

WITH FOCUS ON THE DIGITAL FUTURE



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4

OUR COMPANY

**TELIA COMPANY
IN ONE MINUTE**



7

CREATED VALUE

**CURIOUS ON HOW WE
CREATE VALUE?**

- Best mobile network in 5 of 7 countries
- SEK 8.7 billion paid in dividend to shareholders
- Telia has the happiest TV customers in Sweden

13

CEO

**THE JOURNEY CONTINUES.
PLEASE JOIN US!**



20

OUR STRATEGY

**THIS IS HOW WE FULFILL
OUR STRATEGY**



TELIA COMPANY IN ONE MINUTE

WHO WE ARE

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

20,700

Employees

79.9

SEK billion in net sales

PURPOSE

Bringing the world closer

VALUES

Dare, Care, Simplify

WHAT WE DO

We connect businesses, individuals, families and communities via fixed and mobile communication solutions. Our services have a positive effect on

social-, economic and environmental development and pave the way for an inclusive society. People can stay connected no matter how far apart they are. We work with an ecosystem

of new start-ups and major service providers. Together we provide the infrastructure for creativity, growth and change.

WE PROVIDE



MOBILE VOICE AND DATA



FIXED VOICE AND DATA



IP CAPACITY



TV AND MEDIA

INTERNET
OF THINGS

CLOUD
SERVICES

SECURITY

ICT SERVICES

DEVICES

FINANCING

WHERE WE OPERATE

We stand firmly in the Nordics and Baltics and our fiber backbone stretches around the globe. Our mobile operations in Eurasia are held for sale.

Sweden

Norway

Denmark

Finland

Estonia

Latvia

Lithuania

We also have mobile operations in Georgia, Kazakhstan, Moldova and Uzbekistan. The operation in Azerbaijan was disposed on March 5, 2018.

Telia Carrier's fiber backbone runs around the world and is the second largest in the world.

OUR STAKEHOLDERS

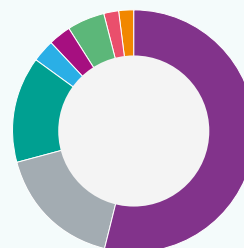
We create value for our customers as well as for other stakeholders:

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

ADJUSTED EBITDA

PER COUNTRY

- Sweden, 54%
- Finland, 17%
- Norway, 14%
- Denmark, 3%
- Estonia, 3%
- Lithuania, 5%
- Latvia, 2%
- Telia Carrier, 2%



2017 IN BRIEF

FINANCIAL AND MARKET HIGHLIGHTS 2017

Operational free cash flow

Outlook: Operational free cash flow from continuing operations, excluding licenses and dividends from associated companies, is expected to be above SEK 7.5 billion.
Outcome: SEK 9.7 billion

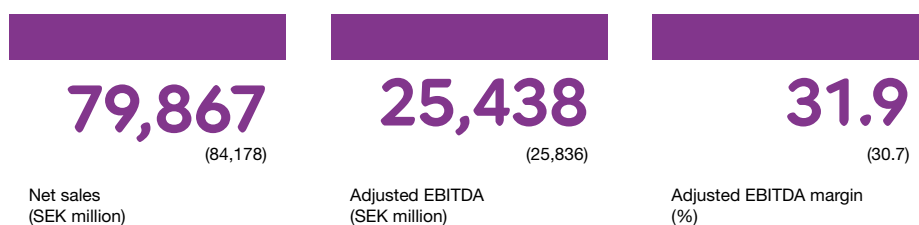
Adjusted EBITDA

Outlook: Adjusted EBITDA in continuing operations in local currencies, excluding acquisitions and disposals, is expected to be around the 2016 level.
Outcome: -0.2%

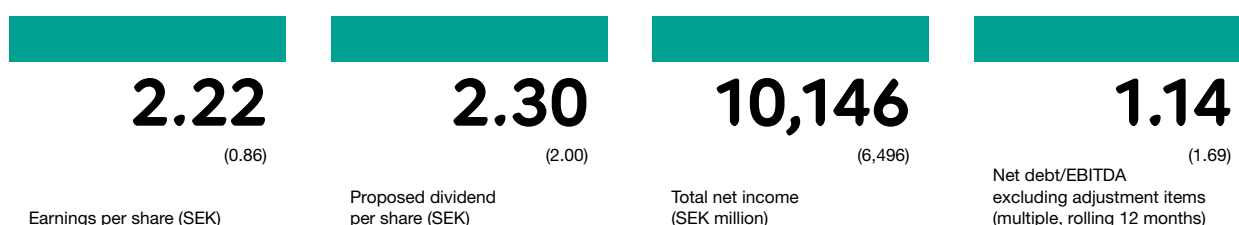
Dividend

Outlook: A minimum of 80 percent of free cash flow from continuing operations, excluding licenses.
Outcome: 81%

CONTINUING OPERATIONS

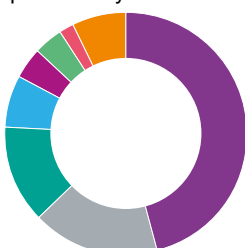


CONTINUING AND DISCONTINUED OPERATIONS



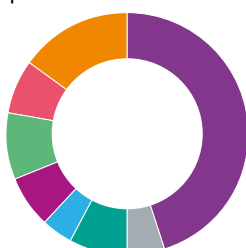
NET SALES SPLIT

per country



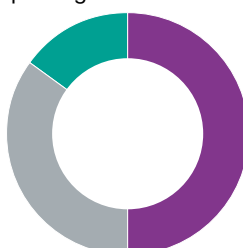
- Sweden, 46%
- Finland, 17%
- Norway, 13%
- Denmark, 7%
- Estonia, 4%
- Lithuania, 4%
- Latvia, 2%
- Telia Carrier, 7%

per service



- Mobile, 45%
- Fixed telephony, 5%
- Fixed broadband, 8%
- TV, 4%
- Business solutions, 7%
- Other, 9%
- Telia Carrier, 7%
- Equipment, 15%

per segment



- B2C, 50%
- B2B, 35%
- Wholesale and Other, 15%

CREATED VALUE

WHAT WE CREATE



67,794

Service revenues, SEK million



9.7

Operational free cash flow, SEK billion



16.7

Mobile subscriptions, million



2.2

Fixed voice subscriptions, million



2.5

Broadband subscriptions, million



1.7

TV subscriptions, million



269,000

Tons CO₂e emissions



>97%

4G population coverage in the Nordics



1.7

Million households in Sweden reached with fiber



>110

Countries in which Telia Carrier connects their customers

CREATED STAKEHOLDER VALUE

CONSUMERS

Halebop has the happiest mobile customers in Sweden¹

#1

Telia has the happiest TV customers in Sweden¹

#1

BUSINESS CUSTOMERS

Telia Carrier won the Best Customer Care award in the 2017 World Communications Award

#1

EMPLOYEES

SEK billion salaries

12.5

Purple Voice score (77)

79

INVESTORS

Total shareholder return

5.0%

SEK billion dividend paid

8.7

SUPPLIERS AND PARTNERS

SEK billion CAPEX excluding licenses

15.2

SOCIETY

SEK billion total tax contribution²

18

Best mobile network in 5 of 7 countries

#1

1) According to Svenskt Kvalitetsindex, SKI.

2) See GRI Index, G4-EC1.

RESPONSIBLE BUSINESS ACHIEVEMENTS

FOCUS AREA	ACHIEVEMENTS IN 2017
Anti-bribery and corruption	<ul style="list-style-type: none"> • Third-party anti-bribery and corruption (ABC) due care guidelines issued • Case-based ABC training on third-party due care guidelines conducted for ethics and compliance professionals in region Eurasia • Seven group and six country ethics and compliance officers and two third-party due diligence specialists certified • Approximately 2,500 employees completed ABC e-learning
Freedom of expression and surveillance privacy	<ul style="list-style-type: none"> • Eighth Law Enforcement Disclosure Report covering eight countries published • Four countries covered regarding information on local surveillance local legislation • Information on local legislation on direct access covering all main markets • More than half of closed unconventional requests challenged in some way, often by transparency • Contributed to the Industry Dialogue and the Global Network Initiative joining forces in March
Customer privacy	<ul style="list-style-type: none"> • Established group-wide Data Protection Regulation (GDPR) compliance program and conducted local project in relevant markets • Carried out detailed data mapping according to GDPR requirements in core markets • Developed detailed legal interpretations for all key GDPR areas to ensure harmonized implementation of legal obligations across core markets

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 and Telia Carrier.

2) Total number of lost-time injuries per million possible working hours.




3) Total number of hours of sickness absence per possible working hours (full-year average).

4) Engagement index (employee commitment, team engagement and customer orientation) score from the annual Purple Voice employee survey.

FOCUS AREA	ACHIEVEMENTS IN 2017
Children's rights	<ul style="list-style-type: none"> • Children's rights awareness workshops with 200 key employees • Blocking of websites containing child sexual abuse material (CSAM) in all core markets • Detection and reporting of CSAM on internal IT systems in all core markets • Shared knowledge regarding detecting CSAM with other large companies • Established first Children's Advisory Panel with 700 kids participating • Active contribution to the establishment of the EU Alliance to better protect minors online
Responsible sourcing	<ul style="list-style-type: none"> • Local due diligence and on-site audit capacity building in region Eurasia • Due diligence process introduced in Estonia and Lithuania • New due diligence manual developed and implemented • Revised ethical compass under implementation • Over 2,900 supplier sustainability due diligence carried out • 96 on-site audits performed
Environmental responsibility	<ul style="list-style-type: none"> • Operations in Sweden, Finland, Estonia and Lithuania were ISO14001 certified • Buy-back programs implemented in all core markets • 99,000 devices collected through buy-back programs • 29.9 kWh per subscription equivalent¹ (28.8) • 1.8 kg CO₂e emissions per subscription equivalent (1.9) • EU Energy Efficiency Directive assessments carried out in five core markets
Occupational health and safety	<ul style="list-style-type: none"> • Lost-Time Injury Frequency² (LTIF): 0.30 (0.36) • Sickness Absence Rate³ (SAR): 2.4 percent (2.4) • No fatal accidents • Operations in Azerbaijan, Denmark, Estonia, Finland, Kazakhstan, Lithuania, Moldova and Uzbekistan OHSAS 18001 certified • Engagement index⁴: 81 percent (80)

WHERE WE OPERATE



Denmark

📱	#3	20%
☎	#3	7%
📶	#5	5%
📺	#4	1%

Net sales
SEK 5,945 million





Sweden

📱	#1	36%
☎	#1	54%
📶	#1	34%
📺	#2	18%

Net sales
SEK 36,825 million


Norway

📱	#2	37%
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Net sales
SEK 10,128 million



Finland



📱	#2	32%
☎	#2	20%
📶	#2	27%
📺	#3	21%

Net sales
SEK 13,742 million

Lithuania





📱	#2	30%
☎	#1	88%
📶	#1	51%
📺	#1	34%

Net sales
SEK 3,557 million

Latvia







📱	#1	45%
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Net sales
SEK 1,953 million


Estonia

📱	#1	45%
☎	#1	83%
📶	#1	56%
📺	#2	36%

Net sales
SEK 2,824 million

Moldova



📱	#2	29%
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Net sales SEK 566 million (disc.op.)

Telia Carrier's fiber backbone runs around the world and is the second largest in the world.

Cygate is a leading provider of integrated solutions to business customers in the Nordics.



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

- 📱 Mobile
- ☎ Fixed voice
- 📶 Broadband
- 📺 TV
- # Market position
- % Market share

Ownership – Subsidiaries

Country	Main trademarks	Ownership ¹ %	Consolidated share ² %
Sweden	Telia, Halebop	100	100
Finland	Telia	100	100
Norway	Telia, Chess, MyCall, OneCall	100	100
Denmark	Telia, Call me, DLG Tele	100	100
Estonia	Telia, Diil	100	100
Latvia	Telia, Lmt Okarte, Amigo	60.3 ³	60.3 ³
Lithuania	Telia, Ezys	88.2	88.2
Moldova	Moldcell	68.5	68.5
Georgia	Geocell	68.5	68.5
Kazakhstan	Kcell, Activ	59.0	59.0
Azerbaijan	Azercell	35.2	64.1
Uzbekistan	Ucell	94.0	94.0

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.

Ownership – Associated companies

Country	Trademark	Ownership ¹ %	Consolidated share ² %
Latvia	Lattelecom	49.0	49.0
Turkey	Turkcell	24.0	24.1

Georgia



📶 #2 34%
Net sales SEK 803 million (disc.op.)

Azerbaijan



Azercell was disposed on March 5, 2018.

📶 #1 47%
Net sales SEK 2,042 million (disc.op.)

Kazakhstan



📶 #1 38%
Net sales SEK 3,861 million (disc.op.)

Uzbekistan



📶 #2 42%
Net sales SEK 3,915 million (disc.op.)

COMMENTS BY THE CHAIR

THE WORLD IS CHANGING FASTER THAN EVER

When we look back on 2017 it seems fair to say that the world is changing faster than ever. Telia Company is moving quickly too, daring to innovate in order to sustainably improve society and meet new customer needs. We connect the unconnected, the smallest devices to the biggest enterprises, from care workers to the car, from individual homes to hospitals. We are able to do this because we have proven to our customers that they can trust Telia Company.

We are building Telia Company even stronger for the future. During the past year we have focused on strengthening our core business through acquiring strategic assets such as Phonero and Nebula and continued to build out fiber and 4G throughout the Nordics and Baltics. At the same time, we have been able to show that our presence in Eurasia has decreased through the sale of stakes in Tcell, MegaFon and Turkcell. This lays the foundations for a strong long-term position in our home markets.

Telia Company is transforming to future-proof our superior networks. In a world with increased threats of hacking and even cyber warfare, resilience in networks is of increased importance to keep customers, and the societies we live in, secure. Coupled with the advent of ambiguous connections we are cementing our position as the preferred choice of customers looking for reliability, quality and value. We pride ourselves in delivering best-in-class services to our customers. This includes leading the transition into future technology and enhancing the core by ensuring that our customers are the first with the latest.

We are also improving the competitiveness of all our operations through a cost reduction program. This will provide increased cash flows which will ensure that Telia Company can deliver growing returns to our shareholders at the same time as we invest in future technology.

Through the global settlement with the US Department of Justice and others earlier this autumn the aftermaths relating to the transactions in Uzbekistan could finally come to a close. During this challenging process Telia Company has come to conclusions and learnings that allow us today to work and operate responsibly and with a compliance program in the fore front. We are fully committed to the UN's Global Compact principles and global sustainability goals. Through value-driven leadership, sustainability and responsibility are now fundamental corner stones in everything we do. Telia Company today is a purpose driven and values-oriented company.

We have left another eventful year behind us and on behalf of the Board of Directors I would like to direct a



heartfelt thank you to all our colleagues for their hard and committed work and I would also direct a heartfelt thank you to our shareholders for their confidence in us to lead Telia Company.

We have made a choice. Throughout Telia Company, we're on a mission to create a New Generation Telco. We don't shy away from being at the front of the pack. We need to be there.

Stockholm, March 7, 2018

Marie Ehrling
Chair of the Board

COMMENTS BY THE CEO

THE JOURNEY CONTINUES. PLEASE JOIN US!

The past year has been very important in our transition from old Telia to the new, from fragmented to focused, from uncertainty to more comfort, from a weak balance sheet to a strong one and, most importantly, from question marks to exclamation marks in our strategy execution.

At Telia Company, we are proud of our services and we are pleased with the recognition we receive from others. Over the past year, we have got confirmation that our networks maintain a higher standard than our competitors in five of seven markets. Keeping the highest quality in everything we do is becoming even more important.

As digitalization transforms our society, our customers become more and more dependent on their connection having high availability without interruption. The digitalization has many possibilities and we have an important role and responsibility in it.

In recent years, we have invested heavily and thanks to this we are well equipped. Together with our new and more efficient investing model we can look forward to a lower investment pace going forward. This does not mean that we will neglect development, the opposite. Telia Company will always strive to have the best networks and offer the most up-to-date services.

WE ARE SIMPLIFYING

Equally important as offering the best product is to do it the best way. In an industry with low growth, efficiency is crucial to meeting expectations of customers and shareholders. Just as we digitalize our customers, we now digitalize ourselves. In Sweden, for example, we are implementing a comprehensive transformation to future-proof the company. Old products and IT systems can be removed when we implement new platforms enabling us to offer something better to our customers, while reducing our structural costs. Before we get the full impact of these investments, we'll continue with other savings. In 2017, a lot of work was initiated to reduce our costs. In 2018 we will continue to turn every stone to increase our long-term competitiveness with the aim to lower costs in the group by SEK 1.1 billion net.

We also continue to dispose operations outside the core. During the year we disposed Sergel, Tcell, MegaFon and reduced our ownership in Turkcell equivalent to SEK 22.5



billion. In line with our strategy we also continue to acquire companies and competencies in the Nordics and Baltics. During the year we acquired companies for SEK 4.5 billion. We welcomed Fältcom, Humany, Nebula, Phonero and Propentus to the Telia Company family.

NEW TECHNOLOGY - NEW POSSIBILITIES

Now, a global race is going on to be the first with 5G. Telia Company intends to be early out with the technology. Together with our customers who have the ideas and benefits of the new technology, we will explore new business opportunities, create jobs and strengthen the region's

ability to lead digitalization into the next developmental leap. However, we will not be able to roll out the new technology if the business conditions are lacking. The expansion of new technology will depend on customer demand and the ability to create a profitable business as well as get access to the frequencies needed. Here governments and authorities in our countries have a decisive role.

A STRATEGY IN THE FOREFRONT

The strategy we pursue aims at creating the new generation telco using the strength of our networks to develop existing business, while strengthening customer loyalty and willingness to pay through innovative services. As we develop our customer offering, we meet the industry's strong price pressure by value added and overall flexible solutions that make it even easier to be a customer. This strategy also allows us to continue the necessary development of digital infrastructure in our markets. It would be extremely unfortunate if the trend of restrictive regulations that we see in the EU and in many of our markets continues. The telecom industry has been a strong contributor to the fact that the Nordics and Baltics score so high in different digitalization indices. Political initiatives and governmental regulations must, in my opinion, be aimed at simplifying and enabling investment in the digital infrastructure. By that the region can continue to be in the top.

SUSTAINABLE BUSINESS - A PREREQUISITE

We have now reached a legal settlement that ends the processes following the company's incorrect conduct in Uzbekistan. It became an expensive lesson that shows that it is expensive to make mistakes but the experience has also made us better. In recent years, we have invested significant amounts of effort to correct historical errors and ensure that we have what it takes to drive the company in a responsible manner. But let me repeat, we will never be able to eliminate the risk of mistakes, we can only say with conviction that we have reduced it and that we will continue to reduce it.

We took further steps to align our strategy with our commitment to the UN's sustainable development goals. We firmly believe that contributing to society will also create

shareholder value. Innovation and partnerships in diverse areas from remote mining to health care allow us to find new business while creating positive societal impact. Part of the commitment is the launch of the Younite employee volunteering program, where every employee has a chance to contribute also on a personal level by spending their work day on activities such as educating kids on safety online, helping the elderly with their first uneasy steps with tablets, and similar activities. Doing so reduces the digital divide while creating pride among our people.

THE OUTCOME OF HARD WORK

Knowing that our business contributes to solving problems for individuals as well as for humanity is extremely satisfying. In addition, while doing business with a profitable and financially stable company, we can make our contribution long-term and sustainable in all aspects. There is no contradiction between the interests of the owner, the employee, the customer or the broader society. In the long run, everyone benefits from a long-term sustainable business.

It is with pride and humility that I summarize a year when we once again lived up to our ambition for a maintained EBITDA and delivered a significantly better cash flow than expected of SEK 9.7 billion. This allows us to propose a dividend of SEK 2.30 per share, which is an increase by 15 percent. I am more convinced than ever that Telia Company will be able to achieve a better total return for our owners in the future than we have achieved in recent years.

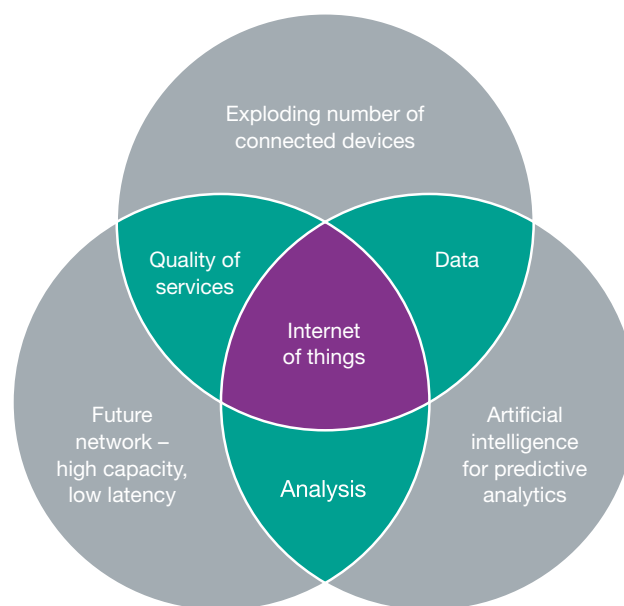
This year we will increase the pace and continue our journey. We would be happy if you joined!

Stockholm, March 7, 2018

Johan Dannelind
President and CEO

TRENDS AND STAKEHOLDERS

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

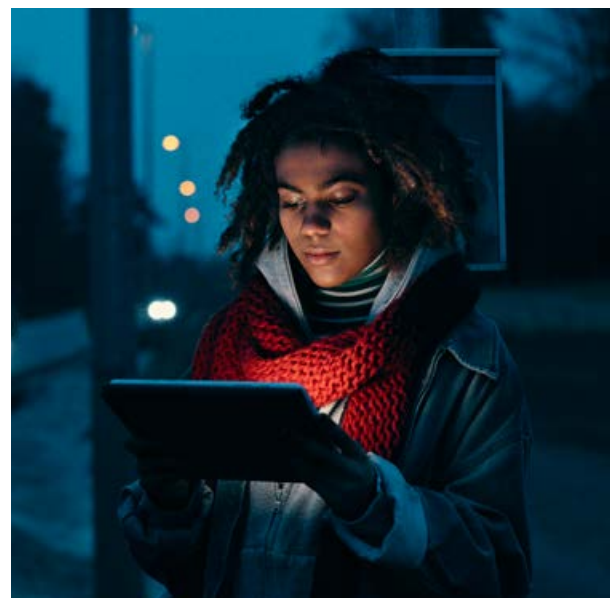


Our society is changing more rapidly through digitalization. Three megatrends are driving the telecom business.

MEGATRENDS

Our society is changing more rapidly through digitalization. This is 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 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 diseases 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, and companies changing from physical to digital to everything being connected.

3

Urbanization

As more and more people move to larger 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 channels (O)
- Social media (O)
- Local websites and newsletters (O)
- Net Promoter Score (NPS) and brand tracker 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 price plans
- Value-added services and bundling such as TV and media, family plans and roaming
- Increased focus on customer experience and centrality
- Follow-up to identify and correct where we fail the customer promise
- Giving customers better understanding and control over their personal data

BUSINESS CUSTOMERS



How we engage

- Stores and other sales channels (O)
- Customer service channels (O)
- Account manager dialogue (M)
- Seminars and events (M)
- Net Promoter Score (NPS) and brand tracker surveys (O)
- Local websites and newsletters (O)
- Social media (O)

Key topics

- High network quality and service availability
- Strengthening our offering in strategic areas such as Internet of Things and Cloud
- Telia Company as an ethical, sustainable supplier and partner
- Simplifying customers' work by providing personal and comprehensive offerings

Our response

- Continued roll-out of high speed network access and cloud services
- Acquired several companies such as Fältcom in Sweden and Nebula in Finland
- ISO 9001 quality, ISO 14001 environment and OHSAS 18001 occupational health and safety management system certification
- Further efforts to make customer interaction more personal

EMPLOYEES



How we engage

- Purple Voice employee survey (A)
- YouFirst employee/manager approach (O)
- Younited employee volunteering program (O)
- Local and corporate intranets (O)
- Employer/worker dialog (O)

Key topics

- Increased focus on sustainability (engaging employees, code awareness)
- Strengthening customer focus and cross-functional collaboration
- Purple Voice results and subsequent action plans
- A common platform for employee volunteering
- The effects of major organizational changes
- Ensuring work-life balance
- Shifting focus from safety to well-being

Our response

- Continued efforts to increase collaboration
- Launched the Younited employee volunteering program where employees engage in quests for digitalization
- OHSAS 18001 management system certification to strengthen our health, safety and well-being work

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 Tcell in Tajikistan and Sergel group
- Acquired Phonero in Norway and Nebula in Finland
- A global settlement reached with US and Dutch authorities

Frequency

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

SUPPLIERS



How we engage

- Contract engagements (O)
- Strategic supplier meetings (O)
- Supplier due diligence and audits (O)

Key topics

- Developing a new model for supplier engagement, focusing on strategic and critical suppliers
- Supplier base consolidation
- Improve common ways of working in sourcing throughout the group
- Align sourcing with the rest of the business structure

Our response

- Restructured the sourcing organization
- Defined supplier engagement and performance management model
- Further roll-out of the supplier due diligence platform
- Implemented common supplier documentation database

SOCIETY



How we engage

- ICT industry organizations (O)
- Seminars and conferences (M)
- Public presentations and town hall meetings (M)
- Bilateral meetings with policy makers (M)

Key topics

- Digital resilience to ensure vital societal functions and national security
- Strengthening privacy and cyber-security
- Digitalization's impacts on societal development and the UN Sustainable Development Goals
- Future-proof networks with the aspiration to create "gigabit societies"
- Removed roaming fees in the EU and beyond
- Spectrum allocation to ensure future network capacity
- Children and young people as internet citizens

Our response

- Participation in public discussion on business ethics and our contribution to the UN Sustainable Development Goals
- Reporting on government requests, local legislation and law enforcement statistics
- New services meeting increasingly strict security demands
- Partnerships and initiatives such as Children's Advisory Panel to improve our and the industry's awareness of and efforts to create a safe, friendly internet experience
- Live 5G trials in commercial use cases

STAKEHOLDER ENGAGEMENT

Purple Voice

Purple Voice is our annual employee engagement survey, sent out to employees in core markets. The results are compiled to produce an overall figure – the Purple Voice index – which indicates how employees perceive the organization's performance in four key areas:

- Employee engagement
- Organizational efficiency, capabilities and innovation
- Understanding of, and alignment with, goals and strategy
- Strategic success

Purple Voice also measures our leadership and is used as a tool for organizational and people development throughout the group.

Results were up in almost all areas, with the biggest difference in making sustainability and responsible business a natural part of daily work. The results show that compared to the industry benchmark our strongest areas are innovation and employee empowerment and that we still have some way to go when it comes to cross-functional collaboration.

Purple voice index

79 (77)

Sustainability Perception Index

The Sustainability Perception Index is used to understand key stakeholders' views on our contribution to society and the environment, and what areas to prioritize.

Results show that similar to 2016, external stakeholders are generally positive but many lack awareness of how we contribute to sustainable development.

"The company has a positive impact on society"



"The company has a positive impact on the environment"



Responsible Business Survey

The Responsible Business Survey was carried out in June with the purpose of gauging employees' understanding of our ethical standards and willingness to act on potential and actual wrongdoings.

"I am familiar with our ethical standards and how they influence my work"

94%
AGREE
1%
DISAGREE

"If I would come across unethical behaviors at work, I would feel safe to speak up"

84%
AGREE
5%
DISAGREE

TRAINING MAKES A DIFFERENCE

Among respondents that have not received training, **85%** say they are familiar with Telia Company's ethical standards. Among those that have received training, the same number is **96%**.

The top three topics our employees wish to know more about are:

1. Privacy
2. Conflicts of interest
3. Anti-trust

SUSTAINABILITY RECOGNITIONS

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

- MSCI ESG “AAA” rating
- FTSE4Good
- Ethibel Excellence Europe
- Retained our rating of “B”, and improved our supplier rating to “B” in CDP
- Retained our “Gold supplier” rating in EcoVadis

Additionally, Telia Company and its subsidiaries received other recognitions or rewards for its sustainability work. These included:

- Telia in Lithuania was named Responsible company of the year 2016 by the Investor's Forum in Lithuania, and
- most transparent company by Transparency International Lithuania
- Telia in Estonia received the highest level of recognition from the Estonian Forum for Responsible Business
- Telia Company received top score in the Stockholm School of Economics assessment “Walking the talk”, where Swedish companies are ranked based on their transparency and work related to sustainability



STRATEGY

Our strategy 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.

OUR BUSINESS STRATEGY



OUR AMBITIONS

- We have the most loyal and satisfied customers in our markets
- We deliver strong total shareholder return which is on par with the top performers among relevant European peers
- We lead the way in responsible business among large corporations in the world
- We are The place to work

STRATEGY

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 convergence 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 recent years the issue of cyber security has been further accentuated. Security solutions have to be based on a purposeful and knowledge-based design. We have many years of experience of net security and cyber security. We are now increasing the opportunity to more business customers to buy security solutions, which previously only was offered the bigger companies. By helping the customer from analysis to purchase it as a service we now enable the companies to secure their information while at the same time achieving cost efficiency.

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 re-building 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.

Execute 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. This 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. During the year we have integrated e-health care into the IoT business. By creating volume into a platform serving multiple application areas we can both become more cost efficient as well as enable applications across industries. We also create an environment where other companies can add and build applications on top.
- 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.

DIGITAL IMPACT - OUR APPROACH TO SUSTAINABILITY

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

We acknowledge our responsibility towards our stakeholders to both understand and manage these impacts. This responsibility extends throughout the value chain. We strive to be fully transparent and accountable, highlighting our successes but also when we are not meeting expectations.

Our sustainability approach Digital impact is aligned with the United Nations Sustainable Development Goals (SDGs) with the purpose of making sure business strategy and activities such as innovation contribute to the SDGs. With Digital impact we aim to:

- Understand and actively communicate our environmental and social impact
- Execute on the opportunities to create positive impact and reduce negative impact
- Enable our customers to act on their impact
- Engage employees by providing opportunities to contribute

DIGITAL IMPACT IS FOUNDED ON TWO ELEMENTS

Shared value creation is integrated in the business strategy by addressing societal and environmental challenges while creating business value. Throughout this report are cases where the social and environmental value and the contribution to the Sustainable Development Goals are highlighted.

Responsible business focuses on minimizing the negative impact and acting responsibly. Read more about our work with the respective focus areas in Directors' Report, section "Responsible business."

THREE CRITICAL SUCCESS FACTORS

Board and management commitment to creating long-term sustainable value for all stakeholder groups and active engagement in steering our sustainability work. See Corporate Governance Statement, section "Statement of materiality."

Employee engagement by enabling all employees to engage in how they can contribute to positive digital impact. Our main work in 2017 has been the creation of our volunteering program, Younite. Read more about Younite in Directors' Report, section "People."

Governance, risk, ethics and compliance is the foundation for ensuring responsible business practices. The work is based on clear expectations and requirements and robust processes. Read more in Corporate Governance Statement, section "Group-wide governance framework." We are committed to a number of international principles and charters. Read more in "Statement of materiality."

OUR APPROACH TO SUSTAINABILITY



PROOF POINTS ON THE STRATEGY

DISPOSALS

We have divested subsidiaries and associated companies in 2017 to focus on the Nordics and Baltics.

- MegaFon
- Tcell
- Sergel
- Turkcell¹

1) Ownership reduced from 38 to 24 percent

ACQUISITIONS

We have acquired companies in 2017 to strengthen the core.

- Fältcom
- Nebula
- Humany
- Phonero
- Innics¹
- Propentus

1) An agreement to acquire Innics was signed in December 2017



Best mobile network
in 5 of 7 countries

TELIA IN PROJECT TO DIGITALIZE UNDERGROUND MINING

A project that makes it possible to digitalize operations in mines with the ultimate goal to increase safety and efficiency in the rugged underground mines.

The participating partners in the project are ABB, Atlas Copco, Boliden, Ericsson, InfoVista, RISE,

Telia, Volvo Construction Equipment and Wolfit. The common ambition is to enable mining operators, maintenance personnel, equipment and machines from different suppliers to be connected and share data. The parties believe it is an innovative way of thinking

that enables new services that can be used in other industries as well. Telia, Ericsson and InfoVista develop the mobile network built in the mine and test technology that, in the future, can be used in the next generation mobile network, 5G.



Photo: Boliden

NOBINA AND TELIA INNOVATE ON SMART TRANSPORTATION

Nobina, the largest bus transport group in the Nordics, cooperates with Telia in Sweden to develop solutions for smarter, more sustainable travel and public transport in the future by analyzing anonymized mobile data. The innovation divisions of Nobina and Telia Company worked together using crowd analytics technology to test how the use of aggregated and anonymized mobile network data can be used to better understand travel patterns. The cooperation helps to gain better insight into how passengers move not only when they travel but also to gain information more quickly regarding new travel needs, to be able to offer better solutions that meet society's requirements.

The results show that new technical solutions such as crowd analytics combined with data can contribute to many different improvements for society, such as improving mobility and communications.



ECOFLEET AND TELIA TEAM UP TO CREATE GREENER CAR FLEETS

Sense is Telia's cloud-based connected car solution. A mobile app and a small piece of hardware give vehicle owners access to services and features such as vehicle diagnostics, positioning and 4G wi-fi connectivity.

Ecofleet is the first enterprise partner to connect to the Telia Sense enterprise platform with the purpose of taking environmentally-friendly vehicle fleet management to the next level. Data on greenhouse gas emissions based on fuel consumption is collected in real time from the vehicle. At the end of each trip, Telia Sense transfers the information to Ecofleet who compile emissions and event reports for its enterprise customers and keep a close eye on emission values and other vehicle data.

Using data to optimize driving, which not only reduces fuel cost but also has a clear environmental benefit is technology at its best. It clearly shows the ambition to create innovative Internet of Things ecosystems.



BOARD OF DIRECTORS' REPORT

Telia Company's operating model is based on geographical areas and the organizational setup was revised as of January 1, 2017. The group's operations are managed and reported by the six operating segments: Sweden, Finland, Norway, Denmark, Lithuania and Estonia. The organization is country-based. Other operations are collectively reported comprising the Telia Carrier operations, operations in Latvia and Telia Company's shareholding in Turkcell (24 percent) as well as Group functions. Group functions include CEO Office, Strategy & Combined Assurance, Communica-

tions, Corporate Affairs (including M&A), Division X, Finance (including Sourcing and Real Estate), Global Services and Operations, and People and Brand.

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. For information on assets held for sale and discontinued operations, see Note C34.

In this Report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the full year of 2016, unless otherwise stated.

GROUP DEVELOPMENT IN 2017

FINANCIAL HIGHLIGHTS

Financial highlights SEK in millions, except key ratios, per share data and changes	Jan-Dec 2017	Jan-Dec 2016	Chg %
Net sales	79,867	84,178	-5.1
Change (%) local organic ¹	0.4		
of which service revenues (external)	67,794	71,516	-5.2
change (%) local organic	-0.6		
Adjusted ² EBITDA ¹	25,438	25,836	-1.5
Change (%) local organic	-0.2		
Margin (%)	31.9	30.7	
Adjusted ² operating income ¹	15,069	17,123	-12.0
Operating income	13,690	21,090	-35.1
Income after financial items	9,457	19,249	-50.9
Net income from continuing operations	8,416	16,433	-48.8
Net income from discontinued operations ³	1,729	-9,937	
Total net income	10,146	6,496	56.2
of which attributable to owners of the parent	9,608	3,732	
EPS total (SEK)	2.22	0.86	
EPS from continuing operations (SEK)	1.90	3.76	-49.6
Free cash flow ¹	7,164	7,267	-1.4
of which operational free cash flow, continuing operations ¹	9,687	5,497	76.2
CAPEX ¹ excluding license and spectrum fees	15,215	15,016	1.3

1) See definitions.

2) See section Adjustment items.

3) For discontinued operations, see Note C34.

NET SALES

In continuing operations, net sales decreased 5.1 percent to SEK 79,867 million (84,178). Net sales in local currencies and excluding acquisitions and disposals, increased 0.4 percent. The positive effect from exchange rate fluctuations was 0.8 percent and the negative effect of acquisitions and disposals was 6.3 percent, mainly related to the disposal of Yoigo in Spain.

Service revenues in local currencies, excluding acquisitions and disposals, decreased 0.6 percent as growth in mobile service revenues in most markets was not enough to mitigate pressure on traditional fixed telephony revenues, lower fiber installation revenues in Sweden, and the decline of low margin voice revenues in Telia Carrier. Excluding the decline in fiber installation revenues in Sweden, service revenues in local currencies and excluding acquisitions and disposals, would have increased by 0.2 percent.

SUBSCRIPTION GROWTH

The total number of subscriptions in continuing operations declined by 0.3 million to 23.1 million, of which mobile subscriptions increased by 0.1 million to 16.7 million. Fixed telephony subscriptions decreased by 0.4 million, while TV increased by 38,000 and the number of broadband subscriptions decreased by 47,000.

OPERATING EXPENSES

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

Cost of goods sold (COGS) was SEK 31,053 million (33,578) equal to a 7.5 percent decrease compared to 2016. The decrease was mainly due to the disposal of Yoigo in Spain. COGS in local currencies and excluding acquisitions and disposals increased by 1.1 percent.

Net sales SEK in millions	Jan-Dec 2017	Jan-Dec 2016	Change (SEK million)	Change (%), total	Change (%), of which		
					Local organic	M&A effects	FX effects
Sweden	36,825	37,251	-426	-1.1	-1.3	0.2	0.0
Finland	13,742	13,042	700	5.4	2.1	1.4	1.8
Norway	10,128	9,057	1,071	11.8	2.4	8.0	1.4
Denmark	5,945	5,880	65	1.1	-0.7	–	1.8
Lithuania	3,557	3,268	289	8.9	7.0	–	1.9
Estonia	2,824	2,733	90	3.3	1.6	-0.1	1.8
Other operations	9,047	15,299	-6,252	-40.9	-0.1	-41.4	0.6
Telia Carrier	5,956	6,227	-271	-4.3	-4.6	–	0.3
Latvia	1,953	1,788	165	9.2	7.3	–	1.9
Spain	0	6,073	-6,073	–	–	–	–
Other	1,138	1,210	-72	-6.0	16.8	–	0.0
Eliminations	-2,201	-2,352	151	-6.4	-2.9	-4.3	0.7
Total, continuing operations	79,867	84,178	-4,311	-5.1	0.4	-6.3	0.8

Operating expenses SEK in millions	Jan-Dec 2017	Jan-Dec 2016	Change (SEK million)	Change (%), total
COGS	-31,053	-33,578	2,525	-7.5
of which goods and sub-contracting services purchased	-16,553	-17,441	888	-5.1
of which interconnect and roaming expenses	-6,978	-7,971	993	-12.5
of which other network expenses	-3,792	-4,695	903	-19.2
of which change in inventories	-3,730	-3,470	-260	7.5
Personell expenses	-12,526	-12,105	-421	3.5
Marketing expenses	-3,073	-4,319	1,246	-28.8
Other expenses	-8,111	-8,456	345	-4.1
Subtotal	-54,763	-58,458	3,695	-6.3
Amortization, depreciation and impairment losses, total	-12,892	-11,533	-1,359	11.8
Other operating expenses	-1,284	-1,397	114	-8.1
Total, continuing operations	-68,938	-71,388	2,450	-3.4

Marketing expenses decreased 28.8 percent compared to 2016, driven by the majority of the markets as well as the deconsolidation of Yoigo in Spain in 2016.

Amortization, depreciation and impairment losses increased 11.8 percent to SEK 12,893 million (11,534). In local currencies and excluding acquisitions and disposals, the increase was 12.4 percent.

ADJUSTMENT ITEMS

Adjustment items affecting operating income in continuing operations totaled SEK -1,378 million (3,967) and were mainly related to capital gains/losses related to the disposals of Sergel, MegaFon and Turkcell shares, as well as write-downs and restructuring charges. 2016 was mainly impacted by the disposal of Yoigo in Spain. For definition of adjustment items see section Definitions.

EARNINGS

In continuing operations, adjusted EBITDA, decreased 1.5 percent to SEK 25,438 million (25,836). In local currencies and excluding acquisitions and disposals, adjusted EBITDA, decreased 0.2 percent with negative development primarily in Sweden. Adjusted EBITDA in Sweden decreased mainly due to lower fiber installation revenues, legacy revenue erosion, but also due to an increasing cost base. In Norway, high margin wholesale revenues were an important factor for the positive EBITDA development. In Finland growth in mobile revenues was the main explanation behind the positive development. Other operations contributed positively, mainly due to lower costs within group functions. The adjusted EBITDA margin increased to 31.9 percent (30.7).

Adjustment items SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Within EBITDA	368	3,977
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:		
Sweden	-268	-362
Finland	-84	-52
Norway	-143	-42
Denmark	-72	-29
Lithuania	-29	-52
Estonia	-23	-20
Other operations	-229	-128
Capital gains/losses ¹	1,215	4,662
Within Depreciation, amortization and impairment losses	-803	-
Within Income from associated companies and joint ventures	-942	-10
Capital gains/losses ²	-942	-10
Total adjustment items within operating income, continuing operations	-1,378	3,967

1) 2017 includes the capital gain of the disposal of Sergel. 2016 includes the disposal of Yoigo in Spain.

2) 2017 includes the capital gain from disposal of 6.2 percent holding in MegaFon and the capital losses (including cumulative exchange loss in equity reclassified to net income) from the disposals of 14.0 percent holding in Turkcell.

Adjusted EBITDA SEK in millions	Jan-Dec 2017	Jan-Dec 2016	Change (SEK million)	Change (%), total
Sweden	13,749	14,455	-706	-4.9
Finland	4,232	4,059	173	4.3
Norway	3,520	3,125	395	12.6
Denmark	691	692	-2	-0.2
Lithuania	1,227	1,139	88	7.7
Estonia	871	811	61	7.5
Other operations	1,149	1,555	-406	-26.1
Telia Carrier	491	498	-7	-1.4
Latvia	609	580	30	5.1
Spain	0	630	-630	-100.0
Other	48	-153	201	
Eliminations	0	0	0	0.0
Total, continuing operations	25,438	25,836	-398	-1.5

Adjusted Operating income SEK in millions	Jan-Dec 2017	Jan-Dec 2016	Change (SEK million)	Change (%), total
Sweden	8,698	9,569	-871	-9.1
Finland	2,087	2,086	1	0.1
Norway	1,991	1,611	380	23.6
Denmark	-65	-58	-7	12.7
Lithuania	664	583	81	13.9
Estonia	360	309	50	16.3
Other operations	1,333	3,022	-1,689	-55.9
Eliminations	0	0	0	0.0
Total, continuing operations	15,069	17,123	-2,055	-12.0

In continuing operations, operating income decreased 35.1 percent to SEK 13,690 million (21,090), mainly due to lower income from associated companies and higher amortization, depreciation and impairment losses. The lower income from associated companies was mainly explained by the decrease of ownership in Turkcell and the disposal of shares in MegaFon, as well as lower contribution from MegaFon up until the disposal.

FINANCIAL ITEMS, TAXES AND NET INCOME

Financial items totaled SEK -4,234 million (-1,841) primarily negatively affected by decreased interest net due to bond buy-back transactions and a capital loss from the disposal of the 19.0 percent holding in MegaFon classified as a financial asset prior to the disposal.

Income taxes amounted to SEK -1,041 million (-2,816). The effective tax rate was 11.0 percent (14.6). The decrease is related to non-taxable capital gains from the disposals of Sergel and MegaFon and reversal of withholding tax provisions for Turkcell and MegaFon. The decrease is partly offset by a non-deductible capital loss from the disposals of shares in Turkcell.

Total net income rose to SEK 10,146 million (6,496), of which SEK 8,416 million (16,433) in continuing operations and SEK 1,729 million (-9,937) in discontinued operations. Total earnings per share rose to SEK 2.22 (0.86).

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.

Net sales decreased 17.5 percent in reported currency to SEK 11,268 million (13,653), adjusted EBITDA decreased to SEK 4,246 million (5,880), and the adjusted EBITDA margin, declined to 37.7 percent (43.1) all mainly due to the disposal of Ncell in Nepal during 2016, the disposal of Tcell in Tajikistan during 2017 and devaluation in Uzbekistan in 2017. Net income was SEK 1,729 million (-9,937). Besides from the above, 2017 was positively affected by the settlement with the authorities regarding the Uzbekistan investigations whilst 2016 was negatively impacted by the original provision. See Note C34 for further information.

FINANCIAL POSITION, CAPITAL RESOURCES AND LIQUIDITY

Financial position

Goodwill and other intangible assets increased to SEK 76.7 billion. Goodwill increased mainly due to the acquisitions of Nebula and Phonero. Other intangible assets totaled SEK 15.7 billion, positively impacted by investment and acquired operations, but negatively impacted by amortization.

Discontinued operations SEK in millions except margins, operational data and changes	Jan-Dec 2017	Jan-Dec 2016	Chg (%)
Net sales (external)	11,268	13,653	-17.5
Adjusted EBITDA	4,246	5,880	-27.8
Margin (%)	37.7	43.1	
Net income	1,729	-9,937	
CAPEX	1,787	5,813	-69.3
CAPEX excluding license and spectrum fees	1,782	2,432	-26.7

Property, plant and equipment, totaled SEK 60.0 billion, increased through investments. The increase due to investments was offset by depreciations and impairment losses.

The carrying value of associated companies and joint ventures decreased to SEK 9.4 billion, mainly affected by reduced ownership in Turkcell and the disposal of MegaFon. Share of net income in associated companies and joint ventures added value, offset by dividends received from the companies. Currency effects were negative, mainly due to negative development of the Turkish lira versus the Swedish krona.

Financial and other non-current assets comprise deferred tax assets, pension obligation assets and other non-current assets, mainly long-term interest-bearing receivables. Financial and other non-current assets increased due to revaluation of Telia Company's holding in Spotify and increased pension obligation assets, partly offset by decreased deferred tax assets.

Other current assets comprise interest-bearing receivables, trade and other receivables, inventories and current tax receivables. Other current assets increased mainly due to increased interest-bearing receivables as a result of using surplus liquidity from the divestments of shares in Turkcell, MegaFon and Sergel.

Cash and cash equivalents increased to SEK 15.6 billion. Cash flow from operations had a positive impact, as well as the reduced ownership in Turkcell and disposals of MegaFon and Sergel. These effects were partly offset by dividend paid and the acquisitions of Nebula and Phonero, as well as the payments of fines and disgorgements related to the Uzbekistan investigations.

Assets classified as held for sale, totaled SEK 18.4 billion, decreased mainly due to the disposal of Sergel, impairment charges related to Eurasia and exchange rate differences due to devaluation in Uzbekistan. See Note C34 for further information.

Total equity increased 10.9 percent to SEK 105.2 billion. Total equity was reduced by dividends to the owners, whilst net income had a positive effect. Other comprehensive income had a positive impact, mainly due to reclassified exchange effects from the disposals of MegaFon and holdings in Turkcell.

Long-term borrowings amounted to SEK 87.8 billion, and increased mainly due to the issue of hybrid capital. Buy-backs of outstanding Telia Company bonds had an adverse effect giving a net increase in long-term borrowings.

Other non-current liabilities comprise deferred tax liabilities, provisions for pensions, other long-term provisions and other long-term liabilities. Deferred tax liabilities decreased mainly due to revaluation of withholding tax provision as a consequence of the disposal of shares in Turkcell and in MegaFon. Other long-term provisions include the outstanding provision regarding the Uzbekistan investigations amounting to SEK 1,650 million after discount effect, see Note C34 for further information.

Short-term borrowings decreased to SEK 3.7 billion by maturing short-term debt.

Short-term provisions decreased to SEK 0.5 billion mainly due to the payment of parts of the provision for the settlement amount agreed with the authorities related to the Uzbekistan investigations, as well as the transfer to other long-term provisions of the outstanding amount.

Liabilities directly associated with assets held for sale decreased mainly due to exchange rate differences and

Financial position SEK in millions	Dec 31, 2017	Dec 31, 2016 (SEK in millions)	Change	Change (%)
Goodwill and other intangible assets	76,652	70,947	5,705	8.0
Property, plant and equipment	60,024	58,107	1,917	3.3
Investments in associated companies and joint ventures	9,449	22,698	-13,249	-58.4
Financial and other non-current assets	28,379	27,722	657	2.4
Total non-current assets	174,503	179,475	-4,972	-2.8
Other current assets	35,318	30,402	4,916	16.2
Cash and cash equivalents	15,616	14,510	1,106	7.6
Assets held for sale	18,408	29,042	-10,634	-36.6
Total current assets	69,341	73,955	-4,614	-6.2
Total assets	243,845	253,430	-9,585	-3.8
Total equity	105,230	94,869	10,361	10.9
Long-term borrowings	87,813	83,161	4,652	5.6
Other non-current liabilities	18,927	18,573	354	1.9
Total non-current liabilities	106,740	101,734	5,006	4.9
Short-term borrowings	3,674	11,307	-7,633	-67.5
Short-term provisions	470	13,673	-13,203	-96.6
Other current liabilities	19,179	18,219	960	5.3
Liabilities directly associated with assets held for sale	8,552	13,627	-5,075	-37.2
Total current liabilities	31,875	56,826	-24,951	-43.9
Total equity and liabilities	243,845	253,430	-9,585	-3.8

a decrease in deferred tax liabilities. See Note C34 for further information.

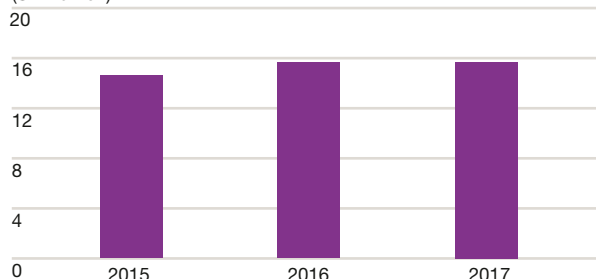
See Consolidated statements of financial position, Consolidated statements of changes in equity and related Notes to the consolidated financial statements for further details.

CAPEX

In continuing operations, capital expenditures (CAPEX) increased to SEK 15,672 million (15,625). Main CAPEX components were network related investments, fiber investments in Sweden, investments in ice hockey rights in Finland (the agreement stretches over six years and the cash flow effect will start in the second half of 2018), as well as IT investments focusing on improved efficiency. Further, telecom licenses and spectrum permits were acquired in Norway and Estonia. CAPEX, excluding license and spectrum fees, amounted to SEK 15,215 million (15,016).

CAPEX

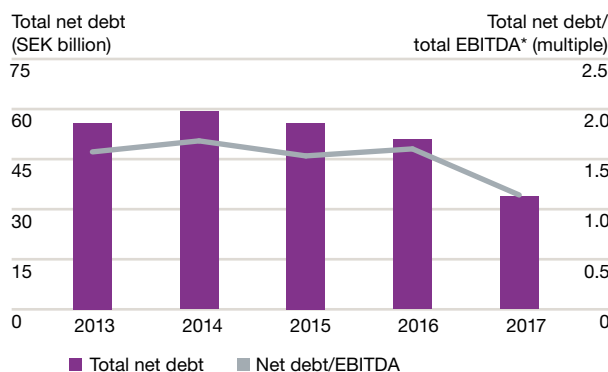
CAPEX
(SEK billion)



Credit facilities

Telia Company believes its available bank credit facilities and updated open-market financing programs are sufficient for the present known liquidity requirements. In continuing operations, Telia Company's surplus liquidity (short-term investments, cash and bank, and certain securities with maturities exceeding 12 months but convertible to cash within 2 days) was in total SEK 41.2 billion at year-end. In addition, the total available unutilized amount under committed bank credit facilities as well as overdraft and short-term credit facilities at year-end was SEK 16.1 billion.

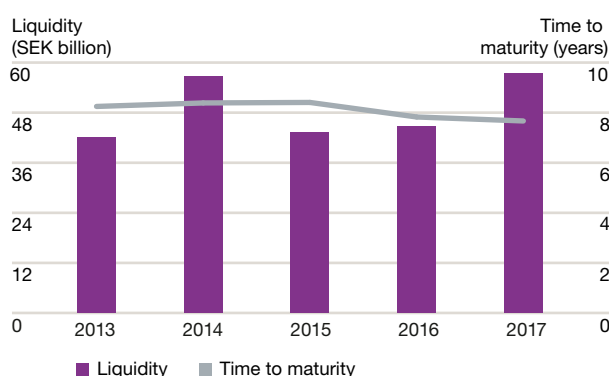
TOTAL NET DEBT AND TOTAL NET DEBT/ TOTAL EBITDA^{1,2}



1) Excluding adjustment items.

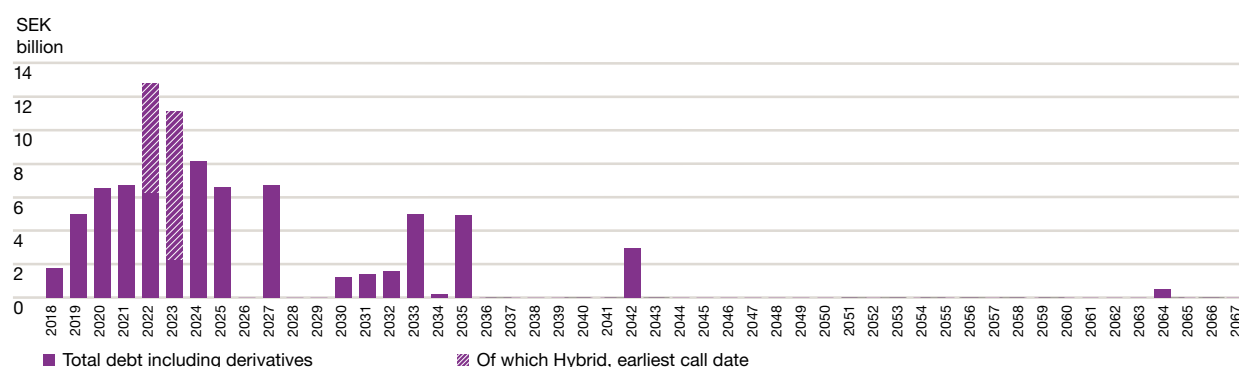
2) Total Telia Company group including both continuing and discontinued operations.

