Telia Company

GREEN BOND FRAMEWORK
&
INVESTOR UPDATE



OCTOBER 2019

MEETING AGENDA

GROUP OVERVIEW AND Q3 UPDATE

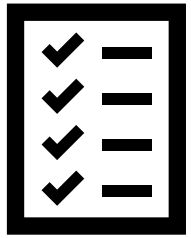




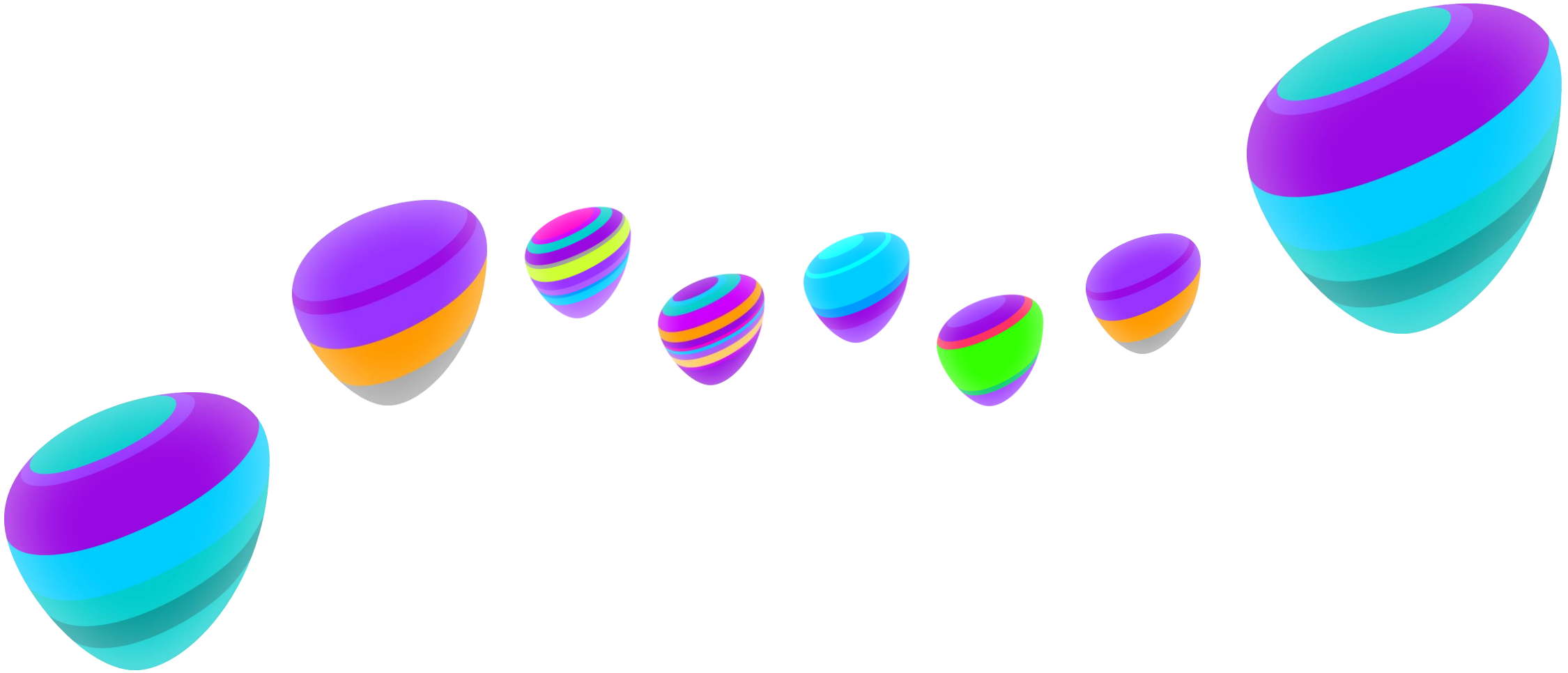
TELIA'S SUSTAINABILITY AGENDA: DIGITAL IMPACT



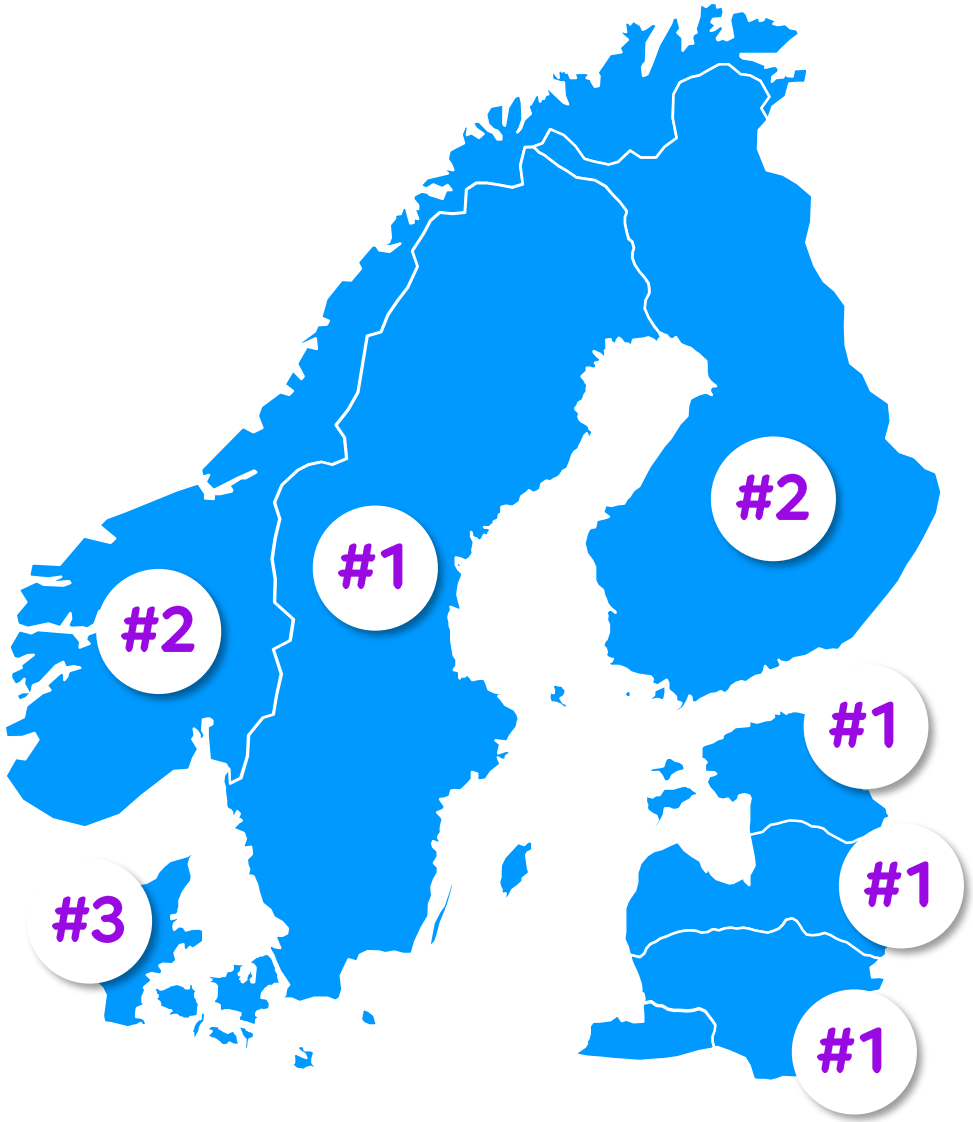
GREEN BOND FRAMEWORK



GROUP OVERVIEW AND Q3 UPDATE



THE #1 GO-TO PARTNER IN AN ATTRACTIVE REGION



TOTAL POPULATION

33

MILLION

Source: Eurostat

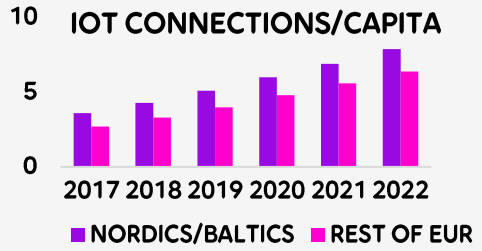
STRONG MACRO ECONOMY

2-3%

GDP GROWTH 2019-2020

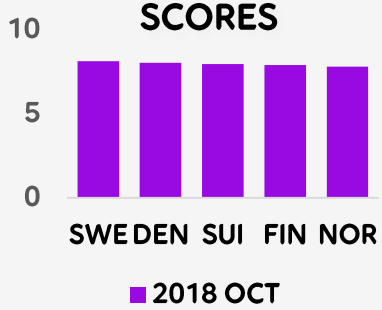
Source: SEB

HIGH GRADE OF DIGITALIZATION



Source: Telia Company

TOP 5 COUNTRY ESG SCORES

