

Resolutions proposed by the Board of Directors**Item 20 – (a) Implementation of a long-term incentive program 2015/2018 and (b) hedging arrangements for the program****Background**

The remuneration framework within the TeliaSonera group (the “Group”) may consist of fixed base pay, annual variable pay, functional variable pay, long-term incentives, pensions and other benefits. A number of key employees participate in long-term incentive programs approved at previous annual general meetings. All in all, these parts constitute an integrated remuneration package. In accordance with the decisions of the annual general meetings 2010, 2011, 2012, 2013 and 2014 neither annual nor long-term variable cash remuneration is paid to members of the TeliaSonera Group Executive Management team.

The Board of Directors has carried out a review of the 2014/2017 Performance Share Program to ensure that it continues to meet its stated objectives – i.e. to strengthen the ability to recruit and retain talented key employees, drive long-term company performance, align key employees’ interests with those of the shareholders and encourage key employee shareholding.

As a result of the review, the Board of Directors considers that a long-term incentive program should be implemented for key employees of the Group also this year. The long-term incentive program proposed by the Board of Directors to be implemented during 2015, relating to the financial years 2015-2017 and that may result in so-called performance shares being received during the spring of 2018 (the “Performance Share Program 2015/2018”), is further described below.

The Board of Directors intends to propose forthcoming annual general meetings to implement long-term incentive programs on similar conditions that apply to the now proposed Performance Share Program 2015/2018.

Main changes compared to the Performance Share Program 2014/2017

In order to strengthen the link to long-term company performance, as well as to simplify and to align the program with market trends, the following main changes are proposed to the Performance Share Program 2015/2018 as compared to the Performance Share Program 2014/2017:

- The employee own investment (2 percent of annual gross base salary i.e. before taxes) requirement is removed to simplify the design of the program and align it with market practice in countries outside Sweden, thereby improving the Group’s ability to recruit and retain key employees internationally,
- an EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) target is introduced instead of the EPS target in order to improve the participant’s line-of-sight to selected performance measures and to align the performance measures with the Group’s strategic priorities. In addition, a three year performance period is introduced for the EBITDA target in order to focus on long-term Group performance, whereas the performance period for the EPS target was one year,
- the TSR (relative) performance condition has been retained on the same basis as for LTI 2014/2017 with the following changes: in the Peer Group, two new companies are added (TDC and Swisscom), one company (Telecom Austria) is removed to improve the Peer Group relevance, and minimum vesting starts at the median position #6, which results in minimum vesting of 7.5 percent of salary (2014 minimum vesting was 3.75 percent) to align the vesting schedule with market and best practices, and

- the secondary cap for monetary payout is set at 60 percent of annual base salary.

Outline of the Performance Share Program 2015/2018

The Performance Share Program 2015/2018 shall be offered to approximately 200 key employees within the Group. Provided that certain performance conditions, consisting of financial targets linked to EBITDA and TSR (Total Shareholder Return), are met during the financial years 2015-2017 (the "Performance Period"), participants in the Performance Share Program 2015/2018 shall be given the opportunity to receive TeliaSonera shares without consideration ("Performance Shares").

Participants in the Performance Share Program 2015/2018 will be granted a conditional award over Performance Shares, which is a right to receive a specific number of such shares at a future date provided the relevant conditions are met. The maximum number of Performance Shares which can be subject to an award at the time of grant remains unchanged from 2014. Under the Performance Share Program 2015/2018, the number of Performance Shares subject to an award at the time of grant may not have an aggregate market value which exceeds 30 percent of the participant's annual gross base salary (i.e. before taxes) per year-end 2014 or, if a participant has become employed thereafter, the calculated annual gross base salary for 2015 (the "2014 Base Salary").

Further, the maximum aggregate market value of Performance Shares which can be received by a participant following the end of the Performance Period (i.e. on the vesting of the award when the participant becomes entitled to receive their shares) shall not exceed 60 percent of the participant's annual gross base salary (i.e. before taxes) per year-end 2017 (the "2017 Base Salary").

The receipt of Performance Shares is normally subject to continued employment within the Group up to and including the day of publication of the Interim report for the first quarter of 2018.

Participants will receive their Performance Shares following the publication of the Company's Interim report for the first quarter of 2018.

The Performance Share Program 2015/2018 shall in total comprise of no more than 3,793,200 TeliaSonera shares, which corresponds to approximately 0.08 percent of the total number of outstanding shares in the Company.

The Board of Directors' full proposal is set out in item (a) below.

