

TELIA FÖRSÄKRING AB

2017 ANNUAL REPORT

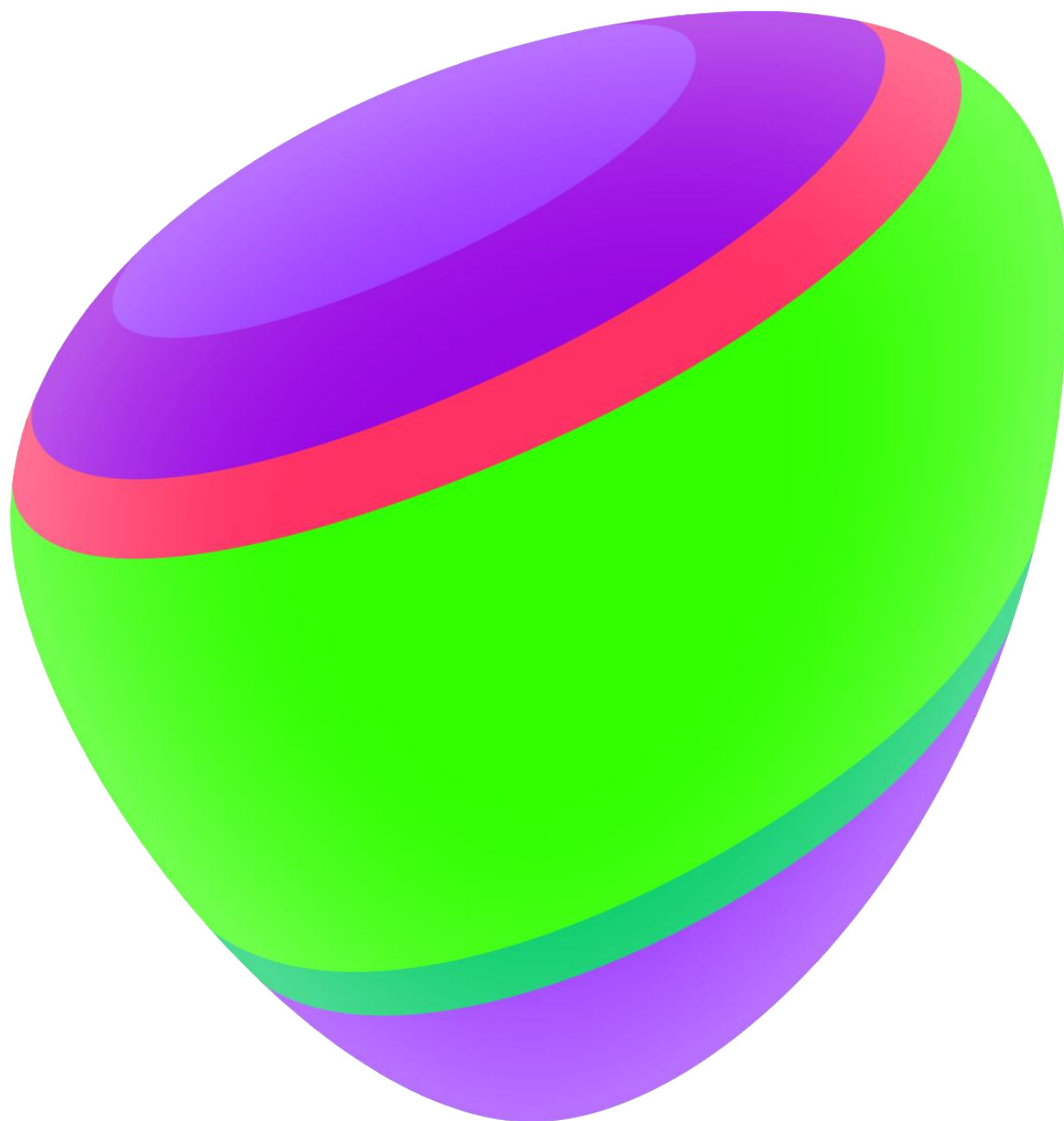


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ADMINISTRATION REPORT

The Board of Directors and the President and CEO of Telia Försäkring AB hereby present the Annual Report for the period 01/01/2017 - 31/12/2017, the Company's twenty-third year in business.

Organisation

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

The Company provides insurance coverage for fire and other damage to property and general liability insurance, as well as transport. This takes place via both direct insurance and inward reinsurance. The customer base concerning corporate transactions is limited to encompass only Telia Company AB's consolidated subsidiaries. The Company's Affinity transaction is subscribed solely to a client base which belongs to Telia Company AB's consolidated subsidiaries.

The Company has in total four existing agreements relating to outward reinsurance. The reinsurers under the contracts all have a financial strength resulting in a credit rating of A or better by Standard & Poor's.

The Company has an official rating from credit rating agency Standard & Poor's. The credit rating is identical as for the parent company, A-.

The Company has an agreement in place with the insurance company Allianz on a fronting arrangement in relation to the USA and Russia. Fronting agreements have been signed with various local insurance companies for business from the countries of Kazakhstan, Azerbaijan, Georgia, Moldova, and Uzbekistan. This has been made possible by the fact that the Company has been given an official rating by Standard & Poor's since 2014.

Developments during 2017

The Company's business operations have expanded during the year. As of 1 January, the Company is an insurer for all countries in Telia Finance AB's Leasing Business. In addition, as of July 1, the Company is an insurer in Telia Sverige AB's Affinity transaction. In November, the Company started up an unmanned branch office in Estonia. of November,

From the end Telia Eesti AS's Affinity transaction is subscribed to from the branch.

Over the course of the year, some small, newly acquired companies in Sweden and Finland have been added as customers. The insurance commitment for Tcell in the Republic of Tajikistan was concluded and terminated in 2017.

New two-year reinsurance contracts for Property/Business Interruption and Terrorism were signed on 1 June 2017. Reinsurance agreements concerning Liability and Property Crimes are to be renegotiated 31 May 2018.

The annual review by Standard & Poor's took place at the end of 2017. The result was that the previous rating was retained.

In total, outstanding claims have been settled with a settlement gain of SEK 6,205,000. Overall, this has produced a claims result of SEK -101,434 (SEK -12,862,000). The reserve for outstanding claims has increased from SEK 25,936,000 in 2016 to SEK 52,500,000 in 2017.

The Company's corporate transactions business is very volatile, which is why it is difficult to determine an "exact" IBNR (incurred but not reported) provision concerning the corporate transactions business from its own claims data; however the IBNR has been calculated at an estimated SEK 4,957,000.

For the Affinity transaction, claims data is available in order to be able to determine IBNR. This has been calculated to amount to SEK 4,694,000.

Liquidity and capital requirement

The Company has good liquidity and a good financial position and is therefore well-prepared to cover additional risks in the future. The KPIs indicate that the Company has operated a profitable insurance business over the past few years.

The Company has calculated a solvency capital requirement (SCR) during the year; for more details see the section on Solvency II below.

Events after the close of the reporting period

In 2018, the companies Azercell and Geocell were sold by Telia Company. The insurance commitments for these companies will be terminated in 2018.

Staff

Telia Försäkring AB is a specialist company in insurance and claims handling and does not have any employees of its own but does have access, via Telia Company AB, Corporate Insurance, to a permanent workforce of two people. Together, these provide broad specialist expertise with experience of both the Swedish and foreign insurance markets. In addition to its access to the Group's own resources, the company contracts specialist resources for assistance with such things as residual value recovery and claims handling.

