TELIA COMPANY
INTERIM REPORT
JANUARY–SEPTEMBER 2016

CORE BUSINESS ON TRACK – NET INCOME IMPACTED BY PROVISION

Third quarter summary

- Former segment region Eurasia is reported as held for sale and discontinued operations. The mobile business Yoigo in Spain and the Sergel companies are reported as assets held for sale.
- Net sales in local currencies, excluding acquisitions and disposals, decreased 1.2 percent. In reported currency, net sales decreased 0.9 percent to SEK 21,524 million (21,712). Service revenues in local currencies, excluding acquisitions and disposals, decreased 1.1 percent.
- EBITDA, excluding non-recurring items, decreased 1.6 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 1.5 percent to SEK 6,850 million (6,957). The EBITDA margin, excluding non-recurring items, decreased to 31.8 percent (32.0).
- Operating income, excluding non-recurring items, fell 16.0 percent to SEK 4,742 million (5,648).
- A provision of SEK 12.5 billion was recorded in the quarter for settlement proposed by the U.S. and Dutch authorities. See Note 4 for further information.
- Total net income attributable to the owners of the parent fell to SEK -8,810 million (4,589) and earnings per share to SEK -2.03 (1.06). Total net income fell to SEK -8,641 million (5,023).
- Full year outlook is unchanged.

Nine month summary

- Net sales in local currencies, excluding acquisitions and disposals, decreased 1.1 percent. In reported currency, net sales decreased 1.3 percent to SEK 63,049 million (63,860). Service revenues in local currencies, excluding acquisitions and disposals, decreased 0.7 percent.
- Operating income, excluding non-recurring items, increased 4.0 percent to SEK 13,386 million (12,876).
- A provision of SEK 12.5 billion was recorded in the third quarter for settlement proposed by the U.S. and Dutch authorities. See Note 4 for further information.
- Total net income attributable to the owners of the parent fell to SEK -3,605 million (11,561) and earnings per share to SEK -0.83 (2.67). Total net income fell to SEK -829 million (12,832).

Highlights

SEK in millions, except key ratios, per share data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg %*	Jan-Sep 2016	Jan-Sep 2015	*Chg %*
Net sales	21,524	21,712	*-0.9*	63,049	63,860	*-1.3*
Change (%) local organic	*-1.2*			*-1.1*		
of which service revenues (external)	18,413	18,549	*-0.7*	53,922	54,387	*-0.9*
change (%) local organic	*-1.1*			*-0.7*		
EBITDA[1)] excl. non-recurring items[2)]	6,850	6,957	*-1.5*	19,456	18,725	*3.9*
Change (%) local organic	*-1.6*			*4.2*		
Margin (%)	31.8	32.0		30.9	29.3	
Operating income excl. non-rec. items	4,742	5,648	*-16.0*	13,386	12,876	*4.0*
Operating income	4,884	5,097	*-4.2*	13,068	11,757	*11.1*
Income after financial items	4,359	4,527	*-3.7*	11,578	9,656	*19.9*
Net income from continuing operations	3,600	3,586	*0.4*	9,355	8,112	*15.3*
Net income from discontinued operations[3)]	-12,242	1,437		-10,184	4,720	
Total net income	-8,641	5,023		-829	12,832	
of which attrib. to owners of the parent	-8,810	4,589		-3,605	11,561	
EPS total (SEK)	-2.03	1.06		-0.83	2.67	
EPS from continuing operations (SEK)	0.82	0.82	*0.6*	2.14	1.85	*15.8*
Total Free cash flow	3,657	4,699	*-22.2*	7,649	13,859	*-44.8*
of which from continuing operations	3,264	3,231	*1.0*	7,119	10,687	*-33.4*
CAPEX excl. license and spectrum fees[4)]	3,647	3,134	*16.4*	10,484	9,386	*11.7*

1) See Note 15 for information on financial key ratios and page 38 for definitions.
2) Non-recurring items; see Note 3.
3) Discontinued operations, see Note 4.
4) Excluding units classified as discontinued operations (region Eurasia).

COMMENTS BY JOHAN DENNELIND, PRESIDENT & CEO

”In the third quarter, our financial results are severely impacted by a SEK 12.5 billion provision related to the US and Dutch authorities settlement proposal, announced in September, as a consequence of our entry into and operations in Uzbekistan. We have been aware of the US and Dutch interest since March 2014, and have from the beginning cooperated with all authorities. Our discussions with relevant authorities continue with the goal of achieving a resolution that will be in the best interest of our shareholders. It is at present not possible to make a certain assessment on the final outcome or time for resolution, but we believe we are approaching the end of these investigations. During the last three years we have repeatedly said that we have seen and found wrongdoings in how the entry into Uzbekistan happened. From 2013 we have worked intensely to significantly improve our agenda around responsible business. These improvements are further outlined in our latest Sustainability Update report issued today, and this is a journey with no end. It is an ongoing part of the way we now do business – to learn and improve.

In line with our projections and guidance earlier in the year, underlying earnings growth slowed somewhat in the third quarter. Comparable EBITDA declined by 1.6 percent compared to corresponding period last year, as a positive development in region Europe was offset by a decline in Sweden.

Our performance in Sweden remains characterized by stable growth in the consumer segment, but pressure in parts of the enterprise area. In consumer, our value loading strategy in mobile continues to gain traction, with positive effects on both subscriber intake and churn. In broadband and TV, ARPU trend stayed positive and supported overall growth. TV shows strong performance and we recently boosted our offerings further with new content and features. In the fiber area, demand remains solid but deliveries were somewhat impacted by delays with digging permits and sub-contractors, but we foresee momentum picking up in the fourth quarter. In the enterprise segment, there was further progress in the SME/SoHo area as we continue to strengthen our ICT offering. However, overall performance remains impacted by significant price pressure in the large enterprise and public segments.

There was good progress in region Europe and the majority of the operations posted positive mobile service revenue growth. In Finland, mobile-billed revenue growth climbed to 6 percent, supported by upsell activities and price adjustments. In Norway, the customer perception of the Telia brand improved further following the best network awards received earlier in the year.

Profitability improved, supported by reduced marketing spend and general cost efficiency.

In early October, we finalized the divestment of Yoigo in Spain to Masmovil, in line with our ambition to increase focus on the Nordic and Baltic region.

We recently announced the sale of our 60 percent stake in Tadjik operator Tcell to Aga Kahn Foundation for Economic Development (AKFED), which now takes full control of the unit. We are in a process of divesting our shareholding in Fintur Holdings as part of the ambition to reduce our presence in Eurasia over time. One potential buyer has been the minority owner in Fintur Holdings, Turkcell, who publicly disclosed their interest earlier this year. After many months, we have now reached a point where we will together with Turkcell explore a joint divestment of Fintur Holdings. This will most likely happen in 2017.

The coming year and onwards will see a number of important regulatory files being addressed at both the local and the E.U. level. Amongst others, the recent publication of the proposed new European Electronic Communications Code, will require careful scrutiny to ensure that customer expectations and the investment needed to achieve them is adequately incentivized and supported. An issue we have long been active on driving to deliver a better customer experience is roaming, where policy makers need to ensure that decisions taken at a principle level do not result in complications, limitations or fragmentation of the customer experience.

On the back of our performance in the first nine months, we reiterate the full year 2016 outlook.”

GROUP OUTLOOK FOR 2016, UNCHANGED

EBITDA from continuing operations, excluding non-recurring items, in local currencies, excluding acquisitions and disposals, is expected to be in line or slightly above the level in 2015.

2016 is the peak year of the increased investments in fiber, mobile coverage and transformation. CAPEX for continuing operations, excluding license and spectrum fees, is expected to be SEK 14-15 billion. Currency fluctuations may impact the reported number in Swedish krona.

For the fiscal year 2016, to be paid in 2017, the ambition is to distribute a minimum of SEK 2 per share.

ORDINARY DIVIDEND TO SHAREHOLDERS

For 2015, the Annual General Meeting decided an ordinary dividend of SEK 3.00 (3.00), of net income attributable to owners of the parent company. The dividend should be split and distributed into two equal tranches of SEK 1.50 each.

First distribution
The dividend was distributed by Euroclear Sweden on April 19, 2016.

Second distribution
The Annual General Meeting decided that the final day for trading in shares entitling shareholders to dividend be set for October 21, 2016, and that the first day of trading in shares excluding rights to dividend be set for October 24, 2016. The recommended record date at Euroclear Sweden for the right to receive dividend will be October 25, 2016, and the dividend will be distributed by Euroclear Sweden on October 28, 2016.

REVIEW OF THE GROUP, THIRD QUARTER 2016

(Former segment region Eurasia is reported as held for sale and discontinued operations. For more information see Note 4.)

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals decreased 1.2 percent. In reported currency, net sales decreased 0.9 percent to SEK 21,524 million (21,712). The effect of exchange rate fluctuations was positive by 0.1 percent and the effect of acquisitions and disposals was positive by 0.2 percent. Service revenues in local currencies, excluding acquisitions and disposals, decreased 1.1 percent.

In region Sweden, net sales excluding acquisitions and disposals increased 0.5 percent. Net sales including acquisitions and disposals increased 0.6 percent to SEK 9,181 million (9,122).

In region Europe, net sales in local currencies, excluding acquisitions and disposals, declined 1.2 percent. In reported currency, net sales declined 0.7 percent to SEK 11,042 million (11,119).

The number of subscriptions in the subsidiaries decreased by 0.4 million from the end of the third quarter of 2015 to 26.9 million. During the quarter, the total number of subscriptions increased by 54,000.

EBITDA, excluding non-recurring items, fell 1.6 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, fell 1.5 percent to SEK 6,850 million (6,957). The EBITDA margin, excluding non-recurring items, decreased to 31.8 percent (32.0).

Income from associated companies and joint ventures, fell to SEK 744 million (1,419) due to translation gain in Turkcell previous year and significantly lower net profit in MegaFon this quarter.

Operating income, excluding non-recurring items, fell 16.0 percent to SEK 4,742 million (5,648).

Non-recurring items affecting operating income totaled SEK 141 million (-552), mainly due to release of a provision related to an old court case partly offset by costs for restructuring.

Financial items totaled SEK -525 million (-570) of which SEK -531 million (-554) related to net interest expenses.

Income taxes decreased to SEK -758 million (-941). The effective tax rate was 17.4 percent (20.8). The decrease is mainly related to reduced unrecognized tax losses and revaluated deferred tax assets.

Total net income fell to SEK -8,641 million (5,023), whereof SEK 3,600 million (3,586) from continuing operations and SEK -12,242 million (1,437) from discontinued operations due to the provision for settlement amount proposed by the U.S. and Dutch authorities of SEK 12.5 billion. Total earnings per share was SEK -2.03 (1.06).

Total net income attributable to non-controlling interests decreased to SEK 169 million (435).

Other comprehensive income increased to SEK 1,560 million (-5,799) mainly due to positive exchange rate fluctuations.

Cash flow and financial position

Free cash flow, in continuing and discontinued operations, declined 22.2 percent to SEK 3,657 million (4,699) mainly due to weakened operational performance in region Eurasia and that Ncell is no longer consolidated.

Total cash flow decreased to SEK 73 million (7,337) mainly due to changes in the debt portfolio and cash flow related dividend to minority owners and other effects from the Nepal transaction which is further described in Note 4.

CAPEX increased to SEK 3,648 million (3,134) and the CAPEX-to-service revenue ratio to 19.8 percent (16.9). CAPEX excluding license and spectrum fees increased 16.4 percent to SEK 3,647 million (3,134) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees rose to 19.8 percent (16.9).

Net debt, in continuing and discontinued operations, was SEK 51,796 million at the end of the third quarter (51,113 at the end of the second quarter of 2016). The net debt/EBITDA ratio was 1.67 (1.60 at the end of the second quarter of 2016).

