Telia Company

TELIA COMPANY
INTERIM REPORT
JANUARY–SEPTEMBER 2017

FOCUS ON CASH FLOW AND COSTS

Third quarter summary

- Net sales in local currencies, excluding acquisitions and disposals, decreased 0.5 percent. In reported currency, net sales decreased 8.8 percent to SEK 19,628 million (21,524). Service revenues in local currencies, excluding acquisitions and disposals, decreased 0.9 percent.
- Adjusted EBITDA decreased 0.4 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA, decreased 3.6 percent to SEK 6,604 million (6,850). The adjusted EBITDA margin rose to 33.6 percent (31.8).
- In September, Telia Company reached a global settlement with the authorities regarding the Uzbekistan investigations. As part of the settlement, Telia Company agreed to pay fines and disgorgements in an aggregate amount of USD 965 million (SEK 7,717 million at that point in time), whereof USD 757 million (SEK 6,129 million) were paid during the third quarter. A provision for the settlement was already recognized in 2016.
- Adjusted operating income fell 19.6 percent to SEK 3,812 million (4,742) negatively impacted by the sale of Turkcell shares.
- Total net income attributable to the owners of the parent improved to SEK 2,268 million (-8,810) and earnings per share to SEK 0.52 (-2.03). Total net income improved to SEK 2,543 million (-8,641).
- Free cash flow, in continuing and discontinued operations, fell to SEK -1,281 million (3,657). Operational free cash flow rose to SEK 2,808 million (2,089).
- The outlook for 2017 is reiterated.

Nine month summary

- Net sales in local currencies, excluding acquisitions and disposals, increased 0.6 percent. In reported currency, net sales decreased 6.9 percent to SEK 58,681 million (63,049). Service revenues were flat in local currencies, excluding acquisitions and disposals.
- Adjusted operating income fell 15.4 percent to SEK 11,319 million (13,386) negatively impacted by the sales of Turkcell shares.
- Total net income attributable to owners of the parent improved to SEK 8,855 million (-3,605) and earnings per share to SEK 2.04 (-0.83). Total net income rose to SEK 9,377 million (-829).

Highlights

SEK in millions, except key ratios, per share data and changes	Jul-Sep 2017	Jul-Sep 2016	Chg %	Jan-Sep 2017	Jan-Sep 2016	Chg %
Net sales	19,628	21,524	-8.8	58,681	63,049	-6.9
Change (%) local organic[1]	*-0.5*			*0.6*		
of which service revenues (external)	*16,908*	*18,413*	*-8.2*	*50,492*	*53,922*	*-6.4*
change (%) local organic	*-0.9*			*0.0*		
Adjusted[2] EBITDA[1]	6,604	6,850	-3.6	18,848	19,456	-3.1
Change (%) local organic	*-0.4*			*-1.5*		
Margin (%)	33.6	31.8		32.1	30.9	
Adjusted[2] operating income[1]	3,812	4,742	-19.6	11,319	13,386	-15.4
Operating income	1,651	4,884	-66.2	7,560	13,068	-42.1
Income after financial items	1,044	4,359	-76.0	5,518	11,578	-52.3
Net income from continuing operations	829	3,600	-77.0	4,569	9,355	-51.2
Net income from discontinued operations[3]	1,714	-12,242		4,809	-10,184	
Total net income	2,543	-8,641		9,377	-829	
of which attributable to owners of the parent	*2,268*	*-8,810*		*8,855*	*-3,605*	
EPS total (SEK)	0.52	-2.03		2.04	-0.83	
EPS from continuing operations (SEK)	0.18	0.82	-78.7	1.02	2.14	-52.1
Free cash flow[1]	-1,281	3,657		5,578	7,649	-27.1
of which operational free cash flow	*2,808*	*2,089*	*34.5*	*8,883*	*5,825*	*52.5*
CAPEX[1] excluding license and spectrum fees	2,960	3,647	-18.8	10,665	10,484	1.7

1) See Note 15 for information on financial key ratios and/or page 47 for definitions. 2) Adjustment items; see Note 3. 3) Discontinued operations see Note 4.

COMMENTS BY JOHAN DENNELIND, PRESIDENT & CEO

“Dear shareholders and Telia followers, the third quarter of 2017 marked yet another quarter where we step by step are approaching a pure Nordic/Baltic footprint. From a financial aspect I am pleased that we can now show that the trends we have been talking about all year are materializing. Both the activities to reduce our cost base and the efforts we have made to improve cash flow are yielding positive results.

The settlement with the US and Dutch authorities marked the closing of a sad chapter in the history of our company. This was a global settlement and, encouragingly, there are no further investigations ongoing regarding Telia’s operations in any of our markets from the authorities. In addition the authorities did not see the need for a compliance monitor, a proof point that the hard work we have put into improving our ethics and compliance processes have shown visible results.

In line with our focus on the Nordic and Baltic regions we have continued to divest shares in Turkcell and MegaFon, adding SEK 7.3 billion to our cash position (of which SEK 4.1 billion was recognized in the third quarter and the rest to be recognized in the fourth quarter). Through our remaining 24 percent indirect stake in Turkcell we will continue to work hard to solve the ownership deadlock and to reinstate proper corporate governance. In MegaFon we remain the second largest owner and we will continue to co-operate with USM Holdings and others to create shareholder value. This leaves us with a strong balance sheet, even after the upcoming dividend payment of SEK 1 per share in the fourth quarter.

Telia Company has a heritage of being in the forefront of technology and innovation. This tradition continues as we will bring 5G to life in 2018 for our customers in Stockholm, Helsinki and Tallinn. That said we are worried about that the lack of recognition from European policy makers to set a framework that supports others to invest in future technology for the benefit of the next generation.

I am proud to see that we come out on top in two important surveys related to Sweden. Firstly in the annual survey conducted by Swedish Quality Index, both on B2C (through Halebop) and B2B (through Telia). Secondly, we have again, just as in 2016, been rated to have the best mobile network in Sweden by P3, scoring even higher than last year. I know the Swedish organization is working hard on customer satisfaction and to deliver superior network quality. This is a clear proof point that we do the right things the right way.

The result of what we have been doing on our cost side is most visible in Sweden, where the operational expenses are reduced in the third quarter by 6 percent. We are comfortable of reaching the ambition of 5 percent operational expense cut in the second half of 2017. In 2017 we have been prepared to connect just as many households to our future proof fiber technology as in 2016. However, longer handling processes at various permit issuing authorities have prevented us to do so. This is a big hurdle for a faster digitalization of Sweden. Lower fiber installation fees burden our EBITDA, but at the same time cash flow is improving due to lower fiber related CAPEX.

For all of the remaining countries we are seeing positive service revenue growth, mainly driven by mobile. However, we are not getting that positive development to feed through to EBITDA growth in all countries, leaving us to push harder on the cost side. Our ambition to reduce our cost base (amounting to an expected SEK 38 billion in 2017) by 3 percent, on a net basis in 2018 over 2017, is on track.

For Fintur Holdings we see continuous progress and high activity and it is still our ambition to divest these assets before year-end, even if I will not set that as a firm deadline.

We reiterate our outlook for the full year 2017, both on EBITDA and operational free cash flow.”

Johan Dennelind
President and CEO

OUTLOOK FOR 2017 (REITERATED)

Free cash flow from continuing operations, excluding licenses and dividends from associated companies, is expected to be above SEK 7.5 billion. This operational free cash flow together with decided dividends from associated companies of SEK 2.8 billion should be above SEK 10 billion and should cover a dividend around the 2016 level.
(Changed in the second quarter from previously: Free cash flow from continuing operations, excluding licenses and dividends from associated companies, is expected to be above SEK 7.0 billion. This operational free cash flow together with dividends from associates should cover a dividend around the 2016 level.)

Adjusted EBITDA in continuing operations in local currencies, excluding acquisitions and disposals, is expected to be around the 2016 level. *(Unchanged)*

DIVIDEND POLICY

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

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

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

ORDINARY DIVIDEND TO SHAREHOLDERS

For 2016, the Annual General Meeting decided an ordinary dividend of SEK 2.00, of net income attributable to owners of the parent company. The dividend should be split and distributed into two equal tranches of SEK 1.00 each.

First distribution
The dividend was distributed by Euroclear Sweden on April 12, 2017.

Second distribution
The Annual General Meeting decided that the final day for trading in shares entitling shareholders to dividend be set for October 20, 2017, and that the first day of trading in shares excluding rights to dividend be set for October 23, 2017. The recommended record date at Euroclear Sweden for the right to receive dividend will be October 24, 2017, and the dividend will be distributed by Euroclear Sweden on October 27, 2017.

REVIEW OF THE GROUP, THIRD QUARTER 2017

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, decreased 0.5 percent. In reported currency, net sales decreased 8.8 percent to SEK 19,628 million (21,524). There was no significant effect of exchange rate fluctuations but the effect of acquisitions and disposals was negative by 8.8 percent. Service revenues in local currencies, excluding acquisitions and disposals, decreased 0.9 percent.

The number of subscriptions fell from 26.8 million from the end of the third quarter of 2016 to 23.3 million. During the quarter, the total number of subscriptions fell from 23.4 million to 23.3 million.

Adjusted EBITDA decreased 0.4 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA, decreased 3.6 percent to SEK 6,604 million (6,850). The adjusted EBITDA margin rose to 33.6 percent (31.8).

Income from associated companies and joint ventures fell to SEK -1,699 million (744) driven by a capital loss (due to a cumulative exchange loss in equity reclassified to net income) of SEK 1,911 million from the disposal of 7 percent stake in Turkcell in the third quarter. The disposal had a positive net effect on equity of SEK 1,364 million.

Adjusted operating income fell 19.6 percent to SEK 3,812 million (4,742).

Adjustment items affecting operating income amounted to SEK -2,160 million (141). The decrease was mainly related to the capital loss (due to a cumulative exchange loss in equity reclassified to net income) from the disposal of 7 percent stake in Turkcell.

Financial items totaled SEK -607 million (-525) of which SEK -571 million (-531) related to net interest expenses.

Income taxes amounted to SEK -215 million (-758). The effective tax rate was 20.6 percent (17.4). The increase is mainly related to a non-deductible capital loss from the disposal of shares in Turkcell.

Net income from discontinued operations improved to SEK 1,714 million (-12,242) mainly due to a positive effect of the final settlement with the authorities regarding the Uzbekistan investigations in 2017. 2016 was negatively impacted by the initial provision. See Note 4 for further information.

Total net income improved to SEK 2,543 million (-8,641), of which SEK 829 million (3,600) in continuing operations and SEK 1,714 million (-12,242) in discontinued operations. Total earnings per share improved to SEK 0.52 (-2.03).

Total net income attributable to non-controlling interests rose to SEK 275 million (169).

Other comprehensive income declined to SEK 1,412 million (1,560).

Cash flow

Free cash flow, in continuing and discontinued operations fell to SEK -1,281 million (3,657) mainly due to the payment related to the settlement regarding the TC investigations, partly offset by lower cash CAPEX.

Operational free cash flow, in continuing operations rose to SEK 2,808 million (2,089) mainly due to lower cash CAPEX.

Financial position

CAPEX declined to SEK 2,956 million (3,648) and the CAPEX-to-service revenue ratio to 17.5 percent (19.8). CAPEX excluding license and spectrum fees fell to SEK 2,960 million (3,647) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees to 17.5 percent (19.8).

Net debt, in continuing and discontinued operations, was SEK 42,622 million at the end of the third quarter (40,833 at the end of the second quarter of 2017). The net debt/adjusted EBITDA ratio was 1.43x (1.36x at the end of the second quarter of 2017).

REVIEW OF THE GROUP, FIRST NINE MONTHS 2017

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, increased 0.6 percent. In reported currency, net sales decreased 6.9 percent to SEK 58,681 million (63,049). The effect of exchange rate fluctuations was positive by 1.2 percent and the effect of acquisitions and disposals was negative by 8.7 percent. Service revenues were flat in local currencies, excluding acquisitions and disposals.

Adjusted EBITDA decreased 1.5 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA decreased 3.1 percent to SEK 18,848 million (19,456). The adjusted EBITDA margin improved to 32.1 percent (30.9).

Income from associated companies and joint ventures fell to SEK -2,396 million (2,386) mainly driven by capital losses (due to a cumulative exchange losses in equity reclassified to net income) of SEK 3,739 million from the two disposals of 7 percent stake each in Turkcell in the second and third quarters and lower contribution from MegaFon. The Turkcell share disposals had a positive net effect on equity of SEK 2,619 million.

Adjusted operating income fell 15.4 percent to SEK 11,319 million (13,386).

Adjustment items affecting operating income amounted to SEK -3,758 million (-318). The decrease was mainly related to the capital losses (due to cumulative exchange losses in equity reclassified to net income) from the two disposals of 7 percent stake each in Turkcell in the second and third quarter, respectively.

Financial items totaled SEK -2,043 million (-1,490) of which SEK -1,955 million (-1,530) related to net interest expenses. The increase was related to bond buy-back transactions affecting net interest expenses of SEK -360 million.

Income taxes amounted to SEK -949 million (-2,223). The effective tax rate was 17.2 percent (19.2). The decrease is related to a non-taxable capital gain due to the disposal of Sergel and revaluation of withholding tax provision as a consequence of the disposal of shares in Turkcell, partly offset by a non-deductible capital loss from the disposal of shares in Turkcell.

Net income from discontinued operations improved to SEK 4,809 million (-10,184) mainly due to a positive effect of the final settlement with the authorities regarding the Uzbekistan investigations and the effect of the adjusted provision in the first quarter 2017. 2016 was negatively impacted by the initial provision. See Note 4 for further information.

Total net income improved to SEK 9,377 million (-829), of which SEK 4,569 million (9,355) in continuing operations and SEK 4,809 million (-10,184) in discontinued operations. Total earnings per share rose to SEK 2.04 (-0.83).

Total net income attributable to non-controlling interests fell to SEK 523 million (2,776).

Other comprehensive income increased to SEK 2,419 million (2,228).

Cash flow

Free cash flow in continuing and discontinued operations declined to SEK 5,578 million (7,649), mainly due to the payment of the settlement regarding the Uzbekistan investigation partly offset by received dividend from Turkcell, lower paid taxes and lower cash CAPEX.

