

**TELIA COMPANY
INTERIM REPORT
JANUARY-JUNE 2016**



EBITDA GROWTH AND STABLE REVENUES

Second quarter summary

- Former segment region Eurasia is reported as held for sale and discontinued operations. The mobile business Yoigo in Spain and the Sergel companies are reported as assets held for sale.
- Net sales in local currencies, excluding acquisitions and disposals, declined 1.0 percent. In reported currency, net sales declined 2.0 percent to SEK 21,130 million (21,558). Service revenues in local currencies, excluding acquisitions and disposals, declined 0.2 percent.
- EBITDA, excluding non-recurring items, increased 5.1 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 4.1 percent to SEK 6,389 million (6,136). The EBITDA margin, excluding non-recurring items, rose to 30.2 percent (28.5).
- Operating income, excluding non-recurring items, grew 20.1 percent to SEK 4,446 million (3,702).
- Total net income attributable to the owners of the parent fell 55.8 percent to SEK 1,439 million (3,258) and earnings per share to SEK 0.33 (0.75), impacted by effects in discontinued operations. Total net income rose 5.5 percent to SEK 3,902 million (3,698).
- Full year outlook is unchanged.

First half summary

- Net sales in local currencies, excluding acquisitions and disposals, declined 1.0 percent. In reported currency, net sales declined 1.5 percent to SEK 41,524 million (42,147). Service revenues in local currencies, excluding acquisitions and disposals, declined 0.6 percent.
- Operating income, excluding non-recurring items, rose 19.6 percent to SEK 8,644 million (7,228).
- Total net income attributable to the owners of the parent fell 25.4 percent to SEK 5,205 million (6,973) and earnings per share to SEK 1.20 (1.61). Total net income rose 0.1 percent to SEK 7,812 million (7,808).

Highlights

(Former segment region Eurasia is reported as discontinued operations)

| SEK in millions, except key ratios, per share data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg % | Jan-Jun 2016 | Jan-Jun 2015 | Chg % |
|----------------------------------------------------------------|--------------|--------------|-------|--------------|--------------|-------|
| Net sales | 21,130 | 21,558 | -2.0 | 41,524 | 42,147 | -1.5 |
| Change (%) local organic | -1.0 | | | -1.0 | | |
| of which service revenues (external) | 18,075 | 18,289 | -1.2 | 35,509 | 35,838 | -0.9 |
| change (%) local organic | -0.2 | | | -0.6 | | |
| EBITDA ¹⁾ excl. non-recurring items ²⁾ | 6,389 | 6,136 | 4.1 | 12,606 | 11,768 | 7.1 |
| Change (%) local organic | 5.1 | | | 7.6 | | |
| Margin (%) | 30.2 | 28.5 | | 30.4 | 27.9 | |
| Operating income excl. non-rec. items | 4,446 | 3,702 | 20.1 | 8,644 | 7,228 | 19.6 |
| Operating income | 4,100 | 3,437 | 19.3 | 8,184 | 6,661 | 22.9 |
| Income after financial items | 3,699 | 2,696 | 37.2 | 7,219 | 5,129 | 40.7 |
| Net income from continuing operations | 2,849 | 2,114 | 34.8 | 5,754 | 4,526 | 27.1 |
| Net income from discontinued operations ³⁾ | 1,052 | 1,584 | -33.6 | 2,058 | 3,282 | -37.3 |
| Total net income | 3,902 | 3,698 | 5.5 | 7,812 | 7,808 | 0.1 |
| of which attrib. to owners of the parent | 1,439 | 3,258 | -55.8 | 5,205 | 6,973 | -25.4 |
| EPS total (SEK) | 0.33 | 0.75 | -55.8 | 1.20 | 1.61 | -25.4 |
| EPS from continuing operations (SEK) | 0.65 | 0.48 | 35.7 | 1.31 | 1.03 | 27.9 |
| Total Free cash flow | 1,698 | 6,307 | -73.1 | 3,991 | 9,160 | -56.4 |
| of which from continuing operations | 1,785 | 4,992 | -64.2 | 3,856 | 7,456 | -48.3 |
| CAPEX excl. license and spectrum fees ⁴⁾ | 3,773 | 3,693 | 2.2 | 6,837 | 6,252 | 9.4 |

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

COMMENTS BY JOHAN DENNELIND, PRESIDENT & CEO

"The Nordic and Baltic region is very much the cradle of digitalization and has the potential to lead the way in the so called 4th industrial revolution. As a New Generation Telco, Telia Company is well positioned to thrive and drive societies where we operate to take steps into the future, by bringing new and relevant services to both enterprise customers and consumers. We are excited about these opportunities!

While transforming the company we are focused on delivering solid results in our core operations. In the second quarter, organic service revenues were flat and EBITDA increased 5.1 percent year-on-year, propelled by higher earnings in 7 out of 8 markets.

In Sweden, service revenue growth stayed positive in the consumer segment, supported by our value loading strategy in mobile, together with further progress in broadband and TV. The new social media proposition launched in April generated good traction and contributed to a positive mobile subscription intake in the quarter. The fiber roll-out was further accelerated to meet pent up demand, particularly in the single-dwelling unit area. We now reach more than 1.4 million households, on track to our 1.9 million target by 2018. In the enterprise segment, we saw further progress in the SME & SoHo area on the back of our new service concept, but the challenging conditions remained in the large & public business. We are continuously broadening our ICT capabilities and aim to expand further via partnerships and M&A to drive differentiation and increase customer relevance.

We have put a lot of efforts in improving customer experience in Finland following a period of network disturbances. The situation stabilized in the quarter and mobile billed revenue growth was sustained at 4 percent, supported by upsell activities and positive net subscription intake. Performance in the Baltic region remained encouraging and all three countries delivered EBITDA growth in the quarter, backed by high customer demand for mobile data services.

In Norway, we continue to strengthen our customer proposition, recently highlighted by Telia's top position in the biggest ever independent test of Norwegian mobile networks. We now deliver 4G high-speed mobile internet coverage to 98 percent of the country's population, almost two and half years earlier than the regulatory requirement.

In region Eurasia the remaining operations were still impacted by high competition and negative currency effects but we see some early signs of market stabilization.



In June, we hosted a capital market day reinforcing our strategic priorities. We can see improvements in the market share development and at the same time the execution of the growth and savings initiatives continue and we are on track to reach the cost reduction target of SEK 2 billion run-rate by the end of 2017.

In order to accelerate our efforts in areas close to the core, an independent unit has been established to capture new revenue streams and further develop existing and future partnerships.

We continue to optimize our portfolio in line with the ambition to increase focus on our operations in the Nordic and Baltic regions and new milestones have been reached in the past months. In June, we announced the divestments of our mobile business Yoigo in Spain and the non-core cash management operation Sergel. We continue to work hard to solve our issues surrounding Uzbekistan and to responsibly reduce our presence in region Eurasia.

Our performance has been solid in the first six months with good EBITDA growth, but we are facing tougher year-on-year comparisons in the second half of the year. As a result, we are reiterating the full year 2016 outlook and foresee EBITDA on a comparable basis to be in line or slightly above the level in 2015 for the continuing operations. CAPEX excluding license and spectrum fees for the continuing operations is expected to be SEK 14-15 billion."

GROUP OUTLOOK FOR 2016, UNCHANGED

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

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

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

REVIEW OF THE GROUP, SECOND QUARTER 2016

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

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, declined 1.0 percent. In reported currency, net sales declined 2.0 percent to SEK 21,130 million (21,558). The effect of exchange rate fluctuations was negative by 1.2 percent and the effect of acquisitions and disposals was positive by 0.2 percent. Service revenues in local currencies, excluding acquisitions and disposals, declined 0.2 percent.

In region Sweden, net sales excluding acquisitions and disposals declined 0.2 percent. Net sales including acquisitions and disposals declined 0.1 percent to SEK 9,260 million (9,272).

In region Europe, net sales in local currencies, excluding acquisitions and disposals, declined 1.1 percent. In reported currency, net sales declined 2.9 percent to SEK 10,518 million (10,827).

The number of subscriptions in the subsidiaries decreased by 0.4 million from the end of the second quarter of 2015 to 26.8 million. During the quarter, the total number of subscriptions was unchanged.

EBITDA, excluding non-recurring items, increased 5.1 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 4.1 percent to SEK 6,389 million (6,136). The EBITDA margin, excluding non-recurring items, rose to 30.2 percent (28.5).

Income from associated companies and joint ventures, rose to SEK 896 million (303). Last year was impacted by currency effects and one-time items.

Operating income, excluding non-recurring items, grew 20.1 percent to SEK 4,446 million (3,702), mainly due to higher income from associated companies.

Non-recurring items affecting operating income totaled SEK -345 million (-265), mainly related to restructuring costs in Sweden and Other operations.

Financial items totaled SEK -402 million (-741) of which SEK -426 million (-671) related to net interest expenses.

Income taxes increased to SEK -849 million (-582). The effective tax rate was 23.0 percent (21.6).

Total net income increased 5.5 percent to SEK 3,902 million (3,698), whereof SEK 2,849 million (2,114) from continuing operations and SEK 1,052 million (1,584) from discontinued operations. Total earnings per share was SEK 0.33 (0.75). See Note 4 for further information regarding discontinued operations.

Total net income attributable to non-controlling interests increased to SEK 2,463 million (440) mainly due to divestment of Ncell in Nepal, see Note 4.

Other comprehensive income increased to SEK 2,729 million (-934), mainly due to currency exchange effects in both continuing and discontinued operations and minor remeasurement on pensions obligations in the second quarter.

Cash flow and financial position

Free cash flow, in continuing and discontinued operations, dropped 73.1 percent to SEK 1,698 million (6,307). Last year was positively impacted by dividend from Turkcell of SEK 4.7 billion net of taxes.

Total cash flow increased to SEK 1,791 million (-15,113). The increase was mainly related to proceeds from the sale of Ncell in Nepal and timing of Telia Company dividend payment partially offset by dividend received from Turkcell during the second quarter of 2015.

CAPEX increased to SEK 3,773 million (3,693) and the CAPEX-to-service revenue ratio to 20.9 percent (20.2). CAPEX excluding license and spectrum fees increased 2.2 percent to SEK 3,773 million (3,693) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees to 20.9 percent (20.2).

Net debt, in continuing and discontinued operations, was SEK 51,113 million at the end of the second quarter (54,557 at the end of the first quarter of 2016). The net debt/EBITDA ratio was 1.60 (1.53 at the end of the first quarter of 2016).

The equity/assets ratio, in continuing and discontinued operations, was 36.7 percent (40.5 percent at the end of the first quarter of 2016).

REVIEW OF THE GROUP, FIRST HALF 2016

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

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, declined 1.0 percent. In reported currency, net sales declined 1.5 percent to SEK 41,524 million (42,147). The effect of exchange rate fluctuations was negative by 1.3 percent and the effect of acquisitions and disposals positive by 0.8 percent. Service revenues in local currencies, excluding acquisitions and disposals, declined 0.6 percent.