The equity/assets ratio, in continuing and discontinued operations, was 31.5 percent (36.7 percent at the end of the second quarter of 2016).

REVIEW OF THE GROUP, NINE MONTH PERIOD 2016

(Former segment region Eurasia is reported as held for sale and discontinued operations. For more information see Note 4.)

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, declined 1.1 percent. In reported currency, net sales declined 1.3 percent to SEK 63,049 million (63,860). The effect of exchange rate fluctuations was negative by 0.8 percent and the effect of acquisitions and disposals was positive by 0.6 percent. Service revenues in local currencies, excluding acquisitions and disposals, fell 0.7 percent.

EBITDA, excluding non-recurring items, rose 4.2 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, rose 3.9 percent to SEK 19,456 million (18,725). The EBITDA margin, excluding non-recurring items, rose to 30.9 percent (29.3).

Income from associated companies and joint ventures, increased to SEK 2,386 million (2,224).

Operating income, excluding non-recurring items, increased 4.0 percent to SEK 13,386 million (12,876).

Non-recurring items affecting operating income totaled SEK -318 million (-1,119), mainly due to restructuring within Sweden and region Europe partly offset by capital gain related to sale of fixed assets.

Financial items totaled SEK -1,490 million (-2,102) of which SEK -1,530 million (-1,903) related to net interest expenses.

Income taxes increased to SEK -2,223 million (-1,544). The effective tax rate was 19.2 percent (16.0). Last year was impacted by a positive one-off effect related to a revaluation of the withholding tax provision as a consequence of an intra-group transfer.

Total net income fell to SEK -829 million (12,832), whereof SEK 9,355 million (8,112) from continuing operations and SEK -10,184 million (4,720) from discontinued operations. Total earnings per share declined to SEK -0.83 (2.67). See Note 4 for further information regarding discontinued operations.

Total net income attributable to non-controlling interests increased to SEK 2,776 million (1,270) mainly due to the divestment of Ncell in Nepal. See Note 4 for further information.

Other comprehensive income increased to SEK 2,228 million (-6,761) mainly due to positive exchange rate fluctuations compared to last year offset by negative effect from remeasurements on defined benefit pension plans.

Cash flow and financial position

Free cash flow, in continuing and discontinued operations, decreased to SEK 7,649 million (13,859), mainly due to dividend received from Turkcell in the second quarter of 2015.

Total cash flow increased to SEK 1,815 million (-1,960) mainly due to the acquisition of Tele2 Norge in 2015 and cash flow related to the divestment of Ncell in Nepal in 2016 as well as lower distributed ordinary dividend. However, offset by weaker cash flow from discontinued operations and dividend received from Turkcell in the second quarter of 2015.

CAPEX increased to SEK 10,618 million (9,386) and the CAPEX-to-service revenue ratio to 19.7 percent (17.3). CAPEX excluding license and spectrum fees rose to SEK 10,484 million (9,386) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees to 19.4 percent (17.3).

Trade payables and other current liabilities, current tax payables and short-term provisions increased to SEK 37,946 million (21,706). The balance sheet line item includes the provision for settlement proposed by the U.S. and Dutch authorities. See Note 4 for further information.

Significant events in the first quarter

- On January 12, 2016, Telia Company announced that it had appointed Anders Olsson Chief Operating Officer and Head of Global Services & Operations and member of the Group Executive Management team.
- On March 18, 2016, Telia Company announced and confirmed that it was in exclusive discussions with Zegona Communications regarding a potential divestment of Yoigo in Spain.
- On March 29, 2016, Telia Company announced that no decision was made on dividend at Turkcell's Ordinary General Assembly.

Significant events in the second quarter

- On April 11, 2016, Telia Company announced that it had completed the divestment of its holdings in Ncell in Nepal to Axiata, one of Asia's largest telecommunication groups. The transaction is subject to customary closing balance sheet adjustments based on net debt and net working capital. For more information see Note 4.
- On April 11, 2016, Telia Company announced that it had initiated a strategic review of its Nordic and Baltic credit management services (CMS) and debt puchase business, Sergel**.** For more information see Note 4.
- On April 12, 2016, Telia Company announced that the ordinary members of the Board Marie Ehrling, Olli-Pekka Kallasvuo, Mikko Kosonen, Nina Linander and Martin Lorentzon were re-elected. Susanna Campbell, Anna Settman and Olaf Swantee were elected new members to the Board. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuo was elected Vice-Chair of the Board. The Annual General Meeting also decided upon a dividend to shareholders of SEK 3.00 per share and that the payment should be distributed in two equal tranches of SEK 1.50 each to be paid in April and October, respectively. The final day for trading in shares entitling shareholders to the second tranche of the dividend is October 21, 2016, and that the first day of trading in shares excluding rights to dividend is October 24, 2016. The recommended record date at Euroclear Sweden for the right to receive dividend is October 25, 2016.
- On April 13, 2016, the Swedish Companies Registration Office approved the name change of the company from TeliaSonera AB to Telia Company AB.
- On April 29, 2016, Telia Company announced that it had acquired 118,398 shares to an average price of SEK 38.6519. The shares were to be distributed to the participants in the "Long Term Incentive Program 2013/2016".
- On June 21, 2016, Telia Company announced that it had divested its 76.6 percent holding in Spanish Yoigo to Masmovil, a Spanish telecommunications operator. The transaction price was based on an enterprise value of EUR 625 million for 100 percent of Yoigo. The deal was subject to approval from the Spanish competition authorities. The transaction closed on October 5, 2016. For more information see Note 4.
- On June 21, 2016, Sonera, Telia Company's Finnish operation, announced its interest in acquiring Anvia Telecom, a Finnish wireline operator. On June 29, 2016, Anvia Group announced that it intends to sell its telecoms business to Finnish Elisa.
- On June 21, 2016, Telia Company announced that it had sold its 100 percent holding in Sergel (credit management services and debt purchase business) to Marginalen at an enterprise value of SEK 2.1 billion. The transaction is conditional on relevant regulatory approvals including the Swedish Financial Supervisory Authority as well as Competition Authorities. Closing of the transaction is expected to take place before year-end 2016. For more information see Note 4.
- On June 21, 2016, Telia Company hosted its 2016 Capital Market Day. Presentations included updates on group strategy and the financials together with a special section on the Swedish operations. The full year 2016 outlook was reiterated.

Significant events in the third quarter

- On September 7, 2016, Telia Company announced that it had signed an agreement to divest its stake in Tajik operator Tcell. The transaction is expected to close by the end of the year and is subject to regulatory approvals in Tajikistan. See Note 4 for further information.
- On September 15, 2016, Telia Company announced that it had received a settlement proposal of USD 1.4 billion by the U.S. and Dutch authorities. See Note 4 for further information.

Significant events after the end of the third quarter

- On October 3, 2016, Telia Company announced that it had signed a new dual tranche EUR 1,500 million Revolving Credit Facility with a group of thirteen relationship banks.
- On October 6, 2016, Telia Company announced that it had completed the divestment of its holding in Yoigo in Spain. For more information see Note 4.
- On October 21, 2016, Telia Company announced that we will explore together with Turkcell a joint divestment of Fintur Holdings. This will most likely happen in 2017.

GROWTH IN CONSUMER BUT CHALLENGING ENTERPRISE SEGMENT IN SWEDEN

- Despite strong growth in fixed broadband and TV revenues as well as a somewhat positive development in consumer mobile service revenues, organic service revenues declined by 1.6 percent. The decline was mainly driven by a challenging situation in the enterprise segment and less demand for traditional fixed telephony. Lower service revenues and a less favorable sales mix were the key reasons for organic EBITDA declining 4.0 percent.
- The demand for fiber continued to be strong but the roll-out pace was negatively impacted as the turnaround time for digging permits increased. During the quarter, 37,000 new homes were connected of which 15,000 single home campaigns (SDUs) totaling in 45,000 single homes connected during the first nine months.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg (%)*	Jan-Sep 2016	Jan-Sep 2015	*Chg (%)*
Net sales	9,181	9,122	*0.6*	27,276	27,443	*-0.6*
Change (%) local organic	*0.5*			*-0.7*		
of which service revenues (external)	7,976	8,092	*-1.4*	23,748	23,929	*-0.8*
change (%) local organic	*-1.6*			*-0.9*		
EBITDA excl. non-recurring items	3,613	3,752	*-3.7*	10,711	10,459	*2.4*
Margin (%)	39.3	41.1		39.3	38.1	
Income from associated companies	0	0		1	-20	
Operating income excl. non-recurring items	2,405	2,644	*-9.0*	7,157	7,147	*0.1*
Operating income	2,376	2,443	*-2.7*	7,032	6,835	*2.9*
CAPEX excl. license and spectrum fees	1,743	1,400	*24.6*	4,799	3,986	*20.4*
% of service revenues	21.9	17.3		20.2	16.7	
EBITDA excl. non-recurring items - CAPEX	1,869	2,352	*-20.5*	5,912	6,473	*-8.7*
Subscriptions, (thousands)						
Mobile	6,185	6,173	*0.2*	6,185	6,173	*0.2*
Fixed telephony	1,735	1,932	*-10.2*	1,735	1,932	*-10.2*
Broadband	1,301	1,296	*0.4*	1,301	1,296	*0.4*
TV	752	713	*5.5*	752	713	*5.5*
Employees	6,674	6,674	*0.0*	6,674	6,674	*0.0*

Net sales, excluding acquisitions and disposals, increased 0.5 percent. The effect of acquisitions and disposals was positive by 0.1 percent. **Service revenues**, excluding acquisitions and disposals, declined 1.6 percent.

Reported service revenues declined by 1.4 percent as growth in the consumer segment could not compensate for lower revenues in the enterprise segment. Mobile service revenues remained flat whilst fixed service revenues declined by 1.9 percent as growth in TV and fixed broadband revenues was offset by lower demand for traditional fixed telephony and business solutions.

EBITDA, excluding non-recurring items, acquisitions and disposals, decreased 4.0 percent. EBITDA, excluding non-recurring items, but including acquisitions and disposals, decreased 3.7 percent to SEK 3,613 million (3,752). The EBITDA margin declined to 39.3 percent (41.1) following lower service revenues as well as increased sales of low margin equipment.

CAPEX increased to SEK 1,743 million (1,400) and CAPEX, excluding licenses and spectrum fees increased to SEK 1,743 million (1,400).

The number of mobile subscriptions increased by 81,000 in the quarter. The number of fixed broadband subscriptions decreased by 2,000 and TV subscriptions increased by 5,000 in the quarter.