LIQUIDITY AND TIME TO MATURITY¹



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

DEBT PORTFOLIO MATURITY SCHEDULE – 2018 AND ONWARDS



Telia Company AB shall target a solid investment grade long-term credit rating, defined as A- to BBB+. After the issuance of hybrid bonds Standard&Poors removed the CreditWatch negative and confirmed its long-term A-rating with negative outlook and the short-term rating A-2. The rating from Moody's remained unchanged in 2017, the long-term rating at Baa1 and the short-term rating at Prime-2, both with stable outlook.

Telia Company normally arrange its financing through the parent company Telia Company AB. Most issuance are done under the company's existing EMTN (Euro Medium Term Note) program of EUR 12 billion. The primary means of external borrowing are described in Notes C20 and C26 to the consolidated financial statements. In 2017, Telia Company AB issued hybrid bonds at an amount of SEK 15 billion and funding in NOK equal to SEK 600 million. In connection to the issuance of hybrid bonds a tender for buy-back of senior bonds was announced under which an amount of EUR 545 million of bonds maturing in 2019, 2020 and 2021, respectively, were bought back. In May, SEK 1,029 million of a bond maturing in 2019 were bought back and in November a new tender for buy-back was announced under which an amount of EUR 345 million of outstanding bonds maturing in 2019, 2020, 2021 and 2022, respectively, were bought back. At year-end, the average time to maturity of Telia Company AB's overall debt portfolio was approximately 7.9 years.

As at the end of 2017, no Commercial Papers were outstanding.

Cash flow, continuing and discontinued operations

Cash flow from operating activities decreased to SEK 23.6 billion (26.0), affected by a negative change in working capital driven mainly by the payment of the settlement regarding the Uzbekistan investigation and partly offset by decreased cash CAPEX in both continuing and discontinued operations. 2016 was affected by the disposal and deconsolidation of Ncell in Nepal and Yoigo in Spain.

Operational free cash flow, continuing operations, increased to SEK 9,7 billion (5,5) mainly due to lower paid taxes, lower cash CAPEX and improved working capital.

Cash flow from investing activities, totaling SEK -10.1 billion (-7.4) consists of investments in intangible assets, property plant and equipment, acquisitions and disposals, changes in loans receivable and in short-term investments. Cash CAPEX decreased to SEK -16.4 billion (-18.7). Cash received from disposals was SEK 23.1 billion (12.1), which mainly refers to reduced ownership in Turkcell and the disposals of MegaFon and Sergel. 2016 was affected by the disposals of Ncell in Nepal and Yoigo in Spain. Cash paid for business combinations and other equity instruments was SEK -4.4 billion (-0.1) and refers mainly to the acquisitions of Phonero and Nebula. Net cash used for granting loans was SEK -2.4 billion (-3.0). Cash outflow from net changes in short-term investments was SEK -10.2 billion (inflow 1.6), mainly due to investments of surplus liquidity from the disposals.

Cash outflow from financing activities in 2017, totaling SEK -13.9 billion (-22.5), includes dividends paid to shareholders of the parent company of SEK -8.7 billion (-13.0) and to non-controlling interests of SEK -0.9 billion (-2.4). Net outflow from new and repaid borrowings amounted to SEK -2.6 billion (-8.9) mainly due to issue of Hybrid capital offset by debt maturity and buy-back of outstanding bonds. Net of repurchase agreements amounted to SEK 0.1 billion (0.6) and net of other derivatives was SEK -1.9 billion (1.1).

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

ASSOCIATED COMPANIES

On May 25, 2017, Turkcell's Ordinary General Assembly was convened and a dividend of 3,000 million Turkish lira was declared. The payment of dividend was made in three equal

Cash flow SEK in millions	Jan-Dec 2017	Jan-Dec 2016	Change (SEK million)	Change (%), total
Cash flow from operating activities	23,569	25,970	-2,401	-9.2
Cash CAPEX	-16,405	-18,703	2,298	-12.3
Free cash flow	7,164	7,267	-103	-1.4
<i>of which operational free cash flow, continuing operations</i>	9,687	5,497	4,190	76.2
Cash flow from other investing activities	6,290	11,275	-4,985	-44.2
Cash flow from investing activities	-10,115	-7,428	-2,687	36.2
Cash flow from financing activities	-13,905	-22,491	8,586	-38.2
Cash and cash equivalents, opening balance	22,907	25,334	-2,427	-9.6
Cash flow for the period	-451	-3,949	3,498	-88.6
<i>of which continuing operations</i>	-6,935	-24	-6,911	
Exchange rate differences	-1,472	1,523	-2,994	
Cash and cash equivalents, closing balance	20,984	22,907	-1,923	-8.4
<i>of which continuing operations</i>	15,616	14,605	1,012	6.9

installments to the shareholders. First on June 15, second on September 15, and the third on December 15, 2017.

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.

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

SIGNIFICANT EVENTS IN 2017

Operations

On March 29, 2017, Telia Company announced that it had issued hybrid bonds in three separate tranches in EUR and SEK with a total amount of around SEK 15 billion. The hybrid was recognized at the beginning of April 2017.

As per March 31, 2017, Telia Company, after constructive discussions with the government agencies, revised the estimate of the most likely outcome and the provision for settlement amount proposed by the US and Dutch authorities was adjusted from USD 1.45 billion to USD 1.0 billion (SEK 8.9 billion).

On July 14, 2017, Telia Company announced that the Interim Report January–June would include significant items that in total had a negative impact of SEK 1.2 billion on Operating income in continuing operations and a negative impact of SEK 2.0 billion on Net income in discontinued operations in the second quarter of 2017. The cash flow effect was SEK 6.3 billion for continuing operations while there was no cash flow effect within discontinued operations.

On September 21, 2017, Telia Company announced that a global settlement had been reached with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. Telia Company agreed to a total financial sanction of USD 965 million. The global resolution brings an end to all known corruption related investigations or inquiries into Telia Company.

On September 22, 2017, Telia Company announced that, according to information from the Swedish Prosecution Authority, it has decided to prosecute a number of former Telia employees. The authority also decided to initiate legal proceedings against Telia Company for a disgorgement. This amount is already included in the global settlement that Telia Company has reached with US and Dutch authorities.

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

Board of Directors and Group Executive Management

On December 14, 2016, Telia Company announced organizational changes in Group Executive Management as of January 1, 2017. Since then the Group Executive Management consists of: The Chief Executive Officer, Chief Financial Officer, General Counsel, Head of Group People and Brand, Head of Group Communications, Head of Global Services & Operations, Head of CEO Office, Strategy & Combined Assurance, Head of Telia Sweden, Head of Telia Norway, Head of Telia Finland and Head of Cluster (LED - Lithuania, Estonia and Denmark).

On April 5, 2017, Telia Company held its Annual General Meeting and announced that the ordinary members of the Board Susanna Campbell, Marie Ehrling, Olli-Pekka Kallasvuo, Mikko Kosonen, Nina Linander, Martin Lorentzon, Anna Settman and Olaf Swantee were re-elected members to the Board. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuo was elected Vice-Chair of the Board.

On December 15, 2017, Telia Company announced that Robert Andersson Senior Vice President and Head of Corporate Holdings and member of Group Executive Management, would leave Telia Company.

Funding

On March 29, 2017, Telia Company announced that it had issued hybrid bonds with a total amount of SEK 15 billion. The hybrid bonds are nominated in a EUR tranche (EUR 900 million) and two SEK tranches (SEK 6.5 billion).

Treasury shares

On May 2, 2017, Telia Company acquired 108,101 own shares at an average price of SEK 36.1906 to cover commitments under the "Long Term Incentive Program 2014/2017". During the second quarter of 2017, Telia Company distributed 108,101 shares to the incentive program participants. As of December 31, 2017, no Telia Company shares were held by the company itself or by its subsidiaries. The total number of issued and outstanding shares were 4,330,084,781.

ACQUISITIONS AND DISPOSALS

Telia Company's acquisitions and disposals of subsidiaries and associated companies during 2017 are summarized in

the table below. For further information on acquisitions and disposals, see Note C4, C14, C33 and C34.

Closing date	Country	Comments
February 1, 2017	Norway	<ul style="list-style-type: none"> Telia Company acquired all shares in Fält Communications AB (Fältcom) a company in the Nordic connected public transportation market.
March 1, 2017	Sweden	<ul style="list-style-type: none"> Telia Company acquired all shares in the Swedish company C-Sam AB a company that develops and maintains fiber and cable networks.
April 5, 2017	Sweden	<ul style="list-style-type: none"> Telia Company acquired all shares in the Swedish company SalaNet AB, a company that develops fiber network.
April 10, 2017	Norway	<ul style="list-style-type: none"> Telia Company acquired all shares in Phonero AS, a company that offers telecommunication services to small and medium sized corporate customers as well as public companies. The acquisition will strengthen Telia Company's position in the Norwegian enterprise segment.
April 26, 2017	Tajikistan	<ul style="list-style-type: none"> Telia Company finalized the disposal of the Tajik operation to AKFED. In addition to the impairment of SEK 222 million recognized in the first quarter of 2017, a capital loss of SEK 193 million was recognized due to reclassified foreign exchange losses.
May 8, 2017	Turkey	<ul style="list-style-type: none"> Telia Company disposed a portion of its direct holding in its associated company Turkcell. The disposal represented 7.0 percent of Turkcell's issued share capital and resulted in a capital loss of SEK 1,828 million due to reclassified foreign exchange losses.
June 30, 2017	Denmark, Finland, Latvia, Lithuania, Norway, Sweden	<ul style="list-style-type: none"> Telia Company disposed the Sergel Group to Marginalen. The disposal resulted in a capital gain of SEK 1,213 million.
July 3, 2017	Finland	<ul style="list-style-type: none"> Telia Company acquired all shares in the Finnish company Nebula Top Oy, a company which provides cloud services. The acquisition will strengthen Telia Company's position in the Finnish SME and SoHo segments.
July 3, 2017	Sweden	<ul style="list-style-type: none"> On July 3, 2017, Telia Company acquired 93.35 percent of the total shares in the Swedish company Humany AB, a company within self-learning knowledgebase systems. During the third and fourth quarter of 2017 Telia Company acquired the remaining shares from holders of non-controlling interests and thereafter owns all shares in Humany AB.
September 19, 2017	Turkey	<ul style="list-style-type: none"> Telia Company disposed the remaining portion of its direct holding in the associated company Turkcell. The disposal represented 7.0 percent of Turkcell's issued share capital and resulted in a capital loss of SEK 1,911 million. Telia Company's indirect holding (24 percent) in Turkcell through Turkcell Holding A.S. remains unchanged.

Closing date	Country	Comments
October 3, 2017, October 31, 2017	Russia	<ul style="list-style-type: none"> On October 3, 2017, Telia Company disposed a portion of its investment in its associated company MegaFon representing 6.2 percent of MegaFon's issued share capital and the transaction resulted in a capital gain of SEK 2,795 million. As a consequence of the transaction, MegaFon was re-classified from an associated company to a financial asset in the fourth quarter of 2017. On October 31, 2017, Telia Company disposed its remaining shareholding of 19.0 percent in MegaFon which resulted in a capital loss of SEK 1,275 million.
November 30, 2017	Finland	<ul style="list-style-type: none"> Telia Company acquired all shares in the Finnish company Propentus Oy, a company specialized in identity and access rights management. The acquisition strengthens Telia Company's offering of information security services.
December 20, 2017	Sweden	<ul style="list-style-type: none"> Telia Company acquired all shares in the Swedish company TV-Net i Löddeköping AB. The acquisition will strengthen Telia Company's fiber investment.

OUTLOOK FOR 2018

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

Adjusted EBITDA in continuing operations, based on current structure, in local currencies, excluding future acquisitions and disposals, is expected to be in line with or slightly above the 2017 level (SEK 25.4 billion).

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+).

TELIA COMPANY SHARE

The Telia Company share is listed on Nasdaq Stockholm and Helsinki. In 2017, the share price in Stockholm was almost flat and closed at year-end 2017, at SEK 36.55 (36.71). During the same period, the OMX Stockholm 30 Index increased 3.9 percent and the STOXX 600 Telecommunications Index decreased 3.4 percent.

At year-end 2017, Telia Company's market capitalization was SEK 158.3 billion. Besides Nasdaq Stockholm and Helsinki, the share was traded at other platforms with the major trading volumes on Chi-X and BATS.

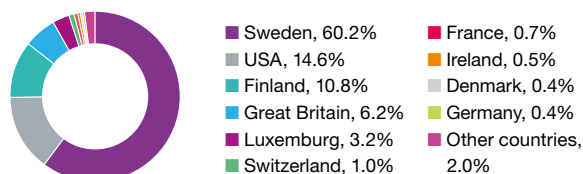
Holdings outside Sweden and Finland decreased from 32 percent to 29 percent. Telia Company had 496,434 shareholders at year-end, of which one shareholder held more than 10 percent of the shares and votes: the Swedish State with 37.3 percent. No other shareholder held more than 5 percent of the shares and votes.

MAJOR SHAREHOLDERS, DECEMBER 31, 2017

Shareholder	Number of issued shares	Percent of issued shares/votes
Swedish State	1,614,513,748	37.3
Solidium Oy ¹	137,123,642	3.2
BlackRock	82,034,572	1.9
AMF Insurance and Funds	78,370,998	1.8
Vanguard	63,161,914	1.5
Swedbank Robur Funds	61,540,159	1.4
Capital Group	52,975,783	1.2
XACT Funds	44,377,740	1.0
First National Pension Fund	42,462,798	1.0
AFA Insurance	39,917,854	0.9
Total other shareholders	2,113,605,573	48.8
Total, issued shares	4,330,084,781	100.0

¹ On February 8, 2018 Solidium Oy announced that it had disposed all shares in Telia Company.

SHAREHOLDINGS BY COUNTRY, DECEMBER 31, 2017 (% OF TOTAL NUMBER OF SHARES)



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

Share data	2017	2016
Paid year-end (SEK)	36.55	36.71
Highest paid during the year (SEK)	40.07	43.24
Lowest paid during the year (SEK)	34.70	34.20
Number of shares at year-end (millions)	4,330.1	4,330.1
Number of shareholders at year-end	496,434	512,841
Earnings per share, total (SEK)	2.22	0.86
Earnings per share continuing operations (SEK)	1.90	3.76
Dividend per share (SEK) ¹	2.30	2.00
Pay-out ratio (%) ²	81	115
Equity per share (SEK)	23.09	20.75

1) For 2017 as proposed by the Board of Directors.

2) Based on free cash flow, excluding licenses.

Sources: Euroclear Sweden and Modular Finance.

As of December 31, 2017, 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, 2017, Telia Company's Finnish pension fund held 366,802 shares and its Finnish personnel fund 868,249 shares in the company, respectively, in total representing 0.03 percent of the outstanding shares.

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

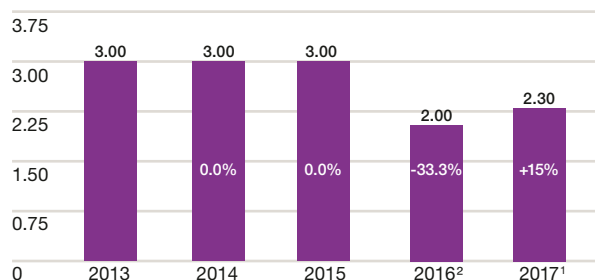
The Board of Directors does not currently have any authorization by the general meeting of shareholders to issue new shares but has the authorization to repurchase a maximum of 10 percent of the company's total number of outstanding shares before the Annual General Meeting 2018. In order to continue to provide the Board of Directors with an instrument to adapt and improve Telia Company's capital structure, the Board of Directors proposes that the Annual General Meeting on April 10, 2018, 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 2019. 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 2017, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.30 (2.00), totaling SEK 10.0 billion (8.7), or 81 percent of free cash flow attributable to continuing operations, excluding licenses. The dividend should be split and distributed into two equal tranches of SEK 1.15, one in April 2018 and one in October 2018. See also section "Proposed appropriation of earnings."

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

Dividend per share (SEK)



1) For 2017 as proposed by the Board of Directors.

2) The dividend 2016 was reduced to reflect the return from continuing operations

OUR CUSTOMERS

Understanding customer needs

Our work in developing and delivering products and services is driven by the following insights.

Consumers in our core markets demonstrate increased digital maturity and thus demand and expect more from a telecommunication provider, both regarding speed and quality of our networks as well as products and services that meet their specific needs.

Many business customers are in the middle of digitalizing their operations and business models and need a partner that can facilitate developing, choosing and implementing the right solutions for their businesses, ranging from connectivity, Internet of Things, data analytics to applications.

In essence, our customers rely on our products and services in order to live and work, which require us to both closely monitor our performance and push boundaries of what we can do for our customers, now and in the future. "Roam like home", which allows our customers to seamlessly use their mobile plans in the Nordics and Baltics as they would at home, is an example how we take care of our customers cross border.

Net Promoter Score

The Net Promoter Score (NPS) customer experience program enables us to make sure that we understand customers' needs, listen to customer feedback and act on it accordingly. The NPS program, implemented in all core markets, provides customer input to the entire organization as well as relevant business partners. NPS score is reported and followed up on local and group level on a quarterly basis. Based on the results, local companies decide on activities to close gaps or to best leverage outperformance.

A common brand

In March 2017, Telia Company reached a milestone when Sonera in Finland was rebranded to Telia, which consequently became the main brand in all core markets. This brand strategy was a logical step as we had already implemented a shared brand platform and visual identity across these markets. The common brand allows us to find and act on cross-border opportunities based on similar customer needs and trends. Brand performance is followed up regularly across core markets. Using a brand tracker together with other customer research, we track customer needs and expectations beyond the NPS customer experience tracking. Particular focus was on brand awareness related to the brand transition. The brand tracker confirmed that the rebranding quickly yielded high awareness levels for the Telia brand, allowing us to focus on marketing more related to sales conversion.

Personal advisor and technician

Technology is fantastic – when it works. When it doesn't, problems can take a long time and a lot of effort to solve. Eight out of ten small business owners in Sweden handle IT on their own and thus have to spend time on troubleshooting problems instead of focusing on their core business. It can also be challenging for many small businesses to handle increasingly complex IT needs and solutions.

Based on this insight, in 2015 Telia Sweden launched a new support service – Personal advisor – where small businesses are guided to find the most suitable communications and IT solutions to fit the companies' needs. The next step was the launch of Personal technicians who visit companies, including non-Telia customers, to troubleshoot and solve their IT problems such as installing software or setting up wireless network.

The services Personal advisor and Personal technician were awarded with the highest rank in business customer satisfaction according to The Swedish Quality Index (SKI).

INNOVATION, RESEARCH AND DEVELOPMENT

We see all employees as having a role in driving innovation, no matter the role, team or function. Innovation cuts across businesses and operations, from new products or services to process improvements and tweaks to our ways of working.

In 2016, we established Division X as the primary innovation unit tasked with spearheading and accelerating activities in emerging business areas. A part of Division X, Purple+ drives innovation together with and across the entire group. The strategy is straightforward: start with the customers' spoken or unspoken unmet needs and work from there.

In 2017, we revisited our innovation mission, strategy and ways of working, to establish and improve on processes and functions better capable of capturing new ideas and initiatives.

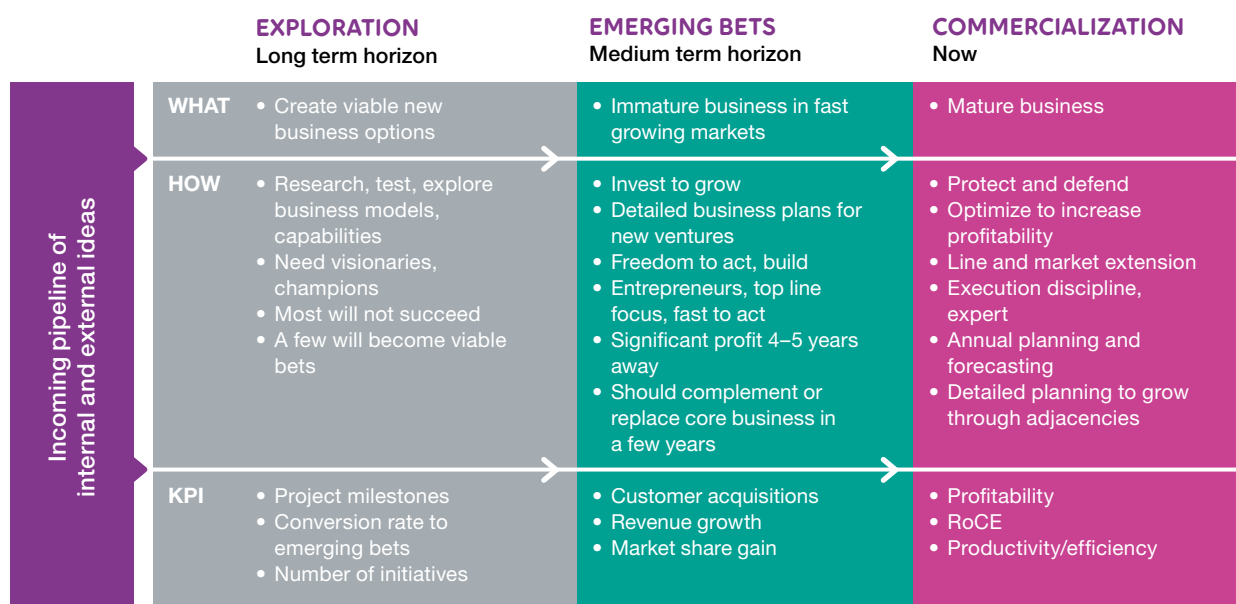
Exploration, Emerging bets and Commercialization

The way Division X and Purple+ operate and drive business can be divided into three categories: Exploration, Emerging bets and Commercialization. All innovation efforts are prioritized in tight collaboration with operating units, outlining which innovation capabilities should be addressed to maximize impact.

Exploration – long term

Exploration is about identify, explore and develop innovations covering products and services, ecosystems and business models that will generate new business. For initiatives with strong business hypotheses we develop minimum viable products (MVP) with just enough features

CATCHING THE NEXT WAVE DEPENDS ON MANAGING EMERGING BUSINESSES DIFFERENTLY



to satisfy early customers and to be able to verify the hypotheses. If we are able to define a business case they are handed over to other parts of the organization.

Initiatives currently in the exploration phase are, e.g.

- Urban experience
- Smart buildings
- Shopper experience
- Digital markets
- Trust & privacy

Emerging bets – medium term

Exploratory initiatives are now more mature. A prime example is Telia Zone, which started as a co-creation and exploration following Telia Company's investment and innovation partnership with Spotify in 2015. From idea in 2015, to exploration in 2016 and an emerging bet in 2017 – in two years' time, Telia Zone has transformed from an idea to being rolled-out to more than 750,000 households. Starting to test the waters on the consumer side, now moving into the B2B space and beyond.

Initiatives currently in the Emerging bets phase are:

- Smart public transport
- Telia App market - a host for cloud services
- Web accelerator - a solution to improve performance
- Enterprise & Public IoT
- Telia Sense - a solution for the connected car
- Telia Zone - a solution for the smart home
- Crowd analytics

Commercialization – now

In the Commercialization stage are initiatives with a broad market and customer uptake. Basic IoT connectivity and Fältcom's solutions qualify for this phase.

As of December 31, 2017, Telia Company had 319 patent "families" and 1,596 patents and patent applications, with no significant changes compared to the previous year. In 2017, Telia Company continued to modernize the patent portfolio by focusing on emerging technologies.

In continuing operations, Telia Company incurred R&D expenses of SEK 286 million in 2017 (173).

PEOPLE

A culture shift

To deliver on the strategy, Telia Company needs to be fit to face today's challenges and capture the opportunities of tomorrow. We need to transform our ways of working and bring out the best in our people – in essence, the company culture. We see the needed cultural shift as purpose driven and values oriented. Being clear on the purpose – "Bringing the world closer" and values – "Dare, Care and Simplify" and making them meaningful to all employees creates engagement, which in turn drives performance.

The cultural shift requires having the best people on-board. Telia Company's People promise "Home to your next big opportunity" is our promise to employees and potential employees. It guides our behavior as an employer, from the experience of applying for a job, getting people onboard to the opportunity given to grow.

People strategy

We believe that the way to create sustainable profitability and growth is to become a loved brand. The way to do that is to release the engagement and creativity in our people and enable them to collaborate in serving our clients and the societies in which we operate. This people strategy builds on two key contributors:

- Our strong bet on engagement as the driver of performance, and unleashing the potential in our employees through self-leadership
- Our commitment to create a solid foundation with group-common people processes, enabled by a cross-border support organization

YouFirst

YouFirst is the group-common approach to manage employee performance and development. It is a key component in ensuring that “What” and “How” are equally recognized and rewarded, that expectations and priorities ensure focus on what matters most, in challenging goals and in creating accountability for results. YouFirst is integrated in daily work through frequent leader-employee “check-ins” which include recognition, coaching and feedback, with self-leadership as a key component. In 2017, all full-time employees in core markets were covered by the approach.

Self-leadership and leadership

For employees to connect their personal purpose and values to Telia Company's purpose and values, we launched self-leadership sessions in workshop format called “Values in action” and “Purpose in action”. During the year, 5,000 employees participated in the workshops.

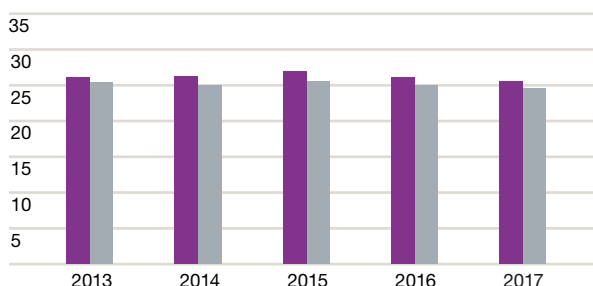
Some of the key leadership skills needed to be able to deliver on the people strategy are coaching others in developing their self-leadership and facilitating collaboration and joint problem-solving. During the year, a new leadership development framework was developed and the first learning modules were launched.

Younite

Launched in early 2017, Younite is our volunteering initiative where we enable and encourage our employees to engage, as part of their employment, in activities and societal contributions connected to digitalization. The initiative is part of our work to support the UN Sustainable Development Goals by taking responsibility for how our business impacts our societies and by using our core business to actively contribute to societal development. The activities within Younite all relate to digitalization, and each employee is given one day per year for volunteering. Examples of quests are promoting the spreading of digital skills by introducing children to programming, or introducing digital services to seniors.

EMPLOYEES, TOTAL (THOUSANDS)

■ Headcount at year-end ■ FTEs (average)

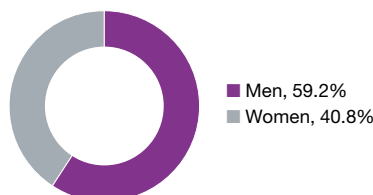


During 2017, the number of employees in continuing operations decreased by 303 to 20,727 at year-end, from 21,030 at year-end 2016. The number of employees in discontinued operations decreased by 242 to 4,745 from 4,987 at year-end 2016.

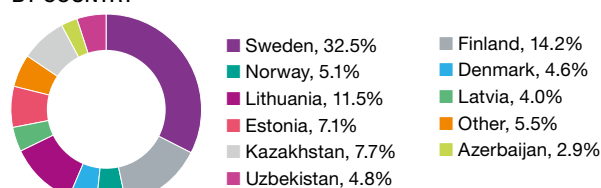
The total average number of full-time employees in 2017 was 24,468 (24,898), of which in continuing operations 19,632 (19,822). In total, operations were conducted in 28 countries (28), of which continuing operations in 21 countries (21).

EMPLOYEES, TOTAL (FTEs, %)

BY GENDER



BY COUNTRY



Group Executive Management consisted of 34.0 (33.5) percent women. The extended leadership team, which consists of Group Executive Management members and other senior executives, consisted of 35.1 (33.3) percent women.

For additional information on employees and labor practices, see Note C31 to the consolidated financial statements, “Occupational health and safety” and GRI Index, section “Labor practices and decent work.”

REMUNERATION TO EXECUTIVE MANAGEMENT

Proposed remuneration principles for Group Executive Management 2018

The Board of Directors proposes that the Annual General Meeting on April 10, 2018, resolves on the following principles for remuneration to Group Executive Management. Group Executive Management is defined as the President and the other members of the Management team.

Objective of the principles

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

Fixed salary

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

Pension

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

Other benefits

The company provides other benefits in accordance with market practice. A Group Executive Management member may be entitled to a company car, health and care provisions, etc. Internationally hired Group Executive Management members and those who are asked to move to

another country can be offered mobility related benefits for a limited period of time.

Notice of termination and severance pay

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

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

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

The Board of Directors may make minor deviations on an individual basis from the principles stated above. The 2017 remuneration policy is presented in Note C31 to the Consolidated financial statements.

Long-term incentive program 2017/2020

The Annual General Meeting held on April 5, 2017, resolved to launch a long-term incentive program (LTI) comprising of approximately 200 key employees. This program is not available for the members of Group Executive Management. The purpose of the program is to strengthen the company's ability to recruit and retain talented key employees, create a long-term confidence in and commitment to the group's long-term development, align key employees' interests with those of the shareholders, increase the part of the remuneration that is linked to the company's performance and encourage shareholding. The program rewards performance measured over a three-year period, is capped to a maximum value of 60 percent of the annual base salary and is equity based (delivered in Telia Company AB shares). A prerequisite for pay-out from the LTI program is the continuous employment during the length of the program.

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

The maximum number of Performance Shares a participant can receive is based on 30 percent of the partici-

part's annual salary and related to the share price. Accumulated EBITDA represents 50 percent of the Performance Shares (or 15 percent of the participant's annual salary):

- If 100 percent (or above) of the EBITDA target is met, 100 percent of Performance Shares under the EBITDA part will vest.
- If between 97.5 and 100 percent of the target is met, a proportionate amount of Performance Shares under the EBITDA part will vest.
- If 97.5 percent (or less) of the target is met, 0 percent of Performance Shares under the EBITDA part will vest.

TSR part represents 50 percent of the Performance Shares (or 15 percent of the participant's annual salary):

- If the Company's TSR is ranked first or second compared to the defined peer group of companies, 100 percent of the Performance Shares under the TSR part will vest.
- If the Company's TSR is ranked third or 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 2010-2016. The prevalence of an LTI program is subject to the approval of the Annual General Meeting. For more information on Telia Company's LTI programs, see Note C31 to the Consolidated financial statements.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

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

PARENT COMPANY

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

Net sales were SEK 413 million (469), of which SEK 406 million (467) was billed to subsidiaries. Income before taxes increased to SEK 14,689 million (11,479) mainly driven by a positive effect of the reversal of part of the provision made in 2016 related to the settlement amount proposed by the US and Dutch authorities, partly offset by decreased level of dividends and write-downs of subsidiaries. Net income was SEK 14,153 million (10,367). Financial investments increased to SEK 4,110 million (1,498). The investments in 2017 were mainly related to the acquisition of Phonero AS and Nebula Top Oy.

Cash and cash equivalents totaled SEK 14,418 million (12,232) at year-end. Shareholders' equity was SEK 86,400 million (80,286), of which non-restricted equity SEK 70,687 million (64,573). The equity/assets ratio was 36.9 percent (36.5). The average number of full-time employees was 262 (286).

SIGNIFICANT EVENTS AFTER YEAR-END 2017

On December 18, 2017, Telia Company announced that it had acquired the Finnish ICT company Inmics Oy at an enterprise value of EUR 75 million on a cash and debt free basis. The acquisition of Inmics Oy was subject to approval from the Finnish Competition and Consumer Authority. Approval was received in January 2018 and the transaction is expected to be closed in the first quarter of 2018. For more information, see Note C33 "Business combinations".

On January 26, 2018, Telia Company announced that Fintur Holdings B.V. (Fintur), jointly owned by Telia Company and Turkcell, had signed an agreement to dispose 100 percent of its holding in Geocell LLC, to the Georgian telecommunications company JSC Silknet, Georgia's largest fixed network operator, for a transaction price of USD 153 million. The transaction is subject to regulatory approvals.

In February 2018 Telia Company signed an agreement to dispose its holding in the associated company TOO Rodnik in Kazakhstan which Telia consolidates to 50 percent. Rodnik owns the listed company AO KazTransCom.

On March 5, 2018 Fintur Holdings B.V. (Fintur), jointly owned by Telia Company (58.55 percent) and Turkcell (41.45 percent), signed an agreement to sell its 51.3 percent holding in Azertel Telekomunikasyon Yatirim Dis Ticaret A.Ş (Azertel) to Azerbaijan International Telecom LLC (Azintelecom), wholly-owned company by the Republic of Azerbaijan. The transaction was not subject to any conditions, such as regulatory or competition approvals, and was completed on the same date. Azertel is sole shareholder of the leading Azeri mobile operator Azercell LLC (Azercell). The agreed price for Fintur's 51.3 percent in Azertel is EUR 222 million, which implies an equity value of EUR 432 million for 100 percent of Azercell and an enterprise value of EUR 197 million on a cash and debt free basis. The price corresponds to an EV/EBITDA multiple of 2.1x based on 2017. In addition to the impairment of SEK 2.6 billion recognized in December 2017, accumulated foreign exchange losses of SEK 3.0 billion will be reclassified to net income from discontinued operations, but will have no material effect on group equity. The transaction is on a pro forma basis estimated to increase net debt to EBITDA by approximately 0.1x. The final amounts are subject to changes in carrying values and foreign exchange rates. Prior to signing the transaction, Telia Company completed strict compliance and purchaser due diligence and is satisfied that all relevant checks and controls have been carried out with satisfactory results. Azintelecom is a buyer in line with Telia Company's requirements as it is a company wholly owned by the sovereign state of Azerbaijan.

PROPOSED APPROPRIATION OF EARNINGS

At the disposal of the Annual General Meeting (AGM):

	SEK
Retained earnings	56,534,464,757
Net income	14,152,801,703
Total	70,687,266,460

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.30 per share ordinary dividend to the shareholders	9,959,194,996
To be carried forward	60,728,071,464
Total	70,687,266,460

The dividend should be split and distributed into two equal tranches of SEK 1.15 each, one in April 2018 and one in October 2018.

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)

COUNTRY DEVELOPMENT IN 2017

SWEDEN - FIBER SLOW DOWN IMPACTED PROFITABILITY

In Sweden, the journey towards more connectivity and converged offerings continued, with the launch of Telia Life. The consumer segment continued the successful path with growing mobile revenues, despite somewhat negative impact from the implementation of new EU roaming regulations. On the other hand, the fiber installation revenues decreased significantly by 41.4 percent to SEK 727 million (1,240). The main reason for the decrease was a slower roll-out pace due to issues in getting needed digging permits as well as more intermediaries involved in roll-out.

The B2B segment remained challenging due to price pressure within the large enterprise part of the segment. The offerings to SME and SoHo (Small office Home office) customers were further strengthened, which is visible in the positive development for that part of the enterprise segment. In total, revenues in the enterprise segment decreased by 2.9 percent compared to last year.

Net sales excluding acquisitions and disposals decreased 1.3 percent. Net sales in reported currency including acquisitions and disposals decreased 1.1 percent to SEK 36,825 million (37,251). The impact from acquisitions and disposals was positive by 0.2 percent. Service revenues, excluding acquisitions and disposals, decreased 2.7 percent. Mobile service revenues increased 0.6 percent, where the consumer segment grew by 2.7 percent and more than compensated for the decreasing revenues from enterprise segment. Mobile ARPU increased slightly. Fixed service revenues declined 5.9 percent due to the drop in

revenues from traditional fixed telephony. TV and broadband ARPU as well as TV subscriptions grew.

On the customer satisfaction side Telia continued to be rewarded for quality. Swedish quality index (SKI) reported that Telia has the most satisfied customers within B2B, B2C (Halebop), as well as TV.

An ambition to take down operating expenses (OPEX) was announced in the second quarter. The aim was to take down operating expenses by 5 percent for the second half of 2017 compared to the previous year. The outcome was a decrease of 6 percent, where lower resource and marketing costs were the main drivers.

Adjusted EBITDA, decreased 4.9 percent to SEK 13,749 million (14,455) and adjusted EBITDA, excluding acquisitions and disposals, decreased 5.0 percent. Continued pressure on legacy revenues, coupled with lower fiber installation revenues as well as an increased cost base for the full year were the main drivers behind the EBITDA decline. The adjusted EBITDA margin decreased to 37.3 percent (38.8).

Adjusted operating income decreased 9.1 percent to SEK 8,698 million (9,569). Adjustment items impacted operating income and were SEK 500 million (209) mainly related to restructuring charges and IT related write-downs.

CAPEX decreased to SEK 6,392 million (7,119), impacted by lower CAPEX related to the fiber roll-out. No licenses were acquired during the year. The investments were primarily related to fiber, 4G and overall efficiency improvements. 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.

SEK in millions, except margins, operational data and changes	Jan-Dec 2017	Jan-Dec 2016	Chg (%)
Net sales	36,825	37,251	-1.1
Change (%) local organic	-1.3		
of which service revenues (external)	31,317	32,128	-2.5
change (%) local organic	-2.7		
Adjusted EBITDA	13,749	14,455	-4.9
Margin (%)	37.3	38.8	
change (%) local organic	-5.0		
Adjusted operating income	8,698	9,569	-9.1
CAPEX excluding license and spectrum fees	6,392	7,119	-10.2
Subscriptions, (thousands)			
Mobile	6,118	6,071	0.8
of which machine to machine (postpaid)	944	835	13.1
Fixed telephony	1,381	1,675	-17.6
Broadband	1,286	1,299	-1.0
TV	787	765	2.9
Employees	6,619	6,720	-1.5

FINLAND - STRENGTHENING B2B CONVERGENCE

Net sales in reported currency increased 5.4 percent to SEK 13,742 million (13,042). In local currency excluding acquisitions and disposals the increase was 2.1 percent, mainly due to a strong development in the consumer segment. Service revenues grew 1.5 percent in local currency, excluding acquisitions and disposals, as growth in mobile billed revenues more than compensated for a continued pressure on legacy revenues. Growth in mobile billed revenues was driven by higher ARPU following new price plans together with good performance on upsell and customer portfolio management.

In order to further strengthen the B2B convergence proposition, the ICT company Nebula and the identity and access rights specialist company Propentus were acquired. The companies will, together with the open data center that is currently being built in Helsinki, strengthen Telia's leading position in the Finnish B2B segment, and support the customers on their digital journeys. On the consumer

segment side, an investment in content was made when the TV rights for the Finnish ice hockey league (Liiga) were acquired, the agreement stretches over six years, the cash flow effect will start in the second half of 2018. The rights are valid from the second half of 2018 and will improve Telia's already strong TV offering and increase customer loyalty.

Adjusted EBITDA in local currency excluding acquisitions and disposals, increased 0.7 percent. The positive revenue development was partly offset by higher marketing spend where rebranding drove costs in the first two quarters. The adjusted EBITDA margin decreased to 30.8 percent (31.1).

CAPEX increased to SEK 3,116 million (1,832), impacted by the acquisition of TV rights for the Finnish ice hockey league (Liiga).

During the year, the number of TV subscriptions decreased by 8,000. Mobile, fixed telephony and broadband subscriptions decreased by 32,000, 15,000, and 33,000, respectively, the latter due to customers abandoning fixed broadband in favour of mobile services.

SEK in millions, except margins, operational data and changes	Jan-Dec 2017	Jan-Dec 2016	Chg (%)
Net sales	13,742	13,042	5.4
<i>Change (%) local organic</i>	<i>2.1</i>		
<i>of which service revenues (external)</i>	<i>11,748</i>	<i>11,197</i>	<i>4.9</i>
<i>change (%) local organic</i>	<i>1.5</i>		
Adjusted EBITDA	4,232	4,059	4.3
Margin (%)	30.8	31.1	
<i>change (%) local organic</i>	<i>0.7</i>		
Adjusted operating income	2,087	2,086	0.1
CAPEX excluding license and spectrum fees	3,116	1,832	70.1
Subscriptions, (thousands)			
Mobile	3,221	3,253	-1.0
<i>of which machine to machine (postpaid)</i>	<i>186</i>	<i>180</i>	<i>3.4</i>
Fixed telephony	50	65	-23.1
Broadband	464	497	-6.6
TV	481	489	-1.6
Employees	3,107	3,066	1.3

NORWAY - STRENGTHENING THE B2B PROPOSITION

Net sales in reported currency increased 11.8 percent to SEK 10,128 million (9,057). Service revenues increased 2.5 percent in local currency, excluding acquisitions and disposals, mainly due to higher wholesale revenues. Mobile ARPU increased following an improved customer mix as a result of good customer portfolio management. In total, the number of mobile subscriptions increased by 134,000 driven by the acquisition of Phonero.

During the year, Phonero was acquired and consolidated from the second quarter, further strengthening Telia's presence in the enterprise segment. The impact on net sales and EBITDA from Phonero amounted to SEK 752 million and SEK 103 million, respectively. The acquisition is expected to generate annual cost synergies of around SEK 400 million, mainly from transferring traffic to our own network, however with limited effect in 2017.

The adjusted EBITDA, in local currency, excluding acquisitions and disposals, grew by 6.7 percent, due to a revenue mix shift towards wholesale, together with good cost control.

SEK in millions, except margins, operational data and changes	Jan-Dec 2017	Jan-Dec 2016	Chg (%)
Net sales	10,128	9,057	11.8
Change (%) local organic	2.4		
of which service revenues (external)	8,511	7,516	13.3
change (%) local organic	2.5		
Adjusted EBITDA	3,520	3,125	12.6
Margin (%)	34.8	34.5	
change (%) local organic	6.7		
Adjusted operating income	1,991	1,611	23.6
CAPEX excluding license and spectrum fees	1,074	1,334	-19.5
Subscriptions, (thousands)			
Mobile	2,345	2,211	6.1
of which machine to machine (postpaid)	65	45	43.9
Employees	1,201	1,033	16.3

DENMARK - STABLE DEVELOPMENT DESPITE A CHALLENGING MARKET

Net sales in reported currency increased 1.1 percent to SEK 5,945 million (5,880). Service revenues decreased 0.3 percent in local currency, excluding acquisitions and disposals. Mobile service revenues increased 0.9 percent driven by ARPU growth, which mitigated the decline in the subscription base, where the main reason was the discontinuation of the prepaid offering. Fixed service revenues declined 4.7 percent from pressure on fixed telephony and broadband revenues, slightly mitigated by positive development in TV revenues.

The number of mobile subscriptions decreased by 127,000 during the year, mainly driven by the the discontinuation of prepaid subscriptions. Fixed telephony subscriptions decreased by 11,000 and broadband subscriptions by 14,000, while TV subscriptions grew by 3,000.

The adjusted external operating expenses in local currency, excluding acquisitions and disposals, were reduced during the year by 1.4 percent. This did however not fully mitigate the pressure on revenues, but adjusted EBITDA, was almost flat at SEK 691 million (692). The adjusted EBITDA margin declined slightly to 11.6 percent (11.8).

SEK in millions, except margins, operational data and changes	Jan-Dec 2017	Jan-Dec 2016	Chg (%)
Net sales	5,945	5,880	1.1
Change (%) local organic	-0.7		
of which service revenues (external)	4,335	4,270	1.5
change (%) local organic	-0.3		
Adjusted EBITDA	691	692	-0.2
Margin (%)	11.6	11.8	
change (%) local organic	-2.0		
Adjusted operating income	-65	-58	
CAPEX excluding license and spectrum fees	428	437	-2.1
Subscriptions, (thousands)			
Mobile	1,479	1,606	-7.9
of which machine to machine (postpaid)	49	42	18.2
Fixed telephony	90	101	-10.9
Broadband	114	128	-10.9
TV	31	28	10.7
Employees	1,026	1,070	-4.1

LITHUANIA - SOLID REVENUE AND EARNINGS DEVELOPMENT

Net sales in reported currency increased 8.9 percent to SEK 3,557 million (3,268). Service revenues increased 5.6 percent in local currency, excluding acquisitions and disposals, driven by both mobile and fixed service revenues. The decline in fixed telephony was more than compensated for by growth mainly in fixed low margin transit revenues.

Adjusted EBITDA, in local currency, excluding acquisitions and disposals increased 5.8 percent, following both service revenue growth and efficiency improvements that resulted in lower costs. The adjusted EBITDA margin decreased slightly to 34.5 percent (34.9).

The number of mobile subscriptions increased by 34,000, broadband subscriptions increased by 8,000, and TV subscriptions increased by 13,000.

SEK in millions, except margins, operational data and changes	Jan-Dec 2017	Jan-Dec 2016	Chg (%)
Net sales	3,557	3,268	8.9
<i>Change (%) local organic</i>	7.0		
<i>of which service revenues (external)</i>	2,861	2,662	7.5
<i>change (%) local organic</i>	5.6		
Adjusted EBITDA	1,227	1,139	7.7
Margin (%)	34.5	34.9	
<i>change (%) local organic</i>	5.8		
Adjusted operating income	664	583	13.9
CAPEX excluding license and spectrum fees	552	495	11.5
Subscriptions, (thousands)			
Mobile	1,352	1,318	2.6
<i>of which machine to machine (postpaid)</i>	141	89	58.2
Fixed telephony	371	417	-11.0
Broadband	410	402	2.0
TV	242	229	5.7
Employees	2,891	3,081	-6.2

ESTONIA - REVENUE GROWTH AND IMPROVED PROFITABILITY

Net sales in reported currency increased 3.3 percent to SEK 2,824 million (2,733). Service revenues increased 1.1 percent in local currency, excluding acquisitions and disposals, driven by a strong development within mobile billed revenues in the consumer segment. Also fixed service revenues contributed positively with an increase of 7.2 percent in local currency, excluding acquisitions and disposals, despite pressure from declining fixed telephony revenues.

The adjusted EBITDA, increased by 5.7 percent in local currency, excluding acquisitions and disposals, as a result of the revenue growth and cost efficiency measures taken. The adjusted EBITDA margin increased to 30.9 percent (29.7).

The number of mobile subscriptions increased by 25,000, broadband subscriptions increased by 5,000, and TV subscriptions increased by 8,000.

Telia Estonia was awarded the best mobile network in Estonia.

SEK in millions, except margins, operational data and changes	Jan-Dec 2017	Jan-Dec 2016	Chg (%)
Net sales	2,824	2,733	3.3
<i>Change (%) local organic</i>	1.6		
<i>of which service revenues (external)</i>	2,182	2,080	4.9
<i>change (%) local organic</i>	3.2		
Adjusted EBITDA	871	811	7.5
Margin (%)	30.9	29.7	
<i>change (%) local organic</i>	5.7		
Adjusted operating income	360	309	16.3
CAPEX excluding license and spectrum fees	452	358	26.1
Subscriptions, (thousands)			
Mobile	925	901	2.7
<i>of which machine to machine (postpaid)</i>	214	202	6.0
Fixed telephony	279	307	-9.1
Broadband	238	233	2.1
TV	185	177	4.5
Employees	1,871	1,916	-2.3

OTHER OPERATIONS

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

Net sales in local currencies, excluding acquisitions and disposals, decreased 0.1 percent. In reported currency, net sales decreased 40.9 percent to SEK 9,047 million (15,299), mainly due to the disposal of Yoigo in Spain in 2016. The organic decrease was mainly explained by lower service revenues related to voice traffic in Telia Carrier.

Adjusted EBITDA, in local currencies, excluding acquisitions and disposals, increased by 42.2 percent, driven mainly by cost savings related to Group IT, Group Networks and other group functions. For Telia Carrier, adjusted EBITDA in local currencies and excluding acquisitions and disposals increased by 2.5 percent due to a more favourable product mix and lower operating expenses.

Income from associated companies decreased to SEK 769 million (2,815) following capital gains/losses from the disposal of shares in both Turkcell and MegaFon, as well as lower contribution from MegaFon up until the disposal in the fourth quarter.

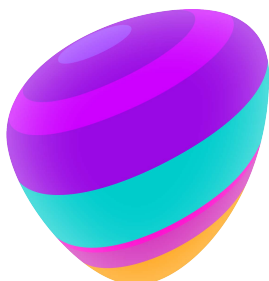
Adjusted operating income declined to SEK 1,333 million (3,022), mainly due to lower income from associated companies.

CAPEX of SEK 3,202 million (3,442) 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.

In Latvia, net sales in reported currency increased 9.2 percent to SEK 1,953 million (1,788). This was driven by increased mobile ARPU coupled with subscription base expansion. Adjusted EBITDA, increased to SEK 609 million (580), as revenue growth more than compensated for a somewhat increased cost level. The adjusted EBITDA margin decreased to 31.2 percent (32.4).

SEK in millions, except margins, operational data and changes	Jan-Dec 2017	Jan-Dec 2016	Chg (%)
Net sales	9,047	15,299	-40.9
Change (%) local organic	-0.1		
of which Telia Carrier	5,956	6,227	-4.3
of which Latvia	1,953	1,788	9.2
of which Spain	-	6,073	
Adjusted EBITDA	1,149	1,555	-26.1
of which Telia Carrier	491	498	-1.4
of which Latvia	609	580	5.1
of which Spain	-	630	
Margin (%)	12.7	10.2	
Income from associated companies	769	2,815	-72.7
of which Russia	2,700	899	
of which Turkey	-2,070	1,805	
of which Latvia	137	121	13.5
Adjusted operating income	1,333	3,022	-55.9
CAPEX	3,202	3,442	-7.0
Subscriptions, (thousands)			
Mobile Latvia	1,237	1,200	3.1
of which machine to machine (postpaid)	285	242	17.9
Employees	4,012	4,144	-3.2

RESPONSIBLE BUSINESS



ANTI-BRIBERY AND CORRUPTION

Ambitions:

- Best-in-class anti-bribery and corruption (ABC) program
- Zero tolerance for unethical business practices

2017 PROGRESS	2018 GOALS	2018 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • Third-party ABC due care guidelines issued • Case-based ABC training on third-party due care guidelines conducted for ethics and compliance professionals in region Eurasia • Seven group and six country ethics and compliance officers and two third-party due diligence specialists certified • Approximately 2,500 employees completed ABC e-learning 	<ul style="list-style-type: none"> • All employees are aware of our ABC requirements • All employees are familiar with how to report concerns and potential violations • Certified ethics and compliance professionals in all region Eurasia markets 	<ul style="list-style-type: none"> • Test design, implementation and effectiveness of the ABC program • Revise methodology for periodic ABC risk self-assessments • Train local ethics and compliance officers to strengthen capacity to carry out risk self-assessments • Develop ABC action plans for core markets • Revise framework and content for ABC training program

Our approach

For more information about the global settlement with US and Dutch authorities regarding historical transactions in Uzbekistan, see "Risks and uncertainties" and Note C34.

This focus area is governed by the **Group policy – Anti-bribery and corruption**.

The ABC program

The ABC program provides a systematic way of implementing the ABC policy and related instructions. The program is based on the compliance framework and includes the key elements of an effective compliance program and adequate procedures as set forth in the US Sentencing Guidelines and the UK Bribery Act Adequate Procedures. Telia Company's Board, Group Executive Management and chief ethics and compliance officer oversee the progress and governance related to implementation of the program. Since it was launched in 2013, we have 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 whistleblowing process and Speak-Up Line.

The program has been implemented using a risk-based approach, with the focus in 2017 on region Eurasia. Core markets follow the same implementation framework but with appropriate adjustments for the level of risk.

Ethics and compliance network

The ABC program is managed by the group ethics and compliance office, which is responsible for program design and annual planning as well as follow-up and reporting to the group Governance, Risk, Ethics and Compliance (GREC) meetings and to the Audit and Responsible Business Committee.

Program implementation is the responsibility of local 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 external anti-bribery or compliance certification, and due diligence experts are encouraged to do the same.

By the end of 2017, a total of seven group and six country ethics and compliance officers and two third-party due diligence specialists were certified.

In addition, approximately 2,500 employees in defined target groups completed ABC-specific e-learning.

Work during the year

ABC risk assessments

Companies in region Eurasia continued to follow up on the implementation of ABC action plans based on the results of ABC risk self-assessments carried out in 2016. Progress is monitored quarterly and reported to the region GREC meetings.

Companies in core markets carried out risk self-assessments during the fourth quarter. Action plans will be developed and reviewed in 2018.

Third-party due care

Since 2014, we have been running retrospective due diligence projects on existing suppliers and third-party engagements in region Eurasia. The aim has been to understand and mitigate ABC risks in our supply chain and in other high-risk third-party engagements that we entered into prior to the implementation of an adequate ABC due care process.

Geocell in Georgia and Moldcell in Moldova started their backlog projects in 2017. Backlog processes were completed in Azercell in Azerbaijan, Kcell in Kazakhstan and Ucell in Uzbekistan. Results were summarized in closure reports available for use by local management as well as ethics and compliance professionals and due diligence officers. Cases involving potential corruption concerns were referred to the special investigations office.

The closure report for Tcell in Tajikistan was completed ahead of the divestment and the findings were handed over to the new owner.

HIGHLIGHT

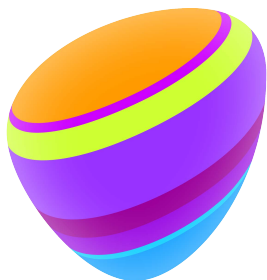
NEW THIRD-PARTY DUE CARE GUIDELINES

The ABC program was strengthened by the introduction of third party due care guidelines. The document sets forth principles and describes the checks that should be performed to meet the ABC requirements of third party due care. The primary goal is to gain knowledge of business partners and achieve reasonable assurance that existing and prospective third parties do not and will not engage in corrupt practices.

