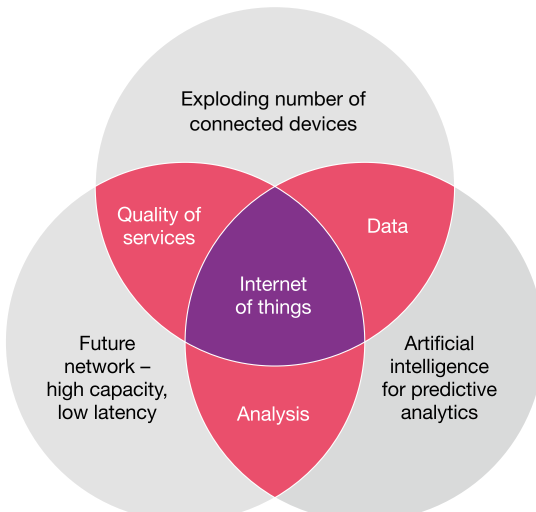
TRENDS AND STRATEGY

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

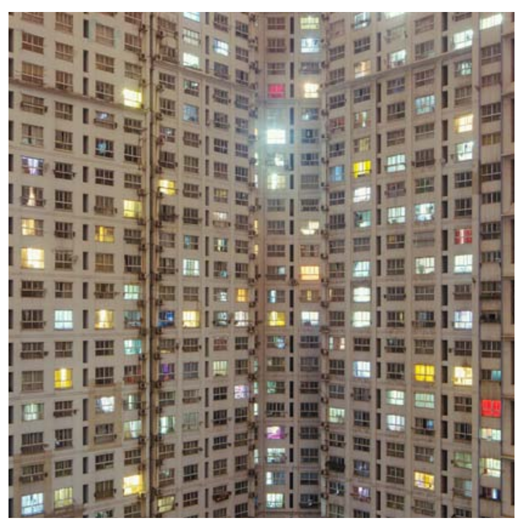


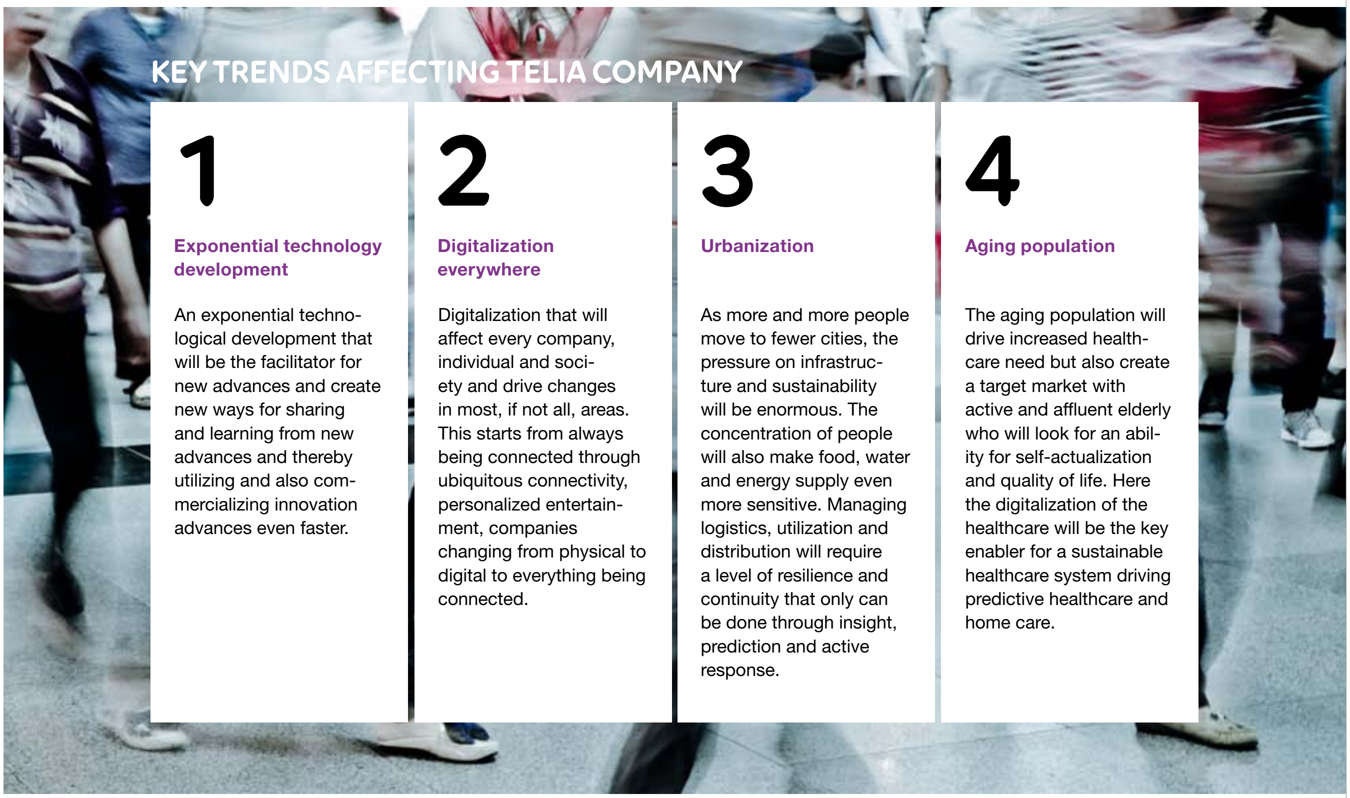
Our society is changing more rapidly through digitalization. Three megatrends are driving the telecom business.