No remuneration has been paid to the President & CEO or Board members. The salaried employee who is also President & CEO of the Company receives a fixed and a variable remuneration for their employment from their employer Telia Company AB. The remuneration has no direct link to the insurance company's revenue or financial results.

The Company's function for Compliance and Risk Management has been outsourced to Marsh Management Services AB.

As of 2017, the Company has changed its internal auditing provider, from Telia Company AB, Internal Audit to the external firm Transcendent Group.

Performance

Written premiums before outward reinsurance amounted to SEK 263,063,000 (SEK 40,872,000). During the year, the Company signed a new deal regarding Affinity, therefore written premiums has increased sharply.

The premiums for outward reinsurance amounted to SEK -11,693,000 (SEK -16,631,000). The technical result from insurance operations was SEK 25,370,000 (SEK 10,578,000).

Financing operations returned a financial result of SEK 64,000 (SEK -1,710,000) before investment return transferred to non-life insurance operations of SEK 63,000 (SEK 130,000).

The investment return has been calculated as 0.14% (0.36%) of the average technical provisions for own account; see Note 5.

Operating expenses in 2017 amounted to SEK 120,632,000, of which SEK 107,091 was paid out in the form of commissions to Telia Sweden (SEK 6,416,000), which results in an operating expense ratio of 49% (22%). The increase in operating expenses is attributable to commission expenses relating to the Affinity transaction.

Earnings before appropriations and taxes amounted to SEK 25,371,000 (SEK 8,738,000).

Solvency II

In 2017, the Company prepared an ORSA report, which showed that the Company had an SCR ratio of 161%. The ratio was also above 100% in the forward-looking forecasts and in the Company's stress scenarios, which means that the Company's solvency capital base exceeds the capital requirement calculated using the standard formula. The Company continued to work on its governance documents and system of governance during 2017 in order to ensure compliance with the Solvency II Directive, which entered into force at the turn of the year, 01/01/2016. In 2017, the Company also submitted the Solvency and Financial Condition Report (SFCR) and the Regulatory Supervisory Report (RSR) to the Swedish Financial Supervisory Authority. The Company's SFCR is maintained available for distribution, if anyone desires a copy.

The Company has also provided quarterly and annual QRT reports to the Swedish Financial Supervisory Authority.

PROPOSED APPROPRIATION OF EARNINGS

The following is at the disposal of the Annual General Meeting:

| | |
|--------------------------|---------------------|
| Retained earnings | SEK 4,543,660 |
| Profit/loss for the year | <u>SEK - 36,599</u> |
| <i>Total</i> | SEK 4,507,062 |

The Board of Directors and the President and CEO propose that the retained earnings be carried forward.

Group contributions have been made, subject to the approval of the annual general meeting, in the amount of SEK 10,000 and this has been recognised in the Income Statement.

The financial results and financial position of Telia Försäkring AB are shown in the following Income Statement, Balance Sheet and Notes.

A five-year summary and performance analysis, as well as KPIs, are provided below.

FIVE-YEAR SUMMARY AND KPIS

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|----------|---------|---------|---------|---------|
| Profit | | | | | |
| Premiums earned, f.o.a. | 247 369 | 29 539 | 34 004 | 32 527 | 32 868 |
| Investment return, net in insurance operations | 63 | 130 | 239 | 677 | 815 |
| Claims incurred, f.o.a. | -101 434 | -12 682 | -30 496 | 835 | -14 905 |
| Bonuses and discounts | 0 | 0 | 0 | 7 994 | -8 027 |
| Technical result from insurance operations | 25 370 | 10 578 | -2 163 | 36 091 | 4 391 |
| Profit/loss for the year | -37 | 1 | -40 | 35 121 | 3 632 |
| Financial position | | | | | |
| Investment assets at fair value | 297 860 | 293 586 | 244 550 | 293 528 | 268 785 |
| Technical provisions, f.o.a. | 61 559 | 30 984 | 40 821 | 31 943 | 51 191 |
| Consolidation capital | 274 935 | 249 544 | 252 365 | 251 317 | 251 749 |
| Deferred taxes | 15 494 | 9 900 | 10 521 | 10 283 | 10 717 |
| Capital base | - | - | 252 365 | 251 317 | 251 749 |
| Required solvency margin* | - | - | 34 730 | 34 188 | 32 560 |
| Capital base (Solvency II) | 269 441 | 248 915 | | | |
| Minimum capital requirement | 42 937 | 36 501 | | | |
| Solvency capital requirement | 171 750 | 83 407 | | | |
| Solvency ratio up to and including 2015 | - | - | 727 % | 735 % | 773 % |
| Solvency ratio from and including 2016 | 157 % | 298 % | | | |
| Insurance operations | | | | | |
| Claims ratio, f.o.a. | 41 % | 43 % | 90 % | -3 % | 45 % |
| Expense ratio, f.o.a. | 49 % | 22 % | 18 % | 18 % | 19 % |
| Combined ratio, f.o.a. | 90 % | 65 % | 107 % | 16 % | 65 % |
| Asset management | | | | | |
| Direct return | 0,15 % | 0,31 % | 1,46 % | 1,14 % | 1,79 % |
| Total return | 0,09 % | 0,00 % | 1,43 % | 2,70 % | 1,00 % |
| Financial position | | | | | |
| Consolidation ratio | 109 % | 1029 % | 718 % | 761 % | 790 % |

Definitions

| | |
|--------------------------------|--|
| Claims ratio (f.o.a.) | Claims incurred as a percentage of premiums earned |
| Expense ratio (f.o.a.) | Operating expenses for insurance operations as a percentage of premiums earned |
| Combined ratio (f.o.a.) | Sum of the claims ratio and the expense ratio |
| Direct return | Investment income as a percentage of a weighted average of the investment assets at fair value |
| Total return | Total investment income plus realised and unrealised changes in value as a percentage of a weighted average of the investment assets at fair value |
| Consolidation capital | The total of shareholders' equity, untaxed reserves and the surplus value of investment assets not recognised on the Balance Sheet |
| Consolidation ratio | Consolidation capital/(Written premiums - premiums ceded to reinsurers) |
| f.o.a. | For own account |

