marketing communications

G4-PR7 **Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications**

No significant cases.

Customer privacy

G4-PR8 **Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data**

Around 25 substantiated complaints involving local data protection authorities were reported. Most cases related to system errors or failures which caused customer data to be visible for other customers or online, or customer data being sent to the wrong customer. In all reported cases, local companies cooperated with national supervisory authorities to correct the errors.

Omission: There are likely additional similar cases that have not been reported. We are working on improving internal reporting practices, including common definitions and logging of cases.

TELECOMMUNICATIONS SECTOR SUPPLEMENT

Health and safety

IO4-6 **Compliance with ICNIRP standards and guidelines related to radiofrequency emissions and Standard Absorption Rate of handsets and base stations**

Our approach to electromagnetic fields (EMF) can be found in the group EMF policy at teliacompany.com/en/about-the-company/public-policy/.

Access to telecommunication products and services

PA1-2 **Policies and practices to overcome barriers for access and use of telecommunications products and services**

See Sustainability Work, section "All in - shared value creation."

PA6 **Programs to provide and maintain telecommunication products and services in emergency situations and disaster relief**

We are prepared to assist in rescue work and disaster relief following major emergencies and disasters. Maintaining telecommunications is vital to facilitate rescue work and for helping affected people.

In 2015, Nepal was hit by major earthquakes. Ncell in Nepal collaborated with the Swedish non-profit organization Flowminder to provide aid agencies with updated people displacement data based on anonymized call detail record (CDR) data. See 2015 annual and sustainability report, Sustainability Work, section "Sponsorships and donations" for more information.

Access to content

PA7 **Policies and practices to manage human rights issues relating to access and use of telecommunications products and services**

See Sustainability Work, sections "Freedom of expression" and "Human rights impact assessments."

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 8, 2017

Marie Ehrling
Chair of the Board

Olli-Pekka Kallasvuo
Vice-Chair of the Board

Agneta Ahlström
Board member,
employee representative

Susanna Campbell
Board member

Stefan Calsson
Board member,
employee representative

Mikko Kosonen
Board member

Nina Linander
Board member

Martin Lorentzon
Board member

Anna Settman
Board member

Olaf Swantee
Board member

Peter Wiklund
Board member,
employee representative

Johan Dennelind
President and CEO

Our auditors' report was rendered on March 8, 2017

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 2016-01-01 - 2016-12-31 except for the corporate governance statement on pages 51-70. The annual accounts and consolidated accounts of the company are included on pages 22-50, 100-205 and 214 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 2016 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 2016 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 51-70. 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 group.

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.

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 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

In Telia Company, net sales amount to SEK 97.8 billion including discontinued operations and comprise of several different revenue streams such as traffic charges including interconnect and roaming, 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 (multiple deliverables).

We focused on this area since there are a number of risks mainly relating to the interpretation and application of accounting principles which include management estimates as to when the revenue should be recognized, and as well the completeness and valuation of revenue which mainly derives from the use of complex billing systems and data applications. In these systems and applications a vast amount of data are generated when customers use Telia Company's services and networks.

Audit procedures

Our audit procedures included, but were not limited to:

- evaluating the design and testing operational effectiveness of key internal controls, including relevant IT systems, used for billing and monitoring of revenue recognition;
- review of billing and revenue recognition policies with respect to significant new services, products and tariff plans during the year to determine appropriate revenue recognition;
- analytical and detailed audit procedures for a selection of recognized revenue and
- evaluating the adequacy of disclosures related to the various revenue streams.

For further information, please refer to the Group's accounting principles in note C3 on page 111-120, the key management judgements made in note C2 on pages 107-108 and the disclosures for Net Sales in note C6 on page 124 and information of Net Sales in discontinued operations in note C34 on page 174.

CARRYING VALUE OF ASSETS

Risk description

Telia Company's recorded values of intangible and other non-current tangible assets amount to SEK 129.1 billion excluding assets-held-for-sale and 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 changes in circumstances indicate that the carrying value of an asset may not be recoverable. A number of significant assumptions and estimates are involved when testing assets for impairment, among other determine fair value less costs of disposal, identification of cash generating units, estimation of expected future discounted cash flows and determine the weighted average cost of capital ("WACC"). The process for preparing impairment test also includes relevant management and board approvals of business plans and valuations.