MEGATRENDS

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

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





KEY TRENDS AFFECTING TELIA COMPANY

1
Exponential technology development

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

2
Digitalization everywhere

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

3
Urbanization

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

4
Aging population

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

IMPACT OF THE TRENDS

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

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

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

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

STAKEHOLDER ENGAGEMENT

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

CONSUMERS

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

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

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

BUSINESS CUSTOMERS

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

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

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

EMPLOYEES

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

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

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

INVESTORS

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

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

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

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

SUPPLIERS

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

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

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

SOCIETY

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

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

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

CAPABILITIES AND RESOURCES

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

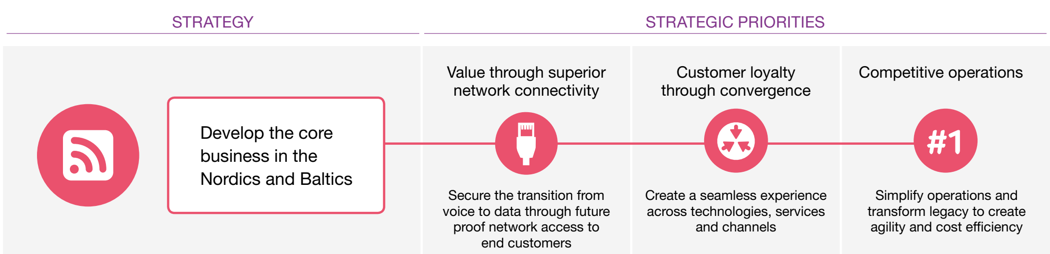
STRATEGY

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

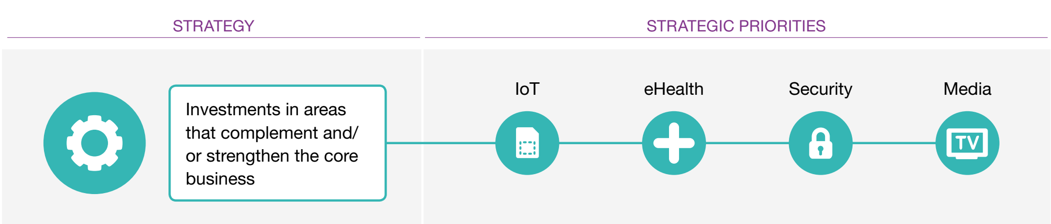
Enhance the core
The foundation is superior network connectivity. This means that we secure a network that can transport massive data volumes with high quality and our investments are steered towards modern technologies such as fiber and 4G. We are also developing 5G together with our industry partners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

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

ENHANCE THE CORE



EXPLORE OPPORTUNITIES CLOSE TO THE CORE



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

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

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

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

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

Explore opportunities close to the core

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

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

DELIVERING ON STRATEGY – SOME EXAMPLES

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

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

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

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

TELIA APP MARKET

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

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

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

OSLO

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

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

BOARD OF DIRECTORS' REPORT

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

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

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

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. The Sergel companies (Sergel) are included in continuing operations but classified as assets held for sale since June 30, 2016. For information on assets held for sale and discontinued operations, see Note C34.