PERFORMANCE ANALYSIS

| | Note | Direct insurance, Swedish risks | | | Direct insurance, foreign risks | Inward reinsurance | Total |
|---|------|---------------------------------|--------------|------------|---------------------------------|--------------------|-----------------|
| | | Business & property | Liability | Transport | | | |
| Premiums earned (f.o.a.) | (a) | 222 820 | 2 561 | 528 | 10 014 | 11 445 | 247 369 |
| Allocated investment return transferred from financing operations | | 55 | 1 | 0 | 3 | 4 | 63 |
| Other technical income (f.o.a.) | | 3.3 | 0.1 | 0.0 | 0.2 | 0.2 | 4 |
| Claims incurred (f.o.a.) | (b) | -96 187 | 2 507 | 0 | -6 913 | -841 | -101 434 |
| Operating expenses | | -115 925 | -653 | -113 | -1 899 | -2 043 | -120 632 |
| Technical result from insurance operations | | 10 767 | 4 417 | 415 | 1 206 | 8 565 | 25 370 |
| Settlement result | | 474 | 3 726 | 0 | 2 350 | -345 | 6 205 |
| Technical provisions, before outward reinsurance | | | | | | | |
| Unearned premium reserve | | 5 872 | 2 063 | 337 | 4 817 | 5 031 | 18 119 |
| Provisions for outstanding claims | | 35 799 | 2 912 | 0 | 9 912 | 3 876 | 52 500 |
| Total technical provisions before outward reinsurance | | 41 671 | 4 975 | 337 | 14 730 | 8 907 | 70 619 |
| Reinsurer's share of technical provisions | | | | | | | |
| Unearned premium reserve | | 1 246 | 692 | 97 | 1 706 | 1 399 | 5 140 |
| Provisions for outstanding claims | | 349 | 0 | 0 | 184 | 3 387 | 3 920 |
| Total reinsurer's share of technical provisions | | 1 595 | 692 | 97 | 1 890 | 4 786 | 9 060 |
| Notes to the Performance analysis for non-life insurance operations | | | | | | | |
| Note A – Premiums earned (f.o.a.) | | | | | | | |
| Written premiums | | 227 117 | 4 986 | 864 | 14 498 | 15 599 | 263 063 |
| Premiums ceded to reinsurers | | -2 706 | -1 672 | -273 | -3 895 | -3 147 | -11 693 |
| Change in provisions for unearned premiums and unexpired risks | | -1 596 | -35 | -9 | 4 | -798 | -2 434 |
| Reinsurer's share of change in provisions for unearned premiums and unexpired risks | | 5 | -717 | -54 | -593 | -209 | -1 567 |
| Total premiums earned (f.o.a.) | | 222 820 | 2 561 | 528 | 10 014 | 11 445 | 247 369 |
| Note B – Claims incurred (f.o.a.) | | | | | | | |
| <i>Claims paid</i> | | | | | | | |
| Before outward reinsurance | | -65 154 | -560 | 0 | -5 936 | -1 573 | -73 224 |
| Total claims paid | | -65 154 | -560 | 0 | -5 936 | -1 573 | -73 224 |
| <i>Change in provisions for outstanding claims</i> | | | | | | | |
| Before outward reinsurance | | -30 791 | 3 067 | 0 | -762 | 964 | -27 521 |
| Reinsurer's share | | -242 | 0 | 0 | -215 | -232 | -689 |
| Total change in provisions for outstanding claims | | -31 032 | 3 067 | 0 | -977 | 732 | -28 210 |
| Total claims incurred (f.o.a.) | | -96 187 | 2 507 | 0 | -6 913 | -841 | -101 434 |

INCOME STATEMENT

| Technical account for non-life insurance operations | Note | 2017 | 2016 |
|---|---------|-----------------|----------------|
| Premiums earned (after outward reinsurance) | | | |
| Written premiums before outward reinsurance | Note 3 | 263 063 | 40 872 |
| Premiums ceded to reinsurers | | -11 693 | -16 631 |
| Change in provisions for unearned premiums and unexpired risks | Note 15 | -2 434 | 5 904 |
| Reinsurer's share of Change in provisions for unearned premiums and unexpired risks | | -1 567 | -605 |
| Total premiums earned f.o.a. | | 247 369 | 29 539 |
| Allocated investment return transferred from financing operations | Note 4 | 63 | 130 |
| Other technical income f.o.a. | | 4 | 6 |
| Claims incurred f.o.a. | | | |
| <i>Claims paid</i> | | | |
| Before outward reinsurance | | -73 224 | -45 506 |
| Reinsurer's share of claims paid | | 0 | 25 167 |
| <i>Change in Provisions for outstanding claims</i> | | | |
| Before outward reinsurance | | -27 521 | 39 560 |
| Reinsurer's share of provisions for outstanding claims | | -689 | -31 903 |
| Total claims incurred f.o.a. | Note 5 | -101 434 | -12 682 |
| Operating expenses | Note 6 | -120 632 | -6 416 |
| Other technical expenses f.o.a. | | | |
| Technical result from non-life insurance operations | | 25 370 | 10 578 |
| Non-technical account | | | |
| Technical result from non-life insurance operations | | 25 370 | 10 578 |
| Investment income | Note 7 | 444 | 924 |
| Investment expenses | Note 8 | -380 | -1 702 |
| Unrealised loss on investment assets | Note 9 | 0 | -933 |
| Allocated investment return transferred to non-life insurance operations | Note 4 | -63 | -130 |
| | | 1 | -1 840 |
| Profit/loss before appropriations and tax | | 25 371 | 8 738 |
| Appropriations | Note 10 | -25 418 | -8 737 |
| Income before taxes | | -47 | 1 |
| Tax on profit/loss for the year | Note 11 | 10 | 0 |
| PROFIT/LOSS FOR THE YEAR | | -37 | 1 |
| | | 2017 | 2016 |
| Profit/loss for the year | | -37 | 1 |
| Other comprehensive income | | | |
| Total comprehensive income | | -37 | 1 |

BALANCE SHEET, ASSETS

| Assets | Note | 2017-12-31 | 2016-12-31 |
|--|---------|----------------|----------------|
| Investment assets | | | |
| <i>Investments in Group companies and associates</i> | | | |
| Interest-bearing securities issued by, and loans to, Group companies | Note 12 | 297 860 | 284 332 |
| <i>Other financial investment assets</i> | | | |
| Bonds and other interest-bearing securities | Note 13 | 0 | 9 254 |
| Total investment assets | | 297 860 | 293 586 |
| Reinsurer's share of technical provisions | | | |
| Unearned premiums and unexpired risks | | 5 140 | 6 708 |
| Outstanding claims | | 3 919 | 4 608 |
| Total reinsurer's share of technical provisions | | 9 060 | 11 316 |
| Receivables | | | |
| Receivables relating to direct insurance | | 39 798 | 0 |
| Reinsurance receivables | | 33 | 1 618 |
| Other receivables | Note 14 | 1 094 | 573 |
| Total receivables | | 40 924 | 2 191 |
| Other assets | | | |
| Cash at bank and in hand | | 735 | 0 |
| Total other assets | | 735 | 0 |
| Prepaid expenses and accrued income | | | |
| Accrued interest income | | 0 | 130 |
| Prepaid acquisition costs | | 749 | 560 |
| Other prepaid expenses and accrued income | | 114 | 0 |
| Total prepaid expenses and accrued income | | 863 | 690 |
| TOTAL ASSETS | | 349 442 | 307 784 |

BALANCE SHEET, SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

| Shareholders' equity, provisions and liabilities | Note | 2017-12-31 | 2016-12-31 |
|---|---------|----------------|----------------|
| Shareholders' equity | | | |
| <i>Restricted equity</i> | | | |
| Share capital, 2,000,000 shares with a par value of SEK 100 per share | | 200 000 | 200 000 |
| Retained earnings | | 4 544 | 4 543 |
| Profit/loss for the year | | -37 | 1 |
| Total shareholders' equity | | 204 507 | 204 544 |
| Untaxed reserves | | | |
| Security reserve | | 70 428 | 45 000 |
| Total untaxed reserves | | 70 428 | 45 000 |
| Technical provisions (before outward reinsurance) | | | |
| Unearned premiums and unexpired risks | Note 15 | 18 119 | 16 363 |
| Outstanding claims | Note 16 | 52 500 | 25 936 |
| Total technical provisions (before outward reinsurance) | | 70 619 | 42 299 |
| Liabilities | | | |
| Other provisions | | | |
| Pensions and similar obligations | | 2 747 | 2 778 |
| Total other provisions | | 2 747 | 2 778 |
| Liabilities | | | |
| Liabilities relating to direct insurance | | 121 | 0 |
| Other liabilities | Note 17 | 233 | 12 084 |
| Total liabilities | | 354 | 12 084 |
| Accrued expenses and prepaid income | | | |
| Reinsurer's share of prepaid acquisition costs | | 260 | 526 |
| Other accrued expenses and prepaid income | Note 18 | 528 | 552 |
| Total accrued expenses and prepaid income | | 788 | 1 079 |
| TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES | | 349 442 | 307 784 |