The value of and the estimated costs for the Performance Share Program 2015/2018

The participants' rights to receive Performance Shares under the program are not securities and cannot be pledged or transferred to others. Neither are any shareholders' rights transferred to participants in the program prior to the day when they receive their Performance Shares and become the owners of the shares. An estimated market value of the conditional rights to receive Performance Shares can however be calculated. The Board of Directors has calculated the total value for the rights to receive Performance Shares under the Performance Share Program 2015/2018 as approximately SEK 48.4 million, under the following essential assumptions: (i) a share price of SEK 51.03 calculated as the average of the daily noted volume-weighted purchase price of the Company's shares on Nasdaq Stockholm's official list during December 2014, (ii) an annual employee turnover of five percent, (iii) a share price appreciation of five percent per annum, (iv) a 50 percent achievement of the TSR performance condition and (v) a 50 percent achievement of the EBITDA performance condition. The total cost under these conditions would be SEK 77.4 million excluding the costs for the program's hedging measures and assuming a 60 percent mark-up for social security costs and pensions. The costs are accounted for as staff costs (share-based benefits) over the three year Performance Period.

If the EBITDA performance condition is achieved to 100 percent whilst assumptions (i) through (iv) remain unchanged, the total value of the Performance Share Program 2015/2018 is estimated to be approximately SEK 72.6 million. The total cost would in this case be SEK 116.1 million.

If EBITDA and TSR performance conditions are achieved to 100 percent, the total value of the Performance Share Program 2015/2018 would amount to SEK 96.8 million assuming conditions (i) through (iii) remain unchanged. The total costs would in this case amount to SEK 154.8 million.

Dilution and effects on key ratios

The Performance Share Program 2015/2018 will not entail any dilution effect, as the program is proposed to be hedged by either treasury shares or a hedging arrangement with a bank or another financial institution relating to already issued shares.

The costs for the Performance Share Program 2015/2018 are expected to have a marginal effect on the Group's key ratios.

Preparation of the proposal

The proposal regarding the Performance Share Program 2015/2018 to the annual general meeting 2015 has been prepared by the Company's remuneration committee and the Board of Directors has resolved to present this proposal to the annual general meeting 2015.

Hedging

The Board of Directors has considered two alternative hedging methods for the Performance Share Program 2015/2018; either (i) a hedging arrangement with a bank or other financial institution securing delivery of shares under the program or (ii) the transfer of shares held by the Company itself to participants in the Performance Share Program 2015/2018. The Board of Directors considers the latter alternative as its preferred option. However, should the annual general meeting not approve the proposed transfer of own shares to participants in the program, the Board of Directors may enter into a hedging arrangement with a third party to hedge the obligations of the Company to deliver Performance Shares under the program as set out above.

Since the social security costs are not expected to be significant in comparison with the Company's operating cash flow, such costs are intended to be financed by cash and bank holdings.

The Board of Directors' proposal for resolution

The Board of Directors proposes that the annual general meeting 2015 resolves to (i) implement the Performance Share Program 2015/2018, based on no more than 3,793,200 Performance Shares, and on the further main terms and conditions set out in item (a) below, and (ii) transfer own shares to participants in the program, and to subsidiaries within the Group in order to secure their obligations to deliver Performance Shares under the program, in accordance with item (b) below.

(a) Main terms and conditions for the Performance Share Program 2015/2018

1. The Performance Share Program 2015/2018 shall be offered to approximately 200 key employees within the Group who will receive a conditional award over a number of Performance Shares (i.e. a right to receive such shares at a future date if the relevant conditions are met) in 2015.
2. Each participant will receive an award over a number of Performance Shares with an aggregate market value not exceeding 30 percent of the participant's 2014 Base Salary. The market value shall be calculated based on the average of the daily noted volume-weighted purchase price of the Company's shares on Nasdaq Stockholm's official list during December 2014.