In connection with the introduction of the guidelines, case-based advanced ABC training was developed and a first round of training was conducted for ethics and compliance professionals in region Eurasia. The training material includes:

- A case study of a listed company's failures to adhere to local corruption legislation
- Methodology in identifying and determining high-risk third parties
- Levels of due diligence to apply in accordance with the associated risk
- Examples of potential corruption red flags

It also includes best practice built on experience and knowledge from our own operations and investigations, recommendations on mitigation actions and recommendations for the separate stages of the third party management process, such as pre-engagement and post-engagement controls, selection, negotiation, contracting, payment approval and service delivery.



FREEDOM OF EXPRESSION AND SURVEILLANCE PRIVACY

Ambitions:

- Enable, respect and support freedom of expression and surveillance privacy
- Telia Company is trusted as an ICT industry leader in human rights

2017 PROGRESS	2018 GOALS	2018 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • Eighth Law Enforcement Disclosure Report covering eight countries published • Four countries covered with regard to information on local surveillance legislation • Information on local legislation on direct access covering all our main markets • More than half of closed unconventional requests challenged in some way, often by transparency • Contributed to the Industry Dialogue and the Global Network Initiative joining forces in March 	<ul style="list-style-type: none"> • All major markets covered in law enforcement disclosure reports with regard to number of conventional requests and information on local legislation on direct access • Promote freedom of expression and surveillance privacy in all closed unconventional requests, if and to the extent possible • Contribute actively to the work of the Global Network Initiative (GNI) 	<ul style="list-style-type: none"> • Continue contributing to shared learning and standardization of reporting within the GNI • Improve governance and training to make internal process of assessments and escalations swifter, especially regarding requests and demands for direct access • Put freedom of expression and surveillance privacy into a clearer context of our human rights commitments • Review and implement recommendations in the area of freedom of expression and surveillance privacy from BSR's human rights impact assessments

Our approach

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

The right to customer privacy is widely understood as fundamental for the right to freedom of expression, meaning we have commitments both as to surveillance privacy (when authorities mandate access to user data), and customer privacy (processing customer data for our own needs). Read more about our customer privacy work in "Customer privacy."

Telecommunications enable access to information and the exchange of ideas in a way that supports openness and transparency. Issues related to freedom of expression and surveillance privacy pose a high risk to users of telecom services globally. We see growing debate, and diverging external pressure, as policy-makers seek additional surveillance measures to fight crime, terrorism, hate speech and more.

We aim to fulfill our responsibility and commitment to respect freedom of expression and surveillance 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 Global Network Initiative (GNI) "*Principles on freedom of expression and surveillance privacy*."

Assessment and escalation

Our 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 and surveillance privacy of individuals ("unconventional request"). Guidance is provided in a form for assessments and escalation, a tool that we have shared publicly and that is included in the *GSMA's Policy Handbook*.

Unconventional requests are to be assessed by the local company and escalated within Telia Company for informed decision-making. This includes considerations from outside the often complex and stressed specific local context on if, and if so, how to perform a "point of challenge." This means adhering to local legislation while at the same time seeking to carry out measures to respect and support the rights of individuals. Most often, what we can do is seek to publicly share as much information as possible about the

request. Through legislation and decisions from authorities, states define the scope of surveillance of communications and limitations to the free flow of information, so while the process is intended to identify and mitigate potential violations to individuals' freedom of expression and surveillance privacy, the actual outcome depends heavily on local laws, as well as the safety and capabilities of local employees.

Work during the year

ID members merged with GNI

The Telecommunications Industry Dialogue (ID), which was launched in 2013, was a group of eight international telecommunication operators and vendors that jointly addressed freedom of expression and surveillance privacy in the telecommunications industry within the context of the UN Guiding Principles on Business and Human Rights. *The final annual report of the ID* covers its work from January 2016 to March 2017, including stakeholder engagement.

In March, seven of the former ID companies officially transitioned to full membership of the GNI. The multi-stakeholder GNI brings together ICT companies, human rights and press freedom groups, academics, and investors to protect and advance global free expression and privacy in the ICT industry.

The societal value of upholding freedom of expression

To highlight the societal value of upholding freedom of expression and surveillance privacy, we actively contributed to a *GNI document* available in ten languages. The tool points to the societal value of open networks and free flow of information as arguments against network shutdowns and service restrictions. By pushing back on network shutdowns and blocking of sites, we also seek to reduce societal costs while maintaining our core business.

 We have an exciting couple of years ahead of us, with new technologies like 5G and the internet of things bringing huge opportunities. These tools also bring new risks as ICT technologies grow more pervasive in our everyday lives, and the issue of government surveillance deserves more attention than ever. Together in the GNI, we can push for freedom of expression and privacy on the ground as part of the ongoing transition into the digital age, setting a standard for not just telecommunications and vendor companies, but for the entire ICT sector.«

- Industry Dialogue annual report

Law enforcement disclosure reporting

We believe that transparency on surveillance activities contributes to freedom of expression and surveillance privacy being more strongly enforced. This is why we publish *law enforcement disclosure reports (LEDR)* twice a year.

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

Authority requests' 2017

Country	Lawful interception	Historical data	Subscription data	Challenged or rejected requests
Denmark	8,130	2,057	12,225	0
Estonia	4,596 ²	1,327	386,606 ³	54,168 ⁴
Finland	3,640	2,474	7,436	20
Georgia	Direct access - no statistics	847	49	30
Lithuania	2,733 ⁵	No permission to publish	No permission to publish	No permission to publish
Moldova	Direct access - no statistics	9,464	5,002	175
Norway	1,569	6,315	9,201	68 ⁶
Sweden	3,822	3,255	1,521	200

- 1) As explained below, direct access is not included in the statistics.
- 2) In Estonia, a direct access system is used. Telia in Estonia has full visibility into the number of requests.
- 3) Includes all requests for Subscription data. For other countries the corresponding figure covers only requests that are handled by authorized personnel, and automated requests that refer to a criminal case.
- 4) This figure includes all requests to which we were not able to answer, most often because the requested information was about a customer of another operator.
- 5) Telia in Lithuania has been granted permission to publish Lithuanian authority statistics for Lawful interception requests. Telia in Lithuania has added a few requests. According to the authority and Telia in Lithuania statistics, there were 2,733 requests during the year.
- 6) Invalid requests due to administrative form errors.

Telia Company has not been able to establish reporting of statistics on conventional requests in our operations in Azerbaijan, Kazakhstan and Uzbekistan.

Several factors make it difficult to compare the statistics between countries. Telia Company has different market shares in different countries, which is probably reflected in the figures. Furthermore, Telia Company does not have knowledge of the authorities' working methods and priorities in different countries, but the methods are likely to differ. Also, within the group, there are different internal methods of collecting data in different countries causing issues related to completeness and accuracy of reported data. We aim to streamline these working methods and define best practice to further improve data quality. Also note that the figures show the number of requests from authorities, not the number of individuals that have been targeted. Not even we as the operator and provider of the information have this knowledge. Most likely, in the category of lawful interception, the number of requests is larger than the number of individuals that have been targeted.

Pertaining to requests for cell tower dumps (i.e. requests that oblige the local operator to disclose data about the identity, activity and location of any device that connects to targeted cell towers over a set span of time) the number of affected individuals will naturally become larger than the number of requests. Depending on the scope of the request, Telia Company is required to hand out varying amounts of customer data. This depends on the timeframe of the request as well as where the cells within the scope of the request are situated. In urban areas, the amount of disclosed data is naturally higher.

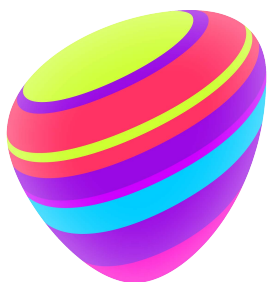
Additionally, the LEDR includes links to national laws that provide governments with direct access to information about our customers and their communication without having to request information from Telia Company. Regarding governments' direct access, i.e. signals intelligence (intelligence gathering 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.

Our reporting on country local laws on freedom of expression and surveillance privacy in telecommunications is performed through contributions to the *ID/GNI database on country legal frameworks*.

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 2017, we closed nearly 30 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 and group management.

There are challenges related to transparency on unconventional requests. Local laws that sometimes lack full clarity determine what can be published. There may be confidentiality provisions and/or constraints based on our duty to protect the safety of our employees. Issues regarding direct access are closely related to national security and are therefore complex and challenging to communicate. Counting the number of unconventional requests 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.



CUSTOMER PRIVACY

Ambitions:

- Respect and protect our customers' privacy
- We are regarded as a trusted actor in handling personal data on the customer's terms

2017 PROGRESS	2018 GOALS	2018 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • Established group-wide EU General Data Protection Regulation (GDPR) compliance program and ran local projects in relevant markets • Carried out detailed data mapping according to GDPR requirements in core markets • Developed detailed legal interpretations for all key GDPR areas to ensure harmonized implementation of legal obligations across core markets 	<p>Meet the GDPR requirements to a sufficient level, including:</p> <ul style="list-style-type: none"> • Implement sufficient "privacy by design" processes • Implement sufficient processes for handling users' rights such as consent, objections and right to access • Provide user-friendly means to ensure users have control of how personal data is processed • Provide clear and easy to understand information about processing of personal data 	<ul style="list-style-type: none"> • Execute final GDPR risk mitigation activities in accordance with mitigation plans • Establish user friendly means of handling data subjects' rights • Ensure sufficient IT solutions are implemented to meet new requirements • Continue to analyze how third parties meet our personal data processing requirements • Develop additional common legal interpretations

Our approach

This focus area is governed by the *Group policy – Customer privacy*.

Our work focuses on meeting the requirements in the EU General Data Protection Regulation (GDPR), which will come into effect in May 2018.

GDPR compliance governance is handled within a program that addresses all aspects of GDPR. The program, which was established and executed in 2017, covers core markets as well as group functions. The group GDPR program is working to achieve common synergies through sharing best practices as well as common legal interpretations and common solutions.

Each country and group function GDPR project within the program is run and controlled by a project manager as well as a local or group privacy officer. The program is governed by an executive steering committee. Members include the Chief Operating Officer, executives from each country and representatives from the corporate affairs, commercial and security functions. Subsidiaries are accountable for ensuring compliance and risk mitigation.

Work during the year

Detailed data mapping

Telia Company began implementing mitigation of the gaps that were identified in the GDPR gap assessments carried out in 2016. We performed detailed data mapping in group

functions and subsidiaries, identifying all purposes for processing personal data and linking these to applicable legal grounds that ensure that the processing is legitimate under GDPR. Technical solutions for fulfilling GDPR requirements based on data mapping are under design or under implementation.

In addition, to address new data processing instructions from Telia Company, the group sourcing function analyzed suppliers that process personal data on behalf of Telia Company. The analysis will continue in 2018.

Detailed legal interpretations

Several comprehensive legal interpretations that provide detailed internal guidance on how to apply requirements of key aspects of GDPR were finalized. More guidelines will be developed to ensure a common understanding within the group of our legal obligations as well as to provide relevant practical recommendations.

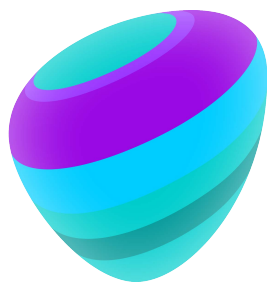
HIGHLIGHT

EXTERNAL AUDITS ANALYZE GDPR READINESS

During 2017, an external law firm performed two in-depth audits of subsidiaries in core markets as well as group functions on the readiness to comply with GDPR by the time it enters into force. The scope of the first audit was to provide a high-level analysis on the possible risks for failing to reach GDPR compliance by May 2018. The follow-up audit focused on evaluating if the mitigation activities carried out were sufficient.

As part of both audits, documentation prepared by the local company and group functions projects, including detailed deliverables plans and solutions, was reviewed for the purpose of understanding the requirements and ambition level for GDPR compliance within Telia Company. In addition, interviews were conducted with employees within the local companies and working within the group functions' GDPR compliance projects.

The audit reports focus on issues and findings that at this stage may have an impact on the ability of local companies and group functions to achieve GDPR compliance in time. We are currently addressing the second audit findings and plan to conduct a final audit in early 2018.



CHILDREN'S RIGHTS

Ambition:

- Respect and support children's rights

2017 PROGRESS	2018 GOALS	2018 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • Children's rights awareness workshops with 200 key employees • Blocking of websites containing child sexual abuse material (CSAM) in all core markets • Detection and reporting of CSAM on internal IT systems in all core markets • Shared knowledge regarding detecting CSAM with other large companies • Established first Children's Advisory Panel with 700 kids participating • Active contribution to the establishment of the EU Alliance to better protect minors online 	<ul style="list-style-type: none"> • Understand our impact on children's rights in relevant business activities • Block CSAM in core markets • Detect and report CSAM in internal IT systems in core markets • Establish Children's Advisory Panel 	<ul style="list-style-type: none"> • Carry out second round of Children's Advisory Panel with focus on children's privacy and integrity online • Develop and publish a set of Children's rights guidelines for telecommunications companies • Implement Children's Rights and Business Principles action plan, including the committed actions to the EU Alliance • Develop and roll out a set of tools for employees to engage in children's rights online

Our approach

Our work is guided by group policies where children's rights are taken into consideration, by the Children's Rights and Business Principles and by what we consider to be important societal challenges related to our services such as net bullying and online privacy. 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 a signatory of several self-regulatory industry initiatives covering areas such as child safeguarding services, child sexual abuse content, education and awareness. In early 2017, we joined the "*Alliance to better protect minors online*", a major self-regulatory initiative of the European Commission, together with other technology and telecom companies, broadcasters, NGOs and UNICEF.

Work during the year

Increasing internal awareness

The Children's Rights and Business Principles impact assessment was concluded at the beginning of the year. An action plan was issued and implementation began. The most important measure is to increase internal awareness of how children are affected by our operations. Several workshops were conducted with employees in key functions in the company, such as the Consumer and Enterprise divisions, Sourcing, TV and Media.

Continuing to fight CSAM

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

In core markets, we continued to apply a technical solution that provides an alert if CSAM is detected anywhere in Telia Company's own IT systems. At such detection, a police report is filed and a criminal investigation is carried out. A number of detections and subsequent police reports were filed during the year, resulting in dismissals.

We are cooperating with industry partners, law enforcement and NGOs such as ECPAT to develop this area further. During the year, we participated in ECPAT Sweden's initiative to establish a telecom coalition against sexual exploitation of children online in Sweden and advised a number of large companies on how to initiate CSAM detection in their IT systems.

Children's Advisory Panel

Key findings from the Children's Advisory Panel (CAP), where we together with local children's rights organizations asked young internet users about their lives online, were presented in a report and at various events. See the highlight below for more information.

The insights from the CAP help us to better understand how we as a company can improve our own approach to children as users of our technology, and it now constitutes a foundation for our activities involving children online in our core markets.

Based on the findings from the 2017 CAP and taking into account the new EU data protection regulation (GDPR) that will come into effect in 2018, the 2018 CAP will focus on privacy. Based on the findings, we plan to support children to develop their own recommendations how to protect their privacy online.

Child safeguarding services

In core markets, 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.

Online safety training and information

In many of our markets, we educate children and parents on how to deal with online safety, including cyber bullying and disrespectful behavior online. Activities include information in our stores, educational sessions in schools and at children's summer camps, as well as marketing campaigns such as Telia in Estonia's campaign Suurim Julgus ("Greatest courage"). We estimate that we discussed online safety face to face with 75,000 children in core markets during the year.

HIGHLIGHT

KEY FINDINGS FROM CHILDREN'S ADVISORY PANEL

In March, we released the *Children's Voices report*, a summary of our CAP workshops. Key findings were:

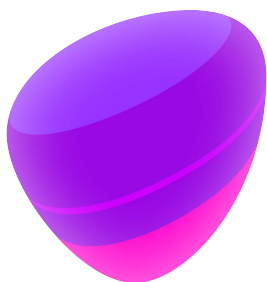
- CAP kids embrace opportunities in their lives online. It is their go-to channel for searching for information, social engagement and communication as well as entertainment and passing time. CAP kids show a high degree of maturity and resilience in their online presence. They are aware that they should be concerned about the reliability and trustworthiness of online content and they use different strategies to tackle these concerns.
- CAP kids care about their own and others' online identities. They are very particular about how their identities are composed and portrayed, at the same time being aware that the online identities of others are not always truthful either. When it comes to online behavior, children refer to an established unwritten "code of conduct" common to all Nordic and Baltic countries, that is (largely) invisible to adults.
- CAP kids need good connectivity for social inclusion and they expect presence and guidance from adults, however, from a distance. The adults' role is to take care of the infrastructure and administration – providing an organized, safe online environment – but to hold back in other participation and remain invisible.

Child helplines

We continued to support national helplines with anonymous and free-of-charge phone services to children in core markets.

Partnerships

Telia Company is a co-founder of the *World Childhood Foundation*. The focus of the partnership is on keeping children safe and in control online. We have also formed country level partnerships with NGOs such as *Save the Children* with regard to child safety issues.



RESPONSIBLE SOURCING

Ambitions:

- All suppliers and sub-suppliers comply with our sustainability requirements
- All suppliers have signed our Supplier Code of Conduct

2017 PROGRESS	2018 GOALS	2018 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • Local due diligence and on-site audit capacity building in region Eurasia • Due diligence process introduced in Estonia and Lithuania • New due diligence manual developed and implemented • Revised ethical compass under implementation • Over 2,900 supplier sustainability due diligence carried out • 96 on-site audits 	<ul style="list-style-type: none"> • 75 percent of assessed suppliers compliant with Supplier Code of Conduct • 25 percent reduction of supplier base (baseline 2015) 	<ul style="list-style-type: none"> • Align responsible sourcing practices with the new supplier relationship management model • Continue to develop and implement common processes for supplier sustainability assessments • Update ethical compass to ensure alignment with EU data protection regulation (GDPR) requirements

Our approach

This focus area is governed by the *Supplier Code of Conduct* (supplier code), which shall be included in all new or renegotiated contracts. 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.

Due care process

The due care process starts with setting the expectations for our suppliers, primarily through our supplier code. We use a risk-based due care process, meaning suppliers are categorized based on, for example, the region where the company is registered, the type of product or service provided or how critical the supplier is to our operations. This categorization supports us in designing appropriate risk mitigation activities, such as further due diligence steps (supplier self-assessment, information research and final risk analysis) before contracting and in conducting on-site audits to evaluate whether a supplier's sustainability performance is sufficient.

Since 2016 all due diligence steps, including risk categorization, are performed in our due diligence platform, a system designed to facilitate and document our process. The process is implemented in Eurasia, and was introduced in Telia in Lithuania and Telia in Estonia during the year. The process is also available for certain third party

agreements such as sponsorships and roaming/interconnect agreements, which are not handled by the sourcing organization or otherwise covered by the due care process, and where associated risks may be unknown.

Local sourcing teams are responsible for initiating the due diligence process, initiating on-site audits and following up on suppliers' performance if needed. Exceptions to the requirements in our supplier code requirements can be approved when a supplier has demonstrated that corresponding or stricter requirements are already in place.

To ensure that the sustainability performance of suppliers is evaluated consistently, we have developed an "ethical compass" that is applied in due diligence and on-site audits when assessing the severity of identified risks. During the year, we also finalized the roll-out of a new due diligence manual, a step-by-step guide to carrying out sustainability due diligence.

Work during the year

Ethical compass revision

The ethical compass was revised to clarify risk ownership and align better with Telia Company's business risk appetite. The revised ethical compass was rolled out in region Eurasia. It will be further aligned with GDPR requirements and rolled out in core markets in 2018.

Due diligence and on-site audits

Over 2,900 sustainability due diligence were carried out using the due diligence platform. The results showed that the suppliers' main challenge remains to understand and interpret the requirements of our supplier code.

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

We carried out 96 on-site audits, complemented by 91 audits carried out within the industry collaboration *Joint Audit Cooperation* (JAC). Close to 500 audit deviations were closed. During the year, at any given time, approximately 850 to 900 supplier deviations were open.

Strengthening region Eurasia capacity

In region Eurasia, we improved responsible sourcing capacity by recruiting and training local due diligence officers. This significantly strengthened due diligence resources and allows us to apply much needed local knowledge in complex assessments where language can be a barrier.

Responsible sourcing focus area programs

In 2016, we defined a number of responsible sourcing focus area programs. Since these programs are generally connected to larger societal challenges, most of the programs will be ongoing for years. Below is an update on the current programs.

Occupational health and safety (OHS)

To complement sourcing audit resources, one employee in each local company in core markets and in region Eurasia (most often the local OHS manager) was trained to perform on-site health and safety audits.

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 carried out audits. In 2017, we focused on training of suppliers 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. In 2017, we primarily engaged these suppliers in dialog and training.

Responsible sourcing of minerals

We see a need to strengthen specific requirements, including traceability of conflict minerals, to clearly reflect our ambition and expectations on responsible sourcing of minerals. We aim to roll out the revised supplier code containing these stricter requirements during 2018.

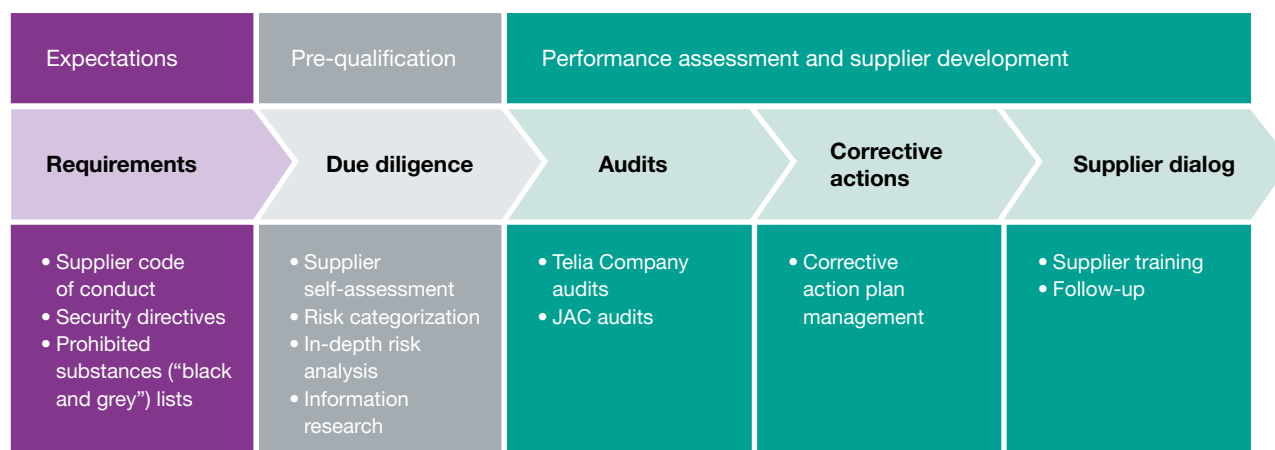
Mapping and managing privacy risk

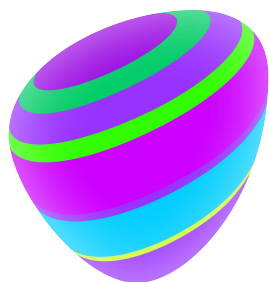
This program aims to prepare our supply chain for the GDPR requirements. In 2017, we conducted audits and provided training to prepare targeted suppliers for the new requirements.

Bond contracts in India

In 2015, a number of audits conducted on suppliers in the IT service sector in India revealed the use of bond contracts between suppliers and recent IT graduates. We are now in dialog with the executive management of these suppliers to raise awareness. Read more in our 2016 Annual and Sustainability Report, "Responsible procurement."

SUPPLIER DUE CARE PROCESS





ENVIRONMENTAL RESPONSIBILITY

Ambition:

- Minimize negative and maximize positive environmental impact throughout our value chain

2017 PROGRESS	2018 GOALS	2018 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • Operations in Sweden, Finland, Estonia and Lithuania were ISO 14001 certified • Buy-back programs implemented in all core markets • 99,000 devices collected through buy-back programs • 29.9 kWh per subscription equivalent (28.8) • 1.8 kg CO₂e emissions per subscription equivalent (1.9) • EU Energy Efficiency Directive assessments carried out in five core markets 	<ul style="list-style-type: none"> • All major operations in core markets ready for ISO 14001 certification • Buy-back programs for mobile devices established in core markets • 10 percent lower energy consumption per subscription equivalent¹ • 33 percent lower CO₂e emissions per subscription equivalent 	<ul style="list-style-type: none"> • Telia in Denmark and Norway to achieve ISO14001 certification, Telia in Sweden and Estonia work on widening the scope of the existing certificate • Implement waste reporting in all core markets • Increase the share of renewable electricity used

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 and Telia Carrier.

Our approach

This focus area is governed by the *Group policy – Environment*.

Energy, GHG emissions and waste, particularly electronic waste, are the key environmental impacts that we need 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.

Significant regional differences define our approach. The biggest challenges are found in region Eurasia, mainly because of a lack of waste management infrastructure.

In core markets, customers expect us to be proactive in our work and the solutions we offer, to show how we act responsibly and to help them understand how our services reduce their own environmental impacts.

All core markets are required to implement an environmental management system (EMS) according to the ISO 14001 standard. Implementation work is coordinated by the group environmental manager. EMS coordinators in core markets meet regularly to share best practices. Because of the regional challenges, companies in region Eurasia are exempt from the requirement to implement ISO 14001.

Work during the year

ISO 14001 certification in Lithuania

In October, Telia Lithuania received ISO 14001 certification. The EMS covers all of Telia Lithuania's operations and focuses on two of the group's key environmental aspects: energy and emissions. The greatest positive opportunities were identified in increasing energy efficiency and improving the car fleet. Telia in Sweden and Finland are ISO 14001 certified since earlier. Telia in Norway is certified according to the national "Eco-lighthouse" standard.

Buy-back programs

Buy-back programs, also known as take-back or upgrade programs, extend the product usage of mobile devices that are often in good working condition. In October, Telia Finland launched its buy-back program meaning that all core markets now have buy-back programs in place. During the year, 68,000 mobile devices were bought back through customer channels. Through its leasing agreements, Telia Finance took back another 31,000 mobile devices, computers and other hardware.

The devices are sold to local partners who either data wipe and resell them, or send them to recycling. Recycling partners in all core markets except Denmark are ISO 14001 certified.

Using renewable electricity

As part of the electricity procurement guidelines, core markets shall purchase electricity from renewable sources, either through a renewable contract or by purchasing Guarantees of Origin (GoO). In contracts where we are the tenant or co-host, we strive to influence the electricity contract owner to use renewable electricity. We purchased a total of 822 GWh of renewable electricity during the year, 87 percent (85) of total electricity consumption in core markets. This represents a reduction of 148 ktons CO₂e scope 2 emissions.

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

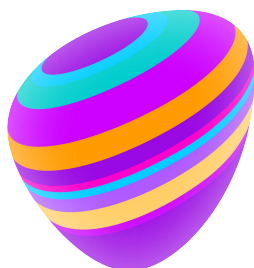
HIGHLIGHT

IT CAPACITY CONSOLIDATION AND VIRTUALIZATION

From 2011 to 2017, Telia Company completely transformed its Nordic data center infrastructure. When the project started, 44 Nordic data centers needed to be reduced to just four. The transformation relied on consolidation and virtualization.

At the start of the project, many IT resources delivering Telia Company's services were located in smaller sites. This meant not only poor utilization of supporting infrastructure such as back-up power and cooling, but also unnecessary costs related to maintenance. These resources were consolidated at Telia Company's larger data centers, such as the one in Haninge outside Stockholm with world-class cooling efficiency.

Through consolidation and virtualization, where physical servers are replaced with cloud-based servers, Telia Company now has both improved IT capacity and significantly higher energy efficiency. During the period, data volume in the network as well as storage volume has increased sevenfold and the amount of servers has increased by 30 percent. Despite this, we estimate that annual energy consumption in the data centers has decreased by 7 GWh, roughly equating to SEK 7 million in cost savings.



OCCUPATIONAL HEALTH AND SAFETY

Ambition:

- An occupational health and safety (OHS) culture that supports the ambition of Telia Company as the place to work

2017 PROGRESS	2018 GOALS	2018 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • LTIF: 0.30 (0.36) • SAR: 2.4 percent (2.4) • No fatal accidents (0) • Operations in Azerbaijan, Denmark, Estonia, Finland, Kazakhstan, Lithuania, Moldova, Norway and Uzbekistan OHSAS 18001 certified • Engagement index³: 81 percent (80) 	<ul style="list-style-type: none"> • Lost-Time Injury Frequency¹ (LTIF) maximum 0.52 • Sickness Absence Rate² (SAR) maximum 1.9 percent • No fatal accidents • OHSAS 18001 implemented in all major companies • Engagement index: 83 percent 	<ul style="list-style-type: none"> • Telia in Sweden and Geocell in Georgia working to become certified • Transition from OHSAS 18001 to ISO 45001 starts • Implement group-level supplier incident reporting • Continued focus on well-being as an employee engagement driver

1) Total number of lost-time injuries per million possible working hours.

2) Total number of hours of sickness absence per possible working hours (full-year average).

3) Engagement index (employee commitment, team engagement and customer orientation) score from the annual Purple Voice employee survey. For more information, see the GRI Index, G4-LA6.

Our approach

This focus area is governed by the *Group policy – Occupational health and safety*.

Our approach consists of promoting good health, identifying and reducing or preventing risks and rapidly reacting to ill health. Our policies and instructions include safety measures and requirements for our employees, contractors and sub-contractors regardless of work environment.

The major OHS risks – road safety, working at heights and electrical work – relate to network construction and maintenance, work that is generally carried out by con-

tractors. Our aim is to have the Supplier code of conduct included in all construction, installation and maintenance agreements. OHS processes are reviewed during on-site audits of the contractors.

Telia Company employees work mainly in offices or retail environments where risks relate mainly to psychosocial well-being and ergonomics.

All local companies are required to implement the OHSAS 18001 management system. Implementation work is coordinated by the Group OHS manager. Each local company has one or several OHS coordinators who meet regularly to share best practices.

Work during the year

OHSAS 18001 certification

OHSAS 18001 certification was obtained at Telia in Denmark and Lithuania and at Moldcell in Moldova. Telia in Estonia, Finland, Norway and Azericell in Azerbaijan received certification during 2016, while Ucell in Uzbekistan and Kcell in Kazakhstan have been certified since 2015.

Focus on well-being in core markets

Providing a workplace where physical and psycho-social risks are minimized is essential for increasing engagement. To reduce the sickness absence in core markets, where we in some cases don't meet the group target, the "Well-being@Work" concept was launched during 2016 and now several elements of the concept have been implemented in most countries including Sweden, Norway, Finland and Denmark. The concept promotes health in various forms and addresses the need for the right resources at work. The concept is aligned with the Swedish work environmental provision which came in force during 2016.

Focus on safety in region Eurasia

In region Eurasia, the focus is on working with suppliers to help them improve their safety standards, as they often lack key OHS management elements such as risk identification, safety equipment and training. Local OHS coordinators supported local sourcing in on-site audits. All local companies organized first aid and other training, fire drills and other emergency exercises based on local risks such as earthquakes during the year.

HIGHLIGHT

A NEW ENGAGING APPROACH TO REDUCE SICKNESS ABSENCE

Customer operations in Telia in Norway had been experiencing high sickness absence rates. New HR manager Christoffer Hovde got the task of improving the figures, starting with the biggest customer service center with around 300 employees. Mr. Hovde looked at sickness absence figures, Leadership Index scores from the Purple Voice employee engagement survey, employee turnover figures and conducted interviews with all managers. Based on the findings he initiated a three step process.

The first step consisted of agreeing on a few but concrete actions with regular follow-up in the teams with low Purple Voice scores, and after that conducting two workshops. A workshop developed by the Norwegian Labour and Welfare Administration (NAV) was designed to bring up difficult issues in a fun way and find new solutions, and another workshop called "The elephant in the room" had the purpose of ensuring that all potential sickness absence causes were really examined in-depth.

The second step consisted of building leaders' competence and confidence through external training and by an in-depth analysis of the difficult individual cases of short- and long-term sick leave.

The third step focused on follow-up through close dialog between every employee with over five percent sick leave in the last six months and the manager, HR, company healthcare and NAV. A plan to get everyone back to 100 percent working time was designed, with follow-up every two weeks.

The result? In seven months, this new approach reduced sickness absence to less than half in the customer service center.

HUMAN RIGHTS

Our responsibility

We acknowledge our responsibility to respect human rights, as laid out in the UN Guiding Principles on Business and Human Rights and other international standards. As a UN Global Compact signatory, we have committed to respect and promote human rights and to make sure that we are not complicit in human rights abuses. Our aim is to know and show our human rights impacts, risks and opportunities, and to use these insights to manage those impacts. With good faith efforts, our ambition is to improve over time and to be considered an industry leader in human rights through strategic priorities, transparency and stakeholder collaboration.

Our approach

The "Statement of Materiality" references a number of international guidelines on human rights and establishes that we intend to engage with stakeholders in a way that ensures the highest degree of ethical business practices and behavior.

Our commitments are further laid out in our *Code of responsible business conduct* and in specific group policies on e.g. customer privacy, freedom of expression and surveillance privacy, and people. Human rights requirements on suppliers are covered in the *Supplier code of conduct*.

These policy commitments apply to Telia Company AB, its subsidiaries and joint operations as their own binding commitments. Telia Company strives to fully adopt the policy commitments in all operations in which we have management control. We also use our influence to promote the policy commitments in other companies where we have ownership interests.

On the group level, work is coordinated by a cross-functional working group which facilitates policy coordination, shared learning, analysis, business integration and alignment, among other things. Within each Responsible business area, working group members regularly report to the Governance, Risk, Ethics and Compliance (GREC) forum and to the Audit and Responsible Business Committee of the Board.

Understanding our impact

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

To share insights, we have published HRIA reports based on assessments of our operations carried out by the independent non-profit organization BSR in eight of our markets. The reports contain conclusions and recommendations and can be found at www.teliacompany.com/en/sustainability/reporting/. More information is available in the 2016 Annual & Sustainability Report, "Human rights impact assessments".



Our aim is to know and show our human rights impacts, risks and opportunities, and to use these insights to manage those impacts.«

HIGHLIGHT

CHURCH OF SWEDEN SEES FUNDAMENTAL PROGRESS

The Church of Sweden sold its interests in Telia Company in 2013 after reports of misconduct in connection with the company's entry into Uzbekistan. In November, the Church decided to classify Telia Company as eligible for investment as their review has shown that the company now meets the investor's sustainability requirements.

"Telia Company has in a relatively short period of time acquired a high internal capacity in sustainability issues. The new management and the board of directors have worked to prevent problems and handle the challenges they encountered in Central Asia. The new management has shown excellent leadership in several difficult areas," says Sara Nordbrand, the Church's Head of Sustainability.

"We seek to work proactively together with our stakeholders to understand the human rights impacts of our operations and to find ways to increase our leverage. One example is our and the Church of Sweden's active participation in the *Global Network Initiative* where human rights organizations, academics, investors and companies jointly address issues regarding freedom of expression and privacy," says Patrik Hiselius, Senior Advisor Digital Rights at Telia Company.

Based on these reports, we defined internal group level actions and local action plans for our operations in region Eurasia and in Lithuania. An action plan for our operations in Sweden is planned to be defined in 2018. Building on the insights gained from HRIAs in the eight markets already assessed, we are considering carrying out additional HRIAs.

Human rights risks

Telia Company strives to avoid complicity in human rights violations and seeks to provide for or cooperate in their remediation. We strive to promote and ensure channels for transparent and open communication where all internal and external stakeholders can raise concerns without fear of retaliation or reprisal. See Corporate Governance, section "Group-wide governance framework", "Whistle-blowing process". We also aim to provide fair investigation and grievance mechanisms.

To understand how we manage risks related to salient human rights, see "Risks and uncertainties."

While they all have a human rights element, some Responsible business focus areas are more closely related to our human rights work. Below is a summary of the key human rights topics within these focus areas.

Next steps

Since our aim is to know and show our human rights impacts, risks and opportunities and to manage those impacts, we will continue to prioritize and implement actions based on the HRIA action plans, including training employees in human rights and other Responsible business focus areas. We will also continue to engage in shared learning with external stakeholders that have the same aims, and have defined potential for improvement regarding providing human rights remedy.

AREA	KEY TOPICS	OUR RESPONSE AND COLLABORATIONS
Anti-bribery and corruption	<ul style="list-style-type: none"> • Risk mitigation and remediation of corruption and unethical business practices • Corruption risks related to land rights and site acquisition 	<ul style="list-style-type: none"> • Robust anti-bribery and corruption program • Review of standards and controls, and corruption risk assessments of acquiring mobile network sites
Children's rights	<ul style="list-style-type: none"> • Understand how children's rights are impacted by our operations • Fighting child sexual abuse material (CSAM) online 	<ul style="list-style-type: none"> • Implementation of the Children's Rights and Business Principles • Actively blocking CSAM in internal and external networks • <i>EU Alliance to better protect minors online</i>
Customer privacy	<ul style="list-style-type: none"> • Meeting upcoming EU General Data Protection Regulation (GDPR) requirements 	<ul style="list-style-type: none"> • Group and local GDPR projects • Implementation of supplier IT directives to ensure third party adherence to our and GDPR requirements
Freedom of expression and surveillance privacy	<ul style="list-style-type: none"> • Societal needs to counter e.g. terrorism, hacking and hate speech • Transparency as to government requests • Governments' direct access to our networks and systems 	<ul style="list-style-type: none"> • Group-common process for escalation and challenging, including transparency on, unconventional requests • Law Enforcement Disclosure Reporting as to conventional requests • <i>Global Network Initiative (GNI)</i>
Responsible sourcing	<ul style="list-style-type: none"> • Suppliers meeting basic requirements, particularly within health and safety • Safe third party customer data handling 	<ul style="list-style-type: none"> • Supplier code of conduct and specific supplier IT directives • On-site audits and supplier training • <i>Joint Audit Cooperation</i>
Employee practices	<ul style="list-style-type: none"> • Anti-discrimination and harassment • Diversity and equal opportunity • Health and safety 	<ul style="list-style-type: none"> • Clear policy statement on wanted behavior • Employee engagement surveys with follow-up and action plans based on findings • Cooperation with employee representatives and labor organizations • <i>The Global Deal</i>

RISKS AND UNCERTAINTIES

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

Telia Company has an established risk management framework in place to regularly identify, analyze, assess and report business, financial as well as ethics and sustainability risks and uncertainties, and to mitigate such risks when appropriate. A Risk Universe consisting of four categories and over thirty risk areas is used to aggregate and categorize risks identified across the organization with the risk management framework.

TELIA COMPANY'S RISK UNIVERSE



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

Strategic and emerging risks

Risk	Description	Mitigating activities
Investments in business transformation and future growth	<p>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.</p> <p>Potential impact Success in business transformation and growth will depend on a variety of factors beyond Telia Company's control: the cost of acquiring, renewing or maintaining telecom licenses and spectrum permits, the cost of new technology, availability of new and attractive services, the costs associated with providing these services, the timing of their introduction, the market demand and prices for such services, and competition. Failing to reach the targets set for business transformation, customer attraction and future growth may negatively impact the results of operations.</p>	<ul style="list-style-type: none"> Cost savings and business transformation programs ensuring competitive cost levels as well as ensuring capabilities for future growth

Strategic and emerging risks

Risk	Description	Mitigating activities
Emerging markets	<p>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 Telia Company's assets are not fully owned and there are undertakings and obligations in various shareholder agreements, reputational issues regarding the assets and fewer potential buyers than in more mature markets, makes the complexity of these disposals processes high.</p> <p>Potential impact</p> <p>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.</p>	<ul style="list-style-type: none"> • A decision has been made to dispose our operations in Eurasia. The disposal process is ongoing • The disposal of Ncell in Nepal was closed in April 2016 • The disposal of Tcell in Tajikistan was closed in April 2017 • The agreement to dispose Geocell in Georgia was signed in January 2018 • Azercell in Azerbaijan was disposed in March 2018 • Focus on management of foreign exchange and counterparty risk exposure, combined with continued development of 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

Financial risks

Risk	Description	Mitigating activities
Associated companies and joint operations	<p>Telia Company conducts some of its activities through associated companies, the major one being Turkcell in Turkey, in which Telia Company does not have full ownership or controlling interest and are due to that not in full control but still have significant influence over the conduct of these businesses. Telia Company also has holdings in LMT and Lattelecom, the leading Latvian mobile and fixed operators. In turn, these associated companies own holdings in numerous other companies. Under the governing documents for certain of these associated companies, Telia Company's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions 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.</p> <p>Potential impact The financial performance of these associated companies may have a significant impact on Telia Company's short- and long-term results.</p>	<ul style="list-style-type: none"> • Monitoring of the associated companies performance • Active board work in our associated companies, driving issues of key importance to Telia Company • Continuous work to solve the deadlock between the main shareholders of Turkcell • During 2017 Telia Company disposed its ownership in MegaFon and reduced its shareholding in Turkcell
Impairment losses and restructuring charges	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • 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
Competition and price pressure	<p>Telia Company is subject to substantial and historically increasing competition and price pressure. Transition to new business models in the ICT industry may lead to structural changes and different competitive dynamics.</p> <p>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.</p>	<ul style="list-style-type: none"> • Actively monitor changes in customer and market behavior to create and execute mitigation plans • Business transformation programs and new business initiatives in line with our business strategy • Continuously exploring opportunities close to our core services to create new revenues

For information on management of capital and credit, liquidity, currency, interest rate and refinancing risks as well as insurable risks, see Note C26 "Financial risk management". Pension obligation risks are described in Note C21 "Provisions for pensions and employment contracts".

Operational and societal risks

Risk	Description	Mitigating activities
Customer service and network quality	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Ensuring network resilience through a combination of sound risk management, business continuity planning and incident management • A group wide crisis management organization handles unexpected and critical incidents negatively affecting operations • Continuous work to improve internal as well as outsourced operational processes to fulfil customer expectations • Customer satisfaction is continuously measured both to improve understanding of, and fulfil, customers' expectations
Customer privacy	<p>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.</p> <p>Potential impact Actual or perceived issues related to data network integrity, data security and customer privacy might lead to adverse impact on the privacy rights of users which may lead to an unfavorable perception of how Telia Company handles these matters, which in turn may impact business. Not meeting national and EU legislation may cause significant financial penalties.</p>	<ul style="list-style-type: none"> • Implementation of the EU General Data Protection Regulation (GDPR) • Privacy officers appointed throughout the organization
Freedom of expression and surveillance privacy	<p>In the telecommunications industry, there is a high risk for the freedom of expression and surveillance privacy of users. Risks relate to how national laws and regulations on surveillance of communications or shutdown of networks can be overly broad in ways that violate human rights, and complicity by ICT companies in violations linked to major and problematic government requests. Telia Company may be legally required to comply and, like other operators, only have limited possibility to investigate, challenge or reject such (often strictly confidential) requests.</p> <p>Potential impact Actual failure in respecting freedom of expression and privacy may first and foremost damage rights holders by limiting their freedom of expression and surveillance privacy. Actual or perceived failure may also damage the perception of Telia Company, leading to exclusion from procurement or institutional investment processes. Network shutdowns and blocking limits core business, which may negatively affect revenues.</p>	<ul style="list-style-type: none"> • Building leverage to influence national laws and regulations with peer companies and joining efforts with multi stakeholder Global Network Initiative (GNI) • Transparent reporting on statistics of day-to-day conventional authority requests (Law Enforcement Disclosure Reports) and of unconventional requests ("major events")

Operational and societal risks

Risk	Description	Mitigating activities
Protection of children	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Blocking child sexual abuse material (CSAM) and systems for detecting and reporting CSAM in internal IT system • Regular follow up our performance against a number of industry self-regulatory initiatives in the area of protection of children online • Understanding children's perspectives on online life through a Children's Advisory Panel (CAP) • Assessing impact on children's rights in all relevant business activities
Occupational health and safety (OHS)	<p>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.</p> <p>Potential impact Failure to maintain a healthy and safe working environment may lead to increasing sick leave, low employee engagement and a higher number of accidents and injuries, incurring increased costs and potential loss of critical competence.</p>	<ul style="list-style-type: none"> • 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 KPIs 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	<p>People are at the core of everything that we do at Telia Company and their talents enable us to execute on our strategy. The demand and competition for talents in the ICT area is getting increasingly tougher. In order to win the battle of talent Telia Company needs to attract, recruit, and retain highly skilled employees.</p> <p>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.</p>	<ul style="list-style-type: none"> • 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
Corruption and unethical business practices	<p>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.</p> <p>Potential impact Actual or perceived corruption or unethical business practices may damage the perception of Telia Company and result in financial penalties and debarment from procurement and institutional investment processes. Related fraud may significantly impact financial results. Ongoing disposal processes may in themselves pose risks of corruption, fraud and unethical business practices. Corruption is also linked to higher risks for human rights infringements.</p>	<ul style="list-style-type: none"> • 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 • Review standards and controls, and corruption risk assessments of acquiring cell tower sites

Operational and societal risks

Risk	Description	Mitigating activities
Responsible sourcing	<p>Telia Company relies on a vast number of suppliers and sub-suppliers, many of which are located in countries or industries with challenges in upholding ethical business practices, human and labor rights, health and safety and environmental protection. Despite efforts to conduct due diligence and onsite audits, suppliers and sub-suppliers may be in violation of Telia Company's supplier requirements and/or national and international laws, regulations and conventions.</p> <p>Potential impact Failure or perception of failure of Telia Company's suppliers to adhere to these rules and regulations may damage customers' or other stakeholders' perception of Telia Company. Violations of laws and regulations puts suppliers and sub-suppliers at risk of needing to limit or terminate their operations, which may negatively affect how Telia Company is able to deliver its services. Severe violations may lead to Telia Company needing to seek new suppliers, which may negatively impact sourcing costs and delivery times.</p>	<ul style="list-style-type: none"> • 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

Legal and regulatory risks

Risk	Description	Mitigating activities
Regulation and licenses	<p>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.</p> <p>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</p>	<ul style="list-style-type: none"> • Proactive work in shaping the new EU Telecom Framework, by sharing detailed solutions with relevant stakeholders within the EU • Continuously exploring options to mitigate increased costs and loss of revenues due to regulatory changes

Legal and regulatory risks

Risk	Description	Mitigating activities
Review of Eurasian transactions	<p>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.</p> <p>Since 2012 (by Swedish authorities) and since around 2014 (by US and Dutch authorities), Telia Company has been under investigation for suspected bribery-related conduct related mainly to its market entry into Uzbekistan in 2007. Telia Company has continuously cooperated fully with and supported the investigations and has engaged leading US and Dutch law firms as legal counsel for advice and support.</p> <p>On September 14, 2016, Telia Company received a proposal from the US and the Dutch authorities for financial sanctions amounting to a total of approximately USD 1.45 billion or approximately SEK 12.5 billion at that point in time. As per March 31, 2017, a final resolution had not yet been reached, but in light of recent developments to that date in those discussions, the estimate of the most likely outcome was revised and the provision was adjusted to USD 1.0 billion (SEK 8.9 billion at that point in time). As per June 30, 2017, the provision remained unchanged at USD 1.0 billion corresponding to SEK 8.5 billion (the change was related to changed foreign exchange rate). On September 21, 2017, Telia Company announced that a global settlement had been reached with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. The US and Dutch authorities concluded that Telia Company's conduct was in violation of the FCPA (Foreign Corrupt Practices Act) and Dutch legislation and that corrupt payments of approximately USD 330 million were made by the Company. As part of the settlements, Telia Company agreed to pay fines and disgorgements to the SEC, DoJ and OM in an aggregate amount of USD 965 million (SEK 7.7 billion at that point in time), whereof USD 757 million (SEK 6,129 million) were paid during the third quarter. In addition, Telia Company's subsidiary in Uzbekistan, Coscom LLC, has simultaneously entered a guilty plea with the DoJ. The disgorgement amount will be offset by up to USD 208.5 million against any future disgorgement obtained by the Swedish Prosecutor. Based on the Company's remediation and the state of its compliance program, the authorities determined that an independent compliance monitor was unnecessary.</p>	<ul style="list-style-type: none"> • Telia Company has reached a global settlement with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. This brings an end to all known corruption related investigations or inquiries into Telia Company by the Dutch and US authorities • Telia Company will fully comply with all of its obligations under the global settlement and will continue to cooperate with the authorities and enhance its compliance program and internal controls • The disgorgement amount in the pending Swedish proceedings is already included in the global settlement that Telia Company has reached with U.S. and Dutch authorities

Legal and regulatory risks

Risk	Description	Mitigating activities
Review of Eurasian transactions continued	<p>Telia Company has committed to continue to cooperate with the authorities in any other related investigation. Further, Telia Company has committed to during a three-year period report any potential corruption and to continue to enhance its compliance program and internal controls. If the Company does not fulfill its commitments, an extension of the term may be imposed for up to one year. The authorities have agreed not to bring any criminal or civil case against Telia Company in the future based on historical events. Also, the global settlement brings an end to all known corruption related investigations or inquiries into Telia Company. The settlement does not provide any protection against prosecution for any future conduct by the company.</p> <p>The bank guarantee that was requested by the Dutch authorities from Telia Company of EUR 10 million as collateral for any financial claims against one of its Dutch subsidiaries has been released, as part of the global settlement.</p> <p>On September, 22, 2017, the Swedish Prosecution Authority announced that it has decided to prosecute a number of former Telia employees. The authority has also decided to initiate legal proceedings against Telia Company for a disgorgement. The disgorgement amount in the Swedish proceedings is already included in the global settlement of USD 965 million that Telia Company has reached with US and Dutch authorities. The Swedish prosecutor is not 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). With regard to the Swedish Prosecution Authority's decision, Telia Company will continue to consider all possibilities to protect the rights and interests of the Company.</p> <p>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. There is of course always a risk that actions may be taken by the police, prosecution or regulatory authorities in other jurisdictions against Telia Company's operations or transactions, or against third parties, whether they be Swedish or non-Swedish individuals or legal entities, and that this might directly or indirectly harm Telia Company's business, results of operations, financial position, cash flows or brand reputation. However, the global settlement that has now been reached and brings an end to all known corruption related investigations or inquiries into Telia Company by the Dutch and US authorities.</p>	

CORPORATE GOVERNANCE STATEMENT

STATEMENT OF MATERIALITY AND SIGNIFICANT AUDIENCES

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

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

Significant stakeholder groups include:

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

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

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

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

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

COMPLIANCE

This Corporate Governance Statement was adopted by the Board of Directors at its meeting on March 7, 2018. It was prepared according to the Swedish Corporate Governance Code and the Swedish Annual Reports Act and has been examined by the external auditors. The Statement presents an overview of Telia Company's corporate governance model and includes the Board's description of the internal control environment and risk management regarding financial reporting.

It is the opinion of the Board that Telia Company in all respects complied with the Swedish Corporate Governance Code during 2017.

Further, there was no infringement of applicable stock exchange rules and no breach of good practice on the securities market reported by the Nasdaq Stockholm Disciplinary Committee or the Swedish Securities Council.

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

GOVERNING BODIES

Telia Company's main governing bodies are:

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

SHAREHOLDERS

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

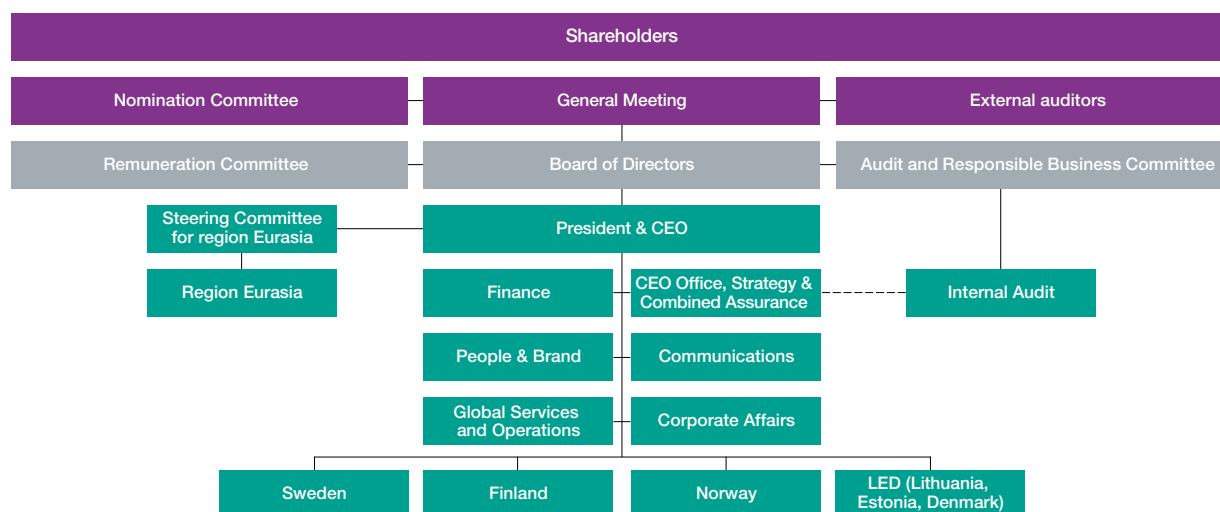
For further information regarding: – Swedish Companies Act (2005:551), Annual Reports Act (1995:1554), Securities Market Act (2007:528): www.riksdagen.se/en, www.government.se – Nasdaq Stockholm (issuer rules and surveillance): www.business.nasdaq.com/list/listing-options/European-Markets/ – Swedish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

Telia Company has one type of shares. Each share represents one vote at the Annual General Meeting. As of December 31, 2017, Telia Company had 496,434 shareholders.