CHANGES IN SHAREHOLDERS' EQUITY

| | Budget shareholders' equity | Non- restricted equity | Profit/loss for the year | Total shareholders' equity |
|--|-----------------------------------|------------------------------|-----------------------------|----------------------------------|
| 2016 | | | | |
| Opening balance as at 1 January 2016 | 200 000 | 4 583 | -40 | 204 543 |
| Profit/loss for the year | | | 1 | 1 |
| Total income and expenses reported for 2016 | 200 000 | 4 583 | -39 | 204 544 |
| Appropriation of earnings for 2015 | | -40 | 40 | 0 |
| Closing balance as at 31 December 2016 | 200 000 | 4 543 | 1 | 204 544 |
| | | | | |
| | Budget shareholders' equity | Non- restricted equity | Profit/loss for the year | Total shareholders' equity |
| 2017 | | | | |
| Opening balance as at 1 January 2017 | 200 000 | 4 543 | 1 | 204 544 |
| Profit/loss for the year | | | -37 | -37 |
| Total income and expenses reported for 2017 | 200 000 | 4 543 | -36 | 204 507 |
| Appropriation of earnings for 2016 | | 1 | -1 | 0 |
| Closing balance as at 31 December 2017 | 200 000 | 4 544 | -37 | 204 507 |

Telia Försäkring AB is a wholly-owned subsidiary of Telia Company AB.

CASH FLOW STATEMENT

| | 2017 | 2016 |
|--|---------------|----------------|
| Operating activities | | |
| <i>Insurance operations</i> | | |
| Premiums paid in | 263 063 | 40 872 |
| Claims paid | -73 224 | -45 506 |
| Payments relating to operating expenses (commission) | -120 632 | -6 416 |
| Commission received | 4 | 8 |
| Bonus | | |
| Total | 69 211 | -11 042 |
| <i>Reinsurer's share of</i> | | |
| Premiums paid in | -11 693 | -16 631 |
| Claims paid | 0 | 25 167 |
| <i>Investing activities</i> | | |
| Interest payments received on interest-bearing financial securities | 207 | 918 |
| Realised gains on investment assets (net) | -184 | 6 |
| Net investments in investing activities, interest- bearing | -4 274 | -49 037 |
| Other cash flow from operating activities | -34 871 | 66 353 |
| Cash flow from operating activities | 18 396 | 15 735 |
| Financing activities | | |
| Group contributions | 10 | 5 |
| Cash flow from financing activities | 10 | 5 |
| Interest paid | -126 | -127 |
| Taxes paid | 8 | -1 |
| Cash flow for the year | 18 289 | 15 612 |
| Cash and cash equivalents at beginning of year | 284 332 | 267 213 |
| Exchange differences in cash at bank and in hand | -4 025 | 1 507 |
| Cash and cash equivalents at end of year | 298 595 | 284 332 |
| Change in cash and cash equivalents | 18 289 | 15 612 |

Cash and cash equivalents are defined as cash pool balances as well as cash at bank and in hand. The cash flow statement has been prepared in accordance with the direct method.

OVERVIEW OF NOTES

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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.

The Annual Report was approved for publication by the Board of Directors on 10 April 2018. The Income Statement and Balance Sheet will be put forward for adoption at the Annual General Meeting on 10 April 2018.

Compliance with standards and regulations

The Company's Annual Report has been prepared in accordance with the Swedish Act (1995:1560) on Insurance Companies' Annual Reports and the Swedish Financial Supervisory Authority's Regulations and General Guidance concerning Annual Reports of Insurance Companies (FFFS 2015:12), with accompanying amending provisions, and the Swedish Financial Reporting Board's Recommendation RFR 2 Accounting for Legal Entities (January 2016). Statements issued by the Swedish Financial Reporting Board are also being applied.

The insurance company 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 Company

None of the new and revised Standards and interpretations that have been applied from 1 January 2017 have any material impact on the Company'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 Company.

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. IFRS 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 will apply IFRS 9 from the financial year beginning 1 January 2018.

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 modification was released in September 2016 and approved by the EU 2017.

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 2021. 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 Company has not yet evaluated the effects, but follows developments in the matter.

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

IFRS 15 "Revenue from contracts with customers" is the new standard for revenue accounting. Under IFRS 15, the revenue is recognised when a promised good or service has been transferred to the customer, which may occur over time or at one point in time. The revenue is to consist of the amount that the company expects to receive as remuneration for the transferred goods or services. IFRS 15 becomes effective for financial years beginning 1 January 2018 or later.

Bases of valuation applied in preparing the financial statements

All amounts are rounded to the nearest thousand, 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 Company's functional currency is Swedish kronor and the financial statements are presented in current income and expenses in foreign currency, which are translated at the exchange rates prevailing on the date each was recognised in the accounts. 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 Company 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 Company are classified as insurance contracts.

Related party transactions

The Company 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

Prepaid acquisition costs

Costs that have a clear link to the signing of insurance contracts are recognised as an asset under the heading prepaid acquisition costs.

Commissions are accrued in line with the accrual of unearned premiums.

At the present, the Company only has selling expenses with a direct link to insurance contracts relating to the Affinity transaction.

Cash and cash equivalents

Cash and cash equivalents consist of the Company'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 the item Investments in Group companies. Cash at bank and in hand includes short-term investments of up to three months.

Technical provisions

Technical provisions consist of Provisions for unearned premiums and unexpired risks, and Provisions for outstanding claims

Provisions for unearned premiums are made pro rata temporis. Provisions for unearned premiums and unexpired risks are intended to cover anticipated claims expenses and operating expenses during the remaining contractual life of the insurance contract entered into. If the premium level is deemed inadequate to cover future claims expenses and operating expenses, a provision is made for unexpired risks.

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.

The changes for the period resulting from the translation of items at the exchange rate on the close of the reporting period are recognised in the Income Statement as net exchange difference under the item Investment return.

Reinsurance

For outward reinsurance, the benefits to which the Company is entitled under the contract are recognised as an asset under the heading Reinsurer's share of technical provisions.

Financial assets and liabilities

Financial instruments reported on the assets side on the Balance Sheet include accounts receivable, loan receivables and interest-bearing securities. The liabilities include accounts payable, other payables, and accrued expenses and prepaid income.

Classification and measurement of financial assets and liabilities

Financial instruments are initially recognised at cost equivalent to the fair value of the instrument plus transaction costs, except those financial assets measured at fair value through profit or loss, which are recognised at fair value excluding transaction costs. A financial instrument is classified on the basis of the purpose for which the instrument was acquired. The three alternatives are given below. A financial instrument's classification determines how it is measured.