In this Report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the full year of 2015, unless otherwise stated.

GROUP DEVELOPMENT IN 2016

Financial highlights

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

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

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

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

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

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

Significant events in 2016

Operations

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

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

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

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

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

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

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

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

Associated companies

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

Board of Directors and Group Executive Management

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

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

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

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

Funding

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

Treasury shares

As of December 31, 2015, 4,588 Telia Company shares were held by the company itself and the total numbers of issued and outstanding shares were 4,330,084,781 and 4,330,080,193, respectively. On April 29, 2016, Telia Company AB acquired additional 118,398 own shares at an average price of SEK 38.6519 to cover commitments under the "Long term Incentive Program 2013/2016". During the second quarter of 2016, Telia Company distributed 122,986 shares to the incentive program participants. As of December 31, 2016, no Telia Company shares were held by the company itself or by its subsidiaries. The total numbers of issued and outstanding shares were 4,330,084,781.

Net sales

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

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

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

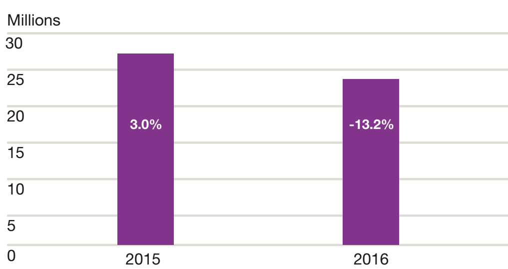
Operating expenses SEK in millions	2016	2015	Change (SEK million)	Change (%)
COGS	-33,578	-35,931	2,353	-6.5
of which goods and sub-contracting services purchased	-17,441	-18,176	735	-4.0
of which interconnect and roaming expenses	-7,971	-9,042	1,071	-11.8
of which other network expenses	-4,695	-4,949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

1) Excluding amortization, depreciation and impairment losses

Subscription growth

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

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



Operating expenses

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

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

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

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

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

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

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

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

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

Non-recurring items

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

Earnings

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

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

Financial net, taxes and net income

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

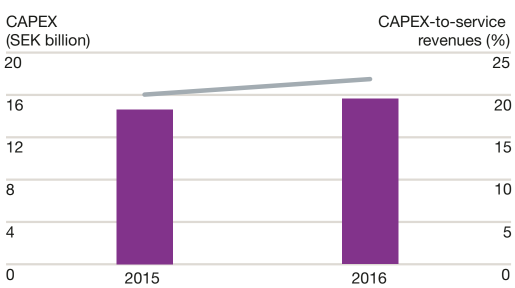
Income taxes increased to SEK -2,816 million (-2,157). The effective tax rate was 14.6 percent (18.5), mainly related to non-taxable capital gain on the sale of Yoigo in Spain.

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

CAPEX

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

CAPEX AND CAPEX-TO-SERVICE REVENUES, CONTINUING OPERATIONS



Discontinued operations

Former segment region Eurasia, is classified as discontinued operations since December 31, 2015. Consequently, information on region Eurasia is presented on an aggregated level. For additional information on discontinued operations, see Note C34 to the consolidated financial statements.

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

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

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

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

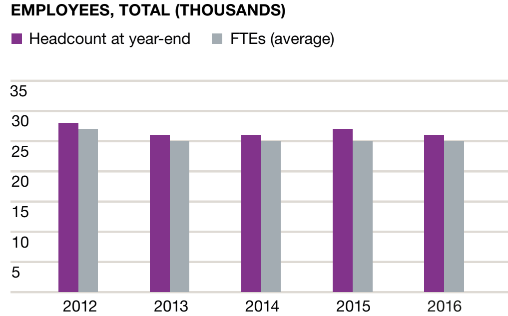
Net income was SEK -9,937 million (673), impacted by a provision for settlement amount proposed by the US and Dutch authorities. See Note C34 for further information.