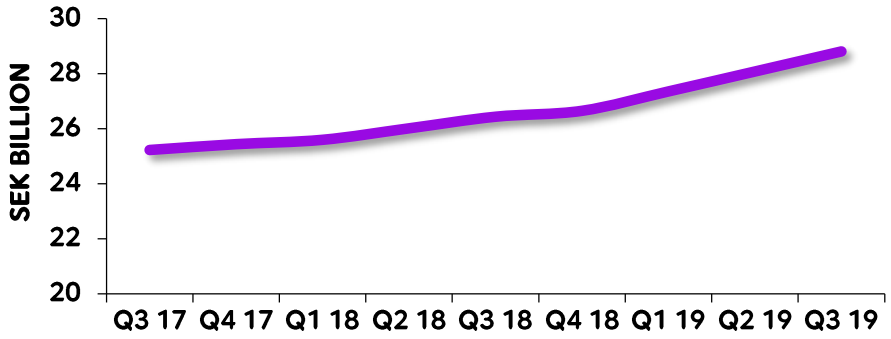


Source: RobecoSAM

A SUCCESSFUL JOURNEY

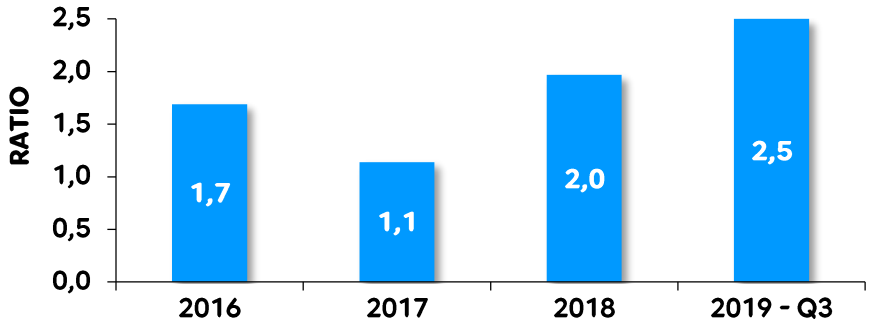
REPORTED EBITDA DEVELOPMENT

Reported currency, adjusted EBITDA, R12, 2019 excl. IFRS 16 impact



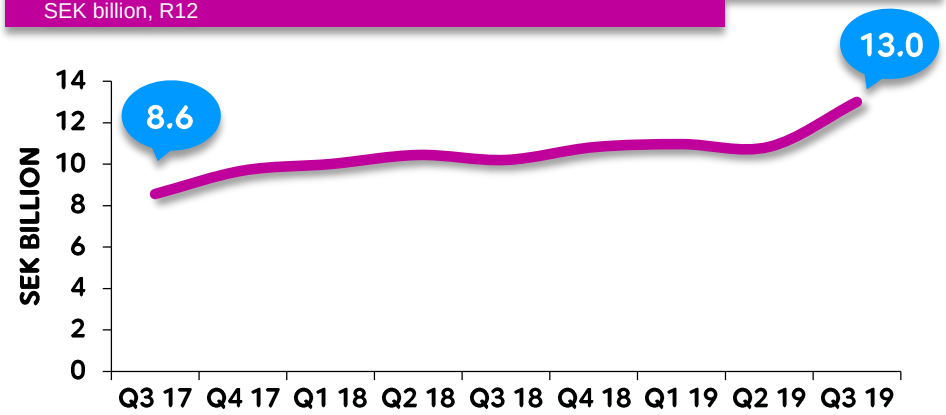
LEVERAGE DEVELOPMENT

Adjusted EBITDA/net debt, 2018/2019 a full year of Get/TDC Norway



OPERATIONAL FREE CASH FLOW

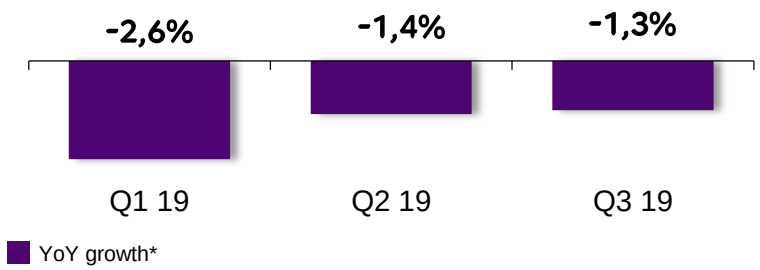
SEK billion, R12



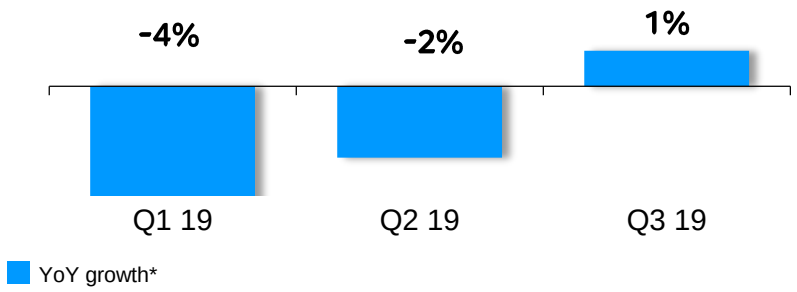
- Organic growth and FX tailwind amplified by M&A behind EBITDA growth
- Rightsizing the balance sheet via M&A and share buybacks
- Strong cash flow development mainly driven by M&A, organic EBITDA and improved working capital