EBITDA, excluding non-recurring items, rose 7.6 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, rose 7.1 percent to SEK 12,606 million (11,768). The EBITDA margin, excluding non-recurring items, increased to 30.4 percent (27.9).

Income from associated companies and joint ventures, increased to SEK 1,642 million (805). Last year was impacted by currency effects and one-time items.

Operating income, excluding non-recurring items, increased 19.6 percent to SEK 8,644 million (7,228), due to higher EBITDA and income from associated companies.

Non-recurring items affecting operating income totaled SEK -459 million (-567), mainly related to restructuring costs in Sweden and Other operations.

Financial items totaled SEK -966 million (-1,532) of which SEK -999 million (-1,349) related to net interest expenses.

Income taxes increased to SEK -1,464 million (-603). The effective tax rate was 20.3 percent (11.8). Last year was impacted by a positive one-off effect related to a revaluation of the withholding tax provision as a consequence of an intra-group transfer.

Total net income was SEK 7,812 million (7,808), whereof SEK 5,754 million (4,526) from continuing operations and SEK 2,058 million (3,282) from discontinued operations. Total earnings per share was SEK 1.20 (1.61). See Note 4 for further information regarding discontinued operations.

Total net income attributable to non-controlling interests increased to SEK 2,607 million (836) mainly due to divestment of Ncell in Nepal, see Note 4.

Other comprehensive income increased to SEK 668 million (-962), mainly due to currency exchange effects and partly offset by remeasurement on pension obligations.

Cash flow and financial position

Free cash flow, in continuing and discontinued operations, decreased to SEK 3,991 million (9,160). Last year was positively impacted by dividend from Turkcell of SEK 4.7 billion net of taxes.

Total cash flow increased to SEK 1,742 million (-9,296). The increase was mainly related to proceeds from the sale of Ncell in Nepal, timing of dividend payment partially offset by Telia Company dividend received from Turkcell during the second quarter 2015, acquisition of Tele2 Norway in 2015 and cash flow from financing activities.

CAPEX increased to SEK 6,970 million (6,252) and the CAPEX-to-service revenue ratio to 19.6 percent (17.4). CAPEX excluding license and spectrum fees increased to SEK 6,837 million (6,252) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees to 19.3 percent (17.4).

Long-term borrowings decreased to SEK 83,409 million (91,646) mainly due to reclassification to short-term borrowings and repayments.

Significant events in the first quarter

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

Significant events in the second quarter

- On April 11, 2016, Telia Company announced that it had completed the divestment of its holdings in Ncell in Nepal to Axiata, one of Asia's largest telecommunication groups. The transaction is subject to customary closing balance sheet adjustments based on net debt and net working capital. For more information see Note 4.
- On April 11, 2016, Telia Company announced that it had initiated a strategic review of its Nordic and Baltic credit management services (CMS) and debt purchase business, Sergel. On June 21, 2016, Telia Company announced that it had divested Sergel to Marginalen for SEK 2.1 billion on a cash and debt free basis. The transaction is conditional on relevant regulatory approvals, including the Swedish Financial Supervisory Authority as well as Competition Authorities. Closing of the transaction is expected to take place before year-end 2016. For more information see Note 4.
- On 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 Setzman and Olaf Swantee were elected new members to the Board. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuo was elected Vice-Chair of the Board. The Annual General Meeting also decided upon a dividend to shareholders of SEK 3.00 per share and that the payment should be distributed in two equal tranches of SEK 1.50 each to be paid in April and October, respectively. The final day for trading in shares entitling shareholders to the second tranche of the dividend is October 21, 2016, and that the first day of trading in

shares excluding rights to dividend is October 24, 2016. The recommended record date at Euroclear Sweden for the right to receive dividend is October 25, 2016.

- On April 13, 2016, the Swedish Companies Registration Office approved the name change of the company from TeliaSonera AB to Telia Company AB.
- On April 29, 2016, Telia Company announced that it had acquired 118,398 shares to an average price of SEK 38.6519. The shares were to be distributed to the participants in the "Long Term Incentive Program 2013/2016".
- On June 21, 2016, Telia Company announced that it had divested its 76.6 percent holding in Spanish Yoigo to Masmovil, a Spanish telecommunications operator. The transaction price is based on an enterprise value of EUR 625 million for 100 percent of Yoigo. The deal is subject to approval from the Spanish competition authorities. The transaction is expected to close during the third quarter of 2016. For more information see Note 4.
- On June 21, 2016, Sonera, Telia Company's Finnish operation, announced its interest in acquiring Anvia Telecom, a Finnish wireline operator. On June 29, 2016, Anvia Group announced that it intends to sell its telecoms business to Finnish Elisa.
- On June 21, 2016, Telia Company hosted its 2016 Capital Market Day. Presentations included updates on group strategy and the financials together with a special section on the Swedish operations. The full year 2016 outlook was reiterated.

Significant events after the end of the second quarter

- No significant events after the end of the second quarter have been announced.

STABLE DEVELOPMENT IN SWEDEN

- Fixed broadband and TV service revenues continued to grow, increasing by 3.7 percent and 19.5 percent, respectively, year-on-year, driven by higher ARPU and subscription growth in TV. Mobile service revenues increased slightly supported by higher ARPU, whilst fixed telephony revenues continued to decline.
- The fiber roll-out continued to show good momentum and resulted in 42,000 new homes connected during the quarter of which 19,000 single home campaigns (SDUs) and 3,000 other SDUs, mainly community agreements.

Highlights

| SEK in millions, except margins, operational data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg (%) | Jan-Jun 2016 | Jan-Jun 2015 | Chg (%) |
|---------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|---------|
| Net sales | 9,260 | 9,272 | -0.1 | 18,095 | 18,322 | -1.2 |
| <i>Change (%) local organic</i> | -0.2 | | | -1.3 | | |
| of which service revenues (external) | 8,028 | 8,031 | 0.0 | 15,772 | 15,837 | -0.4 |
| <i>change (%) local organic</i> | -0.2 | | | -0.5 | | |
| EBITDA excl. non-recurring items | 3,509 | 3,441 | 2.0 | 7,098 | 6,708 | 5.8 |
| Margin (%) | 37.9 | 37.1 | | 39.2 | 36.6 | |
| Income from associated companies | 0 | -19 | | 0 | -20 | |
| Operating income excl. non-recurring items | 2,326 | 2,330 | -0.2 | 4,752 | 4,503 | 5.5 |
| Operating income | 2,143 | 2,297 | -6.7 | 4,656 | 4,392 | 6.0 |
| CAPEX excl. license and spectrum fees | 1,728 | 1,577 | 9.6 | 3,055 | 2,587 | 18.1 |
| % of service revenues | 21.5 | 19.6 | | 19.4 | 16.3 | |
| EBITDA excl. non-recurring items - CAPEX | 1,781 | 1,864 | -4.5 | 4,043 | 4,121 | -1.9 |
| Subscriptions, (thousands) | | | | | | |
| Mobile | 6,104 | 6,167 | -1.0 | 6,104 | 6,167 | -1.0 |
| Fixed telephony | 1,804 | 1,967 | -8.3 | 1,804 | 1,967 | -8.3 |
| Broadband | 1,303 | 1,295 | 0.6 | 1,303 | 1,295 | 0.6 |
| TV | 747 | 709 | 5.4 | 747 | 709 | 5.4 |
| Employees | 6,758 | 6,934 | -2.5 | 6,758 | 6,934 | -2.5 |

Net sales, excluding acquisitions and disposals, declined 0.2 percent. The effect of acquisitions and disposals was positive by 0.1 percent. **Service revenues**, excluding acquisitions and disposals, decreased 0.2 percent.

Total service revenues remained flat as a slight growth in mobile service revenues from positive development in the consumer segment as well as in SME and SoHo segments, was offset by continued weak performance in large and public sectors. Fixed service revenues were fairly flat as declining telephony revenues were compensated for by growth in TV, fixed broadband and fiber installation revenues.

EBITDA, excluding non-recurring items, acquisitions and disposals, increased 2.0 percent. EBITDA, excluding

non-recurring items, but including acquisitions and disposals, increased 2.0 percent to SEK 3,509 million (3,441). The EBITDA margin rose to 37.9 percent (37.1) due to lower operating expenses.

CAPEX increased to SEK 1,728 million (1,577) and CAPEX, excluding licenses and spectrum fees increased to SEK 1,728 million (1,577).

The number of mobile subscriptions increased by 33,000 driven by an addition of 53,000 postpaid subscriptions in the quarter. The number of fixed broadband subscriptions declined by 4,000 and fixed telephony by 54,000 in the quarter. TV subscriptions grew by 8,000 in the quarter.

EARNINGS GROWTH IN REGION EUROPE

- Total service revenues increased by 0.9 percent despite negative interconnect revenue growth in Finland and Norway, following termination rate reductions. Organic mobile service revenues and EBITDA grew in six out of the seven markets driven by a continued strong demand for data and an overall good cost control.
- In the quarter Telia Company signed an agreement to divest its 76.6 percent holding in the mobile business Yoigo in Spain to Masmovil, a Spanish telecommunications operator.

Highlights

| SEK in millions, except margins, operational data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg (%) | Jan-Jun 2016 | Jan-Jun 2015 | Chg (%) |
|---------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|---------|
| Net sales | 10,518 | 10,827 | -2.9 | 20,949 | 21,138 | -0.9 |
| <i>Change (%) local organic</i> | <i>-1.1</i> | | | <i>-0.1</i> | | |
| of which service revenues (external) | 8,554 | 8,639 | -1.0 | 16,943 | 16,980 | -0.2 |
| <i>change (%) local organic</i> | <i>0.9</i> | | | <i>0.4</i> | | |
| EBITDA excl. non-recurring items | 2,734 | 2,610 | 4.7 | 5,264 | 4,883 | 7.8 |
| Margin (%) | 26.0 | 24.1 | | 25.1 | 23.1 | |
| Income from associated companies | 28 | 26 | 7.9 | 57 | 55 | 4.2 |
| Operating income excl. non-recurring items | 1,274 | 1,142 | 11.6 | 2,376 | 2,051 | 15.8 |
| Operating income | 1,253 | 992 | 26.4 | 2,257 | 1,772 | 27.3 |
| CAPEX excl. license and spectrum fees | 1,278 | 1,410 | -9.4 | 2,340 | 2,496 | -6.3 |
| % of service revenues | 14.9 | 16.3 | | 13.8 | 14.7 | |
| EBITDA excl. non-recurring items - CAPEX | 1,456 | 1,200 | 21.3 | 2,791 | 2,386 | 17.0 |
| Subscriptions, (thousands) | | | | | | |
| Mobile | 13,798 | 13,941 | -1.0 | 13,798 | 13,941 | -1.0 |
| Fixed telephony | 914 | 1,023 | -10.7 | 914 | 1,023 | -10.7 |
| Broadband | 1,267 | 1,257 | 0.8 | 1,267 | 1,257 | 0.8 |
| TV | 910 | 877 | 3.8 | 910 | 877 | 3.8 |
| Employees | 11,424 | 11,565 | -1.2 | 11,424 | 11,565 | -1.2 |

Net sales in local currencies, excluding acquisitions and disposals, declined 1.1 percent. In reported currency, net sales declined 2.9 percent to SEK 10,518 million (10,827). The effect of exchange rate fluctuations was negative by 2.0 percent and the effect of acquisitions and disposals was positive by 0.2 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, increased 0.9 percent.