Operational free cash flow, in continuing operations rose to SEK 8,883 million (5,825) mainly due to received dividend from Turkcell, lower paid taxes and lower cash CAPEX.

Cash flow from investing activities, in continuing and discontinued operations decreased to SEK -11,545 million (-3,030) mainly due to the acquisition of Nebula and Phonero partly offset by the reduced ownership in Turkcell and the divestment of Sergel. 2016 was affected by the divestment of Ncell in Nepal.

Cash flow from financing activities, in continuing and discontinued operations amounted to SEK -5,778 million (-15,798), the increase is mainly due to the issue of hybrid capital and lower dividend paid in 2017.

Financial position

Goodwill and intangible assets increased to SEK 76,134 million (70,947) mainly due to the acquisitions of Nebula and Phonero.

Investments in associated companies amounted to SEK 18,599 million (27,934) and were mainly affected by the reduced ownership in Turkcell and reclassification of 6.21 percent stake in MegaFon to assets held for sale.

Cash and cash equivalents amounted to SEK 14,722 million (14,510) and were negatively affected by dividend paid and the acquisitions of Nebula and Phonero as well as the payments of fines and disgorgements related to the Uzbekistan investigations. The cash outflow was compensated for by positive impact from the divestments of the Turkcell shares and Sergel.

Long-term borrowings increased to SEK 90,173 million (83,161) mainly due to the issue of hybrid capital. In connection with the issue, buy-backs of outstanding Telia Company bonds had an adverse effect giving a net increase in long-term borrowings.

Short-term borrowings were reduced to SEK 3,550 million (11,307) by maturing short-term debt.

Short-term provisions decreased mainly due to the payment of parts of the provision for the settlement amount agreed with the authorities related to the Uzbekistan investigations. The decrease is offset by increase in Other current liabilities due to dividend payout being split and distributed in two tranches.

CAPEX rose to SEK 11,124 million (10,618) and the CAPEX-to-service revenue ratio rose to 22.0 percent (19.7). CAPEX excluding license and spectrum fees totaled SEK 10,665 million (10,484) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees rose to 21.1 percent (19.4).

Significant events in the first quarter

- On March 29, 2017, Telia Company announced that it had issued hybrid bonds in three separate tranches in EUR and SEK with a total amount of around SEK 15 billion. The hybrid was recognized at the beginning of April 2017.
- Resolution of the various investigations relating to Telia Company's entry into Uzbekistan 2007 is complex, but constructive discussions with the government agencies involved in the investigations have continued with good progress during 2017. A final resolution has not yet been reached, but in light of developments to date in those discussions, the estimate of the most likely outcome has been revised and the provision for settlement amount proposed by the US and Dutch authorities was adjusted to USD 1.0 billion (SEK 8.9 billion) per March 31, 2017. See Note 4.

Significant events in the second quarter

- On April 3, 2017, Telia Company announced that the Norwegian competition authority had approved Telia Company's acquisition of Phonero and the transaction closed on April 10, 2017. See Note 14.
- On April 3, 2017, Telia Company announced that the agreement for sale of Tcell in Tajikistan was no longer valid since the Anti-Monopoly Service in Tajikistan did not reply by the stipulated deadline. The carrying value of the operations in Tajikistan was adjusted to zero resulting in an impairment loss of SEK 222 million in the first quarter of 2017. In April 2017, Telia Company signed a new agreement with AKFED and finalized the divestment of the Tajik operations. The capital loss before reclassification of accumulated negative foreign exchange differences to net income was SEK 0.0 billion. The transaction had no material cash flow effect. See Note 4.
- On April 5, 2017, Telia Company held its Annual General Meeting and announced that the ordinary members of the Board Susanna Campbell, Marie Ehrling, Olli-Pekka Kallasvuo, Mikko Kosonen, Nina Linander, Martin Lorentzon, Anna Settman and Olaf Swantee were re-elected members to the Board. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuo was elected Vice-Chair of the Board. The Annual General Meeting also decided upon a dividend to shareholders of SEK 2.00 per share and that the payment should be distributed in two equal tranches of SEK 1.00 each to be paid in April and October, respectively.
- On May 4, 2017, Telia Company announced the result of placing of shares sale in Turkcell Iletism Hizmetleri A.S. (Turkcell) to institutional investors by way of an accelerated book building process. Telia Company sold an aggregate of 155 million ordinary shares in Turkcell at a price of TRY 11.45 per ordinary share, raising gross proceeds of TRY 1,775 million (equivalent to SEK 4,426 million).
- In June 2016, Telia Company announced the divestment of Sergel Group to Marginalen and has since then been reviewed by relevant regulatory authorities, with the final approval granted on June 14, 2017, and the transaction was closed on June 30, 2017. See Note 4.
- On May 22, 2017, Telia Company announced that it had signed an agreement to acquire the Finnish ICT service company Nebula. On June 8, 2017, it was approved by the authorities and the transaction was closed on July 3, 2017. See Note 14.
- On July 14, 2017, Telia Company announced that the Interim Report January-June would include significant items that in total had a negative impact of SEK 1.2 billion on Operating income in continuing operations and a negative impact of SEK 2.0 billion on Net income in discontinued operations in the second quarter of 2017. The cash flow effect was SEK 6.3 billion for continuing operations while there was no cash flow effect within discontinued operations.

Significant events in the third quarter

- On September 19, 2017, Telia Company announced that it had sold its direct stake of 153.5 million ordinary shares in Turkish associated company Turkcell, representing approximately 7.0 percent of the company's issued share capital, for approximately SEK 4,127 million. The sale is in line with the strategy to focus on the Nordics and Baltics. The sale to institutional investors means that Telia Company no longer has a direct stake in Turkcell. Telia Company's indirect stake (24 percent) in Turkcell through Turkcell Holding remains unchanged.
- On September 21, 2017, Telia Company announced that a global settlement had been reached with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. Telia Company has agreed to a total financial sanction of USD 965 million. The global resolution brings an end to all known corruption related investigations or inquiries into Telia Company. See Note 4
- On September 22, 2017, Telia Company announced that, according to information from the Swedish Prosecution Authority, it has decided to prosecute a number of former Telia employees. The authority also decided to initiate legal proceedings against Telia Company for a disgorgement. This amount is already included in the global settlement that Telia Company has reached with US and Dutch authorities, as previously disclosed.

Significant events after the end of the third quarter

- On October 3, 2017, Telia Company announced that it had sold an aggregate of 38.5 million ordinary shares in MegaFon, representing approximately 6.21 percent, at a price of RUB 585 per ordinary share, raising gross proceeds of RUB 22,522 million (equivalent to approximately SEK 3.2 billion) with pro forma positive effect on net debt to EBITDA by approximately 0.1x. Following the completion of the placing, Telia Company owns approximately 19.0 percent of the issued share capital of MegaFon. As a consequence of the transaction, MegaFon will be re-classified from an associated company to a financial asset from the fourth quarter of 2017. The transaction has no impact on Telia Company's guidance for full year 2017.

SOLID OPEX REDUCTION IN SWEDEN

- Prolonged lead time for receiving digging permits from various authorities and other intermediaries continued to be a severe hurdle for the digitalization of Sweden. The longer handling processes resulted in only 8,000 additional SDU households being able to enjoy our high speed fiber in the third quarter versus 15,000 in the corresponding quarter last year. As a consequence fiber installation revenues fell by 46 percent.

- The measures to reduce external operational expenses have yielded encouraging results in the third quarter and we are comfortable in reaching our ambition to cut these costs by 5 percent in the second half of 2017 compared to the corresponding period 2016. The lower pace in fiber connections has also resulted in lower CAPEX and as such an adjusted EBITDA less CAPEX improvement of above SEK 250 million.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2017	Jul-Sep 2016	*Chg (%)*	Jan-Sep 2017	Jan-Sep 2016	*Chg (%)*
Net sales	8,959	9,181	*-2.4*	27,112	27,276	*-0.6*
Change (%) local organic	*-2.6*			*-0.7*		
of which service revenues (external)	*7,739*	*7,976*	*-3.0*	*23,299*	*23,748*	*-1.9*
change (%) local organic	*-3.2*			*-2.1*		
Adjusted EBITDA	3,531	3,613	*-2.3*	10,158	10,711	*-5.2*
Margin (%)	39.4	39.3		37.5	39.3	
change (%) local organic	*-2.4*			*-5.3*		
Adjusted operating income	2,263	2,405	*-5.9*	6,349	7,157	*-11.3*
Operating income	2,149	2,376	*-9.6*	6,200	7,032	*-11.8*
CAPEX excluding license and spectrum fees	1,400	1,743	*-19.7*	4,422	4,799	*-7.9*
% of service revenues	18.1	21.9		19.0	20.2	
Adjusted EBITDA - CAPEX	2,131	1,869	*14.0*	5,737	5,912	*-3.0*
Subscriptions, (thousands)						
Mobile	6,175	6,067	*1.8*	6,175	6,067	*1.8*
of which machine to machine (postpaid)	*921*	*808*	*14.0*	*921*	*808*	*14.0*
Fixed telephony	1,461	1,735	*-15.8*	1,461	1,735	*-15.8*
Broadband	1,282	1,301	*-1.5*	1,282	1,301	*-1.5*
TV	779	752	*3.6*	779	752	*3.6*
Employees	6,713	6,674	*0.6*	6,713	6,674	*0.6*

Net sales declined 2.4 percent to SEK 8,959 million (9,181) and excluding acquisitions and disposals net sales declined 2.6 percent due to service revenue erosion.

Service revenues fell 3.0 percent and excluding acquisitions and disposals, service revenues fell 3.2 percent as growth of 1.2 percent in mobile service revenues was more than offset by 7.1 percent lower fixed service revenues. The decline in service revenues was mainly driven by continued erosion of fixed telephony revenues and significantly lower fiber installation revenues. The latter as the fiber roll-out pace also in this quarter was hampered by difficulties in receiving the necessary digging permits.

Adjusted EBITDA declined 2.3 percent to SEK 3,531 million (3,613). The adjusted EBITDA margin remained fairly flat at 39.4 percent (39.3), as the pressure on revenues was compensated for by lower operating expenses, mainly related to resources.

CAPEX fell 19.7 percent to SEK 1,400 million (1,743) and CAPEX, excluding licenses and spectrum fees fell to SEK 1,400 million (1,743). The main reason for the lower CAPEX was a slower fiber roll-out pace compared to the corresponding quarter last year.

The number of mobile subscriptions grew by 42,000 of which 28,000 to be used for machine-to-machine services and TV subscriptions remained unchanged in the quarter. The number of fixed broadband subscriptions declined by 11,000 in the quarter.

SERVICE REVENUE GROWTH IN FINLAND

- Telia's licenses for 900 and 1,800 MHz were prolonged until the end of 2019. The annual fee for the licenses is EUR 1.1 million and the decision to renew the licenses does not involve additional costs.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2017	Jul-Sep 2016	Chg (%)	Jan-Sep 2017	Jan-Sep 2016	Chg (%)
Net sales	3,369	3,218	*4.7*	9,979	9,529	*4.7*
Change (%) local organic	*1.5*			*1.5*		
of which service revenues (external)	*2,911*	*2,784*	*4.6*	*8,661*	*8,263*	*4.8*
change (%) local organic	*1.0*			*1.4*		
Adjusted EBITDA	1,082	1,055	*2.6*	3,095	3,059	*1.2*
Margin (%)	32.1	32.8		31.0	32.1	
change (%) local organic	*-1.5*			*-2.2*		
Adjusted operating income	532	555	*-4.1*	1,513	1,601	*-5.5*
Operating income	528	541	*-2.5*	1,445	1,555	*-7.1*
CAPEX excluding license and spectrum fees	412	423	*-2.5*	2,484	1,291	*92.4*
% of service revenues	14.2	15.2		28.7	15.6	
Adjusted EBITDA - CAPEX	670	632	*6.0*	611	1,768	*-65.4*
Subscriptions, (thousands)						
Mobile	3,234	3,285	*-1.6*	3,234	3,285	*-1.6*
of which machine to machine (postpaid)	*187*	*183*	*2.0*	*187*	*183*	*2.0*
Fixed telephony	54	68	*-20.6*	54	68	*-20.6*
Broadband	471	509	*-7.5*	471	509	*-7.5*
TV	484	489	*-1.0*	484	489	*-1.0*
Employees	3,122	3,027	*3.1*	3,122	3,027	*3.1*

Net sales in reported currency grew 4.7 percent to SEK 3,369 million (3,218) and in local currency excluding acquisitions and disposals net sales grew 1.5 percent. The effect of exchange rate fluctuations was positive by 0.4 percent and the impact from acquisitions and disposals was positive by 2.8 percent.

Service revenues in local currency, excluding acquisitions and disposals increased 1.0 percent as growth of 3.7 percent in mobile service revenues more than compensated for a continued pressure on fixed service revenues in the consumer segment.

Adjusted EBITDA in reported currency rose 2.6 percent to SEK 1,082 million (1,055). The adjusted EBITDA margin fell to 32.1 percent (32.8) due to higher costs associated with mainly subscriber acquisition and resources.

CAPEX declined to SEK 412 million (423) and CAPEX excluding licenses and spectrum fees declined to SEK 412 million (423).

The number of mobile and TV subscriptions increased by 1,000 each, whereas fixed broadband subscriptions declined by 8,000 in the quarter.

