

**TELIA COMPANY
INTERIM REPORT
JANUARY-SEPTEMBER 2018**



BETTER EARNINGS MOMENTUM

Third quarter summary

- Net sales in local currencies, excluding acquisitions and disposals rose 0.1 percent. In reported currency, net sales rose 5.5 percent to SEK 20,685 million (19,614). Service revenues in local currencies, excluding acquisitions and disposals, declined 1.9 percent.
- Adjusted EBITDA rose 1.8 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 6.4 percent to SEK 6,977 million (6,556). The adjusted EBITDA margin rose to 33.7 percent (33.4).
- Adjusted operating income rose 5.3 percent to SEK 3,964 million (3,763).
- Total net income amounted to SEK 3,026 million (2,585). Total net income attributable to the owners of the parent was SEK 2,825 million (2,310).
- Free cash flow from continuing and discontinued operations was SEK 2,963 million (-1,281). Comparable figures were impacted by the payment related to the settlement regarding the Uzbekistan investigations. Operational free cash flow from continuing operations was SEK 2,569 million (2,808).
- The acquisition of Get and TDC Norway was completed on October 15.
- Outlook for adjusted EBITDA 2018 is revised up.

Nine months summary

- Net sales in local currencies, excluding acquisitions and disposals increased 0.5 percent. In reported currency, net sales increased 4.6 percent to SEK 61,351 million (58,627).
- Adjusted operating income rose 0.5 percent to SEK 11,153 million (11,102).
- Total net income amounted to SEK 4,670 million (9,438). Total net income attributable to the owners of the parent declined to SEK 4,275 million (8,913).
- Operational free cash flow from continuing operations was SEK 9,399 million (8,883).

Highlights

SEK in millions, except key ratios, per share data and changes	Jul-Sep 2018	Jul-Sep 2017 ⁴	Chg %	Jan-Sep 2018	Jan-Sep 2017 ⁴	Chg %
Net sales	20,685	19,614	5.5	61,351	58,627	4.6
Change (%) local organic ¹	0.1			0.5		
of which service revenues (external)	17,323	16,876	2.6	51,322	50,400	1.8
change (%) local organic	-1.9			-1.7		
Adjusted ² EBITDA ¹	6,977	6,556	6.4	19,914	18,631	6.9
Change (%) local organic	1.8			3.2		
Margin (%)	33.7	33.4		32.5	31.8	
Adjusted ² operating income ¹	3,964	3,763	5.3	11,153	11,102	0.5
Operating income	3,779	1,674	125.8	10,852	7,595	42.9
Income after financial items	3,234	1,072		9,282	5,566	66.8
Net income from continuing operations	2,631	870		7,656	4,621	65.7
Net income from discontinued operations ³	396	1,715	-76.9	-2,986	4,817	
Total net income	3,026	2,585	17.1	4,670	9,438	-50.5
of which attributable to owners of the parent	2,825	2,310	22.3	4,275	8,913	-52.0
EPS total (SEK)	0.66	0.53	23.6	1.00	2.06	-51.6
EPS from continuing operations (SEK)	0.60	0.18		1.75	1.03	69.0
Free cash flow ¹	2,963	-1,281		10,461	5,578	87.5
of which operational free cash flow ¹	2,569	2,808	-8.5	9,399	8,883	5.8
CAPEX excluding license and spectrum fees ¹	4,224	2,888	46.3	10,473	10,414	0.6

See Note 16 and/or page 49 . 2) Adjustment items, see Note 3. 3) Discontinued operations, see Note 4. 4) Restated for comparability, see Note 1.

COMMENTS BY JOHAN DENNELIND, PRESIDENT & CEO

“Dear shareholders and Telia followers, the third quarter of 2018 gives us further comfort as our focus and dedication to deliver on our cost agenda and operational free cash flow ambition for the year is paying off. We are clearly on track to deliver the net cost reduction of SEK 1.1 billion that we have set out as a priority for the year. Our operational free cash flow continues to be strong, having generated SEK 10.2 billion over the last 12 months. Our adjusted EBITDA is growing in six out of seven countries, with Finland, Norway as well as our central units being the main drivers. The performance is a combination of strong execution of the cost ambition as well as delivering synergies and stronger propositions to customers from the acquisitions we have done in recent years.

In early October we obtained the approval on our acquisition of TDC Norway and Get. The transaction closed October 15, and I would like to take the opportunity to give a warm welcome to all the customers and staff to the Telia Company family. Together we create a strong convergent operator with a lot of attractive new products and services for both our consumer and enterprise customers. Regarding the Bonnier Broadcasting transaction, we are in dialogue with the EU Commission and aim to complete the merger filings around the end of the first quarter next year. The closing is therefore still expected for the second half of 2019.

Sweden had, as expected, a slower EBITDA quarter compared to previous quarters, partly explained by expected tougher comparisons, but also due to costs related to thunderstorms and negative currency effects. Even though we have reduced costs year-to-date in Sweden under the cost program, we are still not happy with the pace of the turn-around. We know there is clear large potential for improvements over the years to come. The new CEO in Sweden Anders Olsson has taken substantial steps in building a stronger commercial roadmap and improving the efficiency. Part of this will be executed already from January 1, as we go live with our updated operating model. Initially the new model will be implemented between our new unit Common Products and Services (under the Group COO Magnus Zetterberg) and Sweden. The new model includes Sweden's IT and product platforms and around 500 employees being moved into Common Products and Services. The other countries will follow at a later stage, adding further structural efficiencies. Since the transformation is delayed and the real significant benefits are to come in 2020 rather than as expected in 2019, part of the turn-around in Sweden is to tighten the execution of the transformation and also to improve cost efficiency in other areas.

In Finland we reported a mobile B2B growth of 7 percent adding some large wins in the quarter. Our position in this segment has been strengthened during recent years through acquisitions and it is very satisfying that we continue to deliver value from the acquisitions that we have made. Equally satisfying is that the Telia Helsinki Data Center has come out flying from the starting blocks having signed an important agreement with Nokia almost immediately after launch. The Finnish ice hockey league started its season in September. We have had a good start and see the asset as a key differentiator in the market. We see a clear opportunity to further capitalize on these rights.

Our team in Norway has shown excellent execution of the Phonero acquisition and at the same time shown cost control in a flattish market, which resulted in strong EBITDA growth. Our Baltic operations continue with their strong performance.

During the quarter we have launched a pre-commercial 5G network in the city center of Helsinki. Full scale commercial operations will be available in 2019 when we can utilize the spectrum acquired in the recent 3.5 GHz auction. This is in line with our 5G strategy to be early out in understanding what 5G will bring in



terms of potential for our customers. We reiterate that 5G related investments will be limited before 2020 and thereafter gradually replace current 4G related investments.

Sustainability is key for our strategy and value creation. We strive to be a transparent, trusted partner for all our stakeholders. To further increase our transparency, we are now publishing the sustainability highlights alongside the quarterly financial reports. Log on to our website and read about Telia Company's new human rights policy, our work with children's rights and how we, so far, have engaged half of our employees to volunteer on various projects where digitalization is used to improve lives in our society.

Today our shares will open trading excluding the second part of the 2017 dividend of SEK 1.15, to be distributed in a few days. As of last week, we have bought back shares for SEK 2.7 billion under our current buy-back program. We remain committed to our capital allocation ambitions and balance sheet targets.

No doubt comparisons will continue to be tough in the fourth quarter, especially in Sweden. Still, given the performance so far, with adjusted EBITDA having grown by 4 percent excluding currency effects, we up our full year EBITDA guidance from “in line or slightly above the 2017 level” to “slightly above the 2017 level”. The outlook for operational free cash flow being above SEK 9.7 billion is left unchanged. Finally, I want to thank my team for a solid delivery in the quarter.”

Johan Dennelind
President and CEO

OUTLOOK FOR 2018 (REVISED)

Free cash flow from continuing operations, excluding licenses and spectrum fees and dividends from associated companies, is expected to be above last year's level (SEK 9.7 billion). This operational free cash flow together with decided dividends from associated companies should cover a dividend around the 2017 level.

Unchanged

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

Previously: "In line with or slightly above the 2017 level"

DIVIDEND POLICY

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

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+).

REVIEW OF THE GROUP, THIRD QUARTER 2018

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals rose 0.1 percent. In reported currency, net sales rose 5.5 percent to SEK 20,685 million (19,614). Service revenues in local currencies, excluding acquisitions and disposals, declined 1.9 percent.

The number of subscriptions declined from 23.4 million from the end of the third quarter of 2017 to 23.1 million. During the quarter, the total number of subscriptions increased from 23.0 million to 23.1 million.

Adjusted EBITDA rose 1.8 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 6.4 percent to SEK 6,977 million (6,556). The adjusted EBITDA margin rose to 33.7 percent (33.4).

Adjusted operating income rose 5.3 percent to SEK 3,964 million (3,763).

Income from associated companies and joint ventures rose to SEK 207 million (-1,699). Comparable quarter was impacted by a capital loss related to the reduced ownership in Turkcell.

Adjustment items affecting operating income amounted to SEK -184 million (-2,089). Comparable figures were mainly affected by a capital loss related to the reduced ownership in Turkcell, see Note 3.

Financial items totaled SEK -545 million (-602) of which SEK -539 million (-566) related to net interest expenses.

Income taxes amounted to SEK -604 million (-201). The effective tax rate was 18.7 percent (18.8).

Total net income amounted to SEK 3,026 million (2,585), of which SEK 2,631 million (870) from continuing operations and SEK 396 million (1,715) from discontinued operations. Total earnings per share was SEK 0.66 (0.53).

Total net income attributable to the owners of the parent amounted to SEK 2,825 million (2,310).

Total net income attributable to non-controlling interests amounted to SEK 202 million (275).

Other comprehensive income declined to SEK -2,984 million (1,413), mainly due to negative translation differences. Comparable figures were positively affected by reclassification of exchange differences related to the disposal of shares in Turkcell.

Cash flow

Free cash flow, from continuing and discontinued operations increased to SEK 2,963 million (-1,281). Comparable figures were impacted by the payment related to the settlement regarding the Uzbekistan investigations.

Operational free cash flow, from continuing operations, amounted to SEK 2,569 million (2,808).

Cash flow from investing activities, from continuing and discontinued operations amounted to SEK 4,783 million (-5,235). Current year was mainly impacted by net disposals of investment bonds whilst comparable figures were negatively impacted by the acquisition of Nebula Top Oy and net investments in investment bonds offset by the reduced ownership in Turkcell.

Cash flow from financing activities, from continuing and discontinued operations amounted to SEK -2,216 million (-1,472). The difference relates mainly to repurchased treasury shares in 2018.

Financial position

CAPEX increased to SEK 4,224 million (2,885) mainly driven by CAPEX related to the Telia Helsinki Data Center. CAPEX excluding license and spectrum fees increased to SEK 4,224 million (2,888). Cash CAPEX was SEK 3,335 million (3,225).

Net debt, from continuing and discontinued operations, was SEK 31,750 million at the end of the third quarter (32,400 at the end of the second quarter of 2018). The net debt/adjusted EBITDA ratio was 1.11x.

REVIEW OF THE GROUP, FIRST NINE MONTHS 2018

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals increased 0.5 percent. In reported currency, net sales increased 4.6 percent to SEK 61,351 million (58,627). Service revenues in local currencies, excluding acquisitions and disposals, declined 1.7 percent.

Adjusted EBITDA rose 3.2 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 6.9 percent to SEK 19,914 million (18,631). The adjusted EBITDA margin rose to 32.5 percent (31.8).

Income from associated companies and joint ventures, improved to SEK 657 million (-2,396). Previous year was impacted by capital losses related to the reduced ownership in Turkcell.

Adjusted operating income rose 0.5 percent to SEK 11,153 million (11,102).

Adjustment items affecting operating income amounted to SEK -301 million (-3,507). Comparable figures were mainly affected by capital losses related to the reduced ownership in Turkcell, see Note 3.

Financial items totaled SEK -1,570 million (-2,028) of which SEK -1,582 million (-1,941) related to net interest expenses. Comparable figures were impacted by bond buy-back transactions affecting net interest expenses by SEK -360 million.

Income taxes amounted to SEK -1,626 million (-945). The effective tax rate was 17.5 percent (17.0). The effective tax rate 2018 was mainly impacted by the revaluation of deferred tax assets/liabilities due to reduced enacted tax rates in Sweden whilst comparable figures were mainly impacted by a revaluation of the withholding tax provision as a consequence of the disposals of shares in Turkcell and non-taxable capital gain related to the disposal of Sergel.

Total net income amounted to SEK 4,670 million (9,438), of which SEK 7,656 million (4,621) from continuing operations and SEK -2,986 million (4,817) from discontinued operations. Total earnings per share was SEK 1.00 (2.06).

Total net income attributable to the owners of the parent amounted to SEK 4,275 million (8,913).

Total net income attributable to non-controlling interests amounted to SEK 396 million (525).

Other comprehensive income increased to SEK 4,571 million (2,419) mainly due to reclassified exchange effects from the disposals of Azercell and Geocell and a revaluation gain related to the disposal of the holding in Spotify. Comparable figures were positively affected by reclassification of exchange differences related to the disposals of shares in Turkcell offset by negative translation differences from discontinued operations.

Cash flow

Free cash flow, from continuing and discontinued operations increased to SEK 10,461 million (5,578). Comparable figures were impacted by the payment related to the settlement regarding the Uzbekistan investigations. Current year was impacted by lower cash CAPEX also affecting **Cash flow from investing activities**.

Operational free cash flow, from continuing operations, increased to SEK 9,399 million (8,883).

Cash flow from investing activities, from continuing and discontinued operations amounted to SEK -154 million (-11,294). Current year was mainly impacted by net disposals of investment bonds partly offset by the acquisition of Inmics. Comparable figures were impacted by the acquisitions of Phonero and Nebula Top Oy and net investments in investment bonds offset by the reduced ownership in Turkcell.

Cash flow from financing activities, from continuing and discontinued operations amounted to SEK -9,373 million (-5,778). Current year was partly impacted by repurchased treasury shares whilst comparable figures were impacted by issued hybrid capital partly offset by buy-backs of outstanding Telia Company bonds.

Financial position

CAPEX was SEK 10,473 million (10,873). CAPEX excluding license and spectrum fees was SEK 10,473 million (10,414). Cash CAPEX was SEK 10,113 million (11,285).

Goodwill and other intangible assets increased to SEK 81,934 million (76,652) mainly due to foreign exchange rate effects, as well as the acquisitions of Inmics and Cloud Solutions CS.