Organic mobile service revenues rose by approximately 2 percent following growth in six of seven markets. Fixed service revenues decreased, mainly due to continued

declining demand for fixed telephony in all markets and also lower demand for fixed broadband in Finland.

EBITDA, excluding non-recurring items, increased 7.4 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 4.7 percent to SEK 2,734 million (2,610). The EBITDA margin increased to 26.0 percent (24.1).

CAPEX declined to SEK 1,278 million (1,410) and CAPEX, excluding licenses and spectrum fees, declined to SEK 1,278 million (1,410).

FINLAND – IMPROVED PROFITABILITY

Highlights

| SEK in millions, except margins, operational data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg (%) | Jan-Jun 2016 | Jan-Jun 2015 | Chg (%) |
|---------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|---------|
| Net sales | 3,149 | 3,328 | -5.4 | 6,312 | 6,600 | -4.4 |
| <i>Change (%) local organic</i> | -5.1 | | | -4.0 | | |
| of which service revenues (external) | 2,739 | 2,769 | -1.1 | 5,479 | 5,537 | -1.0 |
| <i>change (%) local organic</i> | -0.8 | | | -0.6 | | |
| EBITDA excl. non-recurring items | 987 | 978 | 1.0 | 2,003 | 1,949 | 2.8 |
| Margin (%) | 31.4 | 29.4 | | 31.7 | 29.5 | |
| Subscriptions, (thousands) | | | | | | |
| Mobile | 3,297 | 3,307 | -0.3 | 3,297 | 3,307 | -0.3 |
| Fixed telephony | 72 | 90 | -20.0 | 72 | 90 | -20.0 |
| Broadband | 509 | 533 | -4.5 | 509 | 533 | -4.5 |
| TV | 485 | 491 | -1.2 | 485 | 491 | -1.2 |

Service revenues decreased 0.8 percent in local currency, excluding acquisitions and disposals, mainly due to lower interconnect and fixed revenues. Mobile billed service revenues continued to increase mainly supported by growth in the consumer segment but to some extent also in the enterprise segment.

The **EBITDA margin**, excluding non-recurring items, rose to 31.4 percent (29.4), driven by higher mobile billed service revenues and lower operating expenses.

The number of subscriptions of fixed broadband and TV decreased by 10,000 and 3,000, respectively, in the quarter. The number of mobile subscriptions increased by 10,000 in the quarter.

NORWAY – NEGATIVE FX IMPACT AND GOOD COST CONTROL

Highlights

| SEK in millions, except margins, operational data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg (%) | Jan-Jun 2016 | Jan-Jun 2015 | Chg (%) |
|---------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|---------|
| Net sales | 2,162 | 2,389 | -9.5 | 4,196 | 4,429 | -5.3 |
| <i>Change (%) local organic</i> | -1.3 | | | -2.2 | | |
| of which service revenues (external) | 1,807 | 1,978 | -8.6 | 3,530 | 3,671 | -3.8 |
| <i>change (%) local organic</i> | -0.4 | | | -1.6 | | |
| EBITDA excl. non-recurring items | 705 | 731 | -3.6 | 1,370 | 1,217 | 12.5 |
| Margin (%) | 32.6 | 30.6 | | 32.6 | 27.5 | |
| Subscriptions, (thousands) | | | | | | |
| Mobile | 2,272 | 2,306 | -1.5 | 2,272 | 2,306 | -1.5 |

Service revenues declined 0.4 percent in local currency, excluding acquisitions and disposals, as growth in mobile billed service revenues and wholesale revenues was more than offset by lower interconnect and fixed telephony revenues. The latter due to the divestment of the fixed subscription base in the fourth quarter of 2015.

The **EBITDA margin**, excluding non-recurring items, increased to 32.6 percent (30.6), supported by lower costs for resources and marketing.

Reported net sales and EBITDA were negatively impacted by a weaker Norwegian krone.

The number of mobile subscriptions declined by 1,000 in the quarter.

DENMARK – STABLE MARGIN DESPITE PRICE PRESSURE

Highlights

| SEK in millions, except margins, operational data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg (%) | Jan-Jun 2016 | Jan-Jun 2015 | Chg (%) |
|---------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|---------|
| Net sales | 1,419 | 1,448 | -1.9 | 2,816 | 2,869 | -1.8 |
| <i>Change (%) local organic</i> | -2.0 | | | -1.5 | | |
| of which service revenues (external) | 1,049 | 1,053 | -0.4 | 2,074 | 2,110 | -1.7 |
| <i>change (%) local organic</i> | -0.5 | | | -1.3 | | |
| EBITDA excl. non-recurring items | 159 | 162 | -2.0 | 296 | 316 | -6.5 |
| Margin (%) | 11.2 | 11.2 | | 10.5 | 11.0 | |
| Subscriptions, (thousands) | | | | | | |
| Mobile | 1,640 | 1,624 | 1.0 | 1,640 | 1,624 | 1.0 |
| Fixed telephony | 109 | 120 | -9.2 | 109 | 120 | -9.2 |
| Broadband | 131 | 121 | 8.3 | 131 | 121 | 8.3 |
| TV | 28 | 23 | 21.7 | 28 | 23 | 21.7 |

Service revenues declined 0.5 percent in local currency, excluding acquisitions and disposals, as a slight growth in mobile service revenues from higher interconnect and wholesales revenues was more than offset by lower fixed telephony and business solution revenues. TV and fixed broadband grew due to subscription base expansion.

The **EBITDA margin**, excluding non-recurring items, remained flat at 11.2 percent (11.2).

The number of mobile subscriptions remained unchanged in the quarter. The number of fixed broadband and TV subscriptions decreased by 3,000 and 1,000, respectively, in the quarter.

LITHUANIA – HIGHER REVENUES AND IMPROVED PROFITABILITY

Highlights

| SEK in millions, except margins, operational data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg (%) | Jan-Jun 2016 | Jan-Jun 2015 | Chg (%) |
|---------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|---------|
| Net sales | 774 | 756 | 2.4 | 1,544 | 1,515 | 1.9 |
| <i>Change (%) local organic</i> | 2.7 | | | 2.4 | | |
| of which service revenues (external) | 646 | 619 | 4.3 | 1,299 | 1,247 | 4.2 |
| <i>change (%) local organic</i> | 4.6 | | | 4.6 | | |
| EBITDA excl. non-recurring items | 281 | 247 | 13.6 | 558 | 491 | 13.6 |
| Margin (%) | 36.3 | 32.7 | | 36.1 | 32.4 | |
| Subscriptions, (thousands) | | | | | | |
| Mobile | 1,318 | 1,330 | -0.9 | 1,318 | 1,330 | -0.9 |
| Fixed telephony | 434 | 457 | -5.0 | 434 | 457 | -5.0 |
| Broadband | 396 | 377 | 5.0 | 396 | 377 | 5.0 |
| TV | 222 | 195 | 13.8 | 222 | 195 | 13.8 |

Service revenues grew 4.6 percent in local currency, excluding acquisitions and disposals, from growing mobile and fixed service revenues. The main driver behind growth in mobile revenues was ARPU uplift whereas fixed service revenues were supported by a growing TV and fixed broadband subscription base.

The **EBITDA margin**, excluding non-recurring items, increased to 36.3 percent (32.7), due to growth in service revenues and lower personnel expenses.

The number of mobile subscriptions increased by 1,000 in the quarter. The number of fixed broadband and TV subscriptions increased by 3,000 and 5,000, respectively, in the quarter.

LATVIA – LOWER SERVICE REVENUES BUT STABLE EARNINGS

Highlights

| SEK in millions, except margins, operational data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg (%) | Jan-Jun 2016 | Jan-Jun 2015 | Chg (%) |
|---------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|---------|
| Net sales | 418 | 375 | 11.3 | 830 | 733 | 13.2 |
| <i>Change (%) local organic</i> | 11.6 | | | 13.6 | | |
| of which service revenues (external) | 290 | 300 | -3.4 | 579 | 589 | -1.7 |
| <i>change (%) local organic</i> | -3.2 | | | -1.3 | | |
| EBITDA excl. non-recurring items | 135 | 134 | 0.6 | 270 | 262 | 3.3 |
| Margin (%) | 32.4 | 35.8 | | 32.6 | 35.7 | |
| Subscriptions, (thousands) | | | | | | |
| Mobile | 1,123 | 1,100 | 2.1 | 1,123 | 1,100 | 2.1 |

Service revenues decreased 3.2 percent in local currency, excluding acquisitions and disposals, as wholesale revenues declined. The growth in equipment sales continued in the quarter.

The **EBITDA margin**, excluding non-recurring items, declined to 32.4 percent (35.8), explained by increased sale of equipment and higher operating expenses.

The number of mobile subscriptions increased by 8,000 in the quarter.

ESTONIA – EARNINGS GROWTH

Highlights

| SEK in millions, except margins, operational data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg (%) | Jan-Jun 2016 | Jan-Jun 2015 | Chg (%) |
|---------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|---------|
| Net sales | 669 | 637 | 5.0 | 1,313 | 1,268 | 3.6 |
| <i>Change (%) local organic</i> | 1.9 | | | 0.8 | | |
| of which service revenues (external) | 514 | 496 | 3.7 | 1,026 | 988 | 3.8 |
| <i>change (%) local organic</i> | 0.5 | | | 0.8 | | |
| EBITDA excl. non-recurring items | 205 | 195 | 4.9 | 386 | 392 | -1.5 |
| Margin (%) | 30.6 | 30.7 | | 29.4 | 30.9 | |
| Subscriptions, (thousands) | | | | | | |
| Mobile | 888 | 841 | 5.6 | 888 | 841 | 5.6 |
| Fixed telephony | 299 | 310 | -3.5 | 299 | 310 | -3.5 |
| Broadband | 231 | 226 | 2.2 | 231 | 226 | 2.2 |
| TV | 175 | 168 | 4.2 | 175 | 168 | 4.2 |

Service revenues increased 0.5 percent in local currency, excluding acquisitions and disposals, with growth in both mobile and fixed service revenues.