FLAT ORGANIC EBITDA IN NORWAY

- Telia and Datek Light Control have developed a prototype for smart street lighting using Narrowband IoT. The prototype simplifies installation and control and targets reduced energy consumption and an optimized system where lighting automatically adapts to the surroundings, report irregularities, provide alerts etc.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2017	Jul-Sep 2016	*Chg (%)*	Jan-Sep 2017	Jan-Sep 2016	*Chg (%)*
Net sales	2,589	2,319	*11.6*	7,454	6,515	*14.4*
Change (%) local organic	*1.3*			*2.8*		
of which service revenues (external)	*2,212*	*1,949*	*13.5*	*6,363*	*5,479*	*16.1*
change (%) local organic	*1.7*			*3.3*		
Adjusted EBITDA	922	890	*3.5*	2,669	2,260	*18.1*
Margin (%)	35.6	38.4		35.8	34.7	
change (%) local organic	*-0.4*			*10.1*		
Adjusted operating income	535	483	*10.7*	1,517	1,198	*26.6*
Operating income	513	476	*7.8*	1,407	1,163	*21.0*
CAPEX excluding license and spectrum fees	196	255	*-23.0*	661	906	*-27.1*
% of service revenues	8.9	13.1		10.4	16.5	
Adjusted EBITDA - CAPEX	729	635	*14.7*	1,600	1,354	*18.1*
Subscriptions, (thousands)						
Mobile	2,411	2,274	*6.0*	2,411	2,274	*6.0*
of which machine to machine (postpaid)	*78*	*46*	*69.0*	*78*	*46*	*69.0*
Employees	1,212	1,042	*16.3*	1,212	1,042	*16.3*

Net sales in reported currency rose 11.6 percent to SEK 2,589 million (2,319). In local currency excluding acquisitions and disposals net sales rose 1.3 percent. The effect of exchange rate fluctuations was negative by 0.1 percent and the impact from acquisitions and disposals was positive by 10.4 percent.

Service revenues in local currency, excluding acquisitions and disposals grew 1.7 percent as a 2.8 percent decline in mobile billed service revenues was more than offset by growth in wholesale revenues.

Adjusted EBITDA in reported currency increased 3.5 percent to SEK 922 million (890). The adjusted EBITDA margin fell to 35.6 percent (38.4) mainly driven by the consolidation of Phonero. The target for synergies from the Phonero acquisition remains unchanged at SEK 400 million for the full year 2018, and only limited amounts for 2017. In local currency, excluding acquisitions and disposals adjusted EBITDA declined 0.4 percent.

CAPEX fell 24.2 percent to SEK 193 million (255) and CAPEX excluding licenses and spectrum fees, fell to SEK 196 million (255).

The number of mobile subscriptions fell by 29,000 in the quarter.

STABLE QUARTER IN DENMARK

- Telia launched coax and fiber-based services on a national level towards the consumer segment.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2017	Jul-Sep 2016	Chg (%)	Jan-Sep 2017	Jan-Sep 2016	Chg (%)
Net sales	1,466	1,470	-0.3	4,389	4,286	2.4
Change (%) local organic	*-0.7*			*0.0*		
of which service revenues (external)	*1,118*	*1,090*	*2.5*	*3,259*	*3,165*	*3.0*
change (%) local organic	*2.0*			*0.6*		
Adjusted EBITDA	186	197	-5.7	479	493	-2.7
Margin (%)	12.7	13.4		10.9	11.5	
change (%) local organic	*-6.5*			*-5.0*		
Adjusted operating income	-1	7		-79	-55	
Operating income	-1	7		-93	-84	
CAPEX excluding license and spectrum fees	83	83	0.3	282	274	2.8
% of service revenues	7.5	7.6		8.7	8.7	
Adjusted EBITDA - CAPEX	102	114	-10.2	197	218	-9.7
Subscriptions, (thousands)						
Mobile	1,483	1,633	-9.2	1,483	1,633	-9.2
of which machine to machine (postpaid)	*47*	*41*	*13.5*	*47*	*41*	*13.5*
Fixed telephony	94	105	-10.5	94	105	-10.5
Broadband	121	128	-5.5	121	128	-5.5
TV	32	28	14.3	32	28	14.3
Employees	1,094	1,071	2.1	1,094	1,071	2.1

Net sales in reported currency declined 0.3 percent to SEK 1,466 million (1,470) driven by lower sales of mobile equipment. In local currency excluding acquisitions and disposals net sales declined 0.7 percent. The effect from exchange rate fluctuations was positive by 0.4 percent.

Service revenues in local currency, excluding acquisitions and disposals grew 2.0 percent as mobile service revenues rose 2.7 percent and fixed revenues remained flat.

Adjusted EBITDA in reported currency fell 5.7 percent to SEK 186 million (197). The adjusted EBITDA margin, fell to 12.7 percent (13.4). In local currency, adjusted EBITDA fell by 6.5 percent due to higher operating expenses.

CAPEX was flat at SEK 83 million (83) and CAPEX excluding licenses and spectrum fees was flat at SEK 83 million (83).

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

SOLID PERFORMANCE IN LITHUANIA

- To further strengthen the position in data center services Telia signed an agreement to acquire the company Data Logistics Center, a provider of data transfer services in Lithuania and abroad and the company operates seven data centers in Lithuania. The transaction is subject to approval from the competition authorities and is expected to close at the beginning of 2018.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2017	Jul-Sep 2016	Chg (%)	Jan-Sep 2017	Jan-Sep 2016	Chg (%)
Net sales	857	821	*4.4*	2,575	2,365	*8.9*
Change (%) local organic	*3.9*			*6.5*		
of which service revenues (external)	*691*	*674*	*2.6*	*2,126*	*1,973*	*7.8*
change (%) local organic	*2.2*			*5.4*		
Adjusted EBITDA	317	295	*7.2*	893	853	*4.6*
Margin (%)	37.0	36.0		34.7	36.1	
change (%) local organic	*6.7*			*2.4*		
Adjusted operating income	171	141	*21.7*	469	435	*7.8*
Operating income	168	126	*33.6*	446	395	*12.9*
CAPEX excluding license and spectrum fees	131	119	*10.1*	366	301	*21.7*
% of service revenues	19.0	17.7		17.2	15.2	
Adjusted EBITDA - CAPEX	185	175	*5.9*	526	418	*25.9*
Subscriptions, (thousands)						
Mobile	1,350	1,332	*1.3*	1,350	1,332	*1.3*
of which machine to machine (postpaid)	*135*	*85*	*59.0*	*135*	*85*	*59.0*
Fixed telephony	383	427	*-10.3*	383	427	*-10.3*
Broadband	406	400	*1.5*	406	400	*1.5*
TV	237	226	*4.9*	237	226	*4.9*
Employees	2,937	3,038	*-3.3*	2,937	3,038	*-3.3*

Net sales in reported currency grew 4.4 percent to SEK 857 million (821) and in local currency excluding acquisitions and disposals net sales grew 3.9 percent. The effect of exchange rate fluctuations was positive by 0.5 percent.

Service revenues in local currency, excluding acquisitions and disposals increased 2.2 percent primarily driven by mobile service revenues growing by 4.1 percent mainly due to ARPU growth.

Adjusted EBITDA in reported currency rose 7.2 percent to SEK 317 million (295). The adjusted EBITDA margin increased to 37.0 percent (36.0). In local currency, excluding acquisitions and disposals, adjusted EBITDA grew 6.7 percent from service revenue growth coupled with lower operating expenses.

CAPEX increased to SEK 131 million (120) and CAPEX excluding licenses and spectrum fees increased to SEK 131 million (119).

The number of mobile subscriptions grew by 22,000 and TV subscriptions grew by 3,000 in the quarter. The number of fixed broadband subscriptions grew by 1,000 in the quarter.

POSITIVE DEVELOPMENT IN ESTONIA

- The since more than two years running project to close down the old Public Switched Telephone Network (PSTN) in Estonia was finalized at the end of June. Hence starting the third quarter, Telia Estonia will be one of few operators in the world serving its customers with only new IP based solutions for fixed services.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2017	Jul-Sep 2016	*Chg (%)*	Jan-Sep 2017	Jan-Sep 2016	*Chg (%)*
Net sales	698	678	*3.0*	2,042	1,991	*2.6*
Change (%) local organic	*2.6*			*0.3*		
of which service revenues (external)	*545*	*509*	*7.2*	*1,618*	*1,535*	*5.4*
change (%) local organic	*6.8*			*3.1*		
Adjusted EBITDA	234	217	*7.6*	656	603	*8.7*
Margin (%)	33.5	32.1		32.1	30.3	
change (%) local organic	*7.0*			*6.3*		
Adjusted operating income	107	91	*17.5*	273	235	*16.3*
Operating income	106	86	*23.4*	269	217	*24.0*
CAPEX excluding license and spectrum fees	98	97	*1.0*	315	250	*26.0*
% of service revenues	17.9	19.0		19.5	16.3	
Adjusted EBITDA - CAPEX	136	121	*13.0*	291	353	*-17.7*
Subscriptions, (thousands)						
Mobile	929	894	*3.9*	929	894	*3.9*
of which machine to machine (postpaid)	*212*	*183*	*15.9*	*212*	*183*	*15.9*
Fixed telephony	285	306	*-6.9*	285	306	*-6.9*
Broadband	238	232	*2.6*	238	232	*2.6*
TV	183	176	*4.0*	183	176	*4.0*
Employees	1,870	1,966	*-4.9*	1,870	1,966	*-4.9*

Net sales in reported currency rose 3.0 percent to SEK 698 million (678) and in local currency excluding acquisitions and disposals net sales rose 2.6 percent. The effect of exchange rate fluctuations was positive by 0.4 percent.

Service revenues in local currency, excluding acquisitions and disposals grew 6.8 percent from solid development in both mobile and fixed revenues. Mobile service revenues grew by 7.8 percent due to ARPU and customer base growth, whilst fixed service revenues increased 9.1 percent primarily from a positive development in the enterprise segment.

Adjusted EBITDA in reported currency rose 7.6 percent to SEK 234 million (217). The adjusted EBITDA margin improved to 33.5 percent (32.1) supported by higher service revenues. In local currency, excluding acquisitions and disposals, adjusted EBITDA grew 7.0 percent.

CAPEX increased to SEK 98 million (97) and CAPEX excluding licenses and spectrum fees increased to SEK 98 million (97).

The number of mobile subscription increased by 11,000 and the number of fixed broadband subscriptions increased by 5,000 in the quarter. TV subscriptions grew by 6,000 in the quarter.

OTHER OPERATIONS

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2017	Jul-Sep 2016	*Chg (%)*	Jan-Sep 2017	Jan-Sep 2016	*Chg (%)*
Net sales	2,211	4,445	*-50.3*	6,780	12,809	*-47.1*
Change (%) local organic	*-0.4*			*0.6*		
of which Telia Carrier	*1,517*	*1,584*	*-4.2*	*4,438*	*4,571*	*-2.9*
of which Latvia	*496*	*476*	*4.3*	*1,424*	*1,305*	*9.1*
of which Spain	–	*2,087*		–	*6,073*	
Adjusted EBITDA	333	582	*-42.8*	899	1,478	*-39.2*
of which Telia Carrier	*112*	*120*	*-7.1*	*361*	*355*	*1.8*
of which Latvia	*169*	*166*	*1.5*	*462*	*437*	*5.9*
of which Spain	–	*249*		–	*630*	
Margin (%)	15.1	13.1		13.3	11.5	
Income from associated companies	-1,704	746		-2,403	2,384	
of which Russia	*-362*	*230*		*-95*	*683*	
of which Turkey	*-1,379*	*485*		*-2,406*	*1,621*	
of which Latvia	*38*	*31*	*24.0*	*94*	*85*	*10.3*
Adjusted operating income	204	1,060	*-80.8*	1,277	2,816	*-54.6*
Operating income	-1,812	1,272		-2,113	2,790	
CAPEX	638	926	*-31.1*	2,137	2,664	*-19.8*
Subscriptions, (thousands)						
Mobile Latvia	1,237	1,162	*6.5*	1,237	1,162	*6.5*
of which machine to machine (postpaid)	*281*	*189*	*48.7*	*281*	*189*	*48.7*
Mobile Spain	–	3,253		–	3,253	
Employees	3,933	4,286	*-8.2*	3,933	4,286	*-8.2*

Net sales in reported currency fell 50.3 percent to SEK 2,211 million (4,445) related to the divestment of Yoigo in Spain and Sergel. In local currency, excluding acquisitions and disposals net sales fell 0.4 percent. The effect of exchange rate fluctuations was negative by 0.3 percent and the effect from acquisitions and disposals negative by 49.6 percent.

Adjusted EBITDA fell 42.8 percent to SEK 333 million (582), related to the divestment of Yoigo in Spain and Sergel. In local currency, excluding acquisitions and disposals, adjusted EBITDA was impacted by reduced expenses within Group Functions.

In **Telia Carrier**, net sales in reported currency decreased 4.2 percent to SEK 1,517 million (1,584) and adjusted EBITDA in reported currency, fell to SEK 112 million (120).

In **Latvia**, net sales in reported currency grew 4.3 percent to SEK 496 million (476). The effect of exchange rate fluctuations was positive by 0.6 percent. Adjusted EBITDA in reported currency, rose 1.5 percent to SEK 169 million (166).

Income from associated companies was negative at SEK 1,704 million (746) driven by a capital loss (due to a cumulative exchange loss in equity reclassified to net income) of SEK 1,911 million from the disposal of 7 percent stake in Turkcell in the third quarter. The disposal had a positive net effect on equity.

The number of mobile subscriptions in Latvia increased by 13,000 in the quarter.

DISCONTINUED OPERATIONS

- In September 2017, the Uzbekistan currency was devaluated resulting in a negative EBITDA impact for Ucell in the third quarter of more than SEK 200 million. The devaluation will going forward have a direct negative impact for Telia Company as the results in local currency will be translated into SEK at a lower exchange rate as well as from the fixing of tariffs from USD to local currency.

- Excluding the Uzbekistan devaluation impact, local organic adjusted EBITDA for the former region Eurasia would have displayed double-digit growth, driven by the majority of markets.

- In Kazakhstan service revenues and EBITDA grew in organic terms for the first time since the third quarter 2014. The positive development came on the back of mainly legacy tariff adjustments, strong demand for business solutions as well as cost optimization.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2017	Jul-Sep 2016	*Chg (%)*	Jan-Sep 2017	Jan-Sep 2016	*Chg (%)*
Net sales (external)	2,773	3,184	*-12.9*	8,911	10,317	*-13.6*
Adjusted EBITDA	1,129	1,364	*-17.2*	3,447	4,532	*-23.9*
Margin (%)	40.7	42.8		38.7	43.9	
CAPEX	290	681	*-57.5*	1,319	2,376	*-44.5*
CAPEX excluding license and spectrum fees	289	599	*-51.7*	1,318	1,666	*-20.9*

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

Net sales fell 12.9 percent in reported currency to SEK 2,773 million (3,184) due to the divestment of Tcell in Tajikistan in the second quarter and the devaluation in Uzbekistan in the third quarter.