Investments in associated companies and joint ventures, pension obligation assets and other non-current assets decreased to SEK 13,086 million (17,650) mainly due to the divestment of the holding in Spotify, compensation from the pension fund and decreased investments in associated companies due to foreign exchange rate effects and received dividend, partly offset

by a cross-ownership effect from the disposals of Azer-cell and Geocell.

Long-term interest-bearing receivables and **Short-term interest receivables** decreased to SEK 15,184 million (18,674) and SEK 12,422 million (17,335) respectively, mainly due to divestments and maturities of investment bonds.

Provisions for pensions and other long-term provisions decreased to SEK 6,368 million (8,210) due to reclassification of the provision for the settlement with the US and Dutch authorities to short-term provisions.

Trade payables and other current liabilities, current tax payables and short-term provisions increased to SEK 28,013 million (19,673) due to the second dividend tranche not yet paid out, a reclassification of the provision for the settlement with the US and Dutch authorities and increased trade payables under vendor financing arrangements.

Significant events in the first quarter

- On February 2, 2018, Telia Company announced that it had agreed to transfer its interests in KazTransCom, a company that operates a fibre network and provides ICT services for the corporate segment in Kazakhstan, to Amun Services, see Note 4.
- On March 5, 2018, Telia Company announced that Fintur Holdings B.V. (Fintur), jointly owned by Telia Company and Turkcell, had completed the divestment of its holding in Azercell in Azerbaijan to Azintelecom a wholly-owned company by the Republic of Azerbaijan, see Note 4.
- On March 9, 2018, Telia Company announced that it had acquired the Finnish IT service provider Cloud Solutions CS Oy, see Note 15.
- On March 20, 2018, Telia Company announced that Fintur Holdings B.V. (Fintur), jointly owned by Telia Company and Turkcell, had completed the divestment of its holding in Geocell LLC, to the Georgian telecommunications company JSC Silknet, see Note 4.
- On March 28, 2018, Telia Company and the other shareholders in Turkcell Holding had agreed to propose to the General Assembly Meeting of Turkcell that the company distribute dividends of TRY 1,900 million in total. The General Assembly Meeting of Turkcell was held on March 29, 2018, and the proposal was approved, as Turkcell Holding holds 51 percent of Turkcell. Three directors nominated by Turkcell Holding were elected as new members of the board of directors, among these Ingrid Stenmark, Senior Vice President and Head of CEO Office; Strategy & Combined Assurance at Telia Company.
- On March 29, 2018, Telia Company announced that it had divested its entire holding in Spotify in several steps over some time for USD 272 million, approximately SEK 2.3 billion, to institutional investors. The parties have concluded their successful strategic partnership.

Significant events in the second quarter

- On April 9, 2018, Telia Company announced that Hélène Barnekow, Head of Telia Sweden had resigned and left her position.
- On April 10, 2018, Telia Company held its Annual General Meeting and announced that the ordinary members of the Board Susanna Campbell, Marie Ehrling, Olli-Pekka Kallasvuo, Nina Linander, Anna Settmann and Olaf Swantee were re-elected members to the Board. As new members of the board Jimmy Maymann and Martin Tivéus were elected. 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 2.30 per share and that the payment should be distributed in two equal tranches of SEK 1.15 each to be paid in April and October, respectively.

- On April 20, 2018, Telia Company announced that the Board of Directors had decided to initiate a buy-back program. The ambition is to buy back shares for an annual amount of SEK 5 billion over the coming three-year period, totaling SEK 15 billion, see Note 9.
- On April 27, 2018, Telia Company announced that The Board of Directors had decided to exercise the mandate for the buy-back of shares that was approved by the Annual General Meeting on April 10, 2018. The purpose is to cover commitments under the “Long Term Incentive Program 2015/2018”, see Note 9.
- On May 28, 2018, Telia Company announced that it had changed the composition of its Group Executive Management. Anders Olsson, Senior Vice President, Chief Operating Officer and Head of Global Services & Operations at Telia Company, had been appointed Executive Vice President and CEO of Telia Sweden. Magnus Zetterberg will replace Anders Olsson as COO and Head of GSO. Henriette Wendt, Senior Vice President and Head of Telia Company’s businesses in Lithuania, Estonia and Denmark, left her position and was replaced by Emil Nilsson, Senior Vice President and Head of Region Eurasia.
- June 12, 2018, Telia Company announced that it became the majority shareholder of Assembly Organizing Oy which arranges Finland’s largest digital culture and games events. The ambition is to expand and further develop Telia’s ambitions within e-sports and gaming, see Note 15.

Significant events in the third quarter

- On July 4, 2018, Telia Company announced that Dan Strömberg, currently CEO of Telia Estonia, had been appointed CEO of Telia Lithuania and will replace Kestutis Sliuzas who will leave the company. Robert Pajos has been appointed interim CEO of Telia Estonia.
- On July 12, 2018, Telia Company announced that Telia Company’s President and CEO Johan Dannelind and the Prime Minister of Latvia Māris Kučinskis had signed a memorandum of understanding on improving their cooperation as shareholders in LMT and Lattelecom.
- On July 17, 2018, Telia Company announced that it had signed an agreement to acquire Get and TDC Norway at an enterprise value of NOK 21 billion on a cash and debt free basis. The transaction was approved by the Norwegian Competition Authority on October 5, and completed on October 15, 2018, see Note 15.
- On July 20, 2018, Telia Company announced that it had signed an agreement to acquire Bonnier Broadcasting, including brands TV4, C More and Finnish MTV, from Bonnier AB for SEK 9.2 billion, on a cash and debt free basis, equivalent to an EV/EBIT multiple of 15.4x, based on last 12-month performance as per March 31, 2018, or 7.7x including full run rate of synergies and integration costs. The transaction is subject to regulatory approvals and is expected to be completed during the second half of 2019, see Note 15.

Significant events after the end of the third quarter

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

COST CHALLENGE IN SWEDEN

- A new operating model for Telia Company was announced internally with the Swedish operations being the first to implement the new model from January 1, 2019. The new model aims to increase customer-centricity by decreasing process pain-points whilst also improving efficiency and thereby the time to launch products and services.
- Telia signed a three-year agreement with McDonald's under which Telia will roll-out, develop and operate McDonald's fiber-based data networks for around 200 restaurants across Sweden. The agreement includes WAN, LAN and WiFi network services and is a great proof-point of Telia's strong position when it comes to delivering fiber solutions where reliability and scale are required.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2018	Jul-Sep 2017 ¹	Chg (%)	Jan-Sep 2018	Jan-Sep 2017 ¹	Chg (%)
Net sales	8,916	8,959	-0.5	27,281	27,112	0.6
Change (%) local organic	-0.6			0.5		
of which service revenues (external)	7,660	7,739	-1.0	22,982	23,299	-1.4
change (%) local organic	-1.2			-1.5		
Adjusted EBITDA	3,301	3,492	-5.5	9,996	10,049	-0.5
Margin (%)	37.0	39.0		36.6	37.1	
change (%) local organic	-5.6			-0.6		
Adjusted operating income	2,002	2,224	-10.0	6,096	6,240	-2.3
Operating income	1,950	2,110	-7.6	6,042	6,091	-0.8
CAPEX excluding license and spectrum fees	1,300	1,375	-5.5	3,978	4,335	-8.2
Adjusted EBITDA - CAPEX	2,001	2,117	-5.5	6,019	5,715	5.3
Subscriptions, (thousands)						
Mobile	6,136	6,175	-0.6	6,136	6,175	-0.6
of which machine to machine (postpaid)	992	921	7.7	992	921	7.7
Fixed telephony	1,177	1,461	-19.4	1,177	1,461	-19.4
Broadband	1,281	1,282	-0.1	1,281	1,282	-0.1
TV	841	791	6.4	841	791	6.4
Employees	6,226	6,713	-7.3	6,226	6,713	-7.3

1) Restated for comparability, see Note 1.

Net sales fell 0.5 percent to SEK 8,916 million (8,959) and excluding acquisitions and disposals net sales fell 0.6 percent. The effect from acquisitions and disposals was positive by 0.1 percent.

Service revenues excluding acquisitions and disposals, declined 1.2 percent as growth of 1.0 percent in mobile service revenues was offset by a 3.1 percent decline in fixed service revenues. The main driver behind the fixed service revenue erosion was continued pressure on mainly fixed telephony revenues. From a segment point of view the B2C segment continued to show a slight growth whereas the B2B segment fell 2.7 percent.

Adjusted EBITDA fell 5.5 percent to SEK 3,301 million (3,492) and the adjusted EBITDA margin fell to 37.0 percent (39.0). Excluding acquisitions and disposals, adjusted EBITDA fell 5.6 percent due to pressure on service revenues as well as higher operating expenses partly driven by higher costs associated with unusually stormy weather during the quarter.

CAPEX declined 5.5 percent to SEK 1,300 million (1,375) and CAPEX, excluding licenses and spectrum fees declined to SEK 1,300 million (1,375).

TV subscriptions grew by 21,000 and fixed broadband subscriptions remained unchanged in the quarter. Mobile subscriptions increased by 38,000 in the quarter driven by the net addition of 49,000 post-paid subscriptions.

STRONG PERFORMANCE IN FINLAND

- Telia took an important step on the 5G journey on October 1, by securing 130 MHz in the 3.5 GHz band for 15 years. Telia together with Stora Enso tested the augmented reality and 5G technology use cases in the forest industry. A pre-commercial 5G network launch was also conducted at the Telia 5G Arena in Helsinki based on test frequencies. Further network roll-out will be performed during the autumn and the ambition is to start providing commercial services at the beginning of 2019.
- The Telia Helsinki Data Center has now commenced operations, and in the quarter a long-term agreement regarding IT and service platform hosting for Nokia was signed. The total data center capacity is 24 megawatts and the heat generated will be used for heating up around 20,000 apartments in the neighboring city of Espoo, a further proof-point of our commitment to our sustainability agenda.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2018	Jul-Sep 2017 ¹	Chg (%)	Jan-Sep 2018	Jan-Sep 2017 ¹	Chg (%)
Net sales	3,906	3,369	16.0	11,432	9,979	14.6
Change (%) local organic	1.4			0.9		
of which service revenues (external)	3,258	2,911	11.9	9,590	8,661	10.7
change (%) local organic	0.8			-0.2		
Adjusted EBITDA	1,291	1,089	18.5	3,566	3,081	15.7
Margin (%)	33.0	32.3		31.2	30.9	
change (%) local organic	6.1			4.5		
Adjusted operating income	589	539	9.2	1,649	1,499	10.0
Operating income	599	534	12.1	1,609	1,432	12.4
CAPEX excluding license and spectrum fees	1,672	404		2,479	2,449	1.2
Adjusted EBITDA - CAPEX	-381	685		1,087	632	71.8
Subscriptions, (thousands)						
Mobile	3,280	3,283	-0.1	3,280	3,283	-0.1
of which machine to machine (postpaid)	256	236	8.6	256	236	8.6
Fixed telephony	41	54	-24.1	41	54	-24.1
Broadband	448	471	-4.9	448	471	-4.9
TV	573	505	13.6	573	505	13.6
Employees	3,341	3,122	7.0	3,341	3,122	7.0

1) Restated for comparability, see Note 1.

Net sales increased 16.0 percent in reported currency to SEK 3,906 million (3,369) and in local currency excluding acquisitions and disposals net sales increased 1.4 percent. The effect of exchange rate fluctuations was positive by 9.4 percent and the impact from acquisitions and disposals was positive by 5.2 percent.

Service revenues in local currency, excluding acquisitions and disposals grew 0.8 percent driven by a positive B2B mobile revenue development that more than compensated for a negative development within the B2C segment. The negative B2C development was mainly driven by a continued pressure on fixed broadband revenues.

Adjusted EBITDA in reported currency rose 18.5 percent to SEK 1,291 million (1,089). The adjusted EBITDA

margin rose to 33.0 percent (32.3). In local currency, excluding acquisitions and disposals, adjusted EBITDA grew 6.1 percent driven to some extent by service revenue growth but mainly due to lower operating expenses.

CAPEX increased to SEK 1,672 million (404) driven by CAPEX related to the Telia Helsinki Data Center. CAPEX excluding licenses and spectrum fees increased to SEK 1,672 million (404).

The number of mobile subscriptions increased by 18,000 and fixed broadband subscriptions declined by 6,000 in the quarter. TV subscriptions increased in the quarter by 57,000, of which 37,000 were OTT subscriptions. The increase was attributable to the season start of the Finnish hockey league "Liiga" in which Telia own's the broadcasting rights.

SIGNIFICANT EBITDA UPLIFT IN NORWAY

- On July 17, Telia Company announced that it had signed an agreement to acquire TDC's Norwegian business for NOK 21 billion on a cash and debt free basis. The purchase price corresponds to an EV/EBITDA multiple of 9.0x based on the 2017 EBITDA including expected synergies. The transaction will significantly strengthen Telia's proposition in Norway, and position Telia as a strong convergent challenger. The transaction was approved by the Norwegian competition authority on October 5, and completed on October 15, 2018.
- Telia signed an agreement with the waste disposal container tracking company StalkIT. The agreement that is the largest narrow-band IoT contract in Norway so far, is for three years and enables StalkIT to connect 100,000 devices to Telia's nationwide narrow-band IoT network.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2018	Jul-Sep 2017 ¹	Chg (%)	Jan-Sep 2018	Jan-Sep 2017 ¹	Chg (%)
Net sales	2,866	2,578	11.2	8,211	7,416	10.7
Change (%) local organic	4.7			4.7		
of which service revenues (external)	2,303	2,187	5.3	6,653	6,294	5.7
change (%) local organic	-0.9			-0.6		
Adjusted EBITDA	1,126	925	21.8	3,121	2,672	16.8
Margin (%)	39.3	35.9		38.0	36.0	
change (%) local organic	14.7			8.9		
Adjusted operating income	666	538	23.8	1,796	1,520	18.1
Operating income	654	517	26.7	1,768	1,410	25.4
CAPEX excluding license and spectrum fees	305	189	61.3	878	638	37.7
Adjusted EBITDA - CAPEX	821	739	11.1	2,243	1,625	38.0
Subscriptions, (thousands)						
Mobile	2,299	2,411	-4.6	2,299	2,411	-4.6
of which machine to machine (postpaid)	64	78	-17.9	64	78	-17.9
Employees	1,202	1,212	-0.8	1,202	1,212	-0.8

1) Restated for comparability, see Note 1.

Net sales in reported currency grew 11.2 percent to SEK 2,866 million (2,578) and in local currency excluding acquisitions and disposals net sales increased 4.7 percent. The effect of exchange rate fluctuations was positive by 6.5 percent.

Service revenues in local currency, excluding acquisitions and disposals fell 0.9 percent as growth in wholesale revenues was not enough to fully compensate for mainly lower mobile subscription revenues. The pressure on mobile subscription revenues was a result of a decline in mobile subscriptions that more than offset a slight growth in mobile ARPU.