The Swedish State is the largest shareholder, owning a 37.3 percent stake at year-end. For companies with State ownership, the Swedish Government has issued an ownership policy, which sets forth requirements related to, responsible 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.

TELIA COMPANY'S GOVERNING BODIES



Annual General Meeting 2017

The Annual General Meeting 2017 was held in Stockholm on April 5, 2017, and decided, among other issues, on the following:

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

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

NOMINATION COMMITTEE

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

- Daniel Kristiansson, Chair (the Swedish State)
- Petter Söderström (Solidium Oy)
- Erik Durhan (Nordea Funds)
- Jan Andersson (Swedbank Robur Funds)
- Marie Ehrling, Chair of the Board

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

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

The Nomination Committee performs interviews and receives information from the Chair of the Board, other

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

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

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

The Nomination Committee has reported that it complies with the provisions of the Swedish Corporate Governance Code and that it intends to report its activities on the company's website. In its deliberations, the Nomination Committee has specifically discussed the Corporate Governance Code's requirements on diversity and equal gender distribution in the Board. In its work, the Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy. The objective of the policy is for the board to have a composition appropriate to the company's operations, phase of development and other relevant circumstances; that the board members collectively are to exhibit diversity and breadth of qualifications, experience and background; and to strive for gender balance. The Nomination Committee has specifically discussed gender diversity in the Board as part of its efforts to compose the most competent Board. The annual general meeting 2017 resolved to appoint board members in accordance with the Nomination Committee's proposal. Currently, four (4) of the board members elected by the general meeting are women and four (4) are men, i.e. an equal representation of women and men. The Nomination Committee reviews its instruction annually and as necessary proposes changes thereto to the Annual General Meeting.

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

BOARD OF DIRECTORS

Responsibilities

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

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

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

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

Members and independence

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

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

In accordance with the guidelines of the Swedish Corporate Governance Code, all Board members elected by the Annual General Meeting 2017 are considered to be independent in relation to the company, to the administration of the company and to major shareholders.

Annual work cycle

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

Board meetings are normally held in Stockholm, Sweden, but the Board's ambition is to hold at least one other meeting elsewhere to be able to discuss local issues more deeply, make specific site visits, etc. In 2017, the Board held its annual two-day strategy meeting in Tallinn, Estonia and the board meeting in December was held in Helsinki, Finland.

Board meetings

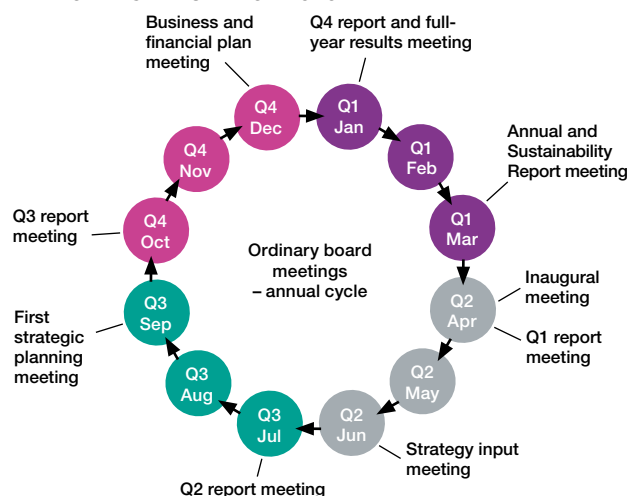
The annual board cycle starts and ends at the Annual General Meeting. During the year, approximately seven ordinary meetings are held, including the inaugural meeting and a two-day strategy meeting. The meetings address, inter alia:

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

In addition, ordinary Board meetings include the following:

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

THE BOARD'S ANNUAL WORK CYCLE



Board work in 2017

In 2017, the Board held ten (10) ordinary meetings (whereof one inaugural meeting) and four (4) extra meetings. In addition to following up on the day-to-day business of the group, the Board paid special attention to:

- Strategic options, with specific review of the changing business environment in the telecom industry
- 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
- Approval of global settlement of the investigations by the US Department of Justice, the US Security and Exchange Commission and the Dutch prosecutor
- Follow-up and review of the Telia Company's exit process from Eurasia
- Acquisitions of Phonero and Nebula, divestment of Telia Company's holding in Tcell, MegaFon and its direct holding in Turkcell, 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 evaluated its internal work during 2017 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.

Board Committees

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

Remuneration Committee

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

Audit and Responsible Business Committee

During 2017, the Board merged the Sustainability and Ethics Committee and the Audit Committee into the new integrated Audit and Responsible Business Committee, for the purpose of integrating reporting and control processes and having one committee with a more comprehensive overview over relevant matters.

The Audit and Responsible Business Committee assists the Board in fulfilling of its responsibility in relation to financial reporting, internal control, internal and external audit, enterprise risk management and the company's process for monitoring compliance with laws and regulations. It also monitors efficiency and results of the company's internal compliance and sustainability programs, as well as the whistle-blower system, and the implementation of such programs.

Remuneration Committee work in 2017

Marie Ehrling is Chair of the Remuneration Committee. In 2017, the Committee held five (5) meetings. Committee work included, amongst others, the following issues:

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

Audit and Responsible Business

Committee work in 2017

Nina Linander is Chair of the Audit and Responsible Business Committee. In 2017, the Committee held eight (8) meetings. Committee work in 2017 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, sourcing, 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
- Map and review of the status of ongoing ethics, compliance and sustainability initiatives
- Approval and regular follow-up of the responsible business focus area plans, with special attention on status and actions of the anti-bribery and corruption program, including e.g. country-level corruption risk-assessment, instructions and training, whistle-blowing tools, etc.
- Review of whistle-blower cases and follow-up of recommended actions
- Reviews of sustainability-related risks in the quarterly risk reports
- Review of Telia Company's external sustainability reporting

As part of the Board's overall assessment, the Remuneration Committee and the Audit and Responsible Business Committee evaluated its internal work during 2017 by self-assessment.

ORGANIZATION OF THE BOARD



CEO AND GROUP EXECUTIVE MANAGEMENT

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

Headed by the CEO, the Group Executive Management currently comprises of the CEO, CFO, General Counsel and Head of Corporate Affairs, Head of Group People and Brand, Head of Group Communications, Head of Global Services and Operations, Head of CEO Office; Strategy & Combined Assurance, Head of Telia Sweden, Head of Telia Norway, Head of Telia Finland and Head of Cluster (LED - Lithuania, Estonia, Denmark). 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.

In 2015 a separate Steering Committee was established for region Eurasia, which is chaired by the CEO. The Steering Committee has the overall strategic responsibility for region Eurasia. The Head of region Eurasia presents the operations of the region to the Steering Committee. The model ensures continued strong governance and alignment within the group, while allowing Group Executive Management to focus on the current strategic core markets in the Nordics and Baltics.

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

GROUP-WIDE GOVERNANCE FRAMEWORK

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

GROUP-WIDE GOVERNANCE FRAMEWORK

1 Deciding what we shall achieve

- Purpose
- Strategic priorities
- Operational and financial targets



2 Setting the boundaries for how we act

- Set of values
- Code of responsible business conduct
- Sustainability work governance
- Policy framework
- Organization
- Delegation of obligations and authority



3 Follow-up of our performance

- Business reviews
- Risk and compliance reviews
- Individual performance management – YouFirst

Deciding what we shall achieve

In order to provide overall guidance to the employees, the Board has approved a Telia Company purpose statement. Further, the Board has adopted a strategy, setting more specific directions for the coming years as well as yearly operational and financial targets.

Purpose: Bringing the world closer

To grow our business and to stay inspired in our daily work, we need to be truly relevant to our customers. The purpose “Bringing the world closer” guides our ambition to take Telia Company to the next level. Everything we do should be a reflection of our purpose.

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
- **Execute on opportunities in adjacent areas close to the core** – invest in areas that complement and strengthen the core business

Operational and financial targets

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

Setting the boundaries for how we act

The Board sets the boundaries on how the employees shall act. Key elements are Telia Company’s values, the code of responsible 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 Responsible Business Conduct

The Code of Responsible Business Conduct, issued by the Board, 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)

GROUP POLICIES APPROVED BY THE BOARD – AREA AND PURPOSE

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

Sustainability governance

Sustainability in Telia Company covers how the company accounts for its long-term impact on society and the environment. The work is focused on ensuring ethical, responsible business practices and on creating shared value by contribution to business and the UN Sustainable Development Goals. We apply a stakeholder-based approach guided by international guidelines and frameworks, see "Statement of Materiality." Group Executive Management and the Governance, Risk, Ethics and Compliance (GREC) meetings are the primary decision-making forums. The ultimate responsibility for sustainability oversight lies with the Board. For more information on the governance of specific responsible business focus areas, see Board of Directors' Report, section "Responsible business."

Policy framework

The heads of group functions secure that necessary group policies and instructions are issued within their respective area of responsibility. All group policies and group instruc-

tions are binding for all entities in which Telia Company has management responsibility.

Group policies are approved by the Board, 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, after being reviewed at a group GREC meeting. All group policies and group instructions are stored and published in 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 Telia Company Code of Responsible Business Conduct, the Board has currently approved the group policies presented in the table above.

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

Organization

Change in organization structure

The organization structure was changed during 2017. Main changes were that heads of Telia Finland and Telia Norway, respectively, became part of the Group Executive Management. For organizational purposes, the countries Lithuania, Estonia and Denmark are now represented in the Group Executive Management team by the Head of Cluster (LED - Lithuania, Estonia, Denmark). For more information, see "CEO and Group Executive Management."

Also, a new group function was established under the name CEO office; Strategy & Combined Assurance, comprising Group Strategy, Risk Management, Ethics and Compliance and Internal Audit. Head of Group Internal audit reports administratively to the Head of CEO Office, while continues to report functionally to the Audit and Responsible Business Committee.

Head of Group Ethics and Compliance reports to the Head of CEO Office, but the result of its work is reported directly to the Audit and Responsible Business Committee.

The purpose with the change in organization was to increase focus on the Nordic and Baltic operations and at the same time maintain focus on our responsible business agenda.

Country organization and group functions

Telia Company's largest businesses are mobile, broadband, TV and fixed-line operations in the Nordics and Baltics, and mobile operations in Eurasia. For management purposes, the group is divided into countries and group functions. Also, a separate Steering Committee, chaired by the CEO, has the overall strategic responsibility for region Eurasia.

The countries and group functions shall work in close cooperation with each other, providing advice and guidance in order to maintain high technical and commercial skills, ensure good management and regulatory compliance, use of economies of scale, as well as achieve a business that is sustainable long-term.

The country organization is primarily responsible for running the business operation within its geographical area. Local focus is the most effective way of increasing competitiveness and innovation by ensuring that products, services and solutions offered are adapted to customers' needs. This proximity to customers makes it easier to identify what the customers want and require. It also enables better understanding of the challenges faced in each market and country, including technical solutions and societal challenges.

Group functions are responsible for driving development within their respective areas to ensure efficiency and cross-border, cross-functional synergies.

Delegation of obligations and authority

The CEO has issued a Delegation of Obligations and Authority (the DOA), which defines the obligations imposed on Group Executives, and within which limits they may take 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

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

Business reviews

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

Business reviews are meetings held on a monthly basis and include financial and 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 level. The operational KPIs are a key part of the follow-up and consist of several measurements which give management a good overview of current state and progress over time. The Net Promoter Score (NPS®) framework is used to monitor and improve the customer experience that Telia Company provides. At the country review meetings, the CEO, CFO, COO, Head of Financial Planning and Analysis, Head of Investor Relations and selected members of Group Executive Management attend, in addition to the respective country management.

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

Risk and compliance reviews

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

ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

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

Three lines of 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 are identified and assessed, and measures are implemented to mitigate and monitor these risks.

Enterprise risk management – lines of defense

RISKS AND UNCERTAINTIES

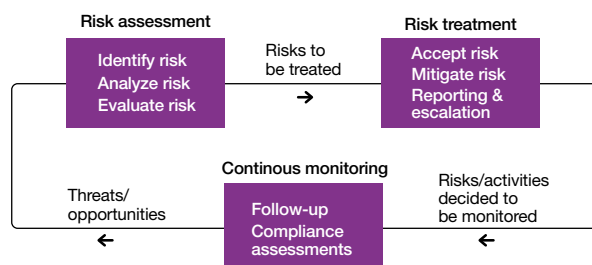


The defense-line roles and responsibilities include:

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

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, managed and monitored. Risk management shall be fully integrated into the business processes. The risk manage-

ment 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 and Responsible Business Committee and the Board receive a consolidated risk report, aligned with the Board's annual work cycle. The consolidated report is divided into four categories:

- 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 country.

In addition, the Audit and Responsible Business 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.

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 (ERM) function including the GREC meetings, the internal controls function within group Finance and the group Ethics and Compliance Office.

Group-level enterprise risk management (ERM) function

The Head of the ERM function, within group function CEO Office; Strategy & Combined Assurance, 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:

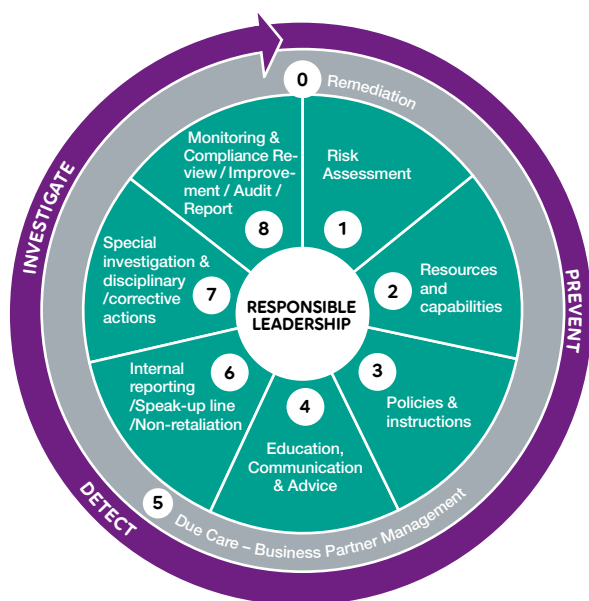
- Own, govern, coordinate and monitor the ERM process to ensure a structured approach towards risk management, compliance and reporting in the group
- Own the group framework for ERM, policies and instructions within his/her areas of responsibility and to monitor compliance herewith and support group 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
- Review of group policies and instructions

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, within the responsible business area, are identified based on risk assessments. The most significant risks in this area are monitored by the Group Ethics and Compliance Office in CEO Office; Strategy & Combined Assurance 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 and surveillance privacy
- Customer privacy
- Children's rights
- Responsible sourcing
- Environmental responsibility
- Occupational health and safety

For additional information on the approach and work in the respective area, see "Responsible business."

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 countries/units
- Assess country 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 culture
- Monitor and respond to audit findings and non-compliance against internal and external requirements
- Ensure communication and feed-back to all relevant stakeholders

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

Whistle-blowing process

Speak-Up Line

2017 was the third full year of operation 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 Code of Responsible Business Conduct, group policies and 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 2017

During 2017, 179 whistle-blowing reports were recorded (123 reports in 2016). The reported issues related mainly to reproach to management, leadership, conflict of interest, and customer complaint or enquiry. Most of the reports were received through the Speak-Up Line, through direct contact with group or local ethics and compliance officers, or through line managers. The majority of reports came from Sweden, Kazakhstan and Uzbekistan.

51 internal investigations were conducted by the Special Investigations Office of Group Ethics and Compliance (35 cases during the same period in 2016). During the period, 10 disciplinary decisions were taken by the group management. These included warnings of employees and managers. In 2017, 11 (24) investigations were requested by managers.

Consolidated case reports were presented to the Audit and Responsible Business Committee throughout the year. The reports included allegations of certain significance, progress of investigations and the final results of the investigations.

Number of whistle-blowing case reports during 2017 (2016)

Investigations opened by the Special Investigations Office	51 (35)
Reports related to Human Resource matters (handled jointly with Goup People & Brand)	51 (19)
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)	77 (69)
Total	179 (123)

Reporting channel 2017 (2016)

	%
Speak-Up Line portal	67 (50)
Sent to the Speak-Up Line e-mail address	15 (12)
Direct contact with ethics and compliance officers at group or local level	9 (17)
Line managers	4 (18)
Telia Company's executive management	4 (2)

Origins of reports during 2017 (2016)

	%
Nordics	44 (33)
Region Eurasia	42 (56)
Other group companies	14 (11)

Internal investigation KPIs	Target	2017	2016
Whistle-blowing cases closed within eight weeks	80%	72%	83%

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

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

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

Risk assessment

Telia Company has a risk-based approach towards internal controls over financial reporting. Risk management related to financial reporting is incorporated in the group-common risk management framework as described in 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.

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 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 Audit and Responsible Business Committee. The Committee also receives reports directly from both external and internal auditors. The reports are discussed and follow-up observations are made by the Committee. Both the external and internal auditors are present at the Committee meetings.

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

GROUP INTERNAL AUDIT

The group internal audit function 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 Audit and Responsible Business Committee and presented to the external auditors on an annual basis. Within the audit plan, the detailed audit assignments are defined on a quarterly basis. The quarterly audit assignments are discussed with the external auditors in order to share risk assessments and audit findings.

In 2017, audits were performed in group functions and all countries. Important focus areas were:

- Transformation to New Generation Telco
- Information security
- Customer data privacy
- Supply chain and outsourced business
- Talent management
- Sustainable business

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

AUDITORS

Number of auditors and duties

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

The duties of the auditors include:

- Presenting the planning, scope and content of the annual audit to the Audit and Responsible Business Committee
- Audit of the financial statements which amongst other includes assessment of accuracy, completeness of the accounts and adherence to applicable financial reporting standards and review of internal controls over financial reporting
- Audit of the Board's and the CEO's administration of the company
- Conducting a statutory examination of this Corporate Governance Statement
- Presenting non-audit services performed, the consideration paid and other issues determining the auditors' independence to the Audit and Responsible Business Committee

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 report procedures performed in

relations to the review of Telia Company's financial statements quarterly to the Audit and Responsible Business Committee and Group Executive Management and, in November each year, report on internal controls within financial reporting and IT. For further information on the contacts between the Board and the auditors, see sections "Board of Directors" and "Internal controls over financial reporting", respectively.

In addition, the auditors perform an annual limited assurance of the information presented in Board of Directors' Report, section "Responsible Business" and in "GRI Index."

Current auditors and fees

At the Annual General Meeting 2017, Deloitte AB was elected as auditor until the end of the Annual General Meeting 2018. Deloitte AB has appointed Jan Nilsson (born 1962), Authorized Public Accountant, to serve as auditor in charge. Deloitte AB is often engaged by Telia Company's largest shareholder, the Swedish State, for both audit and advisory services. Jan Nilsson does not hold any shares in Telia Company.

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

BOARD OF DIRECTORS



Marie Ehrling

Born 1955. Chair of the Board. Elected to the Board of Directors in 2013. Ms. Ehrling was President of TeliaSonera's Swedish operations between 2002 and 2006. During 1982–2002, she worked for SAS Group, holding various executive positions including Deputy CEO and Head of SAS Airline. Ms. Ehrling is Chair of Securitas AB, Vice-Chair of Axel Johnson AB and Board member of Axel Johnson International. She is elected member of Royal Swedish Academy of Engineering Sciences (IVA) and Chair Advisory Board Stockholm School of Economics. Ms. Ehrling holds a BSc in Business and Economics and an Honorary Doctorate at SSE. Shares in Telia Company: 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 Entrada Oy and Limestone Platform AS. 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. Ms. Campbell is former CEO of Ratos. Prior to that she held positions at McKinsey and Alfred Berg Corporate Finance. Susanna Campbell is Chair of Rönnisch Sportswear AB, Ljung & Sjöberg AB and of investment committee at Norrsken Foundation and member of the boards of Indutrade AB and Nalka Invest AB. Ms. Campbell holds a Master Science in 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 Chair of Awa Holding AB and a board member of AB Industrivärden, Skanska AB, Castellum 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 Setzman

Born 1970. Elected to the Board of Directors in 2016. Ms. Setzman 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. She is a member of the boards of Anticimex Topholding AB, Collector Bank AB, We Mind AB and Dreams Nordic AB. Ms. Setzman studied marketing strategy and economics at the Berghs School of communications and completed the IFL Executive Management Program at the Stockholm School of Economics. Shares in Telia Company: 0



Olaf Swantee

Born 1966. Elected to the Board of Directors in 2016. Mr. Swantee is CEO of Sunrise and previously he was the CEO of the UK's mobile telecoms business EE. Prior to joining EE, he held a number of Executive Board roles for Orange Group, as well as senior leadership roles within Hewlett Packard, Compaq and Digital Equipment Corporation, across Europe and the United States. Mr. Swantee holds a European MBA. Shares in Telia Company: 0



Agneta Ahlström

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

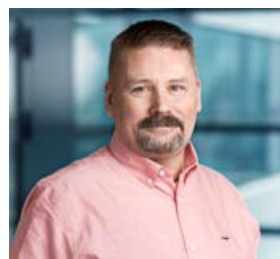
Shares in Telia Company: 200



Stefan Carlsson

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

Shares in Telia Company: 650



Peter Wiklund

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

Shares in Telia Company: 0

Deputy employee representatives

Hans Gustavsson (born 1954), SEKO klubb Telia Company.

Shares in Telia Company: 110³

Arja Kivin (born 1964), Unionen-Tele.

Shares in Telia Company: 0³

Finnish employee representative without voting rights

Kari Kaukonen (born 1957), Trade Union Pro.

Shares in Telia Company: 0

REMUNERATION DURING 2017, ATTENDANCE AND NUMBER OF SHARES

Name	Elected year	Position	Meeting attendance			Total remuneration (SEK thousand) ²	Shares in Telia Company ³
			Board	Remuneration Committee	Audit and Responsible Business Committee ¹		
Marie Ehrling	2013	Chair of the Board and Chair of the Remuneration Committee	14/14	5/5	8/8	1,870	20,000
Olli-Pekka Kallasvuo	2012	Vice-Chair of the Board	14/14	5/5		840	35,896
Susanna Campbell	2016	Director	13/14	5/5		606	10,000
Mikko Kosonen	2013	Director	14/14			575	2,000
Nina Linander	2013	Director and Chair of the Audit and Responsible Business Committee	14/14		8/8	793	5,700
Martin Lorentzon	2013	Director	13/14			556	1,100,000
Anna Setzman	2016	Director	14/14		5/6	680	0
Olaf Swantee	2016	Director	13/14		7/8	706	0
Agneta Ahlström	2007	Employee representative	12/14			—	200
Stefan Carlsson	2009	Employee representative	13/14			—	650
Peter Wiklund	2014	Employee representative	14/14			—	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) From the Annual General Meeting 2017 the Sustainability and Ethics Committee and Audit Committee have merged.

2) See also Note C31 to the consolidated financial statements.

3) 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



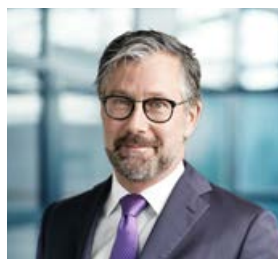
Johan Dannelind

Born 1969. President and Chief Executive Officer. Between 2010 and 2013, Mr. Dannelind 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. Dannelind is a board member of GSMA and World Childhood Foundation. Mr. Dannelind holds a Master of Science Business Administration.
Shares in Telia Company: 191,000



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.
Shares in Telia Company: 41,000



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: 77,859



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 & Combined Assurance. 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 Kcell. Ms. Stenmark holds a Master of law. Shares in Telia Company: 10,874



Stein-Erik Vellan

Born 1965. Senior Vice President and CEO of Telia 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



Henriette Wendt

Born 1969. Senior Vice President and Head of Cluster (LED - Lithuania, Estonia, Denmark). 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

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 2017, 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 Dannelind, CEO	16,584	322	63	6,516	23,485	—
Other members of Group Executive Management (11 individuals)	60,645	2,975	1,816	16,567	82,003	2,707

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data	Note	Jan-Dec 2017	Jan-Dec 2016
Continuing operations			
Net sales	C5, C6	79,867	84,178
Cost of sales	C7	-49,166	-50,691
Gross profit		30,701	33,487
Selling and marketing expenses	C7	-12,726	-13,507
Administrative expenses	C7	-5,477	-5,620
Research and development expenses	C7	-286	-173
Other operating income	C8	1,984	5,490
Other operating expenses	C8	-1,284	-1,397
Income from associated companies and joint ventures	C14	778	2,810
Operating income	C5	13,690	21,090
Finance income	C9	496	803
Finance costs	C9	-4,730	-2,644
Income after financial items		9,457	19,249
Income taxes	C10	-1,041	-2,816
Net income from continuing operations		8,416	16,433
Discontinued operations			
Net income from discontinued operations	C34	1,729	-9,937
Total net income		10,146	6,496
Items that may be reclassified to net income:			
Foreign currency translation differences from continuing operations	C11	10,831	1,303
Foreign currency translation differences from discontinued operations	C11, C34	-1,754	868
Income from associated companies	C11, C14	138	-340
Cash flow hedges	C11	-147	-128
Available-for-sale financial instruments	C11	729	134
Income taxes relating to items that may be reclassified	C10, C11	267	668
Items that will not be reclassified to net income:			
Remeasurements of defined benefit pension plans	C21	-406	-1,297
Income tax relating to items that will not be reclassified	C10	92	276
Associates' remeasurements of defined benefit pension plans	C14	-25	-20
Other comprehensive income		9,725	1,463
Total comprehensive income		19,870	7,959
Net income attributable to:			
Owners of the parent		9,608	3,732
Non-controlling interests	C19	537	2,764
Total comprehensive income attributable to:			
Owners of the parent		19,715	4,833
Non-controlling interests		155	3,125
Earnings per share (SEK), basic and diluted, total	C19	2.22	0.86
Earnings per share (SEK), basic and diluted, continuing operations		1.90	3.76
Earnings per share (SEK), basic and diluted, discontinued operations		0.32	-2.90

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Dec 31, 2017	Dec 31, 2016
Assets			
Goodwill	C12	60,984	57,923
Other intangible assets	C12	15,668	13,024
Property, plant and equipment	C13	60,024	58,107
Investments in associated companies and joint ventures	C14	9,449	22,698
Deferred tax assets	C10	3,003	4,366
Pension obligation assets	C21	4,110	3,380
Long-term interest-bearing receivables	C15	18,674	18,120
Other non-current assets	C15	2,591	1,856
Total non-current assets		174,503	179,475
Inventories	C16	1,521	1,792
Trade and other receivables	C17	16,054	16,839
Current tax receivables		408	628
Interest-bearing receivables	C18	17,335	11,143
Cash and cash equivalents	C18	15,616	14,510
Assets classified as held for sale	C34	18,408	29,042
Total current assets		69,341	73,955
Total assets		243,845	253,430
Equity and liabilities			
Equity attributable to owners of the parent		99,970	89,833
<i>of which capital</i>		35,549	35,520
<i>of which reserves and retained earnings</i>		64,421	54,313
Equity attributable to non-controlling interests	C19	5,260	5,036
Total equity		105,230	94,869
Long-term borrowings	C20	87,813	83,161
Deferred tax liabilities	C10	8,766	10,567
Provisions for pensions and employment contracts	C21	2,377	2,109
Other long-term provisions	C22	5,833	5,173
Other long-term liabilities	C23	1,950	725
Total non-current liabilities		106,740	101,734
Short-term borrowings	C20	3,674	11,307
Short-term provisions	C22	470	13,673
Current tax payables		361	19
Trade payables and other current liabilities	C24	18,818	18,200
Liabilities directly associated with assets classified as held for sale	C34	8,552	13,627
Total current liabilities		31,875	56,826
Total equity and liabilities		243,845	253,430

CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Note	Jan–Dec 2017	Jan–Dec 2016
Net income		10,146	6,496
Adjustments for:			
Amortization, depreciation and impairment losses		18,432	13,662
Capital gains/losses on sales/disposals of non-current assets and operations		375	-6,275
Income from associated companies and joint ventures, net of dividends received	C14	2,548	-701
Pensions and other provisions		-4,793	11,981
Financial items		1,513	147
Income taxes		165	649
Miscellaneous non-cash items		-152	4
Cash flow before change in working capital		28,234	25,964
Increase (-)/Decrease (+) in operating receivables		501	-1,943
Increase (-)/Decrease (+) in inventories		287	61
Increase (+)/Decrease (-) in operating liabilities ¹		-5,452	1,888
Change in working capital¹		-4,665	6
Cash flow from operating activities	C30	23,569	25,970
<i>of which from discontinued operations</i>		<i>-2,744</i>	<i>3,460</i>
Intangible assets and property, plant and equipment acquired		-16,405	-18,703
Intangible assets and property, plant and equipment divested		101	173
Business combinations and other equity instruments acquired	C30, C33	-4,419	-94
Operations and other equity instruments divested	C30	23,114	12,084
Loans granted and other similar investments		-5,424	-6,198
Repayment of loans granted and other similar investments		3,167	3,272
Compensation from pension fund		-	500
Net change in short-term investments		-10,249	1,538
Cash flow from investing activities		-10,115	-7,428
<i>of which from discontinued operations</i>		<i>-3,602</i>	<i>-1,508</i>
Cash flow before financing activities		13,454	18,542
Repurchased treasury shares including transaction costs		-4	-5
Dividends paid to owners of the parent		-8,660	-12,990
Dividends paid to holders of non-controlling interests	C30	-861	-2,376
Proceeds from borrowings		16,393	1,523
Repayment of borrowings		-19,126	-6,898
Net change in short-term borrowings		176	-3,484
Settlement of derivative contracts for economic hedges and CSA		-1,927	1,180
Cash received for repurchase agreements		1,812	6,975
Cash paid for repurchase agreements		-1,707	-6,416
Cash flow from financing activities		-13,905	-22,491
<i>of which from discontinued operations</i>		<i>-589</i>	<i>-1,976</i>
Net change in cash and cash equivalents		-451	-3,949
<i>of which from discontinued operations</i>		<i>-6,935</i>	<i>-24</i>
Cash and cash equivalents, opening balance		22,907	25,334
Net change in cash and cash equivalents for the year		-451	-3,949
Exchange rate differences in cash and cash equivalents		-1,472	1,523
Cash and cash equivalents, closing balance	C18	20,984	22,907
<i>of which from continuing operations (including Sergel for comparative figures)</i>		<i>15,616</i>	<i>14,605</i>
<i>of which from discontinued operations (Eurasia)</i>	C34	<i>5,368</i>	<i>8,302</i>

1) The cash flow effect from the global settlement with the authorities regarding the Uzbekistan investigations amounted to SEK 6,129 million in the third quarter 2017 and is classified as cash flow from discontinued operations. The outstanding provision, amounting to SEK 1,650 million after discount effect, is recognized as a long-term provision in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Note	Share capital	Other contributed capital	Hedging reserve	Fair value reserve	Foreign currency translation reserve	Revaluation reserve	Inflation reserve	Equity transactions in associates	Retained earnings	Total owners of the parent	Non-controlling interests	Total equity
Closing balance, December 31, 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
<i>Total transactions with owners</i>		-	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
<i>Total comprehensive income</i>		-	-	-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
Dividends	C19	-	-	-	-	-	-	-	-	-8,660	-8,660	-835	-9,495
Changes in non-controlling interests ¹		-	-	-	-	-	-	-	-	-903	-903	903	-
Share-based payments	C31	-	33	-	-	-	-	-	-	-	33	-	33
Reclassification of Inflation reserve ²		-	-	-	-	-	-	-1,810	-	1,810	-	-	-
Other transactions with owners	C19	-	-4	-	-	-	-	-	-	-	-4	-	-4
<i>Total transactions with owners</i>		-	29	-	-	-	-	-1,810	-	-7,754	-9,534	69	-9,466
Net income	C19	-	-	-	-	-	-	-	-	9,608	9,608	537	10,146
Other comprehensive income	C11, C19	-	-	-115	731	9,830	-	-	-	-340	10,107	-382	9,725
<i>Total comprehensive income</i>		-	-	-115	731	9,830	-	-	-	9,269	19,715	155	19,870
Effect of Turkcell's acquisition of treasury shares	C14	-	-	-	-	-	-	-	-43	-	-43	-	-43
Closing balance, December 31, 2017		13,856	21,693	367	846	-14,860	266	3,099	-2,926	77,629	99,970	5,260	105,230

1) Non-controlling interests in Fintur increased with SEK 766 million due to reduced ownership in Turkcell. Capitalization of Ucell (Coscom) and Uzbek Telecom Holding B.V. resulted in an increase in non-controlling interests of SEK 138 million.

2) Reclassification of Inflation reserve due to reduced ownership in Turkcell.

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C1 BASIS OF PREPARATION

General

The annual report and consolidated financial statements have been approved for issue by the Board of Directors on March 7, 2018. The income statement and the balance sheet of the parent company and the statement of comprehensive income and the statement of financial position of the group are subject to adoption by the Annual General Meeting on April 10, 2018.

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.

Segments

Telia Company has a revised organizational setup as of January 1, 2017. Based on the new operating model Telia Company has reported the following six operating segments separately from 2017: Sweden, Finland, Norway, Denmark, Lithuania and Estonia. Other operations include Latvia, the Telia Carrier operations, Telia Company's shareholding in the associate Turkish Turkcell and the former associate Russian MegaFon as well as Group functions. Comparative figures have been restated to reflect the new operating segments. Spain (which was divested in 2016) has been included in Other operations. 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 information 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 2017

As of January 1, 2017, the following new or amended standards became applicable:

- Amendments to IAS 7 "Disclosure Initiative"
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"
- Annual Improvements to IFRSs 2014-2016 cycle

The objective of the amendments to IAS 7 "Disclosure Initiative" 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. Telia Company has extended cash flow disclosures relating to financing activities in the Note "C30 Cash flow information".

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, 2018

Telia Company has not pre-adopted any of the new or revised/amended standards effective on or after January 1, 2018.

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

IFRS 15 specifies how and when revenue should be recognized as well as requires more detailed revenue disclosures. The standard provides a single, principle based five-step model to be applied to all contracts with customers 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 analysis of the performance obligations and the revenue recognition for each type of customer contract has been performed and the model currently used has been slightly refined for some types of customer contracts, the effect is not material.

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 period over which Telia Company expects to provide services to the customer. Telia Company currently does not capitalize such costs. The main effect of implementing IFRS 15 for Telia Company is related to capitalization of costs.

Financial Statements

Consolidated financial statements

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 and the model will therefore be adjusted, but the effect is not material.

Contract modifications: Guidance is included on when to account for modifications retrospectively or progressively.

The new guidance will not have any material revenue effect for Telia Company.

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

The tables below present the impact that the initial application of IFRS 15 will have on the consolidated financial statements in the period of initial application.

IFRS 15 effects on Condensed consolidated statements of financial position

SEK in billions	Reported Dec 31, 2016	Change IFRS 15	Ref	Restated Jan 1, 2017	Reported Dec 31, 2017	Change IFRS 15	Ref	Restated Dec 31, 2017
Assets								
Costs to obtain a contract and other contract assets, Non-current	–	1.3	a	1.3	–	1.4	a	1.4
Other non-current assets	179.5			179.5	174.5			174.5
<i>Total non-current assets</i>	<i>179.5</i>	<i>1.3</i>		<i>180.7</i>	<i>174.5</i>	<i>1.4</i>		<i>175.9</i>
Trade and other receivables and current tax receivables	17.5	0.0		17.5	16.5	-0.1		16.4
Other current assets	27.4			27.4	34.5			34.5
Assets classified as held for sale	29.0	0.1	f	29.1	18.4	0.1	f	18.5
<i>Total current assets</i>	<i>74.0</i>	<i>0.1</i>		<i>74.1</i>	<i>69.3</i>	<i>0.1</i>		<i>69.3</i>
Total assets	253.4	1.4		254.8	243.8	1.4		245.3
Equity attributable to owners of the parent	89.8	1.2		91.0	100.0	1.2		101.2
Equity attributable to non-controlling interests	5.0	0.0		5.0	5.3	0.0		5.3
<i>Total equity</i>	<i>94.9</i>	<i>1.2</i>	<i>a</i>	<i>96.1</i>	<i>105.2</i>	<i>1.2</i>	<i>a</i>	<i>106.4</i>
Deferred tax liabilities	10.6	0.2	e	10.7	8.8	0.2	e	9.0
Provisions and other non-current liabilities	91.2			91.2	98.0			98.0
<i>Total non-current liabilities</i>	<i>101.7</i>	<i>0.2</i>		<i>101.9</i>	<i>106.7</i>	<i>0.2</i>		<i>106.9</i>
Short-term borrowings	11.3			11.3	3.7			3.7
Trade payables and other current liabilities, current tax payables and short-term provisions	31.9	0.0		31.9	19.6	0.0		19.7
Liabilities directly associated with assets classified as held for sale	13.6	0.0	f	13.6	8.6	0.0	f	8.6
<i>Total current liabilities</i>	<i>56.8</i>	<i>0.0</i>		<i>56.8</i>	<i>31.9</i>	<i>0.0</i>		<i>31.9</i>
Total equity and liabilities	253.4	1.4		254.8	243.8	1.4		245.3

IFRS 15 effects on Condensed consolidated statements of comprehensive income

SEK in billions	Reported Jan-Dec 2017	Change IFRS 15	Ref	Restated Jan-Dec 2017
Net sales	79.9	-0.1	b	79.8
Cost of sales	-49.2			-49.2
Gross profit	30.7	-0.1		30.6
Selling, administration and R&D expenses	-18.5	0.2	c	-18.3
Other operating income and expenses, net and income from associated companies and joint ventures	1.5			1.5
Operating income	13.7	0.1		13.8
Financial items, net	-4.2	0.0	d	-4.2
Income after financial items	9.5	0.1		9.6
Income taxes	-1.0	0.0	e	-1.1
Net income from continuing operations	8.4	0.1		8.5
Net income from discontinued operations	1.7	0.0	f	1.7
Total net income	10.1	0.1		10.2
Other comprehensive income	9.7	0.0		9.7
Total comprehensive income	19.9	0.1		20.0

a) The implementation of IFRS 15 will have a positive equity effect of SEK 1.2 billion per the transition date January 1, 2017 and per December 31, 2017. The increase is mainly related to capitalization of incremental costs for obtaining a new contract. The net income effect for 2017 will be limited.

b) The limited effect on revenue is related to refining of Telia Company's current revenue model for bundled offerings.

c) Selling and administration expenses in 2017 will be reduced by SEK 1.3 billion due to capitalization of costs to obtain a contract. The 2017 amortization of the capitalized contract costs of SEK -1.2 billion is also included in Selling, administration and R&D expenses and will lead to a net effect of SEK 0.2 billion.

d) The minor adjustment of the discount rate and calculation model used for the financing component in customer contracts will have an immaterial effect on net income 2017.

e) The deferred tax relating to the IFRS 15 adjustments will increase deferred tax liabilities by SEK 0.2 billion at the date of transition January 1, 2017 and at December 31, 2017. The tax effect on net income 2017 will be immaterial.

f) The implementation of IFRS 15 will have no material effect on discontinued operations and assets held for sale. The implementation effects mainly relate to capitalization of customer acquisition costs.

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. During 2017 Telia Company has performed a review and an assessment of the potential effects on the financial assets and financial liabilities. The impact of IFRS 9 on the financial reporting for Telia Company is presented below for each respective area where IFRS 9 has brought changes compared with the requirements of IAS 39. As is permitted by IFRS 9, Telia Company has chosen not to restate comparative figures.

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

Impairment: IFRS 9 requires a loss allowance for the expected credit losses to be recognized on receivables and other types of debt instruments. In order to be able to recognize the expected credit losses and not merely the "incurred" credit losses as is the current requirement under IAS 39, Telia Company has made an assessment of impairment of trade receivables and other receivables resulting in no significant change compared to the current method for each portfolio of such assets. For investments in interest bearing assets in the bond and deposit portfolios, the general impairment model in IFRS 9 will be applied, meaning that the loss allowance will be measured at an amount equal to the 12-month expected credit losses as long as there is no significant increase in credit risk. If a significant increase in credit risk should arise, the loss allowance will be measured at an amount equal to the lifetime expected credit losses for the asset.

Hedge accounting: IFRS 9 applies to all hedge relationships, with the exception of "fair value macro hedges". The

IASB is working on a project to address macro hedging and in the meantime IFRS 9 provides an accounting policy choice for hedge accounting: either to continue to apply the requirements of IAS 39 until the macro hedging project is finalized, or apply IFRS 9. The hedge accounting requirements in IFRS 9 retain the three hedge accounting mechanisms but introduces greater flexibility in the types of transactions eligible for hedge accounting, the risks that can be hedged, and the instruments that can be used as hedging instruments. The new hedge accounting model enables a better reflection of risk management activities in the financial statements. The 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 will apply the hedge accounting provisions of IFRS 9 from the second quarter 2018. 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".

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 more detailed review.

IFRS 17 "Insurance contracts", a new accounting standard covering recognition and measurement, presentation and disclosure, replaces IFRS 4 and is effective January 1, 2021. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them. A few

scope exceptions will apply. IFRS 17 provides a general model for valuation of insurance contracts, supplemented by a simplified approach and some specific adaptations. The value of the insurance contract is the sum of future cash flow, i.e. discounted probability-weighted cash flows plus an explicit risk adjustment for non-financial risks, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. The cash flows will be remeasured each reporting period. Telia Company has currently only limited insurance operations and will assess the potential effects of IFRS 17.

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

- IFRIC 22 "Foreign currency transactions and advance considerations" is effective January 1, 2018.
- 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, 2018.
- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts", effective January 1, 2018.
- Amendments to IAS 28 "Long-term interests in associates and joint ventures", effective January 1, 2019.
- Annual Improvements to IFRSs 2015–2017 cycle, effective January 2019.
- Amendments to IFRS 9 "Prepayment features with negative compensation" is effective January 1, 2019.
- IFRIC 23 "Uncertainty over income tax treatments" is effective January 1, 2019.

Other issued amendments are deemed not applicable for Telia Company.

EU endorsement status

As of the beginning of March 2018, all standards, amendments to standards and interpretations mentioned above had been adopted by the EU, except for IFRS 17, amendments to IFRS 2, Annual improvements to IFRSs 2014–2016 cycle, IFRIC 22, IFRIC 23, amendments to IFRS 9, amendments to IAS 28 and Annual Improvements to IFRSs 2015–2017 cycle.

C2 JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

tion, 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 2017 and 2016, amortization, depreciation and impairment losses totaled SEK 12,892 million and SEK 11,533 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 telecommunication services, costs to maintain and develop communication networks and working capital requirements. Forecasts of future cash flows are based on the best estimates of future revenues and

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

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. Telia Company has clear and committed plans in respect of sales initiatives, cost reductions and working capital improvements, some of which have yielded results in 2017. Despite firm business plans, there is a risk that forecasted performances could be impacted by operational factors as well as external factors like WACC increases or unexpected market developments affecting forecasted revenues which could result in impairment losses.

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."

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.

For additional information on restructuring provisions, including their carrying values as of the end of the report-

ing 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 delays in the sales processes were primarily caused by events and circumstances beyond Telia Company's control. Telia Company has taken actions necessary to respond the change in circumstances, the units are available for immediate sale and are being actively marketed at reasonable prices given the changes in circumstances. The sales processes relating to all Eurasian units are in the final stages, bids have been received and term negotiations are ongoing. Disposals of the remaining Eurasian units are therefore deemed highly probable within 2018. 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 judgment. 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 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 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."

Accounts payables under vendor financing arrangements

Telia Company has an arrangement with a bank under which the bank offers Telia Company's vendors the option to receive earlier payment of Telia Company's accounts payables. Vendors utilizing the financing arrangement pay a credit fee to the bank. Telia Company does not pay any credit fees and does not provide any additional collateral or guarantee to the bank. Based on Telia Company's assessment the liabilities under the vendor financing arrangement are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as accounts payables with separate disclosures in the notes. The credit period does not exceed 12 months and the accounts payables are therefore not discounted. Account payables under vendor financing arrangements were SEK 1,678 million per December 31, 2017 (SEK 684 million). See note C24 "Trade payables and other current liabilities".

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

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

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

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

Cash flow reporting

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

Cash flows from investing activities include CAPEX, payments to acquire or receipts from the sale of joint ventures, associates, subsidiaries (obtaining or losing control) net of cash and cash equivalents acquired or disposed of and other equity instruments. Further, cash flows from investing activities include 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 (Credit Support Annex). Proceeds from and repayment of borrowings include cash flows from derivatives hedging such borrowings.

Cash and cash equivalents include cash at hand, bank deposits and highly-liquid short-term investments (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 and reported by the six operating segments: Sweden, Finland, Norway, Denmark, Lithuania and Estonia. Operating segments that are not individually reportable: Latvia, the Telia Carrier operations, Telia Company's shareholding in the associate Turkish Turkcell and the former associate Russian MegaFon as well as Group functions are combined into Other operations. Comparative figures have been restated to reflect the new operating segments. Spain (which was divested in 2016) has been included in 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 disposal, except for accumulated exchange rate differences related to non-controlling interests which are derecognized but not recycled to net income. However, if Telia Company would dispose of a non-controlling interest in a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

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

Revenue recognition

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 set-

tled. Effects of changes in tax rates are recognized in the period when the change is substantively enacted. Deferred tax assets are recognized to the extent that the ability of utilizing the tax asset is probable. Deferred tax assets and liabilities are offset when a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Intangible assets, and property, plant and equipment

Measurement bases

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

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

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

Property, plant and equipment are measured at cost, including directly attributable borrowing costs, less accumulated depreciation and any impairment losses. Software used in the production process is considered to be an integral part of the related hardware and is capitalized as

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

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

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

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

Amortization and depreciation

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

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

Impairment testing

Goodwill and other intangible assets (currently none existing) with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Intangible assets with a finite life and tangible

assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is tested for impairment. If an analysis indicates that the carrying value is higher than its recoverable amount, which is the higher of the fair value less costs to sell and value in use, an impairment loss is recognized for the amount by which the carrying amounts exceed the recoverable amount.

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

Financial instruments

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 available 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.

Accounts payables under vendor financing arrangements are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as accounts payables, but are specified in the disclosures. The credit period does not exceed 12 months and the accounts payables are therefore not discounted.

Derivatives and hedge accounting – measurement and classification

Telia Company uses derivative instruments, such as interest and cross currency interest rate swaps, forward contracts and options, primarily to control exposure to fluctuations in exchange rates and interest rates. For hedging of net investments in foreign operations, Telia Company also uses financial liabilities.

Derivatives and embedded derivatives, when their economic characteristics and risks are not clearly and

closely related to other characteristics of the host contract, are recognized at fair value. Derivatives with a positive fair value are recognized as non-current or current receivables and derivatives with a negative fair value as non-current or current liabilities. 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 remain accounted for in the balance sheet as financial assets. Received cash is accounted for as financial liabilities. Sold securities are also disclosed as pledged assets.

Inventories

Inventories are carried at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Obsolescence is assessed with reference to the age and rate of turnover of the items. The entire difference between the opening and closing balance of the obsolescence allowance is charged to cost of sales. The fair value of inventories acquired in a business combination is determined based on the estimated selling price less the estimated cost of sale and a reasonable profit margin.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. An asset held for sale is measured at the lower of its previous carrying value and fair value less costs to sell.

One of the conditions that must be satisfied for an asset to be classified as held for sale is that the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. One 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 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 will be recorded as a liability immediately following the final decision by the shareholders.

Provisions for pensions and employment contracts

Telia Company provides defined contribution or defined benefit pension plans to its employees. Contributions to defined contribution plans are normally set at a certain percentage of the employee's salary and are expensed as incurred. Telia Company pays fixed contributions to separate legal entities and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employee benefits. Contributions to defined contribution plans are expensed when employees provide services entitling them to the contribution.

Defined benefit pension plans, provided to part of Telia Company employees in Sweden, Finland and Norway, means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plans mainly include retirement pension, disability pension and family pension. The present value of pension obligations and pension costs are calculated annually, using the projected unit credit method, which distributes the cost over the employee's service period. The pension cost is recognized in three components, service cost, net interest and remeasurements. Service cost is recognized in operating income and net interest, based on discount rate, on defined benefit obligation and plan assets is reported as interest income or interest expenses in financial items. Changes in actuarial assumptions and experience adjustments of obligations and changes in fair value of plan assets, deviations from discount rate, results in remeasurements and are recognized in Other comprehensive income at the end of the reporting period.

Actuarial assumptions are determined at the end of the reporting period. The assets of Telia Company's pension funds constitute pension plan assets and are valued at fair value at the end of the reporting period.

Net provisions or assets for post-employment benefits in the statement of financial position represent the present value of obligations at the end of the reporting period less the fair value of plan assets.

Other provisions and contingencies

A provision is recognized when Telia Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the likelihood of an outflow of resources is less than probable but more than remote, or a reliable estimate is not determinable, the matter is disclosed as a contingency provided that the obligation or the legal claim is material.

Provisions are measured at management's best estimate, at the end of the reporting period, of the expenditure required to settle the obligation, and are discounted to present value where the effect is material. From time to time, parts of provisions may also be reversed due to better than expected outcome in the related activities in terms of cash outflow.

Where there are a number of similar obligations, e.g. product warranty commitments, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class may be small but it is probable that some outflow of resources will be needed to settle the class of obligations as a whole.

Other provisions comprise restructuring provisions which include termination benefits, onerous contracts and other expenses related to cost reduction programs, post-acquisition integration programs, closing-down of operations, etc. Restructuring provisions are mainly recognized as Other operating expenses, since they are not expenses for post-decision ordinary activities.

Termination benefits are recognized at the earlier of when Telia Company no longer can withdraw the offering of those benefits or when Telia Company has made an appropriate public announcement, specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms.

Onerous contracts are recognized when the expected benefits to be derived by from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, any impairment loss on the assets associated with that contract is provided for.

Other provisions also include warranty commitments, environmental restoration, litigation, onerous contracts not related to restructuring activities, etc. These provisions are recognized as Cost of sales, Selling and marketing expenses, Administrative expenses or Research and development expenses as applicable.

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 ducts are sold as part of the operations of Telia Company's international carrier business. Telia Company has decided to view these as integral equipment to land. Under the agreements, title is not transferred to the lessee. The transactions are therefore recorded as operating lease agreements. The contracted sales price is mainly paid in advance and sales that are not recognized in income are recorded as long-term liabilities or short-term deferred revenues.

C4 CHANGES IN GROUP COMPOSITION AND EVENTS AFTER THE REPORTING PERIOD

Group composition

Subsidiaries

Telia Company's principal operating subsidiaries as of December 31, 2017, 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."

Business combinations

In 2017 Telia Company acquired the Swedish companies Fält Communication AB, C-Sam AB, Humany AB, SalaNet AB and TV-Net i Löddeköpinge AB, the Finnish companies Nebula Top Oy and Propentus Oy, and the Norwegian company Phonero AS. See Note C33 "Business combinations" for information on these acquisitions and on other minor business combinations in 2017.

Disposals of subsidiaries

In 2017 Telia Company disposed its holdings in Tcell i Tajikistan and its holdings in Sergel. For more information see 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."

In October 2017, the associated company MegaFon was divested. For more information see Note C14 "Investments in associated companies and joint ventures," and Note C34 "Discontinued operations and assets classified as held for sale."

During the second and third quarter 2017, Telia Company divested two stakes of 7 percent each, in the associated company Turkcell. For more information see 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.

Events after the reporting period

On December 18, 2017, Telia Company announced that it had signed an agreement to acquire the Finnish ICT company Inmics Oy at an enterprise value of EUR 75 million on a cash and debt free basis. The acquisition of Inmics Oy was subject to approval from the Finnish Competition and Consumer Authority. Approval was received in January 2018 and the transaction was closed January 31, 2018. For more information, see Note C33 "Business combinations".

On Januari 26, 2018, Telia Company announced that Fintur Holdings B.V. (Fintur), jointly owned by Telia Company and Turkcell, had signed an agreement to dispose 100 percent of its holding in Geocell LLC, to the Georgian telecommunications company JSC Silknet, Georgia's largest fixed network operator, for a transaction price of USD 153 million. The transaction is subject to regulatory approvals and is expected to be completed in the second quarter 2018.

In February 2018 Telia Company signed an agreement to dispose its holding in the associated company TOO Rodnik in Kazakhstan which Telia consolidates to 50 percent. Rodnik owns the listed company AO KazTransCom.

On March 5, 2018 Fintur Holdings B.V. (Fintur), jointly owned by Telia Company (58.55 percent) and Turkcell (41.45 percent), signed an agreement to sell its 51.3 percent holding in Azertel Telekomunikasyon Yatirim Dis Ticaret A.Ş (Azertel) to Azerbaijan International Telecom LLC (Azintelecom), wholly-owned company by the Republic of Azerbaijan. The transaction was not subject to any conditions, such as regulatory or competition approvals, and was completed on the same date. Azertel is sole shareholder of the leading Azeri mobile operator Azercell LLC (Azercell). The agreed price for Fintur's 51.3 percent in Azertel is EUR 222 million, which implies an equity value of EUR 432 million for 100 percent of Azercell and an enterprise value of EUR 197 million on a cash and debt free basis. The price corresponds to an EV/EBITDA multiple of 2.1x based on 2017. In addition to the impairment of SEK 2.6 billion recognized in December 2017, accumulated foreign exchange losses of SEK 3.0 billion will be reclassified to net income from discontinued operations, but will have no material effect on group equity. The transaction is on a pro forma basis estimated to increase net debt to EBITDA by approximately 0.1x. The final amounts are subject to changes in carrying values and foreign exchange rates. Prior to signing the transaction, Telia Company completed strict compliance and purchaser due diligence and is satisfied that all relevant checks and controls have been carried out with satisfactory results. Azintelecom is a buyer in line with Telia Company's requirements as it is a company wholly owned by the sovereign state of Azerbaijan.