The **EBITDA margin**, excluding non-recurring items, decreased marginally to 30.6 percent (30.7).

The number of mobile subscriptions increased by 24,000 in the quarter. The number of fixed broadband subscriptions increased by 1,000 and TV subscriptions remained unchanged in the quarter.

SPAIN – STRONG EARNINGS AND PROFITABILITY GROWTH

Highlights

| SEK in millions, except margins, operational data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg (%) | Jan-Jun 2016 | Jan-Jun 2015 | Chg (%) |
|---------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|---------|
| Net sales | 1,951 | 1,917 | 1.8 | 3,986 | 3,768 | 5.8 |
| <i>Change (%) local organic</i> | 2.1 | | | 6.2 | | |
| of which service revenues (external) | 1,509 | 1,423 | 6.0 | 2,955 | 2,838 | 4.1 |
| <i>change (%) local organic</i> | 6.3 | | | 4.5 | | |
| EBITDA excl. non-recurring items | 262 | 163 | 61.1 | 381 | 256 | 49.1 |
| Margin (%) | 13.4 | 8.5 | | 9.6 | 6.8 | |
| Subscriptions, (thousands) | | | | | | |
| Mobile | 3,261 | 3,433 | -5.0 | 3,261 | 3,433 | -5.0 |

Service revenues increased 6.3 percent in local currency, excluding acquisitions and disposals, driven by a growing number of postpaid subscriptions and mobile ARPU uplift.

The **EBITDA margin**, excluding non-recurring items, rose to 13.4 percent (8.5), mainly due to higher service revenues and reduced marketing activities.

The number of mobile subscriptions decreased by 35,000 in the quarter despite 27,000 added postpaid subscriptions.

In the quarter Telia Company agreed to divest Yoigo in Spain to Masmovil. See Note 4 for further information.

OTHER OPERATIONS

Highlights

| SEK in millions, except margins, operational data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg (%) | Jan-Jun 2016 | Jan-Jun 2015 | Chg (%) |
|---------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|---------|
| Net sales | 1,869 | 1,987 | -5.9 | 3,565 | 3,768 | -5.4 |
| <i>Change (%) local organic</i> | -3.9 | | | -3.9 | | |
| of which Telia Carrier | 1,572 | 1,704 | -7.7 | 2,988 | 3,210 | -6.9 |
| EBITDA excl. non-recurring items | 146 | 85 | 71.6 | 244 | 177 | 37.8 |
| of which Telia Carrier | 125 | 84 | 48.8 | 235 | 177 | 33.0 |
| Margin (%) | 7.8 | 4.3 | | 6.8 | 4.7 | |
| Income from associated companies | 868 | 296 | 192.7 | 1,584 | 770 | 105.6 |
| of which Russia | 269 | 233 | 15.4 | 453 | 384 | 17.9 |
| of which Turkey | 603 | 65 | | 1,137 | 389 | 192.3 |
| Operating income excl. non-recurring items | 846 | 229 | | 1,515 | 674 | 124.9 |
| Operating income | 705 | 148 | | 1,272 | 496 | 156.2 |
| CAPEX | 767 | 706 | 8.6 | 1,443 | 1,169 | 23.4 |
| Employees | 3,277 | 3,237 | 1.2 | 3,277 | 3,237 | 1.2 |

Net sales in local currencies, excluding acquisitions and disposals, declined 3.9 percent. In reported currency, net sales declined 5.9 percent to SEK 1,869 million (1,987). The effect of exchange rate fluctuations was negative by 2.0 percent.

EBITDA, excluding non-recurring items increased to SEK 146 million (85). The EBITDA margin, excluding non-recurring items, increased to 7.8 percent (4.3). In Telia Carrier, net sales declined 7.7 percent to SEK 1,572 million (1,704) due to lower voice traffic volumes

and the EBITDA margin, excluding non-recurring items, increased to 8.0 percent (4.9).

Income from associated companies, rose to SEK 868 million (296). Last year was impacted by currency effects and one-time items.

In the quarter Telia Company agreed to divest its Nordic and Baltic credit management services and debt purchase business Sergel to Marginalen. See Note 4 for further information.

DISCONTINUED OPERATIONS

Highlights

| SEK in millions, except margins, operational data and changes | Apr-Jun 2016 | Apr-Jun 2015 | Chg (%) | Jan-Jun 2016 | Jan-Jun 2015 | Chg (%) |
|---------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|---------|
| Net sales (external) | 3,336 | 5,538 | -39.8 | 7,133 | 10,972 | -35.0 |
| EBITDA excl. non-recurring items | 1,393 | 3,054 | -54.4 | 3,168 | 5,962 | -46.9 |
| Margin (%) | 41.8 | 55.1 | | 44.4 | 54.3 | |
| CAPEX | 820 | 887 | -7.6 | 1,695 | 2,451 | -30.8 |
| CAPEX excluding license and spectrum fees | 809 | 903 | -10.3 | 1,067 | 2,058 | -48.2 |

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

As the divestment of Ncell in Nepal was closed in April, only one month is included in the quarter affecting both net sales and EBITDA.

Net sales declined 39.8 percent in reported currency to SEK 3,336 million (5,538) due to currency effects and the divestment of Ncell in Nepal.

EBITDA, excluding non-recurring items, dropped to SEK 1,393 million (3,054). The EBITDA margin, excluding non-recurring items, fell to 41.8 percent (55.1). Operational tax effects and currency effects impacted EBITDA negatively as well as weak operational performance in Kcell in Kazakhstan.

CAPEX declined to SEK 820 million (887) and CAPEX, excluding license and spectrum fees, to SEK 809 million (903).

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| SEK in millions, except per share data and number of shares | Note | Apr-Jun 2016 | Apr-Jun ¹⁾ 2015 | Jan-Jun 2016 | Jan-Jun ¹⁾ 2015 |
|-----------------------------------------------------------------------------|------|--------------|----------------------------|---------------|----------------------------|
| Continuing operations | | | | | |
| Net sales | 1, 5 | 21,130 | 21,558 | 41,524 | 42,147 |
| Cost of sales | 1 | -12,666 | -13,006 | -24,813 | -25,681 |
| Gross profit | | 8,465 | 8,552 | 16,711 | 16,467 |
| Selling, admin. and R&D expenses | | -5,012 | -5,387 | -9,876 | -10,377 |
| Other operating income and expenses, net | | -248 | -32 | -292 | -234 |
| Income from associated companies and joint ventures | | 896 | 303 | 1,642 | 805 |
| Operating income | 5 | 4,100 | 3,437 | 8,184 | 6,661 |
| Financial items, net | | -402 | -741 | -966 | -1,532 |
| Income after financial items | | 3,699 | 2,696 | 7,219 | 5,129 |
| Income taxes | | -849 | -582 | -1,464 | -603 |
| Net income from continuing operations | | 2,849 | 2,114 | 5,754 | 4,526 |
| Discontinued operations | | | | | |
| Net income from discontinued operations | 4 | 1,052 | 1,584 | 2,058 | 3,282 |
| Total net income | | 3,902 | 3,698 | 7,812 | 7,808 |
| Items that may be reclassified to net income: | | | | | |
| Foreign currency translation differences from continuing operations | | 1,756 | -1,808 | 1,738 | -2,466 |
| Foreign currency translation differences from discontinued operations | | 1,097 | -1,570 | 281 | -794 |
| Income from associated companies and joint ventures | | -73 | -77 | -307 | 159 |
| Cash flow hedges | | -228 | 299 | -174 | 127 |
| Available-for-sale financial instruments | | 60 | -69 | 143 | -45 |
| Income tax relating to items that will be reclassified | | 280 | -241 | 492 | -497 |
| Items that will not be reclassified to net income: | | | | | |
| Remeasurements of defined benefit pension plans | | -217 | 3,222 | -1,907 | 3,253 |
| Income tax relating to items that will not be reclassified | | 54 | -688 | 420 | -697 |
| Associates' remeasurements of defined benefit pension plans | | -1 | -1 | -19 | -1 |
| Other comprehensive income | | 2,729 | -934 | 668 | -962 |
| Total comprehensive income | | 6,630 | 2,764 | 8,480 | 6,846 |
| Total net income attributable to: | | | | | |
| Owners of the parent | | 1,439 | 3,258 | 5,205 | 6,973 |
| Non-controlling interests | | 2,463 | 440 | 2,607 | 836 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 3,666 | 2,592 | 5,472 | 6,200 |
| Non-controlling interests | | 2,965 | 172 | 3,008 | 646 |
| Earnings per share (SEK), basic and diluted | | | | | |
| Of which continuing operations, basic and diluted | | 0.33 | 0.75 | 1.20 | 1.61 |
| | | 0.65 | 0.48 | 1.31 | 1.03 |
| Number of shares (thousands) | | | | | |
| Outstanding at period-end | | 4,330,085 | 4,330,080 | 4,330,085 | 4,330,080 |
| Weighted average, basic and diluted | | 4,330,083 | 4,330,082 | 4,330,082 | 4,330,083 |
| EBITDA from continuing operations | | | | | |
| | | 6,043 | 5,890 | 12,148 | 11,220 |
| EBITDA excl. non-recurring items from continuing operations | | | | | |
| | | 6,389 | 6,136 | 12,606 | 11,768 |
| Depreciation, amortization and impairment losses from continuing operations | | | | | |
| | | -2,839 | -2,756 | -5,605 | -5,364 |
| Operating income excl. non-recurring items from continuing operations | | | | | |
| | | 4,446 | 3,702 | 8,644 | 7,228 |

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| SEK in millions | Note | Jun 30, 2016 | Dec 31, 2015 |
|------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| Assets | | | |
| Goodwill and other intangible assets | 6, 14 | 69,055 | 67,933 |
| Property, plant and equipment | 6 | 55,232 | 55,093 |
| Investments in associates and joint ventures, pension obligation assets and other non-current assets | | 28,237 | 29,401 |
| Deferred tax assets | | 4,535 | 5,054 |
| Long-term interest-bearing receivables | 10 | 17,133 | 16,368 |
| <i>Total non-current assets</i> | | <i>174,192</i> | <i>173,850</i> |
| Inventories | | 1,538 | 1,871 |
| Trade and other receivables and current tax receivables | | 16,937 | 17,158 |
| Short-term interest-bearing receivables | 10 | 9,061 | 10,679 |
| Cash and cash equivalents | 10 | 16,758 | 14,647 |
| Assets classified as held for sale ^{2), 4)} | 4, 10 | 35,007 | 35,812 |
| <i>Total current assets</i> | | <i>79,301</i> | <i>80,167</i> |
| Total assets¹⁾ | | 253,493 | 254,017 |
| Equity and liabilities | | | |
| Equity attributable to owners of the parent | | 90,334 | 97,884 |
| Equity attributable to non-controlling interests | | 7,151 | 4,318 |
| <i>Total equity</i> | | <i>97,485</i> | <i>102,202</i> |
| Long-term borrowings | 7, 10 | 83,409 | 91,646 |
| Deferred tax liabilities | | 10,276 | 10,627 |
| Provisions for pensions and other long-term provisions ^{3), 4)} | | 6,562 | 6,199 |
| Other long-term liabilities | | 642 | 702 |
| <i>Total non-current liabilities</i> | | <i>100,889</i> | <i>109,175</i> |
| Short-term borrowings | 7, 10 | 11,247 | 9,337 |
| Trade payables and other current liabilities, current tax payables and short-term provisions | | 25,746 | 21,706 |
| Liabilities directly associated with assets classified as held for sale ⁴⁾ | 4, 10 | 18,126 | 11,598 |
| <i>Total current liabilities</i> | | <i>55,119</i> | <i>42,641</i> |
| Total equity and liabilities | | 253,493 | 254,017 |

1) The sales price for Telia Company's 60.4 percent direct ownership in Ncell and Telia Company's share in the holding company Reynolds Holding and Telia Company's sales price for the economic interest in the 20 percent local shares in Ncell are included in continuing operations.