TRENDS AS EXPECTED

SERVICE REVENUE DECLINE SOFTENING



EBITDA IN POSITIVE GROWTH TERRITORY



OPEX REDUCED IN Q3 VS INCREASED IN H1

-4%
(+1% H1 2019)

Q3 2019

STRONG OPERATIONAL FREE CASH FLOW

11.6BN
(SEK 9.4BN YTD Q3 2018)

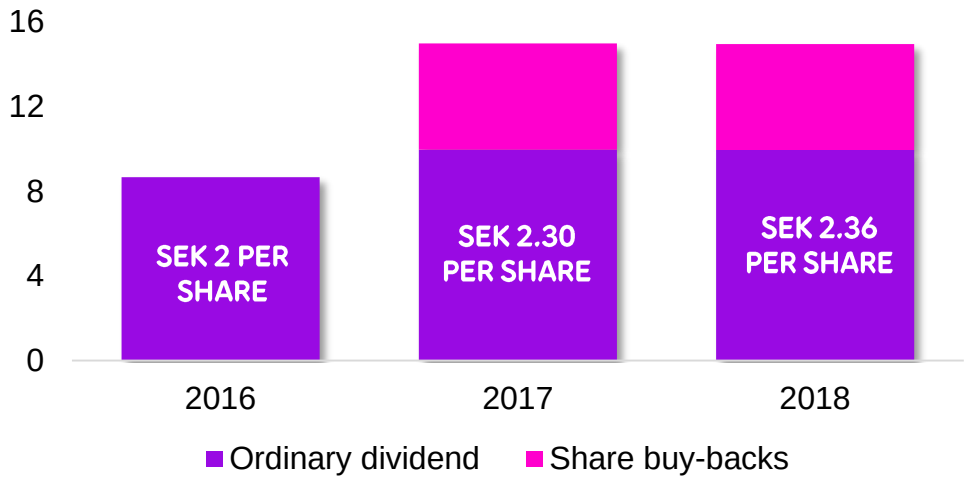
YTD Q3 2019

** Like for like, Adjusted EBITDA excluding IFRS 16 impact*

SHARE BUY-BACK PROGRAM TO END SPRING 2020

RECENT SHAREHOLDER REMUNERATION

SEK in billions



- The 2018 share buy-back decision based on strong balance sheet and model being flexible
- Carried out as long as credit targets are not breached and strategy allows for it
- In total SEK 10 billion, about 6% of shares to be bought back until AGM 2020

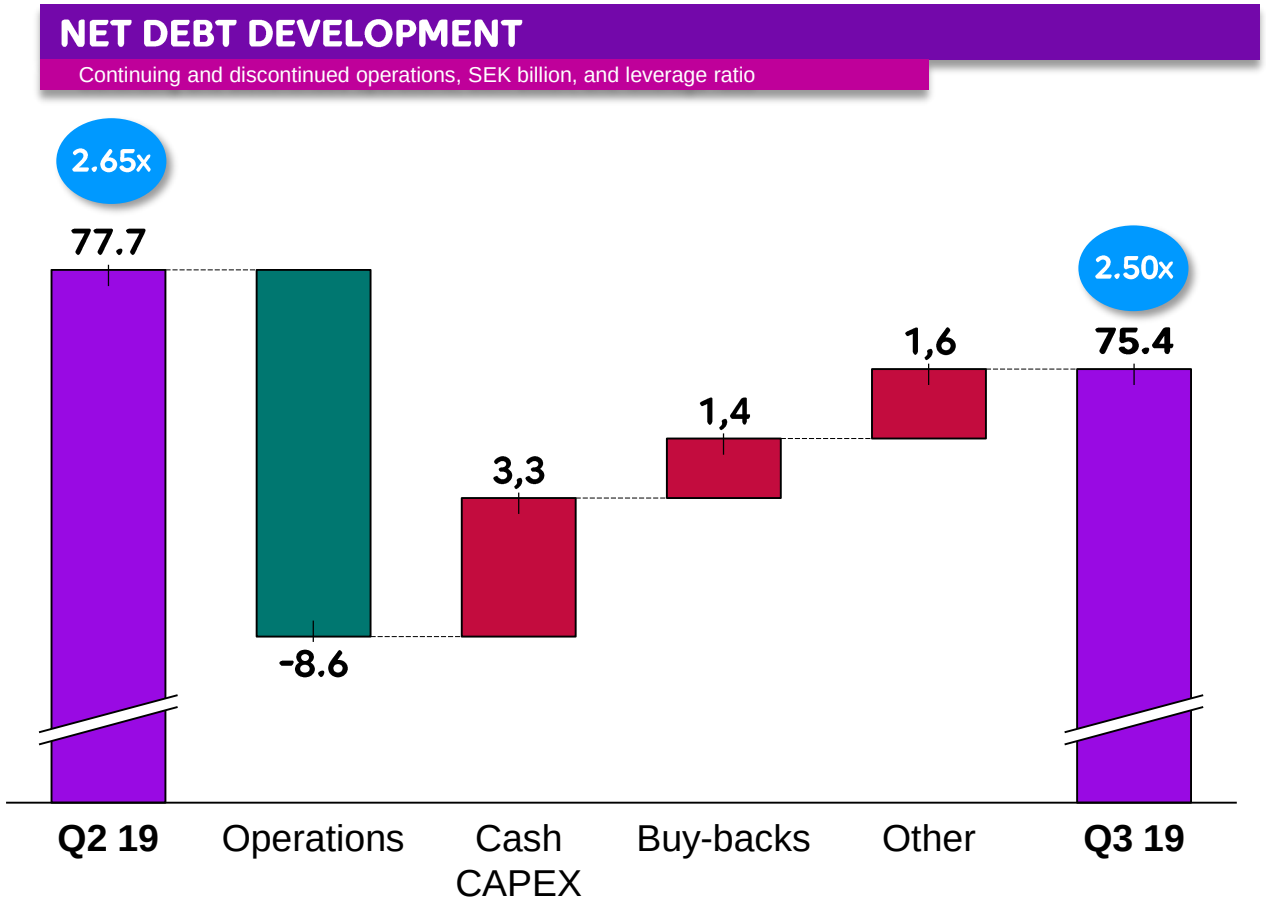
RATIONAL

- Current pro forma leverage* of 2.7x
- Credit rating target A-/BBB+
- Slower overall economic outlook
- Positive EBITDA trend but below internal plans
- Sustain flexibility going forward