STABLE PROGRESS IN REGION EUROPE

- Organic service revenues grew by 0.8 percent driven by higher mobile service revenues in the majority of the markets. Organic EBITDA rose 1.3 percent supported by increased mobile service revenues coupled with an overall good cost control in the region.
- In Denmark, the joint venture TT-Netværket, co-owned with Telenor, took an additional step to further enhance the customer 4G experience by acquiring spectrum in the 1,800 MHz band.
- The divestment of Telia Company's Spanish operator Yoigo, announced in the second quarter, was completed on October 5, 2016.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg (%)*	Jan-Sep 2016	Jan-Sep 2015	*Chg (%)*
Net sales	11,042	11,119	*-0.7*	31,991	32,257	*-0.8*
Change (%) local organic	*-1.2*			*-0.5*		
of which service revenues (external)	8,935	8,819	*1.3*	25,877	25,799	*0.3*
change (%) local organic	*0.8*			*0.5*		
EBITDA excl. non-recurring items	3,070	3,036	*1.1*	8,334	7,918	*5.3*
Margin (%)	27.8	27.3		26.1	24.5	
Income from associated companies	30	32	*-8.5*	87	87	*-0.4*
Operating income excl. non-recurring items	1,634	1,600	*2.1*	4,010	3,652	*9.8*
Operating income	1,592	1,346	*18.2*	3,849	3,119	*23.4*
CAPEX excl. license and spectrum fees	1,118	1,174	*-4.7*	3,458	3,670	*-5.8*
% of service revenues	12.5	13.3		13.4	14.2	
EBITDA excl. non-recurring items - CAPEX	1,951	1,862	*4.8*	4,742	4,249	*11.6*
Subscriptions, (thousands)						
Mobile	13,834	14,003	*-1.2*	13,834	14,003	*-1.2*
Fixed telephony	906	1,001	*-9.5*	906	1,001	*-9.5*
Broadband	1,269	1,269	*0.0*	1,269	1,269	*0.0*
TV	919	890	*3.3*	919	890	*3.3*
Employees	11,175	11,349	*-1.5*	11,175	11,349	*-1.5*

Net sales in local currencies, excluding acquisitions and disposals, declined 1.2 percent. In reported currency, net sales declined 0.7 percent to SEK 11,042 million (11,119). The effect of exchange rate fluctuations was positive by 0.5 percent and there was no effect of acquisitions and disposals. **Service revenues** in local currencies, excluding acquisitions and disposals, increased 0.8 percent.

Organic mobile service revenues grew by 2.5 percent from positive development in most markets. Fixed service revenues declined by 4.0 percent mainly due to lower demand for traditional fixed telephony in all markets, and fixed broadband in Finland.

EBITDA, excluding non-recurring items, increased 1.3 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 1.1 percent to SEK 3,070 million (3,036). The EBITDA margin grew to 27.8 percent (27.3).

CAPEX declined to SEK 1,119 million (1,174) and CAPEX, excluding licenses and spectrum fees, declined to SEK 1,118 million (1,174).

FINLAND – STRONG MOBILE BILLED REVENUE GROWTH

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg (%)*	Jan-Sep 2016	Jan-Sep 2015	*Chg (%)*
Net sales	3,218	3,273	*-1.7*	9,529	9,874	*-3.5*
Change (%) local organic	*-2.6*			*-3.5*		
of which service revenues (external)	2,784	2,758	*1.0*	8,263	8,294	*-0.4*
change (%) local organic	*0.0*			*-0.4*		
EBITDA excl. non-recurring items	1,055	1,048	*0.7*	3,059	2,997	*2.1*
Margin (%)	32.8	32.0		32.1	30.4	
Subscriptions, (thousands)						
Mobile	3,285	3,326	*-1.2*	3,285	3,326	*-1.2*
Fixed telephony	68	84	*-19.0*	68	84	*-19.0*
Broadband	509	529	*-3.8*	509	529	*-3.8*
TV	489	491	*-0.4*	489	491	*-0.4*

Service revenues in local currency, excluding acquisitions and disposals remained flat, as growth in mobile service revenues was offset by lower fixed service revenues. Mobile billed service revenues rose 6.1 percent supported by increased prices and migration of customers to higher price plans.

The **EBITDA margin**, excluding non-recurring items, increased to 32.8 percent (32.0), mainly due to improved sales mix.

The number of mobile subscriptions declined by 11,000 in the quarter. The number fixed broadband subscriptions remained flat and TV subscriptions increased by 4,000 in the quarter.

NORWAY – IMPROVED PROFITABILITY

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg (%)*	Jan-Sep 2016	Jan-Sep 2015	*Chg (%)*
Net sales	2,319	2,378	*-2.5*	6,515	6,807	*-4.3*
Change (%) local organic	*-1.3*			*-1.9*		
of which service revenues (external)	1,949	2,003	*-2.7*	5,479	5,674	*-3.4*
change (%) local organic	*-1.5*			*-1.6*		
EBITDA excl. non-recurring items	890	862	*3.2*	2,260	2,080	*8.7*
Margin (%)	38.4	36.3		34.7	30.5	
Subscriptions, (thousands)						
Mobile	2,274	2,326	*-2.2*	2,274	2,326	*-2.2*

Service revenues declined 1.5 percent in local currency, excluding acquisitions and disposals, as interconnect and fixed telephony revenues decreased. The latter due to the divestment of the fixed subscription base in the fourth quarter of 2015.

The **EBITDA margin**, excluding non-recurring items, increased to 38.4 percent (36.3), mainly following less spend on marketing in the quarter.

The number of mobile subscriptions increased by 2,000 in the quarter.

DENMARK – PRESSURE ON REVENUES

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg (%)*	Jan-Sep 2016	Jan-Sep 2015	*Chg (%)*
Net sales	1,470	1,459	*0.8*	4,286	4,328	*-1.0*
Change (%) local organic	*-0.4*			*-1.1*		
of which service revenues (external)	1,090	1,085	*0.5*	3,165	3,194	*-0.9*
change (%) local organic	*-0.7*			*-1.1*		
EBITDA excl. non-recurring items	197	211	*-6.7*	493	527	*-6.6*
Margin (%)	13.4	14.5		11.5	12.2	
Subscriptions, (thousands)						
Mobile	1,633	1,636	*-0.2*	1,633	1,636	*-0.2*
Fixed telephony	105	118	*-11.0*	105	118	*-11.0*
Broadband	128	129	*-0.8*	128	129	*-0.8*
TV	28	26	*7.7*	28	26	*7.7*

Service revenues declined 0.7 percent in local currency, excluding acquisitions and disposals, as growth in mobile service revenues, driven by higher interconnect and wholesale revenues, was not enough to mitigate lower fixed service revenues.

The **EBITDA margin**, excluding non-recurring items, fell to 13.4 percent (14.5).

The number of mobile subscriptions declined by 7,000 in the quarter. The number of fixed broadband subscriptions declined by 3,000 and TV subscriptions remained unchanged in the quarter.

LITHUANIA – REVENUE AND PROFITABILITY GROWTH

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg (%)*	Jan-Sep 2016	Jan-Sep 2015	*Chg (%)*
Net sales	821	791	*3.7*	2,365	2,306	*2.5*
Change (%) local organic	*2.8*			*2.5*		
of which service revenues (external)	674	638	*5.6*	1,973	1,885	*4.7*
change (%) local organic	*4.6*			*4.6*		
EBITDA excl. non-recurring items	295	275	*7.3*	853	766	*11.3*
Margin (%)	36.0	34.8		36.1	33.2	
Subscriptions, (thousands)						
Mobile	1,332	1,344	*-0.8*	1,332	1,344	*-0.8*
Fixed telephony	427	452	*-5.5*	427	452	*-5.5*
Broadband	400	383	*4.4*	400	383	*4.4*
TV	226	202	*11.9*	226	202	*11.9*

Service revenues rose by 4.6 percent in local currency, excluding acquisitions and disposals, as both mobile and fixed service revenues grew. The main driver behind the growth in mobile service revenues was an increased number of high ARPU customers. The fixed service revenue growth came from higher TV and fixed broadband revenues that benefited from both ARPU and subscription base growth.

The **EBITDA margin**, excluding non-recurring items grew to 36.0 percent (34.8) due to higher service revenues and lower operating expenses.

The number of mobile subscriptions increased by 14,000 in the quarter. The number of fixed broadband and TV subscriptions increased by 4,000 each in the quarter.

LATVIA – IMPROVED MARGIN

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg (%)*	Jan-Sep 2016	Jan-Sep 2015	*Chg (%)*
Net sales	476	464	*2.6*	1,305	1,197	*9.1*
Change (%) local organic	*1.7*			*9.0*		
of which service revenues (external)	312	309	*0.9*	891	899	*-0.8*
change (%) local organic	*0.0*			*-0.9*		
EBITDA excl. non-recurring items	166	148	*12.4*	437	410	*6.6*
Margin (%)	35.0	31.9		33.4	34.2	
Subscriptions, (thousands)						
Mobile	1,162	1,120	*3.8*	1,162	1,120	*3.8*

Service revenues in local currency, excluding acquisitions and disposals remained unchanged as growth in interconnect revenues was offset by lower roaming and wholesale revenues.

The **EBITDA margin**, excluding non-recurring items, increased to 35.0 percent (31.9) mainly due to lower marketing expenses.

The number of mobile subscriptions increased by 40,000 in the quarter of which 31,000 related to postpaid subscriptions used for machine to machine services.

ESTONIA – PRESSURE ON EARNINGS

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg (%)*	Jan-Sep 2016	Jan-Sep 2015	*Chg (%)*
Net sales	678	686	*-1.3*	1,991	1,954	*1.9*
Change (%) local organic	*-2.5*			*-0.4*		
of which service revenues (external)	509	525	*-3.1*	1,535	1,513	*1.4*
change (%) local organic	*-4.3*			*-1.0*		
EBITDA excl. non-recurring items	217	256	*-15.0*	603	647	*-6.8*
Margin (%)	32.1	37.3		30.3	33.1	
Subscriptions, (thousands)						
Mobile	894	851	*5.0*	894	851	*5.0*
Fixed telephony	306	304	*0.7*	306	304	*0.7*
Broadband	232	228	*1.8*	232	228	*1.8*
TV	176	171	*2.9*	176	171	*2.9*

Service revenues declined 4.3 percent in local currency, excluding acquisitions and disposals, mainly as revenues from travel products eroded following lower volumes.

The **EBITDA margin**, excluding non-recurring items, dropped to 32.1 percent (37.3) mainly explained by lower service revenues coupled with higher resource costs and marketing expenses.

The number of mobile subscriptions increased by 6,000 in the quarter. The number of fixed broadband subscriptions as well as TV subscriptions increased by 1,000, respectively, in the quarter.

SPAIN – SERVICE REVENUE GROWTH

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg (%)*	Jan-Sep 2016	Jan-Sep 2015	*Chg (%)*
Net sales	2,087	2,094	*-0.3*	6,073	5,862	*3.6*
Change (%) local organic	*-1.3*			*3.6*		
of which service revenues (external)	1,617	1,501	*7.7*	4,572	4,339	*5.4*
change (%) local organic	*6.8*			*5.3*		
EBITDA excl. non-recurring items	249	235	*5.7*	630	491	*28.3*
Margin (%)	11.9	11.2		10.4	8.4	
Subscriptions, (thousands)						
Mobile	3,253	3,399	*-4.3*	3,253	3,399	*-4.3*

Service revenues grew 6.8 percent in local currency, excluding acquisitions and disposals following ARPU uplift as well as a growing share of high ARPU postpaid subscriptions.

The **EBITDA margin**, excluding non-recurring items, increased to 11.9 percent (11.2) due to higher service revenues and less low margin handset sales.

The number of mobile subscriptions decreased by 8,000 in the quarter, as a positive net intake of 57,000 postpaid subscriptions was offset by a loss of 65,000 prepaid subscriptions.

On October 5, Telia Company completed the divestment of the Spanish operations to Masmovil. See Note 4 for further information.

OTHER OPERATIONS

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg (%)*	Jan-Sep 2016	Jan-Sep 2015	*Chg (%)*
Net sales	1,892	2,020	*-6.3*	5,457	5,788	*-5.7*
Change (%) local organic	*-4.9*			*-4.3*		
of which Telia Carrier	1,584	1,744	*-9.2*	4,571	4,955	*-7.7*
EBITDA excl. non-recurring items	167	170	*-1.6*	411	347	*18.5*
of which Telia Carrier	120	100	*19.7*	355	277	*28.2*
Margin (%)	8.8	8.4		7.5	6.0	
Income from associated companies	715	1,387	*-48.5*	2,299	2,157	*6.6*
of which Russia	230	525	*-56.2*	683	909	*-24.9*
of which Turkey	485	864	*-43.9*	1,621	1,253	*29.4*
Operating income excl. non-recurring items	704	1,404	*-49.9*	2,219	2,078	*6.8*
Operating income	915	1,307	*-30.0*	2,187	1,804	*21.3*
CAPEX	785	561	*40.0*	2,228	1,730	*28.8*
Employees	3,255	3,265	*-0.3*	3,255	3,265	*-0.3*

Net sales in local currencies, excluding acquisitions and disposals, fell 4.9 percent. In reported currency, net sales fell 6.3 percent to SEK 1,892 million (2,020). The effect of exchange rate fluctuations was negative by 1.4 percent.