1) Financial assets measured at fair value through profit or loss

This category consists of financial assets that the Company has chosen to place in this category, the "fair value option" in IAS 39, and which are measured at fair value through profit or loss. The fair value on the close of the reporting period is equal to the published quoted prices on an active market. This category includes other financial investment assets, which comprise bonds and treasury bills.

Information about how investment assets and risks arising from these are managed and what impact these risks have on the Company's financial position has been provided in accordance with IFRS 7 ("Financial Instruments: Disclosures").

II) Loan receivables and accounts receivable

Loan and accounts receivable are financial instruments with fixed payments that are not quoted on an active market and are not held for trading. They are recognised at amortised cost. This category includes receivables, accounts receivable, cash at bank and in hand and internal accrued interest income and loans to Group companies. Loans to Group companies consist of promissory notes issued by Telia Company AB and cash and cash equivalents comprising bank accounts that form part of the cash pool structure and have Telia Company AB as the counterparty.

III) Financial liabilities

Accounts payable, accrued expenses and prepaid income, and liabilities related to Group contributions are included in this category.

Policies applied to items in the Income Statement

In the Income Statement, the results from insurance operations are divided into a technical result and a non-technical result, which is attributable primarily to asset management. The items included in the technical result relate to operations as an insurance provider; in other words the transfer of insurance risk as defined in IFRS 4 Insurance Contracts.

Recognition in the Income Statement follows the principle of gross recognition of inward and outward insurance.

Written premiums

A premium means the remuneration that an insurance Company 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.

Premiums earned

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.

Allocated investment return transferred from financing operations

The total investment return is recognised in the non-technical result. A portion of the investment return is transferred to the technical result. This portion is 0.36% (1.46%) of the average technical provisions for own account; see Note 5. The required rate of return is equivalent to the average return on the financial assets.

Other technical income

In 2017, this item contains only commission income on old pension insurance policies.

Claims incurred for insurance coverage

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.

Financial results from asset management

The item *Investment income* refers to the investment return on investment assets. This item includes interest income on loans to Group companies and other financial investment assets and any foreign exchange gains (net). Under *Investment expenses*, expenses relating to investment assets are recognised, such as interest expenses and any foreign exchange losses (net). *Unrealised gains or losses on investment assets* comprise the difference between the amortised cost and fair value of other financial investment assets. Estimates and assessments are evaluated continuously and are based on historical experience and other factors, including anticipated future events that are considered reasonable under the prevailing conditions.

Significant accounting estimates and assumptions

The insurance company makes estimates and assumptions regarding the future. The accounting estimates that derive from these will, by definition, rarely correspond to the actual outcome. It is primarily the calculation of technical provisions and the valuation of investment assets that involve a significant risk of essential adjustments to the carrying amounts of assets and liabilities over the next financial year and these are outlined below.

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.

Fair value of financial instruments

The insurance company's holdings of bonds are measured at fair value.

Significant assessments in the application of the Company's accounting policies

The insurance company measures the majority of its financial assets at fair value.

Policies applied to the cash flow statement

The cash flow statement has been prepared in accordance with the direct method.

Note 2. Risks

General information about risks

The Company manages risks using internal rules in the form of governance documents (e.g. authorisation instructions, financial management guidelines, underwriting guidelines, claims reserve guidelines) and internal monitoring in the form of procedures to ensure good internal control. The Board of Directors has ultimate responsibility for effective risk control within the Company and decides annually on whether any updates to the governance documents are required. They have also assigned Internal Audit with the task of examining the Company annually on the basis of the written governance documents and presenting the results to the Board of Directors. Together with the Company, the risk manager has updated the risk document containing known risks. The risks are evaluated from two perspectives: partly in terms of the probability of the event occurring and partly in terms of its impact. The two perspectives are balanced and assessed using a special model.

Due to that the Company's corporate transactions only insures consolidated subsidiaries of the Telia Group, the Company's insurance risks are limited to those risks of the Telia Group that are assumed via insurance contracts. The Company is reinsured for both individual disaster claims and an unfavourable cumulative claims outcome over time. The Company's Affinity transaction is subscribed solely to a client base which belongs to Telia Company AB's consolidated subsidiaries.

During the year, the Company has agreed both direct insurance and inward reinsurance within property, transport, interruption, property crime and liability.

The Company is exposed to underwriting risk, claims reserve risk, claims outcome risk, liquidity risk, market risk, credit risk and operational risk. These risks can be grouped under the headings Insurance-related risks, Investment risks and Operational risks. The main risks at the Company are underwriting risk, provisions risk and claims outcome risk.

Underwriting risk relates to the risk that the premium does not cover the costs of insurance claims incurred.

Claims reserve risk means the risk of the value of the technical provisions being too low.

Claims outcome risk means the risk of the claims outcome in the Company's insurance portfolio being unfavourable, in other words higher than the anticipated value.

Market risk refers to the risk of the factors that influence the value of financial assets developing in what is a negative way for the Company.

Liquidity risks in this sense concern access to financing. If there is a liquidity shortfall, this can have a negative impact on ordinary business operations and put the Company at risk of being unable to fulfil its day-to-day payment obligations.

Credit risk means the risk of a counterparty failing to fulfil its payment obligations.

Operational risk is defined as the risk of losses as a result of inappropriate or ineffective internal processes or procedures, human error, defective systems or external events. This definition also includes legal risk and reputational risk.

Insurance-related risks

Underwriting risk

The Company follows internal guidelines in order to ensure the correct evaluation and quantifying of the risk underwritten. The guidelines also specify which sums insured and categories of risk can be accepted. Where possible, the evaluations are also based on actuarial calculations.

Claims reserve risk

The Company manages the claims reserve risk by following the Company's claims reserve instructions when determining the technical provisions. The provisions are regularly reviewed by the Company's actuary.

Reinsurance risk

The Company has a reinsurance programme that aims to provide protection against both larger individual claims and a high frequency of smaller claims and thereby avoid major negative impacts on financial results.

Claims outcome risk

The Company has a relatively unbalanced insurance portfolio, which contains large individual risks in relation to the overall size of the portfolio. The insured portfolio is therefore characterised by a high degree of volatility, which means that a single insurance claim may have a highly noticeable impact on the Company's financial results. The Company manages the volatility in the claims outcome through reinsurance, by having sufficient reserves and by having an adequate capital base.

Sensitivity analysis insurance risks

The maximum liability for the Company expressed in SEK thousand is:

| | |
|--|--------|
| <i>Fire and other damage to property</i> | |
| Per claim | 15,000 |
| Per 12-month period | 30,000 |

The following are in addition to the above:

1. The difference between the deductible for the claims and the limit for reinsurance aggregate cover is SEK 50,000–280,000. The reinsurance aggregate cover is for the amount in excess of a supposed deductible of SEK 300,000. In a normal year, there are 40–50 claims.
2. The Company's share in the Norwegian Natural Perils Pool, which can result in a maximum claims expense of approximately SEK 288,000 (SEK 175,000) per insurance event.

The Company purchases outward reinsurance as a single contract for Property and Business Interruption, as well as for Terrorism.

General liability and other property damage

| | |
|---------------------|--------|
| Per claim | 15,000 |
| Per 12-month period | 30,000 |

The following are in addition to the above:

The difference between the deductible for the claims and the limit for reinsurance aggregate cover. The policyholder's deductible is SEK 50,000. The reinsurance aggregate cover is for the amount in excess of a supposed deductible of SEK 300,000. In a normal year, there are 2-4 claims.