DECISION TAKEN BY THE BOARD NOT TO EXECUTE ON THE REMAINING SEK 5 BILLION OF THE THREE-YEAR SHARE BUY-BACK PROGRAM AMBITION

** Based on Q3 2019 leverage and including second 2019 dividend tranche and remaining share buy-backs until AGM 2020*

NET DEBT AND LEVERAGE FELL IN THE QUARTER



- Net debt down Q3 driven by strong cash flow from operations
- Leverage also down but still not enjoying the full run-rate contribution to EBITDA from IFRS 16

- Second dividend tranche of SEK 5 billion to be paid Q4 (pro forma leverage impact of 0.16x)
- Share buy-backs of around SEK 2.5 billion left to do until the AGM 2020 (pro forma leverage impact of 0.08x)

= *Leverage ratio (multiple, rolling 12 months including a full 12 months of Get/TDC Norway)*

COMMITED TO REMAINING SOLID INVESTMENT GRADE

RATING TARGET

A-

BBB+

SOLID INVESTMENT GRADE RATING

DIVIDEND POLICY

>80%

OF OPERATIONAL FREE CASH FLOW PLUS DIVIDENDS FROM ASSOCIATED COMPANIES NET OF TAXES

FULLY COMMITTED TO A SOLID INVESTMENT GRADE

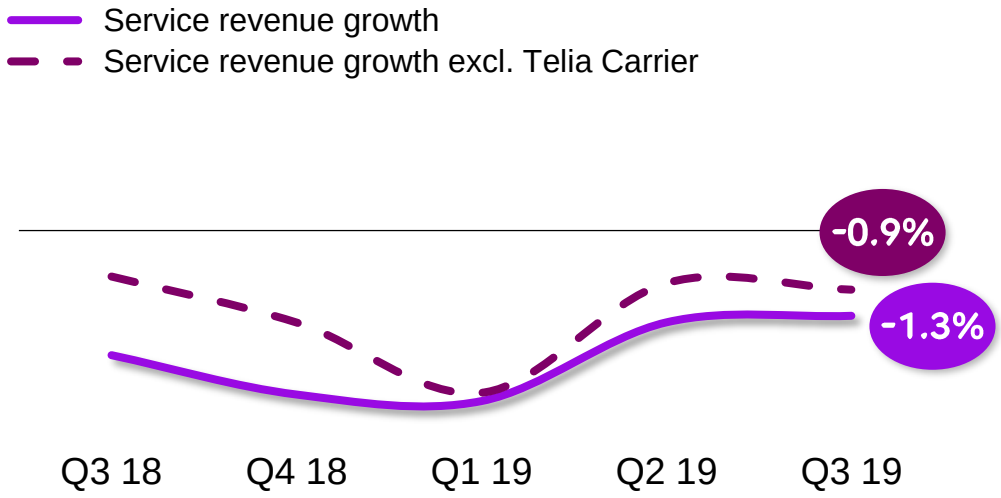
DELEVERAGE OPPORTUNITIES FROM NON-CORE ASSETS

DELEVERAGE FROM OPERATIONAL CASH FLOW

COST DRIVEN EBITDA RECOVERY

SERVICE REVENUE DEVELOPMENT*

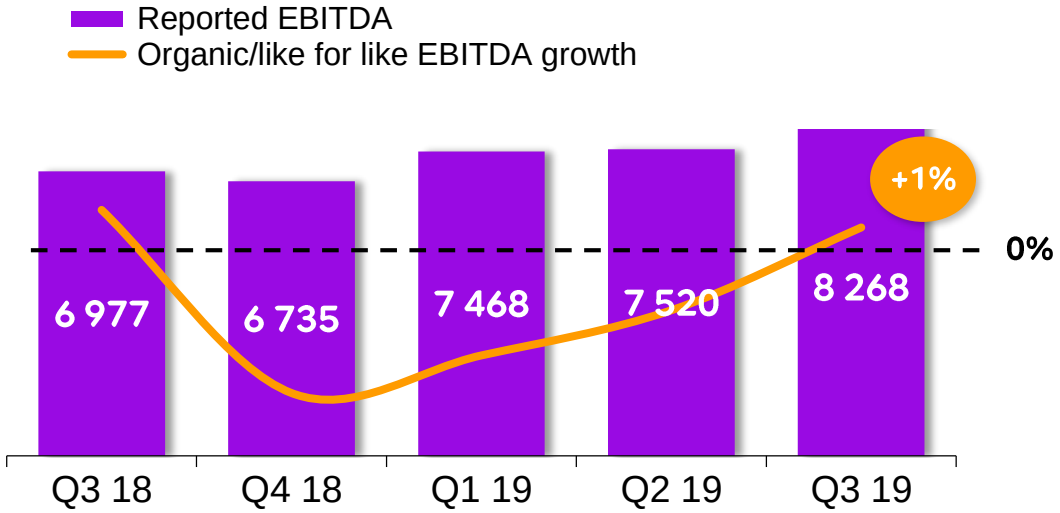
Organic & like for like growth, external service revenues



- Unchanged sequential trend
- Loss of low-margin revenues in Telia Carrier still weights on group

ADJUSTED EBITDA DEVELOPMENT*

SEK million in reported currency, organic & like for like growth excl. IFRS 16



- EBITDA turned positive driven mainly by sequential improvements in Sweden and Norway
- Lower costs in central functions also contributed

** 2018 based on the previous organic growth definition (stable FX and M&A excluded)*
2019 based on the new definition "like for like growth" (Stable FX and M&A included in current & corresponding period)

ACCELERATE EXECUTION

B2C

Hub to digital experiences in homes and offices

STRONG CUSTOMER POSITION IN CORE → DRIVE LOYALTY FURTHER → GROW ARPA AND ADD SERVICES

FIBER OCN FWA 5G

Drive loyalty

B2B

Digitalization partner of choice

STRONG POSITION IN CORE SERVICES → DRIVE LOYALTY & PROTECT CORE REVENUES → MONETIZE DIGI-TALIZATION GROWTH

5G ICT

Utilize network superiority

EFFICIENCY

Cost leadership through scale and synergies



New operating model

INDUSTRY LEADER IN DIGITAL IMPACT THROUGH UN'S SUSTAINABLE DEVELOPMENT GOALS



STAYING IN THE FRONT OF DIGITALIZATION VIA 5G

SWEDEN



Telia Company

NEW BOLIDEN

Volvo Construction Equipment

ERICSSON

- The world's first 5G network underground launched
- Sweden's first 5G network for remote steering of construction equipment