Adjusted EBITDA in reported currency improved 21.8 percent to SEK 1,126 million (925). The adjusted EBITDA margin strengthened to 39.3 percent (35.9). In local currency, excluding acquisitions and disposals, adjusted EBITDA rose 14.7 percent due to an overall good cost control and continued synergy realization from the acquired company Phonero.

CAPEX increased 64.1 percent to SEK 305 million (186) and CAPEX excluding licenses and spectrum fees increased to SEK 305 million (189).

The number of mobile subscriptions fell by 36,000 in the quarter.

COST FOCUS SUPPORTS EBITDA IN DENMARK

- The Danish market remained challenging but Telia continued to see a positive development in the new B2C portfolio launched earlier this year. Part of the new portfolio is an unlimited mobile offering which gained another 40,000 subscriptions net in the quarter. Furthermore, focus continued to be on the cost savings agenda as well as on process optimization to further improve the customer experience.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2018	Jul-Sep 2017 ¹	Chg (%)	Jan-Sep 2018	Jan-Sep 2017 ¹	Chg (%)
Net sales	1,594	1,467	8.6	4,534	4,390	3.3
Change (%) local organic	0.1			-3.2		
of which service revenues (external)	1,129	1,119	0.9	3,276	3,260	0.5
change (%) local organic	-7.0			-5.8		
Adjusted EBITDA	202	196	2.9	513	495	3.6
Margin (%)	12.7	13.4		11.3	11.3	
change (%) local organic	-4.9			-2.9		
Adjusted operating income	-9	10		-109	-63	72.7
Operating income	-38	10		-119	-77	54.4
CAPEX excluding license and spectrum fees	105	80	31.7	279	270	3.4
Adjusted EBITDA - CAPEX	97	117	-16.8	234	225	3.7
Subscriptions, (thousands)						
Mobile	1,444	1,483	-2.7	1,444	1,483	-2.7
of which machine to machine (postpaid)	53	47	11.9	53	47	11.9
Fixed telephony	84	94	-10.6	84	94	-10.6
Broadband	106	121	-12.4	106	121	-12.4
TV	27	32	-15.6	27	32	-15.6
Employees	909	1,094	-16.9	909	1,094	-16.9

1) Restated for comparability, see Note 1.

Net sales increased 8.6 percent in reported currency to SEK 1,594 million (1,467) and in local currency excluding acquisitions and disposals net sales increased 0.1 percent. The effect from exchange rate fluctuations was positive by 8.5 percent.

Service revenues in local currency, excluding acquisitions and disposals fell 7.0 percent driven by a 5.8 percent decline in mobile service revenues and a 11.4 percent erosion in fixed service revenues mainly driven by continued pressure on fixed telephony and fixed broadband revenues.

Adjusted EBITDA in reported currency increased 2.9 percent to SEK 202 million (196). The adjusted EBITDA margin fell to 12.7 percent (13.4). In local currency, excluding acquisitions and disposals, adjusted EBITDA declined 4.9 percent as pressure on service revenues more than offset the positive impact from continued cost savings.

CAPEX increased 31.7 percent to SEK 105 million (80) and CAPEX excluding licenses and spectrum fees increased to SEK 105 million (80).

The number of mobile subscriptions fell by 16,000 in the quarter. The number of fixed broadband subscriptions fell by 1,000 and TV subscriptions fell by 2,000 in the quarter.

REVENUE MOMENTUM IN LITHUANIA

- Telia entered into an exclusive agreement with HBO in the Baltics thereby making HBO exclusively available through Telia in Lithuania and Estonia, while for customers in Latvia HBO will be available through LMT and Lattelecom. The agreement significantly enhances Telia's TV proposition which is in accordance with Telia's ambition to provide the best possible customer experience, on the customers' terms.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2018	Jul-Sep 2017 ¹	Chg (%)	Jan-Sep 2018	Jan-Sep 2017 ¹	Chg (%)
Net sales	997	858	16.2	2,853	2,573	10.9
Change (%) local organic	6.8			3.8		
of which service revenues (external)	771	683	12.9	2,252	2,102	7.2
change (%) local organic	3.7			0.3		
Adjusted EBITDA	361	317	13.7	1,026	885	16.0
Margin (%)	36.2	37.0		36.0	34.4	
change (%) local organic	4.6			8.5		
Adjusted operating income	205	172	19.1	543	461	17.7
Operating income	196	169	16.1	531	438	21.3
CAPEX excluding license and spectrum fees	157	131	19.3	462	366	26.2
Adjusted EBITDA - CAPEX	204	186	9.7	564	518	8.8
Subscriptions, (thousands)						
Mobile	1,398	1,350	3.6	1,398	1,350	3.6
of which machine to machine (postpaid)	153	135	13.5	153	135	13.5
Fixed telephony	331	383	-13.6	331	383	-13.6
Broadband	409	406	0.7	409	406	0.7
TV	238	237	0.4	238	237	0.4
Employees	2,299	2,473	-7.0	2,299	2,473	-7.0

1) Restated for comparability, see Note 1.

Net sales in reported currency rose 16.2 percent to SEK 997 million (858). In local currency excluding acquisitions and disposals net sales rose 6.8 percent. The effect of exchange rate fluctuations was positive by 9.4 percent.

Service revenues in local currency, excluding acquisitions and disposals increased 3.7 percent driven by a 14.4 percent growth in mobile service revenues which more than compensated for a 2.6 percent decline in fixed service revenues. The growth in mobile revenues continued to be driven by a combination of subscription base expansion and ARPU growth.

Adjusted EBITDA in reported currency increased 13.7 percent to SEK 361 million (317). The adjusted EBITDA margin fell somewhat to 36.2 percent (37.0). In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 4.6 percent mainly driven by positive service revenue development but also from lower operating expenses.

CAPEX increased 19.3 percent to SEK 157 million (131) and CAPEX excluding licenses and spectrum fees increased to SEK 157 million (131).

The number of mobile subscriptions increased by 15,000 and TV subscriptions fell by 9,000 in the quarter. The number of fixed broadband subscriptions remained unchanged in the quarter.

STRONG EXECUTION IN ESTONIA

- Telia Company, Ericsson and Tallinn University of Technology, joined forces to launch Estonia's first 5G pilot network at the university campus by year-end 2018. Companies and start-ups are invited to use the 5G network to develop future services and new business models. The project also serves as an important step towards the launch of early commercial 5G services and over time driving innovation and digitalization in Estonia.

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2018	Jul-Sep 2017	Chg (%)	Jan-Sep 2018	Jan-Sep 2017	Chg (%)
Net sales	790	698	13.2	2,243	2,042	9.9
Change (%) local organic	4.3			3.1		
of which service revenues (external)	618	545	13.4	1,788	1,618	10.5
change (%) local organic	4.4			3.7		
Adjusted EBITDA	282	234	20.4	768	656	17.1
Margin (%)	35.7	33.5		34.2	32.1	
change (%) local organic	10.7			9.7		
Adjusted operating income	144	107	34.3	351	273	28.6
Operating income	145	106	37.0	349	269	30.0
CAPEX excluding license and spectrum fees	121	98	23.4	315	315	0.1
Adjusted EBITDA - CAPEX	161	136	18.2	453	291	55.6
Subscriptions, (thousands)						
Mobile	977	929	5.2	977	929	5.2
of which machine to machine (postpaid)	241	212	13.7	241	212	13.7
Fixed telephony	267	285	-6.3	267	285	-6.3
Broadband	240	238	0.8	240	238	0.8
TV	207	196	5.4	207	196	5.4
Employees	1,820	1,870	-2.7	1,820	1,870	-2.7

Net sales in reported currency increased 13.2 percent to SEK 790 million (698) and in local currency excluding acquisitions and disposals net sales increased 4.3 percent. The effect of exchange rate fluctuations was positive by 9.1 percent and the impact from acquisitions and disposals was negative by 0.2 percent.

Service revenues in local currency, excluding acquisitions and disposals increased 4.4 percent supported by growth in mobile revenues although mainly due to higher fixed service revenues. The latter largely driven by growth in fixed broadband, TV and business solutions revenues that more than compensated for pressure on fixed telephony.

Adjusted EBITDA in reported currency increased 20.4 percent to SEK 282 million (234). The adjusted EBITDA margin increased to 35.7 percent (33.5). In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 10.7 percent from positive service revenue development coupled with lower operating expenses.

CAPEX rose 23.4 percent to SEK 121 million (98) and CAPEX excluding licenses and spectrum fees increased to SEK 121 million (98).

The number of mobile subscription grew by 28,000 and TV subscriptions increased by 2,000 in the quarter. The number of fixed broadband subscriptions increased by 1,000 in the quarter.

OTHER OPERATIONS

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2018	Jul-Sep 2017 ¹	Chg (%)	Jan-Sep 2018	Jan-Sep 2017 ¹	Chg (%)
Net sales	2,199	2,206	-0.3	6,525	6,765	-3.5
Change (%) local organic	-6.1			-2.0		
of which Telia Carrier	1,378	1,517	-9.2	4,186	4,438	-5.7
of which Latvia	581	491	18.2	1,606	1,410	13.9
Adjusted EBITDA	414	301	37.3	924	793	16.5
of which Telia Carrier	137	112	23.1	368	361	1.9
of which Latvia	181	164	10.2	512	451	13.4
Margin (%)	18.8	13.7		14.2	11.7	
Income from associated companies	207	-1,704		653	-2,403	
of which Russia	—	-362		—	-95	
of which Turkey	205	-1,379		578	-2,406	
of which Latvia	30	38	-22.5	100	94	6.5
Adjusted operating income	367	172	113.0	827	1,171	-29.4
Operating income	273	-1,772		671	-1,967	
CAPEX	565	611	-7.6	2,080	2,042	1.8
Subscriptions, (thousands)						
Mobile Latvia	1,281	1,237	3.6	1,281	1,237	3.6
of which machine to machine (postpaid)	310	281	10.1	310	281	10.1
Employees	4,069	3,933	3.5	4,069	3,933	3.5

1) Restated for comparability, see Note 1.

Net sales in reported currency fell 0.3 percent to SEK 2,199 million (2,206). In local currency, excluding acquisitions and disposals net sales fell 6.1 percent. The effect of exchange rate fluctuations was positive by 5.8 percent.

Adjusted EBITDA in reported currency increased 37.3 percent to SEK 414 million (301). The adjusted EBITDA margin increased to 18.8 percent (13.7).

In **Telia Carrier**, net sales in reported currency fell 9.2 percent to SEK 1,378 million (1,517) due to reduced sales of low-margin products. Adjusted EBITDA, increased 23.1 percent to SEK 137 million (112).

In **Latvia**, net sales in reported currency rose 18.2 percent to SEK 581 million (491). Adjusted EBITDA in reported currency increased 10.2 percent to SEK 181 million (164). In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 1.4 percent.

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

Income from associated companies improved to SEK 207 million (-1,704) mainly as the corresponding quarter previous year was impacted by a SEK 1.9 billion capital loss from the disposals of shares in Turkcell.

DISCONTINUED OPERATIONS

Highlights

SEK in millions, except margins, operational data and changes	Jul-Sep 2018	Jul-Sep 2017 ¹	Chg (%)	Jan-Sep 2018	Jan-Sep 2017 ¹	Chg (%)
Net sales (external)	1,668	2,774	-39.9	5,256	8,916	-41.1
Adjusted EBITDA	606	1,134	-46.6	1,832	3,456	-47.0
Margin (%)	36.3	40.9		34.9	38.8	
CAPEX	187	290	-35.3	580	1,319	-56.0
CAPEX excluding license and spectrum fees	186	289	-35.6	541	1,318	-58.9

1) Restated for comparability, see Note 1.

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 39.9 percent in reported currency to SEK 1,668 million (2,774) mainly due to devaluation in Uzbekistan in September 2017 and the disposals of Azercell in Azerbaijan and Geocell in Georgia in the first quarter of 2018.

Adjusted EBITDA fell 46.6 percent to SEK 606 million (1,134) mainly due to devaluation in Uzbekistan and the disposals of Azercell and Geocell, respectively. The adjusted EBITDA margin fell to 36.3 percent (40.9).

CAPEX fell to SEK 187 million (290) and CAPEX, excluding license and spectrum fees fell to SEK 186 million (289).

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data and number of shares	Note	Jul-Sep 2018	Jul-Sep 2017 ¹	Jan-Sep 2018	Jan-Sep 2017 ¹
Continuing operations					
Net sales	5, 6	20,685	19,614	61,351	58,627
Cost of sales		-12,233	-12,057	-37,184	-36,128
Gross profit		8,452	7,557	24,166	22,499
Selling, administration and R&D expenses		-4,790	-4,091	-13,864	-13,456
Other operating income and expenses, net		-90	-92	-107	948
Income from associated companies and joint ventures		207	-1,699	657	-2,396
Operating income	5	3,779	1,674	10,852	7,595
Financial items, net		-545	-602	-1,570	-2,028
Income after financial items		3,234	1,072	9,282	5,566
Income taxes		-604	-201	-1,626	-945
Net income from continuing operations		2,631	870	7,656	4,621
Discontinued operations					
Net income from discontinued operations	4	396	1,715	-2,986	4,817
Total net income		3,026	2,585	4,670	9,438
Items that may be reclassified to net income:					
Foreign currency translation differences from continuing operations		-2,629	2,637	938	5,124
Foreign currency translation differences from discontinued operations		-329	-1,504	2,933	-2,838
Other comprehensive income from associated companies and joint ventures		82	-17	129	156
Cash flow hedges		-16	-19	-333	-238
Cost of hedging		-20	—	44	—
Available-for-sale financial instruments		—	558	—	571
Debt instruments at fair value through OCI		-43	—	-28	—
Income taxes relating to items that may be reclassified		-147	-13	647	46
Items that will not be reclassified to net income:					
Equity instruments at fair value through OCI		—	—	554	—
Remeasurements of defined benefit pension plans		146	-299	-398	-497
Income taxes relating to items that will not be reclassified		-28	70	84	122
Associates remeasurements of defined benefit pension plans		0	1	-1	-25
Other comprehensive income		-2,984	1,413	4,571	2,419
Total comprehensive income		43	3,998	9,241	11,857
Total net income attributable to:					
Owners of the parent		2,825	2,310	4,275	8,913
Non-controlling interests		202	275	396	525
Total comprehensive income attributable to:					
Owners of the parent		45	3,706	8,993	11,650
Non-controlling interests		-2	292	248	208
Earnings per share (SEK), basic and diluted		0.66	0.53	1.00	2.06
<i>of which continuing operations, basic and diluted</i>		<i>0.60</i>	<i>0.18</i>	<i>1.75</i>	<i>1.03</i>
Number of shares (thousands)					
Outstanding at period-end		4,271,957	4,330,085	4,271,957	4,330,085
Weighted average, basic and diluted		4,282,933	4,330,085	4,309,546	4,330,085
EBITDA from continuing operations		6,851	6,375	19,689	19,326
Adjusted EBITDA from continuing operations		6,977	6,556	19,914	18,631
Depreciation, amortization and impairment losses from continuing operations		-3,278	-3,002	-9,494	-9,335
Adjusted operating income from continuing operations		3,964	3,763	11,153	11,102