We focused on the impairment test of intangible and other non-current tangible assets as the carrying value of such assets is material and the tests are sensitive to changes in assumptions.

Audit procedures
Together with our valuation specialists our audit procedures included, but were not limited to:
- gained an understanding of managements process for identifying indicators of impairment;
- evaluating the assumptions and methodologies used by management when testing assets for impairment including sensitivity analyses;
- evaluating the adequacy of disclosures related to those assumptions to which the outcome of the impairment test is most sensitive.

For further information, please refer to the Group's accounting principles in note C3 on pages 111-121, the key management judgements made for valuation in note C2 on page 108-109 and the information on intangible and non-current intangible assets in note C12 and C13 on pages 132-136.

DIVESTMENTS IN EURASIA

Risk description
Telia Company announced in September 2015 their intention to divest their operations and assets in Eurasia. The operations to be divested are classified as held for sale and discontinued operations as of 31 December, 2016. According to IFRS 5, non-current assets and disposal groups should be classified as held-for-sale if their carrying value will be recovered principally through a sales transaction rather than through continuing use. One of the conditions that must be satisfied for classification as held-for-sale is that the sale is highly probable within one year. In addition, assets held for sale should be measured at the lower of carrying value and estimated fair value less costs to sell. For operations already fully divested the capital gain or loss calculations can be complex and also include significant management judgements relating to for example provisions for indemnities.

Since the operations are in countries with complex regulatory environment, compliance with local and international legislations as well as internal policies needs to be adhered to by the Board of directors and management.

We focused on this area since the amounts are significant and valuations and the accounting are complex and based on judgements and estimates. In addition the divestment requires a thorough governance structure to ensure compliance with local and international legislation and internal policies.

Audit procedures
Our audit procedures included, but were not limited to:
- review of Telia Company's actions in order to divest the operations and assets in Eurasia;
- identification and analysis of facts and circumstances to assess if former segment region Eurasia should be classified as held for sale and reported as discontinued operations as of 31 December, 2016, in accordance with IFRS 5;
- review and evaluation of the Board of directors' and management's process to determine fair value less costs to sell;
- review of capital gain or loss calculations including presentation in the financial reporting and adequacy of disclosures;
- gained an understanding of the divestment processes including assessment of compliance to relevant legislation and internal policies as well as testing adequate approvals.

For further information please refer to the Group's accounting principles in note C3 on pages 111-121, the key management judgements made for classification and valuation of assets held for sale in note C2 on page 110 and the information on assets held for sale and discontinuing operations in note C34 on page 174-178.

REVIEW OF EURASIAN TRANSACTIONS

Risk description
As described on page 49 in the Annual accounts Telia Company and subsidiaries in the Netherlands are subject to investigations in Sweden, the Netherlands and the US regarding Telia Company's operations in Uzbekistan and suspected irregularities in 2007 related to those and to the market entry into Uzbekistan. Telia Company has received a preliminary claim from the US and Dutch authorities amounting to USD 1.45 billion and a provision of the same amount in SEK (SEK 13.2 billion, including subsequent foreign currency changes) was recorded in 2016.

We focused on this area since the amount has a significant impact on the financial position of Telia Company.

Audit procedures
Our audit procedures included, but were not limited to:
- obtaining from management a description and evaluation of the claim and management's assessments and judgement related to the most likely outcome;
- inquiring of and discussions with in-house legal counsel about circumstances and considerations to be made in order to assess the claim;
- inquiring of external legal counsel about circumstances and considerations related to the claim and
- evaluating the adequacy of relevant disclosures.

For further information, please refer to the Risks and uncertainties section in the Board of Directors' report on pages 49-50, the key management judgements made in note C2 on pages 109-110 and the information on provisions within discontinued operations in note C34 on page 178.

IT-SYSTEMS FOR FINANCIAL REPORTING

Risk description

In addition to revenues large amounts of data are generated and processed in Telia Company's IT environment as part of their daily operations. The IT environment is complex and includes multiple applications throughout the Group. In addition data warehouse solutions are being used to capture and aggregate information as needed. The complex IT infrastructure requires processes for maintaining key IT systems and controls that enhance efficiency, consistency and control within business processes.

We focused on this area since there are risks that all transactions and data used for financial reporting are not captured timely and/or not complete.