The Company purchases outward reinsurance as a joint contract for General liability and Other property damage.

In the sensitivity analysis performed for the Company's insurance portfolio, the sensitivity has been calculated with regard to point risks, distribution risks and what is referred to as "real disaster risks." Point risks refer to the risk of the consequence of a given outcome changing. Distribution risks refer to the risk of an unfavourable outcome, in excess of the expected outcome. Real disaster risks refer to natural disasters or cumulative risks. The analysis has been performed using a stress test, where a given percentage change in the relevant parameter has been assumed or a probability expressed as a percentage has been calculated.

The impact this has on the financial results and on shareholders' equity is shown below.

Point Risks

| (SEK thousand) | Increase as a percentage | Impact on financial results and shareholders' equity |
|----------------------|--------------------------|--|
| Claim frequency | 10.0% | -963 |
| Average claim amount | 10.0% | -963 |
| Claim inflation | 1.0% | -387 |

Parameter risk refers to the risk of incorrect assessment of the claims outcome for the remaining contract period as a result of incorrect assumptions.

Claim inflation means the indexation of a claim amount.

Distribution Risks

The probability of more than 50 per cent of the capital base being eroded as a result of an unfavourable claims outcome during the reporting period has been deemed negligible following actuarial calculations. The probability of more than the opening premium reserve being used to cover claims during the remainder of the contractual period for current contracts is 1.5 per cent.

Real Disaster Risks

The Company is exposed to real disaster risks. The reinsurance is tailored to this, however, and the Company's net exposure per individual event is limited to a retention.

Concentration of Insurance Risk

The Company's underwriting risks are widely spread geographically. Its customers are located in three different parts of the world.

For example, the largest single insured asset in the property portfolio represents less than 2 per cent of the total insured asset volume. As all of the Company's customers are consolidated subsidiaries of Telia Company AB, there is a considerable cumulative risk in many cases. The cumulative risk is managed using the internal insurance system. The reinsurance is also fully especially designed to bear the cumulative risk.

The Company's Affinity transaction has not resulted in any increase in concentration risk. However, an increased claims expense in the Affinity transaction will have a greater impact on the Company's financial results than in the past. The risks in the Affinity transaction are limited, due to that Telia Försäkring AB has the possibility to adjust the net premium on a quarterly basis (if this becomes if necessary).

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This claims triangle shows gross figures for all the branches of insurance combined.

| Claims year (SEK thousand) | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|
| Estimated final claims expense at the end of the claims year (Gross) | 34 794 | 16 357 | 25 957 | 44 517 | 22 915 | 14 066 | 18 788 | 8 235 | 66 488 | 14 678 | 108 477 | 375 271 |
| One year later | 20 794 | 9 916 | 22 090 | 15 846 | 12 397 | 17 548 | 12 941 | 15 735 | 62 795 | 13 761 | | 203 824 |
| Two years later | 16 929 | 8 372 | 21 586 | 13 938 | 9 897 | 15 678 | 10 838 | 14 113 | 61 260 | | | 172 610 |
| Three years later | 16 077 | 4 706 | 8 716 | 12 614 | 9 497 | 11 946 | 10 419 | 10 400 | | | | 84 375 |
| Four years later | 15 731 | 5 870 | 7 697 | 12 261 | 9 390 | 11 560 | 10 234 | | | | | 72 741 |
| Five years later | 15 301 | 4 284 | 7 352 | 12 102 | 9 244 | 11 196 | - | | | | | 59 479 |
| Six years later | 14 726 | 4 278 | 7 352 | 12 102 | 9 232 | - | | | | | | 47 690 |
| Seven years later | 14 726 | 4 278 | 7 352 | 12 102 | - | | | | | | | 38 458 |
| Eight years later | 14 726 | 4 278 | 7 352 | | | | | | | | | 26 356 |
| Nine years later | 14 726 | 4 278 | | | | | | | | | | 19 004 |
| Ten years later | 14 726 | | | | | | | | | | | 14 726 |
| Estimated final claims expense at 31/12/2017 | 14 726 | 4 278 | 7 352 | 12 102 | 9 232 | 11 196 | 10 234 | 10 400 | 61 260 | 13 761 | 108 477 | 263 017 |
| Acc. claims paid | 14 726 | 4 278 | 7 352 | 12 102 | 9 232 | 10 731 | 10 067 | 9 233 | 60 431 | 5 086 | 67 281 | 210 518 |
| Provisions for outstanding claims | 0 | 0 | 0 | 0 | 0 | 465 | 167 | 1 167 | 829 | 8 675 | 41 196 | 52 500 |
| Accumulated surplus/deficit (settlement result) | 20 068 | 12 078 | 18 606 | 32 415 | 13 684 | 2 869 | 8 554 | -2 165 | 5 228 | 917 | | 112 254 |
| Ditto as a % of initial claims expense | 57,7% | 73,8% | 71,7% | 72,8% | 59,7% | 20,4% | 45,5% | -26,3% | 7,9% | 6,2% | | 29,9% |

Liquidity risk in relation to insurance operations

The Company's liquidity risks are limited as the Company's assets are largely invested in the cash pool of the parent company Telia Company. The cash flow is monitored and reviewed monthly. The reinsurance premiums are paid three months after the majority of the Company's premium invoices have been sent to the customers. This means that liquidity is well adapted to the payment terms of the reinsurance premiums. As all ceding is to large, well-consolidated, international reinsurance companies with a high rating, the liquidity risk is considered to be limited. The Company's financial assets are primarily in cash and cash equivalents.

Credit risks in insurance operations

Exposure to credit risks relates primarily to reinsurers, partly in the form of reinsurance receivables and partly through the reinsurers' share of outstanding claims. The credit risk is nevertheless deemed insignificant, as all outward reinsurance is with reinsurance companies with a high and stable credit rating and a good ability to pay claims. The creditworthiness of all reinsurers is assessed and the results reported to the Board of Directors at each Board meeting. The credit risk in relation to premium receivables from policyholders is limited, as the insurance contract can be cancelled if payment is not made.

Investment-related risks

The Company has invested all liquid funds (cash and cash equivalents) in the Group account at Telia Company AB

Credit risks in relation to investments

The Company manages the interest rate risk and the price risk for its investments by following internal investment guidelines and continuously monitoring investment activities. It must be possible for a minimum of SEK 10 million to be made available as liquid funds within 30 days.

Currency risks in relation to investments

The Company applies currency matching between technical provisions and investments. Those investments that are not matched by a provision in another currency are made in Swedish kronor.

Sensitivity analysis in relation to investment risks

In the sensitivity analysis performed for Telia Försäkring, the sensitivity has been calculated with regard to a change in the market interest rate and the general credit risk. The analysis has been performed using a stress test, where a given percentage change in the relevant parameter has been assumed.

The impact these changes have on the financial results and on shareholders' equity is shown in the table below.

| SEK thousand | Increase/decrease in % | Change in Income Statement & shareholders' equity |
|--|------------------------|---|
| Change as a result of: | | |
| - Increased market interest rates | +1% | 94 |
| - General credit risk (change in spread) | +0.5% | -142 |
| - Exchange rates | -10% | 704 |

The table below shows how the Company is exposed to interest rate risk in relation to the due dates for its liabilities.