FINLAND

5G

ABB

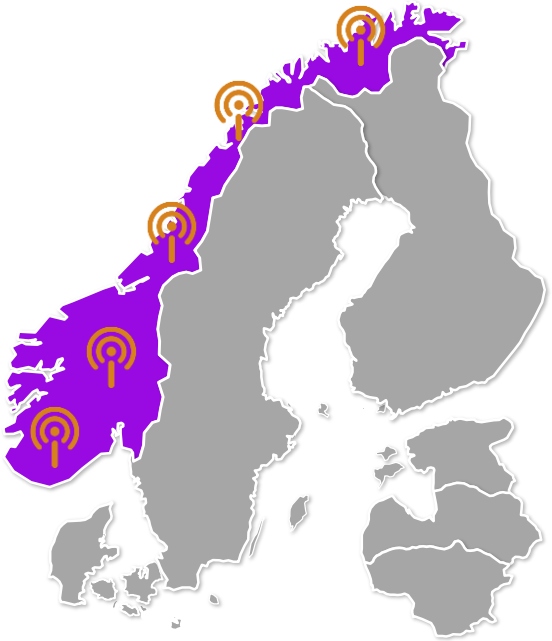
storaenso

1,000 MBIT

EUR 49.90/MONTH

- 5G devices and price plans now available
- Initial roll-out program to cover the 7 largest cities

NORWAY



- Network upgrade and 5G roll-out over 4 years
- Target to fully cover Norway
- Strong FWA business case

FULL YEAR CASH FLOW OUTLOOK UNCHANGED

OPERATIONAL FREE CASH FLOW



SEK 12-12.5 BILLION

UNCHANGED

- Full year outlook reiterated with outcome likely in the lower end of the range
  - EBITDA and CAPEX YTD Q3 combined below internal expectations whereas WC and other items are ahead
- Composition and run-rate into 2020 slightly different vs. view at the beginning of the year
- Currently there is a higher uncertainty on the operational free cash flow level for 2020

BONNIER BROADCASTING

THE KEY RATIONALE

1. DIFFERENTIATION / UNIQUE EXPERIENCES
2. AD-ENGINE AND COMPETENCE FOR THE FUTURE
3. DATA ANALYTICS & CUSTOMER KNOWLEDGE
4. WELL POSITIONED IN TRADITIONAL TV AND AVOD
5. IMPROVED POSITION IN MEDIA/AD LANDSCAPE & FLEXIBILITY IN CONTENT USAGE
6. IMPROVED CONVERGENCE TO REDUCE CHURN

THE FINANCIALS

SEK in millions	2020	2021	2022
EBITDA synergies	100	→	600
Integration costs	-200	-200	0

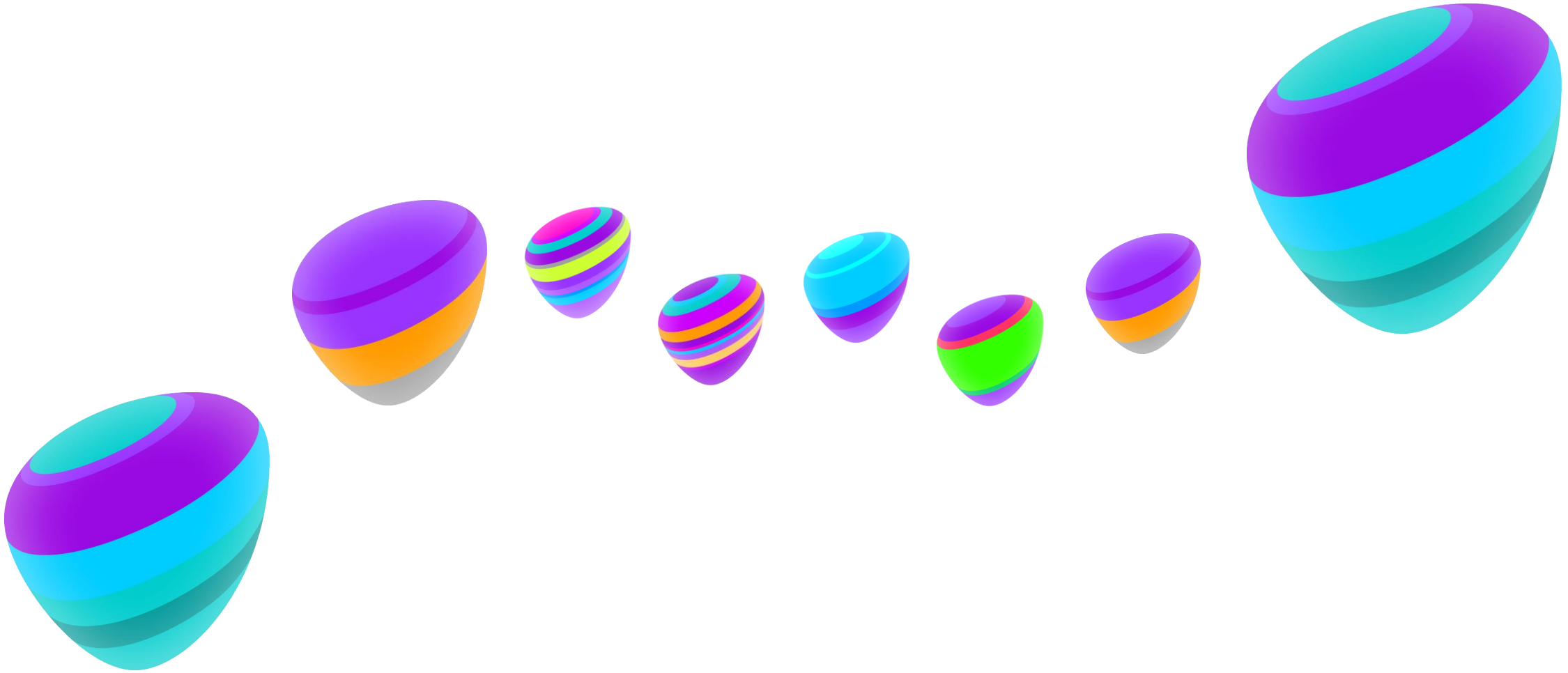
- Operational free cash flow of SEK 500 million 2020