2) The minority owner Visor's share of the sales price for Visor's 19.6 percent ownership in Ncell and Visor's share in the holding company Reynolds Holding are retained within discontinued operations and are classified as assets held for sale.

3) Includes provisions for transaction warranties relating to the divestment of Ncell in Nepal.

4) For more information on the divestment of Ncell in Nepal, see Note 4.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| SEK in millions | Apr-Jun 2016 | Apr-Jun 2015 | Jan-Jun 2016 | Jan-Jun 2015 |
|----------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Cash flow before change in working capital | 6,252 | 11,893 | 12,474 | 19,148 |
| Change in working capital | 111 | -970 | 366 | -1,114 |
| Cash flow from operating activities | 6,363 | 10,923 | 12,839 | 18,035 |
| <i>of which from discontinued operations</i> | 827 | 2,239 | 1,899 | 4,213 |
| Cash CAPEX | -4,664 | -4,616 | -8,848 | -8,875 |
| Free cash flow | 1,698 | 6,307 | 3,991 | 9,160 |
| <i>of which from discontinued operations</i> | -86 | 1,315 | 136 | 1,704 |
| Cash flow from other investing activities | 9,390 | -1,930 | 10,416 | -8,855 |
| Total cash flow from investing activities¹⁾ | 4,726 | -6,546 | 1,568 | -17,729 |
| <i>of which from discontinued operations²⁾</i> | 1,178 | -1,042 | 171 | -2,628 |
| Cash flow before financing activities | 11,089 | 4,377 | 14,407 | 305 |
| Cash flow from financing activities | -9,298 | -19,490 | -12,666 | -9,602 |
| <i>of which from discontinued operations</i> | 145 | 510 | 145 | 579 |
| Cash flow for the period | 1,791 | -15,113 | 1,742 | -9,296 |
| <i>of which from discontinued operations</i> | 2,150 | 1,708 | 2,215 | 2,164 |
| Cash and cash equivalents, opening balance | 25,045 | 34,962 | 25,334 | 28,735 |
| Cash flow for the period | 1,791 | -15,113 | 1,742 | -9,296 |
| Exchange rate differences | 806 | -271 | 566 | 139 |
| Cash and cash equivalents, closing balance | 27,642 | 19,578 | 27,642 | 19,578 |
| <i>of which from continuing operations (incl. Yoigo and Sergel)¹⁾</i> | 17,228 | 10,698 | 17,228 | 10,698 |
| <i>of which from discontinued operations (Eurasia)²⁾</i> | 10,413 | 8,880 | 10,413 | 8,880 |

1) Includes sales price paid in cash in April 2016 for Telia Company's 60.4 percent ownership in Ncell, Telia Company's share in the holding company Reynolds Holding and Telia Company's economic interest in the 20 percent local shares in Ncell. For more information, see Note 4.

2) Includes sales price paid in cash in April 2016 for minority owner Visor's share of Ncell and Visor's share in the holding company Reynolds Holding. For more information, see Note 4.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| SEK in millions | Owners of the parent | Non-controlling interests | Total equity |
|---------------------------------------------|-------------------------|------------------------------|----------------|
| Opening balance, January 1, 2015 | 111,383 | 4,981 | 116,364 |
| Dividends | -12,990 | -805 | -13,795 |
| Share-based payments | 11 | – | 11 |
| Repurchased treasury shares | -14 | – | -14 |
| <i>Total transactions with owners</i> | <i>-12,992</i> | <i>-805</i> | <i>-13,797</i> |
| Total comprehensive income | 6,200 | 646 | 6,846 |
| Effect of equity transactions in associates | -4 | – | -4 |
| Closing balance, June 30, 2015 | 104,585 | 4,822 | 109,407 |
| Dividends | – | -30 | -30 |
| Share-based payments | 12 | – | 12 |
| Acquisition of non-controlling interest | -309 | -47 | -356 |
| <i>Total transactions with owners</i> | <i>-297</i> | <i>-77</i> | <i>-374</i> |
| Total comprehensive income | -5,213 | -425 | -5,638 |
| Effect of equity transactions in associates | -1,193 | – | -1,193 |
| Closing balance, December 31, 2015 | 97,884 | 4,318 | 102,202 |
| Opening balance, January 1, 2016 | 97,884 | 4,318 | 102,202 |
| Dividends | -12,990 | -215 | -13,205 |
| Share-based payments | 14 | – | 14 |
| Repurchased treasury shares | -5 | – | -5 |
| Change in non-controlling interests | -41 | 41 | – |
| <i>Total transactions with owners</i> | <i>-13,022</i> | <i>-174</i> | <i>-13,196</i> |
| Total comprehensive income | 5,472 | 3,008 | 8,480 |
| Closing balance, June 30, 2016 | 90,334 | 7,151 | 97,485 |

NOTE 1. BASIS OF PREPARATION

General

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

Assets held for sale and discontinued operations

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

Segments

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

Correction of prior period classification errors

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

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

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

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

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

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

Restatement of financial data

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

Restatement of operational data

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

NOTE 2. REFERENCES

For more information regarding;

- Sales and earnings, see pages 5-6.
- Cash flow and financial position, see pages 5-6.
- Significant events in the first and second quarter, see page 7.
- Significant events after the end of the second quarter, see page 7.
- Risks and uncertainties, see pages 32-34.

NOTE 3. NON-RECURRING ITEMS

Non-recurring items within operating income, continuing operations

| SEK in millions | Apr-Jun 2016 | Apr-Jun 2015 | Jan-Jun 2016 | Jan-Jun 2015 |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Within EBITDA | -345 | -246 | -459 | -548 |
| Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.: | | | | |
| Region Sweden | -181 | -14 | -251 | -92 |
| Region Europe | -21 | -150 | -119 | -278 |
| Other operations | -141 | -81 | -243 | -177 |
| Capital gains/losses | -2 | 0 | 155 | -1 |
| Within Income from associated companies and joint ventures | 0 | -19 | -1 | -19 |
| Capital gains/losses | 0 | -19 | -1 | -19 |
| Total non-recurring items within operating income, continuing operations | -345 | -265 | -459 | -567 |

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

| SEK in millions | Apr-Jun 2016 | Apr-Jun 2015 | Jan-Jun 2016 | Jan-Jun 2015 |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Within EBITDA | 1,138 | -156 | 1,110 | -230 |
| Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.: | | | | |
| Capital gains/losses | 1,258 | – | 1,258 | – |
| Total non-recurring items within EBITDA, discontinued operations¹⁾ | 1,138 | -156 | 1,110 | -230 |

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

NOTE 4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Classification

Eurasia

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

Yoigo

In June 2016, Telia Company signed an agreement to sell its 76.6 percent holding in the Spanish operator Yoigo to Masmovil, a Spanish telecommunications operator. The transaction price is based on an enterprise value for Yoigo of EUR 625 million, of which Telia Company's 76.6 percent holding corresponds to EUR 479 million. The agreed price implies an EV/EBITDA multiple of approximately 8.1x based on Yoigo's 2015 results. The divestment is estimated to generate a capital gain of more than SEK 4 billion and, following closing adjustments, the transaction is expected to reduce net debt for Telia Company by approximately SEK 6 billion. Capital gain and impact on net debt are subject to timing of closing of the transaction and FX movements. The deal is subject to approval from the Spanish competition authorities and is expected to close during the third quarter of 2016. The approval is deemed highly probable since the combined company will have a market share of less than ten percent and Yoigo is therefore classified as held for sale as of June 30, 2016. Yoigo in Spain is a part of the reportable segment region Europe. It is not considered to represent a separate major line of business or geographical area of operations and is therefore not presented as discontinued operations.

Sergel

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

Presentation

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

Measurement

In accordance with IFRS 5 discontinued operations (Eurasia) and assets held for sale (Yoigo and Sergel) are measured at the lower of carrying value and estimated fair value less costs to sell. The valuation is based on an assessment of the input from the sales process and the risks in the different countries. Non-current assets included in discontinued operations or disposal groups held for sale are not depreciated or amortized. Depreciation and amortization in discontinued operations (Eurasia) for 2015 was SEK 3.6 billion. The remeasurement of the net assets in region Eurasia per December 31, 2015, resulted in an impairment charge in the fourth quarter of 2015 of SEK 5.3 billion related to goodwill and other fixed assets in Uzbekistan. Management's best estimate is that the risk adjusted debt free value of Ucell of SEK 3.3 billion per December 31, 2015, remains unchanged as per June 30, 2016. Changes in any of the estimated risk adjustments made for Ucell would have a material impact on the estimated fair value. The most significant impact on fair value will be the buyer's ability to operate in the country and convert local currency. For information on the valuation of Ucell, see the Annual and Sustainability Report 2015. Due to increased carrying values for Ucell impairment charges of SEK 200 million and SEK 550 million related to fixed assets, were recognized in the first quarter and second quarter of 2016, respectively.

Based on current information in the combined sales process of Tcell (subsidiary in Tajikistan) and Roshan (financial asset relating to shares in an operator in Afghanistan), management's best estimate is that the enterprise value for Tcell (100 percent) and Roshan (12.25 percent) combined per June 30, 2016, was SEK 600 million. Telia Company's ownership in Tcell is 60 percent. The remeasurement of Tcell and Roshan resulted in an impairment loss of SEK 450 million in the second quarter of 2016. The classification of Yoigo and Sergel as held for sale per June 30, 2016, did not result in any impairment charge.

Disposal of Ncell in Nepal

On April 11, 2016, Telia Company completed the divestment of its holdings in Ncell in Nepal to Axiata, one of Asia's largest telecommunication groups. The deal has been approved by all relevant authorities. Telia Company has completed the sale at an enterprise value of USD 1,030 million for its 60.4 percent ownership of Ncell and Telia Company's share of the holding company Reynolds Holding. The transaction is subject to customary closing adjustments based on net debt and net working capital. Telia Company has been paid for Ncell's cash position in proportion to its economic interest of 80.4 percent. Furthermore, Telia Company has dissolved its economic interests in the 20 percent local ownership in Ncell and received approximately USD 48 million from Sunivera Capital Ventures, Singapore.