Adjusted EBITDA fell to SEK 1,129 million (1,364) due to the divestment of Tcell in Tajikistan in the second quarter and the devaluation in Uzbekistan in the third quarter. The adjusted EBITDA margin decreased to 40.7 percent (42.8).

CAPEX decreased to SEK 290 million (681). CAPEX, excluding license and spectrum fees fell to SEK 289 million (599).

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data and number of shares	Note	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Continuing operations					
Net sales	5	19,628	21,524	58,681	63,049
Cost of sales		-12,057	-12,854	-36,128	-37,667
Gross profit		**7,571**	**8,670**	**22,553**	**25,381**
Selling, administration and R&D expenses		-4,128	-4,481	-13,544	-14,357
Other operating income and expenses, net		-92	-50	948	-343
Income from associated companies and joint ventures		-1,699	744	-2,396	2,386
Operating income	5	**1,651**	**4,884**	**7,560**	**13,068**
Financial items, net		-607	-525	-2,043	-1,490
Income after financial items		**1,044**	**4,359**	**5,518**	**11,578**
Income taxes		-215	-758	-949	-2,223
Net income from continuing operations		**829**	**3,600**	**4,569**	**9,355**
Discontinued operations					
Net income from discontinued operations	4	**1,714**	**-12,242**	**4,809**	**-10,184**
Total net income		**2,543**	**-8,641**	**9,377**	**-829**
Items that may be reclassified to net income:					
Foreign currency translation differences from continuing operations		2,637	2,240	5,124	3,978
Foreign currency translation differences from discontinued operations		-1,504	-350	-2,838	-69
Other comprehensive income from associated companies and joint ventures		-17	46	156	-261
Cash flow hedges		-19	241	-238	68
Available-for-sale financial instruments		558	39	571	183
Income taxes relating to items that may be reclassified		-13	232	46	724
Items that will not be reclassified to net income:					
Remeasurements of defined benefit pension plans		-299	-1,118	-497	-3,025
Income taxes relating to items that will not be reclassified		70	230	122	650
Associates remeasurements of defined benefit pension plans		1	0	-25	-20
Other comprehensive income		**1,412**	**1,560**	**2,419**	**2,228**
Total comprehensive income		**3,955**	**-7,081**	**11,797**	**1,399**
Total net income attributable to:					
Owners of the parent		2,268	-8,810	8,855	-3,605
Non-controlling interests		275	169	523	2,776
Total comprehensive income attributable to:					
Owners of the parent		3,664	-7,275	11,592	-1,803
Non-controlling interests		292	194	206	3,202
Earnings per share (SEK), basic and diluted		0.52	-2.03	2.04	-0.83
of which continuing operations, basic and diluted		*0.18*	*0.82*	*1.02*	*2.14*
Number of shares (thousands)					
Outstanding at period-end		4,330,085	4,330,085	4,330,085	4,330,085
Weighted average, basic and diluted		4,330,085	4,330,085	4,330,085	4,330,082
EBITDA in continuing operations		6,424	6,992	19,543	19,139
Adjusted EBITDA in continuing operations		6,604	6,850	18,848	19,456
Depreciation, amortization and impairment losses from continuing operations		-3,074	-2,852	-9,587	-8,457
Adjusted operating income in continuing operations		3,812	4,742	11,319	13,386

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note		Sep 30, 2017	Dec 31, 2016
Assets				
Goodwill and other intangible assets	6, 14		76,134	70,947
Property, plant and equipment	6		58,577	58,107
Investments in associates and joint ventures, pension obligation assets and other non-current assets			18,599	27,934
Deferred tax assets			3,847	4,366
Long-term interest-bearing receivables	10		16,015	18,120
Total non-current assets			*173,172*	*179,475*
Inventories			1,550	1,792
Trade and other receivables and current tax receivables			16,250	17,468
Short-term interest-bearing receivables	10		14,102	11,143
Cash and cash equivalents	10		14,722	14,510
Assets classified as held for sale	4, 10		22,508	29,042
Total current assets			69,132	*73,955*
Total assets			**242,304**	**253,430**
Equity and liabilities				
Equity attributable to owners of the parent			91,976	89,833
Equity attributable to non-controlling interests			5,173	5,036
Total equity			*97,149*	*94,869*
Long-term borrowings	7, 10		90,173	83,161
Deferred tax liabilities			10,159	10,567
Provisions for pensions and other long-term provisions	4		7,497	7,282
Other long-term liabilities			1,993	725
Total non-current liabilities			*109,823*	*101,734*
Short-term borrowings	7, 10		3,550	11,307
Trade payables and other current liabilities, current tax payables and short-term provisions	4		22,190	31,892
Liabilities directly associated with assets classified as held for sale	4, 10		9,591	13,627
Total current liabilities			*35,331*	*56,826*
Total equity and liabilities			**242,304**	**253,430**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Cash flow before change in working capital	7,977	7,511	22,251	19,985
Change in working capital[1]	-5,961	292	-5,136	657
Cash flow from operating activities	**2,016**	**7,803**	**17,115**	**20,642**
of which from discontinued operations[1]	*-5,095*	*924*	*-3,344*	*2,823*
Cash CAPEX	-3,297	-4,146	-11,537	-12,994
Free cash flow	**-1,281**	**3,657**	**5,578**	**7,649**
of which from discontinued operations	*-5,490*	*393*	*-4,975*	*529*
Cash flow from other investing activities	-2,010	-452	-9	9,964
Total cash flow from investing activities	**-5,307**	**-4,598**	**-11,545**	**-3,030**
of which from discontinued operations	*-695*	*-577*	*-2,332*	*-406*
Cash flow before financing activities	**-3,291**	**3,205**	**5,569**	**17,613**
Cash flow from financing activities	**-1,472**	**-3,132**	**-5,778**	**-15,798**
of which from discontinued operations	*-121*	*-2,070*	*-480*	*-1,925*
Cash flow for the period	**-4,763**	**73**	**-208**	**1,815**
of which from discontinued operations	*-5,911*	*-1,724*	*-6,157*	*492*
Cash and cash equivalents, opening balance	**26,360**	**27,642**	**22,907**	**25,334**
Cash flow for the period	-4,763	73	-208	1,815
Exchange rate differences in cash and cash equivalents	-808	254	-1,910	820
Cash and cash equivalents, closing balance	**20,789**	**27,969**	**20,789**	**27,969**
of which from continuing operations (including Sergel and Yoigo)	*14,722*	*19,812*	*14,722*	*19,812*
of which from discontinued operations (Eurasia)	*6,067*	*8,157*	*6,067*	*8,157*

1) The cash flow effect from the global settlement with the authorities regarding the Uzbekistan investigations amounts to SEK 6,129 million in the third quarter 2017 and is classified as cash flow from discontinued operations. The outstanding provision, amounting to SEK 1,632 million after discount effect, is recognized as a long-term provision in the consolidated statements of financial position.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Owners of the parent	Non-controlling interests	Total equity
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	**–**
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**
Share-based payments	7	–	**7**
Change in non-controlling interests	83	-84	**-1**
Total transactions with owners	*90*	*-84*	***6***
Total comprehensive income	6,636	-77	**6,559**
Effect of equity transactions in associates	23	–	**23**
Closing balance, December 31, 2016	**89,833**	**5,036**	**94,869**
Opening balance, January 1, 2017	**89,833**	**5,036**	**94,869**
Dividends	-8,660	-835	**-9,495**
Share-based payments	25	–	**25**
Repurchased treasury shares	-4	–	**-4**
Change in non-controlling interests[1]	-766	766	–
Total transactions with owners	*-9,405*	*-69*	***-9,474***
Total comprehensive income	11,592	206	**11,798**
Effect of equity transactions in associates	-43	–	**-43**
Closing balance, September 30, 2017	**91,976**	**5,173**	**97,149**

1) Increase of non-controlling interests in Fintur due to reduced ownership in Turkcell.

NOTE 1. BASIS OF PREPARATION

General

As in the annual accounts for 2016, Telia Company's consolidated financial statements as of and for the nine-month period ended September 30, 2017, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act as well as standard RFR 2 Accounting for Legal Entities and other statements issued by the Swedish Financial Reporting Board. For the group this Interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and for the Parent Company in accordance with the Swedish Annual Reports Act. The accounting policies adopted and computation methods used are consistent with those followed in the Annual and Sustainability Report 2016, except as described below. All amounts in this report are presented in SEK millions, unless otherwise stated. Rounding differences may occur.

New accounting standards

Telia Company's projects for the new accounting standards IFRS 15 "Revenue from contracts with customers", IFRS 9 "Financial instruments" and IFRS 16 "Leases" continued during the third quarter 2017 and are proceeding according to plan. Telia Company continues to assess the impact of the new standards on the consolidated financial statements. For more information, see the Annual and Sustainability Report 2016.

Restatement of operational data

As a result of a review in the first quarter of 2017 of certain types of mobile subscriptions in Sweden the operational data for number of subscriptions 2016 has been restated for comparability.

Assets held for sale and discontinued operations

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. The Sergel companies (Sergel) are included in continuing operations until the divestment as per June 30, 2017, but classified as assets held for sale since June 30, 2016. The 6.21 percent stake in MegaFon, divested during October 2017, is classified as asset held for sale as per September 30, 2017. For information on assets held for sale and discontinued operations, see Note 4.

Segments

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

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

Correction of prior period classification errors

There were no corrections in the group financial statements. For restatements of prior periods for the parent company, see section Parent company.

NOTE 2. REFERENCES

For more information regarding:

- Sales and earnings, Cash flow and Financial position see pages 5-7.
- Significant events in the first, second and third quarter, see page 8.
- Significant events after the end of the third quarter, see page9.
- Risks and uncertainties, see pages 40-45.

NOTE 3. ADJUSTMENT ITEMS

Adjustment items within operating income, continuing operations

SEK in millions	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Within EBITDA	**-180**	**141**	**695**	**-317**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:				
Sweden	-114	-26	-149	-277
Finland	-5	-14	-68	-45
Norway	-21	-7	-110	-35
Denmark	0	0	-14	-29
Lithuania	-3	-15	-23	-40
Estonia	-1	-6	-4	-18
Other operations	-29	211	-142	-25
Capital gains/losses[1]	-7	-2	1,206	152
Within Depreciation, amortization and impairment losses[2]	**-69**	**0**	**-715**	**0**
Within Income from associated companies and joint ventures	**-1,911**	**0**	**-3,738**	**-1**
Capital gains/losses[3]	-1,911	0	-3,738	-1
Total adjustment items within operating income, continuing operations	**-2,160**	**141**	**-3,758**	**-318**

Adjustment items within EBITDA, discontinued operations (region Eurasia)

SEK in millions	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Within EBITDA	**328**	**-12,488**	**3,986**	**-11,379**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc. [4]	328	-12,509	4,180	-12,658
Impairment loss on remeasurement to fair value less costs to sell	–	-52	–	-52
Capital gains/losses	–	73	-193	1,331
Total adjustment items within EBITDA, discontinued operations	**328**	**-12,488**	**3,986**	**-11,379**

1) The nine-month period 2017 includes the second quarter capital gain of the disposal of Sergel.
2) Includes a write down as a result of an assessment performed on IT and network assets, mainly related to plant and machinery and capitalized development expenses.
3) The third quarter 2017 includes the capital loss (including cumulative exchange loss in equity reclassified to net income) related to the second disposal of 7 percent stake in Turkcell. The nine-month period 2017 also includes the capital loss (including cumulative exchange loss in equity reclassified to net income) from the first divestment of 7 percent stake in Turkcell.
4) Third quarter 2017 includes a positive effect from the settlement with the authorities regarding the Uzbekistan investigations. The first nine months also includes the effect of the adjusted provision in the first quarter. Comparative figures are impacted by the original provision recognized in the third quarter 2016.

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. Ncell in Nepal was sold during 2016. Telia Company is still committed to the plan to divest the remaining parts of Eurasia and the delay during 2016 in the sales process was caused by events and circumstances beyond Telia Company's control. Telia Company has taken actions necessary to respond the change in circumstances and the units are being actively marketed at reasonable prices given the change in circumstances. Tcell in Tajikistan was divested in April 2017. The remaining Eurasian parts are available for immediate sale and divestments of these units are deemed highly probable within 2017.

Sergel

Sergel was classified as held for sale from June 30, 2016, and in the segment reporting Sergel was part of Other operations. It was not considered to represent a separate major line of business or geographical area of operations and was therefore not presented as discontinued operations. Sergel was divested on June 30, 2017.

MegaFon

In September 2017, Telia Company decided to divest a portion of the investment in MegaFon representing 6.21 percent of MegaFon's issued share capital. The 6.21 percent portion of MegaFon's shares is therefore classified as assets held for sale per September 30, 2017. The remaining part of Telia Company's investment in MegaFon is classified as investments in associates per September 30, 2017 since Telia Company per that date had significant influence in MegaFon. The divestment was made on October 3, 2017, see section Disposals below.

Presentation

Former segment region Eurasia (including holding companies), which is classified as discontinued operations, is presented as a single amount in the consolidated statements of comprehensive income. The consolidated cash flow statement is presented including region Eurasia, but with additional information on cash flows from operating, investing and financing activities and free cash flow for region Eurasia. Eurasia and 6.21 percent stake in MegaFon (and Sergel for comparative figures) are classified as held for sale and the related assets and liabilities are therefore presented separately in two line items in the consolidated statement of financial position. The amounts for discontinued operations and assets and liabilities held for sale in the consolidated financial statements are presented after elimination of intra-group transactions and intra-group balances.

Measurement

In accordance with IFRS 5 discontinued operations and assets held for sale are measured at the lower of carrying value and estimated fair value less costs to sell. The valuation is based on an assessment of the input from the sales 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) of SEK 2.0 billion have been reversed in 2016. The remeasurement of the net assets in region Eurasia per December 31, 2015, resulted in an impairment charge in the fourth quarter of 2015 of SEK 5.3 billion related to goodwill and other fixed assets in Uzbekistan. In 2016 Ucell was impaired by SEK 1,950 million due to increased carrying values. Due to increased regulatory and currency risks in Uzbekistan as well as an updated view of the valuation ranges for Ucell, management's best estimate of the risk adjusted debt free value of Ucell was reduced from SEK 3.3 billion to SEK 1.3 billion as of June 30, 2017. An impairment loss relating to Ucell of SEK 1,500 million (after changes in carrying values and foreign exchange rates) was recognized in the second quarter 2017. During the third quarter 2017 the Uzbekistan currency was devaluated. Management's best estimate of the risk adjusted debt free value of Ucell is unchanged at SEK 1.3 billion. As a consequence of the devaluation, a reversal of part of the second quarter impairment charge has been recorded in the third quarter amounting to SEK 200 million. Changes in any of the estimated risk adjustments made for Ucell would have a material impact on the estimated fair value. The most significant impact on fair value will be the buyer's ability to operate in the country and convert local currency. For more information on valuation of Ucell, see the Annual and Sustainability Report 2016.