TV4 Play

KATS MO

EU COMMISSION FINAL DECISION LATEST 19 NOVEMBER

TELIA'S SUSTAINABILITY AGENDA: DIGITAL IMPACT



OUR JOURNEY



Exit Eurasia & DoJ

Strategy integration

Statement of materiality

Employee engagement

Daring goals

ZERO CO_2

ZERO WASTE

100% ACTION

OUR OVERALL SUSTAINABILITY STRATEGY

MAKING
DIGITAL
IMPACT




CONNECTED WATER SYSTEM
FM MATTSON
SELF-DRIVING ELECTRIC TRUCKS
EINRIDE, ERICSSON
DIGITAL WAY-OF-WORKING IN HEALTH CARE
CAPIO
…TREND TOWARD PARTNERSHIPS
SMART PUBLIC TRANSPORT
SKÅNETRAFIKEN
HEATING
STOCHOLM EXERGI

CONTRIBUTE TO THE SDG'S



OUR ESG PERFORMANCE

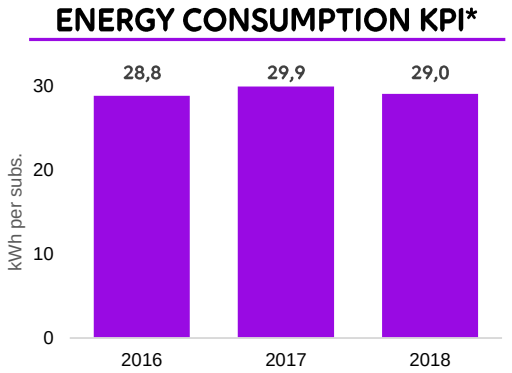
EXTERNAL RECOGNITION

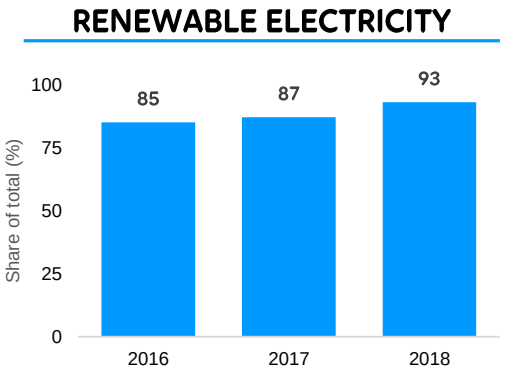
- MSCI ESG “AAA” rating
- Sustainalytics – top rating in carbon performance within industry
- FTSE4Good inclusion
- "Gold supplier” rating in EcoVadis

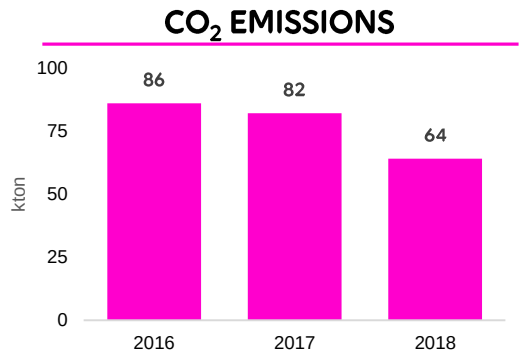
COMMITMENTS AND FRAMEWORKS (EXAMPLES)

- Nordic CEO Coalition on the SDGs
- Science Based Targets commitment
- UN Global Compact

ENVIRONMENTAL PERFORMANCE







*Scopes 1+2, Nordic and Baltic operations

OUR DARING GOALS FOR A HEALTHY PLANET 2030



WORKING ACROSS THE COMPANY

ZERO CO_2

ZERO WASTE

100% ACTION

… DIVIDED INTO WORKSTREAMS

- SHARED VALUE
- SUPPLIERS
- CIRCULARITY
- ENERGY
- FINANCE
- GREEN OFFERINGS
- BUSINESS TRAVEL
- OFFICES

…ENABLING ALL EMPLOYEES TO CONTRIBUTE

- CULTURE
- LEARNING
- ACTIVATION
- RECOGNITION
- YOUFIRST
- WORKFORCE

SUSTAINABILITY IN FINANCIAL MANAGEMENT

FINANCE

TELIA COMPANY IS ON A JOURNEY TO BECOME A FULLY SUSTAINABLE CREDIT/ INVESTMENT

OUR ACTIVITIES & MAIN PILLARS

Sustainable Financial Governance	Sustainable Funding	Sustainable Financial Investments

INFLUENCE THROUGH INCLUSION

Financial community

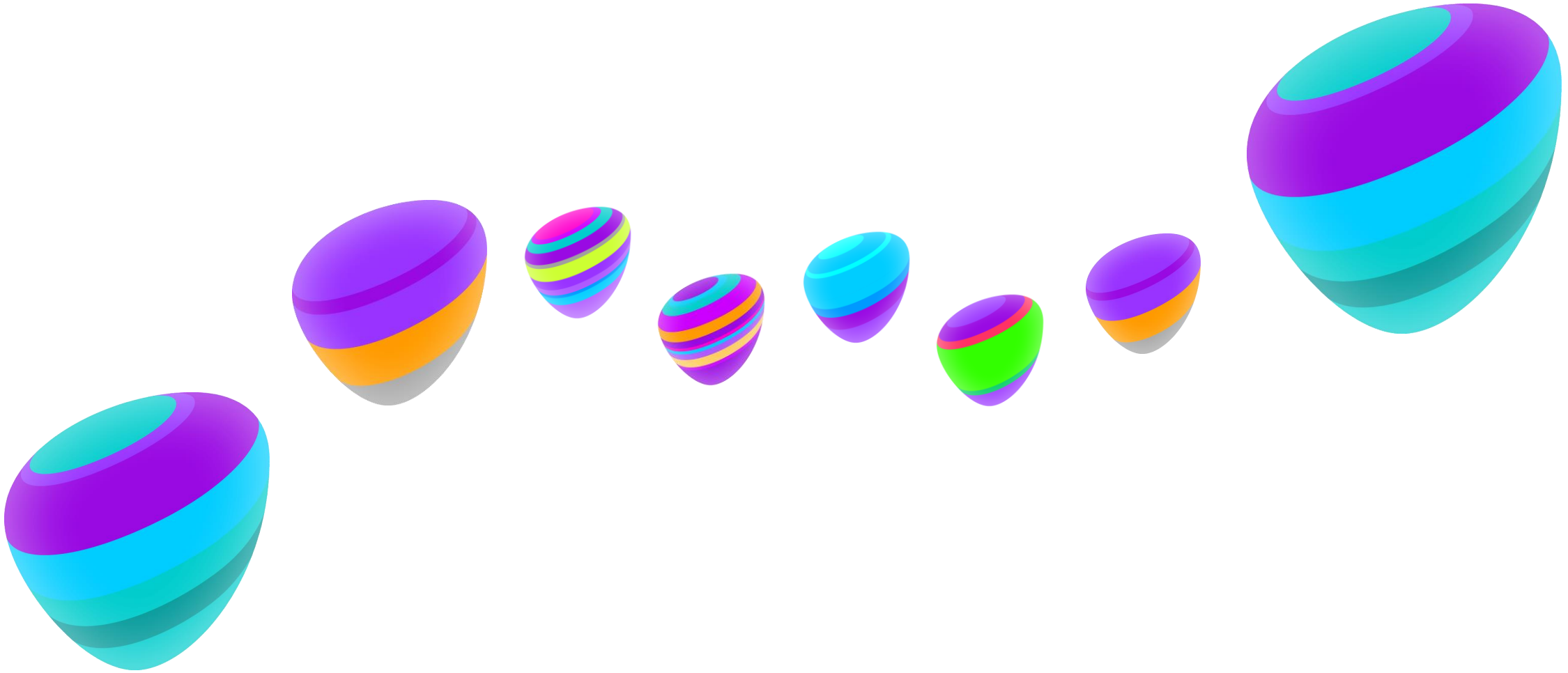
- Investors
- Banks & suppliers
- Internal stakeholders
- Peers/community