The divestment, all transactions included, resulted in a total capital gain of SEK 1,258 million for the group in the second quarter 2016, whereof a loss of SEK -888 million was attributable to owners of the parent and a gain of SEK 2,146 million was attributable to non-controlling interests. The sale resulted in a loss for the parent shareholders mainly due to the carrying value of goodwill in Ncell (not attributable to minority) and provisions for parent shareholder's transaction warranties. On signing in

December 2015, no material effect on net income (attributable to parent shareholders) was expected, but final amounts were subject to deviations in foreign exchange rates and closing adjustments. Compared to the estimated net income effect expected in December 2015, the capital loss relating to parent shareholders of SEK -888 million recognized in the second quarter of 2016 has been effected by negative foreign currency effects on the sales price, estimated closing adjustments and estimated additional provisions for transaction warranties.

The net cash flow effect for the group recognized in the second quarter 2016 was SEK 9.8 billion (relating to both parent shareholders and non-controlling-interests). Provisions for transaction warranties are included in the statement of financial position for continuing operations. The sales price of SEK 12.9 billion for Telia Company's 60.4 percent direct ownership and the minority owner Visor's 19.6 percent ownership in Ncell and their 100 percent ownership in the holding company Reynolds Holding, have been recognized in the legal entity TeliaSonera Norway Nepal Holding. A liquidation process has been initiated for TeliaSonera Norway Nepal Holding, which is included within discontinued operations. Telia Company's share of the sales price of SEK 9.6 billion has been classified within continuing operations (whereof SEK 9.3 billion has been recognized as cash and cash equivalents). The minority owner Visor's share of the sales price of SEK 3.3 billion has been included within discontinued operations and has been classified as held for sale (whereof SEK 2.9 billion has been recognized as cash and cash equivalents). The sales price of SEK 1.0 billion for Telia Company's economic interest in the 20 percent local shares has been transferred to Telia Company AB and has been included within cash and cash equivalents in continuing operations. The final amounts relating to the Ncell divestment are still subject to deviations in foreign exchange rates and closing adjustments.

Net income from discontinued operations (region Eurasia)

| SEK in millions, except per share data | Apr-Jun 2016 | Apr-Jun 2015 | Jan-Jun 2016 | Jan-Jun 2015 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Net sales | 3,336 | 5,538 | 7,133 | 10,972 |
| Expenses and other operating income, net | -2,054 | -3,534 | -4,094 | -7,073 |
| Operating income | 1,281 | 2,004 | 3,038 | 3,899 |
| Financial items, net | -4 | -2 | -64 | 395 |
| Income after financial items | 1,278 | 2,002 | 2,975 | 4,294 |
| Income taxes | -484 | -418 | -975 | -1,012 |
| Net income before remeasurement and gain on disposal | 793 | 1,584 | 1,999 | 3,282 |
| Impairment loss on remeasurement to fair value less costs to sell ¹⁾ | -1,000 | – | -1,200 | – |
| Gain on disposal of Ncell in Nepal (including cumulative Ncell exchange loss in equity reclassified to net income of SEK -1,065 million) ²⁾ | 1,258 | – | 1,258 | – |
| <i>Whereof loss attributable to parent shareholders</i> | -888 | – | -888 | – |
| <i>Whereof gain attributable to non-controlling interests</i> | 2,146 | – | 2,146 | – |
| Net income from discontinued operations | 1,052 | 1,584 | 2,058 | 3,282 |
| EPS from discontinued operations (SEK) ³⁾ | -0.32 | 0.27 | -0.11 | 0.58 |
| EBITDA excl. non-recurring items | 1,393 | 3,054 | 3,168 | 5,962 |

1) Non-tax deductible.

2) Non-taxable gain.

3) EPS from discontinued operations is negative for the second quarter and for the half year 2016 mainly due to weaker operational performance, Ncell only 1 month net income in second quarter 2016, impairment loss on remeasurement to fair value less costs to sell and parent shareholders' loss on disposal of Ncell.

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

| SEK in millions | Eurasia Jun 30, 2016 ⁴⁾ | Yoigo and Sergel, Jun 30, 2016 | Total, Jun 30, 2016 ⁴⁾ | Eurasia Dec 31, 2015 |
|-----------------------------------------------------------------------|------------------------------------------|--------------------------------------|-----------------------------------------|----------------------------|
| Goodwill and other intangible assets | 6,473 | 1,320 | 7,793 | 10,821 |
| Property, plant and equipment | 6,820 | 2,183 | 9,003 | 10,379 |
| Other non-current assets | 407 | 1,113 | 1,520 | 586 |
| Short-term interest-bearing receivables | 1,567 | 128 | 1,695 | 1,382 |
| Other current assets ⁴⁾ | 2,207 | 1,905 | 4,112 | 1,957 |
| Cash and cash equivalents ⁴⁾ | 10,413 | 470 | 10,883 | 10,687 |
| Assets classified as held for sale | 27,887 | 7,119 | 35,007 | 35,812 |
| Long-term borrowings | 164 | 3,102 | 3,267 | 238 |
| Long-term provisions | 4,531 | 1,437 | 5,968 | 4,431 |
| Other long-term liabilities | 1,219 | 35 | 1,254 | 2,176 |
| Short-term borrowings | 1,452 | 257 | 1,709 | 1,230 |
| Other current liabilities | 3,176 | 2,751 | 5,928 | 3,524 |
| Liabilities associated with assets classified as held for sale | 10,543 | 7,583 | 18,126 | 11,598 |
| Net assets classified as held for sale³⁾ | 17,344 | -463 | 16,881 | 24,214 |

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

4) Eurasia Jun 30, 2016 and Total Jun 30, 2016 include sales price for minority owner Visor's share of Ncell and Visor's share of the holding company Reynolds Holding of totally SEK 3.3 billion, whereof SEK 2.9 billion is included in cash and cash equivalents. The provisions for transaction warranties and the sales price for Telia Company's 60.4 percent ownership in Ncell and Telia Company's share in the holding company Reynolds Holding, as well as sales price for Telia Company's economic interest in the 20 percent local shares in Ncell are included in continuing operations.

NOTE 5. SEGMENT INFORMATION

| SEK in millions | Apr-Jun 2016 | Apr-Jun 2015 | Jan-Jun 2016 | Jan-Jun 2015 |
|-----------------------------------------|---------------|---------------|---------------|---------------|
| Net sales | | | | |
| Region Sweden | 9,260 | 9,272 | 18,095 | 18,322 |
| of which external | 9,207 | 9,212 | 17,961 | 18,190 |
| Region Europe | 10,518 | 10,827 | 20,949 | 21,138 |
| of which external | 10,430 | 10,728 | 20,769 | 20,936 |
| Other operations | 1,869 | 1,987 | 3,565 | 3,768 |
| Total segments | 21,647 | 22,086 | 42,609 | 43,227 |
| Eliminations | -517 | -528 | -1,084 | -1,080 |
| Group | 21,130 | 21,558 | 41,524 | 42,147 |
| EBITDA excl. non-recurring items | | | | |
| Region Sweden | 3,509 | 3,441 | 7,098 | 6,708 |
| Region Europe | 2,734 | 2,610 | 5,264 | 4,883 |
| Other operations | 146 | 85 | 244 | 177 |
| Total segments | 6,389 | 6,136 | 12,606 | 11,768 |
| Eliminations | 0 | 0 | 0 | 0 |
| Group | 6,389 | 6,136 | 12,606 | 11,768 |
| Operating income | | | | |
| Region Sweden | 2,143 | 2,297 | 4,656 | 4,392 |
| Region Europe | 1,253 | 992 | 2,257 | 1,772 |
| Other operations | 705 | 148 | 1,272 | 496 |
| Total segments | 4,100 | 3,437 | 8,184 | 6,661 |
| Eliminations | 0 | – | 0 | 0 |
| Group | 4,100 | 3,437 | 8,184 | 6,661 |
| Financial items, net | -402 | -741 | -966 | -1,532 |
| Income after financial items | 3,699 | 2,696 | 7,219 | 5,129 |

| SEK in millions | Region Sweden | Region Europe | Other operations | Total segments | Unallocated | Assets and liabilities held for sale | Total assets/liabilities, group |
|----------------------------|---------------|---------------|------------------|----------------|-------------|--------------------------------------|---------------------------------|
| Segment assets | | | | | | | |
| June 30, 2016 | 43,243 | 93,399 | 33,587 | 170,229 | 48,257 | 35,007 | 253,493 |
| December 31, 2015 | 42,516 | 96,018 | 33,633 | 172,166 | 46,039 | 35,812 | 254,017 |
| Segment liabilities | | | | | | | |
| June 30, 2016 | 10,926 | 7,207 | 7,203 | 25,337 | 112,545 | 18,126 | 156,008 |
| December 31, 2015 | 11,123 | 11,626 | 5,663 | 28,413 | 111,805 | 11,598 | 151,816 |

NOTE 6. INVESTMENTS

| SEK in millions | Apr-Jun 2016 | Apr-Jun 2015 | Jan-Jun 2016 | Jan-Jun 2015 |
|-------------------------------------------|--------------|--------------|--------------|---------------|
| CAPEX | 3,773 | 3,693 | 6,970 | 6,252 |
| Intangible assets | 561 | 512 | 1,174 | 788 |
| Property, plant and equipment | 3,212 | 3,182 | 5,796 | 5,464 |
| Acquisitions and other investments | 100 | 858 | 219 | 5,581 |
| Asset retirement obligations | 32 | 7 | 115 | 87 |
| Goodwill and fair value adjustments | 2 | -155 | 28 | 4,487 |
| Equity holdings | 65 | 1,006 | 76 | 1,007 |
| Total continuing operations | 3,872 | 4,552 | 7,189 | 11,832 |
| Total discontinued operations | 820 | 887 | 1,706 | 2,451 |
| of which CAPEX | 820 | 887 | 1,695 | 2,451 |
| Total investments | 4,692 | 5,438 | 8,895 | 14,284 |
| of which CAPEX | 4,592 | 4,580 | 8,665 | 8,703 |

