TELIA FÖRSÄKRING AB

ESTONIAN BRANCH

2018 ANNUAL REPORT

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ADMINISTRATION REPORT

The Branch manager of Telia Försäkring AB – Estonian Branch hereby present the Annual Report for the period 01/01/2018 - 31/12/2018, the Branch's first year in business.

Organisation
The Branch is wholly-owned by Telia Försäkring AB (corporate registration number 516401-8490, registered office: Stockholm) which is wholly-owned by Telia Company AB (corporate registration number 556103-4249, registered office: Stockholm) and has its registered office in Stockholm. The Branch's postal address is Stjärntorget 1, SE-169 94 Solna, Sweden.

The Branch provides insurance coverage for fire and other damage to property. This takes place via direct insurance. The Branch's Affinity clients is subscribed solely to a client base which belongs to Telia Company AB's consolidated subsidiaries.

Developments during 2018
The Branch's business operations have increased in line with business plan during the year.

The Branch is an unmanned branch office in Estonia, registered in November 2017.

The overall claims result is EUR -448 514 The reserve for outstanding claims is EUR 47 911.

Claims data is available in order to be able to determine IBNR. This has been calculated to amount to EUR 10 103.

Events after the close of the reporting period
No material events after closing of reporting period.

Performance
Written premiums amounted to EUR 658 093 The written premiums is in line with business plan.

Operating expenses in 2018 amounted to
EUR 397 232, of which 357 546 was paid out in the form of commissions to Telia Eesti.

Earnings before appropriations and taxes amounted to EUR -187 653

INCOME STATEMENT

Technical result of non-life insurance opertaions	Note	2018
Premiums earned (after ceded reinusrance)		
Premium income	2	658 093
Premiums earned (after ceded reinsurance)		658 093
Investment income transferred from financial operations		-
Claims payments (after ceded reinsurance)		
Claims paid		-390 500
Change in provisions for claims outstanding		-58 014
Claims payments (after ceded reinsurance)		-448 514
Operating expenses	3	-397 232
		-397 232
Technical result, non-life insurance operations		-187 653
Profit before appropriations and tax		-187 653
Corporate tax		0
Net profit for the year		**-187 653**

Telia Försäkring AB Estonian Branch – 2018

BALANCE SHEET

Assets	Note	2018-12-31
Receivables		
Receivables direct insurance		69 132
Total receivables		69 132
Other assets		
Cash and bank balances		58 366
Total other assets		58 366
Total Assets		**127 498**

Equity, provisions and liabilities	Note	2018-12-31
Net profit for the year		-187 653
Technical reserves		
(before ceded reinsurance)		
Unearned premiums and unexpired risks		0
Claims outstanding	4	58 014
Total technical reserves (before ceded reinsurance)		58 014
Liabilities		
Liabilities direct insurance		257 137
Total liabilities		257 137
Total Equity, provisions and liabilities		**127 498**

ACCOUNTING POLICIES AND RISKS

Note 1. Accounting policies

Fundamental accounting policies

The Annual Report has been prepared in accordance with the Swedish Annual Accounts for Insurance Companies Act and the Swedish Financial Supervisory Authority's regulations and general guidelines FFFS 2015:12 and RFR 2 Accounting for Legal Entities.

Compliance with standards and regulations

The insurance Branch applies what is referred to as statutory IFRS, meaning International Accounting Standards which have been adopted for application with the restrictions arising from RFR 2 and FFFS 2015:12. This means that all EU-approved IFRSs are applied, to the extent feasible, within the framework of Swedish law and with regard to the relationship between recognition and taxation.

(a) New and amended standards applied by the Branch

None of the new and revised Standards and interpretations that have been applied from 1 January 2018 have any material impact on the Branch's financial reports.

(b) New Standards, revisions and interpretations of existing standards that have not yet entered into force and have not been applied early by the Branch.

News or changes with future application are not planned to be applied in advance.

As of 1 January 2018, IFRS 9 Financial Instruments replaces the previous Standard, IAS 39 Financial Instruments: Recognition and Measurement. FRS 9 includes a new model for the classification and measurement including impairment of financial instruments, a forward-looking "expected loss" impairment model and a simplified approach to hedge accounting. Telia Försäkring AB Estonian branch will wait to implement IFRS 9 until IFRS 17 is in place.

IFRS 9, Financial instruments: Classification and Measurement have a relationship with the choice of application of the principles for recognition in the forthcoming accounting standards for insurance contracts, IFRS 17. The relationship affects the choice of presentation of interest rate effects in the Income Statement or in Other comprehensive income with the valuation of commitments related to insurance contracts. The relationship between the accounting standards has resulted in the IASB publishing a modification in the current standard for reporting insurance contracts, IFRS 4.

The change results in that insurance companies have two alternative options. One option ("deferral approach") is that companies engaged in insurance can, if certain criteria are fulfilled, postpone the application of IFRS 9. The second option ("overlay approach") is that companies engaged in insurance which in accord with IFRS 9 classify financial instruments at fair value via their Income Statement, which under IAS 39 were not classified at fair value via their Income Statement, are permitted an alternative application of IFRS 9. In short, this means that they can choose to present the difference between the amount that would have been recognised in the Income Statement under IFRS 9 and the amount that would have been recognised in the Income Statement under IAS 39 in Other comprehensive income.