1) Restated for comparability, see Note 1.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Sep 30, 2018	Dec 31, 2017 ¹
Assets			
Goodwill and other intangible assets	7, 15	81,934	76,652
Property, plant and equipment	7	62,689	60,024
Investments in associated companies and joint ventures, pension obligation assets and other non-current assets	8	13,086	17,650
Deferred tax assets		2,486	3,003
Long-term interest-bearing receivables	4, 8, 11	15,184	18,674
<i>Total non-current assets</i>		<i>175,379</i>	<i>176,003</i>
Inventories		1,863	1,521
Trade and other receivables and current tax receivables	8	16,759	16,385
Short-term interest-bearing receivables	8, 11	12,422	17,335
Cash and cash equivalents	4, 11	28,137	15,616
Assets classified as held for sale	4, 11	13,368	18,508
<i>Total current assets</i>		<i>72,549</i>	<i>69,365</i>
Total assets		247,928	245,367
Equity and liabilities			
Equity attributable to owners of the parent		98,178	101,226
Equity attributable to non-controlling interests		5,310	5,291
<i>Total equity</i>		<i>103,488</i>	<i>106,517</i>
Long-term borrowings	8, 11	89,321	87,813
Deferred tax liabilities		8,313	8,973
Provisions for pensions and other long-term provisions		6,368	8,210
Other long-term liabilities		2,037	1,950
<i>Total non-current liabilities</i>		<i>106,039</i>	<i>106,946</i>
Short-term borrowings	8, 11	4,644	3,674
Trade payables and other current liabilities, current tax payables and short-term provisions	4	28,013	19,673
Liabilities directly associated with assets classified as held for sale	4, 11	5,745	8,556
<i>Total current liabilities</i>		<i>38,402</i>	<i>31,904</i>
Total equity and liabilities		247,928	245,367

1) Restated for comparability, see Note 1.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Jul-Sep 2018	Jul-Sep 2017 ¹	Jan-Sep 2018	Jan-Sep 2017 ¹
Cash flow before change in working capital	6,678	7,906	19,375	21,999
Change in working capital	-379	-5,961	1,199	-5,136
Cash flow from operating activities	6,299	1,944	20,574	16,863
<i>of which from continuing operations</i>	5,855	7,039	19,341	20,208
<i>of which from discontinued operations</i>	443	-5,095	1,232	-3,344
Cash CAPEX	-3,335	-3,225	-10,113	-11,285
Free cash flow	2,963	-1,281	10,461	5,578
<i>of which from continuing operations</i>	2,782	4,209	10,022	10,553
<i>of which from discontinued operations</i>	181	-5,490	439	-4,975
Cash flow from other investing activities	8,119	-2,010	9,960	-9
Total cash flow from investing activities	4,783	-5,235	-154	-11,294
<i>of which from continuing operations</i>	5,421	-4,540	588	-8,962
<i>of which from discontinued operations</i>	-638	-695	-741	-2,332
Cash flow before financing activities	11,082	-3,291	20,420	5,569
Cash flow from financing activities	-2,216	-1,472	-9,373	-5,778
<i>of which from continuing operations</i>	-2,397	-1,351	-9,420	-5,297
<i>of which from discontinued operations</i>	182	-121	47	-480
Cash flow for the period	8,866	-4,763	11,047	-208
<i>of which from continuing operations</i>	8,879	1,148	10,509	5,949
<i>of which from discontinued operations</i>	-13	-5,911	538	-6,157
Cash and cash equivalents, opening balance	24,453	26,360	20,984	22,907
Cash flow for the period	8,866	-4,763	11,047	-208
Exchange rate differences in cash and cash equivalents	-199	-808	1,088	-1,910
Cash and cash equivalents, closing balance	33,120	20,789	33,120	20,789
<i>of which from continuing operations</i>	28,137	14,722	28,137	14,722
<i>of which from discontinued operations (Eurasia)</i>	4,983	6,067	4,983	6,067

1) Restated for comparability, see Note 1.

See Note 16 section Operational free cash flow for further information.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Owners of the parent	Non-controlling interests	Total equity
Opening balance, January 1, 2017	89,833	5,036	94,869
Change in accounting principles ¹	1,159	31	1,190
Adjusted opening balance, January 1, 2017	90,991	5,067	96,058
Dividends	-8,660	-835	-9,495
Share-based payments	25	–	25
Acquisition of treasury shares	-4	–	-4
Change in non-controlling interests ²	-766	766	–
<i>Total transactions with owners</i>	<i>-9,405</i>	<i>-69</i>	<i>-9,474</i>
Total comprehensive income ⁴	11,650	208	11,858
Effect of equity transactions in associated companies	-43	–	-43
Closing balance, September 30, 2017⁴	93,194	5,206	98,399
Share-based payments	8	–	8
Change in non-controlling interests ²	-138	138	–
<i>Total transactions with owners</i>	<i>-129</i>	<i>138</i>	<i>8</i>
Total comprehensive income ⁴	8,161	-52	8,110
Closing balance, December 31, 2017⁴	101,226	5,291	106,517
Change in accounting principles ³	-16	–	-16
Change in accounting principles in associated companies ⁵	279	–	279
Adjusted opening balance, January 1, 2018	101,487	5,292	106,779
Share-based payments	25	–	25
Dividends	-9,892	-229	-10,122
Acquisition of treasury shares ⁶	-2,449	–	-2,449
<i>Total transactions with owners</i>	<i>-12,316</i>	<i>-229</i>	<i>-12,546</i>
Total comprehensive income	8,993	248	9,241
Effect of equity transactions in associated companies	13	–	13
Closing balance, September 30, 2018	98,178	5,310	103,488

1) Transition effect of IFRS 15, see Note 1.

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

3) Transition effect of IFRS 9, see Note 1.

4) Restated for comparability, see Note 1.

5) Transition effect of IFRS 15 and IFRS 9 for Turkcell, which is a publicly listed company and therefore included with one-quarter lag.

6) Acquisition of treasury shares, see Note 9.

NOTE 1. BASIS OF PREPARATION

General

Telia Company's consolidated financial statements as of and for the nine-month period ended September 30, 2018, 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 2017, except as described below. All amounts in this report are presented in SEK millions, unless otherwise stated. Rounding differences may occur.

New accounting standards effective on or after January 1, 2018

IFRS 15 "Revenue from Contracts with customers"

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

IFRS 15 specifies how and when revenue should be recognized as well as requires more detailed revenue disclosures. The standard provides a single, principle based five-step model to be applied to all contracts with customers. Revenue is allocated to performance obligations (equipment and services) in proportion to stand-alone selling prices ("fair values" under Telia Company's previous accounting principles) of the individual items. Revenue is recognized when (at a point in time) or as (over a period of time) the performance obligations are satisfied, which is determined by the manner in which control passes to the customer. Among others the new revenue standard gives detailed guidance on the accounting for:

Bundled offerings: Telia Company's prior accounting and recognition of revenue for bundled offerings and allocation of the consideration between equipment and service was in line with IFRS 15. A detailed analysis of the performance obligations and the revenue recognition for each type of customer contract has been performed and the model previously used has been slightly refined for some types of customer contracts, but the effect was not material.

Incremental costs for obtaining a contract: Sales commissions and equipment subsidies granted to dealers for obtaining a specific contract are capitalized and deferred over the period over which Telia Company expects to provide services to the customer. The amortization of capitalized contract costs over the service period is classified as operating expenses within EBITDA. Under Telia Company's prior accounting principles, cost for obtaining contracts were expensed as incurred. The main effect of implementing IFRS 15 for Telia Company is related to capitalization of costs.

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

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

Disclosures: IFRS 15 adds a number of disclosure requirements in annual reports, e.g. to disaggregate revenues into categories that depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors. This disaggregation of revenues is also disclosed in the interim reports, see Note 6.

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

IFRS 9 "Financial Instruments"

IFRS 9 "Financial instruments" is effective as of January 1, 2018, and replaces IAS 39 "Financial instruments: Recognition and Measurement". As permitted by IFRS 9, Telia Company has chosen to implement the new standard without restating comparable figures for 2017. In accordance with RFR 2 "Accounting for Legal Entities", Telia Company AB (parent company) has chosen to apply IFRS 9 in the legal entity as of January 1, 2018.

The standard's three main projects have been classification and measurement, impairment and hedge accounting. During 2017 Telia Company has performed a review and an assessment of the effects on the financial assets and financial liabilities. The impact of IFRS 9 on the financial reporting for Telia Company is presented below for each respective area where IFRS 9 has brought changes compared with the requirements of IAS 39.

Classification and measurement of financial assets and financial liabilities: IFRS 9 requires financial assets that are debt instruments to be classified based on the entity's business model for managing the financial assets as well as the characteristics of the contractual cash

flows of the financial assets. The classification in turn decides how the assets are to be measured. The financial assets are classified and measured at any of the following three categories: Amortized Cost (AC); Fair Value through Other Comprehensive Income (FVOCI); or Fair Value through Profit or Loss (FVPL). For Telia Company, there is no material change to the measurement of financial assets, since the measurement bases were already amortized cost or fair value. Telia Company has chosen to continue to report gains and losses from equity instruments classified as “financial assets available-for sale” under IAS 39 in other comprehensive income also under IFRS 9 as these instruments are held for strategic purposes. For equity instruments that are designated at “fair value through OCI” under IFRS 9 only dividend income is recognized in the income statement, all other gains and losses are recognized in OCI without reclassification on derecognition. This differs from the treatment of “available-for-sale” equity instruments under IAS 39 where gains and losses recognized in OCI were reclassified on derecognition or impairment. The changes in IFRS 9 that relate to classification and measurement of financial liabilities did not impact Telia Company as the group did not measure financial liabilities at fair value (other than derivatives liabilities, which are continued to be measured at FVPL).

Impairment: IFRS 9 requires a loss allowance for the expected credit losses to be recognized on receivables and other types of debt instruments. In order to be able to recognize the expected credit losses and not merely the “incurred” credit losses as was the requirement under IAS 39, Telia Company has made an assessment of impairment of trade receivables and other receivables resulting in a transition effect of SEK 16 million compared to the previous method for each portfolio of such assets. For investments in interest bearing assets in the bond and deposit portfolios, the general impairment model in IFRS 9, with the low credit risk exception, is applied, meaning that the loss allowance will be measured at an amount equal to the 12-month expected credit losses as long as there is no significant increase in credit risk. If a significant increase in credit risk should arise, the loss allowance will be measured at an amount equal to the lifetime expected credit losses for the asset. In Telia Company AB the transition effect from impairment for intra-group receivables was SEK 150 million. The amount is recognized as per January 1, 2018, as a decrease in Trade and other receivables and current tax receivables and a decrease in Equity.

Hedge accounting: IFRS 9 applies to all hedge relationships, with the exception of “fair value macro hedges”. The IASB is working on a project to address macro hedging and in the meantime IFRS 9 provides an accounting policy choice for hedge accounting: either to continue to apply the requirements of IAS 39 until the macro hedging project is finalized, or apply IFRS 9. The hedge accounting requirements in IFRS 9 retain the three hedge accounting mechanisms but introduces greater flexibility in the types of transactions eligible for

hedge accounting, the risks that can be hedged, and the instruments that can be used as hedging instruments. The new hedge accounting model enables a better reflection of risk management activities in the financial statements. The previous 80-125 percent threshold effective-test is not carried over to IFRS 9. Instead, there should be an economic relationship between the hedged item and the hedging instrument, with no quantitative threshold. Telia Company applies the hedge accounting provisions of IFRS 9 as of the second quarter of 2018. The transition has caused no major effects. IFRS 9 better aligns hedge accounting with Telia Company risk mitigation strategies. However, the improved hedge accounting possibilities also require increased disclosures regarding the risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the financial statements. In addition, consequential amendments have been made to IFRS 7 “Financial Instruments: Disclosures”.

IFRS 16 “Leases”

IFRS 16 “Leases” is effective for the annual reporting period beginning January 1, 2019, and Telia Company has not pre-adopted the standard. The project for IFRS 16 continued during the third quarter of 2018 and is proceeding according to plan. Telia Company continues to assess the impact of the new standard on the consolidated financial statements. For more information, see the Annual and Sustainability Report 2017.

Changes in tax rate in Sweden

As a result of the enacted tax rate reductions, deferred tax assets and liabilities relating to Telia Company’s Swedish entities were remeasured in the second quarter of 2018 using the new tax rates based on an assessment of when in time the asset or liability is expected to be realized or settled. The remeasurements lead to a decrease in both deferred tax liabilities of SEK 383 million and deferred tax assets of SEK 62 million. The main part of the net effect was recognized in the income statement in the line item “Income taxes”.

In the third quarter of 2018 a re-assessment resulted in an additional decrease in deferred tax liabilities of SEK 12 million.

Restatement of operational data

As a result of a review in the first quarter of 2018, an additional number of machine-to-machine subscriptions in Finland have started to be included in the reporting. As a consequence, the 2017 subscription base has been restated for comparability. Also, in order to reflect the full TV subscription base, OTT TV customers have started to be included in Sweden, Finland and Estonia, respectively, and as a result of this, the 2017 subscription base has been restated for comparability. Furthermore, the number of employees in Lithuania in 2017 has been restated for hourly paid employees.

Assets held for sale and discontinued operations

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. For information on assets held for sale and discontinued operations, see Note 4.

Segments

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 in Note 5.

Correction of prior period classification errors

Compensation from the pension fund

Compensation from the pension fund has previously been presented as cash flow from investing activities. From 2018 compensation from the pension fund is presented as cash flow from operating activities. The compensation from the pension fund was SEK 675 million in the first quarter of 2018. There was no compensation in 2017.