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

Human resources

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

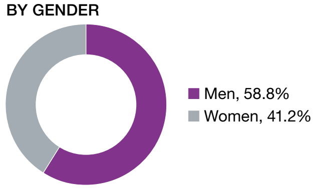
EMPLOYEES, TOTAL (THOUSANDS)



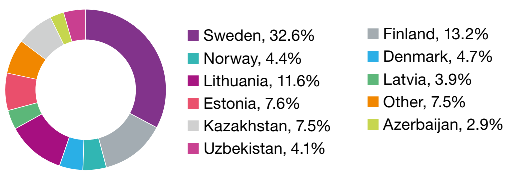
The total average number of full-time employees in 2016 was 24,898 (25,450), of which in continuing operations 19,822 (20,036). In total, operations were conducted in 28 countries (29), of which continuing operations in 21 countries (21). See also Note C31 to the consolidated financial statements.

EMPLOYEES, TOTAL (FTES, %)

BY GENDER



BY COUNTRY



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

FINANCIAL POSITION, CAPITAL RESOURCES AND LIQUIDITY

Financial position

The financial position remained stable year-on-year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit facilities

Telia Company believes its available bank credit facilities and updated open-market financing programs are sufficient for the present known liquidity requirements. In the continuing operations, Telia Company's surplus liquidity (short-term investments, cash and bank, and certain securities with maturities exceeding 12 months but convertible to cash within 2 days) was in total SEK 29.8 billion at year-end. In addition, the total available unutilized amount under committed bank credit facilities as well as overdraft and short-term credit facilities at year-end were SEK 16.0 billion.

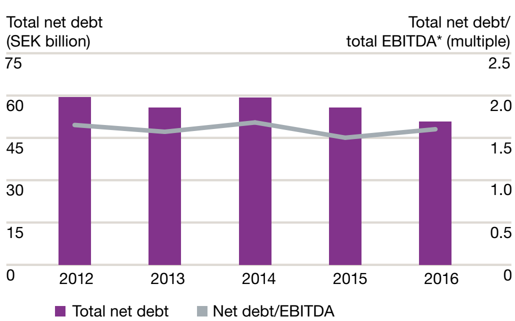
Telia Company AB shall target a solid investment grade long-term credit rating, defined as A- to BBB+. In May 2016 Moody's decided to downgrade Telia Company's long- term rating to Baa1 with stable outlook after an extensive period with negative outlook. The short term rating was reconfirmed as P-2.

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

Telia Company normally arrange its financing through the parent company Telia Company AB. Most issuance are done under the company's existing EMTN (Euro Medium Term Note) program of EUR 12 billion. The primary means of external borrowing are described in Notes C20 and C26 to the consolidated financial statements. In 2016, Telia Company AB issued no new debt in the debt capital markets but announced in May 2016 a tender offer in GBP under which an amount of GBP 153.9 million of the outstanding bond with maturity 2042 was bought back. At year-end, the average time to maturity of Telia Company AB's overall debt portfolio was approximately 7.8 years.

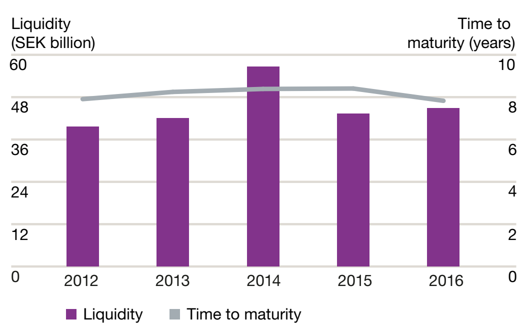
At the end of 2016, no Commercial Papers were outstanding.