EBITDA, excluding non-recurring items decreased 1.6 percent to SEK 167 million (170). The EBITDA margin, excluding non-recurring items, rose to 8.8 percent (8.4).

In Telia Carrier, net sales fell 9.2 percent to SEK 1,584 million (1,744) and the EBITDA margin, excluding non-recurring items, rose to 7.6 percent (5.7).

Income from associated companies fell to SEK 715 million (1,387) due to translation gain in Turkcell previous year and significantly lower net profit in MegaFon this quarter.

In the second quarter Telia Company agreed to divest its Nordic and Baltic credit management services and debt purchase business Sergel to Marginalen. Closing of the transaction is expected to take place before year-end 2016. See Note 4 for further information.

DISCONTINUED OPERATIONS

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2016	Jul-Sep 2015	*Chg (%)*	Jan-Sep 2016	Jan-Sep 2015	*Chg (%)*
Net sales (external)	3,184	5,300	*-39.9*	10,317	16,272	*-36.6*
EBITDA excl. non-recurring items	1,364	2,773	*-50.8*	4,532	8,736	*-48.1*
Margin (%)	42.8	52.3		43.9	53.7	
CAPEX	681	768	*-11.4*	2,376	3,219	*-26.2*
CAPEX excluding license and spectrum fees	599	775	*-22.7*	1,666	2,833	*-41.2*

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

Net sales fell 39.9 percent in reported currency to SEK 3,184 million (5,300) mainly due to the divestment of Ncell in Nepal previous quarter and erosion of local currencies.

EBITDA, excluding non-recurring items, fell 50.8 percent to SEK 1,364 million (2,773). The EBITDA margin, excluding non-recurring items dropped to 42.8 percent (52.3), mainly due to the divestment of Ncell in Nepal previous quarter and erosion of local currencies.

CAPEX decreased to SEK 681 million (768) and CAPEX, excluding license and spectrum fees, fell to SEK 599 million (775).

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data and number of shares	Note	Jul-Sep 2016	Jul-Sep [1] 2015	Jan-Sep 2016	Jan-Sep[1] 2015
Continuing operations					
Net sales	1, 5	21,524	21,712	63,049	63,860
Cost of sales	1	-12,854	-12,873	-37,667	-38,553
Gross profit		**8,670**	**8,840**	**25,381**	**25,306**
Selling, admin. and R&D expenses		-4,481	-4,880	-14,357	-15,257
Other operating income and expenses, net		-50	-283	-343	-517
Income from associated companies and joint ventures		744	1,419	2,386	2,224
Operating income	5	**4,884**	**5,097**	**13,068**	**11,757**
Financial items, net		-525	-570	-1,490	-2,102
Income after financial items		**4,359**	**4,527**	**11,578**	**9,656**
Income taxes		-758	-941	-2,223	-1,544
Net income from continuing operations		**3,600**	**3,586**	**9,355**	**8,112**
Discontinued operations					
Net income from discontinued operations[2]	4	**-12,242**	**1,437**	**-10,184**	**4,720**
Total net income		**-8,641**	**5,023**	**-829**	**12,832**
Items that may be reclassified to net income:					
Foreign currency translation differences from continuing operations		2,240	-2,938	3,978	-5,404
Foreign currency translation differences from discontinued operations		-350	-1,769	-69	-2,563
Income from associated companies and joint ventures		46	-124	-261	35
Cash flow hedges		241	250	68	377
Available-for-sale financial instruments		39	60	183	15
Income tax relating to items that will be reclassified		232	247	724	-250
Items that will not be reclassified to net income:					
Remeasurements of defined benefit pension plans		-1,118	-1,949	-3,025	1,304
Income tax relating to items that will not be reclassified		230	423	650	-274
Associates' remeasurements of defined benefit pension plans		0	0	-20	-1
Other comprehensive income		**1,560**	**-5,799**	**2,228**	**-6,761**
Total comprehensive income		**-7,081**	**-775**	**1,399**	**6,071**
Total net income attributable to:					
Owners of the parent		-8,810	4,589	-3,605	11,561
Non-controlling interests		169	435	2,776	1,270
Total comprehensive income attributable to:					
Owners of the parent		-7,275	-796	-1,803	5,404
Non-controlling interests		194	21	3,202	667
Earnings per share (SEK), basic and diluted		-2.03	1.06	-0.83	2.67
of which continuing operations, basic and diluted		0.82	0.82	2.14	1.85
Number of shares (thousands)					
Outstanding at period-end		4,330,085	4,330,080	4,330,085	4,330,080
Weighted average, basic and diluted		4,330,085	4,330,080	4,330,082	4,330,082
EBITDA from continuing operations		6,992	6,405	19,139	17,625
EBITDA excl. non-recurring items from continuing operations		6,850	6,957	19,456	18,725
Depreciation, amortization and impairment losses from continuing operations		-2,852	-2,728	-8,457	-8,092
Operating income excl. non-recurring items from continuing operations		4,742	5,648	13,386	12,876

1) Certain restatements have been made, see Note 1.

2) Includes expenses for the provision for the settlement amount proposed by the U.S. and Dutch authorities of SEK 12.5 billion, see Note 4.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Sep 30, 2016	Dec 31, 2015
Assets			
Goodwill and other intangible assets	6, 14	70,961	67,933
Property, plant and equipment	6	56,801	55,093
Investments in associates and joint ventures, pension obligation assets and other non-current assets		29,527	29,401
Deferred tax assets		4,508	5,054
Long-term interest-bearing receivables	10	19,985	16,368
Total non-current assets		*181,781*	*173,850*
Inventories		1,523	1,871
Trade and other receivables and current tax receivables		15,736	17,158
Short-term interest-bearing receivables	10	8,331	10,679
Cash and cash equivalents	10	18,485	14,647
Assets classified as held for sale[2), 4)]	4, 10	33,929	35,812
Total current assets		*78,005*	*80,167*
Total assets[1)]		**259,786**	**254,017**
Equity and liabilities			
Equity attributable to owners of the parent		83,082	97,884
Equity attributable to non-controlling interests		5,196	4,318
Total equity		*88,279*	*102,202*
Long-term borrowings	7, 10	86,057	91,646
Deferred tax liabilities		10,134	10,627
Provisions for pensions and other long-term provisions[3), 4)]		7,318	6,199
Other long-term liabilities		636	702
Total non-current liabilities		*104,145*	*109,175*
Short-term borrowings	7, 10	10,314	9,337
Trade payables and other current liabilities, current tax payables and short-term provisions[5)]	4	37,946	21,706
Liabilities directly associated with assets classified as held for sale[4)]	4, 10	19,101	11,598
Total current liabilities		*67,361*	*42,641*
Total equity and liabilities		**259,786**	**254,017**

1) The sales price for Telia Company's 60.4 percent direct ownership in Ncell and Telia Company's share in the holding company Reynolds Holding and Telia Company's sales price for the economic interest in the 20 percent local shares in Ncell are included in continuing operations.
2) The minority owner Visor's share of the sales price for Visor's 19.6 percent ownership in Ncell and Visor's share in the holding company Reynolds Holding was retained within discontinued operations and classified as assets held for sale. The major part of the price has been distributed to Visor during the third quarter of 2016 and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of September 30, 2016.
3) Includes provisions for transaction warranties relating to the divestment of Ncell in Nepal.
4) For more information on the divestment of Ncell in Nepal, see Note 4.
5) Short-term provisions as of September 30, 2016, include the provision for the settlement amount proposed by the U.S. and Dutch authorities of SEK 12.5 billion, see Note 4.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Cash flow before change in working capital	7,511	8,695	19,985	27,843
Change in working capital	292	302	657	-812
Cash flow from operating activities	**7,803**	**8,997**	**20,642**	**27,031**
of which from discontinued operations	*924*	*2,647*	*2,823*	*6,859*
Cash CAPEX	-4,146	-4,298	-12,994	-13,173
Free cash flow	**3,657**	**4,699**	**7,649**	**13,859**
of which from discontinued operations	*393*	*1,468*	*529*	*3,172*
Cash flow from other investing activities	-452	505	9,964	-8,349
Total cash flow from investing activities[1] [2]	**-4,598**	**-3,793**	**-3,030**	**-21,522**
of which from discontinued operations[2]	*-577*	*-1,514*	*-406*	*-4,142*
Cash flow before financing activities	**3,205**	**5,204**	**17,613**	**5,510**
Cash flow from financing activities	**-3,132**	**2,132**	**-15,798**	**-7,469**
of which from discontinued operations	*-2,070*	*69*	*-1,925*	*648*
Cash flow for the period	**73**	**7,337**	**1,815**	**-1,960**
of which from discontinued operations	*-1,724*	*1,202*	*492*	*3,366*
Cash and cash equivalents, opening balance	**27,642**	**19,578**	**25,334**	**28,735**
Cash flow for the period	73	7,337	1,815	-1,960
Exchange rate differences	254	-173	820	-34
Cash and cash equivalents, closing balance	**27,969**	**26,742**	**27,969**	**26,742**
of which from continuing operations (incl. Yoigo and Sergel) [1]	*19,812*	*16,480*	*19,812*	*16,480*
of which from discontinued operations (Eurasia) [2]	*8,157*	*10,262*	*8,157*	*10,262*

1) Includes sales price paid in cash for Telia Company's 60.4 percent ownership in Ncell, Telia Company's share in the holding company Reynolds Holding and Telia Company's economic interest in the 20 percent local shares in Ncell. For more information, see Note 4.

2) Includes sales price paid in cash in for minority owner Visor's share of Ncell and Visor's share in the holding company Reynolds Holding. The major part of the price has been distributed to Visor during the third quarter of 2016 and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of September 30, 2016. For more information, see Note 4.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Owners of the parent	Non-controlling interests	Total equity
Opening balance, January 1, 2015	**111,383**	**4,981**	**116,364**
Dividends	-12,990	-821	-13,810
Share-based payments	18	–	18
Repurchased treasury shares	-14	–	-14
Total transactions with owners	*-12,986*	*-821*	*-13,807*
Total comprehensive income	5,404	667	6,071
Effect of equity transactions in associates	-4	–	-4
Closing balance, September 30, 2015	**103,796**	**4,828**	**108,624**
Dividends	–	-14	-14
Share-based payments	5	–	5
Acquisition of non-controlling interest	-309	-47	-356
Total transactions with owners	*-304*	*-61*	*-365*
Total comprehensive income	-4,417	-449	-4,866
Effect of equity transactions in associates	-1,193	–	-1,193
Closing balance, December 31, 2015	**97,884**	**4,318**	**102,202**
Opening balance, January 1, 2016	**97,884**	**4,318**	**102,202**
Dividends	-12,990	-2,365	-15,355
Share-based payments	21	–	21
Repurchased treasury shares	-5	–	-5
Change in non-controlling interests	-41	41	0
Total transactions with owners	*-13,015*	*-2,324*	*-15,339*
Total comprehensive income	-1,803	3,202	1,399
Effect of equity transactions in associates	16	–	16
Closing balance, September 30, 2016	**83,082**	**5,196**	**88,279**

NOTE 1. BASIS OF PREPARATION

General

As in the annual accounts for 2015, Telia Company's consolidated financial statements as of and for the nine-month period ended September 30, 2016, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act as well as standard RFR 2 Accounting for Legal Entities and other statements issued by the Swedish Financial Reporting Board. For the group this Interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and for the Parent Company in accordance with the Swedish Annual Reports Act. The accounting policies adopted and computation methods used are consistent with those followed in the Annual report 2015, except as described below. All amounts in this report are presented in SEK millions, unless otherwise stated. Rounding differences may occur.