Audit procedures

In collaboration with our IT-audit specialists our audit procedures included, but were not limited to:

- evaluation of Telia Company's governance model regarding IT and IT controls;
- identification, evaluation and testing of general computer controls for systems material to financial reporting;
- identification, evaluation and testing of automated controls within IT applications as well as data analytic procedures in order to review cut-off and completeness of information for systems material to financial reporting
- identification, evaluation and testing of controls over critical data for financial reporting.

CAPITAL EXPENDITURE

Risk description

Telia Company is investing significant amounts in their operations and capital expenditure amounts to SEK 21.4 billion for 2016 including discontinued operations. These investments have significant impact of the reporting of the financial position for Telia Company. The significant investments made by Telia Company require robust processes for acquiring and monitoring of intangible and tangible assets.

We focused on this area since there is significant management judgment required to determine the economic life of assets and assess appropriate amortization and depreciation rates as well as management assessment and application of accounting principles for costs to be capitalized.

Audit procedures

Our audit procedures included, but were not limited to:

- review of Telia Company's capital expenditure programs to understand strategy and its impacts on the financial statements;
- review the process for acquiring and accounting for intangible and tangible assets;
- detailed sample testing of the nature and amount of capitalized items as well as amortization and depreciation rates applied by Telia Company.

For further information, please refer to the Group's accounting principles in note C3 on pages 111-121, the principles for useful lives of assets in note C2 on page 108 and the information on Capital Expenditure during 2016 in notes C12, C13 and C34 on pages 132-136 and 174-178.

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 2-21, 71-99, 206-213 and 220-230. 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 intends to liquidate the company, to cease operations, or has 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2016-01-01 - 2016-12-31 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance statement on pages 51-70 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.

Stockholm, March 8, 2017

Deloitte AB

Signature on Swedish original

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 the Telia Company AB (publ) to undertake a limited assurance engagement of the Telia Company Sustainability Report for the year 2016. The Company has defined the scope of the Sustainability Report on page 2 in the printed version of this document.

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 206 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as 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 RevR 6 Assurance of Sustainability Reports issued by FAR. 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. 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, we 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 8, 2017

Deloitte AB

Signatures on Swedish original

Jan Nilsson
Authorized Public Accountant

Didrik Roos
Authorized Public Accountant

UNITED NATIONS GLOBAL COMPACT PRINCIPLES

Telia Company is a signatory to the United Nations Global Compact since 2013. This Annual and Sustainability Report represents our Communication On Progress.

Telia Company's implementation of the UN Global Compact principles is outlined in the table below. Our statement of continuing support for the Global Compact is found in "Comments by the Chair". Four subsidiaries – Omnitel and TEO in Lithuania, Moldcell in Moldova and Kcell in Kazakhstan – are themselves also signatories to the Global Compact. This Annual and Sustainability Report represents the Communication On Progress also for these companies.

Principle	Human Rights	Approach and outcomes
1	Support and respect the protection of internationally proclaimed human rights	See Sustainability Work, sections "Sustainability in Telia Company", "Human rights impact assessments" and "Freedom of expression"
2	Make sure that we are not complicit in human rights abuses	See Sustainability Work, sections "Human rights impact assessments" and "Freedom of expression"
	Labor	
3	Uphold the freedom of association and the effective recognition of the right to collective bargaining	See Sustainability Work, sections "Occupational health and safety" and "Responsible procurement," and GRI Index, "G4-11" and "G4-HR4-6"
4	Uphold the elimination of all forms of forced and compulsory labor	See Sustainability Work, section "Responsible procurement" and GRI Index, "G4-HR4-6"
5	Uphold the effective abolition of child labor	See Sustainability Work, section "Responsible procurement" and GRI Index, "G4-HR4-6"
6	Uphold the elimination of discrimination in respect of employment and occupation	See Sustainability Work, section "Occupational health and safety"
	Environment	
7	Support a precautionary approach to environmental challenges	See Sustainability Work, section "Environmental responsibility" and GRI Index, "G4-14"
8	Undertake initiatives to promote greater environmental responsibility	See Sustainability Work, section "Environmental responsibility"
9	Encourage the development and diffusion of environmentally friendly technologies	See Sustainability Work, section "Environmental responsibility"
	Anti-corruption	
10	Work against corruption in all its forms, including extortion and bribery	See Sustainability Work, section "Anti-bribery and corruption"

UK MODERN SLAVERY ACT STATEMENT

TELIA COMPANY STATEMENT

This statement has not been subject to limited assurance.