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



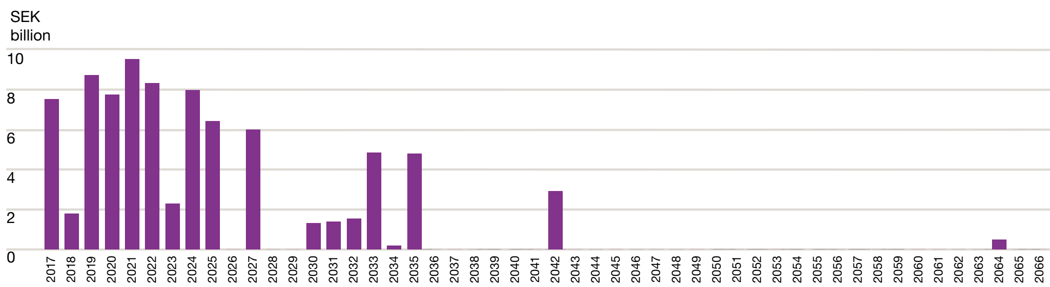
1) Excluding non-recurring items
2) Total Telia Company group including both continuing and discontiued operations

LIQUIDITY AND TIME TO MATURITY[1]



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

DEBT PORTFOLIO MATURITY SCHEDULE – 2017 AND ONWARDS



Cash flow, continuing and discontinued operations

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

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

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

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

Outlook for 2017

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

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

Dividend policy

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

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

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

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

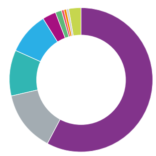
TELIA COMPANY SHARE

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

At year-end 2016, Telia Company's market capitalization was SEK 159 billion. Besides Nasdaq Stockholm and Helsinki, the share was traded at other platforms with the major trading volumes on Chi-X and BATS.

Holdings outside Sweden and Finland decreased from 35.1 percent to 32.0 percent. Telia Company had 512,841 shareholders at year-end, of which one shareholder held more than 10 percent of the shares and votes: the Swedish State with 37.3 percent. No other shareholder held more than 5 percent of the shares and votes.

SHAREHOLDINGS BY COUNTRY, DECEMBER 31, 2016 (% OF TOTAL NUMBER OF SHARES)



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

SHAREHOLDER STRUCTURE, DECEMBER 31, 2016

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

MAJOR SHAREHOLDERS, DECEMBER 31, 2016

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

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

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

As of December 31, 2016, Telia Company's issued share capital totaled SEK 13,856,271,299.20 distributed among 4,330,084,781 shares with a quotient value of SEK 3.20 per share. For further information, see sections "Share capital" and "Treasury shares" in Note C19 to the consolidated financial statements. All issued shares have been paid in full and apart from treasury shares carry equal rights to vote and participate in the assets of the company. At the general meeting of shareholders, each shareholder is entitled to vote for the total number of shares she or he owns or represents. Each share is entitled to one vote. As of December 31, 2016, Telia Company's Finnish pension fund held 366,802 shares and its Finnish personnel fund 673,749 shares in the company, respectively, in total representing 0.03 percent of the outstanding shares.

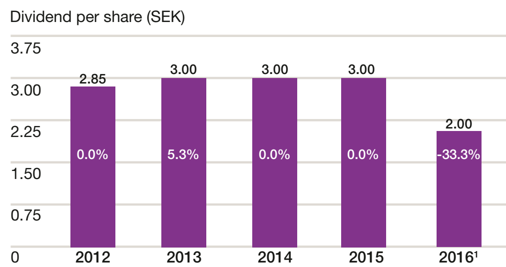
There are no provisions in either the Swedish legislation or in Telia Company AB's Articles of Association that would limit the possibility to transfer Telia Company shares. Telia Company is not aware of any agreements between major shareholders of the company regarding the Telia Company shares.

The Board of Directors does not currently have any authorization by the general meeting of shareholders to issue new shares but has the authorization to repurchase a maximum of 10 percent of the company's total number of outstanding shares before the Annual General Meeting 2017. In order to continue to provide the Board of Directors with an instrument to adapt and improve Telia Company's capital structure, the Board of Directors proposes that the Annual General Meeting on April 5, 2017, resolves to authorize the Board of Directors to acquire the company's own shares. The authorization may be exercised on one or more occasions before the Annual General Meeting 2017. The maximum number of treasury shares held by the company may not exceed 10 percent of all shares in the company.