Telia Company made a write-down of SEK 330 million in the second quarter 2017 of its holding in the associated company TOO Rodnik in Kazakhstan which Telia consolidates to 50 percent. Rodnik owns the listed company AO KazTransCom. Based on the development in ongoing negotiations, the associate was no longer deemed having a recoverable value.

Disposals

Ncell in Nepal

On April 11, 2016, Telia Company completed the divestment of its holdings in Ncell in Nepal to Axiata, one of Asia's largest telecommunication groups. The divestment, all transactions included, resulted in a total capital gain of SEK 1,035 million for the group in 2016, whereof a loss of SEK -927 million was attributable to owners of the parent and a gain of SEK 1,962 million was attributable to non-controlling interests. The sale resulted in a loss for the parent shareholders mainly due to the carrying value of goodwill in Ncell (not attributable to minority) and provisions for parent shareholder's transaction warranties.

In the first quarter of 2017 the net cash flow effect for the group was SEK 0.9 billion (relating to both parent shareholders and non-controlling-interests), which mainly referred to release of escrow accounts, reclassification of receivables and payment of transaction warranties. The net cash flow effect for the group in 2016 was SEK 9.3 billion.

The total price for all transactions was SEK 14.0 billion and as of March 31, 2017, all had been received in cash. The minority owner Visor's sales price was distributed to Visor during 2016 and the first quarter 2017. Provisions for transaction warranties are included in the statement of financial position for continuing operations. The final amounts relating to the Ncell divestment are still subject to deviations in transaction warranties and related foreign exchange rates. Ncell in Nepal was part of the former segment region Eurasia which is classified as discontinued operations.

Telia Company has, subsequent of the divestment, received requests from the Nepalese tax authorities to submit a tax return on the disposal to Axiata. Telia Company's assessment is that there is no obligation to file a tax return, or pay any capital gain tax, in Nepal since the sales transaction is not taxable in Nepal.

Tcell in Tajikistan

In September 2016, Telia Company signed an agreement to sell its 60 percent holding in Central Asian Telecommunications Development B.V., which controls CJSC "Indigo Tajikistan" (Tcell), to the Aga Khan Fund for Economic Development (AKFED). AKFED was the minority owner in Central Asian Telecommunications Development B.V. with a 40 percent holding. The transaction was subject to regulatory approvals in Tajikistan and Telia Company had taken all relevant actions trying to close the deal. The agreement expired on March 31, 2017, since the Anti-Monopoly Service in Tajikistan did not reply by the stipulated deadline between Telia Company and AKFED. The agreed transaction price for Tcell was based on an enterprise value of USD 66 million, of which Telia Company's 60 percent share corresponded to USD 39 million (approximately USD 13 million in equity value). The carrying value of the operations in Tajikistan was adjusted to zero resulting in an impairment loss of SEK 222 million in the first quarter of 2017.

In April 2017, Telia Company signed a new agreement with AKFED and finalized the divestment of the Tajik operations. The capital loss was SEK 193 million, which related to reclassification of accumulated negative foreign exchange differences to net income. The transaction had no material cash flow effect. After the divestment Telia Company has no risks, such as claims or any obligations, left in Tajikistan.

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. The transaction was approved by the Swedish Financial Supervisory Authority as well as Competition Authorities, and Sergel was divested on June 30, 2017. The divestment resulted in a capital gain of SEK 1,213 million. The sale had a positive net cash flow effect of SEK 1,908 million and reduced net debt by SEK 1,942 million.

MegaFon (event after the end of the third quarter)

On October 3, 2017, Telia Company completed the divestment of an aggregate of 38.5 million ordinary shares representing 6.21 percent of MegaFon's issued share capital to institutional investors by way of an accelerated book building offering ("placing"). The placing was made at a price of RUB 585 per ordinary share, raising gross proceeds of SEK 3.2 billion. Following the completion of the transaction, Telia Company's share in MegaFon was reduced from 25.2 percent to 19.0 percent. As a consequence of the transaction, Telia Company's significant influence in MegaFon will be lost and the remaining investment will be reclassified from an associated company to a financial asset from the fourth quarter of 2017.

Provision for settlement amount agreed with the US and Dutch authorities

The US and Dutch authorities have investigated historical transactions related to Telia Company's entry into Uzbekistan in 2007. As announced on September 15, 2016, Telia Company received a proposal from the authorities for resolution of the pending investigations. The authorities proposed a global resolution that included a total financial sanction of USD 1.45 billion. Without certainty as to the timing and amount that would be paid at the time of a final resolution, Telia Company recorded a USD 1.45 billion provision (SEK 13.2 billion per December 31, 2016). Resolution of the various investigations was complex, but constructive discussions with the government agencies involved in the investigations was continued with good progress during 2017. As per March 31, 2017, a final resolution had not yet been reached, but in light of developments to that date in those discussions, the estimate of the most likely outcome was revised and the provision was adjusted to USD 1.0 billion (SEK 8.9 billion at that point in time). As per June 30, 2017, the provision remained unchanged at USD 1.0 billion corresponding to SEK 8.5 billion, where the change in the amount in SEK was related to changed foreign exchange rate.

On September 21, 2017, Telia Company reached a global settlement with the US and Dutch authorities regarding the Uzbekistan investigations. As part of the settlement, Telia Company agreed to pay fines and disgorgements in an aggregate amount of USD 965 million, whereof USD 757 million (SEK 6,129 million) were paid during the third quarter. The payment is included in the line item "Change in working capital" in the Condensed consolidated statements of cash flows and is classified within discontinued operations. The remaining part SEK 1,698 million (USD 208 million) is related to the SEC disgorgement amount potentially offset against any disgorgement obtained by the Swedish Prosecutor or Dutch authorities. This amount is discounted and classified as a long-term provision, included in the line item "Provisions for pensions and other long-term provisions" in the condensed consolidated statements of financial position. The outstanding discounted provision amounts to SEK 1,632 million. 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 settlement resulted in a SEK 252 million positive net income effect in the third quarter, whereof SEK 275 million (USD 34 million) related to adjustment of the proposed settlement amount, SEK 66 million discounting effect related to the remaining long term provision and SEK -90 million related to exchange rate fluctuations. The net income effect is recognized within discontinued operations and is disclosed as "Expenses and other operating income, net" in the table "Net income from discontinued operations (Eurasia)" below. The net income effect and the cash flow effect are classified as part of discontinued operations based on that the expenses and the cash flows are related to the operations in Uzbekistan. The settlement amount excluding foreign currency effects and hedge effects are assumed to be non-tax deductible.

Net income from discontinued operations (region Eurasia)

SEK in millions, except per share data	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Net sales	2,773	3,184	8,911	10,317
Expenses and other operating income, net [1]	-1,316	-14,261	-1,281	-18,355
Operating income	**1,458**	**-11,077**	**7,630**	**-8,038**
Financial items, net	-46	-420	-187	-484
Income after financial items	**1,412**	**-11,497**	**7,443**	**-8,522**
Income taxes	102	-144	-562	-1,119
Net income before remeasurement and gain/loss on disposal	**1,514**	**-11,641**	**6,881**	**-9,641**
Impairment loss/impairment reversal on remeasurement to fair value less costs to sell [2]	200	-600	-1,879	-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) [3]	–	–	–	1,258
of which loss attributable to parent shareholders	–	–	–	*-888*
of which gain attributable to non-controlling interests	–	–	–	*2,146*
Loss on disposal of Tcell in Tajikistan (including cumulative Tcell exchange loss in equity reclassified to net income of SEK -193 million) [3]	–	–	-193	–
Net income from discontinued operations	**1,714**	**-12,242**	**4,809**	**-10,184**
EPS from discontinued operations (SEK)	0.35	-2.86	1.02	-2.97
Adjusted EBITDA	1,129	1,364	3,447	4,532

1) The global settlement with the authorities regarding the Uzbekistan investigations resulted in a positive effect of SEK 252 million in the third quarter 2017. The first nine months 2017 also include the effect of the adjustment of the provision that was recognized in the first quarter. Comparative figures are impacted by the initial provision recognized in the third quarter 2016.
2) Non-tax deductible.
3) Non-taxable gain/loss.

Assets classified as held for sale

SEK in millions	MegaFon Sep 30, 2017[3]	Eurasia Sep 30, 2017	Total, Sep 30, 2017	Eurasia Dec 31, 2016[1]	Sergel, Dec 31, 2016	Total, Dec 31, 2016[1]
Goodwill and other intangible assets	–	5,551	5,551	7,562	38	7,601
Property, plant and equipment	–	7,145	7,145	7,551	6	7,557
Other non-current assets	1,006	28	1,035	448	251	699
Short-term interest-bearing receivables	–	1,197	1,197	1,889	1	1,890
Other current assets[1]	–	1,513	1,513	2,329	568	2,898
Cash and cash equivalents[1]	–	6,067	6,067	8,302	95	8,397
Assets classified as held for sale	**1,006**	**21,501**	**22,508**	**28,082**	**960**	**29,042**
Long-term borrowings	–	621	621	355	–	355
Long-term provisions	–	2,271	2,271	2,652	149	2,801
Other long-term liabilities	–	2,280	2,280	3,711	5	3,716
Short-term borrowings	–	1,146	1,146	1,612	–	1,612
Other current liabilities	–	3,273	3,273	4,932	211	5,144
Liabilities associated with assets classified as held for sale	**–**	**9,591**	**9,591**	**13,262**	**365**	**13,627**
Net assets classified as held for sale[2]	**1,006**	**11,910**	**12,917**	**14,819**	**596**	**15,415**

1) The minority owner Visor's share of the sales price for Ncell and Visor's share of the holding company Reynolds Holding have been distributed to Visor during 2016 and the first quarter 2017. As of December 31, 2016, SEK 0.3 billion remained within cash and cash equivalents. The provisions for transaction warranties and the sales price for Telia Company's 60.4 percent ownership in Ncell and Telia Company's share in the holding company Reynolds Holding, as well as sales price for Telia Company's economic interest in the 20 percent local shares in Ncell are included in continuing operations.
2) Represents 100 percent of external assets and liabilities, i.e. non-controlling interests' share of net assets are included.
3) A portion of the investment in MegaFon representing 6.21 percent of MegaFon's issued share capital.

NOTE 5. SEGMENT INFORMATION

SEK in millions	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Net sales				
Sweden	8,959	9,181	27,112	27,276
of which external	*8,901*	*9,086*	*26,932*	*27,047*
Finland	3,369	3,218	9,979	9,529
of which external	*3,329*	*3,168*	*9,858*	*9,406*
Norway	2,589	2,319	7,454	6,515
of which external	*2,582*	*2,314*	*7,436*	*6,501*
Denmark	1,466	1,470	4,389	4,286
of which external	*1,440*	*1,439*	*4,313*	*4,196*
Lithuania	857	821	2,575	2,365
of which external	*843*	*806*	*2,537*	*2,316*
Estonia	698	678	2,042	1,991
of which external	*677*	*658*	*1,977*	*1,933*
Other operations	2,211	4,445	6,780	12,809
Total segments	**20,148**	**22,131**	**60,330**	**64,772**
Eliminations	-520	-607	-1,650	-1,723
Group	**19,628**	**21,524**	**58,681**	**63,049**
Adjusted EBITDA				
Sweden	3,531	3,613	10,158	10,711
Finland	1,082	1,055	3,095	3,059
Norway	922	890	2,669	2,260
Denmark	186	197	479	493
Lithuania	317	295	893	853
Estonia	234	217	656	603
Other operations	333	582	899	1,478
Total segments	**6,604**	**6,850**	**18,848**	**19,456**
Eliminations	0	0	0	0
Group	**6,604**	**6,850**	**18,848**	**19,456**
Operating income				
Sweden	2,149	2,376	6,200	7,032
Finland	528	541	1,445	1,555
Norway	513	476	1,407	1,163
Denmark	-1	7	-93	-84
Lithuania	168	126	446	395
Estonia	106	86	269	217
Other operations	-1,812	1,272	-2,113	2,790
Total segments	**1,651**	**4,884**	**7,560**	**13,068**
Eliminations	0	0	0	0
Group	**1,651**	**4,884**	**7,560**	**13,068**
Financial items, net	-607	-525	-2,043	-1,490
Income after financial items	**1,044**	**4,359**	**5,518**	**11,578**

SEK in millions	Sep 30, 2017 Segment assets	Sep 30, 2017 Segment liabilities	Dec 31, 2016 Segment assets	Dec 31, 2016 Segment liabilities
Sweden	44,877	10,708	46,157	11,304
Finland	47,556	4,352	44,798	3,462
Norway	29,086	2,256	27,583	2,207
Denmark	8,148	1,363	8,689	1,564
Lithuania	6,781	489	6,893	701
Estonia	5,022	394	5,090	442
Other operations	30,552	8,231	37,752	21,217
Total segments	**172,022**	**27,794**	**176,962**	**40,896**
Unallocated	47,774	107,771	47,425	104,037
Assets and liabilities held for sale	22,508	9,591	29,042	13,627
Total assets/liabilities, group	**242,304**	**145,156**	**253,430**	**158,561**

NOTE 6. INVESTMENTS

SEK in millions	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
CAPEX	**2,956**	**3,648**	**11,124**	**10,618**
Intangible assets	489	444	3,256	1,618
Property, plant and equipment	2,468	3,204	7,868	9,000
Acquisitions and other investments	**1,830**	**120**	**4,754**	**349**
Asset retirement obligations	0	96	-15	211
Goodwill, intangible and tangible non-current assets acquired in business combinations	1,829	0	4,768	38
Equity holdings	1	24	1	100
Total continuing operations	**4,786**	**3,768**	**15,878**	**10,967**
Total discontinued operations	**290**	**681**	**1,319**	**2,387**
of which CAPEX	*290*	*681*	*1,319*	*2,376*
Total investments	**5,076**	**4,449**	**17,196**	**13,354**
of which CAPEX	*3,246*	*4,329*	*12,443*	*12,994*

NOTE 7. FINANCIAL INSTRUMENTS – FAIR VALUES

Long-term and short-term borrowings[1] SEK in millions	Sep 30, 2017 Carrying value	 Fair value	Dec 31, 2016 Carrying value	 Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	42,987	53,174	37,189	46,135
Interest rate swaps	388	388	37	37
Cross currency interest rate swaps	1,817	1,817	2,648	2,648
Subtotal	**45,192**	**55,379**	**39,873**	**48,819**
Open-market financing program borrowings	42,650	47,963	41,334	45,209
Other borrowings at amortized cost	2,122	2,122	1,733	1,733
Subtotal	**89,964**	**105,464**	**82,940**	**95,761**
Finance lease agreements	209	209	221	221
Total long-term borrowings	**90,173**	**105,674**	**83,161**	**95,982**
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	725	733	7,486	7,551
Interest rate swaps	7	7	3	3
Cross currency interest rate swaps	365	365	191	191
Subtotal	**1,098**	**1,105**	**7,679**	**7,744**
Utilized bank overdraft and short-term credit facilities at amortized cost	5	5	0	0
Open-market financing program borrowings	1,627	1,630	2,258	2,265
Other borrowings at amortized cost	813	839	1,360	1,360
Subtotal	**3,543**	**3,579**	**11,297**	**11,368**
Finance lease agreements	7	7	10	10
Total short-term borrowings	**3,550**	**3,587**	**11,307**	**11,378**

1) For financial assets, fair values equal carrying values. For information on fair value estimation, see the Annual and Sustainability Report 2016, Note C3 to the consolidated financial statements.