Assets held for sale and discontinued operations

Former segment region Eurasia is classified as held for sale and discontinued operations as of December 31, 2015. The mobile business Yoigo in Spain (Yoigo) and the Sergel companies (Sergel) are included in continuing operations but classified as assets held for sale as of June 30, 2016. For information on assets held for sale and discontinued operations, see Note 4.

Segments

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

Correction of prior period classification errors

Prior periods have been restated to reflect the discovery of certain classification errors between net sales and cost of sales referring to insurance sales in region Europe. The corrections were as follows below taken into account. Former segment region Eurasia is classified as discontinued operations:

SEK in millions	Jan-Mar 2015 Reported	Jan-Mar 2015 Restatement	Jan-Mar 2015 Disc. operations	Jan-Mar 2015 Restated
Net sales	26,041	-18	-5,434	20,589
Cost of sales	-15,147	18	2,455	-12,674
Gross profit	**10,894**	**–**	**-2,979**	**7,915**

SEK in millions	Apr-Jun 2015 Reported	Apr-Jun 2015 Restatement	Apr-Jun 2015 Disc. operations	Apr-Jun 2015 Restated
Net sales	27,115	-19	-5,538	21,558
Cost of sales	-15,299	19	2,274	-13,006
Gross profit	**11,816**	**–**	**-3,264**	**8,552**

SEK in millions	Jul-Sep 2015 Reported	Jul-Sep 2015 Restatement	Jul-Sep 2015 Disc. operations	Jul-Sep 2015 Restated
Net sales	27,029	-18	-5,300	21,712
Cost of sales	-15,293	18	2,403	-12,873
Gross profit	**11,737**	**–**	**-2,897**	**8,840**

SEK in millions	Oct-Dec 2015 Reported	Oct-Dec 2015 Restatement	Oct-Dec 2015 Restated
Net sales	22,655	-17	22,638
Cost of sales	-14,174	17	-14,157
Gross profit	**8,481**	**–**	**8,481**

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

Restatement of financial data

Prior periods have been restated for comparability to reflect a refined product classification in region Sweden where certain revenues now are treated as external service revenues instead of equipment sales.

Restatement of operational data

As a result of a review of certain types of mobile subscriptions in Sweden and Norway the operational data for number of subscriptions has been restated for comparability.

NOTE 2. REFERENCES

For more information regarding;

- Sales and earnings, see pages 6-7.
- Cash flow and financial position, see pages 6-7.
- Significant events in the first, second and third quarter, see page 8.
- Significant events after the end of the third quarter, see page 8.
- Risks and uncertainties, see pages 34-36.

NOTE 3. NON-RECURRING ITEMS

Non-recurring items within operating income, continuing operations

SEK in millions	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Within EBITDA	**141**	**-552**	**-317**	**-1,100**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:				
Region Sweden	-26	-201	-277	-293
Region Europe	-41	-254	-160	-532
Other operations	211	-97	-32	-274
Capital gains/losses	-2	0	152	-1
Within Income from associated companies and joint ventures	**0**	**–**	**-1**	**-19**
Capital gains/losses	0	–	-1	-19
Total non-recurring items within operating income, continuing operations	**141**	**-552**	**-318**	**-1,119**

Non-recurring items within EBITDA, discontinued operations (region Eurasia)

SEK in millions	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Within EBITDA	**-12,488**	**-55**	**-11,379**	**-286**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:	-12,509	-55	-12,658	-286
Impairment loss on remeasurement to fair value less costs to sell[1)]	-52	–	-52	–
Capital gains/losses	73	–	1,331	–
Total non-recurring items within EBITDA, discontinued operations[2)]	**-12,488**	**-55**	**-11,379**	**-286**

1) Total impairment loss on remeasurement to fair value less cost to sell in the quarter amounts to SEK 600 million, whereof SEK 52 million recorded within EBITDA.

2) For more information on assets held for sale and discontinued operations see Note 4.

NOTE 4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Classification

Eurasia

Former segment region Eurasia (including holding companies) is classified as held for sale and discontinued operations since December 31, 2015. The holding companies will be divested or liquidated in connection with the transactions.

Yoigo

In June 2016, Telia Company signed an agreement to sell its 76.6 percent holding in the Spanish operator Yoigo to Masmovil, a Spanish telecommunications operator. The deal has been approved by all relevant authorities and was completed on October 5, 2016. The transaction price is based on an enterprise value for Yoigo of EUR 625 million, of which Telia Company's 76.6 percent holding corresponds to EUR 479 million. The agreed price implies an EV/EBITDA multiple of approximately 8.1x based on Yoigo's 2015 results. The divestment is estimated to generate a capital gain of more than SEK 4 billion and, following closing adjustments, the transaction is expected to reduce net debt for Telia Company by approximately SEK 6 billion. Yoigo is classified as held for sale since June 30, 2016. Yoigo in Spain is a part of the reportable segment region Europe. It is not considered to represent a separate major line of business or geographical area of operations and is therefore not presented as discontinued operations.

Sergel

In June 2016, Telia Company signed an agreement to divest its 100 percent holding in Sergel (credit management services and debt purchase business) to Marginalen at an enterprise value of SEK 2.1 billion. In 2015, Sergel's EBITDA contribution, excluding non-recurring items, was SEK 206 million. The transaction is conditional on relevant regulatory approvals including the Swedish Financial Supervisory Authority as well as Competition Authorities. Closing of the transaction is expected to take place before year-end 2016. The approvals are deemed highly probable and Sergel is therefore classified as held for sale since June 30, 2016. In the segment reporting Sergel is part of Other operations. It is not considered to represent a separate major line of business or geographical area of operations and is therefore not presented as discontinued operations.

Presentation

Former segment region Eurasia (including holding companies), which is classified as discontinued operations, is presented as a single amount in the consolidated statements of comprehensive income. Comparative periods in the consolidated statements of comprehensive income are restated to reflect the classification of region Eurasia as discontinued operations. The consolidated cash flow statement is presented including region Eurasia, but with additional information on cash flows from operating, investing and financing activities and free cash flow for region Eurasia. Eurasia, Yoigo and Sergel are classified as held for sale and the related assets and liabilities are therefore presented separately in two line items in the consolidated statement of financial position. The amounts for discontinued operations and assets and liabilities held for sale (Eurasia, Yoigo and Sergel) in the consolidated financial statements are presented after elimination of intra-group transactions and intra-group balances.

Measurement

In accordance with IFRS 5 discontinued operations (Eurasia) and assets held for sale (Yoigo and Sergel) are measured at the lower of carrying value and estimated fair value less costs to sell. The valuation is based on an assessment of the input from the sales process and the risks in the different countries. Non-current assets included in discontinued operations or disposal groups held for sale are not depreciated or amortized. Depreciation and amortization in discontinued operations (Eurasia) for 2015 was SEK 3.6 billion. 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. Management's best estimate is that the risk adjusted debt free value of Ucell of SEK 3.3 billion as of December 31, 2015, remains unchanged as of September 30, 2016. Changes in any of the estimated risk adjustments made for Ucell would have a material impact on the estimated fair value. The most significant impact on fair value will be the buyer's ability to operate in the country and convert local currency. For information on the valuation of Ucell, see the Annual and Sustainability Report 2015. Due to increased carrying values for Ucell impairment charges of SEK 200 million, SEK 550 million and SEK 600 million were recognized in the first, second and third quarters of 2016, respectively.

In September 2016, Telia Company signed an agreement to sell its 60 percent holding in Central Asian Telecommunications Development B.V., which controls CJSC “Indigo Tajikistan” (Tcell), to the Aga Khan Fund for Economic Development (AKFED). AKFED is currently the minority owner in Central Asian Telecommunications Development B.V. with a 40 percent holding. The transaction is expected to close by the end of the year and is subject to regulatory approvals in Tajikistan. The transaction price for Tcell is based on an enterprise value of USD 66 million, of which Telia Company’s 60 percent share corresponds to USD 39 million. Based on current FX-rates, the agreed price implies an EV/EBITDA multiple of approximately 4.0x based on Tcell’s 2015 results. The transaction will have limited result and net debt impact. Based on the signed agreement for Tcell and current information in the sales process of Roshan (financial asset relating to shares in an operator in Afghanistan), management’s best estimate is that the enterprise value for Tcell (100 percent) and the value of the shares in Roshan (12.25 percent) combined as of June 30, 2016, of SEK 600 million remains unchanged as of September 30, 2016. An impairment loss of SEK 450 million was recognized in the second quarter of 2016 for Tcell and Roshan. The classification of Yoigo and Sergel as held for sale as of June 30, 2016, did not result in any impairment charge.

Disposal of Ncell in Nepal

On April 11, 2016, Telia Company completed the divestment of its holdings in Ncell in Nepal to Axiata, one of Asia’s largest telecommunication groups. The deal has been approved by all relevant authorities. Telia Company has completed the sale at an enterprise value of USD 1,030 million for its 60.4 percent ownership of Ncell and Telia Company’s share of the holding company Reynolds Holding. The transaction is subject to customary closing adjustments based on net debt and net working capital. Telia Company has been paid for Ncell’s cash position in proportion to its economic interest of 80.4 percent. Furthermore, Telia Company has dissolved its economic interests in the 20 percent local ownership in Ncell and received approximately USD 48 million from Sunivera Capital Ventures, Singapore. The divestment, all transactions included, resulted in a total capital gain of SEK 1,258 million for the group in the second quarter of 2016, whereof a loss of SEK -888 million was attributable to owners of the parent and a gain of SEK 2,146 million was attributable to non-controlling interests. The sale resulted in a loss for the parent shareholders mainly due to the carrying value of goodwill in Ncell (not attributable to minority) and provisions for parent shareholder’s transaction warranties. On signing in December 2015, no material effect on net income (attributable to parent shareholders) was expected, but final amounts were subject to deviations in foreign exchange rates and closing adjustments. Compared to the estimated net income effect expected in December 2015, the capital loss relating to parent shareholders of SEK -888 million recognized in the second quarter of 2016 has been effected by negative foreign currency effects on the sales price, estimated closing adjustments and estimated additional provisions for transaction warranties. The net cash flow effect for the group was SEK 9.8 billion (relating to both parent shareholders and non-controlling-interests) in the second quarter of 2016 and has changed to SEK 9.3 billion at the end of the third quarter of 2016. The net cash flow change of SEK -0.5 billion relates to cash proceeds received in the third quarter of SEK 0.9 billion and
SEK -1.4 billion which is part of the proceeds that were recognized as cash in the second quarter that now is reported as long term receivables in the third quarter of 2016. Provisions for transaction warranties are included in the statement of financial position for continuing operations. The sales price of SEK 12.9 billion for Telia Company’s 60.4 percent direct ownership and the minority owner Visor’s 19.6 percent ownership in Ncell and their 100 percent ownership in the holding company Reynolds Holding, have been recognized in the legal entity TeliaSonera Norway Nepal Holding. A liquidation process has been initiated for TeliaSonera Norway Nepal Holding, which is included within discontinued operations. Telia Company’s share of the sales price of SEK 9.6 billion has been classified within continuing operations (whereof SEK 8.9 billion has been included in cash and cash equivalents as of September 30, 2016). The minority owner Visor’s share of the sales price of SEK 3.3 billion was included within discontinued operations and was classified as held for sale. The major part of Visor’s sales price has been distributed to Visor during the third quarter and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of September 30, 2016. The sales price of SEK 1.0 billion for Telia Company's economic interest in the 20 percent local shares has been transferred to Telia Company AB and has been included within cash and cash equivalents in continuing operations. The final amounts relating to the Ncell divestment are still subject to deviations in foreign exchange rates and closing adjustments.