As per the UK Modern Slavery Act (the Act), companies with operations in the UK are called upon to report on their practices regarding understanding and preventing any kind of human trafficking, forced or slave labor in their own operations and their supply chain. Telia Company has operations in the UK through its subsidiary Telia Carrier UK Limited. Additionally, Kcell in Kazakhstan in which Telia Company is a majority owner is listed on the London Stock Exchange. Kcell has no significant business in the UK.

Telia Company is committed to the United Nations' Universal Declaration of Human Rights and the core conventions of the ILO, and seek to respect human rights as set out in the UN Guiding Principles on Business and Human Rights. We follow local legislation on human and labor rights wherever we operate. These and other commitments form the foundation of the Code of Responsible Business Conduct, which applies to all employees and subsidiaries. The commitments are extended to our supply chain through the Supplier Code of Conduct, which states the expectations and requirements on all our suppliers and sub-suppliers.

Telia Company considers the issues and related risks covered by the Act well understood and managed, and that they should be virtually non-existent within its own operations. We know that the risks are considerably higher in the supply chain, and through our Responsible procurement work we have processes in place to carry out third party due diligence, including risk assessments and audits, to identify and together with suppliers mitigate the presence and related risks of, inter alia, the issues covered by the Act. These processes are regularly revised, and key employees are continuously trained, to make sure that we work according to our commitments. If an employee or third party identifies potential or actual violation of these commitments or requirements, they can file an anonymous report to the Speak-Up Line.

» Telia Company is committed to preventing any kind of human trafficking, forced or slave labor in its own operations and in its supply chain.«

FIVE-YEAR SUMMARY

Telia Company Group Financial data	2016	2015	2014	2013 [7]	2012 [7]
Income (SEK in millions) [1]					
Net sales	84,178	86,569	81,131	101,870	104,898
Operating income	21,090	14,606	17,743	24,462	28,400
EBITDA excluding non-recurring items	25,836	25,281	24,364	35,584	36,171
EBITDA	29,813	23,992	23,453	33,656	35,074
Net income from continuing operations	16,433	9,532	12,219	–	–
Net income from discontinued operations	-9,937	673	3,379	–	–
Net income	6,496	10,205	15,599	16,767	21,168
Financial position (SEK in millions) [2]					
Goodwill and other intangible assets	70,947	67,933	86,161	81,522	83,278
Property, plant and equipment	58,107	55,093	69,669	64,792	62,657
Other non-current assets	50,421	50,824	54,592	46,681	49,738
Current assets	73,955	80,167	61,645	59,833	57,373
Total assets	*253,430*	*254,017*	*272,066*	*252,828*	*253,046*
Total equity	94,869	102,202	116,364	112,934	109,106
of which attributable to owners of the parent	89,833	97,884	111,383	108,324	105,150
Non-current liabilities	101,734	109,175	118,163	103,226	108,409
Current liabilities	56,826	42,641	37,539	36,668	35,531
Total equity and liabilities	*253,430*	*254,017*	*272,066*	*252,828*	*253,046*
Capital employed, continuing and discontinued operations	184,900	193,486	208,365	192,134	193,056
Operating capital, continuing and discontinued operations	136,041	144,609	155,683	143,154	144,020
Net debt, continuing and discontinued operations	50,756	55,717	59,320	55,774	59,444
Cash flows (SEK in millions) [3]					
Cash flow from operating activities	25,970	35,249	29,252	31,036	38,879
Cash flow from investing activities	-7,428	-28,985	-21,979	-14,644	-6,359
Cash flow from financing activities	-22,491	-9,628	-10,269	-15,013	-15,231
Cash flow for the year	*-3,949*	*-3,363*	*-2,997*	*1,379*	*17,289*
Free cash flow	7,267	16,550	13,046	16,310	23,740
of which from discontinued operations	116	4,030	4,905	–	–
Investments (SEK in millions) [4]					
CAPEX	15,625	14,595	11,955	16,332	15,685
Acquisitions and other investments	483	5,818	1,210	1,461	1,905
Total investments	*16,108*	*20,413*	*13,165*	*17,793*	*17,590*
Key ratios [5]					
Return on equity (%)	4.5	9.3	15.0	15.9	20.5
Return on capital employed (%)	7.7	8.9	12.2	13.5	14.9
Equity/assets ratio (%)	34.0	35.1	38.0	39.5	38.2
Net debt/equity ratio (%)	58.9	62.5	57.4	55.8	61.4
Net debt/EBITDA rate excl. non-recurring items	1.69	1.53	1.68	1.57	1.64
Net debt/assets ratio	20.0	21.9	21.8	22.1	23.5
Owners' equity per share (SEK)	20.75	22.61	25.72	25.02	24.28
Share data					
Number of outstanding shares (millions)					
– at the end of the period	4,330.1	4,330.1	4,330.1	4,330.1	4,330.1
– average, basic	4,330.1	4,330.1	4,330.1	4,330.1	4,330.1
– average, diluted	4,330.1	4,330.1	4,330.1	4,330.1	4,330.1
Basic and diluted total earnings per share (SEK)	0.86	1.97	3.35	3.46	4.59
Cash dividend per share (SEK) [6]	2.00	3.00	3.00	3.00	2.85
Total cash dividend (SEK in millions) [6]	8,660	12,990	12,990	12,990	12,341
Pay-out ratio (%) [8]	121	152	90	87	62

1) Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015, and is therefore presented on one line in the income statement 2016, 2015 and 2014. The above presented income statement line items for 2016, 2015 and 2014 refer to continuing operations if not otherwise stated.
2) Assets and liabilities in former segment region Eurasia are presented separately on two line items in the consolidated statement of financial position as of December 31, 2016 and December 31, 2015. The Sergel companies (Sergel) are 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) 2016, 2015 and 2014 including continuing operations only.
5) Key ratios are based on the total Telia Company group including both continuing and discontinued operations for 2014, 2015 and 2016. The definition for the key ratio Return on capital employed was changed during 2014 (see Definitions), only 2013, 2014, 2015 and 2016 have been calculated with the current definition.
6) For 2016 as proposed by the Board of Directors.
7) 2012-2013 are not restated to reflect classification of former segment region Eurasia as discontinued operations.
8) For 2016, the Board of Directors proposes to the Annual General Meeting an ordinary dividend of 2.00 SEK, or 121 percent of free cash flow attributable to continuing operations, due to this the definition of paid-out ratio has been changed. 2012-2015 has not been recalculated.

Telia Company Group Operational data	2016	2015	2014	2013	2012
Mobile services					
Total subscriptions (thousands) [1]	16,695	20,033	19,179	19,337	20,537
of which Sweden					
Mobile telephony, total subscriptions (thousands) [2]	6,207	6,119	6,186	6,171	6,587
Mobile telephony, blended churn (%)	17	19	19	19	15
Mobile telephony, ARPU (SEK)	209	206	200	198	190
of which Finland					
Mobile telephony, subscriptions (thousands)	3,253	3,306	3,281	3,245	3,249
Mobile telephony, blended churn (%)	23	21	21	21	26
Mobile telephony, ARPU (EUR)	17	16	17	18	19
of which Norway [3]					
Mobile telephony, subscriptions (thousands)	2,211	2,311	1,344	1,532	1,641
Mobile telephony, ARPU (NOK)	252	259	283	258	248
of which other countries					
Mobile telephony, subscriptions, Denmark (thousands)	1,606	1,644	1,581	1,522	1,462
Mobile telephony, subscriptions, Lithuania (thousands)	1,318	1,327	1,378	1,546	1,953
Mobile telephony, subscriptions, Latvia (thousands)	1,200	1,119	1,097	1,066	1,070
Mobile telephony, subscriptions, Estonia (thousands)	901	863	841	821	868
Mobile telephony, subscriptions, Spain (thousands)	–	3,344	3,471	3,434	3,707
Fixed services					
Broadband, total subscriptions (thousands)	2,559	2,589	2,543	2,416	2,545
of which					
Broadband, subscriptions, Sweden (thousands)	1,299	1,306	1,275	1,208	1,175
Broadband, subscriptions, Finland (thousands)	497	527	561	532	501
Broadband, subscriptions, Norway (thousands)	–	–	–	–	184
Broadband, subscriptions, Denmark (thousands)	128	135	114	99	87
Broadband, subscriptions, Lithuania (thousands) [4]	402	390	369	355	385
Broadband, subscriptions, Estonia (thousands)	233	231	224	222	213
Fixed telephony, total subscriptions (thousands) [5]	2,565	2,838	3,034	3,247	3,452
of which					
Fixed telephony, subscriptions, Sweden (thousands)	1,675	1,896	2,054	2,209	2,347
Fixed telephony, subscriptions, Finland (thousands)	65	80	99	108	125
Fixed telephony, subscriptions, Denmark (thousands)	101	114	122	121	125
Fixed telephony, subscriptions, Lithuania (thousands)	417	447	468	504	540
Fixed telephony, subscriptions, Estonia (thousands)	307	301	291	305	315
Human Resources [6]					
Number of employees as of December 31	26,017	26,895	26,166	26,013	27,838
Average number of full-time employees during the year	24,898	25,450	24,973	25,319	26,793
of whom, in Sweden	8,109	8,172	7,977	8,122	8,486
of whom, in Finland	3,276	3,326	3,577	3,745	4,231
of whom, in other countries	13,513	13,953	13,419	13,452	14,076
of whom, women	10,227	10,777	10,579	10,958	11,465
of whom, men	14,670	14,673	14,394	14,361	15,328
Salaries and remuneration (SEK in millions)	9,534	9,408	9,746	9,400	9,863
Employer's social security contributions (SEK in millions)	2,056	1,992	1,893	1,900	1,835
Salaries and employer's social security contributions as a percentage of operating costs	13.2	12.6	14.4	14.0	14.2
Net sales per employee (SEK in thousands)	3,929	4,220	4,047	4,023	3,915
Operating income per employee (SEK in thousands)	518	639	908	966	1,056
Net income per employee (SEK in thousands)	261	401	625	662	790