C5 SEGMENT INFORMATION

Telia Company's operating model is based on geographical areas and the organizational setup was revised as of January 1, 2017. The group's operations are managed and reported by the six operating segments: Sweden, Finland, Norway, Denmark, Lithuania and Estonia. The organizations are country-based and the head of Sweden, Finland and Norway reports directly to the CEO while the head of Denmark, Lithuania and Estonia reports to the Head of Cluster (LED - Lithuania, Estonia, Denmark) who reports to the CEO. Other operations are collectively reported. The former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015, and is therefore not included in the segment information. See Note C34 "Discontinued operations and assets classified as held for sale" for more information.

- Sweden comprises Telia Company's mobile, broadband, TV and fixed-line operations in Sweden.
- Finland comprises Telia Company's mobile, broadband, TV and fixed-line operations in Finland.
- Norway comprises Telia Company's mobile operations in Norway.
- Denmark comprises Telia Company's mobile, broadband, TV and fixed-line operations in Denmark.
- Lithuania comprises Telia Company's mobile, broadband, TV and fixed-line operations in Lithuania.
- Estonia comprises Telia Company's mobile, broadband, TV and fixed-line operations in Estonia.
- Other operations include the operations in Latvia, the international carrier operations, customer financing operations, Telia Company's shareholdings in the Turkish associate Turkcell and the former associate MegaFon in Russia (which was disposed during 2017) as well as Group functions. The Sergel companies (Sergel) were part of other operations up until the deal was closed on June 30, 2017. Spain (which was disposed in 2016) has been included in Other operations.

Segment information is based on the same accounting principles as for the group as a whole. Inter-segment transactions are based on commercial terms. Besides Net sales and Operating income, principal segment control and reporting concepts are EBITDA excluding adjustment items, Investments in associated companies and joint ventures, Other operating segment assets and Operating segment liabilities, respectively (see Definitions).

Operating segment assets comprise total assets less non-operating interest-bearing receivables, long term and short term investments, pension obligation assets, foreign currency derivatives, accrued interest, tax assets and cash and cash equivalents. Operating segment liabilities contain total liabilities less non-operating interest-bearing liabilities, provisions for pensions and employment contracts, foreign currency derivatives, accrued interest and tax liabilities. For information on distribution of goodwill by reportable segments, see Note C12 "Goodwill and other intangible assets."

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	January-December 2017 or December 31, 2017									
SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	Other Opera- tions	Discontinued operations and assets held for sale	Elimina- tions & other	Group
Net sales	36,825	13,742	10,128	5,945	3,557	2,824	9,047	–	-2,201	79,867
External net sales	36,578	13,575	10,104	5,845	3,506	2,737	7,522	–	–	79,867
Adjusted EBITDA	13,749	4,232	3,520	691	1,227	871	1,149	–	–	25,438
Adjustment items	-268	-84	-143	-52	-29	-34	977	–	–	368
Amortization, depreciation and impairment losses	-5,282	-2,258	-1,577	-812	-563	-515	-1,887	–	–	-12,893
<i>of which impairment losses</i>	-232	-116	-39	-58	-21	–	-588	–	–	-1,054
Income from associated companies and joint ventures	-1	-1	8	0	0	4	769	–	–	778
Operating income	8,198	1,889	1,807	-174	635	326	1,008	–	–	13,690
Financial items, net										-4,234
Income taxes										-1,041
Net income from continuing operations										8,416
Investments in associated companies and joint ventures	4	-1	26	4	8	20	9,388	–	–	9,449
Other operating segment assets	46,226	48,989	28,505	8,125	7,146	5,148	17,137	–	-1,939	159,336
Current and deferred tax assets										3,411
Other unallocated assets										53,241
Assets classified as held for sale	–	–	–	–	–	–	–	18,408	–	18,408
Total assets										243,845
Operating segment liabilities	11,522	4,970	2,531	1,412	767	588	8,730	–	-1,943	28,576
Current and deferred tax liabilities										9,127
Other unallocated liabilities										92,359
Liabilities directly associated with assets classified as held for sale	–	–	–	–	–	–	–	8,552	–	8,552
Total non-current and current liabilities										138,615
Investments, continuing operations	6,571	4,039	3,963	391	598	502	4,581	–	–	20,645
<i>of which CAPEX, continuing operations</i>	6,392	3,116	1,481	428	552	502	3,202	–	-1	15,672
Number of employees	6,619	3,107	1,201	1,026	2,891	1,871	4,012	4,745	–	25,472

January-December 2016 or December 31, 2016										
SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	Other Opera- tions	Discontinued operations and assets held for sale	Elimina- tions & other	Group
Net sales	37,251	13,042	9,057	5,880	3,268	2,733	15,299	–	-2,352	84,178
External net sales	36,938	12,869	9,037	5,755	3,203	2,655	13,723	–	–	84,178
Adjusted EBITDA	14,455	4,059	3,125	692	1,139	811	1,555	–	–	25,836
Adjustment items	-209	-46	-42	-29	-52	-20	4,376	–	–	3,977
Amortization, depreciation and impairment losses	-4,887	-1,972	-1,518	-751	-556	-502	-1,348	–	–	-11,534
of which impairment losses	–	–	-5	–	-24	–	-2	–	–	-31
Income from associated companies and joint ventures	1	-2	-3	-2	–	0	2,815	–	–	2,810
Operating income	9,360	2,039	1,562	-89	531	288	7,398	–	–	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	0	19	4	0	16	23,026	–	–	23,072
Other operating segment assets	46,151	44,798	27,564	8,685	6,893	5,073	14,724	–	-1,849	152,039
Current and deferred tax assets										4,994
Other unallocated assets										44,281
Assets classified as held for sale	–	–	–	–	–	–	–	29,042	–	29,042
Total assets										253,429
Operating segment liabilities	11,304	3,462	2,207	1,564	701	442	21,590	–	-1,855	39,048
Current and deferred tax liabilities										10,586
Other unallocated liabilities										95,300
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	2,081	1,551	697	635	358	3,560	–	–	16,108
of which CAPEX, continuing operations	7,119	2,035	1,344	697	631	358	3,442	–	-1	15,625
Number of employees	6,720	3,066	1,033	1,070	3,081	1,916	4,144	4,987	–	26,017

C6 NET SALES

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Mobile services	36,187	39,049
Fixed services	30,595	31,393
Other services	1,013	1,074
Equipment	12,073	12,663
Total net sales	79,867	84,178

Fixed services mainly include telephony, broadband, TV and other fixed services. Prior period has been restated to reflect a reclassification of SEK 133 million in revenues between Fixed Services and Other Services in Sweden.

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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 2017		Jan–Dec 2016		Dec 31, 2017		Dec 31, 2016	
	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	35,857	44.9	36,696	43.6	40,465	29.6	38,705	30.0
Finland	13,458	16.8	12,816	15.2	45,504	33.3	43,169	33.4
Norway	10,063	12.6	9,196	10.9	24,688	18.1	25,977	20.1
Denmark	5,945	7.4	5,835	6.9	6,080	4.4	6,269	4.9
Spain	87	0.1	6,133	7.3	0	0.0	0	0.0
All other countries	14,457	18.1	13,502	16.0	19,939	14.6	14,934	11.6
Total	79,867	100.0	84,178	100.0	136,675	100.0	129,054	100.0

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

	Jan-Dec 2017		Jan-Dec 2016	
	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	76,730	96.1	81,141	96.4
<i>of which European Union (EU) member states</i>	<i>66,593</i>	<i>83.4</i>	<i>71,851</i>	<i>85.4</i>
Rest of Europe	765	1.0	738	0.9
North-American Free Trade Agreement (NAFTA)	890	1.1	791	0.9
Rest of world	1,482	1.9	1,508	1.8
Total	79,867	100.0	84,178	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 2017	Jan-Dec 2016
Goods and sub-contracting services purchased	-16,553	-17,441
Interconnect and roaming expenses	-6,978	-7,971
Other network expenses	-3,792	-4,695
Change in inventories	-3,730	-3,470
Personnel expenses (see also Note C31)	-12,526	-12,105
Marketing expenses	-3,073	-4,319
Other expenses	-8,111	-8,456
Amortization, depreciation and impairment losses	-12,892	-11,533
Total	-67,655	-69,991

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 2017	Jan-Dec 2016
Cost of sales	-11,053	-9,959
Selling and marketing expenses	-1,343	-1,019
Administrative expenses	-388	-509
Research and development expenses	-108	-47
Total	-12,892	-11,533

Total amortization, depreciation and impairment losses for 2017 amounted to SEK 12,892 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 2017	Jan-Dec 2016
Other operating income		
Capital gains	1,258	4,686
Exchange rate gains	498	522
Commissions, license and patent fees, etc.	64	70
Grants	27	25
Recovered accounts receivable	51	91
Court-settled fees with other operators	1	17
Damages received	86	79
Total other operating income	1,984	5,490
Other operating expenses		
Capital losses	-95	-84
Transaction costs in business combinations	-111	-2
Provisions for onerous contracts	0	0
Exchange rate losses	-481	-561
Restructuring costs	-444	-594
Impairment losses	-	-
Court-settled fees with other operators	-112	-128
Damages paid	-42	-28
Total other operating expenses	-1,284	-1,397
Net effect on income	700	4,092
<i>of which net exchange rate losses on derivative instruments held-for-trading</i>	<i>-3</i>	<i>10</i>

In the second quarter 2017, a capital gain related to the disposal of Sergel was recognized amounting to SEK 1,213 million.

Capital gains 2016 were affected by a divestment of real estate amounting to SEK 152 million and also by the

disposal of Xfera Móviles S.A, (Yoigo) amounting 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 2017	Jan-Dec 2016
Finance income		
Interest income	274	329
Interest income on finance leases	99	98
Net exchange rate gains	–	184
Net interest on the net defined benefit liability (asset)	64	97
Other finance income	–	15
Unwinding of discounts, receivables	58	80
Total finance income	496	803
Finance costs		
Interest expenses	-3,523	-2,669
Interest expenses on finance leases	-4	-3
Unwinding of provision discounts	-48	-30
Capitalized interest	139	91
Changes in fair value of held-for-trading-investments	-5	-8
Credit losses on finance leases	-1	-25
Net exchange rate losses	-13	–
Capital losses on financial investments	-1,275	–
Total finance costs	-4,730	-2,644
Net effect on income	-4,234	-1,841

Interest expenses were negatively affected by bond buy-back transactions, amounting to SEK 805 million. Capital losses on financial investments relates to the disposal of the 19.0 percent holding in MegaFon, classified as a financial asset prior the disposal. For more information see Note C34.

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

	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
SEK in millions	Interest expenses		Net exchange rate gains and losses		Interest income	
Fair value hedge derivatives	75	387	-51	130	–	–
Cash flow hedge derivatives	94	10	-130	-457	–	–
Derivatives held-for-trading	145	695	-186	125	–	–
Held-to-maturity investments	–	–	–	–	–	13
Loans and receivables	–	–	-1,582	1,364	4	128
Borrowings in fair value hedge relationships	-1,905	-1,415	-832	-3,190	96	–
Borrowings and other financial liabilities at amortized cost	-1,895	-2,308	2,768	2,212	–	–
Other	-37	-39	–	–	174	187
Total	-3,523	-2,669	-13	184	274	329

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 2017	Jan-Dec 2016
Tax items recognized in net income		
Current tax	-1,454	-2,160
Adjustment of current tax related to prior years	-25	6
Deferred tax	342	-577
Adjustment of deferred tax related to prior years	-8	-68
Effect on deferred tax from changes in tax rates	104	-17
Total tax expense recognized in net income	-1,041	-2,816
Tax items recognized in other comprehensive income		
Current tax	235	640
Deferred tax	125	304
Total tax recognized in other comprehensive income	359	944
Tax items recognized directly in equity		
Deferred tax	40	-4
Total tax recognized directly in equity	40	-4

Income before taxes was SEK 9,457 million in 2017 and SEK 19,249 million in 2016. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan-Dec 2017	Jan-Dec 2016
Swedish income tax rate	22.0	22.0
Effect of higher or lower tax rates in subsidiaries	-1.1	-0.4
Withholding tax on earnings in subsidiaries and associated companies ¹	-7.5	1.1
Prior year adjustment of current tax expense	0.3	0.0
Prior year adjustment of deferred taxes	0.1	0.4
Effect on deferred tax expense from changes in tax rates	-1.1	0.1
Income from associated companies	-4.0	-3.2
Current year losses for which no deferred tax asset was recognized	0.3	0.4
Non-deductible expenses ²	10.3	0.5
Tax-exempt income ³	-8.2	-6.3
Effective tax rate in net income	11.0	14.6
<i>Effective tax rate excluding effects from associated companies</i>	<i>18.1</i>	<i>17.6</i>

1) Withholding tax on earnings in subsidiaries and associated companies is impacted by revaluation of withholding tax provision as a consequence of the disposal of shares in Turkcell and MegaFon in 2017.

2) Non-deductible expenses are impacted by non-tax deductible capital loss related to the divestment of Turkcell shares in 2017.

3) Tax-exempt income is influenced by non taxable capital gain related to the divestment of MegaFon and Sergel group in 2017.

Deferred tax assets and liabilities

Movement in deferred tax assets and liabilities were as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Deferred tax assets		
Opening balance	4,366	5,054
Change recognized in comprehensive income	-613	-359
Operations acquired	11	–
Operations divested	–	-510
Reversals of offset tax liabilities/assets, other reclassifications	-732	-50
Change in tax rate ¹	-67	-17
Exchange rate differences	37	266
Reclassification to assets classified as held for sale	–	-18
Deferred tax assets, closing balance	3,003	4,366
Deferred tax liabilities		
Opening balance	10,567	10,627
Change recognized in comprehensive income	-1,071	-19
Change recognized directly in equity	-40	4
Operations acquired	333	–
Operations divested	–	-33
Reversals of offset tax assets/liabilities, other reclassifications	-732	-32
Change in tax rate ¹	-171	0
Exchange rate differences	-120	20
Reclassification to liabilities directly associated with assets classified as held for sale	–	0
Deferred tax liabilities, closing balance	8,766	10,567

1) The effect of change in tax rate relates to reduced corporate income tax rate in Norway and the Latvian tax reform, both effective from 1 January 2018. The reduced corporate income tax rate in Norway triggered a recalculation of deferred tax assets and liabilities in Telia Company's Norwegian operations, resulting in a net deferred tax income of SEK 8 million in 2017. The Latvian tax reform triggered a full reversal of deferred taxes resulting in a deferred tax income of SEK 96 million in 2017.

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

SEK in millions	2017							Closing balance
	Opening balance	Recognized in Income Statement	Recognized in Other Comprehensive Income	Recognized in Equity	Acquisitions/ Disposals	Exchange rate differences	Other reclassification	
Gross deferred tax assets								
Non-current assets	3,408	-629	–	–	5	60	–	2,845
Provisions	1,016	-22	16	37	–	0	–	1,047
Accounts receivables and other current assets	13	12	–	–	–	0	–	25
Interest expense carry-forward	199	-43	–	–	–	3	–	158
Tax loss carry-forward	1,843	300	–	–	6	20	–	2,169
Subtotal	6,479	-382	16	37	11	83	–	6,244
Valuation Allowance								
Non-current assets	-4	-35	–	–	–	1	–	-39
Accounts receivables and other current assets	-3	1	–	–	–	–	–	-2
Tax loss carry-forward	-1,569	-430	–	–	–	-46	–	-2,045
Subtotal	-1,576	-464	–	–	–	-45	–	-2,086
Offset deferred tax assets/liabilities	-537	114	–	–	–	–	-732	-1,155
Total deferred tax assets	4,366	-732	16	37	11	37	-732	3,003
Deferred tax liabilities								
Withholding taxes subsidiaries and associates	1,210	-901	–	-3	–	-107	–	199
Non-current assets	6,619	-378	–	–	333	-7	–	6,567
Provisions	1,062	183	-76	–	–	0	–	1,169
Accounts receivables and other current assets	272	-20	-33	–	–	-5	–	214
Profit equalization reserves	1,941	-168	–	–	–	-1	–	1,772
Sub total	11,104	-1,284	-109	-3	333	-120	–	9,921
Offset deferred tax assets/liabilities	-537	114	–	–	–	–	-732	-1,155
Total deferred tax liabilities	10,567	-1,170	-109	-3	333	-120	-732	8,766
Net deferred tax assets (+)/ liabilities (-)	-6,200	438	125	40	-322	157	0	-5,763

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SEK in millions	2016								Closing balance
	Opening balance	Recognized in Income Statement	Recognized in Other Comprehensive Income	Recognized in Equity	Acquisitions/ Disposals	Assets held for sale	Exchange rate differences	Other reclassification	
Gross deferred tax assets									
Non-current assets	3,276	-26	–	–	–	–	158	–	3,408
Provisions	1,029	-16	–	–	–	-18	21	–	1,016
Accounts receivables and other current assets	19	-121	112	–	–	–	3	–	13
Interest expense carry-forward	92	98	–	–	–	–	9	–	199
Tax loss carry-forward	4,340	67	–	–	-2,745	–	181	–	1,843
Subtotal	8,756	2	112	–	-2,745	-18	372	–	6,479
Valuation Allowance									
Non-current assets	-4	0	–	–	–	–	–	–	-4
Accounts receivables and other current assets	-17	14	–	–	–	–	–	–	-3
Tax loss carry-forward	-3,192	-505	–	–	2,234	–	-106	–	-1,569
Subtotal	-3,213	-491	–	–	2,234	–	-106	–	-1,576
Offset deferred tax assets/liabilities	-489	0	–	–	–	–	–	-48	-537
Total deferred tax assets	5,054	-489	112	–	-511	-18	266	-48	4,366
Deferred tax liabilities									
Withholding taxes subsidiaries and associates	1,149	128	–	4	–	–	-71	–	1,210
Non-current assets	5,928	638	–	–	-33	–	86	–	6,619
Provisions	1,230	-4	-164	–	–	–	0	–	1,062
Accounts receivables and other current assets	13	254	–	–	–	–	5	–	272
Profit equalization reserves	2,796	-855	–	–	–	–	–	–	1,941
Sub total	11,116	161	-164	4	-33	–	20	–	11,104
Offset deferred tax assets/liabilities	-489	-16	–	–	–	–	–	-32	-537
Total deferred tax liabilities	10,627	145	-164	4	-33	–	20	-32	10,567
Net deferred tax assets (+)/ liabilities (-)	-5,573	-634	276	-4	-478	-18	246	-16	-6,200

Unrecognized deferred tax

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2017, were expected to expire as follows.

Expected expiry, SEK in millions	2018	2019	2020	2021	2022	2023-2026	Unlimited	Total
Unrecognized deferred tax assets	0	0	0	0	0	952	1,094	2,046

As of December 31, 2017 and 2016, unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated such income tax that is levied on dividends paid, totaled SEK 123 million and SEK 52 million respectively.

Tax loss carry-forward

Deferred tax assets originating from tax loss carry-forward mainly relate to international carrier operations. Tax loss

carry-forward in the international carrier operations refers mainly to impairment losses on plant and machinery incurred in 2002. Telia Company's accumulated tax loss carry-forward was SEK 7,924 million in 2017 and SEK 6,711 million in 2016.

Tax loss carry-forward as of December 31, 2017 is expected to expire as follows.

Expected expiry, SEK in millions	2018	2019	2020	2021	2022	2023-2037	Unlimited	Total
Tax loss carry-forward	0	0	2	79	12	4,101	3,730	7,924

C11 OTHER COMPREHENSIVE INCOME

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan-Dec 2017	Jan-Dec 2016
Other comprehensive income that may be reclassified to net income			
Foreign currency translation differences			
Translation of foreign operations, continuing operations	Foreign currency translation reserve	-613	4,280
Translation of foreign operations, discontinued operations	Foreign currency translation reserve	-1,352	555
Translation of foreign non-controlling interests, continuing operations	Non-controlling interests	20	48
Translation of foreign non-controlling interests, discontinued operations	Non-controlling interests	-402	313
Divested operations	Foreign currency translation reserve	12,483	13
Hedging of foreign operations	Foreign currency translation reserve	-1,059	-3,039
Income tax effect	Foreign currency translation reserve	233	669
Total foreign currency translation differences		9,310	2,839
<i>of which attributable to non-controlling interests</i>		<i>-382</i>	<i>361</i>
Income from associated companies			
Net changes in fair value of cash flow hedges	Hedging reserve	0	0
Translation of foreign operations	Foreign currency translation reserve	138	-340
Total income from associated companies		138	-340
Cash flow hedges			
Net changes in fair value	Hedging reserve	-180	214
Transferred to finance costs in net income	Hedging reserve	33	-343
Income tax effect	Hedging reserve	32	28
Total cash flow hedges		-115	-101
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	563	134
Disposals transferred to other financial items in net income	Fair value reserve	166	-
Income tax effect	Fair value reserve	2	-29
Total available-for-sale financial instruments		731	105
Total other comprehensive income that may be reclassified to net income		10,064	2,504
<i>of which total income tax effects (see also Note C10)</i>		<i>267</i>	<i>668</i>
<i>of which attributable to non-controlling interests</i>		<i>-382</i>	<i>362</i>
Other comprehensive income that will not be reclassified to net income			
Remeasurements of defined benefit pension plans	Retained earnings	-406	-1,297
Income tax relating to items that will not be reclassified	Retained earnings	92	276
Associates' remeasurements of defined benefit pension plans	Retained earnings	-25	-20
Total other comprehensive income that will not be reclassified to net income		-340	-1,042
<i>of which total income tax effects (see also Note C10)</i>		<i>92</i>	<i>276</i>
Total other comprehensive income		9,725	1,463
<i>of which attributable to non-controlling interest, continuing operations</i>		<i>20</i>	<i>48</i>
<i>of which attributable to non-controlling interest, discontinued operations</i>		<i>-402</i>	<i>313</i>

The hedging reserve comprises gains and losses on derivatives hedging interest rate and foreign currency exposure, with a net effect in equity of SEK -115 million as of December 31, 2017, and SEK -100 million as of December 31, 2016. Future gains or losses will affect net income in

2018, 2019, 2020 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, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
	Goodwill		Other intangible assets	
Accumulated cost	69,851	66,974	45,283	39,842
Accumulated amortization	–	–	-27,852	-25,347
Accumulated impairment losses	-8,867	-9,051	-1,763	-1,471
Advances	–	–	–	–
Carrying value	60,984	57,923	15,668	13,024
<i>of which work in progress</i>	–	–	2,334	1,296
Carrying value, opening balance	57,923	54,938	13,024	12,995
Investments	–	–	4,147	2,786
<i>of which capitalized interest</i>	–	–	35	21
Sales and disposals	–	-552	0	–
Operations acquired	3,120	34	1,596	8
Operations divested	-13	–	0	-819
Reclassifications	–	–	33	121
Amortization for the year	–	–	-2,760	-2,620
Impairment losses for the year	-1	–	-306	-3
Advances	–	–	–	–
Exchange rate differences	-45	3,527	-66	570
Reclassification to assets classified as held for sale	–	-24	–	-15
Carrying value, closing balance	60,984	57,923	15,668	13,024

In 2017 and 2016, investments in telecom licenses and frequency permits amounted to SEK 457 million and SEK 609 million, respectively. Operations acquired in 2017 were primarily related to the acquisition of Phonero in Norway and Nebula in Finland. 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 2017. For amortization rates applied, see section “Useful lives” in Note C2 “Judgments and

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.

During 2017 impairments of SEK 306 million have been recognized. For more information see Note C13 “Property, plant and equipment”.

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, 2017	Dec 31, 2016
Sweden	1,137	950
Finland	32,266	30,493
Norway	18,896	18,110
Denmark	2,176	2,126
Estonia	2,515	2,698
Lithuania	2,768	2,465
Other operations	1,226	1,081
<i>of which Latvia</i>	1,004	979
<i>of which Other</i>	222	102
Total goodwill	60,984	57,923

The total carrying value of other intangible assets was distributed by asset type as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Trade names	158	57
Telecom licenses and frequency permits	4,583	5,049
Customer and vendor relationships, interconnect and roaming agreements	4,534	3,135
Capitalized development expenses	3,567	2,899
Patents, etc.	29	35
Leaseholds, etc.	463	552
Work in progress, advances	2,334	1,297
Total other intangible assets	15,668	13,024

Capitalized development expenses and Work in progress, advances mainly refer to IT systems, supporting the selling and marketing, and administrative functions.

Impairment testing, continuing operations

The impairment testing for continuing operations is described below. For information regarding measurement of discontinued operations, see Note C34 "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. Each country and Telia Carrier constitutes a separate cash-generating unit (CGU). Carrying values (for impairment testing purposes defined as segment operating capital and allocated common assets from Group Technology less deferred tax on fair value adjustments and notionally adjusted for non-controlling interests in goodwill) of all cash-generating units are annually tested for impairment. For definition of segment operating capital, see Note C5 "Segment information" and Definitions. The recoverable amounts (that is, the higher of value in use and fair value less cost to sell) are normally determined on the basis of value in use, applying discounted cash flow calculations.

In the recoverable amount calculations, management used assumptions that it believes are reasonable based on the best information available. The key assumptions in the value in use calculations were sales growth, EBITDA margin development, the weighted average cost of capital (WACC), CAPEX-to-sales ratio, and the terminal growth rate of free cash flow. The value in use calculations were based on forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information. For Denmark, the sales growth and EBITDA margin development

in the forecasts are deviating from historical trends. This is due to that Telia Company for the forecast period has clear and committed plans for sales initiatives, cost reductions and working capital improvements in Denmark, some of which have been partially evidenced in 2017. 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.

Years/Percent	2017							
	Sweden	Finland	Norway	Denmark	Lithuania	Latvia	Estonia	Telia Carrier
Forecast period, years	5	5	5	5	5	5	5	5
Post-tax WACC rate, %	4.9	4.7	5.5	4.5	5.2	4.9	5.3	5.3
Pre-tax WACC rate, %	5.9	5.8	7.2	5.6	6.2	5.7	6.6	7.0
Terminal growth rate of free cash flow, %	2.0	2.0	2.5	2.0	2.5	2.3	2.5	2.0

Years/Percent	2016							
	Sweden	Finland	Norway	Denmark	Lithuania	Latvia	Estonia	Telia Carrier
Forecast period, years	5	5	5	5	5	5	5	5
Post-tax WACC rate, %	4.6	4.5	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

Sensitivity analysis

The estimated recoverable amounts for Denmark and Latvia were in proximity of the carrying values as of December 31, 2017. As of December 31, 2016, the estimated recoverable amounts for Finland, Norway, and Denmark were in proximity of the carrying values.

The impairment tests assumed, in addition to the post-tax WACC rates and the terminal growth rates stated above, the following sales growth, EBITDA margin and CAPEX-to-sales ranges during the next 5 years for the cash generating units (CGUs) that are sensitive to reasonable changes in assumptions.

5-year period/Percent	2017	
	Denmark	Latvia
Sales growth, lowest in period (%)	-3.8	-0.2
Sales growth, highest in period (%)	0.7	3.0
EBITDA margin, lowest in period (%)	12.6	29.7
EBITDA margin, highest in period (%)	15.2	31.3
CAPEX-to-sales, lowest in period (%)	7.5	18.8
CAPEX-to-sales, highest in period (%)	14.7	24.4

5-year period/Percent	2016	
	Denmark	Latvia
Sales growth, lowest in period (%)	1.1	0.7
Sales growth, highest in period (%)	2.3	2.0
EBITDA margin, lowest in period (%)	11.5	31.7
EBITDA margin, highest in period (%)	14.4	34.0
CAPEX-to-sales, lowest in period (%)	7.2	16.8
CAPEX-to-sales, highest in period (%)	17.7	24.5

The upper part of the following table sets out how many percentage points each key assumption approximately must change, all else being equal, in order for the recoverable value to equal carrying value for the respective cash generating unit. The lower part of the table first shows the SEK billion effect on the recoverable values of the cash generating units, should there be a one percentage-point

upward shift in WACC. Finally, it sets out the absolute SEK billion change of the recoverable value that would equal carrying value for the respective cash generating unit. The decrease in headroom between the recoverable amount and carrying value in Latvia to SEK 0.0 billion (1.5) is primarily driven by a higher capex level which is expected to be needed in order to drive top line growth and EBITDA generation going forward.

Percentage points, SEK in billions	2017	
	Denmark	Latvia
Sales growth each year in the 5-year period (%)	-0.3	0.0
EBITDA margin each year in the 5-year period and beyond (%)	-0.1	0.0
CAPEX-to-sales ratio each year in the 5-year period and beyond (%)	0.1	0.0
Terminal growth rate (%)	-0.1	0.0
Post-tax WACC rate (%)	0.1	0.0
Effect of a one percentage-point upward shift in WACC (SEK in billions)	-1.8	-0.9
Change in the recoverable value to equal the carrying value (SEK in billions)	-0.2	0.0

Percentage points, SEK in billions	2016	
	Denmark	Latvia
Sales growth each year in the 5-year period (%)	0.0	-2.3
EBITDA margin each year in the 5-year period and beyond (%)	0.0	-2.8
CAPEX-to-sales ratio each year in the 5-year period and beyond (%)	0.1	2.8
Terminal growth rate (%)	0.0	-1.6
Post-tax WACC rate (%)	0.0	1.4
Effect of a one percentage-point upward shift in WACC (SEK in billions)	-1.3	-1.2
Change in the recoverable value to equal the carrying value (SEK in billions)	0.0	-1.5

C13 PROPERTY, PLANT AND EQUIPMENT

The carrying value was distributed and changed as follows.

	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
SEK in millions	Property		Plant and machinery		Equipment, tools and installations		Total	
Accumulated cost	8,329	8,049	191,101	183,301	8,263	7,659	207,693	199,009
Accumulated depreciation	-4,571	-4,411	-125,559	-119,999	-5,372	-4,990	-135,502	-129,401
Accumulated impairment losses	-513	-515	-11,400	-10,885	-255	-104	-12,168	-11,504
Advances	-	-	1	3	-	-	1	3
Carrying value	3,245	3,124	54,143	52,419	2,636	2,565	60,024	58,107
<i>of which assets under construction</i>	-	-	6,779	6,759	-	-	6,779	6,759
Carrying value, opening balance	3,124	2,794	52,419	49,922	2,565	2,378	58,107	55,093
Investments	170	365	10,493	11,581	862	893	11,525	12,838
<i>of which capitalized interest</i>	-	-	104	70	-	-	104	70
Sales and disposals	-25	-1	-33	-215	-10	-7	-68	-223
Dismantling and restoration	-9	-4	-40	218	36	-3	-13	211
Operations acquired	-	2	62	21	97	0	159	23
Operations divested	-	-2	-	-2,231	0	-50	0	-2,283
Grants received	-	-	2	-4	-	-	2	-4
Reclassifications	221	78	-551	-491	277	297	-53	-117
Depreciation for the year	-242	-224	-7,781	-7,660	-1,054	-998	-9,077	-8,882
Impairment losses for the year	-14	-1	-571	-24	-164	-4	-748	-28
Advances	-	-	-1	-	1	-	0	-
Exchange rate differences	20	118	144	1,301	27	66	191	1,485
Reclassification to assets classified as held for sale	-	-	-	-	-	-6	-	-6
Carrying value, closing balance	3,245	3,124	54,143	52,419	2,636	2,565	60,024	58,107

No general changes of useful lives were made in 2017. For depreciation rates applied, see section "Useful lives" in Note C2 "Judgments and 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."

During 2017 impairments of SEK 306 million have been recognized within Goodwill and other intangible assets and SEK 748 million within Property, plant and equipment, impairments in total amounted to SEK 1,054 million. Of these, impairments amounting to SEK 803 million have been recognized as a result of an assessment performed on IT and network assets. The impairments are mainly related to plant and machinery and capitalized development expenses and refer to the following segments: Sweden SEK 232 million, Finland SEK 116 million, Denmark SEK 58 million, Norway SEK 39 million and Other operations (Group

functions) SEK 357 million. In addition impairments of SEK 251 million have been recognized in 2017, mainly due to replacement or discontinuing of old technical platforms and network equipment as well as changes in market values. These impairments refer to the following segments: Lithuania SEK 21 million and Other operations (Latvia and Group functions) SEK 230 million.

For information on contractual obligations regarding future acquisitions of property, plant and equipment, see Note C29 "Contingencies, other contractual obligations and litigation."

Property

Telia Company's real estate holdings include approximately 4,500 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, 2017	Dec 31, 2016
Depreciable property (buildings, etc.)	2,790	2,755
Non-depreciable property (land)	455	369
Total property	3,245	3,124

C14 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

The total carrying value was distributed as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Interests in associated companies	9,416	22,673
Interests in joint ventures	33	26
Total carrying value	9,449	22,698

Items recognized in net income and in total comprehensive income were as follows.

SEK in millions	January–December	
	2017	2016
Share of income from associated companies	1,713	2,809
Gains/losses net from disposals of shares in associates	-943	-5
Income from joint ventures	8	6
Recognized in net income	778	2,810
Other comprehensive income from associated companies	113	-361
Recognized in total comprehensive income	891	2,450

Details of material associated companies

Telia Company has one material associated company, Turkcell İletişim Hizmetleri A.S., in which Telia Company's ownership and voting power as well as consolidated share is 24 percent (38 percent). Turkcell operates in Turkey, Ukraine and Belarus as a mobile operator. Turkcell, reported in Telia Company's financial statements using the equity method, is a publicly listed company and therefore included with a one-quarter lag with adjustments made for the effects of significant transactions or events that occur between Telia Company's closing date and the date of the respective company's financial statements. On May 8, 2017, Telia Company disposed a portion of its direct holding in the associated company Turkcell to institutional investors by way of an accelerated book building process. An aggregate of 155 million ordinary shares in Turkcell were disposed at a price of TRY 11.45 per ordinary share, raising gross proceeds of TRY 1,775 million (equivalent to SEK 4,426 million). The disposal represented 7.0 percent of Turkcell's

issued share capital and resulted in a capital loss of SEK 1,828 million (due to reclassification of accumulated foreign exchange losses in equity of SEK 3,098 million to net income). On September 19, 2017, Telia Company disposed the remaining portion of its direct holding to institutional investors, for approximately SEK 4,127 million. The disposal represented 153.5 million ordinary shares, equivalent to 7.0 percent of Turkcell's issued share capital. The disposal resulted in a capital loss of SEK 1,911 million (due to reclassification of accumulated foreign exchange losses of SEK 3,275 million in equity to net income). The sale to institutional investors means that Telia Company no longer has a direct holding in Turkcell. Telia Company's indirect holding (24 percent) in Turkcell through Turkcell Holding remains unchanged. PAO MegaFon that have its operations mainly in Russia was divested in fourth quarter 2017. For more information, see Note C34 and 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, 2017	Dec 31, 2016
PAO MegaFon, Russia	–	13,387
Turkcell İletişim Hizmetleri A.S., Turkey	17,622	21,088

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		Turkcell		Total	
	2017	2016	2017	2016	2017	2016
Non-current assets	–	51,283	40,057	63,279	40,057	114,562
Current assets	–	12,418	29,160	14,592	29,160	27,010
Non-current liabilities	–	35,447	19,706	16,710	19,706	52,157
Current liabilities	–	12,866	18,089	21,553	18,089	34,419
Net assets (100 percent)	–	15,388	31,421	39,608	31,421	54,996
Non-controlling interests	–	–5	411	388	411	383
Net assets excluding non-controlling interests	–	15,383	31,832	39,996	31,832	55,379
Adjustment for differences in accounting principles	–	5	–409	–377	–409	–372
Net assets after adjustments	–	15,388	31,423	39,619	31,423	55,007
Group's share	–	4,032	7,570	15,119	7,570	19,150
Adjustment, Turkcell part of Fintur equity	–	–	–829	–1,370	–829	–1,370
Adjustment, fair values	–	702	1,764	3,334	1,764	4,036
Carrying value of interests in MegaFon and Turkcell	–	4,733	8,505	17,082	8,505	21,816
Carrying value of other associated companies not individually material (group's share)					912	857
Carrying value of joint ventures (group's share)					33	26
Total carrying value of interests in associated companies and joint ventures					9,449	22,698

Statements of comprehensive income SEK in millions	January–December					
	2017 (9 months)		2016		2017	
	MegaFon		Turkcell		Total	
Net sales	28,261	39,318	42,478	39,121	70,739	78,439
Net income	–364	3,432	5,279	5,021	4,915	8,453
Other comprehensive income	–160	–142	642	–847	482	–989
Total comprehensive income (100 percent)	–523	3,290	5,921	4,173	5,398	7,464
Total comprehensive income (group's share)	–137	862	1,426	1,597	1,289	2,459
Adjustment Turkcell part of Fintur total comprehensive income	–	–	42	–115	42	–115
Adjustment net income due to changed ownership during the year	–	–	353	–	353	–
Net capital gains/losses	2,795	–	–3,738	–	–943	–
Total comprehensive income after adjustments, group's share	2,658	862	–1,916	1,481	742	2,343
<i>Other associated companies not individually material</i>						
Net sales (100 percent)					2,199	2,107
Net income (group's share)					141	105
Total comprehensive income from other associated companies					141	105
Gains/losses from sale of shares in other associates					–	–5
<i>Joint ventures not individually material</i>						
Net income (group's share)					8	6
Total comprehensive income joint ventures (group's share)					8	6
Group's share of total comprehensive income for associated companies and joint ventures					891	2,450
Dividends received from MegaFon and Turkcell	681	1,700	2,006	77	2,687	1,777
Dividends received from other associated companies					164	341
Total dividends received from associated companies and joint ventures					2,851	2,117

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The carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Goodwill and fair value adjustments	1,804	3,822
Share of equity	7,645	18,876
Carrying value	9,449	22,698
Carrying value, opening balance	22,698	23,341
Share of net income for the year	1,727	2,821
Share of other comprehensive income for the year, pensions	-25	-20
Share of other comprehensive income for the year, exchange rate differences	138	-340
Amortization and write-downs of fair value adjustments	-6	-6
Dividends received	-3,175	-2,117
Acquisitions and operations acquired	27	-
Divestments and operations divested	-6,580	-9
Transactions in equity	-43	39
Reclassifications	-2,989	23
Exchange rate differences	-2,322	-1,032
Carrying value, closing balance	9,449	22,698

The carrying value is broken down by reportable segment in Note C5 "Segment Information" and by company as follows.

Company, corp. reg. no., registered office	Participa- tion (%)	Number of shares	Equity participation in consolidated accounts		Carrying value in the parent company	
			2017	2016	2017	2016
			SEK in millions			
Parent company holdings						
Swedish companies						
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	19	25	15	21
Springworks AB, 556915-3983, Stockholm	31	23,519	26	28	36	32
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	4	6	1	1
Solidtango AB, 556671-5586, Stockholm	25	3,333	20	–	20	–
Non-Swedish companies						
Yoga AS, 11486721, Tallinn	25	1,013,333	7	7	0	0
ZeroGroup Holding OÜ, 11536594, Tartu	25	1	8	8	0	0
Other operating, dormant and divested companies				0	0	0
Total parent company					72	54
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies			–	–		
Non-Swedish companies						
SK ID Solutions AS, 10747013, Tallinn	50	32	20	16		
SIA Lattelecom, 00030527, Riga	49	71,581,000	800	766		
Turkcell Holding A.S., 430991, Istanbul	47	214,871,670	8,503	10,796		
OCH A/S, 18936909, Copenhagen	25	250	0	0		
4T af 1. oktober 2012 ApS, 32348882, Copenhagen	25	–	8	7		
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	25	19		
UAB Mobilieji mokėjimai, 304431143, Vilnius	33	77,678	8	–		
Other operating, dormant and divested companies			0	11,019		
of which Turkcell İletişim Hizmetleri A.S., 304877, Istanbul			–	6,286		
of which PAO Megafon, 1027809169585, Moscow			–	4,733		
Total group			9,449	22,698		

The share of voting power in Overseas Telecom AB is 42 percent. Turkcell Holding A.S. owns 51 percent of the shares in Turkcell İletişim Hizmetleri A.S., Telia's 14 percent direct shares were divested in 2017.

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.

SEK in millions	Carrying value	
	Dec 31, 2017	Dec 31, 2016
Equity instruments available-for-sale	1,899	1,162
Equity instruments held-for-trading	19	26
Other derivatives held-for-trading	–	–
Bonds available-for-sale	12,677	10,185
Interest rate and cross currency interest rate swaps at fair value	2,978	4,453
<i>of which designated as fair value hedges</i>	719	1,039
<i>of which held-for-trading</i>	1,268	2,116
<i>of which designated as cash flow hedges</i>	990	1,298
Subtotal (see Fair value hierarchy levels – Note C25)	17,573	15,825
Government bonds and treasury bills held-to-maturity	0	9
Loans and receivables at amortized cost	2,691	2,997
Subtotal (see Categories – Note C25)	20,264	18,830
Finance lease receivables	585	712
Subtotal (see Credit risk – Note C26)	20,848	19,542
Equity instruments at cost	47	48
Deferred expenses	370	387
Total other non-current assets	21,265	19,976
<i>of which interest-bearing</i>	<i>18,674</i>	<i>18,120</i>
<i>of which non interest-bearing</i>	<i>2,591</i>	<i>1,856</i>

For more information regarding Equity instruments available-for-sale see Note C25 "Financial assets and liabilities by category and level".

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, 2017, contractual cash flows for Government bonds and treasury bills and Loans and receivables represented the following expected maturities.

Expected maturity, SEK in millions	2019	2020	2021	2022	Later years	Total
Government bonds and treasury bills	–	–	–	–	–	–
Loans and receivables	1,269	858	263	221	80	2,691

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, 2017	Dec 31, 2016
Goods for resale	1,399	1,637
Other inventories and expense incurred on construction contracts	122	155
Total	1,521	1,792

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 12 million in 2017 and SEK 195 million in 2016.

C17 TRADE AND OTHER RECEIVABLES

The total carrying value of trade and other receivables was distributed as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Currency swaps, forward exchange contracts and currency options held-for-trading	214	259
Subtotal (see Fair value hierarchy levels – Note C25)	214	259
Accounts receivable at amortized cost	9,414	9,676
Loans and receivables at amortized cost	3,582	3,735
Subtotal (see Categories – Note C25 and Credit risk – Note C26)	13,210	13,670
Other current receivables	815	1,021
Deferred expenses	2,029	2,147
Total trade and other receivables	16,054	16,839

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, 2017	Dec 31, 2016
Geographical area		
Nordic countries	9,995	10,726
Baltic countries	1,859	1,765
Other countries	1,142	920
Total carrying value	12,996	13,411
Customer segment		
Consumers	4,807	3,737
Business customers	6,339	7,532
Other operators	1,755	1,947
Distributors	95	195
Total carrying value	12,996	13,411

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, 2017	Dec 31, 2016
Accounts receivable invoiced	10,210	10,517
Allowance for doubtful accounts receivable	-796	-841
Total accounts receivable	9,414	9,676
Accounts receivable not due	6,281	7,062
Accounts receivable past due but not impaired	3,133	2,614
of which less than 30 days	2,247	1,798
of which 30–180 days	722	640
of which more than 180 days	164	176
Total accounts receivable	9,414	9,676

As of the end of the reporting period, ageing of loans and receivables were as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Loans and receivables not due	3,330	3,518
Loans and receivables past due but not impaired	252	217
<i>of which less than 30 days</i>	213	123
<i>of which 30–180 days</i>	28	67
<i>of which more than 180 days</i>	11	27
Total loans and receivables	3,582	3,735

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 585 million in 2017, excluding assets classified as held for sale, and SEK 455 million in 2016. Recovered accounts receivable were SEK 28 million in 2017, excluding assets classified as held for sale, and SEK 21 million in 2016. 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, 2017	Dec 31, 2016
Opening balance	841	1,161
Net of charges for doubtful receivables in the period and receivables written off	-48	-47
Operations acquired and divested	-7	-303
Unused allowances reversed	-2	-18
Exchange rate differences	12	48
Closing balance	796	841

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, 2017	Dec 31, 2016
Interest rate swaps and cross currency interest rate swaps at fair value	26	984
<i>of which designated as fair value hedges</i>	0	301
<i>of which held-for-trading</i>	26	683
Subtotal (see Fair value hierarchy levels – Note C25)	26	984
Short-term investments with maturities over 3 months	13,563	5,660
<i>of which bonds available for sale</i>	8,651	5,181
<i>of which bank deposits at amortized cost</i>	4,912	479
Loans and receivables at amortized cost	3,335	4,334
Subtotal (see Categories – Note C25)	16,924	10,978
Finance lease receivables	410	165
Total (see Credit risk – Note C26)	17,335	11,143

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, 2017	Dec 31, 2016
Short-term investments with maturities up to and including 3 months	2,395	8,656
<i>of which bonds available for sale</i>	1,411	3,810
<i>of which bank deposits at amortized cost</i>	983	4,846
Cash and bank	13,222	5,854
Total (see Categories – Note C25 and Credit risk – Note C26)	15,616	14,510

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 fi-

ancial 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, 2007, 2008, 2009 and 2010	14,369,463,082	4,490,457,213	3.20
Cancellation of shares repurchased in 2011, July 19, 2011	-513,191,783	-160,372,432	3.20
Issued share capital, December 31, 2011, 2012, 2013, 2014, 2015 and 2016	13,856,271,299	4,330,084,781	3.20
Issued share capital, December 31, 2017	13,856,271,299	4,330,084,781	3.20

Treasury shares

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. On May 2, 2017 Telia Company AB acquired 108,171 own shares at an average price of SEK 36.1906 to cover commitments under the “Long term Incentive Program 2014/2017”. During the second quarter of 2017, Telia Company distributed the shares to the incentive program participants. As of December 31, 2017, no Telia Company shares were held by the company itself or by its subsidiaries. The total numbers of issued and outstanding shares were 4,330,084,781.

Subsidiaries in continuing operations with material non-controlling interests

Summarized financial information on subsidiaries in continuing operations with material non-controlling interests

(NCI) is presented below. The amounts disclosed for each subsidiary are based on those included in the consolidated financial statements before inter-company eliminations and only the net asset in which the NCI has a share. Other comprehensive income (OCI) only comprises exchange rate differences arising on translation to SEK.

The NCI in Telia Lietuva, AB (former TEO LT, AB) is 11.8 percent. The group holds 49 percent of the shares in Latvijas Mobilais Telefons SIA (LMT). However, according to shareholders’ agreements Telia Company has the board majority in LMT and the company is therefore regarded as a subsidiary. In addition, LMT is held partly by the associated company Lattelecom SIA which decreases NCI to 39.7 percent.

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. For information regarding subsidiaries in discontinued operations with material non-controlling interests, see Note C34 “Discontinued operations and assets classified as held for sale.”

Dividends paid to NCIs are disclosed in Note C30 “Cash flow information.”

Dec 31, 2017 SEK in millions, except percentages	Telia Lietuva, AB (former TEO LT, AB), Lithuania	Latvijas Mobilais Telefons SIA, Latvia	Other subsidiaries, continuing operations	Discontinued operations	Total
Assets					
Non-current assets	4,207	1,703			
Current assets	1,362	810			
Liabilities					
Non-current liabilities	-1,574	-616			
Current liabilities	-896	-795			
Net assets	3,100	1,102			
NCI percentage	11.8	39.7			
Carrying amount of NCI	367	438	227	4,227	5,260
Net sales	3,557	1,290			
Net income	577	239			
Net income allocated to NCI	68	95	34	341	537
Cash flows from operating activities	1,122	520			
Free cash flow	473	282			
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			

Earnings per share and dividends

	Jan-Dec 2017	Jan-Dec 2016
Net income attributable to owners of the parent (SEK million)	9,608	3,732
Average number of outstanding shares, basic and diluted (thousands)	4,330,085	4,330,083
Earnings per outstanding share, basic and diluted (SEK)	2.22	0.86
Ordinary cash dividend (for 2017 as proposed by the Board of Directors)		
– Per share (SEK)	2.30	2.00
– Total (SEK million)	9,959	8,660

C20 LONG-TERM AND SHORT-TERM BORROWINGS

Open-market financing programs

Telia Company has the following open-market financing programs.

Program			Limit currency	Dec 31, 2017					Dec 31, 2016	
				Interest rate type				Average maturity	Limit	Utilized
				Limit	Utilized	Floating	Fixed			
Characteristics				(in millions)				(years)	(in millions)	
Telia Company AB	Euro Medium Term Note (EMTN)	Uncommitted, International, Long-term	EUR	12,000	6,728	448	6,280	7.94	12,000	8,611
Telia Company AB	Euro Commercial Paper (ECP)	Uncommitted, International, Short-term	EUR	1,000	–	–	–	–	1,000	–
Telia Company AB	Flexible Term Note (FTN)	Uncommitted, Swedish domestic, Short-term and long-term	SEK	8,000	–	–	–	–	8,000	–

Borrowings

Long-term and short-term borrowings were distributed as follows.

SEK in millions	Dec 31, 2017		Dec 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing borrowings in fair value hedge relationships	44,918	54,965	37,189	46,135
Interest rate swaps at fair value	276	276	37	37
<i>of which designated as hedging instruments</i>	276	276	18	18
<i>of which held-for-trading</i>	–	–	18	18
Cross currency interest rate swaps at fair value	1,990	1,990	2,648	2,648
<i>of which hedging net investments</i>	1,417	1,417	1,778	1,778
<i>of which designated as hedging instruments</i>	381	381	549	549
<i>of which held-for-trading</i>	192	192	320	320
Subtotal (see Fair value hierarchy levels – Note C25)	47,184	57,231	39,873	48,819
Open-market financing borrowings at amortized cost	38,255	43,269	41,334	45,209
<i>of which hedging net investments</i>	27,875	30,491	32,444	35,182
Other borrowings at amortized cost	2,204	2,204	1,733	1,733
Subtotal (see Categories – Note C25)	87,642	102,704	82,940	95,761
Finance lease agreements	171	171	221	221
Total long-term borrowings	87,813	102,875	83,161	95,982
Short-term borrowings				
Open-market financing borrowings in fair value hedge relationships	729	735	7,486	7,551
Interest rate swaps held for trading	4	4	3	3
Cross currency interest rate swaps designated as hedging instruments	106	106	–	–
Cross currency interest rate swaps held-for trading	93	93	191	191
Subtotal (see Fair value hierarchy levels – Note C25)	932	937	7,679	7,744
Utilized bank overdraft and short-term credit facilities at amortized cost	0	0	0	0
Open-market financing borrowings	1,459	1,461	2,258	2,265
<i>of which hedging net investments</i>	983	984	–	–
<i>of which at amortized cost</i>	477	477	2,258	2,265
Repurchase agreement liabilities	664	664	559	559
Other borrowings at amortized cost	613	672	801	801
Subtotal (see Categories – Note C25)	3,668	3,734	11,297	11,368
Finance lease agreements	6	6	10	10
Total short-term borrowings	3,674	3,740	11,307	11,378

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.

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 0.14 percent and the share of total number of active insured in ITP 2 is 0.82 percent. Expected contribution to the ITP 2 plan for 2018 is SEK 34 million.

Telia Company's employees in Finland are entitled to statutory pension benefits pursuant to the Finnish Employees Pensions Act, a defined benefit pension arrangement with retirement, disability, unemployment and death benefits (TyEL pension). In addition, certain employees

have additional pension coverage through a supplemental pension plan. In Finland, a part of the pension is funded in advance and the remaining part financed as a pay-as-you-go pension i.e. contributions are set at a level that is expected to be sufficient to pay the required benefits falling due in the same period.

Telia Norway operates a defined benefit pension plan, which was closed for new entrants in 2011.

The pension obligations are secured mostly by pension funds, but also by provisions in the statements of financial position combined with pension credit insurance.

Telia Company's defined benefit plan members are approximately divided between the following groups; 21 percent active members, 42 percent vested deferreds and 36 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, 2017				Dec 31, 2016			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Present value of funded pension obligations	18,737	5,429	255	24,421	18,230	4,906	278	23,413
Fair value of plan assets	-23,016	-4,542	-160	-27,718	-21,859	-4,129	-158	-26,146
Surplus (-)/deficit (+) of funded plans	-4,279	886	96	-3,297	-3,629	777	120	-2,733
Present value of unfunded pension obligations	1,564			1,564	1,462			1,462
Net assets (-)/provisions (+) for pension obligations	-2,715	886	96	-1,733	-2,168	777	120	-1,271
<i>of which recognized as provisions</i>	<i>1,395</i>	<i>886</i>	<i>96</i>	<i>2,377</i>	<i>1,213</i>	<i>777</i>	<i>120</i>	<i>2,109</i>
<i>of which recognized as assets</i>	<i>-4,110</i>			<i>-4,110</i>	<i>-3,380</i>			<i>-3,380</i>

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Total pension expenses were distributed as follows.