Capitalized work

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

Restatement effects on Condensed consolidated statements of comprehensive income

SEK in millions	Jul-Sep 2017					Jan-Sep 2017				
	Reported	IFRS 15 effects	Ref	Capital-ized work	Restated	Reported	IFRS 15 effects	Ref	Capital-ized work	Restated
Continuing operations										
Net sales	19,628	-14 b)		–	19,614	58,681	-54 b)		–	58,627
Cost of sales	-12,057	–		–	-12,057	-36,128	0		–	-36,128
Gross profit	7,571	-14		–	7,557	22,553	-54		–	22,499
Selling, admin. and R&D expenses	-4,128	36 c)		–	-4,091	-13,544	88 c)		–	-13,456
Other operating income and expenses, net	-92	–		–	-92	948	–		–	948
Income from associated companies and joint ventures	-1,699	–		–	-1,699	-2,396	–		–	-2,396
Operating income	1,651	22		–	1,674	7,560	34		–	7,595
Financial items, net	-607	5 d)		–	-602	-2,043	14 d)		–	-2,028
Income after financial items	1,044	27		–	1,072	5,518	49		–	5,566
Income taxes	-215	14 e)		–	-201	-949	4 e)		–	-945
Net income from continuing operations	829	41		–	870	4,569	53		–	4,621
Discontinued operations										
Net income from discontinued operations	1,714	1 f)		–	1,715	4,809	8 f)		–	4,817
Total net income	2,543	42 a)		–	2,585	9,377	60 a)		–	9,438
Other comprehensive income	1,412	0		–	1,413	2,419	0		0	2,419
Total comprehensive income	3,955	42		–	3,998	11,798	60		–	11,857
Total net income attributable to:										
Owners of the parent	2,268	42		–	2,310	8,855	58		–	8,913
Non-controlling interests	275	0		–	275	523	2		–	525
Total comprehensive income attributable to:										
Owners of the parent	3,664	42		–	3,706	11,592	58		–	11,650
Non-controlling interests	292	0		–	292	206	2		–	208
Earnings per share (SEK), basic and diluted	0.52	0.01		–	0.53	2.04	0.01		–	2.06
<i>of which from continuing operations, basic and diluted</i>	<i>0.18</i>	<i>0.01</i>		–	<i>0.18</i>	<i>1.02</i>	<i>0.01</i>		–	<i>1.03</i>
EBITDA from continuing operations	6,424	22		-71	6,375	19,543	34		-251	19,326
Adjusted EBITDA from continuing operations	6,604	22		-71	6,556	18,848	34		-251	18,631
Depreciation, amortization and impairment losses from continuing operations	-3,074	–		71	-3,002	-9,587	0		251	-9,335
Adjusted operating income from continuing operations	3,812	22		-71	3,763	11,319	34		-251	11,102

Restatement effects on the Condensed consolidated statements of financial position

SEK in millions	Reported Dec 31, 2016	IFRS 15 effects	Ref	Restated Jan 1, 2017	Reported Dec 31, 2017	IFRS 15 effects	Ref	Restated Dec 31, 2017
Assets								
Investments in associates and joint ventures, pension obligation assets and other non-current assets	27,934	1,265	a)	29,199	16,151	1,499	a)	17,650
Other non-current assets	151,541	–		151,541	158,353	–		158,353
Trade and other receivables and current tax receivables	17,468	26		17,493	16,462	-77		16,385
Assets classified as held for sale	29,042	91	f)	29,133	18,408	100	f)	18,508
Other current assets	27,446	–		27,446	34,472	–		34,472
Total assets	253,430	1,382		254,812	243,845	1,523		245,367
Equity and liabilities								
Equity attributable to owners of the parent	89,833	1,159		90,991	99,970	1,255		101,226
Equity attributable to non-controlling interests	5,036	31		5,067	5,260	32		5,291
<i>Total equity</i>	<i>94,868</i>	<i>1,190</i>	<i>a)</i>	<i>96,058</i>	<i>105,230</i>	<i>1,287</i>	<i>a)</i>	<i>106,517</i>
Deferred tax liabilities	10,567	185	e)	10,752	8,766	207	e)	8,973
Other non-current liabilities	91,167	–		91,167	97,973	–		97,973
Trade payables and other current liabilities, current tax payables and short-term provisions	31,892	-4		31,888	19,649	24		19,673
Liabilities directly associated with assets classified as held for sale	13,627	10	f)	13,637	8,552	4	f)	8,556
Other current liabilities	11,307	–		11,307	3,674	–		3,674
Total equity and liabilities	253,430	1,382		254,812	243,845	1,523		245,367

a) The implementation of IFRS 15 had a positive equity effect of SEK 1,190 million per the transition date January 1, 2017, and SEK 1,287 million per December 31, 2017. The equity increases were mainly related to capitalization of incremental costs for obtaining new contracts. The net income effect for 2017 was limited.

b) The limited effect on net sales was related to refining of Telia Company's previous revenue model for bundled offerings.

c) Selling and administration expenses in the third quarter of 2017 were reduced by SEK 329 million due to capitalization of costs to obtain a contract, the corresponding amount for the first nine months of 2017 was SEK 940 million. The amortization of the capitalized contract costs in the third quarter of 2017 of SEK -293 million were also included in Selling, administration and R&D expenses which lead to a net effect of SEK 36 million. The corresponding amount for the first nine months of 2017 was SEK -851 million, which lead to a net effect of SEK 88 million for the first nine months of 2017. The amortization is classified as operating expenses within EBITDA.

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

e) The deferred tax relating to the IFRS 15 adjustments increased deferred tax liabilities by SEK 185 million at the date of transition January 1, 2017, and SEK 207 million as of December 31, 2017. The tax effect on net income 2017 was immaterial.

f) The implementation of IFRS 15 had no material effect on discontinued operations and assets held for sale. The implementation effects are mainly related to capitalization of incremental costs for obtaining new contracts.

Restatement effects on Consolidated statements of cash flows

SEK in millions	Jul-Sep 2017			Jan-Sep 2017		
	Reported	Capital-ized work	Restated	Reported	Capital-ized work	Restated
Cash flow before change in working capital	7,977	-71	7,906	22,250	-251	21,999
Change in working capital	-5,961	–	-5,961	-5,136	–	-5,136
Cash flow from operating activities	2,016	-71	1,944	17,115	-251	16,863
<i>of which from continuing operations</i>	<i>7,110</i>	<i>-71</i>	<i>7,039</i>	<i>20,459</i>	<i>-251</i>	<i>20,208</i>
Cash CAPEX	-3,297	71	-3,225	-11,537	251	-11,285
Free cash flow	-1,281	–	-1,281	5,578	–	5,578
Cash flow from other investing activities	-2,010	–	-2,010	-9	–	-9
Total cash flow from investing activities	-5,307	71	-5,235	-11,545	251	-11,294
<i>of which from continuing operations</i>	<i>-4,612</i>	<i>71</i>	<i>-4,540</i>	<i>-9,214</i>	<i>251</i>	<i>-8,962</i>
Cash flow from financing activities	-1,472	–	-1,472	-5,778	–	-5,778
Cash flow for the period	-4,763	–	-4,763	-208	–	-208

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 page 9.
- Risks and uncertainties, see page 47.

NOTE 3. ADJUSTMENT ITEMS

Adjustment items within operating income, continuing operations

SEK in millions	Jul-Sep 2018	Jul-Sep 2017 ⁶	Jan-Sep 2018	Jan-Sep 2017 ⁶
Within EBITDA	-126	-180	-225	695
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:				
Sweden	-20	-114	-22	-149
Finland	10	-5	-40	-68
Norway	-11	-21	-28	-110
Denmark	-29	0	-32	-14
Lithuania	-9	-3	-17	-23
Estonia	-1	-1	-4	-4
Other operations	-74	-29	-118	-142
Capital gains/losses ¹	8	-7	35	1,206
Within Depreciation, amortization and impairment losses	-32	2	-32	-464
Within Income from associated companies and joint ventures	-27	-1,911	-44	-3,738
Capital gains/losses ²	-27	-1,911	-44	-3,738
Total adjustment items within operating income, continuing operations	-184	-2,089	-301	-3,507

Adjustment items within EBITDA, discontinued operations (region Eurasia)

SEK in millions	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
Within EBITDA	-216	328	-3,724	3,986
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc ³	-61	328	-201	4,180
Impairment loss on remeasurement to fair value less costs to sell ⁴	-155	—	-217	—
Capital gains/losses ⁵	—	—	-3,306	-193
Total adjustment items within EBITDA, discontinued operations	-216	328	-3,724	3,986

1) First nine months 2017 includes a capital gain from the disposal of Sergel.

2) Capital losses in the third quarter and first nine months 2017 relate to the reduced ownership in Turkcell.

3) First nine months 2017 includes the total net income effect of the change in the provision for settlement amount proposed by the US and Dutch authorities.

4) Total impairment loss on remeasurement to fair value less cost to sell for Ucell amounts to SEK 170 million in the third quarter and SEK 1,020 million for first nine months 2018, respectively, of which, SEK 155 million and SEK 217 million have been recognized within EBITDA in the third quarter and first nine months 2018, respectively. See Note 4.

5) Capital losses in the first nine months 2018 relate to the disposals of Azericell in Azerbaijan and Geocell in Georgia. Capital losses for comparable period relate to the disposal of Tcell in Tajikistan. See Note 4.

6) Restated for comparability, see Note 1.

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 disposed or liquidated in connection with the transactions. Ncell in Nepal was disposed in 2016 and Tcell in Tajikistan was disposed in 2017. Azercell in Azerbaijan and Geocell in Georgia were disposed in March 2018. Telia Company is still committed to the plan to dispose the remaining parts of Eurasia and the delays in the sales processes were primarily caused by events and circumstances beyond Telia Company's control. Telia Company has taken actions necessary to respond to the changes in circumstances. The units are available for immediate sale and are being actively marketed at reasonable prices given the changes in circumstances. The sales processes relating to the remaining Eurasian units are in the final stages, bids have been received and term negotiations are ongoing. Disposals of these units are therefore deemed highly probable within 2018.

Measurement

Management's best estimate of the risk adjusted debt free value of Ucell remains unchanged at SEK 1.3 billion per September 30, 2018. 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 2017. Due to increased carrying value for Ucell, an impairment charge of SEK 300 million was recognized in the first quarter 2018. In the second quarter of 2018 the value of Ucell was further impaired by SEK 550 million due to increased carrying value and changes in debt adjustments. In the third quarter of 2018, Ucell was impaired by SEK 170 million due to increased carrying value. Ucell was impaired by SEK 1,600 million in 2017.

For Kcell in Kazakhstan the estimated fair value exceeds the carrying value and Kcell has therefore not been re-measured as of September 30, 2018. The estimated cash and debt free value for Moldcell per March 31, 2018, of SEK 0.5 billion remains unchanged per September 30, 2018. Management's best estimates of the fair values are based on bids received and other input from the sales processes. During the second and third quarters of 2018, impairment charges of SEK 60 million and SEK 25 million, respectively, were recognized for Moldcell due to changes in carrying value. Moldcell was impaired by SEK 450 million in 2017.

Telia Company made a write-down of SEK 330 million in 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 associated company was no longer deemed having a recoverable value. In the first quarter of 2018, Telia Company agreed to transfer its interests in KazTransCom to Amun Services. The transaction is subject to regulatory approvals and is expected to close during 2018.

Disposals

Azercell in Azerbaijan

On March 5, 2018, Fintur Holdings B.V. (Fintur), jointly owned by Telia Company (58.55 percent) and Turkcell (41.45 percent) disposed its 51.3 percent holding in Azertel Telekomunikasyon Yatirim Dis Ticaret A.S. (Azertel) to Azerbaijan International Telecom LLC (Azintelecom), wholly-owned company by the Republic of Azerbaijan. Azertel is the sole shareholder of the leading Azeri mobile operator Azercell LLC (Azercell). The price for Fintur's 51.3 percent in Azertel was EUR 222 million (SEK 2.3 billion), which implied an equity value of EUR 432 million for 100 percent of Azercell and an enterprise value of EUR 197 million on a cash and debt free basis. The price corresponded to an EV/EBITDA multiple of 2.1x based on 2017. The total price was received in cash as of March 31, 2018.

In addition to the impairment of SEK 2,550 million recognized in December 2017, the disposal resulted in a capital loss of SEK 3,065 million for the group in the first quarter of 2018, mainly due to accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 2,944 million. The reclassification of accumulated exchange losses had no effect on equity.

The transaction had a positive cash flow effect for the group (relating to both parent shareholders and non-controlling interests) in the first quarter of 2018 of SEK 264 million (price received less cash and cash equivalents in entities sold). Telia Company's share of the sales price of SEK 1.3 billion was classified within continuing operations in cash and cash equivalents. The minority owner Turkcell's share of the sales price of SEK 0.9 billion was included within discontinued operations and was classified as held for sale.

Geocell in Georgia

On March 20, 2018, Fintur's Turkish subsidiary Gürtel Telekomunikasyon Yatirim ve Dis Ticaret A.S. (Gürtel) disposed its 100 percent holding in Geocell LLC (Geocell) to the Georgian telecommunications company JSC Silknet. The price for Geocell of SEK 1.2 billion was based on an enterprise value of USD 153 million for 100

percent of the company and corresponded to an EV/EBITDA multiple of 4.5x based on 2017. Per September 30, 2018, SEK 1.1 billion has been received in cash.

In addition to the impairment of SEK 550 million recognized in December 2017, the disposal resulted in a capital loss of SEK 241 million for the group in the first quarter of 2018, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 101 million. The reclassification of accumulated exchange losses had no effect on equity.

The transaction had a positive cash flow effect for the group (relating to both parent shareholders and non-controlling interests) in the first quarter of 2018 of SEK 1,100 million (price received less cash and cash equivalents in the entity sold). Telia Company's share of the sales price of SEK 0.7 billion was classified within continuing operations, whereof SEK 0.6 billion in cash and cash equivalents and SEK 0.1 billion as Long term interest-bearing receivables. The minority owner Turkcell's share of the sales price of SEK 0.5 billion was included within discontinued operations and was classified as held for sale.

Tcell in Tajikistan

In April 2017, Telia Company disposed its holdings in Tcell in Tajikistan, which resulted in a capital loss of SEK 193 million relating to reclassification of accumulated negative foreign exchange differences to net income. Tcell was impaired by SEK 222 million in 2017.

Ncell in Nepal

On April 11, 2016, Telia Company completed the disposal of its holdings in Ncell in Nepal. Provisions for transaction warranties are included in the statement of financial position for continuing operations. The final amounts relating to the Ncell disposal are still subject to deviations in transaction warranties and related foreign exchange rates.