Provision for settlement amount proposed by the U.S. and Dutch authorities

The U.S. and Dutch authorities have investigated historical transactions related to Telia Company’s entry into Uzbekistan in 2007. As announced on September 15, 2016, Telia Company received a proposal from the authorities for resolution of the pending investigations. The authorities have proposed a global resolution that includes a total financial sanction of USD 1.45 billion. Resolution of the various investigations is complex and will require further discussion and negotiation with the various government agencies involved in the investigations. Without certainty as to the timing and amount that may be paid at the time of a final resolution, Telia Company has recorded a USD 1.45 billion (SEK 12.5 billion) provision at the balance sheet date. This is in line with

IFRS requirements, which states that the best estimate must be recorded as a provision. As it is not possible for management to make another reliable estimate at this point in time, this amount is the estimate of the expenditure required to settle this matter at the balance sheet date. Disclosure of further details regarding the assumptions and uncertainties of the provision is expected to prejudice seriously the position of Telia Company. Telia Company has therefore, in accordance with IAS 37.92, not presented any further information on the provision in this Interim report.

The provision is recognized as a short-term provision and is included in the line item “Trade payables and other current liabilities, current tax payables and short-term provisions” in the condensed consolidated statements of financial position. The provision is classified as part of liabilities relating to continuing operations as the provision will not be part of the sale of the Eurasian net assets. The effect on net income is included in the line item “Net income from discontinued operations” in the condensed consolidated statements of comprehensive income and disclosed as operating expenses in the table “Net income from discontinued operations (Eurasia)” below. The net income effect is classified as part of discontinued operations based on that the expenses are related to the operations in Uzbekistan. The settlement amount is assumed to be non-tax deductible.

Net income from discontinued operations (region Eurasia)

SEK in millions, except per share data	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Net sales	3,184	5,300	10,317	16,272
Expenses and other operating income, net[3)	-14,261	-3,517	-18,355	-10,590
Operating income	**-11,077**	**1,783**	**-8,038**	**5,682**
Financial items, net	-420	265	-484	660
Income after financial items	**-11,497**	**2,048**	**-8,522**	**6,342**
Income taxes	-144	-611	-1,119	-1,622
Net income before remeasurement and gain on disposal	**-11,641**	**1,437**	**-9,641**	**4,720**
Impairment loss on remeasurement to fair value less costs to sell[1)	-600	–	-1,800	–
Gain on disposal of Ncell in Nepal (including cumulative Ncell exchange loss in equity reclassified to net income of SEK –1,065 million)[2)	–	–	1,258	–
whereof loss attributable to parent shareholders	–	–	*-888*	–
whereof gain attributable to non-controlling interests	–	–	*2,146*	–
Net income from discontinued operations[3)	**-12,242**	**1,437**	**-10,184**	**4,720**
EPS from discontinued operations (SEK)[3)	-2.86	0.24	-2.97	0.82
EBITDA excl. non-recurring items	1,364	2,773	4,532	8,736

1) Non-tax deductible.

2) Non-taxable gain.

3) Operating expenses for 2016 include expenses relating to the provision for settlement amount proposed by the U.S. and Dutch authorities of SEK 12.5 billion.

Assets classified as held for sale (region Eurasia, Yoigo and Sergel)

SEK in millions	Eurasia Sep 30, 2016[5)	Yoigo and Sergel, Sep 30, 2016	Total, Sep 30, 2016[5)	Eurasia Dec 31, 2015
Goodwill and other intangible assets	6,573	1,355	8,014	10,821
Property, plant and equipment	6,846	2,295	9,564	10,379
Other non-current assets	790	1,130	1,920	586
Short-term interest-bearing receivables	1,472	136	1,608	1,382
Other current assets[5)	2,053	1,795	3,340	1,957
Cash and cash equivalents[5)	8,157	1,328	9,484	10,687
Assets classified as held for sale	**25,890**	**8,039**	**33,929**	**35,812**
Long-term borrowings	361	3,047	3,408	238
Long-term provisions	4,393	1,458	5,851	4,431
Other long-term liabilities	1,334	35	1,370	2,176
Short-term borrowings	1,533	419	1,951	1,230
Other current liabilities	3,370	3,150	6,520	3,524
Liabilities associated with assets classified as held for sale	**10,991**	**8,110**	**19,101**	**11,598**
Net assets classified as held for sale[4)	**14,899**	**-71**	**14,828**	**24,214**

4) Represents 100 percent of external assets and liabilities, i.e. non-controlling interests' share of net assets are included.

5) The major part of the minority owner Visor's share of the sales price for Ncell and Visor's share of the holding company Reynolds Holding has been distributed to Visor during the third quarter of 2016 and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of September 30, 2016. The provisions for transaction warranties and the sales price for Telia Company's 60.4 percent ownership in Ncell and Telia Company's share in the holding company Reynolds Holding, as well as sales price for Telia Company's economic interest in the 20 percent local shares in Ncell are included in continuing operations.

NOTE 5. SEGMENT INFORMATION

SEK in millions	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Net sales				
Region Sweden	9,181	9,122	27,276	27,443
of which external	9,086	9,069	27,047	27,260
Region Europe	11,042	11,119	31,991	32,257
of which external	10,936	11,004	31,705	31,940
Other operations	1,892	2,020	5,457	5,788
Total segments	**22,116**	**22,261**	**64,725**	**65,489**
Eliminations	-592	-549	-1,676	-1,629
Group	**21,524**	**21,712**	**63,049**	**63,860**
EBITDA excl. non-recurring items				
Region Sweden	3,613	3,752	10,711	10,459
Region Europe	3,070	3,036	8,334	7,918
Other operations	167	170	411	347
Total segments	**6,850**	**6,957**	**19,456**	**18,725**
Eliminations	0	0	0	0
Group	**6,850**	**6,957**	**19,456**	**18,725**
Operating income				
Region Sweden	2,376	2,443	7,032	6,835
Region Europe	1,592	1,346	3,849	3,119
Other operations	915	1,307	2,187	1,804
Total segments	**4,884**	**5,097**	**13,068**	**11,757**
Eliminations	0	–	0	0
Group	**4,884**	**5,097**	**13,068**	**11,757**
Financial items, net	-525	-570	-1,490	-2,102
Income after financial items	**4,359**	**4,527**	**11,578**	**9,656**

SEK in millions	Region Sweden	Region Europe	Other operations	Total segments	Unallocated	Assets and liabilities held for sale	Total assets/ liabilities, group
Segment assets							
September 30, 2016	43,580	96,435	35,543	175,558	50,299	33,929	**259,786**
December 31, 2015	42,516	96,018	33,633	172,166	46,039	35,812	**254,017**
Segment liabilities							
September 30, 2016	10,553	7,626	19,418	37,597	114,807	19,101	**171,506**
December 31, 2015	11,123	11,626	5,663	28,413	111,805	11,598	**151,816**

NOTE 6. INVESTMENTS

SEK in millions	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
CAPEX	**3,648**	**3,134**	**10,618**	**9,386**
Intangible assets	444	397	1,618	1,185
Property, plant and equipment	3,204	2,737	9,000	8,201
Acquisitions and other investments	**120**	**54**	**339**	**5,635**
Asset retirement obligations	96	1	211	88
Goodwill and fair value adjustments	0	15	28	4,502
Equity holdings	24	37	100	1,044
Total continuing operations	**3,768**	**3,188**	**10,957**	**15,020**
Total discontinued operations	**681**	**768**	**2,387**	**3,220**
of which CAPEX	681	768	2,376	3,219
Total investments	**4,449**	**3,956**	**13,344**	**18,240**
of which CAPEX	4,329	3,902	12,994	12,605

NOTE 7. FINANCIAL INSTRUMENTS – FAIR VALUES

	Sep 30, 2016		Dec 31, 2015	
Long-term and short-term borrowings[1)] SEK in millions	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	57,963	68,964	37,672	41,021
Interest rate swaps	36	36	627	627
Cross currency interest-rate swaps	3,402	3,402	1,694	1,694
Subtotal	**61,401**	**72,402**	**39,993**	**43,342**
Open-market financing program borrowings	22,856	27,386	47,908	53,577
Other borrowings at amortized cost	1,760	1,760	3,699	3,699
Subtotal	**86,018**	**101,548**	**91,600**	**100,618**
Finance lease agreements	40	40	46	46
Total long-term borrowings	**86,057**	**101,588**	**91,646**	**100,664**
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	7,474	7,630	–	–
Interest-rate swaps	–	–	51	51
Cross currency interest-rate swaps	–	–	21	21
Subtotal	**7,474**	**7,630**	**72**	**72**
Utilized bank overdraft and short-term credit facilities at amortized cost	1	1	9	9
Open-market financing program borrowings	2,213	2,214	5,627	5,648
Other borrowings at amortized cost	625	625	3,623	3,623
Subtotal	**10,312**	**10,470**	**9,330**	**9,351**
Finance lease agreements	2	2	7	7
Total short-term borrowings	**10,314**	**10,473**	**9,337**	**9,358**

1) For financial assets, fair values equal carrying values. For information on fair value estimation, see the Annual and Sustainability Report 2015, Note C3 to the consolidated financial statements.

Financial assets and liabilities by fair value hierarchy level[1)] SEK in millions	Sep 30, 2016 Carrying value	of which Level 1	Level 2	Level 3	Dec 31, 2015 Carrying value	of which Level 1	Level 2	Level 3
Financial assets at fair value								
Equity instruments available-for-sale	1,147	–	–	1,147	1,053	–	–	1,053
Equity instruments held-for-trading	29	–	–	29	35	–	–	35
Long- and short-term bonds available-for-sale	14,732	14,732	–	–	15,739	15,739	–	–
Derivatives designated as hedging instruments	4,175	–	4,175	–	2,824	–	2,824	–
Derivatives held-for-trading	2,496	–	2,496	–	3,137	–	3,072	65
Total financial assets at fair value by level	**22,579**	**14,732**	**6,671**	**1,177**	**22,789**	**15,739**	**5,896**	**1,153**
Financial liabilities at fair value								
Derivatives designated as hedging instruments	2,812	–	2,812	–	**2,165**	–	2,165	–
Derivatives held-for-trading	948	–	948	–	**329**	–	329	–
Total financial liabilities at fair value by level	**3,761**	**–**	**3,761**	**–**	**2,494**	**–**	**2,494**	**–**

1) For information on fair value hierarchy levels and fair value estimation, see the Annual and Sustainability Report 2015, Note C3 to the consolidated financial statements and the section below.

Fair value measurement of level 3 financial instruments

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

Telia Company's primary valuation technique used for estimating the fair value of unlisted equity instruments in level 3 is based on the most recent transaction for the specific company if such transaction has been recently done. If there has been significant changes in circumstances between the transaction date and the balance sheet date that, in the assessment of Telia Company, would have a material impact on the fair value, the carrying value is adjusted to reflect the changes.

In addition, the assessment of the fair value of material unlisted equity instruments is verified by applying other valuation models in the form of valuation multiples from listed comparable companies (peers) on relevant financial and operational metrics, such as revenue, gross profit and other relevant KPIs for the specific company. Comparable listed companies are determined based on industry, size, development stage, geographic area and strategy. The multiple is calculated by dividing the enterprise value of the comparable company by the relevant metric. The multiple is then adjusted for discounts/premiums with regards to differences, advantages and disadvantages between Telia Company's investment and the comparable public companies based on company specific facts and circumstances.