SEK in millions	Jan-Dec 2017				Jan-Dec 2016			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Current service cost	105	146	17	268	97	181	20	297
Past service cost	-9	-8	-2	-19	-36	-12	-	-48
Gain/loss on settlements	1	-	-	1	6	-	-	6
Total pension expenses in operating income from defined benefit obligations	97	138	15	250	67	168	20	255
Interest expense	617	108	6	731	689	115	7	811
Interest income	-700	-92	-3	-795	-796	-108	-4	-908
Total net interest in financial items	-83	16	2	-64	-106	7	3	-97
Total pension expenses from defined benefit obligations	14	154	18	186	-39	175	22	158
Pension expenses in operating income from defined contribution plans				1,127				901
Remeasurement gains (-)/losses (+)								
Gain/loss from change in financial assumptions	1,082	124	-9	1,197	1,617	701	15	2,333
Experience gains/losses	-184	53	-12	-142	-385	-29	-37	-451
Gain/loss from change in demographic assumptions	-	-18	-	-18	-	-62	-	-62
Return on plan assets (excluding interest income)	-458	-174	1	-630	-373	-176	26	-523
Total gains/losses recorded in OCI, defined benefit pension plans	441	-15	-19	406	859	434	4	1,297

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	2017				2016			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Opening balance, present value of pension obligations	19,691	4,906	278	24,875	18,899	4,012	251	23,162
Opening balance, liabilities directly associated with assets classified as held for sale	164	41	-	205	-	-	-	-
Total opening balance	19,855	4,946	278	25,080	18,899	4,012	251	23,162
Current service cost	105	146	17	268	97	181	20	297
Interest expenses	617	108	6	731	689	115	7	811
Benefits paid	-998	-16	-2	-1,016	-1,028	-113	-3	-1,143
Benefits paid, early retirement	-1	-	-	-1	-4	-	-	-4
Settlement payments	-	-	-8	-8	-	-	-	-
Termination benefits	1	-	-	1	6	-	-	6
Curtailment of pension obligations	-9	-8	-2	-19	-36	-12	-	-48
Operations acquired	-	-	2	2	-	-	-	-
Operations divested	-169	-40	-	-209	-	-	-	-
Remeasurement gains (-)/losses (+)								
Gain/loss from change in financial assumptions	1,082	124	-9	1,197	1,617	701	15	2,333
Experience gains/losses	-184	53	-12	-142	-385	-29	-37	-451
Gain/loss from change in demographic assumptions	-	-18	-	-18	-	-62	-	-62
Exchange rate differences	-	134	-15	120	-	152	26	178
Reclassification to liabilities directly associated with assets classified as held for sale	-	-	-	-	-164	-41	-	-205
Closing balance, present value of pension obligations	20,300	5,429	255	25,984	19,691	4,906	278	24,875

Movements in the fair value of plan assets were as follows.

SEK in millions	2017				2016			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Opening balance, fair value of plan assets	21,859	4,129	158	26,146	21,222	3,739	149	25,110
Opening balance, liabilities directly associated with assets classified as held for sale	32	25	–	57	–	–	–	–
Total opening balance	21,891	4,154	158	26,203	21,222	3,739	149	25,110
Interest income	700	92	3	795	796	108	4	908
Contribution to pension funds	–	54	19	72	–	60	19	79
Payment from pension funds	–	-16	-2	-18	-500	-113	-3	-616
Settlement payments	–	–	-8	-8	–	–	–	–
Operations divested	-33	-26	–	-59	–	–	–	–
Remeasurement gains (-)/losses (+)								
Return on plan assets (excluding interest income)	458	174	-1	630	373	176	-26	523
Exchange rate differences	–	111	-9	102	–	184	15	199
Reclassification to liabilities directly associated with assets classified as held for sale	–	–	–	–	-32	-25	–	-57
Closing balance, fair value of plan assets	23,016	4,542	160	27,718	21,859	4,129	158	26,146

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, 2017				Dec 31, 2016			
	Sweden	Finland	Norway	Weighted average	Sweden	Finland	Norway	Weighted average
Discount rate	2.9	2.0	2.4	2.7	3.2	2.2	2.1	3.0
Annual adjustments to pensions	2.0	1.0	0.3	1.8	2.0	1.1	0.1	1.8
Longevity								
<i>life expectancy 65 year old male (year)</i>	20	21	24	20	20	21	24	20
<i>life expectancy 65 year old female (year)</i>	23	25	26	23	23	25	26	23

Sensitivity of the defined benefit obligations to changes in the assumptions was as follows.

SEK in millions	Dec 31, 2017				Dec 31, 2016			
	Impact on defined benefit obligation				Impact on defined benefit obligation			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Discount rate +0.5 p.p.	-1,800	-551	-30	-2,381	-1,743	-511	-31	-2,285
Discount rate -0.5 p.p.	2,218	645	30	2,894	1,963	599	35	2,598
Annual adjustments to pensions +0.5 p.p.	2,218	620	-14	2,824	1,963	571	-58	2,477
Annual adjustments to pensions -0.5 p.p.	-1,800	-556	11	-2,345	-1,743	-512	76	-2,179
Longevity +1 year	1,056	178	5	1,239	861	161	5	1,026 ¹

1) Longevity for 2016 has been restated from SEK 744 million to SEK 1,026 million, but with no effect on pension obligations.

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 be 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 20 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 83 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, 2017, the strategic asset allocation decided by the Board of the Swedish Fund, was 50 percent fixed income, 34 percent equities and 16 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 2017. Implications of changes during 2017 are 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, 2017				Dec 31, 2016			
	Quoted	Unquoted	Total	Percent	Quoted	Unquoted	Total	Percent
Equity instruments	9,936	327	10,263	37	8,500	216	8,716	33
Debt instruments	11,247	337	11,584	42	12,062	371	12,433	48
Real estate	–	1,412	1,412	5	–	1,014	1,014	4
Cash and cash equivalents	279	141	420	2	274	111	385	1
Alternative investments	162	3,716	3,878	14	185	3,255	3,440	13
Other	–	160	160	1	–	158	158	1
Total	21,625	6,093	27,718	100	21,021	5,125	26,146	100
<i>of which shares in Telia Company AB</i>	<i>13</i>		<i>13</i>	<i>0.05</i>	<i>14</i>		<i>14</i>	<i>0.06</i>

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 104 million in 2018.

C22 OTHER PROVISIONS

Changes in other provisions were as follows.

SEK in millions	December 31, 2017			Total
	Restructuring provisions	Asset retirement obligations	Other provisions	
Opening balance	387	3,023	15,436	18,846
<i>of which financial liabilities at amortized cost</i>	–	–	–	–
Provisions for the period	447	69	208	724
Operations divested	–	–	–	–
Utilized provisions	-538	-107	-4,408	-5,053
<i>of which related to the global settlement with the authorities regarding the Uzbekistan investigations</i>	–	–	-3,608	-3,608
Reversals of provisions	-3	-136	-6,812	-6,951
<i>of which adjustment of provision for the global settlement with the authorities regarding the Uzbekistan</i>	–	–	-4,293	-4,293
Reclassifications	-1	38	–	37
Timing and interest-rate effects	–	16	-56	-40
Exchange rate differences	–	-3	-1,259	-1,262
Closing balance	292	2,901	3,111	6,303
<i>of which non-current portion</i>	<i>117</i>	<i>2,894</i>	<i>2,822</i>	<i>5,833</i>
<i>of which current portion</i>	<i>175</i>	<i>6</i>	<i>289</i>	<i>470</i>
<i>of which financial liabilities at amortized cost (see Note Categories – C25 and Credit risk – C26)</i>	–	–	–	–

The provision for the settlement with the US and Dutch authorities is included in Other provisions. See Note C34 for more information.

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note C25 "Financial assets and liabilities by category and level" for more information on financial instruments classified by category.

Restructuring provisions

The restructuring provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimates may vary as a result of changes in the length of notice period before leaving and in the actual outcome of negotiations with lessors, 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 im-

pregnated with creosote or arsenic and to dismantling and restoration of mobile and fixed network sites. Remaining provisions as of December 31, 2017, are expected to be fully utilized in the period 2018–2068, 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 2018–2025.

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, 2017	Dec 31, 2016
Danish license fee liabilities at amortized cost	–	42
Finnish license fee liabilities at amortized cost	–	162
Liability regarding rights for the Finnish ice hockey league at amortized cost	1,143	–
Other liabilities at amortized cost	50	51
Liabilities at amortized cost (see Categories – Note C25)	1,193	255
Prepaid operating lease agreements	357	297
Other liabilities	400	172
Total other long-term liabilities	1,950	725

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, 2017, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	2019	2020	2021	2022	Later years	Total	Carrying value
Liabilities at amortized cost	241	206	205	205	343	1,200	1,193

For information on leases, see Note C27 “Leasing agreements.” Further included was deferred “day 1 gains” in 2016, which changed as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Opening balance	–	46
Operations divested	–	-36
Recognized in net income	–	-14
Exchange rate differences	–	4
Closing balance	–	–
<i>of which current portion</i>	<i>–</i>	<i>–</i>

C24 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Currency swaps, forward exchange contracts and currency options held-for-trading	225	694
Subtotal (see Fair value hierarchy levels – Note C25)	225	694
Accounts payable at amortized cost	7,982	6,610
<i>of which accounts payable under vendor financing arrangements</i>	<i>1,678</i>	<i>684</i>
Current liabilities at amortized cost ¹	2,237	2,170
Subtotal (see Categories – Note C25)	10,444	9,474
Other current liabilities	4,800	4,815
Deferred income	3,574	3,911
Total trade payables and other current liabilities	18,818	18,200

1) Includes short term liability regarding rights for the Finnish ice hockey league amounting to SEK 84 million.

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. Telia Company has an arrangement with a bank under which the bank offers Telia Company’s vendors the option to receive earlier payment of Telia Company’s accounts payables. Vendors

utilizing the financing arrangement pay a credit fee to the bank. Telia Company does not pay any credit fees and

does not provide any additional collateral or guarantee to the bank.

As of December 31, 2017, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	Total
Liabilities at amortized cost	9,641	120	113	345	10,219

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 roam-

ing 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, 2017	Dec 31, 2016
Financial assets			
Derivatives designated as hedging instruments	C15, C18	1,708	2,637
Financial assets at fair value through profit and loss		1,527	3,084
<i>of which derivatives not designated as hedging instruments (held-for-trading)</i>	C15, C17, C18	1,508	3,058
<i>of which other held-for-trading investments</i>	C15	19	26
Held-to-maturity investments	C15, C18	–	9
Loans and receivables	C15, C17, C18	38,139	31,920
Available-for-sale financial assets	C15, C18	24,638	20,348
Total financial assets by category		66,012	57,999
Financial liabilities			
Derivatives designated as hedging instruments	C20, C24	2,180	2,346
Derivatives not designated as hedging instruments	C20, C24	515	1,226
Financial liabilities measured at amortized cost	C20, C22, C23, C24	100,255	100,394
Total financial liabilities by category		102,950	103,966

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.

SEK in millions	Note	December 31, 2017				December 31, 2016			
		Carrying value	of which			Carrying value	of which		
			Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial assets at fair value									
Equity instruments available-for-sale	C15	1,899	–	–	1,899	1,162	–	–	1,162
Equity instruments held-for-trading	C15	19	–	–	19	26	–	–	26
Long- and short-term bonds available-for-sale	C15, C18	22,738	18,029	4,709	–	19,186	12,533	6,653	–
Derivatives designated as hedging instruments	C15, C18	1,709	–	1,709	–	2,637	–	2,637	–
Derivatives held-for-trading	C15, C17, C18	1,508	–	1,508	–	3,058	–	3,058	–
Total financial assets at fair value by level		27,874	18,029	7,926	1,919	26,069	12,533	12,348	1,188
Financial liabilities at fair value									
Derivatives designated as hedging instruments	C20, C24	2,180	–	2,180	–	2,346	–	2,346	–
Derivatives held-for-trading	C20, C24	514	–	514	–	1,226	–	1,226	–
Total financial liabilities at fair value by level		2,693	–	2,693	–	3,572	–	3,572	–

Comparative figures for Long- and short-term bonds available-for-sale have been adjusted with SEK 6,653 million from Level 1 to Level 2.

There were no transfers between Level 1, 2 or 3 in 2017 and 2016.

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, 2017.

SEK in millions	December 31, 2017			December 31, 2016			
	Equity instruments available-for-sale	Equity instruments held-for-trading	Total	Equity instruments available-for-sale	Equity instruments held-for-trading	Derivatives held-for-trading	Total
Level 3, opening balance	1,162	26	1,188	1,053	35	65	1,153
Changes in fair value	738	-7	731	-4	-	-	-4
<i>of which recognized in net income</i>	-	-7	-7	-	-	-	-
<i>of which recognized in other comprehensive income</i>	738	-	738	-4	-	-	-4
Purchases/capital contributions	-	-	-	48	-	-	48
Exercise of warrants	-	-	-	65	-	-65	-
Disposals	-	-	-	-	-10	-	-10
Exchange rate differences	-	0	0	-	-	-	-
Level 3, closing balance	1,899	19	1,919	1,162	26	-	1,188

The change in fair value of SEK 738 million in 2017 for equity instruments available-for-sale relates to a revaluation of Telia Company's holding in Spotify. The investment in Spotify was remeasured in the third and fourth quarter of

2017 based on the share price in the most recent transactions made for Spotify during September and December 2017, respectively.

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 2017. 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. The proposed dividend of SEK 2,30 per share corresponds to 81 percent.

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 March 2017 Telia Company issued hybrid bonds with a total amount of 15 billion. The hybrid bonds are nominated in a EUR tranche (EUR 900 million) and two SEK tranches (SEK 6,5 billion). The rationale for issuing an additional permanent capital layer is to enable financial flexibility and reinforce the commitment to a solid Investment Grade rating of A- to BBB+. In connection to the issuance of hybrid bonds Telia Company bought back outstanding senior bonds to a value of SEK 5 billion and additional buy-backs were executed during the year to another SEK 5 billion.

After the issuance of hybrid bonds Standard & Poors removed the CreditWatch with negative implications and confirmed its long-term A- rating with negative outlook and the short-term rating A-2. The rating from Moody's remains at Baa1 with stable outlook. These ratings represent a solid investment grade level and are thus expected to allow Telia Company continued good access to the financial markets.

Telia Company is not subject to any externally imposed capital requirements.

In respect of capital management, Telia Company defines capital as equity and 50 percent of hybrid bonds, which is consistent with the market practice for this type of instrument. As per December 31, 2017, Telia Company's capital amounted to SEK 114,410 million (101,734), whereof equity SEK 106,740 million (101,734) and 50 percent of hybrid bonds SEK 7,670 million (-).

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, 2017	Dec 31, 2016
Other non-current assets excluding Equity instruments at cost and Deferred expenses	C15	20,848	19,542
Trade and other receivables excluding Other current receivables and Deferred expenses	C17	13,210	13,670
Interest-bearing receivables	C18	17,335	11,143
Cash and cash equivalents	C18	15,616	14,510
Total		67,009	58,865

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 2017, 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, 2017	Dec 31, 2016
Counterparty rating Aa3	253	727
Counterparty rating Aa2	4	121
Counterparty rating A1	23	769
Counterparty rating A2	63	–
Counterparty rating A3	2	226
Counterparty rating Baa1	–	–
Counterparty rating Baa2	48	–
Counterparty rating Baa3	–	–
Total exposure of counterparties in derivatives	393	1,842

Telia Company can invest surplus cash in bank deposits and securities issued by banks with a rating of at least A- (Standard & Poor's) or A3 (Moody's). In addition investments can be made in corporate securities with rating of at least BBB+ or Baa1. Cash can also be invested in government bonds and treasury bills issued by the Swedish, German, Finnish, Norwegian or Danish government, Swedish municipals, investment funds and securitized assets with AAA/Aaa rating.

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 0.6 percent in 2017 and 0.5 percent in 2016.

Liquidity risk management

Liquidity risk is the risk that Telia Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Telia Company has internal control processes and contingency plans for managing liquidity risk. The short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from operations.

A centralized daily cash pooling process enables Telia Company to manage liquidity surpluses and deficits according to the actual needs on group and subsidiary level.

Telia Company's policy is to have a prudent liquidity position in terms of available cash and/or unutilized committed credit facilities. Telia Company's short term liquidity risk (payment obligations due in 2018, see table "Expected maturity" on page 149) is managed with the liquidity reserve described below.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Surplus liquidity		
Cash and bank	13,222	5,854
Cash equivalents ¹	2,395	8,656
Cash and cash equivalents (see also Note C18)	15,616	14,510
Short-term investments ² (see also Note C18)	13,563	5,043
Total	29,180	19,553
Long-term investments ³ (see also Note C15)	12,677	10,185
Total surplus liquidity	41,856	29,738
Committed credit facilities		
Revolving credit facilities (limit amount)	14,735	14,365
Bank overdraft and short-term credit facilities (limit amount)	1,403	3,817
Utilized credit facilities	–	-2,196
Total unutilized committed credit facilities	16,138	15,986
Liquidity position	57,994	45,724

1) Bank deposits and securities which mature within 3 months of the date of acquisition.

2) Securities with maturities between 3 and 12 months. Convertible to cash within 2 days, i.e. 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					Dec 31, 2017	Dec 31, 2016
Group entity	Type	Characteristics	Final maturity	Currency	Limit	Limit
Telia Company AB	Revolving credit facility	Committed, syndicated	September 2021	EUR	14,735	14,365
Telia Company AB and subsidiaries	Bank overdraft facility	Committed, bilateral	Extended yearly	(various)	1,403	3,817

As of December 31, 2017, contractual undiscounted cash flows for the group represented the following expected maturities. The amounts regarding the group's interest-bearing borrowings and derivatives include installments and estimated interest payments. The maturity date for the hybrid bonds in SEK is 2077 and 2078 for the EUR bond. However, at specific dates Telia Company has the option to exercise early redemption. The first of these dates, also known as call dates, occur in 2022 for the SEK bonds and

in 2023 for the EUR bond. Amounts in foreign currency have been converted into SEK using the exchange rate prevailing as of the end of the reporting period. Future interest payments, related to instruments with floating interest rates, have been estimated using forward rates. Where gross settlements are performed (cross-currency interest rate swaps, currency swaps and forward exchange contracts), all amounts are reported on a gross basis.

Expected maturity SEK in millions	Note	Jan- Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	2019	2020	2021	2022	Later years	Total
Utilized bank overdraft and short-term credit facilities		-	-	-	-	-	-	-	-	-	-
Open-market financing program borrowings		-2,816	-349	-1,115	-909	-7,744	-9,472	-9,078	-14,864	-59,703	-106,050
Other borrowings		-80	-373	-76	-78	-307	-601	-84	-890	-	-2,488
Finance lease agreements		-5	-5	-5	-4	-17	-16	-16	-13	-157	-237
Cross-currency interest rate swaps and interest rate swaps											
Payables		-2,713	-211	-1,022	-3,271	-11,845	-9,438	-8,339	-3,328	-23,954	-64,121
Receivables		2,864	248	838	3,317	12,232	9,966	8,300	3,283	23,463	64,511
Currency swaps and forward exchange contracts											
Payables		-23,829	-3,039	-1,995	-430	-	-	-	-	-	-29,293
Receivables		23,658	3,154	2,002	426	-	-	-	-	-	29,240
Government bonds and treasury bills	C15	-	-	-	-	-	-	-	-	-	-
Loans and receivables	C15	-	-	-	-	1,269	858	263	221	80	2,691
Financial guarantees	C22	-	-	-	-	-	-	-	-	-	-
Other long term liabilities	C23	-	-	-	-	-241	-206	-205	-205	-343	-1,200
Trade payables and Other current liabilities	C24	-9,641	-121	-113	-345	-	-	-	-	-	-10,219
Credit and performance guarantees	C29	-	-	-	-	-	-16	-	-	-	-16
Total		-12,562	-696	-1,486	-1,294	-6,653	-8,925	-9,159	-15,796	-60,614	-117,182

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.

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Financial transaction exposure risk

As of December 31, 2017, 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 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	2019	2020	2021	2022	Later years	Total
DKK Interest bearing asset	-	-	-	-	-	-	-	-	-	-
Interest bearing debt	-40	-	-	-	-	-	-	-	-	-40
Derivatives	-4,432	-	-	-	-	-	-	-	-	-4,432
Net	-4,472	-	-	-	-	-	-	-	-	-4,472
EUR Interest bearing asset	6,148	-	-	-	-	-	-	-	-	6,148
Interest bearing debt	-1,951	-660	-422	-650	-4,505	-8,833	-8,613	-6,877	-49,123	-81,633
Derivatives	16,623	166	46	73	2,700	6,653	5,887	-1,471	-5,561	25,116
Net	20,820	-494	-376	-577	-1,805	-2,180	-2,726	-8,348	-54,684	-50,369
GBP Interest bearing asset	-	-	-	-	-	-	-	-	-	-
Interest bearing debt	-	-	-	-119	-119	-119	-119	-119	-5,103	-5,698
Derivatives	-97	-	-	119	119	119	119	119	5,103	5,601
Net	-97	-	-	-	-	-	-	-	-	-97
JPY Interest bearing asset	-	-	-	-	-	-	-	-	-	-
Interest bearing debt	-7	-	-733	-	-7	-7	-7	-1,314	1	-2,074
Derivatives	7	-	733	-	7	7	7	1,314	-1	2,074
Net	-	-	-	-	-	-	-	-	-	-
NOK Interest bearing asset	-	-	-	-	-	-	-	-	-	-
Interest bearing debt	-85	-17	-	-46	-81	-81	-81	-580	-2,272	-3,243
Derivatives	-2,291	-3,059	-2,007	-2,514	-3,012	15	11	7	-22	-12,872
Net	-2,376	-3,076	-2,007	-2,560	-3,093	-66	-70	-573	-2,294	-16,115
USD Interest bearing asset	82	20	-	-	-	-	-	-	-	102
Interest bearing debt	-	-	-	-	-	-	-	-	-	-
Derivatives	775	-	-	-427	-	-	-	-	-	348
Net	857	20	-	-427	-	-	-	-	-	450
SEK Interest bearing asset	5,831	1,333	374	2,591	4,153	4,093	1,855	1,504	306	22,040
Interest bearing debt	-812	-45	-35	-173	-3,339	-1,033	-342	-6,864	-3,207	-15,850
Derivatives	-10,415	3,059	1,050	2,794	572	-6,266	-6,063	-12	-7	-15,288
Net	-5,396	4,347	1,389	5,212	1,386	-3,206	-4,550	-5,372	-2,908	-9,098
Total, net	9,336	797	-994	1,648	-3,512	-5,452	-7,346	-14,293	-59,886	-79,701

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 2017	Impact on Net income if currency rate depreciates by 10 percent 2016
SEK	-483	-510
EUR	417	450
NOK	-4	-13
DKK	65	14
Other	5	9

The sensitivity analysis is based on the assumption that the operational transaction exposure is equivalent to that in 2017, 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.

SEK in millions	2017			2016		
	Net investments	Hedged through borrowings or derivatives	Net	Net investments	Hedged through borrowings or derivatives	Net
DKK	2,940	–	2,940	3,240	–	3,240
EUR	91,095	-43,732	47,363	72,461	-43,991	28,470
GBP	96	–	96	98	–	98
NOK	14,027	-1,828	12,199	16,255	-1,438	14,817
RUB	105	–	105	4,957	–	4,957
TRY	8,276	–	8,276	16,099	–	16,099
USD	256	–	256	1,746	–	1,746
Other currencies	398	–	398	431	–	431
Total	117,194	-45,560	71,634	115,287	-45,429	69,858

Conversion exposure sensitivity

The positive impact on group equity would be approximately SEK 7.2 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, 2017, 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, 2017	Dec 31, 2016
Long-term borrowings	2.76	2.07
Short-term borrowings	1.46	1.88

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, 2017	Dec 31, 2016
Duration (years)	4.1	5.1
Average maturity (years)	7.7	7.8
Short-term borrowings	3,674	11,307
Long-term borrowings	87,813	83,161
Interest rate adjustment <1year	55,733	67,170
Interest rate adjustment >1year	35,754	31,737

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.

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As of December 31, 2017, Telia Company's rate reset periods of interest bearing assets, liabilities and derivatives represented the following interest types and expected maturities. Amounts indicated represent nominal values.

Expected maturity SEK in millions	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	2019	2020	2021	2022	Later years	Total
Fixed										
Interest bearing asset	10,399	369	300	2,150	3,650	3,049	1,540	1,346	200	23,003
Interest bearing debt	-664	295	-726	-	-3,303	-6,074	-7,686	-7,517	-49,057	-74,732
Derivatives	-340	-	726	-49	3,303	12,338	5,745	7,812	19,757	49,293
Net	9,395	663	300	2,101	3,650	9,313	-400	1,641	-29,100	-2,437
Float										
Interest bearing asset	4,377	-	-	-	-	-	-	-	-	4,377
Interest bearing debt	-9,401	-589	-	-	-	-	-	-	-	-9,991
Derivatives	-47,177	-2,040	-	-	-	-	-	-	-	-49,217
Net	-52,201	-2,630	-	-	-	-	-	-	-	-54,831
Total, net	-42,806	-1,966	300	2,101	3,650	9,313	-400	1,641	-29,100	-57,268

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 2017, 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, 2017, Telia Company had interest-bearing debt of SEK 88.5 billion, carrying value, with duration of interest of approximately 4.1 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 55.7 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, 2018, at a one percentage point higher interest rate than the prevailing rate as per December 31, 2017, and remained at that new level during 12 months, the post-tax interest expense would increase by approximately SEK 435 million. At the same time the effect on equity would be a decrease of SEK 132 million due to cash flow hedges.

Fair value of the loan portfolio would change by approximately SEK 4.1 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 2017.

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, 2017, the average maturity of Telia Company's borrowings was 7.7 years and 8 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, 2017							
SEK in millions	Note	Gross amounts, financial assets	Gross amounts, financial liabilities	Net amounts of financial assets in the statement of financial position	Related financial liabilities that are not set off	CSA	Net amount
Interest and cross-currency interest rate swaps	C15, C18	3,004	–	3,004	-2,130	-848	26
Currency swaps and forward exchange contracts	C15, C17	214	–	214	-139	–	76
Other assets		96	-41	55			55
Total		3,314	-41	3,273	-2,269	-848	156

December 31, 2017							
SEK in millions	Note	Gross amounts, financial liabilities	Gross amounts, financial assets	Net amounts of financial liabilities in the statement of financial position	Related financial assets that are not set off	CSA	Net amount
Interest and cross-currency interest rate swaps	C20	2,469	–	2,469	-2,130	-370	-32
Currency swaps and forward exchange contracts	C23, C24	225	–	225	-139	–	86
Other liabilities		156	-41	114			114
Total		2,849	-41	2,808	-2,269	-370	169

December 31, 2016							
SEK in millions	Note	Gross amounts, financial assets	Gross amounts, financial liabilities	Net amounts of financial assets in the statement of financial position	Related financial liabilities that are not set off	CSA	Net amount
Interest and cross-currency interest rate swaps	C15, C18	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 liabilities		36	-19	17	–	–	17
Total		3,608	-19	3,589	-2,772	–	817

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, 2017	Dec 31, 2016
Cost	354	329
Less accumulated depreciation and impairment losses	-80	-85
Net carrying value of finance lease agreements	274	244

In 2017 and 2016, depreciation and impairment losses totaled SEK 25 million and SEK 2 million, respectively. Leasing fees paid in these years totaled SEK 16 million and SEK 10 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, 2017	Dec 31, 2016
Total future minimum leasing fees	237	259
Less interest charges	-21	-32
Present value of future minimum leasing fees	216	227

As of December 31, 2017, 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 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	2019	2020	2021	2022	Later years	Total
Future minimum leasing fees	5	5	4	4	17	16	16	13	157	237
Present value of future minimum leasing fees	4	4	4	4	15	14	15	12	144	216

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, 2017 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	2019	2020	2021	2022	Later years	Total
Future minimum leasing fees	411	410	409	369	810	657	495	430	1,467	5,458
Minimum sublease payments	2	1	1	1	1	2	-	-	-	8

In 2017 and 2016, total rent and leasing fees paid were SEK 1,631 million and SEK 1,771 million, respectively.

In these years, revenues for subleased items totaled SEK 5 million and SEK 24 million, respectively.

Apart from certain short-term leases, leasing terms range between 3 months and 30 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 2017 was 14 quarters. Of all contracts, 60 percent carry a fixed interest rate and 40 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, 2017	Dec 31, 2016
Minimum lease payments receivables	1,089	1,007
Unguaranteed residual values accruing to the benefit of the lessor	–	–
Gross investment in finance lease contracts	1,089	1,007
Unearned finance income	-94	-130
Present value of future minimum lease payments receivables (net investment in finance lease contracts)	995	877

As of December 31, 2017, 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 2018	Apr–Jun 2018	Jul–Sep 2018	Oct–Dec 2018	2019	2020	2021	2022	Later years	Total
Gross investment	88	90	89	88	210	288	133	68	35	1,089
Present value of future minimum lease payments receivables	102	104	103	102	182	187	122	62	31	995

As of December 31, 2017 and 2016, 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, 2017	Dec 31, 2016
Cost	1,634	3,304
Less accumulated depreciation and impairment losses	-710	-1,880
Gross carrying value	924	1,424
Less prepaid lease payments	-390	-365
Net value of operating lease agreements	534	1,059

Depreciation and impairment losses totaled SEK 386 million in 2017 and SEK 636 million in 2016.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2017, that could not be canceled in advance and were in excess of one year were as follows:

Expected maturity SEK in millions	Jan–Mar 2018	Apr–Jun 2018	Jul–Sep 2018	Oct–Dec 2018	2019	2020	2021	2022	Later years	Total
Future minimum lease payments receivables	103	103	102	102	282	371	198	87	33	1,381

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 2017 and SEK 43 million in 2016. 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 45 million in 2017 and SEK 47 million in 2016.

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.

SEK in millions	January–December or December 31,	
	2017	2016
Sales of goods and services		
PAO MegaFon ¹	3	76
Operators Clearing House A/S	4	4
Turkcell	2	2
Lattelecom	2	2
Other	2	7
Total sales of goods and services	13	91
Total purchases of goods and services	28	96
Total trade and other receivables	16	17
Total trade and other payables	21	24

1) Refers to transactions made with MegaFon during the period the Company was classified as a related party, until October 3, 2017.

Pension and personnel funds

As of December 31, 2017, Telia Company's Finnish pension fund held 366,802 shares and its Finnish personnel fund 868,249 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, 2017	Dec 31, 2016
Credit and performance guarantees, etc.	16	112
Subtotal (see Liquidity risk – Note C26)	16	112
Guarantees for pension obligations	352	287
Total financial guarantees	368	398

As of December 31, 2017, credit and performance guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	2019	2020	2021	2022	Later years	Total
Credit and performance guarantees	–	–	–	–	–	16	–	–	0	16

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, 2017	Dec 31, 2016
<i>For cash: Investment bond pledge under repurchase agreements</i>	664	559
<i>For long-term borrowings: Real estate mortgages and chattel mortgages</i>	–	137
<i>For other provisions: Bonds and short-term investments</i>	0	9
<i>For operating leases: Blocked funds in bank accounts</i>	50	47
Total collateral pledged	714	752

Other unrecognized contractual obligations, continuing operations

As of December 31, 2017, 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 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	2019	2020	2021	2022	Later years	Total
Intangible assets	252	19	1	8	–	–	–	–	–	280
Property, plant and equipment	1,001	537	228	455	866	–	–	–	–	3,087
Other holdings	1	1	1	1	2	–	–	–	–	6
Total (see Liquidity risk – Note C26)	1,254	556	230	464	868	–	–	–	–	3,373

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 in 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. In addition, there is an ongoing disgorgement proceeding in Sweden, regarding Telia Company's operations in Uzbekistan and suspected irregularities related to those and to the market entry into Uzbekistan. For more information about this, see 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 here, Telia Company or its subsidiaries are not involved in any legal, arbitration or regulatory proceedings which management believes could have a material adverse effect on Telia Company's business, financial condition or results of operations.

During the second half of 2001, a number of operators filed complaints against Telia Company with the Swedish Competition Authority and the Authority initiated an investigation regarding Telia Company's pricing of ADSL services. In December 2011, it was finally decided that Telia Company had abused its dominant position and Telia Company has paid a fine of SEK 35 million. The two operators Tele2 and Spray Network (today Yarp Network Services AB) sued Telia Company for damages they alleged had been caused by the abuse in 2005 and 2006 respectively. The court of first instance ruled against Telia Company and awarded the plaintiffs damages amounting to SEK 305 million plus interest in total. During 2017,

the Court of Appeal ruled in Telia Company's favor and dismissed the damage claims.

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 fibrenet-work 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. The arbitration proceeding is currently stayed pending the parties' settlement discussions.

C30 CASH FLOW INFORMATION

Non-cash transactions, continuing and discontinued operations

Asset retirement obligations (AROs)

In 2017 and 2016, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 69 million and SEK 258 million, respectively.

Building-infrastructure exchange transactions

Telia Company provides and installs infrastructure in build-ings 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 120 million in 2017 and SEK 66 million in 2016.

Dividends, interest and income taxes, continuing and discontinued operations

SEK millions	Jan-Dec 2017	Jan-Dec 2016
Dividends received	2,851	2,122
Interest received	611	785
Interest paid	-2,080	-2,448
Income taxes paid	-1,424	-3,375

Dividends to holders of non-controlling interests, continuing and discontinued operations

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Subsidiaries		
TeliaSonera Asia Holding B.V.	-642	-2,146
AO Kcell	-81	-142
Latvijas Mobilais Telefons SIA	-118	-81
Telia Lietuva, AB	-20	-7
Other subsidiaries	0	-
Total dividends to holders of non-controlling interests	-861	-2,376

Liabilities and cashflows arising from financing activities

SEK in millions	Dec 31, 2016	Cash flows	Non-cash changes				Dec 31, 2017
			Acquisitions/ Divestments	Foreign exchange movement	Fair value changes	Other changes ¹	
Long-term borrowings	83,161	4,478	337	1,113	-772	-503	87,813
Long-term lease liabilities	221	-50	-	-	-	-	171
Long-term borrowings less Lease liabilities	82,940	4,528	337	1,113	-772	-503	87,643
of which derivatives held to hedge long-term borrowings	2,684	-951	-	-504	-	1,037	2,266
Short-term borrowings	11,307	-8,856	280	21	-27	949	3,674
Short-term lease liabilities	10	-4	-	-	-	-	6
Short-term borrowings less Lease liabilities	11,297	-8,852	280	21	-27	949	3,668
of which derivatives held to hedge short-term borrowings	193	-52	-	61	-	-	203
Total liabilities from financing activities	94,468	-4,378	617	1,133	-799	447	91,488

1) Other changes mainly refer to reclassification due to maturity from long to short term.

SEK in millions	Dec 31, 2015	Cash flows	Non-cash changes				Dec 31, 2016
			Acquisitions/ Divestments	Foreign exchange movement	Fair value changes	Other changes ¹	
Long-term borrowings	91,646	-4,072	-3,047	2,488	539	-4,393	83,161
Long-term lease liabilities	46	175	-	-	-	-	221
Long-term borrowings less Lease liabilities	91,600	-4,247	-3,047	2,488	539	-4,393	82,940
of which derivatives held to hedge long-term borrowings	2,316	1,303	-	-182	-	-753	2,684
Short-term borrowings	9,337	-3,048	-419	644	27	4,765	11,307
Short-term lease liabilities	7	3	-	-	-	-	10
Short-term borrowings less Lease liabilities	9,330	-3,051	-419	644	27	4,765	11,297
of which derivatives held to hedge short-term borrowings	72	107	-	15	-	-	193
Total liabilities from financing activities	100,983	-7,120	-3,466	3,132	566	373	94,468

1) Other changes mainly refer to reclassification due to maturity from long to short term.

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 2017 was SEK 4,419 million mainly related to the acquisitions of Phonero and Nebula Top Oy. For information on business combinations in 2017, see Note C33 "Business combinations." In 2016, the total net cash outflow from business combinations was SEK 60 million.

The total cash inflow from divested operations and other equity instruments in 2017 amounted to SEK 23,114 million mainly related to the divestments of Turkcell shares, MegaFon and Sergel. For more information on divested operations, see Notes C14 "Investments in associated companies and joint ventures" and C34 "Discontinued operations and assets classified as held for sale."

The total cash inflow from divested 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.

C31 HUMAN RESOURCES

Employees, salaries, and social security expenses

During 2017, the number of employees from continuing operations decreased by 303 to 20,727 at year-end from 21,030 at year-end 2016. The number of employees in

discontinued operations decreased by 242 to 4,745 from 4,987 at year-end 2016. The major part of the decrease comes from divestment of Sergel and Tcell.

The average number of full-time employees by country was as follows.

Country	Jan-Dec 2017		Jan-Dec 2016	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	7,955	63.1	8,109	61.8
Finland	3,463	67.2	3,276	65.4
Norway	1,252	66.2	1,099	65.2
Denmark	1,118	69.2	1,161	69.7
Lithuania	2,820	55.0	2,885	50.1
Latvia	986	47.8	982	47.8
Estonia	1,749	53.5	1,888	58.8
Spain	1	100.0	78	64.2
Russian Federation	32	53.1	33	48.5
United Kingdom	50	68.0	49	71.4
Other countries	206	69.9	262	69.8
Total from continuing operations	19,632	61.7	19,822	60.5
Kazakhstan	1,892	43.1	1,877	43.0
Azerbaijan	718	42.9	716	61.7
Uzbekistan	1,178	66.3	1,032	63.7
Tajikistan	150	69.3	603	68.5
Georgia	600	39.9	375	46.3
Moldova	250	38.4	295	42.0
Nepal	–	–	130	74.2
Other countries	48	66.7	48	66.7
Total from discontinued operations	4,836	49.1	5,076	52.3
Total	24,468	59.2	24,898	58.8

In total, for 2017 and 2016 operations were conducted in 28 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.

Percent	Dec 31, 2017		Dec 31, 2016	
	Boards of directors	Other senior executives	Boards of directors	Other senior executives
Women	24.5	34.0	24.4	33.5
Men	75.5	66.0	75.6	66.5
Total continuing operations	100.0	100.0	100.0	100.0
Women	10.0	34.5	4.2	35.4
Men	90.0	65.5	95.8	64.6
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 2017	Jan-Dec 2016
Salaries and other remuneration	9,819	9,534
Social security expenses		
Employer's social security contributions	2,179	2,056
Pension expenses	1,376	1,156
Total social security expenses	3,556	3,211
Capitalized work by employees	-1,240	-1,092
Other personnel expenses	391	453
Total personnel expenses recognized by nature, continuing operations	12,526	12,105
Total personnel expenses, discontinued operations	973	1,096

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.

SEK in millions	Jan-Dec 2017		Jan-Dec 2016	
	Senior executives (of which variable pay)	Other employees	Senior executives (of which variable pay)	Other employees
Salaries and other remuneration, continuing operations	146 (17)	9,672	216 (16)	9,318
Salaries and other remuneration, discontinued operations	25 (6)	762	28 (3)	878

Pension expenses for all senior executives totaled SEK 30 million in 2017 and SEK 27 million in 2016.

In 2017 and 2016, employee profit-sharing costs in Telia Company's Finnish subsidiaries amounted to SEK 46 million and SEK 70 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 2017 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 allotment of performance shares will occur. Each program shall in total comprise no more than 2,090,000 (PSP 2014), 3,793,200 (PSP 2015), 2,370,400 (PSP 2016) and 2,491,202 (PSP 2017) Telia Company shares, corresponding to approximately 0.05 percent of the total number of outstanding shares for PSP 2014, 0.08 for PSP 2015, 0.04 for PSP 2016 and 0.06 percent for PSP 2017, 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 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 2014 vested during the spring 2017 and 108,171 shares were distributed to 103 participants remaining in the program. Final performance of PSP 2014 was 4.20 percent (of maximum 30 percent). Telia Company AB acquired 108,171 own shares in May 2017, to an average price of SEK 36.1906 to cover the commitments under the PSP 2014 program.

Performance share program 2015 to 2017

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 perfor-

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mance 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 2017 was as follows.

Performance share program	2017/2020	2016/2019	2015/2018	2014/2017
Participants				
Number of participants, December 31, 2016	–	195	152	111
New participants in 2017	207	–	–	–
Terminated employments in 2017	-9	-30	-26	-8
Vested employees in 2017	–	–	–	-103
Number of participants, December 31, 2017¹	198	165	126	–
Allotted shares				
Preliminary allotments, December 31, 2016	–	954,916	594,932	118,150
Preliminary allotments in 2017	924,601	–	–	–
Forfeited shares	–	–	–	–
Cancelled shares	-40,525	-151,706	-99,559	-9,979
Final allotments	–	–	–	-108,171
Number of allotted shares, December 31, 2017	884,076	803,210	495,373	–

1) 19 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	2017/2020	2016/2019	2015/2018	2014/2017
Fair value at the date of allotment (SEK in millions)	35	28	41	19
Assumptions used (percentages)				
Achievement of EBITDA-based performance condition	50	50	50	–
Achievement of EPS-based performance condition	–	–	–	50
Achievement of TSR-based performance condition was based on				
Estimated volatility, Telia Company	21	20	18	21
Estimated volatility, peer group companies	17-28	17-31	15-36	21-35
Average reciprocal correlation between Telia Company and the peer group companies	49	43	33	37
Risk-free interest rate	-0.5	-0.4	-0.3	0.9

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 2017	Jan-Dec 2016
Salaries and other remuneration	33	28
Social security expenses	8	7
Total personnel expenses, performance share programs	41	35

Remuneration to corporate officers

Board of Directors

As resolved by the 2017 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 1,650,000 (SEK 1,600,000) to the Chair, SEK 795,000 (SEK 775,000) to the Vice-Chair and SEK 560,000 (SEK 545,000) to each of the other directors, elected by the AGM. In addition, annual remuneration is paid to the members of the Board's Audit and Responsi-

ble Business Committee in the amount of SEK 250,000 to the Chair and SEK 150,000 to each of the other members. Additional annual remuneration is also paid to the members of the Board's Remuneration Committee in the amount of SEK 70,000 (SEK 70,000) to the Chair and SEK 50,000 (SEK 50,000) to each of the other members. The Board of Directors decided, in conjunction with, 2017 Annual General Meeting to merge the Sustainability and Ethics Committee and Audit Committee to Audit and Responsible Business Committee.

Remuneration to Board members

SEK in thousands	Board ¹	Audit and Responsible Business Committee	Audit Committee	Remuneration Committee	Sustainability and Ethics Committee	Total remuneration
Board of Directors, AGM 2017						
Marie Ehrling, Chair	1,637	111	39	70	13	1,870
Olli-Pekka Kallasvu, Vice-Chair	790			50		840
Susanna Campbell	556			50		606
Mikko Kosonen	556				19	575
Nina Linander	556	185	52			793
Martin Lorentzon	556					556
Anna Settmann	556	111			13	680
Olaf Swantee	556	111	39			706
Total	5,763	517	131	170	45	6,625

SEK in thousands	Board	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 Kallasvu, 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 Settmann	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

1) Board remuneration, remuneration for Audit Committee, remuneration for Remuneration Committee and remuneration for Sustainability and Ethics Committee are presented in separate columns above. From the Annual General Meeting 2017 the Sustainability and Ethics Committee and Audit Committee have merged. The remuneration is paid monthly. All board members were re-elected at the AGM 2017. 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 nine SVPs directly reporting to the CEO, constituted the Telia Company Group Executive Management.

The 2017 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, 2017, Telia Company does not oper-

ate any share related incentive program in relation to the CEO, and other permanent members of Group Executive Management.

Applying the remuneration policy adopted at the AGM, the CEO's total remuneration package is decided by the

Board of Directors based on the recommendation of its Remuneration Committee.

Total remuneration packages to other members of Group Executive Management are approved by the Remuneration Committee, based on the CEO's recommendation.

Remuneration and other benefits earned as member of Group Executive Management during the year, capital value of pension commitments

SEK in thousands	Base salary	Other remuneration ¹	Other benefits ²	Pension expense ³	Total remuneration	Capital value of pension commitment ⁴
Group Executive Management, 2017						
Johan Dannelind, CEO	16,584	322	63	6,516	23,485	–
Other members of Group Executive Management (including 2 EVPs and 9 SVPs)	60,645	2,975	1,816	16,567	82,003	2,707
Total	77,229	3,297	1,879	23,083	105,488	2,707
Other former members of Group Executive Management						
Other former members of Group Executive Management (0 individual)	–	–	–	–	–	–
Other former CEOs and EVPs (8 individuals)	–	–	–	–	–	167,493
Total	–	–	–	–	–	167,493
Grand total	77,229	3,297	1,879	23,083	105,488	170,201
Group Executive Management, 2016						
Johan Dannelind, 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)	2,670	11	226	946	3,853	–
Other former CEOs and EVPs (8 individuals)	–	–	–	–	–	169,921
Total	2,670	11	226	946	3,853	169,921
Grand total	59,971	4,740	1,683	19,984	86,379	171,272

1) Other remuneration for the CEO is holiday allowance SEK 320,980 (SEK 359,359) and minor taxable expenses SEK 1,492 (SEK 220). Other remuneration for Other Members of Group Executive management mainly includes holiday allowance and payment for unused vacation days.

2) Other benefits refer to company car benefit, relocation benefits and a number of other taxable benefits. Other benefits for the CEO refer to company car benefit and health insurance.

3) See further disclosures concerning the terms and conditions of pension benefits below.

4) Capital value of pension commitment includes defined benefit plans for eight former CEOs and EVPs (left Telia Company before 2017).

Comments on the table related to 2016 can be found in the Annual and Sustainability Report 2016. Numbers may not add up due to rounding.

Pension benefits

Telia Company offers permanent members of the Group Executive Management defined contribution pension schemes. A defined contribution scheme provides premium contributions to the pension scheme as a percentage of the pensionable salary or as a fixed amount. The level of pension benefits at retirement will be determined by the contributions paid and the return on investments and the costs associated to the plan. The reasons behind the change in the capital value of defined benefit pension commitments are due to changes in discount rate and retirement benefits paid to retirees.

CEO

The CEO is eligible to a defined contribution pension scheme with contributions corresponding to 4.5 percent of base salary up to 7.5 income base amounts and to 30 percent for such salary above 7.5 income base amounts. In addition, contributions of 10 percent of base salary are paid into the scheme. These contributions add up to a total pension contribution per annum of SEK 6,515,904 (compared to base salary for 2017 SEK 16,583,808 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 61,500 for 2017.

The retirement age is variable. Contributions to the pension scheme will cease at retirement or earlier if leaving the company for any other reason.

Other members of Group Executive Management

The EVPs and the SVPs based in Sweden are eligible to defined contribution pension schemes providing contributions corresponding to 4.5 percent of their base salary up to 7.5 income base amounts and 30 percent of such salary above 7.5 income base amounts. Two members of Group Executive Management have an additional contribution of

10 percent of their base salary. Group Executive Management members based in other countries are also eligible for defined contributions pension schemes (with the exception of legally required defined benefit pension plans in Finland). One member based in another country received a cash allowance as part of the pension contribution. The contributions to the pension schemes are vested immediately. The retirement age for members of Group Executive Management is 65 or variable.

Other former members of Group Executive Management

Defined pension benefits earned by former CEOs and EVPs until 2008 are pledged and calculated as capital values (debt) until all their lifelong pensions are fully paid out by Telia Company. Their pensions are paid out from the age of 60. Within the total capital value for this category of SEK 167,493,239 (SEK 169,920,843), the capital value for Marie Ehrling of SEK 7,791,564 (SEK 8,075,343) is included relating to her period as president of TeliaSonera Sweden during 2002–2006. Pension is paid to Marie Ehrling in the amount of SEK 709,344 (SEK 705,180). Since 2008, Telia Company does not offer any defined benefit pension schemes to CEOs and EVPs.

C32 REMUNERATION TO AUDIT FIRMS

Remuneration to audit firms for audit and other reviews based on applicable legislation and for advice and other assistance resulting from observations in the reviews was as follows. Remuneration also includes independent advice, using group auditors or other audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Audit fees to other audit firms refer to subsidiaries not audited by the group auditors. Auditors

are elected by the Annual General Meeting.

Deloitte AB was re-elected at the Annual General Meeting on April 5, 2017, 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. For review of interim financial statements, no separate remuneration has been debited.

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Remuneration, continuing and discontinued operations		
Deloitte		
Audits	38	40
Audit-related services	3	3
Tax services	1	1
All other services	20	22
Total Deloitte	62	65
EY		
Audits	0	1
Audit-related services	0	0
Tax services	1	1
All other services	14	10
Total EY	14	13
KPMG		
Audits	1	0
Audit-related services	0	–
Tax services	0	6
All other services	4	3
Total KPMG	5	9
PwC		
Audits	1	0
Audit-related services	0	–
Tax services	17	16
All other services	19	9
Total PwC	37	26
Other audit firms		
Audits, audit-related services	0	0
Tax services and all other services	0	–
Total other audit firms	0	0
Total remuneration	118	112

Within the provisions of Swedish legislation, the Audit and Responsible Business 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

Business combinations during the 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.

On March 1, 2017, Telia Company acquired all shares in the Swedish company C-Sam AB, a company that develops and maintains fiber and cable networks.

On April 10, 2017, Telia Company acquired all shares in Phonero AS in Norway, a company that offers telecommunication services to small and medium sized corporate customers as well as to public companies. The acquisition will strengthen Telia Company's position in the Norwegian enterprise segment.

On July 3, 2017, Telia Company acquired all shares in the Finnish company Nebula Top Oy, a company which

provides cloud services. The acquisition will strengthen Telia Company's position in the Finnish SME and SoHo segments.

On July 3, 2017, Telia Company acquired 93.35 percent of the total shares in the Swedish company Humany AB, a company within self-learning knowledgebase systems. During the third quarter Telia Company acquired additional 3.44 percent from holders of non-controlling interests. During the fourth quarter Telia Company acquired the remaining 3.21 percent from holders of non-controlling interests and thereafter owns all shares in Humany AB.

On November 30, 2017, Telia Company acquired all shares in the Finnish company Propentus Oy, a company specialized in identity and access rights management. The acquisition strengthens Telia Company's offering of information security services.

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

SEK in millions	Phonero	Nebula Top Oy	Other business combinations ¹	Total
Cost of combination	2,462	1,605	388	4,455
<i>of which cash consideration</i>	<i>2,462</i>	<i>1,605</i>	<i>381</i>	<i>4,448</i>
Fair value of net assets acquired				
Intangible assets	798	791	7	1,596
<i>of which customer relationships</i>	<i>743</i>	<i>408</i>		<i>1,151</i>
<i>of which other intangible assets</i>	<i>55</i>	<i>383</i>	<i>7</i>	<i>445</i>
Property, plant and equipment and other non-current assets	40	64	34	138
Current assets	131	72	61	264
Total assets acquired	969	928	102	1,999
Non-current liabilities	-175	-159	-3	-337
Current liabilities	-176	-74	-30	-280
Total liabilities assumed	-351	-233	-33	-617
Total fair value of net assets acquired	618	695	69	1,382
Goodwill	1,844	909	319	3,072

1) Other combinations consists of Fält Communication AB (Fältcom), C-Sam AB, Humany AB and Propentus Oy.

Phonero

The net cash flow effect from the acquisition of Phonero was SEK 2,419 million (cash consideration SEK 2,462 million less cash and cash equivalents, SEK 43 million). Goodwill consists of the knowledge of transferred personnel and expected synergies of the merged operations. No part of goodwill is expected to be deductible for tax purposes. The fair value of acquired receivables of SEK 85 million (whereof short term trade receivables SEK 59 million and long term receivables SEK 26 million), had gross contractual amounts of SEK 90 million (whereof trade receivables SEK 64 million). The best estimate at the acquisition date of the contractual cash flows not expected to be collected was SEK 5 million (relating to accounts receivables only). Acquisition-related costs of SEK 32 million have been recognized as other operating expenses. Compared to the preliminary fair values presented in the interim report for the third quarter of 2017, the changes are mainly reclassifications between current liabilities and current assets. From

the acquisition date, revenues of SEK 752 million and net income of SEK 37 million are included in the condensed consolidated statements of comprehensive income. If Phonero had been acquired at the beginning of 2017, revenues and net income for Telia Company for 2017 had been SEK 80,141 million and SEK 10,182 million, respectively.

Nebula Top Oy

The net cash flow effect from the acquisition of Nebula Top Oy was SEK 1,562 million (cash consideration SEK 1,605 million less cash and cash equivalents, SEK 43 million). Goodwill consists of knowledge of transferred personnel, expected synergies and cost savings. No part of goodwill is expected to be deductible for tax purposes. The fair value of acquired receivables of SEK 30 million (whereof trade receivables SEK 21 million and other short term receivables SEK 9 million) had gross contractual amounts of SEK 31 million (whereof trade receivables SEK 22 million). The best estimate at the acquisition date of the contractual

cash flows not expected to be collected were SEK 1 million (relating to trade receivables only). Acquisition-related cost of SEK 4 million has been recognized as operating expenses. From the acquisition date, revenues of SEK 181 million and net income of SEK -3 million are included in the condensed consolidated statements of comprehensive income. If Nebula Top Oy had been acquired at the beginning of 2017, revenues and net income for Telia Company for 2017 had been SEK 80,045 million and SEK 10,115 million, respectively.

Other business combinations

The net cash flow effect of the four combinations was SEK 363 million (cash consideration SEK 381 million less cash and cash equivalents in the acquired companies, SEK 18 million). Transaction costs amounted to SEK 9 million and have been recognized as other operating expenses. Goodwill consists of the knowledge of transferred personnel and expected synergies from the assets merged to the network and operations of Telia Company. No part of goodwill is expected to be deductible for tax purposes. The total cost of combinations and fair values has been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

Minor business combinations

On April 5, 2017, Telia Company acquired all shares in the Swedish company SalaNet AB, a company that develops fiber network. The cost of the acquisition was approximately SEK 40 million.

On December 20, 2017, Telia Company acquired all shares in the Swedish company TV-Net i Löddeköping AB. The acquisition will strengthen Telia Company's fiber investment. The cost of the acquisition was approximately SEK 21 million.

Business combinations after the reporting period

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

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

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

SEK in millions	Inmics
Cost of combination	902
of which cash consideration	902
Fair value of net assets acquired	
Intangible assets	0
Property, plant and equipment and other non-current assets	6
Current assets	238
Total assets acquired	244
Non-current liabilities	-
Current liabilities	-72
Total liabilities assumed	-72
Total fair value of net assets acquired	172
Goodwill	730

The net cash flow effect of the business combination was SEK 751 million (cash consideration SEK 902 million less cash and cash equivalents SEK 151 million). No part of goodwill is expected to be deductible for tax purposes. The total cost of combination and fair values has been

determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

C34 DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Classification

Region Eurasia

Former segment region Eurasia (including holding companies) is classified as held for sale and discontinued operations since December 31, 2015. The holding companies will be disposed or liquidated in connection with the transactions. Ncell in Nepal was disposed during 2016 and Tcell in Tajikistan was disposed in April 2017. In January 2018 Telia Company signed an agreement to dispose

Geocell in Georgia. The transaction is subject to regulatory approvals and is expected to be completed in the second quarter of 2018. In February 2018 Telia Company signed an agreement to dispose the associated company TOO Rodnik in Kazakhstan, which is the holding company of Kaz-TransCom. The transaction is subject to regulatory approvals and is expected to close during the first half of 2018. On March 5, 2018, Telia Company disposed AzerCell in Azerbaijan.