In case of a change of control in Telia Company AB, the company might have to repay certain loans at short notice, since some of Telia Company's financing agreements contain customary change-of-control clauses. These clauses generally also contain other conditions including, for example, that the change of control has to cause a negative change in Telia Company's credit rating in order to be effective.

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

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



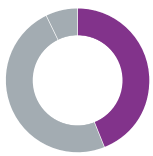
1) For 2016 as proposed by the Board of Directors

REGION AND COUNTRY DEVELOPMENT IN 2016

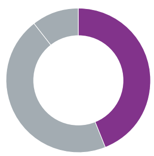
Improved profitability in region Sweden

SHARE OF GROUP TOTAL, CONTINUING OPERATIONS (%)

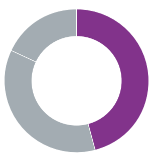
NET SALES



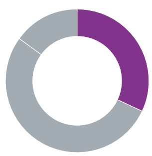
OPERATING INCOME



CAPEX



NO. OF EMPLOYEES



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

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

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

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

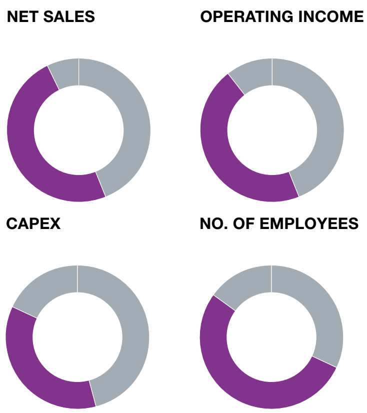
EBITDA, excluding non-recurring items, increased 1.3 percent to SEK 14,455 million (14,267) while EBITDA excluding non-recurring items, acquisitions and disposals increased 1.2 percent. The growth in mobile, broadband, TV, fiber and wholesale revenues, cost savings from transformation, procurement and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

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

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

Solid development in region Europe

SHARE OF GROUP TOTAL, CONTINUING OPERATIONS (%)



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

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

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

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

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

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

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

Finland – Growth in mobile billed revenues

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

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

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

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

Norway – Improved profitability

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

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

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

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

Denmark – Still fierce competition

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

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

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

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

Lithuania – Revenue and earnings growth

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

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

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

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

Latvia – Good net sales growth

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

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

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

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

Estonia – Growing subscription base

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

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

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

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

Spain – Divested as of quarter four 2016

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

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

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

Other operations

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

SHARE OF GROUP TOTAL, CONTINUING OPERATIONS (%)

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

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

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

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

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

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

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

ACQUISITIONS AND DISPOSALS

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

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

LEGAL AND ADMINISTRATIVE PROCEEDINGS

In its normal course of business, Telia Company is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial law issues and matters relating to telecommunications regulations and competition law. For further information regarding the provision for the settlement amount proposed by the US and Dutch authorities, see Notes C22, C29 and C34 and Risks and uncertainties, particularly section "Review of Eurasian transactions."

INNOVATION, RESEARCH AND DEVELOPMENT

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

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

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

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

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

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

ENVIRONMENT

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

For additional information, see Environmental responsibility.

REMUNERATION TO EXECUTIVE MANAGEMENT

Proposed remuneration principles for Group Executive Management 2017

The Board of Directors proposes that the Annual General Meeting on April 5, 2017, resolves on the following principles for remuneration to Group Executive Management. Group Executive Management is defined as the President and the other members of the Management Team.

Objective of the principles

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

Fixed salary

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

Pension

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

Other benefits

The company provides other benefits in accordance with market practice. A Group Executive Management member may be entitled to a company car, health and care provisions, etc. Internationally hired Group Executive Management members and those who are asked to move to another country can be offered mobility related benefits for a limited period of time.

Notice of termination and severance pay

The termination period for a Group Executive Management member may be up to six (6) months (twelve (12) months for the President) when given by the employee and up to twelve (12) months when given by the company. In case the termination is given by the company the individual may be entitled to a severance payment up to twelve (12) months. Severance pay shall not constitute a basis for calculation of vacation pay or pension benefits. Termination and severance pay will also be reduced if the individual will be entitled to pay from a new employment or if the individual will be conducting own business during the termination period or the severance period.