Financial assets and liabilities by fair value hierarchy level[1] SEK in millions	Sep 30, 2017 Carrying value	of which Level 1	 Level 2	 Level 3	Dec 31, 2016 Carrying value	of which Level 1	 Level 2	 Level 3
Financial assets at fair value								
Equity instruments available-for-sale	1,741	–	–	1,741	1,162	–	–	1,162
Equity instruments held-for-trading	26	–	–	26	26	–	–	26
Long- and short-term bonds available-for-sale	17,761	13,813	3,948	–	19,186	12,533	6,653	–
Derivatives designated as hedging instruments	1,577	–	1,577	–	2,637	–	2,637	–
Derivatives held-for-trading	1,002	–	1,002	–	3,058	–	3,058	0
Total financial assets at fair value by level	**22,107**	**13,813**	**6,527**	**1,767**	**26,069**	**12,533**	**12,348**	**1,188**
Financial liabilities at fair value								
Derivatives designated as hedging instruments	2,200	–	2,200	–	2,346	–	2,346	–
Derivatives held-for-trading	440	–	440	–	1,226	–	1,226	–
Total financial liabilities at fair value by level	**2,640**	**–**	**2,640**	**–**	**3,572**	**–**	**3,572**	**–**

1) For information on fair value hierarchy levels and fair value estimation, see the Annual and Sustainability Report 2016, Note C3 to the consolidated financial statements and the section below. Comparative figures for Long- and short-term bonds available-for-sale have been adjusted with SEK 6,653 million from Level 1 to Level 2.

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 judgement, and cross-references results of the primary valuation model against other models in estimating the fair value of unlisted equity instruments, there are inherent limitations in any estimation techniques. The fair value estimates presented herein are not necessarily indicative of an amount that Telia Company could realize in a current transaction. Future confirming events will also affect the estimates of fair value. The effect of such events on the estimates of fair value could be material.

Unlisted equity instruments for which the fair value cannot be reliably measured are measured at cost less any impairment.

The table below presents the movement in level 3 instruments for the nine-month period ended September 30, 2017. The change in fair value of SEK 579 million in 2017 for equity instruments available-for-sale relates to a revaluation of Telia Company's 1.4 percent stake in Spotify. The investment in Spotify was remeasured in the third quarter 2017 based on the share price in the most recent transaction made for Spotify during September 2017.

	Jan-Sep 2017				
SEK in millions	**Equity instruments available-for-sale**	**Equity instruments held-for-trading**	**Long- and short-term bonds available-for-sale**	**Derivatives held-for-trading**	**Total**
Level 3, opening balance	**1,162**	**26**	**–**	**0**	**1,188**
Changes in fair value	579	–	–	0	579
of which recognized in net income	–	–	–	–	–
of which recognized in other comprehensive income	*579*	–	–	–	*579*
Exchange rate differences	–	0	–	–	0
Level 3, closing balance	**1,741**	**26**	**–**	**0**	**1,767**

	Jan-Dec 2016				
SEK in millions	**Equity instruments available-for-sale**	**Equity instruments held-for-trading**	**Long- and short-term bonds available-for-sale**	**Derivatives held-for-trading**	**Total**
Level 3, opening balance	**1,053**	**35**	–	**65**	**1,153**
Changes in fair value	-4	–	–	–	-4
of which recognized in net income	–	–	–	–	–
of which recognized in other comprehensive income	*-4*	–	–	–	*-4*
Purchases/capital contributions	48	–	–	–	48
Transfer into/out of level 3	65	–		-65	0
Exchange rate differences	–	-10	–	–	-10
Reclassified to assets classified as held for sale	–	–	–	–	–
Level 3, closing balance	**1,162**	**26**	**–**	**0**	**1,188**

NOTE 8. TREASURY SHARES

No Telia Company shares were held by the company or by its subsidiaries as of September 30, 2017, or as of December 31, 2016. The total numbers of issued and outstanding shares were 4,330,084,781.

NOTE 9. RELATED PARTY TRANSACTIONS

In the nine-month period ended September 30, 2017, Telia Company purchased goods and services for SEK 31 million (42), and sold goods and services for SEK 10 million (59). Related parties in these transactions were mainly the associated companies MegaFon, Turkcell and Lattelecom. Related party transactions are based on commercial terms.

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, 2017	Dec 31, 2016
Long-term borrowings	90,794	83,516
Less 50 percent of hybrid capital[1]	-7,582	–
Short-term borrowings	4,696	12,919
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-2,408	-5,455
Less long-term bonds available for sale	-10,147	-10,185
Less short-term investments	-11,943	-7,132
Less cash and cash equivalents	-20,789	-22,907
Net debt, continuing and discontinued operations	**42,622**	**50,756**

1) 50 percent of hybrid capital is treated as equity, consistent with market practice for the type of instrument, and reduces net debt.

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

The credit rating of Telia Company remained unchanged during the third quarter. Moody's rating for long-term borrowings is Baa1 and P-2 for short-term borrowings, both with a stable outlook. The Standard & Poor long-term rating is A- and the short-term rating is A-2, however with the long term rating on a negative outlook since April 3, 2017.

The Revolving Credit Facility of EUR 1,500 million, signed with thirteen relationship banks on September 30, 2016, has been extended for one year moving the maturity date to September 30, 2022. There is a remaining extension option for another year again in September 2018.

No new capital market debt has been issued during the third quarter.

NOTE 12. CONTINGENT LIABILITIES, COLLATERAL PLEDGED AND LITIGATIONS

As of September 30, 2017, the maximum potential future payments that Telia Company (continuing operations) could be required to make under issued financial guarantees totaled SEK 368 million (398 at the end of 2016), of which SEK 352 million (287 at the end of 2016) referred to guarantees for pension obligations. Collateral pledged (continuing and discontinued operations) totaled SEK 48 million (752 at the end of 2016). The decrease is mainly due to no pledged investment bonds in repurchase agreements in 2017. For ongoing legal proceedings see Note 29 in the Annual and Sustainability Report 2016. For updated information regarding the Uzbekistan investigations, see Note 4 and Section Risk and uncertainties in this report.

NOTE 13. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of September 30, 2017, contractual obligations (continuing operations) totaled SEK 3,474 million (2,897 at the end of 2016), of which SEK 1,264 million (1,215 at the end of 2016) referred to contracted build-out of Telia Company's fixed networks in Sweden. Total contractual obligations includes a lease agreement relating to future data center in Finland.

NOTE 14. BUSINESS COMBINATIONS

Business combinations

On February 1, 2017, Telia Company acquired all shares in Fält Communications AB (Fältcom), a company in the Nordic connected public transportation market. The acquisition will position Telia Company to become the leading provider of Smart Public Transport services whilst laying a foundation for further expansion in the Smart Transport & Logistics and Smart City space.

On March 1, 2017, Telia Company acquired all shares in the Swedish company C-Sam AB, a company that develops and maintains fiber and cable networks.

On April 10, 2017, Telia Company acquired all shares in Phonero in Norway, a company that offers telecommunication services to small and medium sized corporate customers as well as public companies. The acquisition will strengthen Telia Company's position in the Norwegian enterprise segment.

On July 3, 2017, Telia Company acquired all shares in the Finnish company Nebula Top Oy, a company which provides cloud services. The acquisition will strengthen Telia Company's position in the Finnish SME and SoHo segments.

The preliminary costs of the combinations, preliminary fair values of net assets acquired and goodwill for the combinations are presented in the table below.

SEK in millions	Fältcom and C-Sam	Phonero	Nebula Top Oy	Total
Cost of combination	**244**	**2,462**	**1,605**	**4,311**
of which cash consideration	*236*			
Fair value of net assets acquired				
Intangible assets	7	800	791	1,598
of which customer relationships			*408*	
of which other intangible assets			*383*	
Property, plant and equipment and other non-current assets	33	14	64	111
Current assets	36	201	72	309
Total assets acquired	**76**	**1,015**	**928**	**2,019**
Non-current liabilities	-4	-177	-159	-340
Current liabilities	-22	-209	-74	-305
Total liabilities assumed	**-26**	**-386**	**-233**	**-645**
Total fair value of net assets acquired	**50**	**629**	**695**	**1,374**
Goodwill	**193**	**1,832**	**909**	**2,934**

Fältcom and C-Sam

The net cash flow effect of the business combinations was SEK 230 million (cash consideration SEK 236 million less cash and cash equivalents in Fältcom and C-Sam SEK 6 million). Transaction costs amounted to SEK 4 million and have been recognized as other operating expenses. Goodwill consists of the knowledge of transferred personnel and expected synergies from the assets merged to the network and operations of Telia Company. No part of goodwill is expected to be deductible for tax purposes. The total cost of combinations and fair values has been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

Phonero

The net cash flow effect from the acquisition of Phonero was SEK 2,359 million. Goodwill consists of the knowledge of transferred personnel and expected synergies of the merged operations. No part of goodwill is expected to be deductible for tax purposes. Acquisition-related costs of SEK 32 million have been recognized as other operating expenses. The total cost of the combination and fair values have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustments. Compared to the cash flow effect presented in the interim report for the second quarter payments of current liabilities of SEK 146 million have been reclassified and included in the cost of the combination. From the acquisition date, revenues of SEK

515 million and net income of SEK -14 million are included in the condensed consolidated statements of comprehensive income. If Phonero had been acquired at the beginning of 2017, revenues and net income for Telia Company for the first nine month had been SEK 58,956 million and SEK 9,413 million, respectively.

Nebula Top Oy

The net cash flow effect from the acquisition of Nebula Top Oy was SEK 1,562 million in the third quarter. Goodwill consists of knowledge of transferred personnel, expected synergies and cost savings. No part of goodwill is expected to be deductible for tax purposes. Acquisition-related cost of SEK 2 million has been recognized as operating expenses. The total cost of the combination and fair values have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustments. Compared to the preliminary fair values presented in the interim report for the second quarter of 2017, the changes mainly relate to increased identified intangible assets and related deferred tax. From the acquisition date, revenues of SEK 89 million and net income of SEK -4 million are included in the condensed consolidated statements of comprehensive income. If Nebula Top Oy had been acquired at the beginning of 2017, revenues and net income for Telia Company for the first nine month had been SEK 58,858 million and SEK 9,346 million, respectively.

Minor business combinations

On April 5, 2017, Telia Company acquired all shares in the Swedish company SalaNet AB, a company that develops fiber network. The cost of the acquisition was approximately SEK 40 million.

On July 3, 2017, Telia Company acquired 93.35 percent of the total shares in the Swedish company Humany AB, a company within self-learning knowledgebase systems. The cost of the acquisition was approximately SEK 64 million. During the third quarter Telia Company acquired additional 3.44 percent from holders of non-controlling interests. The total cost of the combinations and fair values for Humany have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

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, 2017	Dec 31, 2016
Return on equity (%, rolling 12 months)[1, 2, 3]	21.4	4.5
Return on capital employed (%, rolling 12 months)[1, 2, 3]	12.4	7.7
Equity/assets ratio (%)[2, 3]	35.6	34.0
Net debt/adjusted EBITDA rate (multiple, rolling 12 months)[1]	1.43	1.69
Owners' equity per share (SEK) [2, 3]	21.24	20.75

1) Includes continuing and discontinued operations.

2) Key ratios effected by provision for the settlement proposed by and agreed with the US and Dutch authorities. See Note 4 for further information.

3) Equity is adjusted with weighted dividend in line with previous year for comparability, see the Annual and Sustainability Report 2016 section Definitions for key ratio definitions.

Alternative performance measurements

In addition to financial performance measures prepared in accordance with IFRS, Telia Company presents non-IFRS financial performance measures, for example EBITDA, Adjusted EBITDA, Adjusted operating income, continuing operations, CAPEX, Cash CAPEX, Free cash flow, Operational free cash flow and Net debt. (Adjustment items were previously named non-recurring items.) These alternative measures are considered to be important performance indicators for investors and other users of the Interim report. The alternative performance measures should be considered as a complement to, but not a substitute for, the information prepared in accordance with IFRS. Telia Company's definitions of these non-IFRS measures are described in this note and in the Annual and Sustainability Report 2016. These terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

EBITDA and adjusted EBITDA

Telia Company considers EBITDA as a relevant measure for investors to be able to understand profit generation before investments in fixed assets. To assist the understanding of Telia Company's underlying financial performance we believe it is also useful to analyze adjusted EBITDA. Adjustment items within EBITDA are specified in Note 3.