Liabilities

| <i>(SEK thousand)</i> | <i>0-2 years</i> | <i>2-5 years</i> | <i>5- years</i> | <i>Total</i> |
|--------------------------------------|------------------|------------------|-----------------|--------------|
| Provisions for claims (undiscounted) | 42,848 | 9,562 | 0 | 52,500 |

Operational risks

Operational risks include administrative risks. These constitute access to competent personnel and to adequate IT support. The Company is operated by personnel contracted from Telia Company AB, Corporate Insurance. The staff have many years of experience in insurance and experience of running the Company's operations. There is a risk in terms of the extremely limited number of people involved. The finance function is outsourced to an external specialist supplier. This supplier has organised the work so that there is always access to backup resources.

The management of the Company's Affinity transaction is outsourced to Willis Towers Watson.

The Company's IT support is a system specially developed for the insurance industry by an external IT supplier. All of the Company's databases are stored via the parent company's IT system.

The quality of accounting is ensured by developed control functions in the working processes.

The Company's control over processes, procedures and governance documents is subject to continuous review internally and in conjunction with both the internal and the external auditors. The internal auditors perform an annual audit based on the governance documents and present this to the Board of Directors, while the external auditors carry out two reviews per year. One is of the annual report and underlying accounting records and the other is of various processes.

Capital management

The company management assesses the Company's capital requirement in relation to the risk the Company has in its operations as an insurance provider. The Company must always have sufficient capital to be able to compensate the Company's policyholders if any insurance event occurs. The Company has reserved capital in the form of a security reserve in accordance with FFFS 2013:8 (as amended). The insurance company allocates profits to this reserve in order to be able to release funds if subsequently required to address any negative result in the insurance operations.

The insurance business is a strictly-regulated industry, with formal rules on capital requirements and capital structure. The Company reports its capital base and solvency to the Swedish Financial Supervisory Authority. Telia Försäkring AB fulfils the regulatory capital requirements.

In accordance with the Swedish Insurance Business Act, Telia Försäkring AB must have assets in an amount corresponding to its technical provisions for own account. The Company prepares a priority register that is updated monthly, or more frequently where this is deemed necessary.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

Note 3. Written premiums before outward reinsurance

| | 2017 | 2016 |
|---------------------------------------|----------------|---------------|
| Direct insurance contracts signed in: | | |
| Sweden | 235 375 | 16 605 |
| Other EEA countries | 12 461 | 13 261 |
| Inward reinsurance | 15 227 | 11 007 |
| Total written premiums | 263 063 | 40 872 |

Note 4. Allocated investment return transferred from financing operations

The investment return from insurance operations has been calculated as 0.14% (0.36%) of the average technical provisions for own account. The required rate of return has been calculated as interest income paid during the year relative to the average fair value of investment assets and cash at bank and in hand.

Note 5. Insurance claims incurred (f.o.a.)

| | | |
|---|-----------------|----------------|
| <i>Claims paid</i> | 2017 | 2016 |
| Insurance losses paid | -71 055 | -44 739 |
| Claims handling expenses | -2 169 | -767 |
| Reinsurer's share of insurance losses paid | 0 | 25 167 |
| Total | -73 224 | -20 338 |
| <i>Change in technical provisions</i> | | |
| Change in provisions for outstanding claims | | |
| Change for the year | -28 233 | 38 998 |
| of which operating expenses for claims settlement | 711 | 562 |
| Reinsurer's share of change for the year | -689 | -31 903 |
| Total | -28 210 | 7 657 |
| Total claims incurred f.o.a. | -101 434 | -12 682 |

The settlement result is SEK 6,205,000, of which SEK 4,199,000 relates to direct Swedish risks, SEK 2,350,000 relates to direct foreign risks and SEK - 345,000 to inward reinsurance.

Note 6. Operating expenses

| | 2017 | 2016 |
|--|-----------------|---------------|
| Acquisition costs | -115 052 | -179 |
| Change in prepaid acquisition costs (+/-) | 518 | -553 |
| Administration expenses | -6 098 | -5 684 |
| Total | -120 632 | -6 416 |
| Specification of total operating expenses | | |
| Operating expenses for insurance operations as above | -120 632 | -6 416 |
| Claims paid, claims settlement as in note 6 | -2 169 | -767 |
| Total operating expenses | -122 801 | -7 184 |
| Of which: | | |
| Personnel expenses 1) | 1 | -30 |
| Depreciation/amortisation | | |
| Net commission | -114 535 | -732 |
| Audit expenses 2) | -128 | -97 |
| Other | -5 971 | -5 557 |
| Total operating expenses | -120 632 | -6 416 |

1) The Company has no employees. SEK -30,000 (SEK -30,000) relates to pension expenses. The pension expenses are attributable to the period when the Company's personnel were employed at the insurance company. No remuneration has been paid to the President & CEO or Board members. The salaried employee who is also President & CEO of the Company receives a fixed and a variable remuneration for their employment from their employer Telia Company AB. The level of remuneration is not linked to the insurance company's revenue or financial results; in other words there is no connection with the insurance company's risk-taking. The variable remuneration is linked to Telia Company AB's overall financial targets. There is also a smaller amount of variable remuneration linked to the insurance company's operational goals.

| | 2017 | 2016 |
|----------------------|-------------|------------|
| 2) Audit expenses | | |
| Audit fees, Deloitte | -128 | -97 |
| Total | -128 | -97 |

Note 7. Investment income

| | 2017 | 2016 |
|--|------------|------------|
| Interest income, bonds and other interest-bearing securities | 207 | 918 |
| Interest income, Group companies | 71 | 7 |
| Exchange gains, net | 166 | - |
| Total investment income | 444 | 924 |

Note 8. Investment expenses

| | 2017 | 2016 |
|----------------------------------|-------------|---------------|
| Other interest expenses. misc. | -126 | -127 |
| Capital losses, net | -254 | -1 |
| Exchange losses, net | 0 | -1 575 |
| Total investment expenses | -380 | -1 702 |

Note 9. Unrealised losses on investment assets

| | 2017 | 2016 |
|--------------|----------|-------------|
| Bonds | 0 | -933 |
| Total | 0 | -933 |

Note 10. Appropriations

| | 2017 | 2016 |
|---|----------------|---------------|
| Group contributions received | 10 | -11559 |
| Dissolution/Provision of security reserve | -25 428 | 2 822 |
| Total | -25 418 | -8 737 |

Note 11. Tax on profit/loss for the year

| | 2017 | 2016 |
|---|-----------|----------|
| Tax on profit/loss for the year | 10 | 0 |
| Tax expense for the year | 10 | 0 |
| Reported income before taxes | -47 | 1 |
| Tax effect of non-deductible expenses | 8 | -1 |
| Tax on profit/loss for the year according to the income statement | 8 | 0 |
| Current tax recognised in shareholders' equity for the year amounts to | | |
| Tax effect of Group contributions | 2 | 0 |
| Tax on profit/loss for the year | 8 | 0 |
| Total | 10 | 0 |

Note 12. Interest-bearing securities, issued and loans from Group companies

| | 2017 | 2016 |
|---|----------------|----------------|
| <i>Receivables at Telia Company AB, Treasury.</i> | | |
| <i>Cash pool:</i> | | |
| Handelsbanken | 297 860 | 284 332 |
| Total interest-bearing, Group companies | 297 860 | 284 332 |

Note 13. Bonds and other interest-bearing securities

| | 2017 | 2016 |
|---|------|-------|
| Amortised cost | 0 | 9 149 |
| Of which Swedish government | 0 | 9 149 |
| Fair value | 0 | 9 254 |
| of which Swedish government | 0 | 9 254 |
| Nominal value | 0 | 9 000 |
| Value in excess of book value | | |
| Positive difference as a result of book value exceeding nominal value | 0 | 254 |

All securities are listed.