We are

- Demanding
- Engaged
- Daring to stretch and simplify
- Caring about the future

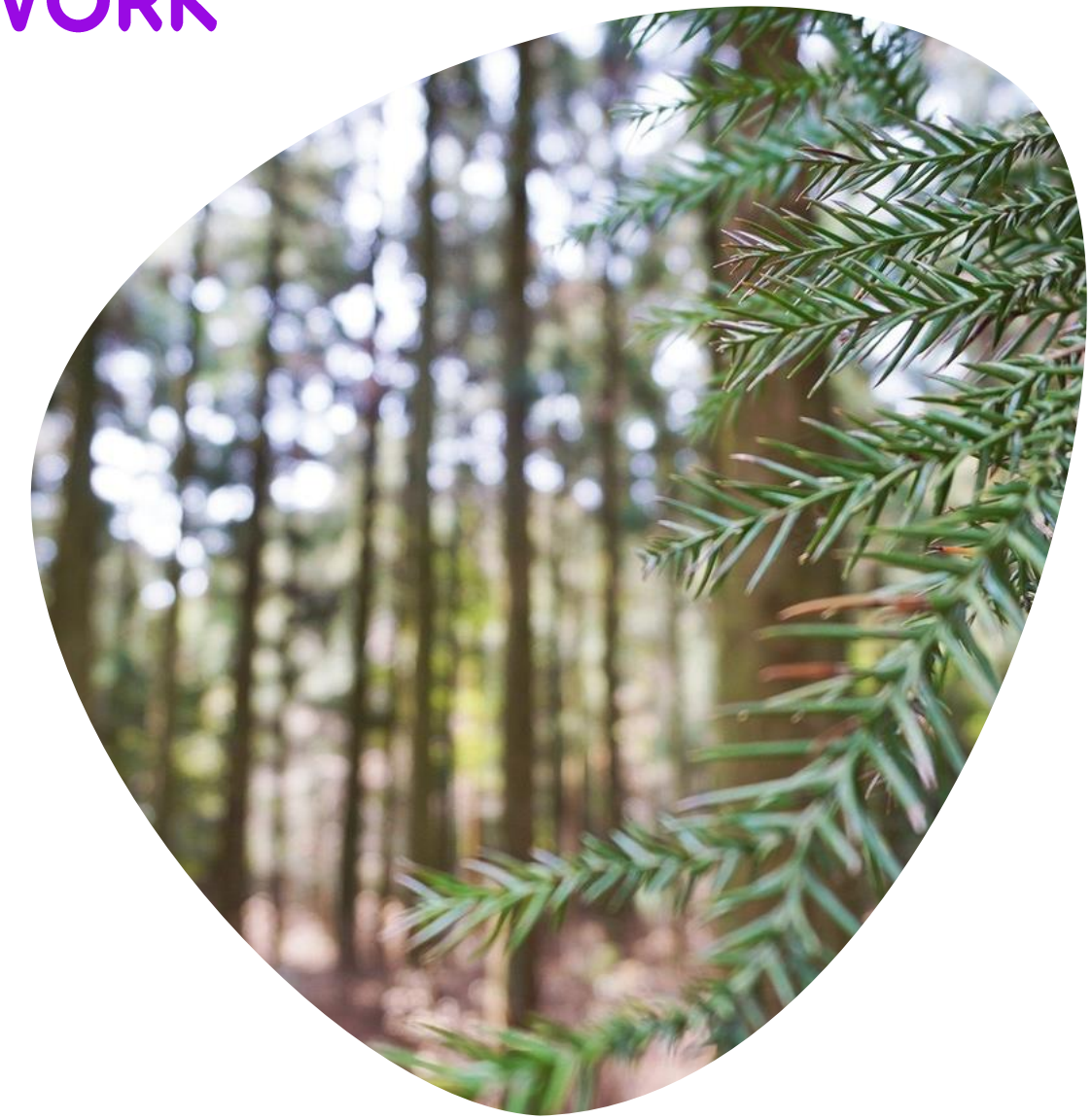


GREEN BOND FRAMEWORK



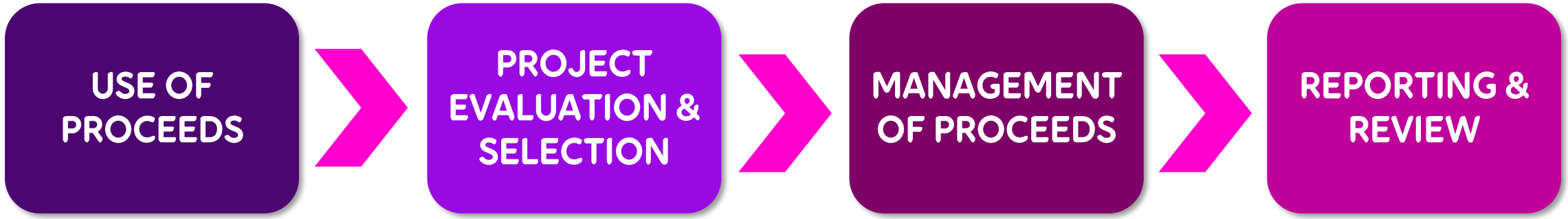
WHY A GREEN BOND FRAMEWORK

- By launching a green bond framework we articulate our sustainability commitment connected to funding
- With our Daring Goals it is a very natural step for Telia Company to consider including the option to issue Green Bonds going forward
- The framework is based on the Green Bond Principles and reviewed by Sustainalytics
- In the current CAPEX plan, the green part is estimated to be around 25-35%





GREEN BOND FRAMEWORK STRUCTURE



USE OF PROCEEDS – ELIGIBLE CATEGORIES

ENERGY EFFICIENCY

- Replacement and upgrade of network equipment/ technology
- Consolidation and/or optimization of technical sites
- Reduction of the need for fossil-fueled back-up power and of the overall physical network footprint
- Examples: Highly energy efficient data transmission through fiber replacing older technology. Green cooling solutions and site consolidation.