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.

ALTERNATIVE PERFORMANCE MEASUREMENTS

Alternative performance measurements
In addition to financial performance measures prepared in accordance with IFRS, Telia Company presents non-IFRS financial performance measures, for example EBITDA, EBITDA excluding non-recurring items, CAPEX, Cash CAPEX, Free cash flow, Operational free cash flow and Net debt. These alternative measures are considered to be important performance indicators for investors and other users of the 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 EBITDA excluding non-recurring items
Telia Company considers EBITDA as a relevant measure for investors to be able to understand profit generation before investments in fixed assets. To assist the understanding of Telia Company's underlying financial performance we believe it is also useful to analyze EBITDA excluding non-recurring items. Non-recurring items within EBITDA are specified in Board of Director's Report, Non-recurring items.

Continuing operations

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Operating income	21,090	14,606
Income from associated companies and joint ventures	-2,810	-3,394
Total depreciation/amortization/write-down	11,534	12,780
EBITDA	29,814	23,992
Non-recurring within EBITDA	-3,977	1,289
EBITDA excluding non-recurring items	**25,836**	**25,281**

Discontinued operations

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Operating income	-7,048	6,967
Income from associated companies and joint ventures	-7	-31
Total depreciation/amortization/write-down	-52	3,625
Capital gain on disposal	1,035	-
EBITDA	-6,072	10,560
Non-recurring within EBITDA	11,952	474
EBITDA excluding non-recurring items	**5,880**	**11,035**

CAPEX

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

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Continuing operations		
Intangible assets	2,787	2,251
Property, plant and equipment	12,838	12,344
CAPEX	**15,625**	**14,595**
Discontinued operations		
Intangible assets	3,657	994
Property, plant and equipment	2,156	3,201
CAPEX	**5,813**	**4,195**
of which unpaid investments[1]	-2,735	-91
Cash CAPEX, continuing and discontinued operations	**18,703**	**18,699**

1) For 2016 mainly attributable to a prolonged unpaid license in Uzbekistan.

Free cash flow

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

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Cash flow from operating activities	25,970	35,249
Cash CAPEX (paid Intangible and tangible assets)	-18,703	-18,699
Free cash flow, continuing and discontinued operations	**7,267**	**16,550**

Operational free cash flow

Telia Company considers Operational free cash flow as a relevant measure for investors to be able to understand the cash flows that Telia Company are in control of. From the reported free cash flow from continuing operations dividends from associated companies are deducted as these are dependent on the approval of board of the associated companies. Licenses and spectrum payments are excluded as they generally refer to a longer period than just one year.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Cash flow from operating activities from continuing operations	22,510	27,128
Deduction: Cash CAPEX from continuing operations	-15,358	-14,608
Free cash flow continuing operations	7,152	12,520
Add back: Cash CAPEX for licenses from continuing operations	376	383
Deduction: Dividends from associates from continuing operations	-2,122	-6,896
Add back: Taxes paid on dividends from associates from continuing operations	91	517
Operational free cash flow	**5,497**	**6,524**

Net debt

Telia Company considers Net debt to be an important measure for investors and rating agencies to be able to understand the group's indebtedness. Net debt presented below is based on the total Telia Company group for both continuing and discontinued operations.