NOTE 7. FINANCIAL INSTRUMENTS – FAIR VALUES

| Long-term and short-term borrowings ¹⁾ SEK in millions | Jun 30, 2016 | | Dec 31, 2015 | |
|----------------------------------------------------------------------------|----------------|---------------|----------------|----------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Long-term borrowings | | | | |
| Open-market financing program borrowings in fair value hedge relationships | 30,045 | 35,147 | 37,672 | 41,021 |
| Interest rate swaps | 30 | 30 | 627 | 627 |
| Cross currency interest-rate swaps | 2,604 | 2,604 | 1,694 | 1,694 |
| Subtotal | 32,679 | 37,781 | 39,993 | 43,342 |
| Open-market financing program borrowings | 49,031 | 57,906 | 47,908 | 53,577 |
| Other borrowings at amortized cost | 1,658 | 1,678 | 3,699 | 3,699 |
| Subtotal | 83,369 | 97,365 | 91,600 | 100,618 |
| Finance lease agreements | 41 | 41 | 46 | 46 |
| Total long-term borrowings | 83,409 | 97,405 | 91,646 | 100,664 |
| Short term borrowings | | | | |
| Open-market financing program borrowings in fair value hedge relationships | 7,266 | 7,509 | – | – |
| Interest-rate swaps | 17 | 17 | 51 | 51 |
| Cross currency interest-rate swaps | 18 | 18 | 21 | 21 |
| Subtotal | 7,302 | 7,544 | 72 | 72 |
| Utilized bank overdraft and short-term credit facilities at amortized cost | 5 | 5 | 9 | 9 |
| Open-market financing program borrowings | 3,299 | 3,305 | 5,627 | 5,648 |
| Other borrowings at amortized cost | 637 | 669 | 3,623 | 3,623 |
| Subtotal | 11,243 | 11,523 | 9,330 | 9,351 |
| Finance lease agreements | 4 | 4 | 7 | 7 |
| Total short-term borrowings | 11,247 | 11,527 | 9,337 | 9,358 |

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

| Financial assets and liabilities by fair value hierarchy level ¹⁾ SEK in millions | Jun 30, 2016 | | | | Dec 31, 2015 | | | |
|----------------------------------------------------------------------------------------------------|------------------------|---------------|--------------|--------------|------------------------|---------------|--------------|--------------|
| | Carry- ing value | of which | | | Carry- ing value | of which | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| Financial assets at fair value | | | | | | | | |
| Equity instruments available-for-sale | 1,124 | – | – | 1,124 | 1,053 | – | – | 1,053 |
| Equity instruments held-for-trading | 36 | – | – | 36 | 35 | – | – | 35 |
| Long- and short-term bonds available-for-sale | 13,565 | 13,565 | – | – | 15,739 | 15,739 | – | – |
| Derivatives designated as hedging instruments | 2,907 | – | 2,907 | – | 2,824 | – | 2,824 | – |
| Derivatives held-for-trading | 2,739 | – | 2,739 | – | 3,137 | – | 3,072 | 65 |
| Total financial assets at fair value by level | 20,371 | 13,565 | 5,646 | 1,160 | 22,789 | 15,739 | 5,896 | 1,153 |
| Financial liabilities at fair value | | | | | | | | |
| Derivatives designated as hedging instruments | 1,868 | – | 1,868 | – | 2,165 | – | 2,165 | – |
| Derivatives held-for-trading | 981 | – | 981 | – | 329 | – | 329 | – |
| Total financial liabilities at fair value by level | 2,849 | – | 2,849 | – | 2,494 | – | 2,494 | – |

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

Fair value measurement of level 3 financial instruments

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

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

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

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

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

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

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

| SEK in millions | Jan-Jun 2016 | | | | | Total |
|----------------------------------------------------------|---------------------------------------|-------------------------------------|-----------------------------------------------|------------------------------|--------------|-------|
| | Equity instruments available-for-sale | Equity instruments held-for-trading | Long- and short-term bonds available-for-sale | Derivatives held-for-trading | | |
| Level 3, opening balance | 1,053 | 35 | – | 65 | 1,153 | |
| Changes in fair value | -5 | 0 | – | – | -5 | |
| <i>of which recognized in net income</i> | -5 | 0 | – | – | -5 | |
| <i>of which recognized in other comprehensive income</i> | – | – | – | – | – | |
| Purchases/capital contributions | 10 | 1 | – | – | 11 | |
| Exercise of warrants | 65 | – | – | -65 | 0 | |
| Transfer into/out of level 3 | – | – | – | – | – | |
| Exchange rate differences | – | 0 | – | – | 0 | |
| Level 3, closing balance | 1,124 | 36 | – | – | 1,160 | |

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

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

NOTE 8. TREASURY SHARES

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

NOTE 9. RELATED PARTY TRANSACTIONS

In the six-month period ended June 30, 2016, Telia Company purchased goods and services for SEK 28 million (44), and sold goods and services for SEK 31 million (73). Related parties in these transactions were mainly MegaFon, Turkcell and Lattelecom.

NOTE 10. NET DEBT, CONTINUING AND DISCONTINUED OPERATIONS

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

| SEK in millions | Jun 30, 2016 | Dec 31, 2015 |
|----------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Long-term borrowings | 86,676 | 91,884 |
| Short-term borrowings | 12,956 | 10,567 |
| Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA) | -5,563 | -5,580 |
| Less long-term bonds available for sale | -8,970 | -8,841 |
| Less short-term investments | -6,345 | -6,979 |
| Less cash and cash equivalents ¹⁾ | -27,642 | -25,334 |
| Net debt, continuing and discontinued operations | 51,113 | 55,717 |

1) Includes sales price paid in cash in April 2016 of SEK 2.9 billion for minority owner Visor's share of Ncell and Visor's share in the holding company Reynolds Holding. For more information, see Note 4.

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

available for sale are part of the balance sheet line item Long-term interest-bearing receivables. Short-term investments are part of the balance sheet line item Short-term interest-bearing receivables.

NOTE 11. LOAN FINANCING AND CREDIT RATING

The rating from Standard & Poor's remained unchanged with a credit rating on Telia Company of A- for long-term borrowings and A-2 for short-term borrowings with a stable outlook. However, on May 4, 2016, Moody's downgraded Telia Company's long-term rating A3 to Baa1, with stable outlook. Moody's affirmed Telia Company's short-term rating of P-2.

In June, Telia Company bought back a nominal amount of GBP 153.9 million (SEK 1.8 billion) of the GBP 400 million (SEK 4.6 billion) outstanding Telia Company GBP bond due December 2042. The tender was part of Telia Company's initiative to optimize the liability structure and to use divestment proceeds to reduce outstanding capital market debt. Telia Company has not made any major funding in the second quarter.

NOTE 12. GUARANTEES AND COLLATERAL PLEDGED

As of June 30, 2016, the maximum potential future payments that Telia Company (continuing operations) could be required to make under issued financial guarantees totaled SEK 397 million (298 at the end of 2015), of which SEK 287 million (283 at the end of 2015) referred to guarantees for pension obligations. Collateral pledged (continuing and discontinued operations) totaled SEK

271 million (353 at the end of 2015). For information regarding ongoing investigations of Eurasian transactions see Review of Eurasian transactions in section Risk and uncertainties.

NOTE 13. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of June 30, 2016, contractual obligations (continuing operations) totaled SEK 3,368 million (2,506 at the end of 2015), of which SEK 2,027 million (1,802 at the end of 2015) referred to contracted build-out of Telia Company's fixed networks in Sweden.

NOTE 14. BUSINESS COMBINATIONS

Minor business combinations

On March 1, 2016, Telia Company acquired all shares in the Swedish company Telecom3 Fibernät i Sverige AB. The cost and net cash outflow of the combination was SEK 26 million, all attributable to goodwill.

Minor business combinations after the reporting period

On July 1, 2016, Telia Company acquired a minor business, consisting of fiber networks from Comne Work AB. The cost of the acquisition was SEK 26 million.

NOTE 15. FINANCIAL KEY RATIOS

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

| | Jun 30, 2016 | Dec 31, 2015 |
|--------------------------------------------------------------------------------------------|-----------------|-----------------|
| Return on equity (% , rolling 12 months) ¹⁾ | 7.4 | 9.3 |
| Return on capital employed (% , rolling 12 months) ¹⁾ | 9.3 | 8.9 |
| Equity/assets ratio (%) | 36.7 | 35.1 |
| Net debt/equity ratio (%) | 54.9 | 62.5 |
| Net debt/EBITDA rate excl. non-recurring items (multiple, rolling 12 months) ¹⁾ | 1.60 | 1.53 |
| Net debt/assets ratio (%) | 20.2 | 21.9 |
| Owners' equity per share (SEK) | 20.86 | 22.60 |

1) Includes continuing and discontinued operations

Alternative performance measurements

In addition to financial performance measures prepared in accordance with IFRS, Telia Company presents non-IFRS financial performance measures, for example EBITDA, EBITDA excl. non-recurring items, CAPEX, Cash CAPEX, Free cash flow and Net debt. These alternative measures are considered to be important performance indicators for investors and other users of the interim report. The alternative performance measures should be considered as a complement to, but not a substitute for, the information prepared in accordance with IFRS. Telia Company's definitions of these non-IFRS measures are described in this Note and in the Annual and Sustainability Report 2015 page 215-216. These

terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

EBITDA and EBITDA excl. non-recurring items

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

| SEK in millions | Apr-Jun 2016 | Apr-Jun 2015 | Jan-Jun 2016 | Jan-Jun 2015 |
|---------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Operating income | 4,100 | 3,437 | 8,184 | 6,661 |
| Share of earnings in associates | -896 | -322 | -1,642 | -824 |
| Capital gain from divested associates | 0 | 19 | 1 | 19 |
| Total depreciation/amortization/write-down | 2,839 | 2,756 | 5,605 | 5,364 |
| EBITDA | 6,043 | 5,890 | 12,148 | 11,220 |
| Non-recurring within EBITDA (Note 3) | 345 | 246 | 459 | 548 |
| EBITDA excluding non-recurring items | 6,389 | 6,136 | 12,606 | 11,768 |

CAPEX

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

Free cash flow

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

| SEK in millions | Apr-Jun 2016 | Apr-Jun 2015 | Jan-Jun 2016 | Jan-Jun 2015 |
|--------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Cash flow from operating activities | 6,363 | 10,923 | 12,839 | 18,035 |
| Cash CAPEX (paid Intangible and tangible assets) | -4,664 | -4,616 | -8,848 | -8,875 |
| Free cash flow | 1,698 | 6,307 | 3,991 | 9,160 |

Net debt

Telia Company considers Net debt to be an important measure for investors and rating agencies to be able to

understand the group's indebtedness. Net debt is specified in Note 10.