Continuing operations

SEK in millions	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Operating income	**1,651**	**4,884**	**7,560**	**13,068**
Income from associated companies and joint ventures	1,699	-744	2,396	-2,386
Total depreciation/amortization/write-down	3,074	2,852	9,587	8,457
EBITDA	**6,424**	**6,992**	**19,543**	**19,139**
Adjustment items within EBITDA (Note 3)	180	-141	-695	317
Adjusted EBITDA	**6,604**	**6,850**	**18,848**	**19,456**

Discontinued operations

SEK in millions	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Operating income	**1,458**	**-11,077**	**7,630**	**-8,038**
Income from associated companies and joint ventures	-1	5	-4	-14
Total depreciation/amortization/write-down	–	-52	–	-52
Gain/loss on disposals	–	0	-194	1,258
EBITDA	**1,457**	**-11,124**	**7,433**	**-6,846**
Adjustment items within EBITDA (Note 3)	-328	12,488	-3,986	11,379
Adjusted EBITDA	**1,129**	**1,364**	**3,447**	**4,532**

Adjusted operating income, continuing operations

Telia Company considers Adjusted operating income, continuing operations as a relevant measurement for investors to be able to understand the underlying financial performance of Telia Company. Adjustment items within operating income, continuing operations are specified in Note 3.

SEK in millions	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Operating income	1,651	4,884	7,560	13,068
Adjustment items within Operating income (Note 3)	2,160	-141	3,758	318
Adjusted operating income, continuing operations	**3,812**	**4,742**	**11,319**	**13,386**

CAPEX and Cash CAPEX

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

SEK in millions	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Continuing operations				
Intangible assets	489	444	3,256	1,618
Property, plant and equipment	2,468	3,204	7,868	9,000
CAPEX	**2,956**	**3,648**	**11,124**	**10,618**
Discontinued operations				
Intangible assets	25	173	83	871
Property, plant and equipment	264	508	1,236	1,504
CAPEX	**290**	**681**	**1,319**	**2,376**
Net of not paid investments and additional payments from previous periods	51	-182	-906	0
Cash CAPEX	**3,297**	**4,146**	**11,537**	**12,994**

Free cash flow

Telia Company considers Free cash flow less CAPEX as a relevant measure for investors to understand the group's cash flow from operating activities.

SEK in millions	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Cash flow from operating activities	2,016	7,803	17,115	20,642
Cash CAPEX (paid Intangible and tangible assets)	-3,297	-4,146	-11,537	-12,994
Free cash flow from continuing and discontinued operations	**-1,281**	**3,657**	**5,578**	**7,649**

Operational free cash flow

Telia Company considers Operational free cash flow as a relevant measure for investors to be able to understand the cash flows that Telia Company is in control of. From the reported free cash flow from continuing operations dividends from associated companies are deducted as these are dependent on the approval of boards and the annual general meetings of the associated companies. Licenses and spectrum payments are excluded as they generally refer to a longer period than just one year.

SEK in millions	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Cash flow from operating activities from continuing operations	7,111	6,879	20,459	17,819
Deduct: Cash CAPEX from continuing operations	-2,901	-3,615	-9,906	-10,700
Free cash flow continuing operations	**4,209**	**3,264**	**10,553**	**7,120**
Add back: Cash CAPEX for licenses from continuing operations	-71	0	483	27
Deduct: Dividends from associates from continuing operations	-1,388	-1,238	-2,325	-1,385
Add back: Taxes paid on dividends from associates from continuing operations	59	63	172	64
Operational free cash flow	**2,808**	**2,089**	**8,883**	**5,825**

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 2017	Jul-Sep 2016[1]	Jan-Sep 2017	Jan-Sep 2016[1]
Net sales	93	135	280	399
Gross income	**93**	**135**	**280**	**399**
Operating expenses and other operating income, net	2,384	-12,639	5,763	-13,382
Operating income	**2,478**	**-12,503**	**6,042**	**-12,983**
Financial income and expenses	-423	-1,418	6,355	7,222
Income after financial items	**2,055**	**-13,921**	**12,397**	**-5,761**
Appropriations	1,409	3,097	4,404	8,318
Income before taxes	**3,464**	**-10,825**	**16,801**	**2,556**
Income taxes	-160	-290	-488	-693
Net income	**3,304**	**-11,115**	**16,313**	**1,863**

1) Prior periods have been restated to reflect the discovery of certain classification errors between net sales and operating expenses. The corrections affected net sales 2016 positively for the quarters and full year as follows; first quarter SEK 133 million, second quarter SEK 130 million, third quarter SEK 134 million, fourth quarter SEK 69 million and full year SEK 465 million. The corrections has increased operating expenses with the same amounts.

The third quarter 2017 includes the net income effect of SEK 251 million related to the adjustment of the provision for the final settlement with the authorities regarding the Uzbekistan investigations. In accordance with the settlement agreements, parts of the provision have been transferred to four other group companies with a positive net income effect of SEK 2,515 million. This amount was paid by Telia Company AB on behalf of the group companies during the third quarter. As per 30 September 2017, two receivables remains unpaid totaling SEK 1,054 million of which one, relating to OOO Coscom (Ucell), has been impaired in the third quarter with a negative effect on net income of SEK 324 million.

The first nine months 2017 also includes the adjustment of the provision for the settlement with the authorities regarding the Uzbekistan investigations recognized in the first quarter. Comparative figures includes the income effect of the provision related to initial settlement amount proposed by the US and Dutch authorities. See Note 4 for further information.

Financial income and expenses in the third quarter increased mainly due to in increased foreign exchange net. For the first nine months the increase was offset by reduced earnings from subsidiaries compared to 2016.

Condensed balance sheets

SEK in millions	Sep 30, 2017	Dec 31, 2016
Assets		
Non-current assets	158,861	162,286
Current assets	59,867	52,898
Total assets	**218,729**	**215,184**
Equity and liabilities		
Restricted shareholders' equity	15,713	15,713
Non-restricted shareholders' equity	72,614	64,573
Total shareholders' equity	**88,328**	**80,286**
Untaxed reserves	8,342	8,786
Provisions	2,133	519
Long-term liabilities	87,875	81,216
Short-term liabilities and short-term provisions	32,050	44,377
Total equity and liabilities	**218,729**	**215,184**

Non-current assets decreased mainly due to settlement of intra-group receivables and changes in market value of interest rate and foreign exchange rate swaps offset by investments in acquired subsidiaries and fair value revaluation of equity instruments.

Long-term liabilities increased mainly due to the issue of hybrid capital. In connection with the issue, buy-backs of outstanding Telia Company bonds had an adverse effect giving a net increase in long-term liabilities also affecting current assets. Current assets were also positive affected by received dividends from subsidiaries.

The change of the provision for the settlement amount agreed with the authorities regarding the Uzbekistan investigations decreased Short-term provisions. The remaining unpaid settlement amount of SEK 1.6 billion is recognized in the line item "Provisions". See Note 4 for further information.

Financial investments first nine months 2017 were SEK 3,920 million (1,498 at the end of 2016).

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 Note C26 in the consolidated financial statements in the Annual and Sustainability Report 2016 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 2017 include, but may not be limited to:

Customer privacy

Vast amounts of data are generated in and through Telia Company's services and networks. New ways of connecting and data-driven business models increase the complexity of understanding and retaining control over how data is collected and used. It is challenging to establish and maintain unassailable privacy protection in increasingly sophisticated data environments and in ever-changing legal, technical and threat landscapes.

Potential impact
Actual or perceived issues related to data network integrity, data security and customer privacy may lead to an unfavorable perception of how Telia Company handles these matters, which in turn may adversely impact business. Not meeting national and EU legislation may cause significant financial penalties.

Mitigating activities
- Implementation of the EU General Data Protection Regulation (GDPR)
- Mitigation activities based on roadmaps driven by countries and group
- Privacy officers appointed throughout the organization
- Efforts ongoing to strengthen information asset and vendor management landscapes

Freedom of expression and privacy

The telecommunications industry faces high risks related to the freedom of expression and privacy of users. Risks relate to how national laws and regulations on surveillance of communications or shutdown of networks can be overly broad in ways that violate human rights, and complicity by ICT companies in violations linked to major and problematic government requests. Telia Company may be legally required to comply and, like other operators, only have limited possibility to investigate, challenge or reject such (often strictly confidential) requests.

Potential impact
Actual failure in respecting freedom of expression and privacy may first and foremost damage rights holders by limiting their freedom of expression and privacy. Actual or perceived failure may also damage the perception of Telia Company, leading to exclusion from procurement or institutional investment processes. Network shutdowns and blocking also limits core business which may negatively affect revenues.

Mitigating activities
- Building leverage to influence national laws and regulations with peer companies (Telecommunications Industry Dialogue) and joining efforts with multi stakeholder Global Network Initiative (GNI)
- Transparent reporting on statistics of day-to-day conventional authority requests (Law Enforcement Disclosure Reports) and of unconventional requests ("major events")
- Human Rights Impact Assessments carried out supported by external expertise, building knowledge and defining actions for improvement and risk mitigation

Children online

Children and young people are active users of Telia Company's services. However, children are particularly vulnerable to online threats such as cyber bullying and inappropriate content. Telia Company's services may also be used for distributing or accessing child sexual abuse material.

Potential impact
Telia Company may indirectly be complicit in violating children's rights if products and services as well as network filters are not properly assessed. Actual or perceived failure to create a safe online experience for children and young people may negatively affect brand perception, incurring loss of business.

Mitigating activities
- Blocking child sexual abuse material (CSAM) in customer networks and detecting and reporting CSAM in internal IT system
- Regular follow up our performance against a number of industry self-regulatory initiatives in the area of protection of children online
- Understanding children's perspectives on online life through a Children's Advisory Panel (CAP)
- Assessing impact on children's rights in all relevant business activities

Occupational health and safety (OHS)

The most significant accident risks related to occupational health and safety (OHS) are linked to construction and maintenance work carried out primarily by contractors. Telia Company employees work mainly in office or retail environments where the main risks relate to psychosocial well-being and ergonomics.

Potential impact
Failure to maintain a healthy and safe working environment may lead to increasing sick leave, low employee engagement and a higher number of accidents and injuries, incurring increased costs and potential loss of critical competence.

Mitigating activities
- Implementation of OHSAS 18001 occupational health and safety management system in all major operations
- OHSAS 18001 implementation activities include risk assessments, training, investments and support to employees' wellbeing
- OHS KPI s to follow fatalities, rate of lost time, injuries and sickness absence followed up quarterly locally and on group level

Ability to recruit and retain skilled employees

People is at the core of everything that we do and it is the people with all their talents that will enable us to execute on our strategy. There is an increased demand for talents in the area of ICT and the competition is getting tougher. In order to win the battle of talent Telia Company needs be great at attract, recruit, and retain highly skilled employee to ensure the demand and supply.

Potential impact
Failure to recruit and retain necessary skilled employees may impact the ability to develop new or high growth business areas and thereby deliver on the strategy.

Mitigating activities
- Efforts to build a strong employer brand to ensure talent attraction
- Establish a modern and efficient global recruitment process
- Providing internal growth opportunities
- Continuous improvements and follow up of the results from yearly employee survey

Environment

Climate change and natural resource constraints are increasingly driving regulation and taxation related to reduction of greenhouse gas emissions, the use of fossil fuels and better waste management.

Potential impact
Increasing scarcity of natural resources, particularly rare minerals used in network and consumer technology hardware, may lead to increased hardware costs. Increasing energy costs, greenhouse gas emissions taxation and price increases caused by natural resource scarcity may incur additional costs. As a consequence of climate change, extreme weather conditions might be more common which may negatively impact network performance.

Mitigating activities
- Work to increase energy efficiency and improve waste management
- Purchasing renewable electricity in core markets
- Buy-back and recycling programs for mobile devices
- Implementation of ISO 14001 environmental management system in core markets

Customer service and network quality

Telia Company focuses on offering high-quality services and networks, which is fundamental to customer perception now and in the future. The ambition to create a service company on the customers' terms requires a major internal change of processes, attitude and focus in many parts of the company. Additionally, Telia Company currently outsources many of its key support services, including network construction and maintenance in most of its operations.

Potential impact
Extreme weather conditions and natural disasters may cause serious problems to network quality and availability. The limited number of outsourced service suppliers, and the terms of Telia Company's arrangements with current and future suppliers, may restrict its operational flexibility and incur unnecessary costs. Failure to meet customers' quality requirements or expectations may have an adverse impact on customer retention and acquisition.

Mitigating activities
- Ensuring network resilience through a combination of sound risk management, business continuity planning and incident management
- A group wide crisis management organization handles unexpected and critical incidents negatively affecting our operations
- Continuous work to improve internal as well as outsourced operational processes to fulfil customer expectations
- Customer satisfaction is continuously measured both to improve our understanding of, and fulfil, customers' expectations

Corruption and unethical business practices

Some of the countries in which Telia Company operates are ranked as having high levels of corruption. The telecommunications industry is particularly susceptible to a range of corrupt practices as it requires government approvals and necessitates large investments. Key areas where the threat of corruption is significant include the licensing process, market regulation and price setting, the supply chain, and third-party management and customer services.

Potential impact
Actual or perceived corruption or unethical business practices may damage the perception of Telia Company and result in financial penalties and debarment from procurement and institutional investment processes. Related fraud may significantly impact financial results. Ongoing divestment processes may in themselves pose risks of corruption, fraud and unethical business practices.

Mitigating activities
- Anti-bribery and corruption (ABC) program, based on Telia Company's compliance framework, implemented in all parts of the organization
- "Responsible exit" plan for region Eurasia containing actions to ensure continued third party due care activities to prevent, detect and remedy ABC risks
- Education and communication efforts on ABC to targeted audiences, specifically high-risk roles

Responsible sourcing

Telia Company relies on a vast number of suppliers and sub-suppliers, many of which are located in countries or industries with challenges in upholding ethical business practices, human and labor rights, health and safety and environmental protection. Despite efforts to conduct due diligence and onsite audits, suppliers and sub-suppliers may be in violation of Telia Company's supplier requirements and/or national and international laws, regulations and conventions.