Although Telia Company uses its best 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.

The table below presents the movement in level 3 instruments for the nine-month period ended September 30, 2016.

SEK in millions	Jan-Sep 2016 Equity instruments available-for-sale	Equity instruments held-for-trading	Long- and short-term bonds available-for-sale	Derivatives held-for-trading	Total
Level 3, opening balance	1,053	35	–	65	1,153
Changes in fair value	-5	-8	–	–	-12
of which recognized in net income	*-5*	*-8*	–	–	*-12*
of which recognized in other comprehensive income	–	–	–	–	–
Purchases/capital contributions	33	2	–	–	35
Exercise of warrants	65	–	–	-65	–
Transfer into/out of level 3	–	–	–	–	–
Exchange rate differences	–	1	0	–	1
Level 3, closing balance	**1,147**	**29**	**0**	**0**	**1,177**

SEK in millions	Jan-Dec 2015 Equity instruments available-for-sale	Equity instruments held-for-trading	Long- and short-term bonds available-for-sale	Derivatives held-for-trading	Total
Level 3, opening balance	**275**	**61**	**0**	**55**	**391**
Changes in fair value	10	-26	0	10	-6
of which recognized in net income	*-15*	*-26*	*0*	*10*	*-31*
of which recognized in other comprehensive income	*25*	–	–	–	*25*
Purchases/capital contributions	994	4	–	–	998
Transfer into/out of level 3	–	–	–	–	–
Exchange rate differences	16	-5	0	0	11
Reclassified to assets classified as held for sale	-242	–	–	-1	-243
Level 3, closing balance	**1,053**	**35**	**–**	**65**	**1,153**

The purchases in 2015 were mainly related to the acquisition of a 1.4 percent stake in Spotify for USD 115 million, corresponding to SEK 976 million at the transaction date on June 9, 2015.

NOTE 8. TREASURY SHARES

On April 28, 2015, Telia Company acquired 270,783 own shares to an average price of SEK 51.7908 to cover commitments under the “Long Term Incentive Program 2012/2015”. During the second quarter of 2015, Telia Company distributed 266,195 shares to the incentive program participants. As of September 30, 2016, zero Telia Company AB shares were held by the company itself and the total numbers of registered and outstanding shares were 4,330,084,781. The total number of registered and outstanding shares as of December 31, 2015, was 4,330,084,781 and 4,330,080,193, respectively.

NOTE 9. RELATED PARTY TRANSACTIONS

In the nine-month period ended September 30, 2016, Telia Company purchased goods and services for SEK 42 million (61), and sold goods and services for SEK 59 million (90). Related parties in these transactions were mainly MegaFon, Turkcell and Lattelecom.

NOTE 10. NET DEBT, CONTINUING AND DISCONTINUED OPERATIONS

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

SEK in millions	Sep 30, 2016	Dec 31, 2015
Long-term borrowings	89,466	91,884
Short-term borrowings	12,265	10,567
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-6,568	-5,580
Less long-term bonds available for sale	-9,955	-8,841
Less short-term investments	-5,443	-6,979
Less cash and cash equivalents[1)]	-27,969	-25,334
Net debt, continuing and discontinued operations	**51,796**	**55,717**

1) SEK 0.3 billion of the minority owner Visor's share of the sales price for Ncell and the holding company Reynolds Holding remain within cash and cash equivalents of discontinued operations as of September 30, 2016. For more information, see Note 4.

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

NOTE 11. LOAN FINANCING AND CREDIT RATING

Following the announcement from Telia Company on September 15, 2016, about a proposal for settlement from the relevant authorities, Standard & Poor on September 21, 2016, put Telia Company's long-term rating A- on credit watch negative however affirming Telia Company's short-term rating of A-2. Moody's confirmed on September 19, 2016, an unchanged view with a credit rating on Telia Company of Baa1 for long-term borrowings and P-2 for short-term borrowings, both with a stable outlook.

On September 30, 2016, Telia Company signed a new dual tranche EUR 1,500 million Revolving Credit Facility with a group of thirteen relationship banks. The facility has a tenor of five years and includes two extension options of one year each, at the approval of the lenders. This facility will replace the existing EUR 1,000 million credit facility with maturity in December 2017, and EUR 1,000 million credit facility with maturity in June 2017, ensuring full eligibility by its extended maturity under the rating agencies liquidity models. Telia Company has not been issuing any new debt through the Debt Capital Markets during the third quarter. The strategy remains to optimize the liability structure and to use divestment proceeds to reduce outstanding capital market debt. Hence the funding need for the remainder of the year is limited.

NOTE 12. GUARANTEES AND COLLATERAL PLEDGED

As of September 30, 2016, the maximum potential future payments that Telia Company (continuing operations) could be required to make under issued financial guarantees totaled SEK 400 million (298 at the end of 2015), of which SEK 287 million (283 at the end of 2015) referred to guarantees for pension obligations. Collateral pledged (continuing and discontinued operations) totaled SEK 375 million (353 at the end of 2015). For information regarding ongoing investigations of Eurasian transactions see Review of Eurasian transactions in section Risk and uncertainties.

NOTE 13. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of September 30, 2016, contractual obligations (continuing operations) totaled SEK 4,000 million (2,506 at the end of 2015), of which SEK 2,715 million (1,802 at the end of 2015) referred to contracted build-out of Telia Company's fixed networks in Sweden and a lease agreement relating to future data center in Finland.

NOTE 14. BUSINESS COMBINATIONS

Minor business combinations

On March 1, 2016, Telia Company acquired all shares in the Swedish company Telecom3 Fibernät i Sverige AB. The cost and net cash outflow of the combination was SEK 26 million, all attributable to goodwill. On July 1, 2016, Telia Company acquired a minor business, consisting of fiber networks from Comne Work AB. The cost of the acquisition was SEK 26 million.

NOTE 15. FINANCIAL KEY RATIOS

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

	Sep 30, 2016	Dec 31, 2015
Return on equity (%, rolling 12 months)[1), 2)]	neg	9.3
Return on capital employed (%, rolling 12 months)[1), 2)]	2.6	8.9
Equity/assets ratio (%)[2)]	31.5	35.1
Net debt/equity ratio (%)[2)]	63.3	62.5
Net debt/EBITDA rate excl. non-recurring items (multiple, rolling 12 months)[1)]	1.67	1.53
Net debt/assets ratio (%)	19.9	21.9
Owners' equity per share (SEK) [2)]	19.19	22.60

1) Includes continuing and discontinued operations.

2) Key ratio effected by provision for the settlement proposed by the U.S. and Dutch authorities of SEK 12.5 billion, see Note 4 for further information.

Alternative performance measurements

In addition to financial performance measures prepared in accordance with IFRS, Telia Company presents non-IFRS financial performance measures, for example EBITDA, EBITDA excl. non-recurring items, CAPEX, Cash CAPEX, Free cash flow and Net debt. These alternative measures are considered to be important performance indicators for investors and other users of the Interim report. The alternative performance measures should be considered as a complement to, but not a substitute for, the information prepared in accordance with IFRS. Telia Company's definitions of these non-IFRS measures are described in this Note and in the Annual and Sustainability Report 2015. These terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

EBITDA and EBITDA excl. non-recurring items

Telia Company considers EBITDA as a relevant measure for investors to be able to understand profit generation before investments in fixed assets. To assist the understanding of Telia Company's underlying financial performance we believe it is also useful to analyze EBITDA excluding non-recurring items. EBITDA and EBITDA excl. non-recurring items relate to continuing operations unless otherwise stated. Non-recurring items within EBITDA are specified in Note 3.

SEK in millions	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Operating income	**4,884**	**5,097**	**13,068**	**11,757**
Income from associated companies and joint ventures	-744	-1,419	-2,386	-2,224
Total depreciation/amortization/write-down	2,852	2,728	8,457	8,092
EBITDA	**6,992**	**6,405**	**19,139**	**17,625**
Non-recurring within EBITDA (Note 3)	-141	552	317	1,100
EBITDA excluding non-recurring items	**6,850**	**6,957**	**19,456**	**18,725**

CAPEX

Telia Company considers CAPEX as a relevant measure for investors to understand the group's investments in intangible and tangible non-current assets (excluding goodwill, assets acquired in business combinations and asset retirement obligations). CAPEX is specified in Note 6.

Free cash flow

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

SEK in millions	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Cash flow from operating activities	7,803	8,997	20,642	27,031
Cash CAPEX (paid Intangible and tangible assets)	-4,146	-4,298	-12,994	-13,173
Free cash flow	**3,657**	**4,699**	**7,649**	**13,859**

Net debt

Telia Company considers Net debt to be an important measure for investors and rating agencies to be able to understand the group's indebtedness. Net debt is specified in Note 10.

PARENT COMPANY

Condensed income statements SEK in millions	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Net sales	1	1	3	2
Gross income	1	**1**	3	**2**
Operating expenses	-12,505	-265	-12,986	-806
Operating income	**-12,503**	**-264**	**-12,983**	**-804**
Financial income and expenses	-1,418	-1,858	7,222	6,665
Income after financial items	**-13,921**	**-2,122**	**-5,761**	**5,861**
Appropriations	3,097	1,851	8,318	4,263
Income before taxes	**-10,825**	**-271**	**2,556**	**10,124**
Income taxes	-290	57	-693	-589
Net income	**-11,115**	**-214**	**1,863**	**9,535**

Operating expenses 2016 include the income effect of the provision for settlement amount proposed by the U.S. and Dutch authorities of SEK 12.5 billion. See Note 4 for further information.

Condensed balance sheets SEK in millions	Sep 30, 2016	Dec 31, 2015
Non-current assets	169,785	162,700
Current assets	54,201	60,513
Total assets	**223,986**	**223,213**
Equity and liabilities		
Restricted shareholders' equity	15,712	15,712
Non-restricted shareholders' equity	56,256	67,189
Total shareholders' equity	**71,968**	**82,901**
Untaxed reserves	9,556	12,666
Provisions	571	504
Long-term liabilities	84,265	88,094
Short-term liabilities and short-term provisions	57,626	39,048
Total equity and liabilities	**223,986**	**223,213**

The provision for settlement amount proposed by the U.S. and Dutch authorities is included within "Short-term liabilities and short-term provisions". The settlement amount is expected to be non-tax deductible. See Note 4 for further information.

Current assets decreased mainly due to payment of dividend, intra-group receivables and repayment of borrowings affecting also both long- and short-term liabilities.

Financial investments in the nine-month period ended September 30, 2016, were SEK 1,482 million (8,013 in the 12-month period ended December 31, 2015). The investments in 2015 were mainly related to the acquisition of Tele2's Norwegian mobile operations.

RISKS AND UNCERTAINTIES

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

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

See section Risk and uncertainties and Note C26 to the consolidated financial statements in the Annual and Sustainability Report 2015 for a detailed description of some of the factors that may affect Telia Company's business, brand perception, financial position, results of operations or the share price from time to time. Risks and uncertainties that could specifically impact the quarterly results of operations during 2016 include, but may not be limited to:

Global financial markets unrest

Changes in the global financial markets are difficult to predict. Telia Company strives to have a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry. However, a severe or long-term financial crisis by itself or by triggering a downturn in the economy of one or more countries in which Telia Company operates would have an impact on the customers and may negatively affect growth and results of operations through reduced telecom spending. The maturity schedule of Telia Company's loan portfolio is aimed to be evenly distributed over several years, and refinancing is expected to be made by using uncommitted open-market debt financing programs and bank loans, alongside with the company's free cash flow. In addition, Telia Company has committed credit lines with banks that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, Telia Company's cost of funding might be higher, should there be unfavorable changes in the global financial markets.