Telia Company is still committed to the plan to dispose the remaining parts of Eurasia and the delays in the sales processes were primarily caused by events and circumstances beyond Telia Company's control. Telia Company has taken actions necessary to respond to the change in circumstances, the units are available for immediate sale and are being actively marketed at reasonable prices given the change in circumstances. The sales processes relating to all remaining Eurasian units are in the final stages, bids have been received and term negotiations are ongoing. Disposals of the remaining Eurasian units are therefore deemed highly probable within 2018.

Yoigo

Yoigo in Spain was classified as held for sale from June 2016 and in the segment reporting Yoigo was part of the former reportable segment region Europe. It was not considered to represent a separate major line of business or geographical area of operations and was therefore not presented as discontinued operations. Yoigo was disposed on October 5, 2016. Yoigo is included in Other operations in the segment information in note C5.

Sergel

Sergel was classified as held for sale from June 30, 2016, and in the segment reporting Sergel was part of Other operations. It was not considered to represent a separate major line of business or geographical area of operations and was therefore not presented as discontinued operations. Sergel was disposed on June 30, 2017.

MegaFon

In September 2017, Telia Company decided to dispose a portion of the investment in MegaFon representing 6.2

percent of MegaFon's issued share capital. The 6.2 percent portion of MegaFon's shares was therefore classified as assets held for sale per September 30, 2017. The remaining part of Telia Company's investment in MegaFon was classified as investments in associated companies per September 30, 2017, since Telia Company per that date had significant influence in MegaFon. The disposal was made on October 3, 2017. As a consequence of the transaction, Telia Company's significant influence in MegaFon was lost and the remaining investment was reclassified from an associated company to a financial asset. On November 2, 2017, Telia Company completed the disposal of the remaining 19.0 percent holding. MegaFon was not considered to represent a separate major line of business or geographical area of operations and was therefore not presented as discontinued operations. For more information, see note C14 Investments in associated companies and joint ventures.

Presentation

Former segment region Eurasia (including holding companies), which is classified as discontinued operations, is presented as a single amount in the consolidated statements of comprehensive income. The consolidated cash flow statement is presented including region Eurasia, but with additional information on cash flows from operating, investing and financing activities and free cash flow for region Eurasia. Eurasia and a property in Denmark (and Sergel for comparative figures) are classified as held for sale and the related assets and liabilities are therefore presented separately in two line items in the consolidated statement of financial position. The amounts for discontinued operations and assets and liabilities held for sale in the consolidated financial statements are presented after elimination of intra-group transactions and intra-group balances.

Net income from discontinued operations (region Eurasia)

SEK in millions, except per share data	Jan-Dec 2017	Jan-Dec 2016
Net sales	11,268	13,653
Expenses and other operating income, net ¹	-2,850	-20,701
Operating income	8,418	-7,048
Financial items, net	-218	-315
Income after financial items	8,200	-7,364
Income taxes	-549	-1,208
Net income before remeasurement and gain/loss on disposal	7,651	-8,572
Impairment loss/impairment reversal on remeasurement to fair value less costs to sell ²	-5,729	-2,400
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
of which loss attributable to parent shareholders	-	-927
of which gain attributable to non-controlling interests	-	1,962
Loss on disposal of Tcell in Tajikistan (including cumulative Tcell exchange loss in equity reclassified to net income of SEK -193 million) ³	-193	-
Net income from discontinued operations	1,729	-9,937
EPS from discontinued operations (SEK)	0.32	-2.90
Adjusted EBITDA	4,246	5,880

1) 2017 includes the adjustment made in the first quarter of the provision for the settlement amount proposed by the US and Dutch authorities regarding the Uzbekistan investigations, which had a positive effect of SEK 4,098 million (including foreign exchange effects). In addition, the global settlement with the authorities in the third quarter 2017 resulted in a positive effect of SEK 252 million. 2016 is impacted by the initial provision, which had a negative effect of SEK 13,470 million (including foreign exchange effects).

2) Non-tax deductible.

3) Non-taxable gain/loss.

Assets and liabilities classified as held for sale

SEK in millions	Dec 31, 2017			Dec 31, 2016		
	Eurasia	Property, plant and equipment ³	Total	Eurasia ¹	Sergel	Total ¹
Goodwill and other intangible assets	2,694	–	2,694	7,562	38	7,601
Property, plant and equipment	6,329	28	6,358	7,551	6	7,557
Other non-current assets	109	–	109	448	251	699
Short-term interest-bearing receivables	2,091	–	2,091	1,889	1	1,890
Other current assets ¹	1,787	–	1,787	2,329	568	2,898
Cash and cash equivalents ¹	5,368	–	5,368	8,302	95	8,397
Assets classified as held for sale	18,379	28	18,408	28,082	960	29,042
Long-term borrowings	295	–	295	355	–	355
Long-term provisions	1,883	–	1,883	2,652	149	2,801
Other long-term liabilities	1,197	–	1,197	3,711	5	3,716
Short-term borrowings	1,428	–	1,428	1,612	–	1,612
Other current liabilities	3,749	–	3,749	4,932	211	5,144
Liabilities associated with assets classified as held for sale	8,552	–	8,552	13,262	365	13,627
Net assets classified as held for sale²	9,827	28	9,856	14,819	596	15,415

1) The minority owner Visor's share of the sales price for Ncell and Visor's share of the holding company Reynolds Holding have been distributed to Visor during 2016 and the first quarter 2017. As of December 31, 2016, SEK 0.3 billion remained within cash and cash equivalents. The provisions for transaction warranties and the sales price for Telia Company's 60.4 percent ownership in Ncell and Telia Company's share in the holding company Reynolds Holding, as well as sales price for Telia Company's economic interest in the 20 percent local shares in Ncell are included in continuing operations.

2) Represents 100 percent of external assets and liabilities, i.e. non-controlling interests' share of net assets are included.

3) Refers to a property in Denmark that is available for immediate sale and will be sold during 2018.

Measurement

In accordance with IFRS 5, discontinued operations and assets held for sale are measured at the lower of carrying value and estimated fair value less costs to sell. The valuation is based on an assessment of the input from the sales processes and the risks in the different countries. Fair value is the price that would be received to sell the discontinued operations and assets held for sale in an orderly transaction between market participants at the measurement date under current market conditions. There are no directly observable (quoted) prices for Telia Company's discontinued operations and assets held for sale and fair values have therefore been estimated using other valuation techniques which require the use of judgment.

Non-current assets held for sale and non-current assets included in discontinued operations or disposal groups held for sale are not depreciated or amortized. Deprecia-

tion and amortization in discontinued operations (Eurasia) of SEK 1.8 billion (2.0) have been reversed in 2017.

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, 2017, and December 31, 2016, respectively, are presented in the table below.

	Multiple range	WACC, %	Terminal growth rate, %
Enterprise value/EBITDA	3.00-3.50 (3.00-3.50)	–	–
Enterprise value/OpFCF	5.00-6.00 (5.00-6.00)	–	–
DCF	–	22.31-23.31 (22.31-23.31)	2.00-3.00 (2.00-3.00)
Brokers' EBITDA multiples	1.0-4.3 (1.0-4.3)	–	–

The combined results of the different valuation models provided an estimated range reflecting a normalized Enterprise value based on normal business risks. Apart from the normal business risks, there 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. Management's best estimate of the risk adjusted debt free value of Ucell was SEK 3.3 billion as of December 31, 2016. Due to increased regulatory and currency risks in Uzbekistan as well as an updated view of the risk adjusted valuation ranges [based on input from the sales process?] for Ucell, management's best estimate of the risk adjusted debt free value of Ucell was reduced to SEK 1.3 billion as of June 30, 2017. During the third quarter 2017 the Uzbekistan currency was devaluated. Management's best estimate of the risk adjusted debt free value of Ucell is unchanged at SEK 1.3 billion per December 31, 2017.

The remeasurement of the net assets in region Eurasia per December 31, 2015, resulted in an impairment charge in the fourth quarter of 2015 of SEK 5.3 billion related to goodwill and other fixed assets in Uzbekistan. In 2016 Ucell was impaired by SEK 1,950 million due to increased carrying values. As a result of the new estimated debt free value of SEK 1.3 billion and increased carrying values, Ucell was impaired by SEK 1,500 million in the second quarter 2017. As a consequence of the devaluation, a reversal of part of the second quarter impairment charge was recognized in the third quarter 2017 amounting to SEK 200 million. In the fourth quarter 2017 an impairment of SEK 300 million was recognized due to increased carrying values. In total Ucell was impaired by SEK 1,600 million in 2017.

Changes in any of the estimated risk adjustments made for Ucell would have a material impact on the estimated fair value. The most significant impact on fair value will be the buyer's ability to operate in the country and convert local currency. See also Risks and uncertainties, sections "Emerging markets," and "Review of Eurasian transactions."

Other parts of discontinued operations

Based on the most recent developments in the ongoing sales processes for the Fintur units, management's best estimates of the fair values less costs to sell have been updated per December 31, 2017.

The estimated fair value less cost to sell for Geocell in Georgia was based on the price in the disposal agreement, which was signed in January 2018. The estimated cash and debt free value of Geocell per December 31, 2017 was SEK 1.3 billion.

The estimated fair value less costs to sell for Azercell in Azerbaijan was based on the price in the disposal agree-

ment, which was signed on March 5, 2018. The disposal was completed at the same date. The estimated cash and debt free value of Azercell per December 31, 2017 was SEK 2.0 billion.

The estimated fair values for Kcell in Kazakhstan and Moldcell in Moldova are based on bids received. For Kcell in Kazakhstan the estimated fair value exceeds the carrying value and Kcell has therefore not been remeasured as of December 31, 2017 or December 31, 2016. The estimated cash and debt free value per December 31, 2017, for Moldcell was SEK 0.5 billion.

The updated estimates of fair values less costs to sell for the Fintur units resulted in a total impairment of SEK 3,550 million in the fourth quarter 2017, whereof SEK 550 million related to Geocell, SEK 2,550 million related to Azercell and SEK 450 million related to Moldcell respectively.

Telia Company made a write-down of SEK 330 million in the second quarter 2017 of its holding in the associated company TOO Rodnik in Kazakhstan which Telia consolidates to 50 percent. Rodnik owns the listed company AO KazTransCom. Based on the development in the ongoing negotiations, the associate was no longer deemed having a recoverable value. In February 2018 Telia Company signed an agreement to dispose Rodnik.

Disposals

Ncell in Nepal

On April 11, 2016, Telia Company completed the disposal of its holdings in Ncell in Nepal to Axiata, one of Asia's largest telecommunication groups. The disposal, all transactions included, resulted in a total capital gain of SEK 1,035 million for the group in 2016, whereof a loss of SEK 927 million was attributable to owners of the parent and a gain of SEK 1,962 million was attributable to non-controlling interests. The sale resulted in a loss for the parent shareholders mainly due to the carrying value of goodwill in Ncell (not attributable to minority) and provisions for parent shareholder's transaction warranties.

In the first quarter of 2017 the net cash flow effect for the group was SEK 0.9 billion (relating to both parent shareholders and non-controlling-interests), which mainly referred to release of escrow accounts, reclassification of receivables and payment of transaction warranties. The net cash flow effect for the group in 2016 was SEK 9.3 billion.

The total price for all transactions was SEK 14.0 billion and as of March 31, 2017, all had been received in cash. The minority owner Visor's sales price was distributed to Visor during 2016 and the first quarter of 2017. Provisions for transaction warranties are included in the statement of financial position for continuing operations. The final amounts relating to the Ncell disposal are still subject to deviations in transaction warranties and related foreign exchange rates. Ncell in Nepal was part of the former segment region Eurasia which is classified as discontinued operations.

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

Tcell in Tajikistan

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

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

Sergel

In June 2016, Telia Company signed an agreement to dispose its 100 percent holding in Sergel (credit management services and debt purchase business) to Marginalen at an enterprise value of SEK 2.1 billion. The transaction was approved by the Swedish Financial Supervisory Authority as well as Competition Authorities, and Sergel was disposed on June 30, 2017. The disposal resulted in a capital gain of SEK 1,213 million, which is included in "Other operating income" (continuing operations) in the consolidated statements of comprehensive income. The disposal had a positive net cash flow effect of SEK 1,908 million and reduced net debt by SEK 1,942 million.

MegaFon in Russia

On October 5, 2017, Telia Company completed the disposal of an aggregate of 38.5 million ordinary shares representing 6.2 percent of MegaFon's issued share capital to institutional investors by way of an accelerated book building offering ("placing"). The placing was made at a price of RUB 585 per ordinary share, raising gross proceeds of SEK 3.2 billion and resulted in a capital gain of SEK 2,795 million (including cumulative exchange losses in equity reclassified to net income of SEK -6,083 million), which was recognized in "Other operating income" (continuing operations) in the consolidated statements of comprehensive income. Following the completion of the transaction, Telia Company's share in MegaFon was reduced from 25.2 percent to 19.0 percent. As a consequence of the transaction, Telia Company's significant influence in MegaFon was lost and the remaining investment was reclassified from an

associated company to a financial asset. On November 2, 2017, Telia Company completed the disposal of the remaining 19.0 percent holding in MegaFon to Gazprombank at a price of RUB 514 per share, raising gross proceeds of RUB 60.4 billion (equivalent to approximately SEK 8.6 billion) billion and resulting in a capital loss of SEK 1,275 million, which was recognized in finance net. The disposals in total reduced net debt by approximately SEK 11.8 billion and led to a net capital gain of SEK 1.521 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 non-controlling interest (NCI) in Kcell is 41.0 percent (38.1). Based on a put option granted, the NCI in Azercell is accounting-wise reduced to 35.9 percent (30.5). NCI in Kcell and Azercell have increased during the year due to Telia Company's disposal of 14 percent of the shares in Turkcell in 2017.

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 accounting-wise 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 was therefore derecognized in 2016 with a corresponding charge to other operating income within discontinued operations. In addition a 6 percent non-controlling interest was recognized in equity.

Before the disposal, 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 68.5 percent of Fintur (74.3 percent before disposal of the 14 percent of the shares in Turkcell in 2017). 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. Based on the updated estimated fair value of Azercell, the provision for the put option was reduced by SEK 399 million with a corresponding reduction of goodwill in the

fourth quarter 2017. Azertel and Azercell were disposed on March 5, 2018, and after the disposal the put option is no longer applicable to Fintur.

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 could no longer be exercised and the provision for the put option was 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 region Eurasia is although classified as discontinued operations, still exposed to fluctuations in foreign exchange rates and managed accordingly.

Transaction risk on proceeds of the 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, 2017, were SEK 5,368 million (8,397), 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's net interest income or cash flows. The interest-bearing borrowings in the discontinued operations refer 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 agreed with the US and Dutch authorities

The US and Dutch authorities have investigated historical transactions related to Telia Company's entry into Uzbekistan in 2007. As announced on September 15, 2016, Telia Company received a proposal from the authorities for resolution of the pending investigations. The authorities proposed a global resolution that included a total financial sanction of USD 1.45 billion. Without certainty as to the timing and amount that would be paid at the time of a final resolution, Telia Company recorded a USD 1.45 billion provision (SEK 13.2 billion per December 31, 2016). Resolution of the various investigations was complex, but constructive discussions with the government agencies involved in the investigations was continued with good progress during 2017. As per March 31, 2017, a final resolution had not yet been reached, but in light of developments to that date in those discussions, the estimate of the most likely outcome was revised and the provision was adjusted to USD 1.0 billion (SEK 8.9 billion at that point in time). As per June 30, 2017, the provision remained unchanged at USD 1.0 billion corresponding to SEK 8.5 billion, where the change in the amount in SEK was related to changed foreign exchange rate.

On September 21, 2017, Telia Company reached a global settlement with the US and Dutch authorities regarding the Uzbekistan investigations. As part of the settlement, Telia Company agreed to pay fines and disgorgements in an aggregate amount of USD 965 million, whereof USD 757 million (SEK 6,129 million) were paid during the third quarter. The payment is included in the line item "Increase (+)/Decrease (-) in operating liabilities" in the Consolidated statements of cash flows and is classified within discontinued operations. The remaining part, SEK 1,698 million (USD 208 million) is related to the SEC disgorgement amount potentially offset against any disgorgement obtained by the Swedish Prosecutor or Dutch authorities. This amount is discounted and classified as a long-term provision, included in the line item "Other long-term provisions" in the Consolidated statements of financial position. The settlement resulted in a SEK 252 million positive net income effect in the third quarter, whereof SEK 275 million (USD 34 million) was related to adjustment of the proposed settlement amount, SEK 66 million was discounting effect related to the remaining long term provision and SEK -90 million was related to exchange rate fluctuations. There were no material effects on net income in the fourth quarter of 2017. The net income effect is recognized within discontinued operations and is disclosed as "Expenses and other operating income, net" in the table "Net income from discontinued operations (Region Eurasia)" above. The net income effect and the cash flow effect are classified as part of discontinued operations based on that the expenses and the cash flows are related to the operations in Uzbekistan. The settlement amount excluding foreign currency effects and hedge effects is non-tax deductible. The outstanding discounted provision amounts to SEK 1,650 million as per December 31, 2017. 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.

PARENT COMPANY INCOME STATEMENTS

SEK in millions	Note	Jan-Dec 2017	Jan-Dec 2016
Net sales	P2	413	469
Cost of sales		-	-
Gross income		413	469
Selling and marketing expenses	P3	-55	-51
Administrative expenses	P3	-1,075	-1,171
Other operating income	P4	7,034	9
Other operating expenses	P4	-719	-13,556
Operating loss/income		5,597	-14,300
Finance income	P5	14,437	22,684
Finance costs	P5	-12,344	-8,472
Income after financial items		7,689	-88
Appropriations	P6	7,000	11,567
Income before taxes		14,689	11,479
Income taxes	P6	-536	-1,113
Net income		14,153	10,367

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions	Note	Jan–Dec 2017	Jan–Dec 2016
Net income		14,153	10,367
Items that may be reclassified to net income			
Cash flow hedges, net change in fair value		-180	214
Cash flow hedges, transferred to finance costs in net income		33	-343
Available-for-sale financial instruments, net change in fair value		729	134
Income taxes relating to other comprehensive income		34	-1
Total other comprehensive income	P7	615	5
Total comprehensive income		14,769	10,372

PARENT COMPANY BALANCE SHEETS

SEK in millions	Note	Dec 31, 2017	Dec 31, 2016
Assets			
Intangible assets	P8	9	11
Property, plant and equipment	P9	1	2
Deferred tax assets	P6	32	–
Other financial assets	P10	156,551	162,273
Total non-current assets		156,592	162,286
Trade and other receivables	P11	39,200	35,043
Current tax receivables		375	581
Short-term investments	P12	15,957	13,699
Cash and bank	P12	12,024	3,576
Total current assets		67,556	52,898
Total assets		224,148	215,184
Shareholders' equity and liabilities			
<i>Restricted equity</i>			
Share capital		13,856	13,856
Statutory reserve		1,855	1,855
Reserve for capitalized development expenses		2	1
<i>Non-restricted equity</i>			
Fair value reserve		1,207	591
Retained earnings		55,327	53,615
Net income		14,153	10,367
Total shareholders' equity		86,400	80,286
Untaxed reserves	P6	8,029	8,786
Provisions for pensions and employment contracts	P14	417	433
Deferred tax liabilities	P6	–	36
Other provisions	P15	1,736	49
Total provisions		2,153	519
<i>Interest-bearing liabilities</i>			
Long-term borrowings	P16	85,437	81,207
Short-term borrowings	P16	40,849	29,642
<i>Non-interest-bearing liabilities</i>			
Long-term liabilities	P17	13	9
Short-term provisions, trade payables and other current liabilities	P15, P18	1,267	14,735
Total liabilities		127,566	125,594
Total shareholders' equity and liabilities		224,148	215,184

PARENT COMPANY CASH FLOW STATEMENTS

SEK in millions	Note	Jan–Dec 2017	Jan–Dec 2016
Net income		14,153	10,367
Adjustments for:			
Amortization, depreciation and impairment losses		8,187	2,877
Capital gains/losses on sales/discards of non-current assets		-1,061	-118
Pensions and other provisions		-4,227	12,942
Financial items		2,899	3,539
Group contributions and appropriations		-7,000	-11,567
Income taxes		194	-641
Cash flow before change in working capital		13,145	17,399
Increase (-)/Decrease (+) in operating receivables		-34	-103
Increase (+)/Decrease (-) in operating liabilities		-6,238	-46
Change in working capital		-6,271	-150
Cash flow from operating activities		6,874	17,249
Intangible and tangible non-current assets acquired		0	-7
Repayment of capital in subsidiary		219	501
Equity instruments acquired		-4,082	-1,495
Equity instruments and operations divested		1,373	3,342
Loans granted and other similar investments		8,410	-11,195
Net change in interest-bearing current receivables		-8,056	1,719
Repayment of long-term loans		2,774	2,716
Cash flow from investing activities		638	-4,419
Cash flow before financing activities		7,512	12,830
Repurchased treasury shares including transaction costs		-4	-5
Dividend to shareholders		-8,660	-12,990
Group contributions net		7,687	7,394
Proceeds from borrowings		15,670	-337
Repayment of borrowings		-18,589	-6,843
Net change in short-term borrowings		-	-3,362
Settlement of derivative contracts for economic hedges and CSA		-1,927	1,180
Cash received for repurchase agreements		1,812	6,975
Cash paid for repurchase agreements		-1,707	-6,416
Cash flow from financing activities		-5,719	-14,403
Change in cash and cash equivalents		1,793	-1,573
Cash and cash equivalents, opening balance		12,232	13,558
Change in cash and cash equivalents		1,793	-1,573
Exchange rate differences in cash and cash equivalents		393	247
Cash and cash equivalents, closing balance	P12	14,418	12,232
Dividends received		12,916	21,796
Interest received		723	884
Interest paid		-1,701	-2,198
Income taxes paid		-342	-1,754

PARENT COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SEK in millions	Note	Share capital	Statutory reserve	Reserve for capitalized development expenses	Fair value reserve	Retained earnings	Total share-holders' equity
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
Dividend	P13	–	–	–	–	-8,660	-8,660
Share-based payments	P25	–	–	–	–	10	10
Treasury shares		–	–	–	–	-4	-4
Capitalized development expenses	P8	–	–	1	–	-1	0
Total comprehensive income		–	–	–	615	14,153	14,769
Closing balance, December 31, 2017		13,856	1,855	2	1,207	69,480	86,400

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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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 repayment of certain contributed capital reduces the carrying value.
Provisions for pensions and employment contracts	P5, P14	Pension obligations and pension expenses are recognized in accordance with the simplification rule for pensions in RFR 2 "Accounting for legal entities."
Untaxed reserves and appropriations	P6	Untaxed reserves and appropriations are reported gross excluding deferred tax liabilities related to the temporary differences.
Capitalized development expenses	P8	The corresponding amount that has been capitalized as development expenses in the balance sheet as intangible assets have been recognized in the reserve for capitalized development expenses in equity.
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 Note C1.

IFRS 9 "Financial Instruments"

As of January 1, 2018, IFRS 9 "Financial instruments" will replace IAS 39 "Financial instruments: Recognition and Measurement" as the standard on reporting for financial instruments in IFRS. In accordance with IFRS 9, a company that is preparing the financial statements in accordance with RFR 2 "Accounting for Legal Entities" is allowed to choose to apply IFRS 9 or not. Telia Company AB has chosen to apply IFRS 9 in the legal entity as of 1 Janu-

ary, 2018. The standard's three main projects have been classification and measurement, impairment and hedge accounting. See Note C1 for further information regarding IFRS 9. During 2017 Telia Company has performed a review and an assessment of the transition effects on the financial assets and financial liabilities. Based on the conclusions from the review and the assessment, Telia Company will have a transition effect from impairment for intra-group receivables of SEK 150 million. The amount will be recorded as per January 1, 2018, as a decrease in Trade and Other Receivables and a decrease in Equity.

IFRS 15 "Revenue from contracts with customers"

The new revenue standard will have no material impact on the financial statements of the parent company in the period of initial application.

Judgments and key sources of estimation uncertainty

For information relevant to Telia Company AB, see Note C2.

P2 NET SALES

Net sales were mainly related to group common services to subsidiaries and were distributed among individually material countries as follows.

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Sweden	194	250
Finland	73	97
Netherlands	49	–
Norway	38	47
Denmark	29	36
Other countries	29	39
Total	413	469

P3 EXPENSES BY NATURE

Operating expenses are presented on the face of the income statement using a classification based on the functions “Cost of sales,” “Selling and marketing expenses” and “Administrative expenses.” Total expenses by function were distributed by nature as follows.

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Other network expenses	-11	-5
Personnel expenses (see also Note P25)	-777	-821
Rent and leasing fees	-36	-34
Consultants' services	-174	-209
IT expenses	-10	29
Other expenses and net of intra group invoicing	-118	-178
Amortization, depreciation and impairment losses	-4	-4
Total	-1,130	-1,222

Amortization, depreciation and impairment losses were distributed by function as follows.

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
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 2017	Jan-Dec 2016
Other operating income		
Reversal of provisions	6,807	–
<i>of which adjustment of provision for the global settlement with the authorities regarding the Uzbekistan investigations</i>	4,293	–
<i>of which transfer of parts of the original provision regarding the Uzbekistan investigation to other group companies</i>	2,514	–
Initial discount effect on outstanding provision related to the Uzbekistan investigations	66	–
Exchange rate gains	161	9
Total other operating income	7,034	9
Impairment of intra group receivables	-341	–
Exchange rate losses	-30	-16
Capital losses	-6	–
Unwinding of provision discount	-9	–
Restructuring costs	-14	-57
Other operating expenses	-318	-13,483
Total other operating expenses	-719	-13,556
<i>of which amortization, depreciation and impairment losses</i>	-341	–
Net effect on income	6,314	-13,547
<i>of which net exchange rate gains/losses on derivative instruments held-for-trading</i>	–	–

On September 21, 2017, Telia Company announced that it had reached a global settlement with the US and Dutch authorities regarding the Uzbekistan investigations. 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 2017	Jan-Dec 2016
Finance income		
Dividends from subsidiaries	12,916	21,796
Capital gains from subsidiaries	1,098	152
Dividends from associated companies	0	0
Interest from subsidiaries	330	400
Other interest income	75	75
Exchange rate gains	5	255
Dividends from equity holdings	–	6
Other financial revenues	14	–
Total finance income	14,437	22,684
Finance costs		
Impairment losses from subsidiaries	-7,837	-2,671
Capital losses from subsidiaries	-38	-25
Capital losses from associated companies	–	-15
Impairment losses from other financial investments	-11	-202
Other interest expenses	-2,981	-2,611
Interest component of pension expenses	-17	-18
Exchange rate losses	-1,461	-2,930
Other financial expenses	0	–
Total finance costs	-12,344	-8,472
Net effect on income	2,093	14,212

For more information regarding Impairment losses from subsidiaries see Note P10.

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 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
SEK in millions	Other interest expenses		Net exchange rate gains and losses		Other interest income	
Fair value hedge derivatives	76	387	-50	119	-	-
Cash flow hedge derivatives	95	10	-131	-457	-	-
Derivatives held-for-trading	145	695	-186	125	-	-
Loans and receivables	-	-	-1,486	1,379	20	14
Bonds available-for-sale	-	-	-	-	55	61
Borrowings in fair value hedge relationships	-1,906	-1,415	-832	-3,190	-	-
Borrowings and other financial liabilities at amortized cost	-1,279	-2,201	1,229	-652	-	-
Other	-111	-87	-	-	-	-
Total	-2,981	-2,611	-1,456	-2,675	75	75

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 2017	Jan-Dec 2016
Tax items recognized in net income		
Current tax	-533	-1,057
Adjustment of current tax related to prior years	-1	-1
Deferred tax	-2	-54
Total tax expense recognized in net income	-536	-1,113
Tax items recognized in other comprehensive income		
Current tax	2	-29
Deferred tax	32	28
Total tax recognized in other comprehensive income	34	-1
Tax items recognized directly in equity		
Deferred tax	37	-
Total tax recognized directly in equity	37	-

Pre-tax income was SEK 14,689 million in 2017 (11,479). The difference between the nominal Swedish income tax rate and the effective tax rate comprise the following components.

Percent	Jan-Dec 2017	Jan-Dec 2016
Swedish income tax rate	22.0	22.0
Underprovided or overprovided current tax expense in prior years	0.0	0.0
Non-deductible expenses	12.4	29.8
Tax-exempt income	-30.8	-42.1
Effective tax rate in net income	3.6	9.7

Non-deductible expenses in 2016 consist mainly of the provision for settlement amount proposed by US and Dutch authorities. The reversal of part of the provision is treated as a tax exempt income 2017. In addition tax-exempt income 2017 and 2016 consisted primarily of dividends from subsidiaries.

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Parent company financial statements

SEK in millions	2017				
	Opening balance	Recognized in Income Statement	Recognized in Other Comprehensive income	Recognized in equity	Closing balance
Gross deferred tax assets					
Non-current assets	2	0	–	0	2
Provisions	99	-1	–	37	134
Subtotal	101	-2	–	37	136
Offset deferred tax liabilities/assets	-101	2	–	-5	-105
Total deferred tax assets	–	–	–	32	32
Deferred tax liabilities					
Fair value adjustments, cash flow hedges and assets available-for-sale	137	–	-32	–	105
Subtotal	137	–	-32	–	105
Offset deferred tax assets/liabilities	-101	2	-5	–	-105
Total deferred tax liabilities	36	2	-37	–	–
Net deferred tax assets (+)/liabilities (-)	-36	-2	37	–	–

SEK in millions	2016				
	Opening balance	Recognized in Income Statement	Recognized in Other Comprehensive income	Recognized in equity	Closing balance
Gross deferred tax assets					
Non-current assets	2	0	–	–	2
Delayed expenses for provisions	153	-54	–	–	99
Subtotal	155	-54	–	–	101
Offset deferred tax liabilities/assets	-155	54	–	–	-101
Total deferred tax assets	–	–	–	–	–
Deferred tax liabilities					
Fair value adjustments, cash flow hedges and assets available-for-sale	165	–	-28	–	137
Subtotal	165	–	-28	–	137
Offset deferred tax assets/liabilities	-155	54	–	–	-101
Total deferred tax liabilities	10	54	-28	–	36
Net deferred tax assets (+)/liabilities (-)	-10	-54	28	–	-36

In 2017 and 2016, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. As of December 31, 2017, the unrecognized deferred tax liability in untaxed reserves amounted to SEK 1,766 million (1,933).

Untaxed reserves and appropriations

As of December 31, 2017 and 2016, untaxed reserves in the balance sheet consisted of profit equalization reserves totaling SEK 8,029 million and SEK 8,786 million, respectively.

SEK in millions	Jan–Dec 2017	Jan–Dec 2016
Change in profit equalization reserves	757	3,880
Group contributions received	6,711	8,297
Group contributions paid	-468	-609
Net effect on income	7,000	11,568

P7 OTHER COMPREHENSIVE INCOME

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan-Dec 2017	Jan-Dec 2016
Cash flow hedges			
Net changes in fair value	Fair value reserve	-180	214
Transferred to finance costs in net income	Fair value reserve	33	-343
Income tax effect	Fair value reserve	32	28
Total cash flow hedges		-115	-100
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	729	134
Transferred to finance costs in net income	Fair value reserve	-	0
Tax effect	Fair value reserve	2	-29
Total available-for-sale financial instruments		731	105
Total other comprehensive income		615	5
<i>of which total income tax effects (see also Note P6)</i>		<i>34</i>	<i>-1</i>

P8 INTANGIBLE ASSETS

The total carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Accumulated cost	39	68
Accumulated amortization	-30	-57
Carrying value	9	11
<i>of which work in progress</i>	<i>2</i>	<i>7</i>
Carrying value, opening balance	11	7
Investments	0	7
Disposals	-	0
Amortization for the year	-3	-3
Carrying value, closing balance	9	11

No general changes of useful lives were made during the year. For useful lives applied, see Notes to consolidated financial statements (corresponding section in Note C2). In the income statement, amortization and impairment losses are, if applicable, included in all expense line items by

function as well as in line item Other operating expenses. Accelerated amortization, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations, see this section in Note P6.

The carrying value of intangible assets was distributed as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Capitalized development expenses	7	4
Work in progress	2	7
Total carrying value	9	11

P9 PROPERTY, PLANT AND EQUIPMENT

The total carrying value was distributed and changed as follows.

	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
SEK in millions	Plant and machinery		Equipment, tools and installations		Total	
Accumulated cost	6	6	17	17	23	24
Accumulated depreciation	-6	-4	-17	-17	-23	-22
Carrying value	1	2	-	0	1	2
Carrying value, opening balance	2	3	0	0	2	3
Depreciation for the year	-1	-1	0	0	-1	-1
Carrying value, closing balance	1	2	-	0	1	2

No general changes of useful lives were made in 2017. For useful lives applied, see Note C2. In the income statement, depreciation and impairment losses are, if applicable, included in all expense line items by function as well as in line item Other operating expenses. Accelerated depre-

ciation, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations, see this section in Note P6.

P10 OTHER FINANCIAL ASSETS

The total carrying value changed as follows.

	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
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	
Carrying value, opening balance	54	267	1,186	1,077	161,031	161,346	162,273	162,690
New share issues and shareholder contributions	4	–	–	–	122	1,359	126	1,359
Repayment of capital	–	–	-2	-2	-219	-501	-221	-503
Repayment of borrowings and interest	–	–	–	–	–	-3	–	-3
Additions	20	–	1	112	13,578	9,977	13,599	10,089
Disposals	–	-15	–	–	-5,936	-9,309	-5,936	-9,324
Impairment losses	-6	-197	-5	-5	-7,830	-2,623	-7,843	-2,825
Reclassifications to short-term investments	–	0	–	–	-6,184	851	-6,184	851
Changes in fair value	–	0	738	3	–	-65	738	-62
Carrying value, closing balance	72	54	1,917	1,186	154,562	161,031	156,551	162,273

For other financial assets, fair values equal carrying values. Impairment losses were mainly related to Skanova AB in 2017 and 2016. For more information regarding Equity instruments available-for-sale see Note C25. The total carrying values of other financial assets were distributed as follows.

	Carrying value	
SEK in millions	Dec 31, 2017	Dec 31, 2016
Investments in other equity instruments available-for-sale	1,898	1,160
Investments in other equity instruments held-for-trading	19	26
Bonds available-for-sale	12,084	10,185
Interest rate and cross currency interest rate swaps at fair value	2,977	4,453
<i>of which designated as fair value hedges</i>	719	1,039
<i>of which held-for-trading</i>	1,268	2,116
<i>of which designated as cash flow hedges</i>	990	1,298
Derivatives held-for-trading	–	–
Currency swaps and forward exchange contracts held-for-trading	–	–
Subtotal (see Fair value hierarchy levels – Note P19)	16,978	15,823
Loans and receivables at amortized cost	10	54
Subtotal (see Categories – Note P19 and Credit risk – Note P20)	16,989	15,877
Investments in subsidiaries	134,963	139,239
Receivables from subsidiaries	4,528	7,103
Investments in associated companies	72	54
Total other financial assets	156,551	162,273
<i>of which interest-bearing</i>	19,599	21,793
<i>of which non-interest-bearing</i>	136,952	139,294

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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 and section "Credit risk management"

in Note P20, respectively. Conventional commercial terms apply for receivables from subsidiaries.

Investments in subsidiaries are specified below, while corresponding information on associated companies and other equity instruments is presented in Notes C14 and C15.

Subsidiary, Corp. reg. no., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			Dec 31, 2017	Dec 31, 2016
Swedish companies				
Skanova AB,556446-3734,Solna	100	1,000,000	18,531	25,616
Telia Sverige AB,556430-0142,Stockholm	100	3,000,000	4,376	4,376
Telia Nättjänster Norden AB,556459-3076,Stockholm	100	68,512	3,146	3,146
TeliaSonera Mobile Networks AB,556025-7932,Stockholm	100	550,000	663	1,343
Cygate AB,556549-8952,Solna	100	61,000	659	659
Telia Finance AB,556404-6661,Solna	100	45,000	541	481
Telia Carrier AB,556583-2226,Stockholm	100	1,000,000	453	453
Telia Mobile Holding AB,556855-9040,Stockholm	100	50,000	476	476
Zitius Service Delivery AB,556642-8339,Gothenburg	100	2,079,000	353	353
Telia Försäkring AB,516401-8490,Stockholm	100	2,000,000	200	200
Telia Sverige Net Fastigheter AB,556368-4801,Stockholm	100	5,000	169	169
Fält Communications AB,556556-1999,Umeå	100	31,857,538	158	–
C-Sam AB,556628-1498,Gnesta	100	1,000	94	–
Svenska Stadsnät AB,556577-9195,Lund	100	100,000	70	70
Humany AB,556569-7314,Stockholm	100	62,161,368	69	–
SalaNet AB,556612-1686,Sala	100	40,000	43	–
Rätt Internet Kapacitet i Sverige AB,556669-1704,Umeå	100	8,500	31	31
Telia Asset Finance AB,556599-4729,Solna	100	1,000	22	22
TV-Net i Löddeköpinge AB,556419-9908,Löddeköpinge	100	1,000	21	–
Quadracom Networks AB,556606-6055,Gothenburg	100	10,000	9	9
Svenska Stadsnät Transit AB,556333-0934,Täby	100	1,000	8	8
Telia Network Sales AB,556458-0040,Stockholm	100	10,000	7	7
Svenska Stadsnät Perspektiv AB,559028-4153,Stockholm	100	500	4	4
We Care and Repair Nordic AB,556989-3679,Stockholm	100	500	2	2
Växjö Support Center Försäljnings AB,556663-4514,Växjö	100	1,000	1	1
Sergel Kredittjänster AB, 556264-8310, Stockholm	100	5,000	–	8
Sergel Finans AB, 559067-6416, Stockholm	100	50,000	–	0
Other operating, dormant and divested companies			0	0

Subsidiary, Corp. reg. no., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			Dec 31, 2017	Dec 31, 2016
Non-Swedish companies				
Telia Finland Oy,1475607-9,Helsinki	100	1,417,360,515	74,863	74,863
Nebula Top Oy,2546028-1,Helsinki	100	46,921,852	1,117	–
Cygate Oy,0752421-0,Helsinki	100	1,500,000	252	246
Telia Carrier Finland Oy,1649304-9,Helsinki	100	100	98	98
Propentus Oy,1841830-9,Kouvola	100	720	79	–
Bemecon Solutions Oy, 2442892-5, Esbo	100	10,000	–	6
Sergel Oy, 1571416-1, Helsinki	100	267,966,000	–	149
Telia Norge AS,981929055,Oslo	100	30,000	12,786	12,786
Phonero AS,992984856,Kristiansand	100	41,315	2,382	–
Sergel Norge AS, 984272170, Sandefjord	100	227,247	–	143
Telia Carrier Denmark A/S,24210413,Copenhagen	100	1,000	172	172
TeliaSonera Danmark A/S,18530740,Copenhagen	100	14,500	19	19
Argon A/S,36462272,Copenhagen	100	500,000	1	1
Sergel A/S, 35481036, Copenhagen	100	500,000	–	1
Telia Lietuva, AB,121215434,Vilnius	88.2	513,594,774	4,144	4,144
UAB Sergel, 125026242, Vilnius	100	10,850	–	7
SIA Telia Latvija,000305757,Riga	100	353,500	24	29
Telia Carrier Latvia SIA,000325135,Riga	100	108,542	7	13
Latvijas Mobilais Telefons SIA,50003050931,Riga	24.5	200,165	2	2
SIA Sergel, 010318318, Riga	100	3,507	–	4
Telia Eesti AS,10234957,Tallinn	100	137,954,528	5,690	5,686
Telia Carrier Estonia OÜ,12606073,Tallinn	100	1	11	11
Telia Carrier France S.A.S.,B421204793,Paris	100	1,366,667	482	681
Telia Carrier UK Ltd,02796345,London	100	1,010,000	268	268
Telia Carrier Germany GmbH,HRB50081,Frankfurt am Main	100	0	249	249
AO Telia Carrier Russia,1027809197327,Moscow	100	220,807,825	200	200
Telia Carrier U.S. Inc.,541837195,Herndon, VA	100	3,000,100	136	136
Telia Carrier Czech Republic a.s.,26207842,Prague	100	20,000	126	118
Telia Carrier Austria GmbH,FN191783i,Vienna	100	0	118	118
Telia Carrier Netherlands B.V.,34128048,Amsterdam	100	910	59	59
Telia Carrier Switzerland AG,CHE-105.398.242,Zürich	100	1,000	54	54
Telia Frankfurt Property GmbH,HRB98956,Frankfurt am Main	100	0	49	49
Telia Carrier Poland Sp.z.o.o.,KRS0000018616,Warsaw	100	22,500	37	37
Telia Carrier Italy S.p.A.,07893960018,Turin	100	530,211	17	17
Telia Carrier Bulgaria EOOD,175215740,Sofia	100	29,210	14	14
Telia Carrier Hungary Kft,01-09-688192,Budapest	100	0	13	19
Telia Carrier Turkey Telekomunikasyon L.S.,609188,Istanbul	99.5	55,919	8	8
Telia Carrier Ireland Ltd.,347074,Dublin	100	27	6	6
TOV Telia Carrier Ukraine,34716440,Kyiv	100	0	6	6
Telia Carrier Romania S.R.L.,20974985,Bukarest	100	10,001	3	5
Telia Carrier Slovakia s.r.o.,36709913,Bratislava	100	0	3	7
Telia Carrier Belgium S.A.,0469422293,Brussels	100	50,620	3	3
Telia Carrier Canada Inc.,BC0968600,Vancouver, British Columbia	100	100	1	1
Telia Carrier Singapore Pte. Ltd.,200005728N,Singapore	100	1,200,002	1	1
Telia Carrier Croatia d.o.o.,081061252,Zagreb	100	112,500	0	0
TeliaSonera Kazakhstan Holding B.V.,6547289,Rotterdam	100	10	1,355	1,355
TeliaSonera Telekomünikasyon Hizmetleri A.S.,381395,Istanbul	99.0	79,193	10	10
TeliaSonera Assignments B.V.,24300363,Rotterdam	100	1,810,719,000	0	0
Other operating, dormant and divested companies			1	1
Total			134,963	139,239

In 2017, the carrying value of Skanova AB was written down to reflect the operational performance and capital structure. Sergel was during the year disposed to Marginalen Bank. The disposal included two Swedish companies and four non Swedish companies.

For information regarding acquisitions see Note C33 .
Telia Denmark is a branch of Telia Nättjänster Norden AB.

Telia Company's stakes in the networksharing operations in Sweden and Denmark are held through Telia Sverige AB and Telia Mobile Holding AB, respectively. Another 24.5 percent of the shares in Latvijas Mobilais Telefons SIA are owned by a subsidiary. Telia Company has a board majority in Latvijas Mobilais Telefons SIA. TeliaSonera Telekomunikasyon Hizmetleri A.S. is owned by Telia

Finland Oyj which also indirectly controls Fintur Holdings B.V. and TeliaSonera UTA Holding B.V.

Equity participation corresponds to voting rights participation in all companies.

Other operating and dormant companies do not control group assets of significant value. In addition to companies mentioned above, Telia Company AB indirectly controls a number of operating and dormant subsidiaries of subsidiaries.

P11 TRADE AND OTHER RECEIVABLES

The carrying value of trade and other receivables were distributed as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Interest rate and cross currency interest rate swaps designated as fair value hedges	–	301
Currency swaps and forward exchange contracts held for trading	240	942
Subtotal (see Fair value hierarchy levels – Note P19)	240	1,243
Accounts receivable at amortized cost	20	–
Loans and receivables at amortized cost	2	0
Subtotal (see Categories – Note P19 and Credit risk – Note P20)	261	1,243
Receivables from subsidiaries	38,706	33,407
<i>of which cash-pool balances and short-term deposits</i>	<i>31,923</i>	<i>25,234</i>
<i>of which trade and other receivables</i>	<i>6,783</i>	<i>8,173</i>
Other current receivables	200	369
Deferred expenses	32	25
Total trade and other receivables	39,200	35,043
<i>of which interest-bearing</i>	<i>32,106</i>	<i>26,197</i>
<i>of which non-interest-bearing</i>	<i>7,094</i>	<i>8,846</i>

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, 2017	Dec 31, 2016
Geographical area		
Sweden	2	0
Other countries	20	–
Total carrying value	22	0
Customer segment		
Other customers	22	0
Total carrying value	22	0

For more information on financial instruments by category/ fair value hierarchy level and exposed to credit risk, refer to Note P19 and section “Credit risk management” in Note P20, respectively. Conventional commercial terms apply for receivables from subsidiaries.

As of the end of the reporting period, allowance for doubtful and ageing of Accounts receivable, respectively, were as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Accounts receivable invoiced	20	–
Allowance for doubtful accounts receivable	–	–
Total accounts receivable	20	–
Accounts receivable not due	20	–
Accounts receivable past due but not impaired	–	–
<i>of which 30–180 days</i>	<i>–</i>	<i>–</i>
<i>of which more than 180 days</i>	<i>–</i>	<i>–</i>
Total accounts receivable	20	–

As of the end of the reporting period, ageing of Loans and receivables (including receivables from associated companies) were as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Loans and receivables not due	2	–
Total loans and receivables	2	–

There were no bad debt expenses and no recovered accounts receivable in 2017 and in 2016.

P12 SHORT-TERM INVESTMENTS, CASH AND CASH EQUIVALENTS

Short-term investments, cash and cash equivalents were as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Short term investments with maturities longer than 3 months	13,563	5,043
<i>of which bonds available for sale</i>	8,651	4,564
Short-term investments with maturities up to and including 3 months	2,394	8,656
<i>of which bonds available for sale</i>	1,411	3,810
<i>of which bank deposits at amortized cost</i>	982	4,846
Total short-term investments	15,957	13,699
Cash and bank	12,024	3,576
Total (see Categories – Note P19 and Credit risk – Note P20)	27,981	17,275
<i>of which cash and cash equivalents</i>	14,418	12,232

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, 2017, 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 and section "Credit risk management" in Note P20, respectively.

P13 SHAREHOLDERS' EQUITY

Share capital, treasury shares, earnings per share and dividends

See Notes to consolidated financial statements (corresponding sections in Note C19).

At the disposal of the Annual General Meeting (AGM):

	SEK
Retained earnings	56,534,464,757
Net income	14,152,801,703
Total	70,687,266,460

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.30 per share ordinary dividend to the shareholders	9,959,194,996
To be carried forward	60,728,071,464
Total	70,687,266,460

The dividend should be split and distributed into two equal tranches of SEK 1.15 per share each, one in April 2018 and one in October 2018.

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

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

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

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

P14 PROVISIONS FOR PENSIONS AND EMPLOYMENT CONTRACTS

Pension obligations and pension expenses

The vast majority of employees in Telia Company AB are covered by a defined benefit pension plan (the ITP-Tele plan and ITP2 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, 2017	Dec 31, 2016
Opening balance, pension obligations covered by plan assets	1,568	1,569
Opening balance, pension obligations not covered by plan assets	432	436
Opening balance, total pension obligations	2,001	2,005
Current service cost	38	21
Interest cost, paid-up policy indexation	72	125
Benefits paid	-120	-131
Divested operations	0	0
Other changes in valuation of pension obligations	-27	-22
Termination benefits	-	2
Closing balance, pension obligations covered by plan assets	1,547	1,568
Closing balance, pension obligations not covered by plan assets	417	432
Closing balance, total pension obligations	1,964	2,001
<i>of which PRI Pensionsgaranti pensions</i>	<i>1,330</i>	<i>1,343</i>

The fair value of plan assets changed as follows.

SEK in millions, except return	Dec 31, 2017	Dec 31, 2016
Opening balance, plan assets	2,555	2,421
Actual return	135	133
Closing balance, plan assets	2,690	2,555
<i>Actual return on plan assets (%)</i>	<i>5.3</i>	<i>5.5</i>

Provisions for pension obligations were recognized in the balance sheet as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Present value of pension obligations	1,964	2,001
Fair value of plan assets	-2,690	-2,555
Surplus capital in pension fund	1,143	987
Provisions for pension obligations	417	432

Total pension expenses (+)/income (-) were distributed as follows.

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Current service cost	38	21
Interest cost, paid-up policy indexation	72	125
Less interest expenses recognized as financial expenses	-17	-18
Actual return on plan assets	-135	-133
Divested operations, pension obligations	0	0
Other changes in valuation of pension obligations	-27	-22
Termination benefits	-	2
Pension expenses (+)/income (-), defined benefit pension plans	-69	-25
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	82	85
Pension-related social charges and taxes	48	52
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost	-5	-10
Pension expenses (+)/income (-)	125	127
Decrease (-)/Increase (+) of surplus capital in pension fund	156	135
Recognized pension expenses (+)/income (-)	212	237
<i>of which pension premiums paid to the ITP pension plan</i>	<i>5</i>	<i>6</i>

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 2017 (3.0). Obligations were calculated based on the salary levels prevailing at December 31, 2017 and 2016, respectively.

Plan-asset allocation

At the end of the reporting period, plan assets were allocated as follows.

Asset category	Dec 31, 2017		Dec 31, 2016	
	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	1,138	42.3	1,244	48.9
Shares and other investments	1,552	57.7	1,310	51.1
Total	2,690	100.0	2,555	100.0
<i>of which shares in Telia Company AB</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

Future contributions and pension payments

As of December 31, 2017, the fair value of plan assets exceeded the present value of pension obligations. Unless the fair value of plan assets during 2018 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.

SEK in millions	December 31, 2017					Total
	Payroll taxes on future pension payments	Restructuring provisions	Other provisions	Damages and court cases	Insurance provisions	
Opening balance	16	42	10	13,204	23	13,294
<i>of which financial liabilities at amortized cost</i>	–	–	–	–	–	–
Provisions for the period	33	14	26	–	–	73
Utilized provisions	-2	-48	-2	-3,608	-2	-3,661
Reversal of provisions	–	–	–	-6,807	–	-6,807
Exchange rate differences	–	–	–	-1,083	–	-1,083
Discount effect, net	–	–	–	-56	–	-56
Closing balance	48	8	35	1,650	21	1,761
<i>of which non-current portion</i>	48	0	16	1,650	21	1,736
<i>of which current portion</i>	0	8	19	0	0	26

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note P19 for more information on financial instruments classified by category.

Restructuring provisions mainly refer to staff redundancy costs related to cost saving programs. The remaining provision as of December 31, 2017, is expected to be fully utilized in 2018-2019. Provisions for damages and court cases comprises of the provision for settlement amount with the US and Dutch authorities. For more information see Note C34. Full utilization of payroll taxes on future pen-

sion payments, damages and court cases, and insurance provisions is expected in the period 2018-2025.

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 Note C20.

Borrowings

Long-term and short-term borrowings were distributed as follows.

SEK in millions	Dec 31, 2017		Dec 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	44,918	54,965	37,189	46,135
Interest rate swaps at fair value	276	276	37	37
<i>of which designated as hedging instruments</i>	276	276	18	18
<i>of which held-for-trading</i>	–	–	18	18
Cross currency interest rate swaps at fair value	1,990	1,990	2,648	2,648
<i>of which hedging net investments</i>	1,417	1,417	1,778	1,778
<i>of which designated as hedging instruments</i>	381	381	549	549
<i>of which held-for-trading</i>	192	192	320	320
Subtotal (see Fair value hierarchy levels – Note P19)	47,184	57,231	39,873	48,819
Open-market financing program borrowings at amortized cost	38,254	43,268	41,334	45,209
Subtotal (see Categories – Note P19)	85,437	100,499	81,207	94,028
Borrowings from subsidiaries	–	–	–	–
<i>of which other borrowings</i>	–	–	–	–
Total long-term borrowings	85,437		81,207	
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	729	735	7,486	7,551
Interest rate swaps designated as held-for trading	4	4	3	3
Cross currency interest rate swaps designated as hedging instrument	106	106	–	–
Cross currency interest rate swaps as held-for trading	93	93	191	191
Subtotal (see Fair value hierarchy levels – Note P19)	932	937	7,679	7,744
Open-market financing program borrowings at amortized cost	1,460	1,462	2,258	2,265
<i>of which hedging net investments</i>	983	984	–	–
<i>of which at amortized cost</i>	477	477	2,258	2,265
Repurchase agreement liabilities	664	664	559	559
Other borrowings at amortized cost	–	–	–	–
Subtotal (see Categories – Note P19)	3,056	3,063	10,496	10,567
Borrowings from subsidiaries	37,793		19,146	
<i>of which cash pool balances</i>	36,718		9,229	
<i>of which other borrowings</i>	1,074		9,917	
Total short-term borrowings	40,849		29,642	

As of December 31, 2017, fully unutilized bank overdraft facilities had a total limit of SEK 1,246 million (1,342).