The adoption and transition to IFRS 9 is not expected to lead to any reclassifications between fair value and accrued acquisition value, and therefore will not have any impact on the financial statements.

IFRS 17, Insurance Contracts. New Standard for the accounting for insurance contracts was approved by the EU in 2017, with an effective date of 1 January 2022. The Standard represents a uniform international reporting Standard for the reporting of insurance contracts.

The introduction of this Standard is expected to have a major impact on the financial statements for most insurance companies both in terms of valuation and presentation, not only in the Balance Sheet and Income Statement, but also regarding internal monitoring of the business operations. The disclosure requirement is also extensive. The Branch has not yet evaluated the effects, but follows developments in the matter.

Evaluation is going on how this will affect the Branch. Is being evaluated how this will affect the Branch.

Bases of valuation applied in preparing the financial statements
All amounts are rounded to the nearest EUR, unless stated otherwise. Assets and liabilities have been recognised at cost, with the exception of certain financial assets and liabilities that are measured at fair value.

Currency
The Branch's functional currency is Euro. All assets and liabilities have been translated at the exchange rate on the close of the reporting period.

Insurance contracts
The insurance contracts have been analysed in order to classify them in accordance with IFRS 4 Insurance Contracts. An insurance contract is a contract under which the Branch accepts significant insurance risk by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. A financial contract is a contract that does not transfer any significant insurance risk. All contracts in the Branch are classified as insurance contracts.

Related party transactions
The Branch classifies related parties as follows:
* Group companies
* Key persons in senior positions
* Other related parties

Group companies comprise the parent company Telia Company AB and all subsidiaries of Telia Company AB. Key persons in senior positions comprise the President & CEO. No other related parties have been identified.

Policies applied to items on the Balance Sheet

<u>Cash and cash equivalents</u>
Cash and cash equivalents consist of the Branch's bank balances on accounts that form part of Telia Company AB's cash pool structure, as well as cash at bank and in hand. Bank accounts are listed on the Balance Sheet under cash and other bank balances.

<u>Technical provisions</u>
Technical provisions consist of Provisions for outstanding claims

Provisions for outstanding claims are made according to the policyholder's requirements, less deductible. Provisions for outstanding claims must cover the anticipated future payments to be made for all claims incurred. Provisions for outstanding claims also include those claims that have not yet been reported. For these claims, what is referred to as the "IBNR provision" (incurred but not reported) is made. The IBNR provision is generally calculated using statistical methods.

Policies applied to items in the Income Statement
<u>Written premiums</u>
A premium means the remuneration that an insurance Branch receives from the policyholder in order to accept the transfer of insurance risk. Written premiums are recognised in the Income Statement when the premium falls due.

<u>Premiums earned</u>
The portion of written premiums that is attributable to the reporting period is recognised as premiums earned. The portion of written premiums that relates to periods after the close of the reporting period is allocated to a premium reserve on the Balance Sheet.

<u>Claims incurred for insurance coverage</u>
Claims incurred comprise claims paid and changes in the balance of Technical provisions. Payments made to policyholders during the financial year on the basis of insurance contracts or claims incurred, irrespective of when the claim was incurred, are recognised as claims paid. Changes in the balance of *Technical provisions* are recognised exclusive of exchange rate fluctuations, which are recognised as investment return.

Operating expenses

The operating expenses for the period are recognised in the technical result in the Income Statement. Expenses for claims handling form part of the administrative expenses of insurance operations but are recognised under claims incurred in the Income Statement. Any acquisition costs and accrual of these are also included in the operating expenses. The operating costs of asset management are recognised in the non-technical result. Operating expenses are recognised as they are incurred, with the exception of acquisition costs, which are recognised as an asset and accrued over the life of the insurance contract.

Technical provisions

Technical provisions are calculated using methods that involve making various assumptions. There is particular uncertainty with regard to the actual outcome for the portion of provisions that relates to claims incurred but not reported; see risks below.

NOTES TO THE BRANCH'S FINANCIAL STATEMENTS

Note 2. Written premiums

Premiums written per geographical area	**2018**
Direct insurance, Estonia	658 093
Total Premiums written	**658 093**

Note 3. Operating expenses

	2018
Acquisition costs	-357 546
Administration expenses	-39 686
Total other prepaid expenses and accrued income	**-397 232**

Note 4. Provisions for outstanding claims

	2018
Incurred and reported claims	
Opening balance	0
Change in outstanding loss reserve	47 911
Closing balance	47 911
Incurred but not reported claims (IBNR)	
Opening balance	0
Change in IBNR	10 103
Closing balance	10 103
Total losses incurred incl. IBNR	
Opening balance	0
Change in outstanding loss reserve incl. IBNR	58 014
Closing balance	**58 014**

SIGNATURES

Stockholm, 24 June 2019

Telia Försäkring AB

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Mats Gregorson
Branch manager