International, political and macroeconomic developments

Telia Company has material investments in the Russian Federation related to its associated company PAO MegaFon and the international carrier operations. Following the conflict between the Russian Federation and Ukraine, the European Union and the United States have implemented sanctions directed towards individuals and corporates. The Russian Federation has, as a consequence, decided on certain counter actions.
The sanctions and counter actions 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 Telia Company's Eurasian operations. These developments, as well as other international political conflicts or developments affecting countries in which Telia Company is operating, may adversely impact Telia Company's cash flows, financial position and results of operations.

Competition and price pressure

Telia Company is subject to substantial and historically increasing competition and price pressure. Competition from a variety of sources, including current market participants, new entrants and new products and services, may adversely affect Telia Company's results of operations. Transition to new business models in the telecom industry may lead to structural changes and different competitive dynamics. 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, and adversely impact its results of operations.

Regulation

Telia Company operates in a highly regulated industry. The regulations to which Telia Company is subject impose significant limits on its flexibility to manage its business. 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 frequency permits for Telia Company or other parties, could adversely affect Telia Company's business and results of operations.

Emerging markets

Telia Company has made significant investments in telecom operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Russia, Turkey and Afghanistan. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in countries with more mature institutional structures. The future political situation in each of the emerging market countries may remain or become increasingly unpredictable, and markets in which Telia Company operates may become unstable, even to the extent that Telia Company will be forced to exit a country or a specific operation within a country. Another implication may be unexpected or unpredictable litigation cases under civil or tax legislation. Other risks associated with operating in emerging market countries include foreign exchange restrictions or administrative issues, which could effectively prevent Telia Company from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. Still another risk is the potential establishment of foreign ownership restrictions or other possible actions against entities with foreign ownership, formally or informally. Such negative political or legal developments or weakening of the economies or currencies in these markets might have a significantly negative effect on Telia Company's results of operations and financial position. In September 2015, Telia Company announced its decision to reduce the presence in region Eurasia (Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal) and over time fully leave. Sales processes are ongoing and the divestment of Ncell in Nepal was completed on April 11, 2016. The nature of these markets, including potential government intervention and other factors mentioned above, combined with the fact that the assets are not fully-owned and there are undertakings and obligations in various shareholder agreements, reputational issues regarding the assets and fewer potential buyers than in more mature markets, makes the complexity of these sales processes high with significant uncertainties regarding both expected outcome and timing.

Impairment losses and restructuring charges

Factors generally affecting the telecom markets as well as changes in the economic, regulatory, business or political environment impact Telia Company financially. Management also constantly reviews and refines the business plans, and may make exit decisions or take other actions in order to effectively execute on Telia Company's strategy. Should such circumstances negatively change management's expectation of future cash flows attributable to certain assets, Telia Company will 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. Further, Telia Company has undertaken a number of restructuring and streamlining initiatives, which have resulted in substantial restructuring and streamlining charges. Similar initiatives may be undertaken in the future. In addition to affecting Telia Company's financial position and results of operations, impairment losses and restructuring charges may adversely affect Telia Company's ability to pay dividends.

Investments in business transformation and future growth

Telia Company is currently investing in business transformation and future growth through, for example, initiatives to increase competitiveness and reduce cost as well as to improve capacity and access by accelerating the fiber roll-out in Sweden, new B2B offerings, as well as upgrading data networks in Eurasia. Telia Company is also constantly investing in sales and marketing efforts to retain and acquire customers in its markets. Telia Company believes that these investments and initiatives will improve market position and financial strength. Should Telia Company fail to reach the targets set for its business transformation and customer attraction activities, the results of operations will be negatively impacted.

Shareholder matters in partly-owned subsidiaries

Telia Company conducts some of its activities, particularly outside of the Nordic region, through subsidiaries in which Telia Company does not have a 100 percent ownership. Under the governing documents for certain of these entities, the holders of non-controlling interests have protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder-related matters. One example where Telia Company is dependent on a minority owner is Fintur Holdings B.V. (Fintur's minority shareholder is Turkcell) which owns the operations in Kazakhstan, Azerbaijan, Georgia and Moldova. As a result, actions outside Telia Company's control and adverse to its interests may affect Telia Company's position to act as planned in these partly owned subsidiaries.

Supply chain

Telia Company is reliant upon a limited number of suppliers to manufacture and supply network equipment and related software as well as terminals, to allow Telia Company to develop its networks and to offer its services on a commercial basis. Telia Company cannot be certain that it will be able to obtain network equipment or terminals from alternative suppliers on a timely basis if the existing suppliers are unable to satisfy Telia Company's requirements. In addition, like its competitors, Telia Company currently outsources many of its key support services, including network construction and maintenance in most of its operations. The limited number of suppliers of these services, and the terms of Telia Company's arrangements with current and future suppliers, may adversely affect Telia Company, including restricting its operational flexibility. In connection with signing supplier contracts for delivery of terminals, Telia Company may also grant the supplier a guarantee to sell a certain number of each terminal model to its customers. Should the customer demand for a terminal model under such a guarantee turn out to be smaller than anticipated, Telia Company's results of operations may be adversely affected.

Non-recurring items

In accordance with their nature, non-recurring items such as capital gains and losses, restructuring costs, impairment charges, etc., may impact the quarterly results in the short term with amounts or timing that deviate from those currently expected. Depending on external factors or internal developments, Telia Company might also experience non-recurring items that are not currently anticipated.

Associated companies and joint operations

Telia Company conducts some of its activities, particularly outside of the Nordic region, through associated companies, the major ones being MegaFon and Turkcell, which Telia Company does not control and which operate in growth markets but also in more volatile political, economic and legal environments. In turn, these associated companies own stakes in numerous other companies. Telia Company does not have a controlling interest in its associated companies and as a result has limited influence over the conduct of all these businesses. Under the governing documents for certain of these entities, 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 distributions. The risk of actions outside Telia Company's or its associated companies' control and adverse to Telia Company's interests, or disagreement or deadlock, is inherent in associated companies and jointly controlled entities. One example of this is the ongoing corporate governance issues on shareholder level in Turkcell. Telia Company might not be able to ensure that the associated companies apply the same responsible business principles, increasing the risk for wrongdoings and reputational and financial losses. Variations in the financial performance of these associated companies have an impact on Telia Company's results of operations also in the short term.

Sustainability

Telia Company is subject to a number of ethics and sustainability related risks, including but not limited to, human rights, customer privacy, corruption, network integrity, data security, labor practices and environment. Especially, the risk is high in emerging markets where historically, the political, economic, legal and regulatory systems have been less predictable than in countries with more mature institutional structures. Failure or perception of failure to adhere to Telia Company's ethics and sustainability requirements may damage customer or other stakeholders' perception of Telia Company and negatively impact Telia Company's business operations and its brand, even to the extent that Telia Company decides to exit one or a number of markets. Further, after making such a decision, the disposal process as such may pose risks to corruption and unethical business behavior.

Review of Eurasian transactions

In late 2012, the then Board of Directors appointed Swedish law firm Mannheimer Swartling (MSA) to investigate allegations of corruption related to Telia Company's investments in Uzbekistan. MSA's report was made public on February 1, 2013. In April 2013, the Board of Directors assigned the international law firm Norton Rose Fulbright (NRF) to review transactions and agreements made in Eurasia by Telia Company in the past years with the intention to give the Board a clear picture of the transactions and a risk assessment from a business ethics perspective. For advice on implications under Swedish legislation, the Board assigned two Swedish law firms. In consultation with the law firms, Telia Company has promptly taken steps, and will continue to take steps, in its business operations as well as in its governance structure and with its personnel which reflect concerns arising from the review. The Swedish Prosecution Authority's investigation with respect to Uzbekistan is still ongoing and Telia Company continues to cooperate with and provide assistance to the Prosecutor. If continued assessments and investigations would lead to new observations and findings, it cannot be excluded that the consequences of such findings would be that the results of operations and financial position in Telia Company's operations in the Eurasian jurisdictions are adversely impacted. Another risk is presented by the Swedish Prosecution Authority's notification in the beginning of 2013 within the investigation of Telia Company's transactions in Uzbekistan, that the Authority is separately investigating the possibility of seeking a corporate fine against Telia Company, which under the Swedish Criminal Act can be levied up to a maximum amount of SEK 10 million per instance, and forfeiture of any proceeds to Telia Company resulting from the alleged crimes. The Swedish Prosecution Authority may take similar actions with respect to transactions made or agreements entered into by Telia Company relating to operations in its other Eurasian markets, but it could be noted that the Swedish prosecutor made a public statement in May 2016, that it had decided not to investigate any other of Telia Company's operations in Eurasia. Further, actions taken, or to be taken, by the police, prosecution or regulatory authorities in other jurisdictions against Telia Company's operations or transactions, or against third parties, whether they be Swedish or non-Swedish individuals or legal entities, might directly or indirectly harm Telia Company's business, results of operations, financial position, cash flows or brand reputation. As examples, investigations concerning bribery and money laundering in connection with the transactions in Uzbekistan are conducted by the Dutch prosecutor and police authorities, and by the U.S. Department of Justice and the U.S. Securities and Exchange Commission. As requested by the Dutch authorities, Telia Company has provided a bank guarantee of EUR 10 million as collateral for any financial claims which may be decided against one of its Dutch subsidiaries. Telia Company is cooperating fully with the Dutch and U.S. authorities and has done so since it was informed of the investigations in March 2014. On September 14, 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. Telia Company has decided to continue its negotiations with the authorities. It is not at present possible to assess when the investigations will be finally resolved.

Telia Company has received requests to make public the reviews made by NRF and other law firms. However, despite risking criticism, it is not possible to publish the reviews with respect to people, companies, business agreements, privacy and thus the risk of Telia Company incurring lawsuits as the law firms' views are not necessarily shared by those implicated. As already stated, Telia Company cooperates with and continuously hand over information to law enforcement agencies, who are better equipped to assess whether any criminal acts have occurred.

Stockholm, October 21, 2016

Johan Dennelind
President and CEO

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

FORWARD-LOOKING STATEMENTS

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

TELIA COMPANY IN BRIEF

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

For more information about Telia Company, see www.teliacompany.com

DEFINITIONS

Billed revenues: Voice, messaging, data and content.

CAPEX: An abbreviation of “Capital Expenditure”. Investments in intangible and tangible non-current assets but excluding goodwill, fair-value adjustments and asset retirement obligations.

Change (%) local organic
The change in Net sales/External service revenues/EBITDA excl. non-recurring items, excluding effects from changes in currency rates compared to the group’s reporting currency (SEK) and acquisitions/divestitures, compared to the same period in the previous year.

EBITDA: Earnings before Interest, Tax, Depreciation and Amortization. Equals operating income before depreciation, amortization and impairment losses and before income from associated companies.

Net debt: Interest-bearing liabilities less derivatives recognized as financial assets (and hedging long-term and short-term borrowings) and related credit support annex (CSA), less short term investments, long-term bonds available for sale and cash/cash equivalents.

Net debt/assets ratio: Net debt expressed as a percentage of total assets.

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

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

Net debt/EBITDA rate excl. non-recurring items (multiple): Net debt divided by EBITDA excluding non-recurring items rolling 12 months and excluding divested operations.

For definitions of other alternative performance measures, see the Annual and Sustainability Report 2015, page 215-216.

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

FINANCIAL CALENDAR

Year-end Report 2016
January 27, 2017

Annual General Meeting 2017
April 5, 2017

Interim Report January-March 2017
April 26, 2017

Interim Report January-June 2017
July 20, 2017

QUESTIONS REGARDING THE REPORTS

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