GREEN DIGITAL SOLUTIONS

- Research, development and deployment of systems, products and technology that reduce energy consumption & increase energy efficiency
- Products and services that mitigate GHG emissions of Telia's customers
- Examples: High speed mobile networks, IoT solutions and data analytics enabling e.g. smart metering, fleet management, smart city planning.

RENEWABLE ENERGY

- Investments in the development, construction, maintenance and/or operation of facilities, equipment or systems that generate or transmit renewable energy (wind or solar)

GREEN BUILDINGS

- Development, acquisition, leasing and/or renovation of properties that have or will receive a design stage certification, post-construction certification and/or in-use certification
- Examples: BREEAM "Excellent", LEED "Gold".

USE OF PROCEEDS

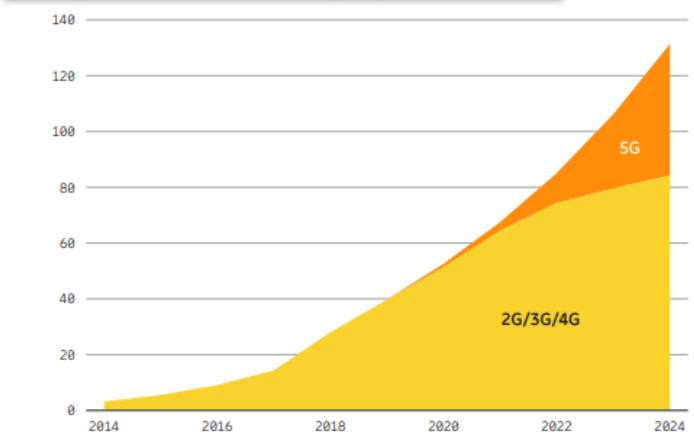
ENERGY EFFICIENCY: NETWORK TRANSFORMATION

- To increase efficiency and rapidly capture the benefits of digitalization
- Investments into energy efficiency have yielded lower electricity consumption despite significant increase in network capacity.
  - According to peer research, fiber is 85% more energy efficient per unit of data transferred
- Energy consumption forecast stable despite continued roll-out of high speed networks

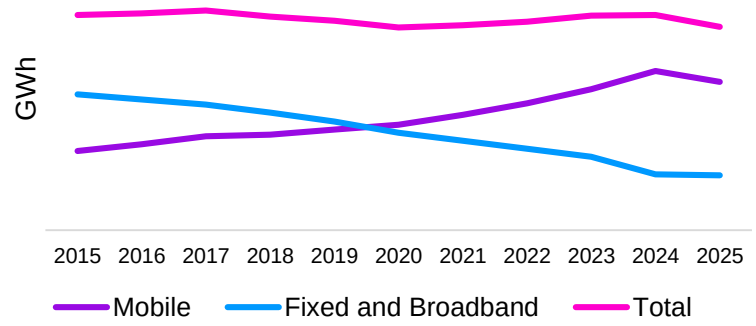
- Transformation activities include:
  - Decommissioning copper-based PSTN services
  - Fiber roll-out
  - Green cooling of data centers

GLOBAL MOBILE DATA USAGE

EB per month, *Ericsson Mobility Report, June 2019*



ENERGY CONSUMPTION – TELIA SWEDEN



GREEN DIGITAL SOLUTIONS: CONTRIBUTING TO SMARTER AND MORE SUSTAINABLE SOCIETIES

USE OF PROCEEDS

THE CHALLENGE

- Traffic issues between and within Helsinki and nearby Espoo
- Critical to improve the use of the subway line from more remote parts of Espoo

THE SOLUTION

- Telia Crowd Insights screening millions of trips to/from/within Helsinki and Espoo
- “Door to door” insights used to plan and develop new bus feeder service lines

CREATING SHARED VALUE



- Drastic improvement in the use of public transportation in more remote areas of Espoo



- Replicable and scalable, other cities are already looking to work with Telia Company to deploy Crowd Insights in traffic planning

REDUCED CAR TRAFFIC BY 8%

REDUCED CO_2 BY 13 TONS PER DAY

PROJECT EVALUATION & SELECTION

MANAGEMENT OF PROCEEDS

PROJECTS AND PROCEEDS

EVALUATION / SELECTION OF PROJECTS

The Green Bond Committee:

- Evaluates and approves projects

Members:

- Group Treasury
- Group Strategy
- Group Technology
- Group Sustainability

Process

- Screening in accordance with the Green Bond Framework
- Approves selected projects
- Reviews the process allocation

MANAGEMENT OF PROCEEDS

- Group Treasury responsible for management of proceeds
- The allocation will be tracked through the Treasury management system
- Net proceeds of yet unallocated balance will be maintained in cash, cash equivalents and/or other short-term liquid instruments
- Eligible Green Projects that no longer fulfil the criteria will be removed from the eligible portfolio

REPORTING



Telia Company will annually report on:

Allocation

- Allocation to each of the Use of Proceeds categories
- A list of eligible green projects with short descriptions and relevant case studies
- The remaining balance of unallocated proceeds
- External verification from an independent party post-issuance until full allocation of all net proceeds

Impact

- Environmental impact reporting on the allocated proceeds on best effort basis
- Include some asset level Key Performance Indicators such as, but not limited to: Renewable Energy Generated (GWh), Energy Savings (GWh), GHG Emissions Reduction (CO_2e)
- If and when deemed relevant and possible, also report on social impact
- To the extent possible, impact reporting will also reference impacts on material SDGs

EXTERNAL REVIEW – SECOND PARTY OPINION

"Sustainalytics is of the opinion that the Telia Company Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018."

Highlights from Sustainalytics Second Party Opinion:

- *"Based on the Company's sustainability strategy, commitments and progress reporting, Sustainalytics is of the opinion that **Telia is well positioned to issue Green Bonds and that the activities financed from these bonds will further the Company's sustainability strategy.**"*

- *"**Telia is taking a holistic approach to the greening of their networks, products and services** by funding renewable energy, operational improvements and network improvements. These efforts will contribute to SDGs related to sustainable cities and communities; industry innovation and infrastructure; and affordable and clean energy, while enabling the potential for much further impact through the implementation of IoT applications, cloud computing and data analytics."*

- *"**Telia Company's internal process in evaluating and selecting projects is aligned with market practice.** Telia Company has established a Green Bond Committee (GBC) to manage the project evaluation and selection process."*

Q&A