For additional information on financial instruments classified by category/fair value hierarchy level, refer to Note P19, and for information on maturities and liquidity risks, refer

to section "Liquidity risk management" in Note P20. Refer to 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, 2017	Dec 31, 2016
Liabilities to subsidiaries	–	0
Other liabilities	13	9
Total long-term liabilities	13	9

For the years 2017 and 2016, 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, 2017	Dec 31, 2016
Currency swaps, forward exchange contracts and currency options held-for-trading	225	694
Subtotal (see Fair value hierarchy levels – Note P19)	225	694
Accounts payable at amortized cost	82	86
Current liabilities at amortized cost	89	7
Subtotal (see Categories – Note P19)	396	788
Liabilities to subsidiaries	731	497
Other current liabilities	140	13,450
Total short-term provisions, trade payables and other current liabilities	1,267	14,735

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. Other current liabilities 2016 mainly comprised of the provision for settlement amount proposed by the US and Dutch authorities at that point in time. 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 and section “Liquidity risk management” in Note P20. As of December 31, 2017, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2018	Apr–Jun 2018	Jul–Sep 2018	Oct–Dec 2018	Total
Liabilities at amortized cost	171	0	0	0	171

Corresponding information for currency derivatives held-for-trading is presented in section “Liquidity risk management” to Note P20.

Conventional commercial terms apply for trading with subsidiaries.

P19 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND LEVEL

Categories

Carrying values of classes of financial assets and liabilities were distributed by category as follows. Financial assets and liabilities relating to subsidiaries are not included.

Excluded are also investments in associated companies and joint ventures as discussed in Note P10 and pension obligations as discussed in Note P14.

SEK in millions	Note	Dec 31, 2017	Dec 31, 2016
Financial assets			
Derivatives designated as hedging instruments	P10, P11	1,708	2,637
Financial assets at fair value through profit and loss		1,527	3,084
<i>Derivatives not designated as hedging instruments</i>	<i>P10, P11</i>	<i>1,508</i>	<i>3,058</i>
<i>Held-for-trading investments</i>	<i>P10</i>	<i>19</i>	<i>26</i>
Long- and short-term bonds available-for-sale	P10, P12	22,146	18,560
Loans and receivables	P10, P11, P12	43,466	40,933
Available-for-sale financial assets	P10, P12	1,898	1,160
Total financial assets by category		70,745	66,374
Financial liabilities			
Derivatives designated as hedging instruments	P16	2,180	2,346
Derivatives not designated as hedging instruments	P16, P18	514	1,226
Financial liabilities measured at amortized cost	P16, P18	124,720	108,562
Total financial liabilities by category		127,414	112,133

Fair value hierarchy levels

The carrying values of classes of financial assets and liabilities were distributed by fair value hierarchy level as follows.

SEK in millions	Note	December 31, 2017				December 31, 2016			
		Fair value	of which			Fair value	of which		
			Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial assets at fair value									
Equity instruments available-for-sale	P10	1,898	–	–	1,898	1,160	–	–	1,160
Equity instruments held-for-trading	P10	19	–	–	19	26	–	–	26
Long- and short-term bonds available-for-sale	P10, P12	22,148	17,438	4,709	–	18,560	11,907	6,653	–
Derivatives designated as hedging instruments	P10, P11	1,709	–	1,709	–	2,637	–	2,637	–
Derivatives held-for-trading	P10, P11	1,508	–	1,508	–	3,058	–	3,058	–
Total financial assets at fair value by level		27,282	17,438	7,926	1,917	25,442	11,907	12,348	1,186
Financial liabilities at fair value									
Derivatives designated as hedging instruments	P16	2,180	–	2,180	–	2,346	–	2,346	–
Derivatives held-for-trading	P16, P18	514	–	514	–	1,226	–	1,226	–
Total financial liabilities at fair value by level		2,693	–	2,693	–	3,572	–	3,572	–

Comparative figures for Long- and short-term bonds available-for-sale have been adjusted with SEK 6,653 million from Level 1 to Level 2.

There were no transfers between Level 1, 2 or 3 in 2017 and 2016.

Level 3 financial assets changed as follows.

SEK in millions	December 31, 2017				December 31, 2016			
	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	1,160	26	–	1,186	1,052	25	65	1,142
Changes in fair value	738	-7	–	731	-4	–	–	-4
of which recognized in net income	–	-7	–	-7	-4	–	–	-4
of which recognized in other comprehensive income	738	–	–	738	–	–	–	–
Purchases/capital contributions	–	–	–	–	48	1	–	49
Exercise of warrants	–	–	–	–	65	–	-65	0
Level 3, closing balance	1,897	19	–	1,917	1,160	26	0	1,186

The change in fair value of SEK 738 million in 2017 for equity instruments available-for-sale relates to a revaluation of Telia Company's holding in Spotify. The investment in Spotify was remeasured in the third and fourth quarter of 2017 based on the share price in the most recent transactions made for Spotify during September and December 2017, respectively. Changes in fair value recognized in net income are included in line item Financial income and expenses. For more information see Note P5 and Note C25.

P20 FINANCIAL RISK MANAGEMENT

Principles, capital management and management of financial risks

For information relevant to Telia Company AB, see Notes to consolidated financial statements (Note C26).

ments 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.

Credit risk management

Telia Company's exposure to credit risk arises from default of counterparties (including price risks as regards invest-

SEK in millions	Note	Dec 31, 2017	Dec 31, 2016
Other financial assets excluding investments and receivables on subsidiaries and associated companies and investments in other equity instruments	P10	15,072	14,692
Trade and other receivables	P11	262	1,244
Short-term investments, cash and cash equivalents	P12	27,981	17,275
Total		43,315	33,211

For information on credit risk management relevant to Telia Company AB, see 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 Note C26.

As of December 31, 2017, 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 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	2019	2020	2021	2022	Later years	Total
Utilized 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	23,829	3,039	1,995	430	–	–	–	–	–	29,293
Receivables	-23,658	-3,154	-2,002	-426	–	–	–	–	–	-29,240
Currency swaps and forward exchange contracts										
Payables	2,713	211	1,022	12,692	–	11,863	8,339	3,328	82,057	122,225
Receivables	-2,864	-248	-838	-13,119	–	-12,397	-8,300	-3,283	-84,304	-125,353
Total, net	9,184	90	528	1,369	4,453	10,733	10,552	11,534	56,841	105,285

Expected maturities for and additional information on non-interest-bearing liabilities, guarantees and other contractual obligations are presented in Notes P15, P18 and P23, respectively.

P21 OPERATING LEASE AGREEMENTS

Telia Company 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, 2017, that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	2019	2020	2021	2022	Later years	Total
Future minimum leasing fees	9	9	9	9	35	34	22	–	–	127

In 2017 total rent and leasing fees paid were SEK 39 million (43).

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 2017 sales to subsidiaries totaled SEK 406 million (467), while purchases from subsidiaries totaled SEK 27 million and (122).

Commitments on behalf of related parties

Telia Company AB has made certain commitments on behalf of group companies and joint ventures. See Note P23 for further details.

Other transactions

For descriptions of certain other transactions with related parties, see Note C28.

P23 CONTINGENCIES, OTHER CONTRACTUAL OBLIGATIONS AND LITIGATION

Contingent assets and financial guarantees

As of the end of the reporting period, Telia Company AB had no contingent assets, while financial guarantees reported as contingent liabilities were distributed as follows.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Guarantees on behalf of subsidiaries	10,762	11,752
Guarantees for pension obligations	38	39
Guarantees for pension obligations on behalf of former subsidiaries	67	–
Total financial guarantees	10,867	11,791

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 8,183 million to TeliaSonera UTA Holding B.V. and Sonera Holding B.V. to support the companies financially if they can not meet their payment obligations until March

2018. The guarantee was necessary for the companies to distribute dividends within the Group. Guarantees on behalf of subsidiaries also include SEK 509 million related to Swedish pension obligations and SEK 1,678 million related to vendor financing. In addition to financial guarantees indicated above, guarantees for 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, 2017	Dec 31, 2016
<i>Investment bonds pledged under repurchase agreements</i>	664	559
Total collateral pledged	664	559

Other unrecognized contractual obligations

As of December 31, 2017, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2018	Apr–Jun 2018	Jul–Sep 2018	Oct–Dec 2018	2019	2020	2021	2022	Later years	Total
Other holdings	1	1	1	1	2	–	–	–	–	5
Total (see Liquidity risk – Note P20)	1	1	1	1	2	–	–	–	–	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 Note C29.

P24 CASH FLOW INFORMATION

Non-cash transactions

No non-cash transactions were performed during 2017 or 2016.

Liabilities and cash flows arising from financing activities

SEK in millions	Dec 31, 2016	Cash flows	Non-cash changes			Dec 31, 2017
			Foreign exchange movements	Fair value changes	Other changes ¹	
Long-term borrowings	81,207	4,111	1,113	-772	-221	85,437
Long-term borrowings (excluding borrowings from subsidiaries)	81,207	4,111	1,113	-772	-221	85,437
of which derivatives held to hedge long-term borrowings	2,684	-951	-504	-	1,037	2,266
Short-term borrowings	29,642	-8,852	21	-27	20,065	40,849
Short-term borrowings (excluding borrowings from subsidiaries)	10,496	-8,852	21	-27	1,418	3,056
of which derivatives held to hedge short-term borrowings	193	-52	61	-	-	203
Change in borrowings from subsidiaries	19,146	-	-	-	18,647	37,793
Total liabilities from financing activities	110,849	-4,741	1,133	-799	19,844	126,286

1) Other changes mainly refer to reclassification due to maturity from long to short term.

SEK in millions	Dec 31, 2015	Cash flows	Non-cash changes			Dec 31, 2016
			Foreign exchange movements	Fair value changes	Other changes ¹	
Long-term borrowings	87,896	-5,876	2,488	539	-3,840	81,207
Long-term borrowings (excluding borrowings from subsidiaries)	87,896	-5,876	2,488	539	-3,840	81,207
of which assets held to hedge long-term borrowings	2,316	1,303	-182	-	-753	2,684
Short-term borrowings	37,537	-2,926	644	27	-5,640	29,642
Short-term borrowings (excluding borrowings from subsidiaries)	9,031	-2,926	644	27	3,720	10,496
of which assets held to hedge short-term borrowings	72	107	15	-	-	193
Change in borrowings from subsidiaries	28,506	-	-	-	-9,360	19,146
Total liabilities from financing activities	125,433	-8,802	3,132	566	-9,480	110,849

1) Other changes mainly refer to reclassification due to maturity from long to short term.

P25 HUMAN RESOURCES

The number of employees was 332 at December 31, 2017 (273). The average number of full-time employees was as follows.

Country	Jan-Dec 2017		Jan-Dec 2016	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	262	50	286	51
Total	262	50	286	51

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 8 other members (10) of Group Executive Management employed by the parent company.

Percent	Dec 31, 2017		Dec 31, 2016	
	Board of Directors	Other Corporate Officers	Board of Directors	Other Corporate Officers
Women	41.7	44.4	45.5	33.3
Men	58.3	55.6	54.5	66.7
Total	100.0	100.0	100.0	100.0

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Total personnel expenses were distributed by nature as follows.

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Salaries and other remuneration	405	418
of which performance share programs	10	8
Social security expenses		
Employer's social security contributions	122	131
of which performance share programs	3	3
Pension expenses	213	237
Total social security expenses	335	368
Other personnel expenses	36	32
Total personnel expenses recognized by nature	777	818

Salaries and other remuneration were divided between Corporate Officers and other employees as follows.

SEK in millions	Jan-Dec 2017		Jan-Dec 2016	
	Corporate Officers (of which variable pay)	Other employees	Corporate Officers (of which variable pay)	Other employees
Salaries and other remuneration	65 (-)	340	67 (-)	351

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 8 other members (9) 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,	
	2017	2016
Pension expenses	21	20
Outstanding pension commitments	167	171

For additional information, see sections "Performance share programs" and "Remuneration to corporate officers" in Note C31.

P26 REMUNERATION TO AUDIT FIRMS

Remuneration to audit firms was as follows. See additional information in Note C32.

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Remuneration		
Deloitte		
Audit	8	9
Audit-related services	0	0
Tax services	0	-
All other services	14	6
Total	22	15

GRI INDEX

The 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 engagement. In the case of a disclosure not being fully reported, the omission is explained at the end of the disclosure.

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 "Created value", "Responsible business achievements", "Trends and stakeholders" and "Strategy" and Directors' Report, section "Risks and uncertainties."

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

Solna, 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, sections "2017 in brief" and "Where we operate."

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

76 (79) percent of employees were covered by collective bargaining agreements. In the following countries the percentage is zero: Azerbaijan, Czech Republic, Georgia, Hong Kong, Hungary, Kazakhstan, Netherlands, Poland, Russia, Singapore, Spain, Turkey, United Kingdom and United States.

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

Telia Company purchases goods and services from both local and international suppliers. These include consumer electronics such as mobile handsets, network equipment, construction and maintenance services, and various con-

sulting services. Our products and services are sold and distributed through our own sales channels and through resellers and partners. See also Directors' Report, sections "Responsible sourcing" and "Risk and uncertainties", Responsible sourcing for more information about regional and topical challenges.

G4-13 Significant changes during the reporting period regarding size, structure, ownership or supply chain

See Directors' Report, section "Group development", Acquisitions and disposals.

G4-14 How the precautionary principle is approached

For Telia Company the precautionary principle relates mainly to product safety and electromagnetic fields (EMF). 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 Corporate Governance, section "Statement of Materiality and significant audiences."

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, sections "Trends and stakeholders" and "Strategy."

G4-19 Material aspects identified in the process for defining report content

See Our company, section "Trends and stakeholders" for an understanding of material topics and processes that define our sustainability work and report content, and "Strategy" for information about our focus areas in shared value creation and responsible business. For reporting purposes, the following aspects are considered material and are reported on in this GRI index: Economic performance; Indirect economic impact; Energy; Emissions; Effluents and waste; Supplier assessment; Occupational health and safety; Training and education; Grievance mechanisms; Investment; Non-discrimination; Freedom of association and collective bargaining; Child labor; Forced and compulsory labor; Local communities; Anti-corruption; Anti-competitive behavior; Compliance; Product and service labeling; Customer privacy; Health and safety regarding electromagnetic fields (EMF); Access to telecommunication products and services; Access to content.

G4-20 Aspect boundary within the organization for each material aspect

Material aspects are considered as material for the entire organization.

G4-21 Aspect boundary outside the organization for each material aspect

Material aspects are considered as material for all external stakeholder groups.

G4-22 Effect of any restatements of information provided in previous reports, and the reasons for such restatements

No significant restatements.

G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries

Data provided in this GRI index has been restructured to reflect other reporting, and is generally presented as Continuing operations Nordic and Baltic markets and Telia Carrier unless otherwise specified and Discontinued operations (former region Eurasia). The reference to Core markets

in this GRI index and in the Directors' Report, section "Responsible business" refers to operations in Denmark, Estonia, Finland, Lithuania, Norway and Sweden.

Operations covered in this GRI index are defined in Our company, section "Where we operate", the table Ownership – Subsidiaries. Joint ventures are included based on ownership share. The following exceptions to this reporting scope apply:

- Information from Yoigo in Spain and Ncell in Nepal which were divested in 2016 is included only in 2015 information
- Information from Tcell in Tajikistan which was divested in 2017 is included only in reported energy, emissions and occupational health and safety figures for 2015 and 2016

STAKEHOLDER ENGAGEMENT

G4-24-27 Stakeholder engagement

See Our Company, section "Trends and stakeholders" and Corporate Governance, section "Statement of materiality and significant audiences." We select and engage with stakeholders from key stakeholder groups in a way that we believe provides critical information to guide our strategy and how we operate in society. We engage in both quantitative and qualitative stakeholder engagement. Stakeholders are generally selected for engagement either because we believe that they represent the opinions of a stakeholder group as a whole (e.g. respondents of consumer surveys), or because we consider them influential or critical in order to better understand our impact (e.g. industry associations).

REPORT PROFILE

G4-28 Reporting period

Calendar year 2017.

G4-29 Date of most recent previous report

March 2017.

G4-30 Reporting cycle

Annual. We regularly publish sustainability related information on the Newsroom and other relevant reporting such as law enforcement disclosure statistics. See www.teliacompany.com/en/sustainability/reporting/.

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 "Board of Directors", Responsibilities and "Group-wide governance framework", Setting the boundaries for how we act.

ETHICS AND INTEGRITY

G4-56 Values, principles, standards and norms of behavior such as codes of conduct and codes of ethics

See Corporate Governance, sections "Statement of materiality and significant audiences" and "Group-wide governance framework", Setting the boundaries for how we act.

G4-58 Internal and external mechanisms for reporting concerns about unethical or unlawful behavior

See Corporate Governance, section "Enterprise risk management (ERM) framework", Whistle-blowing process.

DISCLOSURE ON MANAGEMENT APPROACH

For an understanding of how material aspects have been identified, see Our Company, section "Trends and stakeholders." For more information about sustainability governance, see G4-34-39 and the respective focus area in Directors' Report, Responsible business. The Code of Responsible Business Conduct and other governing documents can be found at www.teliacompany.com/en/about-the-company/public-policy/. Evaluation of the management approach of material aspects is the responsibility of the owner or function responsible for the specific material aspect, and is carried out mainly through internal reporting and assessment, including to Group Executive Manage-

ment 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 2017, 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

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 our key stakeholder groups. For more information, see Our Company, section "Created 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 internationally accepted principles. We promote the importance of transparency and fair, ethical tax practices.

The table below lays out corporate income tax payments by country.

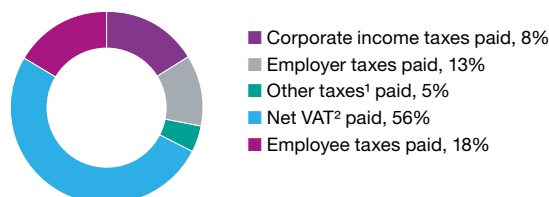
Income taxes paid SEK in millions	2017	2016	2015
Denmark	-2	0	0
Estonia	-	123	91
Finland	31	0	0
Latvia	30	27	23
Lithuania	28	38	37
Norway	27	12	264
Russia	41	90	82
Sweden	421	1,773	220
Turkey	138	4	438
Other countries ¹	-4	11	68
Total, continuing operations	710	2,078	1,223
Azerbaijan	515	416	410
Georgia	0	-10	0
Kazakhstan	114	268	685
Moldova	-	-	-
Nepal ¹	-	453	661
Tajikistan ²	25	73	136
Uzbekistan	-	0	6
Other countries	60	97	45
Total, discontinued operations	714	1,297	1,943
Total	1,424	3,375	3,166

1) Operations in Nepal were divested in 2016

2) Operations in Tajikistan were divested in 2017.

In addition to corporate income tax payments, Telia Company generates billions of SEK in other tax payments throughout our footprint. The total tax contribution, including both taxes borne and taxes collected, amounted to SEK 18 billion in 2017. This includes both continued and discontinued operations, the first accounting for 85 percent of the total tax contribution. The chart below shows the total tax contribution by tax category.

TOTAL TAX CONTRIBUTION



1) Other taxes includes e.g. environmental taxes, property taxes and telecommunication taxes. Other taxes paid, or Total tax contribution as such, does not include customs duties and licenses.

2) If a Telia Company entity was in a recovery position regarding VAT, this has reduced the total amount of net VAT paid. The net VAT paid, or the total tax contribution as such, does not capture our irrecoverable VAT.

G4-EC2 Financial implications and other risks and opportunities due to climate change

See our Carbon Disclosure Project Climate Change Response at www.cdp.net.

Indirect economic impacts

G4-EC8 Significant indirect economic impacts

See G4-EC1 and Our Company, section "Value created."

Omission: we are unable to completely quantify or report on our indirect economic impacts.

ENVIRONMENT

Energy

See G4-23 for more information about scope. All scope 1 energy except solar energy is non-renewable. Part of scope 2 energy is renewable, see Directors' Report, section "Environmental responsibility" for more information. Leased assets are generally considered scope 1 and scope 2.

G4-EN3 Energy consumption within the organization

Direct energy consumption, GWh	2017	2016	2015
Continuing operations	29	30	31
Discontinued operations	79	104	161
Direct energy consumption, total	108	134	192

The Discontinued operations figure includes 1 GWh renewable energy generated by solar powered base stations in

Ucell in Uzbekistan. Direct energy consumption consists mainly of diesel and gasoline for back-up generators and for company cars. The comparatively large figure for Discontinued operations reflects the need for back-up generator power where or when access to grid electricity is limited or unavailable.

Indirect energy consumption, GWh	2017	2016	2015
Continuing operations	1,063	1,037	1,114
Discontinued operations	375	401	419
Indirect energy consumption, total	1,438	1,438	1,533

The major share of indirect energy (electricity, district heating and district cooling) is consumed by 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 Directors' Report, section "Environmental responsibility."

G4-EN6 Reduction of energy consumption

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 40 GWh in continuing operations.

Emissions

See G4-23 and Energy for more information about scope. IEA, Defra and Nord Pool residual mix emission factors have been used as a basis for calculating greenhouse gas (GHG) emissions. For scope 2 emissions, the following applies:

- Emissions from electricity consumption in the Nordics and Baltics have been calculated using market based emission factors.
- All other emissions have been calculated using location based emission factors.

Emissions are reported as CO₂e as we estimate that the difference between CO₂ and CO₂e is negligible.

G4-EN15-16 Direct and indirect greenhouse gas emissions (scope 1 and scope 2)

Greenhouse gas emissions, ktons CO ₂ e	2017	2016	2015
Direct emissions (scope 1)			
Continuing operations	7	8	8
Discontinued operations	19	25	40
Direct emissions, total	26	33	48
Indirect emissions (scope 2)			
Continuing operations	75	78	122
Discontinued operations	168	176	167
Indirect emissions, total	243	254	289
Direct and indirect emissions, total	269	287	337

G4-EN17 Other indirect greenhouse gas emissions (scope 3)

Greenhouse gas emissions, ktons CO ₂ e	2017	2016	2015
Continuing operations	6	7	9
Discontinued operations	3	2	3
Other indirect emissions from business travel, total	9	9	12

A significant share of the total emissions generated in our value chain is generated at suppliers' operations. Correctly calculating these emissions across all markets is challenging as data is often lacking or of low quality. Therefore we only report business travel emissions.

G4-EN18 Greenhouse gas emissions intensity

See Directors' Report, section "Environmental responsibility."

G4-EN19 Reduction of greenhouse gas emissions

See Directors' Report, section "Environmental responsibility."

Effluents and waste

G4-EN23 Total weight of waste by type and disposal method

Dismantled telephone poles, ktons	2017	2016	2015
Sweden	7	5	6
Finland	1	1	4
Total	8	6	10

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 considered hazardous waste and are mainly dismantled as part of the technology shift from fixed to mobile networks.

In addition, approximately 600 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. See also Directors' Report, section "Environmental responsibility."

Omission: we are aware of the reporting gaps and continuously review how we can improve waste reporting.

Supplier environmental assessment

G4-EN32 Percentage of new suppliers screened using environmental criteria

See Directors' Report, section "Responsible sourcing."

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 Directors' Report, section "Occupational health and safety."

LTIF and SAR	2017		2016	
	LTIF ¹	SAR ² (%)	LTIF	SAR (%)
Continuing operations	0.36	2.5	0.42	2.6
Discontinued operations	0.00	1.5	0.10	1.5
Total	0.30	2.4	0.36	2.4

- 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).

16 lost-time injuries were reported. Most injuries occurred at the regular workplace (e.g. in offices or shops) or in traffic. There have been no fatal accidents involving Telia Company employees reported during 2015-2017.

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 Directors' Report, Responsible business, sections "Responsible sourcing" and "Occupational health and safety."

Training and education

G4-LA11 Percentage of employees receiving regular performance and career development reviews

See Directors' Report, section "People", YouFirst.

Supplier assessment for labor practices

G4-LA14 Percentage of new suppliers screened using labor practices criteria

See Directors' Report, section "Responsible sourcing."

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", Whistle-blowing process.

HUMAN RIGHTS

Investment

G4-HR1 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

Significant investment agreements did not include human rights clauses.

G4-HR2 Employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations

Training related to human rights was mainly carried out within anti-bribery and corruption and children's rights. See Directors' Report, sections "Anti-bribery and corruption" and "Children's rights" for more information.

Omission: we do not track the amount of hours spent on training.

Non-discrimination

G4-HR3 Total number of incidents of discrimination and actions taken

17 cases of harassment or discrimination were handled by the Special Investigations Office. None of these resulted in dismissal.

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, sections "Responsible sourcing" and "Risks and uncertainties", Responsible sourcing, "UK Modern Slavery Act statement" and G4-12. We generally consider these risks 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 Directors' Report, section "Responsible sourcing."

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", Whistle-blowing process.

SOCIETY

Local communities

G4-SO1 Local community engagement

See Directors' Report, section "People" for more information about the Yoonite employee volunteering program.

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 Directors' Report, sections "Anti-bribery and corruption" and "Risks and uncertainties", Corruption and unethical business practices.

G4-SO4 Communication and training on anti-corruption policies and procedures

See Directors' Report, sections "Anti-bribery and corruption" and "Responsible sourcing."

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 Directors' Report, section "Anti-bribery and corruption," Corporate Governance, section "Enterprise risk management (ERM) framework", Whistle-blowing process 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

See Note C29 to the consolidated financial statements.

Compliance

G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

See Note C29 to the consolidated financial statements.

PRODUCT RESPONSIBILITY

Product and service labeling

G4-PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

See Directors' Report, section "Our customers", Net Promoter Score.

Omission: Due to changes in how NPS is designed we cannot present comparable figures.

Customer privacy

G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

During 2017 we significantly improved the structure of working with data breaches and losses of customer data as well as improved the training for relevant teams. We were able to confirm 105 cases in core markets. This is an increase since 2016 but we believe that the number of unreported cases is considerably reduced. Most cases related to human and system errors or failures which caused customer data to be viable 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 inaccuracies.

Read more about our work with customer privacy in Directors' Report, section "Customer privacy."

Omission: We are unable to provide reliable statistics for Discontinued operations.

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 available at www.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 Directors' Report, section "People" for more information about the Younite employee volunteering program.

PA6 Programs to provide and maintain telecommunication products and services in emergency situations and disaster relief

While we do not have such programs, we are prepared to assist in rescue work and disaster relief following major emergencies and disasters.

Access to content

PA7 Policies and practices to manage human rights issues relating to access and use of telecommunications products and services

See Directors' Report, sections "Freedom of expression and surveillance privacy" and "Human rights."

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 7, 2018

Marie Ehrling
Chair of the Board

Olli-Pekka Kallasvuo
Vice-Chair of the Board

Agneta Ahlström
Board member,
employee representative

Susanna Campbell
Board member

Stefan Calsson
Board member,
employee representative

Mikko Kosonen
Board member

Nina Linander
Board member

Martin Lorentzon
Board member

Anna Settmann
Board member

Olaf Swantee
Board member

Peter Wiklund
Board member,
employee representative

Johan Dannelind
President and CEO

Our auditors' report was rendered on March 7, 2018

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 2017-01-01 – 2017-12-31 except for the corporate governance statement on pages 74–91 and the statutory sustainability report on pages 13–14, 17–18, 49–65 and 203–210. The annual accounts and consolidated accounts of the company are included on pages 25–202 and 211 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 2017 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 2017 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 74–91 or the statutory sustainability report on pages 13–14, 17–18, 49–65 and 203–210. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statements of comprehensive income and statements of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of

our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our 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

Telia Company's revenues comprise several different revenue streams such as traffic charges, subscription fees, installation fees, services and equipment sales. Telia Company may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets.

We focused on this area since the application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates. In addition there is an inherent risk around the accuracy of revenue recorded given the complexity of revenue systems and data applications.

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;
- audit of revenue recognition policies with respect to significant services, products and tariff plans to determine appropriate revenue recognition;
- analytical and detailed audit procedures for a selection of recognized revenue;
- evaluating the adequacy of disclosures related to the various revenue streams; and
- evaluating impacts from and adequacy of disclosures regarding new accounting standard IFRS 15 effective on January 1, 2018.

For further information, please refer to the Group's accounting principles in note C3 on pages 104–113, the

key management judgements made in note C2 on pages 100–103 and the disclosures for Net Sales in note C6 on page 117 and information of Net Sales in discontinued operations in note C34 on page 168. For information about the impact that the initial application of IFRS 15 will have on the consolidated financial statements in the period of initial application, refer to note C1 on page 97.

Carrying value of goodwill and other intangible assets

Risk description

Telia Company's carrying values of goodwill and other intangible assets represent a significant part of Telia Company's total assets. Telia Company is required to test such assets for impairment annually or whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. The determination of recoverable amount, being the higher of fair value less costs of disposal and value in use, requires judgement on the part of management in both identifying and then valuing the relevant cash generating units. Recoverable amounts are based on management's view of variables such as future average revenue per user, average customer numbers and customer churn, timing and approval of future capital, spectrum and operating expenditure and the most appropriate discount rate. 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 goodwill and intangible assets as the carrying value of such assets is material and the tests are sensitive to changes in assumptions.

Audit procedures

Our audit procedures included, but were not limited to:

- evaluating the appropriateness of management's identification of the Group's cash generating units and test the design of controls over the impairment assessment process, including indicators of impairment;
- together with internal specialists independently calculate appropriate pre-tax discount rates by making reference to market data and to verify the long-term growth rate used by management to observable market data as well as challenge other key assumptions in management's valuation models used to determine recoverable amount, including assumptions of projected EBITDA, capital expenditure, licenses and spectrum payments; and
- 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 104–113, the key management judgements made for valuation in note C2 on page 100–103 and the information on goodwill and other intangible assets in note C12.

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, 2017. 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 divested the capital gain or loss calculations can be complex and also include significant management judgements relating to provisions for indemnities.

We focused on this area since classification and measurement of assets held for sale require significant judgements and estimates by management and the amounts have a significant impact on the financial position of Telia Company.

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;
- challenging management on whether the requirements under IFRS 5 for the former segment region Eurasia to be classified as held for sale and discontinued operations were met;
- review and evaluation of the Board of Directors' and management's process to determine fair value less costs of disposal; and
- verifying the accuracy of management's calculation of the impairment charge including adequacy of disclosures.

For further information, please refer to the Group's accounting principles in note C3 on pages 104–113, the key management judgements made for classification and valuation of assets held for sale in note C2 on page 100–103 and the information on assets held for sale and discontinued operations in note C34 on page 168–173.

Settlement with US and Dutch authorities

Risk description

As described on pages 72–73 in the annual accounts, 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 US and the Dutch authorities for financial sanctions amounting to a total of approximately USD 1.45 billion (SEK 12.5 billion at that point in time). Without certainty as to the timing and amount that would be paid at the time of a final resolution, Telia Company recorded a USD 1.45 billion provision (SEK 13.2 billion per December 31, 2016). As per March 31, 2017, a final resolution had not yet been reached, but in light of recent developments to that date in those discussions, the estimate of the most likely outcome was revised and the provision was adjusted to USD 1.0 billion (SEK 8.9 billion at that point in time). As per June 30, 2017, the provision

remained unchanged at USD 1.0 billion corresponding to SEK 8.5 billion, where the change in the amount in SEK was related to changed foreign exchange rate. On September 21, 2017, Telia Company reached a global settlement with the US and Dutch authorities regarding the Uzbekistan investigations. As part of the settlement, Telia Company agreed to pay fines and disgorgements in an aggregate amount of USD 965 million, whereof USD 757 million (SEK 6,129 million) were paid during the third quarter. The remaining part, USD 208 million (SEK 1,698 million) is related to the SEC disgorgement amount potentially offset against any disgorgement obtained by the Swedish Prosecutor or Dutch authorities. This amount is discounted and classified as a long-term provision in the consolidated statements of financial position.

We focused on this area because assessing the recorded provision during 2017 required significant judgements and estimates to be made by management and the global settlement reached with authorities has a significant impact on the financial position of Telia Company.

Audit procedures

Our audit procedures included, but were not limited to:

- review of signed agreements with the authorities obtaining an understanding of the settlement including any post settlement obligations;
- inquiry of and discussions with Telia Company group general counsel and group ethics & compliance function as well as external legal counsel about circumstances and considerations to be made in order to assess the settlement; and
- evaluating the classification and measurement of fines paid and recognized provision as well as the adequacy of disclosures.

For further information, please refer to the Risks and uncertainties section in the Board of Directors' report on pages 72-73 and the information in note C34 on page 173.

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 of significance to financial reporting;

- identification, evaluation and testing of automated controls within IT applications as well as data analytic procedures in order to review completeness and cut-off of information for systems of significance to financial reporting; and
- 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 there are a number of areas where management judgement impacts the carrying value of property, plant and equipment and intangible assets and their respective depreciation profiles. These include among other the decision to capitalize or expense costs; and review of useful life of the assets including the impact of changes in the Group's strategy.

We focused on this area since the amounts have a significant impact on the financial position of Telia Company and there is significant management judgment required that has significant impact of the reporting of the financial position for Telia Company.

Audit procedures

Our audit procedures included, but were not limited to:

- testing operating effectiveness of controls in place over the property, plant and equipment cycle including the controls over whether engineering (labor) activity is capital or operating in nature;
- evaluating the appropriateness of capitalization policies and amortization and depreciation rates;
- performing tests of details on costs capitalized; and
- verifying the accuracy of management's calculation of the impairment charge on IT and network assets.

For further information, please refer to the Group's accounting principles in note C3 on pages 104–113, the principles for useful lives of assets in note C2 on page 101 and the information on Capital Expenditure during 2017 in note C13 on page 129.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4–24, 203–210 and 219–229. 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 Directors' 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.

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 2017-01-01 - 2017-12-31 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 74-91 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard

RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 13–14, 17–18, 49–65 and 203–210 and that it is prepared in accordance with the Annual Accounts Act. Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Deloitte AB, was appointed auditor of Telia Company AB by the general meeting of the shareholders on April 5, 2017 and has been the company's auditor since April 2, 2014.

Stockholm, March 7, 2018

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 Telia Company AB (publ) to undertake a limited assurance engagement of the Telia Company Sustainability Report for the year 2017. The Company has defined the scope of the Sustainability Report on pages 13–14, 17–18, 49–65 and 203–210 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 203 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 ISAE 3000 Assurance Engagements Other

than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Telia Company AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

CONCLUSION

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, March 7, 2018

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 CEO". Several subsidiaries 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 Directors' Report, section "Human rights"
2	Make sure that we are not complicit in human rights abuses	See Directors' Report, section "Human rights"
Labor		
3	Uphold the freedom of association and the effective recognition of the right to collective bargaining	See Directors' Report, sections "Occupational health and safety" and "Responsible sourcing", and GRI Index, G4-11 and G4-HR4-6
4	Uphold the elimination of all forms of forced and compulsory labor	See Directors' Report, section "Responsible sourcing", GRI Index, G4-HR4-6 and "UK Modern Slavery Act statement"
5	Uphold the effective abolition of child labor	See Directors' Report, section "Responsible sourcing", GRI Index, G4-HR4-6 and "UK Modern Slavery Act statement"
6	Uphold the elimination of discrimination in respect of employment and occupation	See Directors' Report, section "Occupational health and safety"
Environment		
7	Support a precautionary approach to environmental challenges	See Directors' Report, section "Environmental responsibility" and GRI Index, G4-14
8	Undertake initiatives to promote greater environmental responsibility	See Directors' Report, section "Environmental responsibility"
9	Encourage the development and diffusion of environmentally friendly technologies	See Directors' Report, section "Environmental responsibility"
Anti-corruption		
10	Work against corruption in all its forms, including extortion and bribery	See Directors' Report, 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 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 sourcing 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	2017	2016	2015	2014	2013 ⁷
Income statement (SEK in millions)¹					
Net sales	79,867	84,178	86,569	81,131	101,870
Operating income	13,690	21,090	14,606	17,743	24,462
EBITDA excluding adjustment items	25,438	25,836	25,281	24,364	35,584
EBITDA	25,806	29,813	23,992	23,453	33,656
Net income from continuing operations	8,416	16,433	9,532	12,219	–
Net income from discontinued operations	1,729	-9,937	673	3,379	–
Net income	10,146	6,496	10,205	15,599	16,767
Financial position (SEK in millions)²					
Goodwill and other intangible assets	76,652	70,947	67,933	86,161	81,522
Property, plant and equipment	60,024	58,107	55,093	69,669	64,792
Other non-current assets	37,828	50,421	50,824	54,592	46,681
Current assets	69,341	73,955	80,167	61,645	59,833
<i>Total assets</i>	<i>243,845</i>	<i>253,430</i>	<i>254,017</i>	<i>272,066</i>	<i>252,828</i>
Total equity	105,230	94,869	102,202	116,364	112,934
<i>of which attributable to owners of the parent</i>	<i>99,970</i>	<i>89,833</i>	<i>97,884</i>	<i>111,383</i>	<i>108,324</i>
Non-current liabilities	106,740	101,734	109,175	118,163	103,226
Current liabilities	31,875	56,826	42,641	37,539	36,668
<i>Total equity and liabilities</i>	<i>243,845</i>	<i>253,430</i>	<i>254,017</i>	<i>272,066</i>	<i>252,828</i>
Capital employed, continuing and discontinued operations	192,465	184,900	193,486	208,365	192,134
Operating capital, continuing and discontinued operations	135,188	136,041	144,609	155,683	143,154
Net debt, continuing and discontinued operations	33,823	50,756	55,717	59,320	55,774
Cash flows (SEK in millions)³					
Cash flow from operating activities	23,569	25,970	35,249	29,252	31,036
Cash flow from investing activities	-10,115	-7,428	-28,985	-21,979	-14,644
Cash flow from financing activities	-13,905	-22,491	-9,628	-10,269	-15,013
<i>Cash flow for the year</i>	<i>-451</i>	<i>-3,949</i>	<i>-3,363</i>	<i>-2,997</i>	<i>1,379</i>
Free cash flow	7,164	7,267	16,550	13,046	16,310
<i>of which from discontinued operations</i>	<i>-4,640</i>	<i>116</i>	<i>4,030</i>	<i>4,905</i>	<i>–</i>
Investments (SEK in millions)⁴					
CAPEX	15,672	15,625	14,595	11,955	16,332
Acquisitions and other investments	4,973	483	5,818	1,210	1,461
<i>Total investments</i>	<i>20,645</i>	<i>16,108</i>	<i>20,413</i>	<i>13,165</i>	<i>17,793</i>
Key ratios⁵					
Return on equity (%)	11.2	4.5	9.3	15.0	15.9
Return on capital employed (%)	9.4	7.7	8.9	12.2	13.5
Equity/assets ratio (%)	39.1	34.0	35.1	38.0	39.5
Net debt/equity ratio (%)	35.5	58.9	62.5	57.4	55.8
Net debt/EBITDA rate excluding adjustment items	1.14	1.69	1.53	1.68	1.57
Net debt/assets ratio	13.9	20.0	21.9	21.8	22.1
Owners' equity per share (SEK)	23.1	20.75	22.61	25.72	25.02
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)	2.22	0.86	1.97	3.35	3.46
Cash dividend per share (SEK) ⁶	2.30	2.00	3.00	3.00	3.00
Total cash dividend (SEK in millions) ⁶	9,959	8,660	12,990	12,990	12,990
Pay-out ratio (%) ⁸	81	115	152	90	87

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 2017 - 2014. The above presented income statement line items for 2017 - 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, 2017, 2016 and 2015. The Sergel companies (Sergel) are included in continuing operations until the divestment as per June 30, 2017, but classified as assets held for sale since June 30, 2016. In the above presented balance sheet line items assets classified as held for sale and liabilities directly associated with assets classified as held for sale are included in current assets and current liabilities.

3) Cash flow information is presented including discontinued operations.

4) 2017 - 2014 including continuing operations only.

5) Key ratios are based on the total Telia Company group including both continuing and discontinued operations for 2017 - 2013. The definition for the key ratio Return on capital employed was changed during 2014 (see Definitions). 2017 - 2013 have been calculated with the current definition.

6) For 2017 as proposed by the Board of Directors.

7) 2013 is not restated to reflect classification of former segment region Eurasia as discontinued operations.

8) For 2017, the Board of Directors proposes to the Annual General Meeting an ordinary dividend of SEK 2.30 per share, or 81 percent of free cash flow attributable to continuing operations excluding licenses, due to this the definition of paid-out ratio has been changed. 2013-2015 have not been recalculated.

Telia Company Group					
Operational data	2017	2016	2015	2014	2013
Mobile services					
Total subscriptions (thousands) ¹	16,678	16,695	20,033	19,179	19,337
<i>of which Sweden</i>					
Mobile telephony, total subscriptions (thousands) ²	6,118	6,207	6,119	6,186	6,171
Mobile telephony, blended churn (%)	19	17	19	19	19
Mobile telephony, ARPU (SEK)	213	209	206	200	198
<i>of which Finland</i>					
Mobile telephony, subscriptions (thousands)	3,221	3,253	3,306	3,281	3,245
Mobile telephony, blended churn (%)	26	23	21	21	21
Mobile telephony, ARPU (EUR)	18	17	16	17	18
<i>of which Norway³</i>					
Mobile telephony, subscriptions (thousands)	2,345	2,211	2,311	1,344	1,532
Mobile telephony, ARPU (NOK)	259	252	259	283	258
<i>of which other countries</i>					
Mobile telephony, subscriptions, Denmark (thousands)	1,479	1,606	1,644	1,581	1,522
Mobile telephony, subscriptions, Lithuania (thousands)	1,352	1,318	1,327	1,378	1,546
Mobile telephony, subscriptions, Latvia (thousands)	1,237	1,200	1,119	1,097	1,066
Mobile telephony, subscriptions, Estonia (thousands)	925	901	863	841	821
Mobile telephony, subscriptions, Spain (thousands)	–	–	3,344	3,471	3,434
Fixed services					
Broadband, total subscriptions (thousands)	2,512	2,559	2,589	2,543	2,416
<i>of which</i>					
Broadband, subscriptions, Sweden (thousands)	1,286	1,299	1,306	1,275	1,208
Broadband, subscriptions, Finland (thousands)	464	497	527	561	532
Broadband, subscriptions, Denmark (thousands)	114	128	135	114	99
Broadband, subscriptions, Lithuania (thousands) ⁴	410	402	390	369	355
Broadband, subscriptions, Estonia (thousands)	238	233	231	224	222
Fixed telephony, total subscriptions (thousands) ⁵	2,182	2,565	2,838	3,034	3,247
<i>of which</i>					
Fixed telephony, subscriptions, Sweden (thousands)	1,381	1,675	1,896	2,054	2,209
Fixed telephony, subscriptions, Finland (thousands)	50	65	80	99	108
Fixed telephony, subscriptions, Norway (thousands)	11	–	–	–	–
Fixed telephony, subscriptions, Denmark (thousands)	90	101	114	122	121
Fixed telephony, subscriptions, Lithuania (thousands)	371	417	447	468	504
Fixed telephony, subscriptions, Estonia (thousands)	279	307	301	291	305
Human Resources⁶					
Number of employees as of December 31	25,472	26,017	26,895	26,166	26,013
Average number of full-time employees during the year	24,468	24,898	25,450	24,973	25,319
<i>of whom, in Sweden</i>	7,955	8,109	8,172	7,977	8,122
<i>of whom, in Finland</i>	3,463	3,276	3,326	3,577	3,745
<i>of whom, in other countries</i>	13,050	13,513	13,953	13,419	13,452
<i>of whom, women</i>	9,990	10,227	10,777	10,579	10,958
<i>of whom, men</i>	14,478	14,670	14,673	14,394	14,361
Salaries and remuneration (SEK in millions)	9,819	9,534	9,408	9,746	9,400
Employer's social security contributions (SEK in millions)	2,179	2,056	1,992	1,893	1,900
Salaries and employer's social security contributions as a percentage of operating costs	15.9	13.2	12.6	14.4	14.0
Net sales per employee (SEK in thousands)	3,725	3,929	4,220	4,047	4,023
Operating income per employee (SEK in thousands)	663	518	639	908	966
Net income per employee (SEK in thousands)	415	261	401	625	662

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 MEASURES

Alternative performance measures

In addition to financial performance measures prepared in accordance with IFRS, Telia Company presents non-IFRS financial performance measures, for example EBITDA, Adjusted EBITDA, Adjusted operating income, continuing operations, CAPEX, CAPEX excluding license and spectrum fees, Cash CAPEX, Free cash flow, Operational free cash flow, Net debt, Net debt/Adjusted EBITDA ratio and Adjusted EBITDA margin. (Adjustment items were previously named non-recurring items). These alternative measures are considered to be important performance indicators for investors and other users of the Annual report. The alternative performance measures should be considered as a complement to, but not a substitute for, the information prepared in accordance with IFRS. Telia

Company's definitions of these non-IFRS measures are described in this Note and in the Definitions. These terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

EBITDA and Adjusted EBITDA

Telia Company considers EBITDA as a relevant measure for investors to be able to understand profit generation before investments in fixed assets. To assist the understanding of Telia Company's underlying financial performance we believe it is also useful to analyze Adjusted EBITDA. Adjustment items within EBITDA are specified in Board of Director's Report, section "Adjustment items."

Continuing operations

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Operating income	13,690	21,090
Income from associated companies and joint ventures	-778	-2,810
Total depreciation/amortization/write-down	12,893	11,534
EBITDA	25,806	29,813
Adjustment items within EBITDA	-368	-3,977
Adjusted EBITDA	25,438	25,836

Discontinued operations

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Operating income	8,418	-7,048
Income from associated companies and joint ventures	-8	-7
Total depreciation/amortization/write-down	-	-52
Gain/loss on disposals	-193	1,035
EBITDA	8,217	-6,071
Adjustment items within EBITDA	-3,971	11,952
Adjusted EBITDA	4,246	5,880

Adjusted operating income, continuing operations

Telia Company considers Adjusted operating income, continuing operations as a relevant measure to be able to understand the underlying financial performance of Telia Company. Adjustment items within operating income, continuing operations are specified in Board of Director's Report, section "Adjustment items."

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Operating income	13,690	21,090
Adjustment items within operating income	1,378	-3,967
Adjusted operating income, continuing operations	15,069	17,123

CAPEX, CAPEX excluding license and spectrum fees and Cash CAPEX

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

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Continuing operations		
Intangible assets	4,147	2,787
Property, plant and equipment	11,525	12,838
CAPEX	15,672	15,625
Net of not paid investments and additional payments from previous periods	-1,162	-267
Cash CAPEX	14,509	15,358
CAPEX	15,672	15,625
License and spectrum fees	-457	-609
CAPEX excluding license and spectrum fees	15,215	15,016
Discontinued operations		
Intangible assets	178	3,657
Property, plant and equipment	1,609	2,156
CAPEX	1,787	5,813
Net of not paid investments and additional payments from previous periods	109	-2,469
Cash CAPEX	1,896	3,345

Free cash flow

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

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Cash flow from operating activities	23,569	25,970
Cash CAPEX (paid Intangible and tangible assets)	-16,405	-18,703
Free cash flow, continuing and discontinued operations	7,164	7,267

Operational free cash flow

Telia Company considers Operational free cash flow as a relevant measure to be able to understand the cash flows that Telia Company is in control of. From the reported free cash flow from continuing operations dividends from associated companies are deducted as these are dependent on the approval of boards and the annual general meetings of the associated companies. License and spectrum payments are excluded as they generally refer to a longer period than just one year.

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Cash flow from operating activities from continuing operations	26,313	22,510
Deduct: Cash CAPEX from continuing operations	-14,509	-15,358
Free cash flow continuing operations	11,804	7,152
Add back: Cash CAPEX for licenses from continuing operations	561	376
Deduct: Dividends from associated companies from continuing operations	-2,851	-2,122
Add back: Taxes paid on dividends from associated companies from continuing operations	173	91
Operational free cash flow	9,687	5,497

Net debt

Telia Company considers Net debt to be an important measure to be able to understand the group's indebtedness. Net debt presented below is based on the total Telia Company group for both continuing and discontinued operations.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Long-term borrowings	88,108	83,516
Less 50 percent of hybrid capital ¹	-7,670	–
Short-term borrowings	5,102	12,919
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-3,032	-5,455
Less long-term bonds available for sale	-12,084	-10,185
Less short-term investments	-15,616	-7,132
Less cash and cash equivalents	-20,984	-22,907
Net debt, continuing and discontinued operations	33,823	50,756

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

Net debt/Adjusted EBITDA ratio (multiple)

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

SEK in millions, except for multiple	Jan-Dec 2017	Jan-Dec 2016
Net debt	33,823	50,756
Adjusted EBITDA continuing operations	25,438	25,836
Adjusted EBITDA discontinued operations	4,246	5,880
Deduct disposed operations	-109	-1,600
Adjusted EBITDA rolling 12 months excluding disposed operations	29,575	30,116
Net debt/adjusted EBITDA ratio (multiple)	1.14	1.69

Adjusted EBITDA margin

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

SEK in millions	Jan-Dec 2017	Jan-Dec 2016
Net sales	79,867	84,178
Adjusted EBITDA	25,438	25,836
Adjusted EBITDA margin (%), continuing operations	31.9	30.7

DEFINITIONS

CONCEPTS AND KEY RATIOS

Acquisitions and other investments

Investments in goodwill, intangible and tangible non-current assets acquired in business combinations, shares and participations, and asset retirement obligations.

Adjusted EBITDA

EBITDA adjusted for adjustment items within EBITDA.

Adjusted EBITDA margin

Adjusted EBITDA in relation to net sales.

Adjusted equity

Reported equity attributable to owners of the parent less the (proposed) dividend. For the parent company also including untaxed reserves net of tax.

Adjusted operating income

Operating income adjusted for adjustment items within operating income.

Adjustment items

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

ARPU

Average monthly revenue per user.

Blended churn

The number of lost subscriptions (postpaid and prepaid) expressed as a percentage of the average number of subscriptions (postpaid and prepaid).

Cash CAPEX

CAPEX with addition/deduction of net of paid investments and additional payments from previous periods.

CAPEX

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

CAPEX excluding license and spectrum fees

CAPEX deducted with license and spectrum fees.

Capital employed

Total assets less non-interest-bearing liabilities and non-interest-bearing provisions, and the (proposed) dividend.

Change local organic (%)

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

Earnings and equity per share

Earnings per share are based on the weighted average number of shares before and after dilution with potential ordinary shares, while equity per share is based on the number of shares at the end of the period. Earnings equal net income attributable to owners of the parent and equity is equity attributable to owners of the parent.

EBITDA

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

EBITDA margin

EBITDA expressed as a percentage of net sales.

Equity/assets ratio

Adjusted equity and equity attributable to non-controlling interests expressed as a percentage of total assets.

Free cash flow

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

Interest coverage ratio

Operating income plus financial revenues divided by financial expenses.

Mobile billed revenues

Voice, messaging, data and content.

Net debt

Interest-bearing liabilities less derivatives recognized as financial assets (and hedging long-term and short-term borrowings) and related credit support annex (CSA), less 50 percent of hybrid capital (which, consistent with market

practice for the type of instrument, is treated as equity), less short-term investments, long-term bonds available for sale and cash/cash equivalents.

Net debt/assets ratio

Net debt expressed as a percentage of total assets.

Net debt/adjusted EBITDA ratio (multiple)

Net debt divided by adjusted EBITDA rolling 12 months and excluding disposed operations.

Net debt/equity ratio

Net debt expressed as a percentage of adjusted equity and equity attributable to non-controlling interests.

Net interest-bearing liability

Interest-bearing liabilities and provisions less interest-bearing assets but including investments in associated companies and joint ventures.

Operating capital

Non-interest-bearing assets less non-interest-bearing liabilities, including the (proposed) dividend, and non-interest-bearing provisions.

Operational free cash flow

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

Operating margin

Operating income expressed as a percentage of net sales.

Pay-out ratio

For 2013-2015 dividend per share divided by basic total earnings per share. For 2016 and 2017 proposed dividend divided by free cash flow excluding licenses.

Return on assets

Operating income plus financial revenues expressed as a percentage of average total assets.

Return on capital employed

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

Return on equity

Net income attributable to owners of the parent expressed as a percentage of average adjusted equity.

Return on sales

Net income expressed as a percentage of net sales.

Segment assets and liabilities (Segment operating capital)

As Operating capital, but assets and liabilities excluding items related to foreign currency derivatives and accrued interest as well as to deferred and current tax, respectively, and liabilities excluding the (proposed) dividend.

Self-financing rate

Cash flow from operating activities divided by gross investments.

Service revenues (external)

External net sales excluding equipment sales.

Total asset turnover

Net sales divided by average total assets.

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	GBP	Pound sterling	TRY	Turkish lira
AZN	Azerbaijan manat	JPY	Japanese yen	USD	US dollar
DKK	Danish krone	NOK	Norwegian krone	UZS	Uzbek som
EUR	European euro	RUB	Russian ruble		

ANNUAL GENERAL MEETING 2018

Telia Company's Annual General Meeting will be held on Tuesday, April 10, 2018, 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 Wednesday, April 4, 2018, kept by Swedish central securities depository Euroclear Sweden AB and give notice of attendance to the Company no later than Wednesday, April 4, 2018.

NOTICE TO THE COMPANY

Notice of attendance can be made

- in writing to Telia Company AB, "Årsstämman" c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden,
- by telephone +46 (0)8 402 90 50 on weekdays between 09.00 CET and 16.00 CET, or
- via the company's website www.teliacompany.com (only private individuals).

When giving notice of attendance, please state name/company name, social security number/corporate registration number, address, telephone number (office hours) and number of accompanying persons.

SHAREHOLDING IN THE NAME OF A NOMINEE

Shareholders, whose shares are registered in the name of a nominee, must request to be temporarily entered into the share register kept by Euroclear Sweden AB as of Wednesday April 4, 2018, in order to be entitled to participate in the meeting. Such shareholder is requested to inform the nom-

inee 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 April 4, 2018 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 Wednesday, April 4, 2018.

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 2.30 per share be distributed to the shareholders in two tranches of SEK 1.15 each. April 12 2018, and October 22, 2018, respectively, be set as the record dates for the dividend. If the Annual General Meeting adopts this proposal, it is estimated that disbursements from Euroclear Sweden AB will take place on April 17, 2018, and on October 25, 2018, respectively.

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