PARENT COMPANY

| Condensed income statements SEK in millions | Apr-Jun 2016 | Apr-Jun 2015 | Jan-Jun 2016 | Jan-Jun 2015 |
|------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Net sales | 1 | 1 | 1 | 1 |
| Gross income | 1 | 1 | 1 | 1 |
| Operating expenses | -258 | -278 | -481 | -541 |
| Operating income | -257 | -277 | -480 | -540 |
| Financial income and expenses | 10,111 | 7,820 | 8,640 | 8,524 |
| Income after financial items | 9,854 | 7,542 | 8,160 | 7,984 |
| Appropriations | 2,331 | 1,356 | 5,221 | 2,412 |
| Income before taxes | 12,185 | 8,898 | 13,381 | 10,395 |
| Income taxes | -164 | -308 | -403 | -646 |
| Net income | 12,021 | 8,590 | 12,978 | 9,749 |

Financial income and expenses for the second quarter increased mainly due to increased received dividends from group companies.

| Condensed balance sheets SEK in millions | Jun 30, 2016 | Dec 31, 2015 |
|---------------------------------------------|-----------------|-----------------|
| Non-current assets | 167,416 | 162,700 |
| Current assets | 43,023 | 60,513 |
| Total assets | 210,440 | 223,213 |
| Equity and liabilities | | |
| Restricted shareholders' equity | 15,712 | 15,712 |
| Non-restricted shareholders' equity | 67,150 | 67,189 |
| Total shareholders' equity | 82,861 | 82,901 |
| Untaxed reserves | 10,567 | 12,666 |
| Provisions | 555 | 504 |
| Long-term liabilities | 81,891 | 88,094 |
| Short-term liabilities | 34,565 | 39,048 |
| Total equity and liabilities | 210,440 | 223,213 |

Financial investments in the six-month period ended June 30, 2016, were SEK 1,456 million (8,013 in the 12-month period ended December 31, 2015). The investments in 2015 were mainly related to the acquisition of Tele2's Norwegian mobile operations. Current assets decreased mainly due to payment of dividend, intra group receivables and repayment of borrowings affecting also both long- and short-term liabilities.

RISKS AND UNCERTAINTIES

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

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

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

Global financial markets unrest

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

International, political and macroeconomic developments

Telia Company has material investments in the Russian Federation related to its associated company PAO MegaFon and the international carrier operations. Following the conflict between the Russian Federation and Ukraine, the European Union and the United States have implemented sanctions directed towards individuals and corporates. The Russian Federation has, as a consequence, decided on certain counter actions. The sanctions and counter actions may negatively affect the Russian ruble and the Russian economy, which in turn

may impact countries whose economies are closely linked to the Russian economy, such as a number of Telia Company's Eurasian operations. These developments, as well as other international political conflicts or developments affecting countries in which Telia Company is operating, may adversely impact Telia Company's cash flows, financial position and results of operations.

Competition and price pressure

Telia Company is subject to substantial and historically increasing competition and price pressure. Competition from a variety of sources, including current market participants, new entrants and new products and services, may adversely affect Telia Company's results of operations. Transition to new business models in the telecom industry may lead to structural changes and different competitive dynamics. Failure to anticipate and respond to industry dynamics, and to drive a change agenda to meet mature and developing demands in the marketplace, may affect Telia Company's customer relationships, service offerings and position in the value chain, and adversely impact its results of operations.

Regulation

Telia Company operates in a highly regulated industry. The regulations to which Telia Company is subject impose significant limits on its flexibility to manage its business. Changes in regulation or government policy affecting Telia Company's business activities, as well as decisions by regulatory authorities or courts, including granting, amending or revoking of telecom licenses and frequency permits for Telia Company or other parties, could adversely affect Telia Company's business and results of operations.

Emerging markets

Telia Company has made significant investments in telecom operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Russia, Turkey and Afghanistan. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in countries with more mature institutional structures. The future political situation in each of the emerging market countries may remain or become increasingly unpredictable, and markets in which Telia Company operates may become unstable, even to the extent that Telia Company will be forced to exit a country or a specific operation within a country. Another implication may be unexpected or unpredictable litigation cases under civil or tax legislation. Other risks associated with operating in emerging market countries include foreign exchange restrictions or administrative issues, which could effectively prevent Telia Company from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. Still another risk is the potential establishment of foreign ownership restrictions or other possible actions against entities with foreign ownership, formally or informally. Such negative political or legal developments or weakening of the economies or currencies in these markets might have a significantly negative effect on Telia Company's results of

operations and financial position. In September 2015, Telia Company announced its decision to reduce the presence in region Eurasia (Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal) and over time fully leave. Sales processes are ongoing and the divestment of Ncell in Nepal was completed on April 11, 2016. The nature of these markets, including potential government intervention and other factors mentioned above, combined with the fact that the assets are not fully-owned and there are undertakings and obligations in various shareholder agreements, reputational issues regarding the assets and fewer potential buyers than in more mature markets, makes the complexity of these sales processes high with significant uncertainties regarding both expected outcome and timing.

Impairment losses and restructuring charges

Factors generally affecting the telecom markets as well as changes in the economic, regulatory, business or political environment impact Telia Company financially. Management also constantly reviews and refines the business plans, and may make exit decisions or take other actions in order to effectively execute on Telia Company's strategy. Should such circumstances negatively change management's expectation of future cash flows attributable to certain assets, Telia Company will be required to recognize asset impairment losses, including but not limited to goodwill and fair value adjustments recorded in connection with historical or future acquisitions. Further, Telia Company has undertaken a number of restructuring and streamlining initiatives, which have resulted in substantial restructuring and streamlining charges. Similar initiatives may be undertaken in the future. In addition to affecting Telia Company's financial position and results of operations, impairment losses and restructuring charges may adversely affect Telia Company's ability to pay dividends.

Investments in business transformation and future growth

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

Shareholder matters in partly-owned subsidiaries

Telia Company conducts some of its activities, particularly outside of the Nordic region, through subsidiaries in which Telia Company does not have a 100 percent ownership. Under the governing documents for certain of these entities, the holders of non-controlling interests have protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder-related matters. One example where Telia

Company is dependent on a minority owner is Fintur Holdings B.V. (Fintur's minority shareholder is Turkcell) which owns the operations in Kazakhstan, Azerbaijan, Georgia and Moldova. As a result, actions outside Telia Company's control and adverse to its interests may affect Telia Company's position to act as planned in these partly owned subsidiaries.

Supply chain

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

Non-recurring items

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

Associated companies and joint operations

Telia Company conducts some of its activities, particularly outside of the Nordic region, through associated companies, the major ones being MegaFon and Turkcell, which Telia Company does not control and which operate in growth markets but also in more volatile political, economic and legal environments. In turn, these associated companies own stakes in numerous other companies. Telia Company does not have a controlling interest in its associated companies and as a result has limited influence over the conduct of all these businesses. Under the governing documents for certain of these entities, Telia Company's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to the timing and amount of cash distributions. The risk of actions outside Telia Company's or its associated companies' control and adverse to Telia Company's interests, or disagreement or deadlock, is inherent in associated companies and jointly controlled entities. One example of this is the ongoing corporate governance issues on shareholder level in Turkcell. Telia Company might not be able

to ensure that the associated companies apply the same responsible business principles, increasing the risk for wrongdoings and reputational and financial losses. Variations in the financial performance of these associated companies have an impact on Telia Company's results of operations also in the short term.

Sustainability

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

Review of Eurasian transactions

In late 2012, the then Board of Directors appointed the 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 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, and forfeiture of any proceeds to Telia Company resulting from the alleged crimes. The Swedish Prosecution Authority may take similar actions with respect to transactions made or agreements entered into by Telia Company relating to operations in its other Eurasian markets. Further, actions taken, or to be taken, by the police, prosecution or regulatory authorities in other jurisdictions against Telia Company's operations or transactions, or against third parties, whether they be Swedish or non-Swedish individuals or legal entities, might directly or indirectly harm Telia Company's business, results of operations, financial position, cash flows or brand reputation. As examples, investigations concerning bribery and money laundering in connection with the transactions in Uzbekistan are conducted by the Dutch prosecutor and police authorities, and by the U.S. Department of Justice and the U.S. Securities and Exchange Commission. As requested by the Dutch authorities, Telia Company has provided a bank guarantee of EUR 10 million as collateral for any financial claims which may be decided against one of its Dutch subsidiaries. Telia Company is cooperating fully with the Dutch and U.S. authorities. The investigations were initiated in March 2014 and are still ongoing. At this point in time, it is not possible to assess how or when the investigations will be resolved. Telia Company has not received any formal or indicative claims or requests for penalties or other monetary sanctions from the authorities, but there is a risk that the investigations will result in some form of sanctions, monetary and/or otherwise. The outcome of the investigations may have a material adverse effect on Telia Company's financials. Telia Company has received requests to make public the reviews made by NRF and other law firms. However, despite risking criticism, it is not possible to publish the reviews with respect to people, companies, business agreements, privacy and thus the risk of Telia Company incurring lawsuits as the law firms' views are not necessarily shared by those implicated. As already stated, Telia Company continuously hand over information to law enforcement agencies, who are better equipped to assess whether any criminal acts have occurred.

BOARD OF DIRECTORS' AND PRESIDENT'S CERTIFICATION

The Board of Directors and the President and CEO certify that the Interim Report gives a true and fair overview of the Parent Company's and Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, July 20, 2016

Marie Ehrling
Chair of the Board

Olli-Pekka Kallasvuo
Vice-Chair of the Board

Agneta Ahlström
Board member,
employee representative

Susanna Campbell
Board member

Stefan Carlsson
Board member,
employee representative

Mikko Kosonen
Board member

Nina Linander
Board member

Martin Lorentzon
Board member

Anna Settman
Board member

Olaf Swantee
Board member

Peter Wiklund
Board member,
employee representative

Johan Dennelind
President and CEO

REVIEW REPORT

Introduction

We have reviewed the interim report for Telia Company AB (publ) for the period January 1 - June 30, 2016. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, July 20, 2016

Deloitte AB

Jan Nilsson
Authorized Public Accountant

FORWARD-LOOKING STATEMENTS

This report contains statements concerning, among other things, Telia Company's financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent Telia Company's future expectations. Telia Company believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such important factors include, but

may not be limited to: Telia Company's market position; growth in the telecommunications industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of Telia Company, its associated companies and joint ventures, and the telecommunications industry in general. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, Telia Company undertakes no obligation to update any of them in light of new information or future events.

TELIA COMPANY IN BRIEF

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

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

DEFINITIONS

Billed revenues: Voice, messaging, data and content.

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

Change (%) local organic

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

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

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

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

Non-recurring items comprise capital gains and losses, impairment losses, restructuring programs (costs for phasing out operations and personnel redundancy costs)

or other costs with the character of not being part of normal daily operations.

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

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

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

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

FINANCIAL CALENDAR

Interim Report January–September 2016
October 21, 2016

Year-end Report 2016
January 27, 2017

Interim Report January–March 2017
April 26, 2017

Interim Report January–June 2017
July 20, 2017

QUESTIONS REGARDING THE REPORTS

Telia Company AB
www.teliacompany.com
Tel. +46 8 504 550 00



Telia Company AB (publ)
Corporate Reg. No. 556103-4249,
Registered office: Stockholm
Tel. +46 8 504 550 00. www.teliacompany.com