SEK in millions	Jan–Dec 2016	Jan–Dec 2015
Long-term borrowings	83,516	91,884
Short-term borrowings	12,919	10,567
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-5,455	-5,580
Less long-term bonds available for sale	-10,185	-8,841
Less short-term investments	-7,132	-6,979
Less cash and cash equivalents[1]	-22,907	-25,334
Net debt, continuing and discontinued operations	**50,756**	**55,717**

1) SEK 0.3 billion of the minority owner Visor's share of the sales price for Ncell and the holding company Reynolds Holding remain within cash and cash equivalents of discontinued operations as of December 31, 2016. For more information, see Note 34.

DEFINITIONS

CONCEPTS AND KEY RATIOS

Acquisitions and other investments
Investments in goodwill and fair-value adjustments, shares and participations, and asset retirement obligations.

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.

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).

CAPEX
An abbreviation of "Capital Expenditure." Investments in intangible and tangible non-current assets but excluding goodwill, fair-value adjustments and asset retirement obligations.

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/EBITDA excluding non-recurring items, excluding effects from changes in currency rates compared to the group's reporting currency (SEK) and acquisitions/divestitures, compared to the same period previous year.

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 amortization, depreciation and impairment losses, and before income from associated companies and joint ventures.

EBITDA margin
EBITDA excluding non-recurring items 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
Cash flow from operating activities less 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 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/EBITDA ratio (multiple)
Net debt divided by EBITDA excluding non-recurring items rolling 12 months and excluding divested 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.

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

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 associates net of taxes.

Operating margin
Operating income expressed as a percentage of net sales.

Pay-out ratio
For 2012-2015 dividend per share divided by basic total earnings per share. For 2016 proposed dividend divided by free cashflow 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 FX 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 exclude items related to foreign currency derivatives and accrued interest as well as to deferred and current tax, respectively, and liabilities exclude 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.

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	HKD	Hong Kong dollar	NPR	Nepalese rupee
AZN	Azerbaijan manat	JPY	Japanese yen	RUB	Russian ruble
CZK	Czech koruna	KZT	Kazakhstan tenge	TJS	Tajikistan somoni
DKK	Danish krone	LTL	Lithuanian litas	TRY	Turkish lira
EUR	European euro	LVL	Latvian lats	USD	US dollar
GBP	Pound sterling	NOK	Norwegian krone	UZS	Uzbekistan som
GEL	Georgian lari	MDL	Moldovan leu		

ANNUAL GENERAL MEETING 2017

Telia Company's Annual General Meeting will be held on Wednesday, April 5, 2017, 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, March 30, 2017, kept by Swedish central securities depository Euroclear Sweden AB and give notice of attendance to the Company no later than Thursday, March 30, 2017.

NOTICE TO THE COMPANY

Notice of attendance can be made

- in writing to Telia Company AB, Box 7842, SE-103 98 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, must request to be temporarily entered into the share register kept by Euroclear Sweden AB as of March 30, 2017, 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. As Finnish shareholders within the Finnish book-entry system at Euroclear Finland Oy are nominee registered at Euroclear Sweden AB, these Finnish shareholders have to contact Euroclear Finland Oy, by email: thy@euroclear.eu or by phone: +358 (0)20 770 6609, for re-registration well in advance of March 30, 2017, to be able to participate in the meeting.

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, March 30, 2017.

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 2.00 per share be distributed to the shareholders in two tranches of SEK 1.00 each. April 7, 2017, and October 24, 2017, 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 12, 2017, and on October 27, 2017, respectively.

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Production: Telia Company AB Investor Relations in cooperation with Narva
Photo of the Board of Directors and Group Executive Management: Jeanette Hägglund,
Petter Karlberg and Telia Company

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