Note 14. Other receivables

| | 2017 | 2016 |
|--------------------------------------|--------------|------------|
| Tax assets | 1 000 | 491 |
| Receivables from Group contributions | 10 | 0 |
| Other receivables, external | 84 | 82 |
| Total | 1 094 | 573 |

Note 15. Unearned premium reserve

| | 2017 | 2016 |
|--|---------------|--------------|
| Change for the year | | |
| Opening balance, premium reserve | 16 363 | 21 617 |
| Closing balance, premium reserve | -18 119 | -16 363 |
| Change in premium reserve | -1 756 | 5 254 |
| Exchange effect on premium reserve | -678 | 650 |
| Change in premium reserve, excluding foreign exchange differences | -2 434 | 5 904 |

Note 16. Provisions for outstanding claims

| | 2017 | 2016 |
|---|---------------|---------------|
| Claims incurred and reported | 42 848 | 20 255 |
| Claims incurred but not reported | 9 485 | 4 970 |
| Provisions for claims handling expenses | 167 | 711 |
| Total | 52 500 | 25 936 |

Note 17. Other liabilities

| | 2017 | 2016 |
|-----------------------------|------------|---------------|
| Accounts payable | 226 | 500 |
| Other liabilities, external | 8 | 25 |
| Group contributions | 0 | 11 559 |
| Total | 233 | 12 084 |

Note 18. Accrued expenses and prepaid income

| | 2017 | 2016 |
|---|------------|------------|
| Special payroll tax | 27 | 68 |
| Accrued premium taxes | 47 | 20 |
| Accrued expenses and prepaid income, external | 453 | 464 |
| Total | 528 | 552 |

Note 19. Assets pledged as security, contingent liabilities and other commitments

| | 2017 | 2016 |
|--|---------------|---------------|
| Bonds and other interest-bearing securities | 0 | 9 254 |
| Interest-bearing securities issued by, and loans to, Group companies | 67 634 | 24 832 |
| Cash at bank and in hand | 0 | 0 |
| Total | 67 634 | 34 086 |

The amounts above form part of the Company's priority register. The investments are measured at fair value.

Note 20. Information about agreements with related parties

The Company purchases administrative services from Telia Company AB and over the course of the year the cost of these was SEK 2,969,000 (SEK 3,281,000).

Note 21. Financial instruments by category

2017-12-31

| Assets | Loan and trade receivables incl. items related to insurance contracts | Financial assets at fair value through profit or loss | | Total fair value | Total adjusted acquisition cost |
|-----------------------------|---|--|----------|---------------------|--|
| | | Via identification | | | |
| Bonds | | | 0 | 0 | 9 498 |
| Financial investment assets | 297 860 | | | 297 860 | 297 860 |
| Other receivables | 1 094 | | | 1 094 | 1 094 |
| Accrued interest income | 0 | | | 0 | 0 |
| Total | 298 954 | | 0 | 298 954 | 308 452 |

| Liabilities | Other financial liabilities, incl. liabilities related to insurance contracts | Total fair value | Total adjusted acquisition cost |
|-------------------------------------|---|---------------------|--|
| Other current liabilities | 467 | 467 | 467 |
| Liabilities for Group contributions | 0 | 0 | 0 |
| Total | 467 | 0 | 467 |

2016-12-31

| Assets | Loan and trade receivables incl. items related to insurance contracts | Financial assets at fair value through profit or loss | | Total fair value | Total adjusted acquisition cost |
|-----------------------------|---|--|--------------|---------------------|--|
| | | Via identification | | | |
| Bonds | | | 9 254 | 9 254 | 9 498 |
| Financial investment assets | 284 332 | | | 284 332 | 284 332 |
| Other receivables | 573 | | | 573 | 573 |
| Accrued interest income | 130 | | | 130 | 130 |
| Total | 285 035 | | 9 254 | 294 290 | 294 533 |

| Liabilities | Other financial liabilities, incl. liabilities related to insurance contracts | Total fair value | Total adjusted acquisition cost |
|-------------------------------------|---|---------------------|--|
| Other current liabilities | 12 608 | 12 608 | 12 608 |
| Liabilities for Group contributions | 0 | 0 | 0 |
| Total | 12 608 | 0 | 12 608 |

Note 22. Net gain or loss for the year for each category of financial instrument

| | Financial assets at fair value through profit or loss | | | | Loan and trade receivables | |
|--------------------------|---|------------|-----------|----------|----------------------------|----------|
| | Via identification | | Via trade | | 2017 | 2016 |
| | 2017 | 2016 | 2017 | 2016 | | |
| Bonds | -6 | 924 | - | - | - | - |
| Cash at bank and in hand | - | - | - | - | 71 | 7 |
| Total | -6 | 924 | - | - | 71 | 7 |

Note 23. Information about items in the Income Statement

| | 2017 | 2016 |
|--|-------------|-------------|
| Total non-life insurance | | |
| Gross written premiums | 263 063 | 40 872 |
| Gross earned premiums | 260 629 | 46 776 |
| Gross claims incurred | -100 745 | -5 946 |
| Gross operating expenses | -120 632 | -6 416 |
| Result of outward reinsurance | -13 949 | -23 972 |
| <i>Broken down by insurance category</i> | | |
| Transport | 2017 | 2016 |
| Gross written premiums | 1 505 | 1 458 |
| Gross earned premiums | 1 497 | 1 508 |
| Gross claims incurred | -100 | 0 |
| Gross operating expenses | -187 | -229 |
| Result of outward reinsurance | -562 | -566 |
| Fire and other damage to property | 2017 | 2016 |
| Gross written premiums | 238 352 | 20 591 |
| Gross earned premiums | 236 638 | 21 212 |
| Gross claims incurred | -99 584 | -9 205 |
| Gross operating expenses | -117 321 | -3 232 |
| Result of outward reinsurance | -7 128 | -9 034 |
| General liability | 2017 | 2016 |
| Gross written premiums | 7 607 | 7 817 |
| Gross earned premiums | 7 694 | 8 013 |
| Gross claims incurred | -452 | -890 |
| Gross operating expenses | -1 081 | -1 227 |
| Result of outward reinsurance | -2 671 | -3 181 |
| Inward reinsurance | 2017 | 2016 |
| Gross written premiums | 15 599 | 11 007 |
| Gross earned premiums | 14 801 | 16 043 |
| Gross claims incurred | -609 | 4 149 |
| Gross operating expenses | -2 043 | -1 728 |
| Result of outward reinsurance | -3 588 | -11 192 |

SIGNATURES

Stockholm, 24 April 2018

Telia Försäkring AB

.....
Håkan Jansson
Chairman of the Board of Directors

.....
Christina Wik

.....
Agneta Wallmark

.....
Michael Åslund

.....
Mats Lundbäck

.....
Håkan Kvarnström

.....
Mats Gregorson
President and CEO

Our Auditors' Report was submitted on 2018.

Deloitte AB

.....
Henrik Persson
Authorised Public Accountant