3. Provided that the performance conditions described below, consisting of financial targets linked to EBITDA and TSR, are met during the Performance Period, participants in the Performance Share Program 2015/2018 will receive the Performance Shares subject to their award without consideration.
4. The performance conditions applying to the awards granted under the Performance Share Program 2015/2018 will be based 50 percent on the Company's growth in EBITDA¹ during the Performance Period ("EBITDA Part") and 50 percent on the Company's TSR during the Performance Period ("TSR Part") in relation to TSR in a peer group of approximately 10 comparable Nordic and western European telecom companies defined by the Board of Directors ("TSR Comparator Group").²
5. The financial targets include a minimum level which must be achieved in order for any Performance Shares to be received at all, as well as a maximum level in excess of which no additional Performance Shares will be received. Should lower financial results than the maximum levels be achieved, a proportionate lower number of Performance Shares may be received.
6. The receipt of Performance Shares shall normally be subject to the participant's continued employment within the Group up to and including the day of publication of the interim report for the first quarter 2018.
7. Participants will receive their Performance Shares following the publication of the Company's interim report for the first quarter 2018. Rounding off shall be made to the closest whole number of Performance Shares.
8. The maximum number of Performance Shares a participant may receive under the Performance Share Program 2015/2018 shall have an aggregate market value not exceeding 60 percent of the participant's 2017 Base Salary. The market value shall be calculated based on the average of the daily noted volume-weighted purchase price of the Company's shares on Nasdaq Stockholm's official list during 20 trading days prior to the day of publication of the Interim report for the first quarter of 2018. Rounding off shall be made to the closest whole number of Performance Shares.
9. The Performance Share Program 2015/2018 shall in total comprise of no more than 3,793,200 TeliaSonera shares, which corresponds to approximately 0.08 percent of the total number of outstanding shares in the Company.
10. Recalculation of the number of Performance Shares subject to an award granted under the Performance Share Program 2015/2018 shall take place in the event of an intervening bonus issue, share purchase offer, split, rights issue and/or other similar events.
11. In addition to what is set out above, the Board of Directors shall under certain circumstances be entitled to reduce the number of Performance Shares subject to an award or, wholly or partially, terminate the Performance Share Program 2015/2018 in advance and to make such local adjustments of the program that may be necessary or appropriate to implement the program with reasonable administrative costs and efforts in the concerned jurisdictions, including, among other things, to offer cash settlement.

¹ EBITDA is defined as Earnings Before Interest, Taxes, Depreciation and Amortization, with a possibility for the Board of Directors to make adjustments for extraordinary events and/or exchange rate fluctuations.

² TSR is equal to the overall return a shareholder would receive on his or her shareholding taking into account both share price appreciation and dividends (if any). When calculating TSR, an average TSR-index number for December 2014 shall be compared with December 2017 for the Company and for the companies included in the peer group defined by the Board of Directors. The peer group presently consists of Telenor ASA, Elisa Oyj, Tele2 AB, KPN N.V., Orange S.A., Deutsche Telekom AG, Vodafone Group Plc, Telefonica S.A., TDC A/S and Swisscom AG.

12. The Board of Directors shall be responsible for the further design and administration of the Performance Share Program 2015/2018 within the framework of the above stated main terms and conditions.

Performance conditions

EBITDA performance condition

The EBITDA performance targets set by the Board of Directors for the Performance Period will stipulate a minimum level which must be achieved in order for any Performance Shares to be received under the EBITDA Part at all, as well as a maximum level in excess of which no additional Performance Shares will be received under the EBITDA Part. The performance outcome will be determined by the Board of Directors after the expiry of the Performance Period, in 2018. In connection therewith the Board of Directors will also publish the EBITDA performance results.

Relative TSR performance condition

If the Company's TSR during the Performance Period places the Company at first or second place in the TSR Comparator Group, the participant is entitled to receive the maximum TSR Part. If the Company's TSR during the Performance Period places the Company below the median in the TSR Comparator Group, the participant is not entitled to receive any of the TSR Part. If the Company's TSR during the Performance Period places the Company at or above the median in the TSR Comparator Group, but not at first or second place in the TSR Comparator Group, the participant shall be entitled to receive a proportionate number of the Performance Shares under the TSR Part as determined by the Board.

(b) Transfer of own shares

The transfer of own shares to participants in the Performance Share Program 2015/2018, and to subsidiaries within the Group in order to secure their obligations to deliver Performance Shares under the program, may be made on the following terms and conditions.

1. No more than 3,793,200 TeliaSonera shares may be transferred to participants in the Performance Share Program 2015/2018 as Performance Shares.
2. The entitlement to receive Performance Shares without consideration shall only be offered to persons within the Group who are participants in the Performance Share Program 2015/2018. In addition, subsidiaries shall be entitled to acquire shares without consideration in order to immediately transfer such shares to participants in the Performance Share Program 2015/2018 in accordance with the terms and conditions of the Performance Share Program 2015/2018.
3. The transfer of shares without consideration shall be made when the participants are entitled to receive their Performance Shares in accordance with the terms and conditions of the Performance Share Program 2015/2018, which will be following the publication of the Company's interim report for the first quarter 2018.
4. The number of shares that may be transferred shall be subject to recalculation in the event of an intervening bonus issue, share repurchase offer, split, rights issue and/or other similar events.

The reason for this proposed deviation from the shareholders' preferential rights is because the transfer of own shares is an integral part of the implementation of the Performance Share Program 2015/2018 and the Board of Directors considers that the implementation of the Performance Share Program 2015/2018 will be to the advantage of the Company and the shareholders as it offers participants the opportunity to become shareholders in the Company.

The Board of Directors proposes that the resolutions under items (a) and (b) above will be voted on at the annual general meeting as two separate resolutions. The proposal under item (b) on the proposed hedging arrangements is conditional on the annual general meeting having approved item (a), i.e. the implementation of the proposed program.