Provision for settlement amount agreed with the US and Dutch authorities

The US and Dutch authorities have investigated historical transactions related to Telia Company's entry into Uzbekistan in 2007. On September 21, 2017, Telia Company reached a global settlement with the US and Dutch authorities regarding the Uzbekistan investigations. As part of the settlement, Telia Company agreed to pay fines and disgorgements in an aggregate amount of USD 965 million, whereof USD 757 million (SEK 6,129 million) were paid during the third quarter of 2017. The remaining part of USD 208 million is related to the SEC disgorgement amount potentially offset against any disgorgement obtained by the Swedish Prosecutor or Dutch authorities. The outstanding discounted provision amounts to SEK 1,829 million per September 30, 2018, and was reclassified in the second quarter 2018 from the line item "Provisions for pensions and other long-term provisions" to "Trade payables and other current liabilities, current tax payables and short-term provisions" (continuing operations) in the condensed consolidated statements of financial position. There was no material effect on net income in the third quarter of 2018. For more information, see the Annual and Sustainability Report 2017.

Net income from discontinued operations (region Eurasia)

SEK in millions, except per share data	Jul-Sep 2018	Jul-Sep 2017 ³	Jan-Sep 2018	Jan-Sep 2017 ³
Net sales	1,668	2,774	5,256	8,916
Expenses and other operating income, net ¹	-1,120	-1,311	-3,619	-1,278
Operating income	548	1,463	1,637	7,638
Financial items, net	157	-46	24	-187
Income after financial items	705	1,417	1,661	7,451
Income taxes	-114	98	-236	-563
Net income before remeasurement and gain/loss on disposal	591	1,515	1,425	6,888
Impairment loss on remeasurement to fair value less costs to sell ²	-195	200	-1,105	-1,879
Loss on disposal of Azercell in Azerbaijan (including cumulative Azercell exchange loss in equity reclassified to net income of SEK -2,944 million) ²	—	—	-3,065	—
<i>of which loss attributable to parent shareholders</i>	—	—	-3,024	—
<i>of which loss attributable to non-controlling interests</i>	—	—	-41	—
Loss on disposal of Geocell in Georgia (including cumulative Geocell exchange loss in equity reclassified to net income of SEK -101 million) ²	—	—	-241	—
<i>of which loss attributable to parent shareholders</i>	—	—	-190	—
<i>of which loss attributable to non-controlling interests</i>	—	—	-52	—
Loss on disposal of Tcell in Tajikistan (including cumulative Tcell exchange loss in equity reclassified to net income of SEK -193 million) ²	—	—	—	-193
Net income from discontinued operations	396	1,715	-2,986	4,817
EPS from discontinued operations (SEK)	0.05	0.35	-0.76	1.03
Adjusted EBITDA	606	1,134	1,832	3,456

1) The nine-month period 2017 included the adjustment of the provision for the settlement amount with the US and Dutch authorities. 2) Non-tax deductible. 3) Restated for comparability, see Note 1.

Assets classified as held for sale

SEK in millions	Eurasia Sep 30, 2018	Eurasia Dec 31, 2017 ⁴	Property, plant and equipment Dec 31, 2017 ³	Total, Dec 31, 2017 ⁴
Goodwill and other intangible assets	1,811	2,694	—	2,694
Property, plant and equipment	3,774	6,329	28	6,358
Other non-current assets ¹	216	189	—	189
Short-term interest-bearing receivables	1,679	2,091	—	2,091
Other current assets	906	1,807	—	1,807
Cash and cash equivalents ¹	4,983	5,368	—	5,368
Assets classified as held for sale	13,368	18,480	28	18,508
Long-term borrowings	1,051	295	—	295
Long-term provisions	41	1,887	—	1,887
Other long-term liabilities	1,342	1,197	—	1,197
Short-term borrowings	779	1,428	—	1,428
Other current liabilities	2,531	3,749	—	3,749
Liabilities associated with assets classified as held for sale	5,745	8,556	—	8,556
Net assets classified as held for sale²	7,624	9,924	28	9,951

1) Eurasia September 30, 2018, includes the sales prices for minority owner Turkcell's share of Azercell and Geocell, whereof SEK 1.5 billion is included in cash and cash equivalents. The sales prices for Telia Company's shares in Azercell and Geocell are included in continuing operations.

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

3) Refers to a property in Denmark that was sold during the first quarter of 2018.

4) Restated for comparability, see Note 1.

NOTE 5. SEGMENT INFORMATION

SEK in millions	Jul-Sep 2018	Jul-Sep 2017 ¹	Jan-Sep 2018	Jan-Sep 2017 ¹
Net sales				
Sweden	8,916	8,959	27,281	27,112
<i>of which external</i>	8,842	8,901	27,065	26,932
Finland	3,906	3,369	11,432	9,979
<i>of which external</i>	3,866	3,329	11,300	9,858
Norway	2,866	2,578	8,211	7,416
<i>of which external</i>	2,861	2,571	8,195	7,398
Denmark	1,594	1,467	4,534	4,390
<i>of which external</i>	1,575	1,441	4,470	4,314
Lithuania	997	858	2,853	2,573
<i>of which external</i>	980	844	2,808	2,534
Estonia	790	698	2,243	2,042
<i>of which external</i>	766	677	2,172	1,977
Other operations	2,199	2,206	6,525	6,765
Total segments	21,268	20,134	63,079	60,276
Eliminations	-583	-520	-1,728	-1,650
Group	20,685	19,614	61,351	58,627
Adjusted EBITDA				
Sweden	3,301	3,492	9,996	10,049
Finland	1,291	1,089	3,566	3,081
Norway	1,126	925	3,121	2,672
Denmark	202	196	513	495
Lithuania	361	317	1,026	885
Estonia	282	234	768	656
Other operations	414	301	924	793
Total segments	6,977	6,556	19,914	18,631
Eliminations	–	0	–	0
Group	6,977	6,556	19,914	18,631
Operating income				
Sweden	1,950	2,110	6,042	6,091
Finland	599	534	1,609	1,432
Norway	654	517	1,768	1,410
Denmark	-38	10	-119	-77
Lithuania	196	169	531	438
Estonia	145	106	349	269
Other operations	273	-1,772	671	-1,967
Total segments	3,779	1,674	10,852	7,595
Eliminations	–	0	-0	0
Group	3,779	1,674	10,852	7,595
Financial items, net	-545	-602	-1,570	-2,028
Income after financial items	3,234	1,072	9,282	5,566

1) Restated for comparability, see Note 1.

SEK in millions	Sep 30, 2018	Sep 30, 2018	Dec 31, 2017 ^{1,2}	Dec 31, 2017 ^{1,2}
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Sweden	46,855	11,707	46,388	11,133
Finland	53,046	4,964	49,212	4,970
Norway	31,515	2,751	28,805	2,753
Denmark	8,448	1,731	8,775	1,578
Lithuania	7,391	720	7,174	774
Estonia	5,390	553	5,168	588
Other operations	24,960	9,129	26,544	8,748
Total segments	177,607	31,555	172,067	30,544
Unallocated	56,953	107,140	54,792	99,750
Assets and liabilities held for sale	13,368	5,745	18,508	8,556
Total assets/liabilities, group	247,928	144,440	245,367	138,850

1) Comparable figures for segments Sweden, Norway and Denmark have been restated to reflect a reallocation of inventories and related liabilities.

2) Restated for comparability, see Note 1.

NOTE 6. NET SALES

Jul-Sep 2018									
SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	Other operations	Eliminations	Total
Mobile subscription revenues	3,296	1,608	1,860	755	265	226	310	–	8,320
Interconnect	153	120	135	57	37	19	39	–	560
Other mobile service revenues	200	199	274	96	14	6	18	–	808
Total mobile service revenues	3,649	1,927	2,270	908	315	251	367	–	9,688
Telephony	632	56	32	45	78	32	–	–	876
Broadband	1,137	173	0	66	145	135	–	–	1,656
TV	460	135	–	41	67	57	–	–	761
Business solutions	674	571	0	47	51	52	16	–	1,411
Other fixed service revenues	1,023	385	0	16	115	81	1,122	–	2,742
Total fixed service revenues	3,926	1,320	33	215	456	358	1,137	–	7,444
Other service revenues	85	11	0	6	–	10	79	–	191
Total service revenues¹	7,660	3,258	2,303	1,129	771	618	1,584	–	17,323
Total equipment revenues¹	1,182	608	558	445	208	148	212	–	3,362
Total external net sales	8,842	3,866	2,861	1,575	980	766	1,796		20,685
Internal net sales	75	41	5	19	17	24	403	-583	–
Total net sales	8,916	3,906	2,866	1,594	997	790	2,199	-583	20,685

Jul-Sep 2017²

SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	Other operations	Eliminations	Total
Mobile subscription revenues	3,295	1,426	1,791	745	211	201	278	–	7,948
Interconnect	158	117	135	55	33	18	41	–	557
Other mobile service revenues	159	185	222	88	10	6	12	–	682
Total mobile service revenues	3,613	1,728	2,148	889	254	224	332	–	9,187
Telephony	742	59	38	47	83	33	–	–	1,003
Broadband	1,142	191	0	72	135	120	–	–	1,660
TV	440	127	–	40	57	48	–	–	711
Business solutions	688 ³	520	–	43	46	41	16	–	1,354
Other fixed service revenues	1,029 ³	285	0	22	108	68	1,266	–	2,779
Total fixed service revenues	4,041	1,183	39	223	430	310	1,282	–	7,507
Other service revenues	85	0	1	7	–	11	77	–	182
Total service revenues¹	7,739	2,911	2,187	1,119	683	545	1,691	–	16,876
Total equipment revenues¹	1,161	417	383	322	161	131	162	–	2,738
Total external net sales	8,901	3,329	2,571	1,441	844	677	1,852	–	19,614
Internal net sales	59	40	7	26	14	21	353	-520	–
Total net sales	8,959	3,369	2,578	1,467	858	698	2,206	-520	19,614

Jan-Sep 2018

SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	Other operations	Eliminations	Total
Mobile subscription revenues	9,825	4,703	5,415	2,210	755	650	894	–	24,453
Interconnect	478	359	404	171	112	53	115	–	1,694
Other mobile service revenues	480	580	730	223	28	13	37	–	2,091
Total mobile service revenues	10,783	5,643	6,550	2,604	895	716	1,047	–	28,237
Telephony	2,012	172	101	136	239	100	–	–	2,761
Broadband	3,423	534	1	202	429	395	0	–	4,983
TV	1,374	397	–	126	200	164	–	–	2,260
Business solutions	2,037	1,698	1	131	150	147	48	–	4,212
Other fixed service revenues	3,103	1,126	0	57	340	235	3,457	–	8,319
Total fixed service revenues	11,949	3,927	103	652	1,358	1,041	3,505	–	22,535
Other service revenues	250	20	0	20	–	30	230	–	550
Total service revenues¹	22,982	9,590	6,653	3,276	2,252	1,788	4,782	–	51,322
Total equipment revenues¹	4,083	1,711	1,543	1,194	556	384	558	–	10,028
Total external net sales	27,065	11,300	8,195	4,470	2,808	2,172	5,340	–	61,351
Internal net sales	216	132	15	63	45	71	1,185	-1,728	–
Total net sales	27,281	11,432	8,211	4,534	2,853	2,243	6,525	-1,728	61,351

Jan-Sep 2017²

SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	Other operations	Eliminations	Total
Mobile subscription revenues	9,688	4,292	5,195	2,148	624	594	804	–	23,346
Interconnect	488	350	412	170	97	52	121	–	1,690
Other mobile service revenues	461	547	585	245	17	12	60	–	1,927
Total mobile service revenues	10,637	5,188	6,193	2,563	738	658	985	–	26,963
Telephony	2,310	182	83	152	261	105	–	–	3,093
Broadband	3,439	594	0	218	407	360	–	–	5,017
TV	1,325	399	–	120	169	137	–	–	2,150
Business solutions	2,105 ³	1,421	–	117	137	123	50	–	3,952
Other fixed service revenues	3,215 ³	873	0	74	389	201	3,726	–	8,478
Total fixed service revenues	12,393	3,468	83	680	1,363	926	3,777	–	22,689
Other service revenues	268	5	18	17	–	35	405	–	747
Total service revenues¹	23,299	8,661	6,294	3,260	2,102	1,618	5,167	–	50,400
Total equipment revenues¹	3,634	1,197	1,104	1,054	433	359	447	–	8,227
Total external net sales	26,932	9,858	7,398	4,314	2,534	1,977	5,614		58,627
Internal net sales	180	121	18	76	38	65	1,152	-1,650	–
Total net sales	27,112	9,979	7,416	4,390	2,573	2,042	6,765	-1,650	58,627

1) In all material aspects, equipment revenues are recognized at a point in time and service revenues over time.

2) Restated for comparability, see Note 1.

3) Due to harmonization in the reporting within Enterprise segment in Sweden, historical figures have been reclassified by SEK 49 million for the third quarter and SEK 137 million for the first nine-month period 2017, from the line item Other fixed service revenues to Business solutions.

NOTE 7. INVESTMENTS

SEK in millions	Jul-Sep 2018	Jul-Sep 2017 ¹	Jan-Sep 2018	Jan-Sep 2017 ¹
CAPEX	4,224	2,885	10,473	10,873
Intangible assets	657	463	2,107	3,164
Property, plant and equipment	3,567	2,422	8,367	7,709
Acquisitions and other investments	54	1,830	1,089	4,754
Asset retirement obligations	11	–	37	-15
Goodwill, intangible and tangible non-current assets acquired in business combinations	36	1,829	977	4,768
Equity instruments	7	1	75	1
Total continuing operations	4,278	4,715	11,563	15,626
Total discontinued operations	187	290	580	1,319
<i>of which CAPEX</i>	<i>187</i>	<i>290</i>	<i>580</i>	<i>1,319</i>
Total investments	4,465	5,004	12,143	16,945
<i>of which CAPEX</i>	<i>4,412</i>	<i>3,174</i>	<i>11,053</i>	<i>12,191</i>

1) Restated for comparability, see Note 1.

NOTE 8. FINANCIAL INSTRUMENTS – FAIR VALUES

Long-term and short-term borrowings ¹ SEK in millions	Sep 30, 2018		Dec 31, 2017	
	Carrying value	Fair value	Carrying value ²	Fair value ²
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships ²	48,768	53,631	45,184	49,967
Interest rate swaps	252	252	276	276
Cross-currency interest rate swaps	1,894	1,894	1,990	1,990
Subtotal	50,914	55,777	47,450	52,233
Open-market financing program borrowings ²	35,601	43,275	37,987	46,878
Other borrowings at amortized cost	1,527	1,527	2,204	2,204
Subtotal	88,043	100,580	87,642	101,316
Finance lease agreements	1,278	1,278	171	171
Total long-term borrowings	89,321	101,858	87,813	101,487
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	2,241	2,244	729	735
Interest rate swaps	33	33	4	4
Cross-currency interest rate swaps	674	674	199	199
Subtotal	2,948	2,951	932	937
Utilized bank overdraft and short-term credit facilities at amortized cost	–	–	0	0
Open-market financing program borrowings	500	502	1,459	1,461
Other borrowings at amortized cost	1,143	1,143	1,276	1,336
Subtotal	4,591	4,596	3,668	3,734
Finance lease agreements	53	53	6	6
Total short-term borrowings	4,644	4,649	3,674	3,740

1) For financial assets, fair values equal carrying values. For information on fair value estimation, see the Annual and Sustainability Report 2017, Note C3 to the consolidated financial statements.