Potential impact
Failure or perception of failure of Telia Company's suppliers to adhere to these rules and regulations may damage customers' or other stakeholders' perception of Telia Company. Violations of laws and regulations puts suppliers and sub-suppliers at risk of needing to limit or terminate their operations, which may negatively affect how Telia Company is able to deliver its services. Severe violations may lead to Telia Company needing to seek new suppliers, which may negatively impact sourcing costs and delivery times.

Mitigating activities
- A standardized risk-based supplier due diligence process implemented and performed prior to signing new or renewed contract
- Supplier code of conduct, which stipulates our expectations on sustainable business practices, is included in new supplier contracts
- Security directives are included in contracts where supplier handle customer data

Global financial markets unrest

Changes in the global financial markets are difficult to predict but are affected by macroeconomics as well as political and geopolitical developments. Telia Company operates in a relatively non-cyclical or late cyclical industry and strongly favor having a strong balance sheet, which is very important through difficult times.

Potential impact
A severe or long-term financial crisis may have an impact on customers' purchasing power and spending on ICT investments and services, which may negatively affect growth and results of operations. Unfavorable changes in the global financial markets could limit the access to capital market funding and may increase Telia Company's cost of funding. Unusually high volatility in the foreign exchange market with fluctuations of the currency rates have effects on the balance sheet and the income statement.

Mitigating activities
- Maintaining a strong Investment grade rating is key to ensure a good access to diversified debt investor's and bank funding
- Important to forecast and manage liquidity carefully to avoid any liquidity shortage. By ensuring a smooth and reasonably sized maturity profile of the debt portfolio the refinancing risk is limited
- The main sources of funding is the free cash flow from operations and issuance in the capital markets. By constantly monitoring the capital markets and take the opportunity to fund in advance when market conditions are favorable, the cost of funding can be managed in an efficient and risk adverse way
- Telia Company has a committed revolving credit facility supported by 13 core banks as a back-up for any unexpected liquidity needs

Competition and price pressure

Telia Company is subject to substantial and historically increasing competition and price pressure. Competition has from time to time led to increasing customer churn, decreasing customer bases and to declines in the prices. Telia Company charges for its products and services, and may have similar effects in the future. Transition to new business models in the ICT industry may lead to structural changes and different competitive dynamics.

Potential impact
Failure to anticipate and respond to industry dynamics, and to drive a change agenda to meet mature and developing demands in the marketplace, may affect Telia Company's customer relationships, service offerings and position in the value chain. Competition from a variety of sources, including current market participants, new entrants and new products and services, may also adversely affect Telia Company's results of operations.

Mitigating activities
- Actively monitor changes in customer and market behavior to create and execute mitigation plans
- Business transformation programs and new business initiatives in line with our business strategy
- Continuously exploring opportunities close to our core services to create new revenues

Emerging markets

Telia Company has made significant investments in telecom operators in Eurasia (Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal), Russia, Turkey and Afghanistan. In September 2015, Telia Company announced its decision to reduce the presence in, and over time leave, region Eurasia. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in developed markets. The nature of these markets, including potential government intervention, combined with the fact that Telia Company's assets are not fully-owned and there are undertakings and obligations in various shareholder agreements, reputational issues regarding the assets and fewer potential buyers than in more mature markets, makes the complexity of these divestments processes high.

Potential impact
The political situation in these emerging markets may remain or become increasingly unpredictable, even to the extent that Telia Company will be forced to exit a country or a specific operation within a country. There may be unexpected or unpredictable litigation cases under civil or tax legislation. Foreign exchange restrictions or administrative issues may effectively prevent Telia Company from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. Another risk is the potential establishment of foreign ownership restrictions or other formal or informal possible actions against entities with foreign ownership. Such negative developments or weakening of the local economies or currencies may have a significantly negative effect on Telia Company's results of operations. The nature of these markets with significant uncertainties and complexity may affect the sales process regarding both expected outcome and timing. The sanctions against the Russian Federation may negatively affect the Russian ruble and the Russian economy, which in turn may impact countries whose economies are closely linked to the Russian economy, such as a number of region Eurasia countries.

Mitigating activities
- A decision has been made to divest our operations in Eurasia. The divestment process is ongoing
- The divestment of Ncell in Nepal was closed in April 2016
- The divestment of Tcell in Tajikistan was closed in April 2017
- Focus on management of foreign exchange and counterparty risk exposure, combined with continued development of financial policies and risk management processes
- Efforts to ensure tax, legal and regulatory compliance at local level, with compliance oversight at regional and group level

Investments in business transformation and future growth

Telia Company is currently investing in business transformation and future growth through, for example, initiatives to increase competitiveness and reduce cost as well as to improve capacity and access. In order to attract new customers, Telia Company has previously engaged in start-up operations and may decide to do so also in the future, which would require additional investments and expenditure in the build-up phase. Further, Telia Company normally has to pay fees to acquire new telecom licenses and spectrum permits or to renew or maintain existing ones.

Potential impact
Success in business transformation and growth will depend on a variety of factors beyond Telia Company's control, including the cost of acquiring, renewing or maintaining telecom licenses and spectrum permits, the cost of new technology, availability of new and attractive services, the costs associated with providing these services, the timing of their introduction, the market demand and prices for such services, and competition. Failing to reach the targets set for business transformation, customer attraction and future growth may negatively impact the results of operations.

Mitigating activities
- Savings and business transformation programs ensuring competitive cost levels as well as ensuring capabilities for future growth
- Focused execution on Telia Company's business strategy with the aim of becoming a New Generation Telco

Associated companies and joint operations

Telia Company conducts some of its activities through associated companies, the major ones, as per the end of the third quarter, being MegaFon in Russia and Turkcell in Turkey, in which Telia Company does not have full ownership or controlling interest and are due to that not in full control but still have significant influence over the conduct of these businesses. Telia also owns significant stakes in LMT and Lattelecom, the leading Latvian mobile and fixed operators. In turn, these associated companies own stakes in numerous other companies. Under the governing documents for certain of these associated companies, Telia Company's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to the timing and amount of cash, as well as protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder related matters. The risk of actions outside Telia Company's or its associated companies' control and adverse to their interests is inherent in associated companies and jointly controlled entities.

Potential impact
The financial performance of these associated companies may have a significant impact on Telia Company's short- and long-term results. As part of its strategy, Telia Company may want to increase or decrease its shareholdings in some of its associated companies. This may be complicated due to a variety of factors, including factors beyond Telia Company's control, such as willingness on the part of other existing shareholders to dispose or accept dilution of their shareholdings and, in the event Telia Company gains greater control, its ability to successfully manage the relevant businesses. As they

are jointly controlled, there is a risk that the partners may disagree on important matters, including funding of the operations, which may affect Telia Company's position to act as planned. A disagreement or deadlock or a breach by one of the parties of the material provisions of the co-operation arrangements may have a negative effect on Telia Company.

Mitigating activities
- Monitoring of the associates' performance and development
- Active board work in our associated companies (e.g. MegaFon), driving issues of key importance to Telia Company
- Continuous work to solve the deadlock between the main shareholders of Turkcell
- During 2017 Telia divested its 14 percent direct ownership in Turkcell

Impairment losses and restructuring charges

Factors generally affecting the telecom markets as well as changes in the economic, regulatory, business or political environment may negatively change management's expectation of future cash flows attributable to certain assets. Telia Company may then be required to recognize asset impairment losses, including but not limited to goodwill and fair value adjustments recorded in connection with historical or future acquisitions. Telia Company also has significant deferred tax assets resulting from earlier recorded impairment losses and restructuring charges.

Potential impact
Significant adverse changes in the economic, regulatory, business or political environment, as well as in Telia Company's business plans, may affect Telia Company's financial position, and results of operations, impairment losses, restructuring charges which may adversely affect Telia Company's ability to pay dividends. In addition, these effects may limit us to use tax assets in full to reduce its future tax obligations, consequently leading to an additional tax charge when such tax asset is derecognized.

Mitigating activities
- Management constantly reviews and refines the business plans, and may make exit decisions or take other actions in order to effectively execute on business strategy
- Restructuring and streamlining initiatives, which have resulted in substantial restructuring and streamlining charges. Similar initiatives may be undertaken in the future

Regulation and licenses

Telia Company operates in a highly regulated industry, and regulations impose significant limits on Telia Company's flexibility to manage its business. In a number of countries, Telia Company entities are designated as a party with significant market power in one or several telecom submarkets. As a result, Telia Company is required to provide certain services on regulated terms and prices, which may differ from the terms on which it would otherwise have provided those services. Effects from regulatory intervention may be both retroactive and prospective.

Potential impact
Changes in regulation or government policy affecting Telia Company's business activities, as well as decisions by regulatory authorities or courts, including granting, amending or revoking of telecom licenses and spectrum permits, may adversely affect Telia Company's possibility of carrying out business and subsequently results of operations.

Mitigating activities
- Proactive work in shaping the new EU Telecom Framework, by sharing detailed solutions with relevant stakeholders within the EU
- Continuously exploring options to rebalance increased costs and loss of revenues due to regulatory changes

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.

Since 2012 (by Swedish authorities) and since around 2014 (by US and Dutch authorities), Telia Company has been under investigation for suspected bribery-related conduct related mainly to its market entry into Uzbekistan in 2007. Telia Company has continuously cooperated fully with and supported the investigations and has engaged leading US and Dutch law firms as legal counsel for advice and support.

On September 14, 2016, Telia Company received a proposal from the US and the Dutch authorities for financial sanctions amounting to a total of approximately USD 1.45 billion or approximately SEK 12.5 billion at that point in time. As per March 31, 2017, a final resolution had not yet been reached, but in light of recent developments to that date in those discussions, the estimate of the most likely outcome was revised and the provision was adjusted to USD 1.0 billion (SEK 8.9 billion at that point in time). As per June 30, 2017, the provision remained unchanged at USD 1.0 billion corresponding to

SEK 8.5 billion (the change was related to changed foreign exchange rate). On September 21, 2017, Telia Company announced that a global settlement had been reached with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. The US and Dutch authorities conclude that Telia Company's conduct was in violation of the FCPA (Foreign Corrupt Practices Act) and Dutch legislation and that corrupt payments of approximately USD 330 million were made by the Company. As part of the settlements, Telia Company will pay fines and disgorgements to the SEC, DoJ and OM in an aggregate amount of USD 965 million (SEK 7.7 billion at that point in time). In addition, Telia Company's subsidiary in Uzbekistan, Coscom LLC, has simultaneously entered a guilty plea with the DoJ. The disgorgement amount will be offset by up to USD 208.5 million against any future disgorgement obtained by the Swedish Prosecutor. Based on the Company's remediation and the state of its compliance program, the authorities determined that an independent compliance monitor was unnecessary.

Telia Company has committed to continue to cooperate with the authorities in any other related investigation. Further, Telia Company has committed to during a three-year period report any potential corruption and to continuing to enhance its compliance program and internal controls. If the Company does not fulfill its commitments, an extension of the term may be imposed for up to one year. The authorities have agreed not to bring any criminal or civil case against the Telia Company in the future based on historical events. Also, the global settlement brings an end to all known corruption related investigations or inquiries into Telia Company. The settlement does not provide any protection against prosecution for any future conduct by the company.

The bank guarantee that was requested by the Dutch authorities from Telia Company of EUR 10 million as collateral for any financial claims against one of its Dutch subsidiaries has been released, as part of the global settlement.

On September, 22, 2017, the Swedish Prosecution Authority announced that it has decided to prosecute a number of former Telia employees. The authority has also decided to initiate legal proceedings against Telia Company for a disgorgement. The disgorgement amount in the Swedish proceedings is already included in the global settlement that Telia Company has reached with US and Dutch authorities. The Swedish prosecutor is not seeking a corporate fine against Telia Company (which under the Swedish Criminal Act can be levied up to a maximum amount of SEK 10 million per instance). With regard to the Swedish Prosecution Authority's decision, Telia Company will continue to consider all possibilities to protect the rights and interests of the Company.

The Swedish prosecutor made a public statement in May 2016 that it had decided not to investigate any other of Telia Company's operations in Eurasia. There is of course always a risk that actions may be taken by the police, prosecution or regulatory authorities in other jurisdictions against Telia Company's operations or transactions, or against third parties, whether they be Swedish or non-Swedish individuals or legal entities, and that this might directly or indirectly harm Telia Company's business, results of operations, financial position, cash flows or brand reputation. However, the global settlement that has now been reached brings an end to all known corruption related investigations or inquiries into Telia Company by the Dutch and US authorities.

Mitigating activities

- Telia Company has reached a global settlement with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. This brings an end to all known corruption related investigations or inquiries into Telia Company by the Dutch and US authorities
- Telia Company will fully comply with all of its obligations under the global settlement and will continue to cooperate with the authorities and enhance its compliance program and internal controls
- The disgorgement amount in the pending Swedish proceedings is already included in the global settlement that Telia Company has reached with U.S. and Dutch authorities

Stockholm, October 19, 2017

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

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

Billed revenues: Voice, messaging, data and content.

CAPEX: An abbreviation of "Capital Expenditure". Investments in intangible and tangible non-current assets but excluding goodwill, intangible and tangible non-current assets acquired in business combinations and asset retirement obligations.

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

EBITDA: An abbreviation of "Earnings before Interest, Tax, Depreciation and Amortization." Equals operating income before depreciation, amortization and impairment losses and before income from associated companies and joint ventures.

Net debt: Interest-bearing liabilities less derivatives recognized as financial assets (and hedging long-term and short-term borrowings) and related credit support annex (CSA), less 50 percent of hybrid capital (which, consistent with market practice for the type of instrument, is treated as equity), less short-term investments, long-term bonds available for sale and cash/cash equivalents.

Net debt/adjusted EBITDA ratio (multiple): Net debt divided by adjusted EBITDA rolling 12 months and excluding divested operations.

Operational free cash flow: Free cash flow from continuing operations excluding cash CAPEX for licenses and dividends from associates net of taxes.

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.

For definitions of other alternative performance measures, see the Annual and Sustainability Report 2016.

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 January-December 2017
January 26, 2018

The Annual and Sustainability Report 2017
will be published week 12, 2018

Interim Report January-March 2018
April 20, 2018

Interim Report January-June 2018
July 20, 2018

Interim Report January-September 2018
October 19, 2018

QUESTIONS REGARDING THE REPORTS

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