The Board of Directors may make minor deviations on an individual basis from the principles stated above. The 2016 remuneration policy is reproduced in Note C31 to the consolidated financial statements.

Long-term incentive program 2016/2019

The Annual General Meeting held on April 12, 2016, resolved to launch a long-term incentive program (LTI) comprising of approximately 200 key employees. This program is not available for the members of Group Executive Management. The LTI program should strengthen Telia Company's ability to recruit and retain talented key employees, create a long-term confidence in and commitment to the group's long-term development, align key employees' interests with those of the shareholders, increase the part of the remuneration that is linked to the company's performance and encourage shareholding of key employees. The LTI program rewards performance measured over a minimum of a three-year period (performance period), is capped to a maximum value of 60 percent of the annual base salary and is equity based (delivered in Telia Company shares with the ambition that the employees should remain shareholders also after vesting). A prerequisite for pay-out from the LTI program is the continuous employment during the length of the program (vesting period).

The LTI program measures performance over a 3-year period. Financial targets are earnings before interest, tax, depreciation and amortisation (EBITDA) and total shareholder return (TSR). The final allotment of Telia Company shares will be based 50 percent on accumulated EBITDA and 50 percent on TSR compared to a corresponding TSR development of a pre-defined peer group of companies.

The maximum number of Performance Shares a participant can receive is the equivalent of 30 percent of the participant's annual salary. Accumulated EBITDA represents 50 percent of the Performance Shares (or 15 percent of the participant's annual salary):

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

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

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

- If the Company's TSR is ranked first or second compared to the defined peer group of companies, 100 percent of the Performance Shares under the TSR part will vest.
- If the Company's TSR is ranked third of fourth, 75 percent of the Performance Shares under the TSR part will vest.
- If the Company's TSR is ranked fifth or sixth, 50 percent of the Performance Shares under the TSR part will vest.
- If the Company's TSR is ranked seventh or lower, no Performance Shares under the TSR part will vest.

The program may be repeated annually. Similar programs were launched in 2010-2015. The prevalence of an LTI program is subject to the approval of the Annual General Meeting. For more information on Telia Company's LTI programs, see Note C31 to the consolidated financial statements.

PARENT COMPANY

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

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

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

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

SIGNIFICANT EVENTS AFTER YEAR-END 2016

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

PROPOSED APPROPRIATION OF EARNINGS

At the disposal of the Annual General Meeting:

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

The Board proposes that this sum be appropriated as follows:

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

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

The Board of Directors has, according to Chapter 18 Section 4 of the Swedish Companies Act, assessed whether the proposed dividend is justified. The Board of Directors assesses that:

The parent company's restricted equity and the group's total equity attributable to the shareholders of the parent company, after the distribution of profits in accordance with the proposal, will be sufficient in relation to the scope of the parent company's and the group's business.

The proposed dividend does not jeopardize the parent company's or the group's ability to make the investments that are considered necessary. The proposal is consistent with the established cash flow forecast under which the parent company and the group are expected to manage unexpected events and temporary variations in cash flows to a reasonable extent.

The full statement by the Board of Directors on the same will be included in the AGM documents.

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

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

Risk	Description	Mitigating activities
Investments in business transformation and future growth	Telia Company is currently investing in business transformation and future growth through, for example, initiatives to increase competitiveness and reduce cost as well as to improve capacity and access. In order to attract new customers, Telia Company has previously engaged in start-up operations and may decide to do so also in the future, which would require additional investments and expenditure in the build-up phase. Further, Telia Company normally has to pay fees to acquire new telecom licenses and spectrum permits or to renew or maintain existing ones. **Potential impact** Success in business transformation and growth will depend on a variety of factors beyond Telia Company's control, including the cost of acquiring, renewing or maintaining telecom licenses and spectrum permits, the cost of new technology, availability of new and attractive services, the costs associated with providing these services, the timing of their introduction, the market demand and prices for such services, and competition. Failing to reach the targets set for business transformation, customer attraction and future growth may negatively impact the results of operations.	• Savings and business transformation programs ensuring competitive cost levels as well as ensuring capabilities for future growth • Focused execution on Telia Company's business strategy with the aim of becoming a New Generation Telco

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

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

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

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