2) Carrying value of SEK 267 million has been reclassified from "Open-market financing program borrowings" to "Open-market financing program borrowings in fair value hedge". Fair value for "Open-market financing program borrowings in fair value hedge" and "Open-market financing program borrowings" have been adjusted by SEK -4,998 million and SEK 3,609 million, respectively.

Financial assets and liabilities by fair value hierarchy level ¹ SEK in millions	Sep 30, 2018				Dec 31, 2017			
	Carrying value	of which			Carrying value	of which		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial assets at fair value								
Equity instruments at fair value through OCI ²	214	–	–	214	1,899	–	–	1,899
Equity instruments at fair value through income statement ²	13	–	–	13	19	–	–	19
Long- and short-term bonds at fair value through OCI ²	17,101	15,151	1,950	–	22,738	18,029	4,709	–
Derivatives designated as hedging instruments	1,549	–	1,549	–	1,709	–	1,709	–
Derivatives at fair value through income statement ²	1,155	–	1,155	–	1,508	–	1,508	–
Total financial assets at fair value by level	20,033	15,151	4,655	227	27,874	18,029	7,926	1,919
Financial liabilities at fair value								
Derivatives designated as hedging instruments	2,078	–	2,078	–	2,180	–	2,180	–
Derivatives at fair value through income statement ²	957	–	957	–	514	–	514	–
Total financial liabilities at fair value by level	3,035	–	3,035	–	2,693	–	2,693	–

1) For information on fair value hierarchy levels and fair value estimation, see the Annual and Sustainability Report 2017, Note C3 to the consolidated financial statements and the section below.

2) For comparable figures, financial assets measured at fair value through Other Comprehensive Income (OCI) refer to financial assets classified as "available-for-sale" under IAS 39, whereas financial assets and financial liabilities measured at fair value through profit or loss (income statement) refer to instruments classified as "held for trading" under IAS 39.

Fair value measurement of level 3 financial instruments

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

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

In addition, the assessment of the fair value of material unlisted equity instruments is verified by applying other valuation models in the form of valuation multiples from listed comparable companies (peers) on relevant financial and operational metrics, such as revenue, gross profit and other relevant KPIs for the specific company. Comparable listed companies are determined based on

industry, size, development stage, geographic area and strategy. The multiple is calculated by dividing the enterprise value of the comparable company by the relevant metric. The multiple is then adjusted for discounts/premiums with regards to differences, advantages and disadvantages between Telia Company's investment and the comparable public companies based on company specific facts and circumstances.

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

The table below presents the movements in level 3 instruments for the nine-month period ended September 30, 2018. The change in fair value and the disposals of equity instruments relate mainly to the disposal of Telia Company's holding in Spotify.

Movements within Level 3, fair value hierarchy SEK in millions	Jan-Sep 2018		
	Equity instruments at fair value through OCI	Equity instruments at fair value through income statement	Total
Level 3, opening balance	1,899	19	1,919
Changes in fair value	554	–	554
<i>of which recognized in other comprehensive income</i>	554	–	554
Purchases/capital contributions	29	–	29
Disposals	-2,269	-6	-2,275
Level 3, closing balance	214	13	227

Movements within Level 3, fair value hierarchy SEK in millions	Jan-Dec 2017		
	Equity instruments at fair value through OCI ¹	Equity instruments at fair value through income statement ¹	Total
Level 3, opening balance	1,162	26	1,188
Changes in fair value	738	-7	731
<i>of which recognized in net income</i>	–	-7	-7
<i>of which recognized in other comprehensive income</i>	738	–	738
Exchange rate differences	–	0	0
Level 3, closing balance	1,899	19	1,919

¹) For comparable figures, financial assets measured at fair value through Other Comprehensive Income (OCI) refer to financial assets classified as "available-for-sale" under IAS 39, whereas financial assets and financial liabilities measured at fair value through profit or loss (income statement) refer to instruments classified as "held for trading" under IAS 39.

NOTE 9. TREASURY SHARES

On April 20, 2018, the Board of Directors decided on a share buy-back program. The intention is to buy back shares for an annual amount of SEK 5 billion over the coming three-year period, totaling SEK 15 billion, subject to the annual general meeting approving necessary mandates for such buy-backs in 2019 and 2020. As of September 30, 2018, Telia Company held 58,128,000 treasury shares. The total price paid in cash for the repurchased shares during the nine-month period was SEK 2,428 million and pre-tax transaction costs amounted to SEK 1.2 million.

On May 3, 2018, Telia Company AB acquired additional 445,891 own shares at an average price of SEK 42.9698 to cover commitments under the "Long term Incentive Program 2015/2018". The total price paid in cash for the repurchased shares was SEK 19 million. During the second quarter of 2018, Telia Company distributed these shares to the incentive program participants.

In total the acquisitions of treasury shares during the nine-month period 2018 reduced other contributed capital within parent shareholder's equity by SEK 2,449 million.

As of September 30, 2018, the total numbers of issued and outstanding shares were 4,330,084,781 and 4,271,956,781, respectively. As of December 31, 2017, no Telia Company shares were held by the company itself or by its subsidiaries and the total numbers of issued and outstanding shares were 4,330,084,781.

NOTE 10. RELATED PARTY TRANSACTIONS

In the nine-month period ended September 30, 2018, Telia Company purchased goods and services for SEK 26 million (31), and sold goods and services for SEK 14 million (10). These related party transactions are based on commercial terms.

NOTE 11. 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, 2018	Dec 31, 2017
Long-term borrowings	90,372	88,108
Less 50 percent of hybrid capital ¹	-7,890	-7,670
Short-term borrowings	5,424	5,102
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-2,896	-3,032
Less long-term bonds at fair value through OCI ²	-10,181	-12,084
Less short-term investments	-9,959	-15,616
Less cash and cash equivalents	-33,120	-20,984
Net debt, continuing and discontinued operations	31,750	33,823

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

2) For comparable figures, long-term bonds at fair value through OCI refer to long-term bonds "available for sale" under IAS 39.

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

Long-term bonds at fair value through OCI are part of the balance sheet line item Long-term interest-bearing receivables. Short-term investments are part of the balance sheet line item Short-term interest-bearing receivables.

NOTE 12. LOAN FINANCING AND CREDIT RATING

On July 19, 2018, following the announcement of the acquisition of TDC's Norwegian business, Standard & Poor's put Telia Company's long-term rating on credit watch negative. The current long-term rating is A- and the short-term rating is A-2. Moody's credit rating of Telia Company remained unchanged during the third quarter with the long-term rating at Baa1 and P-2 as short-term rating, both with a stable outlook.

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 29, 2023. Telia Company has not made any major funding transactions during the third quarter.

NOTE 13. CONTINGENT LIABILITIES, COLLATERAL PLEDGED AND LITIGATIONS

As of September 30, 2018, the maximum potential future payments that Telia Company (continuing operations) could be required to make under issued financial guarantees totaled SEK 306 million (368 at the end of 2017), of which SEK 289 million (352 at the end of 2017) referred to guarantees for pension obligations. Collateral pledged (continuing and discontinued operations) totaled SEK 202 million (714 at the end of 2017). The decrease is mainly related to lower investment bonds pledged under repurchase agreements in 2017. For ongoing legal proceedings see Note C29 in the Annual and Sustainability Report 2017. For updated information regarding the Uzbekistan investigations, see Note 4.

NOTE 14. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of September 30, 2018, contractual obligations (continuing operations) totaled SEK 2,992 million (3,373 at the end of 2017), of which SEK 1,267 million (1,448 at the end of 2017) referred to contracted build-out of Telia Company's fixed networks in Sweden. Total contractual obligations per September 30, 2018, also include up-grade of network equipment in Norway. Total contractual obligations as of December 31, 2017 included the lease agreement related to the Telia Helsinki Data Center.

NOTE 15. BUSINESS COMBINATIONS

Business combinations

On January 31, 2018, Telia Company acquired all shares in the Finnish ICT company Inmics Oy. The acquisition will strengthen Telia Company's offer of IT equipment and services targeting the Finnish SME segment.

On March 9, 2018, Telia Company acquired all shares in the Finnish IT service provider Cloud Solutions CS Oy. The acquisition will strengthen Telia Company's offer of cloud services and data security targeting the Finnish large B2B customers.

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

SEK in millions	Inmics	Cloud Solutions
Cost of combination	914	82
<i>of which cash consideration</i>	914	82
Fair value of net assets acquired		
Intangible assets	423	0
<i>of which customer relationships</i>	390	–
<i>of which other intangible assets</i>	32	0
Property, plant and equipment and other non-current assets	5	1
Current assets	239	41
Total assets acquired	667	42
Non-current liabilities	-90	–
Current liabilities	-62	-24
Total liabilities assumed	-152	-24
Total fair value of net assets acquired	515	18
Goodwill	399	64

Inmics

The net cash flow effect of the business combination was SEK 743 million (cash consideration SEK 914 million less cash and cash equivalents SEK 171 million). Goodwill consists of the knowledge of transferred personnel and expected synergies of the merged operations. No part of goodwill is expected to be deductible for tax purposes. The fair value of acquired receivables was SEK 63 million (whereof all attributable to short-term trade receivables). The best estimate at the acquisition date was that all contractual cash flows will be obtained. Acquisition-related costs of SEK 18 million have been recognized as other operating expenses. From the acquisition date, revenues of SEK 393 million and net income of SEK -4 million are included in the condensed consolidated statements of comprehensive income. If Inmics had been acquired at the beginning of 2018, there had been no material difference in revenues or total net income for Telia Company for the first nine-month period of 2018.

Cloud Solutions CS

The net cash flow effect of the business combination was SEK 59 million (cash consideration SEK 82 million less cash and cash equivalents SEK 22 million). Goodwill consist of the knowledge of transferred personnel and expected synergies. No part of goodwill is expected to be deductible for tax purposes. Acquisition-related costs of SEK 3 million have been recognized as other operating expenses. From the acquisition date, revenues of SEK 83 million and net income of SEK 3 million are included in the condensed consolidated statements of comprehensive income. If Cloud Solutions CS had been acquired at the beginning of 2018, there had been no material difference in revenues or total net income for Telia Company for the first nine-month period of 2018.

Minor business combinations

On January 2, 2018, Telia Company acquired all shares in Axelerate Solutions AB. The cost of the acquisition was SEK 17 million.

On May 2, 2018, Telia Company acquired all shares in Atrax Development AB. The cost of the acquisition was SEK 19 million.

On June 1, 2018, Telia Company acquired the Finnish company Assembly Organizing Oy. The cost of the acquisition was SEK 20 million for 80.1 percent of the shares.

On July 10, 2018, Telia Company acquired all shares in Romelebygdens Kabel-TV AB. The cost of the acquisition was SEK 36 million.

Business combinations after the reporting period

Get and TDC Norway

On July 17, 2018, Telia Company announced that it had signed an agreement to acquire all shares in Get and TDC Norway at an enterprise value of NOK 21 billion on a cash and debt free basis. The Danish operator TDC's Norwegian business encompasses Get, a leading provider of fixed and TV services, with a total of 518,000 households and businesses connected to its fiber-based network, and more than 1 million private and business customers who use the TV and broadband services on a daily basis. TDC's B2B business in Norway is also part of the transaction, which paired with Telia Company's enterprise business will enable converged offerings to B2B customers. The acquisition will strengthen Telia Company's position on the Norwegian market and will position the company as a strong challenger in mobile, TV and broadband. In 2017 Get and TDC Norway reported revenues of NOK 4 billion and EBITDA of NOK 1.7 billion. The purchase price of NOK 21 billion corresponds to an EV/EBITDA multiple of 12.1x based on 2017, and 9.0x including expected synergies. Telia Company expects to generate full run-rate synergies of NOK 0.6 billion by the end of 2021 from B2C and B2B cross-sales, churn reduction and other cost efficiencies. The acquisition is estimated to incur integration costs during 2019 and 2020 of approximately NOK 200 million annually. The transaction results in a net debt to EBITDA pro forma at 1.9x i.e. slightly below Telia Company's target of 2x plus/minus 0.5x. The acquisition of Get and TDC Norway was approved by the Norwegian Competition Authority on October 5, 2018 and the transaction was closed on October 15, 2018.

Bonnier Broadcasting

On July 20, 2018, Telia Company announced that it had signed an agreement to acquire Bonnier Broadcasting, including the brands TV4, C More and Finnish MTV, from Bonnier AB at an enterprise value of SEK 9.2 billion, with a contingent consideration of maximum SEK 1 billion. The contingent consideration will be based on future operational performance on revenue and EBITA. The purchase price of SEK 9.2 billion corresponds to an EV/EBIT multiple of 15.4x, based on the last 12-month period as per March 31, 2018. Including full run-rate synergies, the EV/EBIT multiple is 7.7x.

The acquisition of TV4, C More and MTV is of strategic importance to Telia Company as it strengthens the company in the fast-growing area of video content consumption. With this acquisition, Telia Company will establish a new business area, where both Telia Company's existing TV business and the Bonnier Broadcasting businesses will be included.

Bonnier Broadcasting had revenues of SEK 7.5 billion in the last 12-month period as per March 31, 2018, and an EBIT of SEK 0.6 billion. The operational free cash flow amounted to SEK 0.3 billion. The transaction is expected

to generate synergies as per 2020 with a full run-rate of SEK 0.6 billion in 2022. The integration costs are expected to amount to SEK 0.4 billion on an aggregated level in 2020 and 2021. The transaction is expected to contribute by SEK 0.5 billion to Telia Company's operational free cash flow 2020. The pro forma impact on net debt to EBITDA equals 0.2x.

The transaction is subject to regulatory approvals and is expected to be completed during the second half of 2019.

NOTE 16. 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, 2018 ¹	Dec 31, 2017 ^{1,4}
Return on equity (%; rolling 12 months) ^{2,3}	6.1	11.2
Return on capital employed (%; rolling 12 months) ^{2,3}	6.8	9.2
Equity/assets ratio (%) ^{2,3}	36.8	39.4
Net debt/adjusted EBITDA rate (multiple; rolling 12 months)	1.11	1.15
Parent owners' equity per share (SEK) ^{2,3}	22.98	23.38

1) Includes continuing and discontinued operations.

2) Key ratios for Dec 31, 2017, are affected by the adjustment of the provision for the settlement proposed by and agreed with the US and Dutch authorities, see Note 4.

3) Equity is adjusted by weighted ordinary dividend, see the Annual and Sustainability Report 2017 section Definitions for key ratio definitions.

4) Restated for comparability, see Note 1.

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, CAPEX excluding license and spectrum fees, Cash CAPEX, Free cash flow, Operational free cash flow, Net debt, Net debt/Adjusted EBITDA ratio and Adjusted EBITDA margin. 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 2017. 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 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. Adjusted EBITDA in continuing operations, based on current structure, in local currencies, excluding future acquisitions and disposals represents part of Telia Company's outlook. Adjustment items within EBITDA are specified in Note 3.

Continuing operations

SEK in millions	Jul-Sep 2018	Jul-Sep 2017 ¹	Jan-Sep 2018	Jan-Sep 2017 ¹	Chg %
Operating income	3,779	1,674	10,852	7,595	
Income from associated companies and joint ventures	-207	1,699	-657	2,396	
Total depreciation/amortization/write-down	3,278	3,002	9,494	9,335	
EBITDA	6,851	6,375	19,689	19,326	
Adjustment items within EBITDA (Note 3)	126	180	225	-695	
Adjusted EBITDA	6,977	6,556	19,914	18,631	
FX effects from changes in currency rates compared to full year 2017 average rate			-487	17	
Adjusted EBITDA in continuing operations excluding currency effects (outlook)			19,427	18,648	4.2

Discontinued operations

SEK in millions	Jul-Sep 2018	Jul-Sep 2017 ¹	Jan-Sep 2018	Jan-Sep 2017 ¹
Operating income	548	1,463	1,637	7,638
Income from associated companies and joint ventures	-2	-1	-5	-4
Total depreciation/amortization/write-down	-156	–	-218	–
Gain/loss on disposals	–	–	-3,306	-193
EBITDA	390	1,462	-1,892	7,442
Adjustment items within EBITDA (Note 3)	216	-328	3,724	-3,986
Adjusted EBITDA	606	1,134	1,832	3,456

1) Restated for comparability, see Note 1.

Adjusted operating income, continuing operations

Telia Company considers Adjusted operating income, continuing operations, as a relevant measure to be able to understand the underlying financial performance of

Telia Company. Adjustment items within operating income, continuing operations are specified in Note 3.

SEK in millions	Jul-Sep 2018	Jul-Sep 2017 ¹	Jan-Sep 2018	Jan-Sep 2017 ¹
Operating income	3,779	1,674	10,852	7,595
Adjustment items within Operating income (Note 3)	184	2,089	301	3,507
Adjusted operating income, continuing operations	3,964	3,763	11,153	11,102

1) Restated for comparability, see Note 1.

CAPEX, CAPEX excluding license and spectrum fees and Cash CAPEX

Telia Company considers CAPEX, CAPEX excluding license and spectrum fees and Cash CAPEX as relevant measures to understand the group's investments in intangible and tangible non-current assets

(excluding goodwill, assets acquired in business combinations and asset retirement obligations).

SEK in millions	Jul-Sep 2018	Jul-Sep 2017 ¹	Jan-Sep 2018	Jan-Sep 2017 ¹
Continuing operations				
Investments in intangible assets	657	463	2,107	3,164
Investments in property, plant and equipment	3,567	2,422	8,367	7,708
CAPEX	4,224	2,885	10,473	10,873
Net of not paid investments and additional payments from previous periods ²	-1,151	-54	-1,153	-1,218
Cash CAPEX	3,073	2,830	9,320	9,655
CAPEX	4,224	2,885	10,473	10,873
Deduct: investments in license and spectrum fees	–	3	–	-459
CAPEX excluding license and spectrum fees	4,224	2,888	10,473	10,414

SEK in millions	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
Discontinued operations				
Investments in intangible assets	62	25	157	83
Investments in property, plant and equipment	125	264	423	1,236
CAPEX	187	290	580	1,319
Net of not paid investments and additional payments from previous periods	75	106	213	312
Cash CAPEX	262	396	793	1,631

1) Restated for comparability, see Note 1.

2) 2018 is mainly attributable to the Telia Helsinki Data Center whilst the nine-month period 2017 mainly refers to acquired rights for the ice hockey rights in Finland.

Free cash flow

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

SEK in millions	Jul-Sep 2018	Jul-Sep 2017 ¹	Jan-Sep 2018	Jan-Sep 2017 ¹
Cash flow from operating activities	6,299	1,944	20,574	16,863
Cash CAPEX (paid Intangible and tangible assets)	-3,335	-3,225	-10,113	-11,285
Free cash flow, continuing and discontinued operations	2,963	-1,281	10,461	5,578

1) Restated for comparability, see Note 1.

Operational free cash flow

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

generally refer to a longer period than just one year. Operational free cash flow in continuing operations represents part of Telia Company's outlook. Telia Company intends to distribute a minimum of 80 percent of free cash flow from continuing operations, excluding licenses and spectrum fees.

SEK in millions	Jul-Sep 2018	Jul-Sep 2017 ¹	Jan-Sep 2018	Jan-Sep 2017 ¹
Cash flow from operating activities from continuing operations	5,855	7,039	19,341	20,208
Deduct: Cash CAPEX from continuing operations	-3,073	-2,830	-9,320	-9,655
Free cash flow, continuing operations	2,782	4,209	10,022	10,553
Add back: Cash CAPEX for licenses and spectrum fees from continuing operations	0	-71	46	483
Free cash flow that forms the basis for dividend	2,782	4,138	10,067	11,037
Deduct: Dividends from associates from continuing operations	-213	-1,388	-709	-2,325
Add back: Taxes paid on dividends from associates from continuing operations	0	59	41	172
Operational free cash flow	2,569	2,808	9,399	8,883

1) Restated for comparability, see Note 1.

Net debt

Telia Company considers Net debt to be a relevant measure to be able to understand the group's indebtedness. Net debt is specified in Note 11.

Net debt/Adjusted EBITDA ratio (multiple, rolling 12 months)

Telia Company considers net debt in relation to adjusted EBITDA as a relevant measure to be able to understand the group's financial position.

SEK in millions, except for multiple	Sep 30, 2018	Dec 31, 2017 ¹
Net debt	31,750	33,823
Adjusted EBITDA continuing operations, Jan-Sep 2018	19,914	–
Adjusted EBITDA continuing operations, Jan-Dec 2017	–	25,151
Adjusted EBITDA continuing operations, Oct-Dec 2017 ¹	6,520	–
Adjusted EBITDA discontinued operations, Jan-Sep 2018	1,832	–
Adjusted EBITDA discontinued operations, Jan-Dec 2017	–	4,262
Adjusted EBITDA discontinued operations, Oct-Dec 2017 ¹	807	–
Deduct disposed operations	-522	-109
Adjusted EBITDA rolling 12 months excluding disposed operations	28,551	29,304
Net debt/adjusted EBITDA ratio (multiple)	1.11x	1.15x

1) Restated for comparability, see Note 1.

Adjusted EBITDA margin

Telia Company considers Adjusted EBITDA in relation to net sales as a relevant measure to be able to understand the group's profit generation and to be used as a comparable benchmark.

SEK in millions	Jul-Sep 2018	Jul-Sep 2017 ¹	Jan-Sep 2018	Jan-Sep 2017 ¹
Net sales	20,685	19,614	61,351	58,627
Adjusted EBITDA	6,977	6,556	19,914	18,631
Adjusted EBITDA margin (%), continuing operations	33.7	33.4	32.5	31.8

1) Restated for comparability, see Note 1.

PARENT COMPANY

Condensed income statements

SEK in millions	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
Net sales	119	93	353	280
Gross income	119	93	353	280
Operating expenses and other operating income, net	-240	2,384	-897	5,763
Operating income	-121	2,478	-544	6,042
Financial income and expenses	5,328	-423	17,296	6,355
Income after financial items	5,207	2,055	16,752	12,397
Appropriations	1,349	1,409	6,069	4,404
Income before taxes	6,556	3,464	22,821	16,801
Income taxes	-327	-160	-353	-488
Net income	6,229	3,304	22,468	16,313

Operating expenses and other operating income, net, decreased to SEK -240 million (2,384) for the third quarter and to SEK -897 million (5,763) for the nine months period. Comparable figures were affected by the transfer of parts of the provision for the settlement regarding the Uzbekistan investigations to four other group companies, which was made in accordance with the settlement agreements with the US and Dutch authorities. The transfer had a positive net effect, after impairment of the receivable on OOO Coscom (Ucell), of SEK 2,191 million. Comparable figures were also affected by the adjustment of the provision for the final settlement with the authorities, which had a positive effect of SEK 251 million.

Operating expenses and other operating income, net, for the first nine months 2017 also included the SEK 4.1 billion adjustment of the provision for the settlement.

Financial income and expenses in the third quarter and first nine months 2018 were positively impacted by dividends from subsidiaries. The first nine months were further also negatively affected by foreign exchange losses mainly related to EUR loans.

Appropriations in the first nine months 2018 increased due to increased group contributions and a higher amount of net reversal of the equalization funds.

Condensed balance sheets

SEK in millions	Sep 30, 2018	Dec 31, 2017
Assets		
Non-current assets	156,838	156,592
Current assets	66,325	67,556
Total assets	223,163	224,148
Equity and liabilities		
Restricted shareholders' equity	15,713	15,713
Non-restricted shareholders' equity	80,979	70,687
Total shareholders' equity	96,691	86,400
Untaxed reserves	7,063	8,029
Provisions	488	2,153
Long-term liabilities	86,531	85,450
Short-term liabilities and short-term provisions	32,390	42,116
Total equity and liabilities	223,163	224,148

Non-current assets remained flat at SEK 156,838 million (156,592) as increased long interest bearing intra-group receivables were partly offset by matured investment bonds and divested equity holdings.

Current assets decreased to SEK 66,325 million (67,556) mainly due to decreased current interest bearing intra-group receivables and matured investment bonds offset by increased cash and bank mainly related to received dividends.

Equity increased to SEK 96,691 million (86,400) due to positive effects from net income partly offset by dividend to shareholders and repurchased shares related to the share buy-back program.

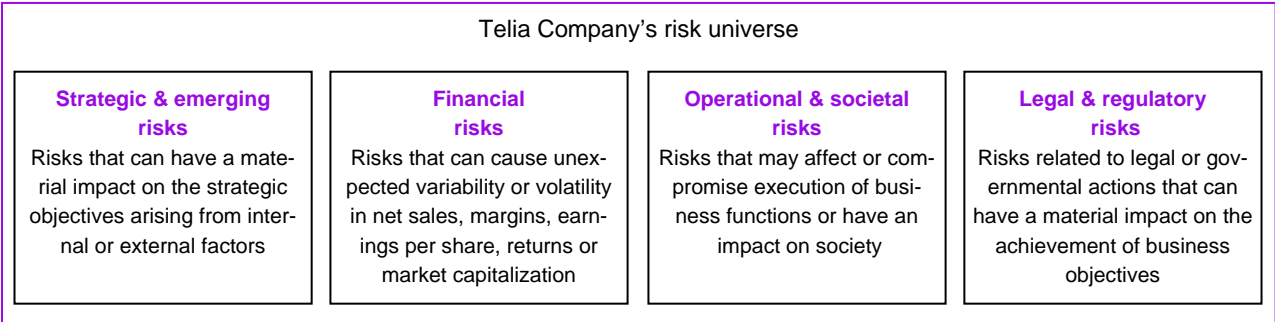
Provisions decreased to SEK 488 million (2,153) and was affected by the reclassification of the provision for the settlement with the US and Dutch authorities in the second quarter 2018 to Short-term liabilities and short-term provisions, which were further affected by reduced interest bearing intra-group liabilities offset by unpaid dividend liability to the shareholders.

Financial investments during the first nine months 2018 amounted to SEK 1,161 million (4,110 at the end of 2017). The financial investments were mainly impacted by the acquisition of Inmics Oy while previous year was mainly impacted by the acquisitions of Phonero AS and Nebula Top Oy, respectively.

RISKS AND UNCERTAINTIES

Telia Company operates in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry. Telia Company has defined risk as anything that could have a material adverse effect on the achievement of Telia Company’s goals. Risks can be threats, uncertainties or lost opportunities relating to Telia Company’s current or future operations or activities. Telia Company has an established risk management framework in place to regularly identify, analyze, assess and report business,

financial as well as ethics and sustainability risks and uncertainties, and to mitigate such risks when appropriate. Telia Company’s risk universe consists of four categories and over thirty risk areas used to aggregate and categorize risks identified across the organization within the risk management framework, see below. For further information regarding details on risk exposure and risk management, see the Annual and Sustainability Report 2017, Directors Report, section Risk and uncertainties.



Stockholm, October 19, 2018

Johan Denzelind
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.

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.

Broadband revenues: External net sales related to fixed broadband services.

Business solutions: External net sales related to fixed business networking and communication solutions.

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/disposals, 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.

Free cash flow: The total of cash flow from operating activities and cash CAPEX.

Interconnect revenues: External net sales related to mobile termination.

Internal net sales: Group internal net sales.

Mobile subscription revenues: External net sales related to voice, messaging, data and content (including machine-to-machine).

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 at fair value through OCI and cash/cash equivalents.

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

Operational free cash flow: Free cash flow from continuing operations excluding cash CAPEX for licenses and spectrum fees and dividends from associated companies net of taxes.

Other fixed service revenues: External net sales of fixed services including fiber installation, wholesale and other infrastructure services.

Other mobile service revenues: External net sales related to visitors’ roaming, wholesale and other services.

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

Telephony revenues: External net sales related to fixed telephony services.

Total equipment revenues: External equipment net sales.

Total service revenues: External net sales excluding equipment sales.

TV revenues: External net sales related to TV services.

For definitions of other alternative performance measures, see the Annual and Sustainability Report 2017.

In this report, comparable 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 2018
January 25, 2019

The Annual and Sustainability Report 2018
will be published week 12, 2019

Interim Report January-March 2019
April 25, 2019

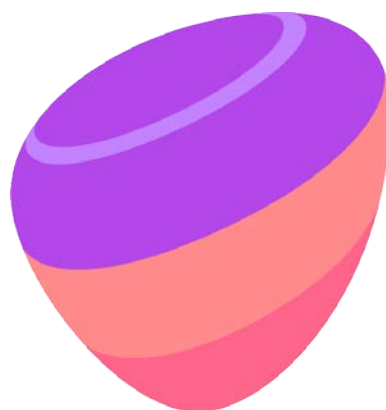
Interim Report January-June 2019
July 18, 2019

Interim Report January-September 2019
October 17, 2019

QUESTIONS REGARDING THE REPORT

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