DIVESTMENT OF STAKE IN TURKCELL HOLDING

June 2020
ENDING TURKEY EXPOSURE THROUGH DIVESTING STAKE IN TURKCELL HOLDING

1. SIMPLIFIES NORDIC BALTIC STRATEGY
   - Stake on Turkcell Holding last piece of the puzzle
   - Simplifies Telia Company’s footprint

2. INVESTMENT GENERATED RETURN TO SHAREHOLDERS
   - Total net cash flow SEK 15 billion, incl taxes
   - Roughly 5 percent annual return

3. REDUCED RISK
   - Ends all disputes
   - Reduced geographical risk

4. LIQUIDITY AND LOWER LEVERAGE
   - USD 530 million in added liquidity at approval
   - No TRY risk and no tax
   - Net debt to EBITDA reduced by 0.16x
## TRANSACTION HIGHLIGHTS

| **Rationale** | The final big step in our effort to simplify and focus on the Nordic and Baltic region
| | Ends all disputes and litigations between Telia Company and the other Turkcell Holding owners |
| **Target company** | Telia Company’s ownership in Turkcell Holding |
| **Price and funding** | Telia Company divests its 47.1 percent in Turkcell Holding to the state owned Turkey Wealth Fund for USD 530 million in cash
| | Turkey Wealth Fund finances the deal through state mandate and loan from L1 |
| **Financial effects** | The transaction is expected to result in a loss of c. SEK 3 billion for Telia Company before reclassification of accumulated foreign exchange losses of c. SEK 17 billion to net income (which will have no material effect on group equity)
| | Net debt to EBITDA to decrease by 0.16x as per 31 March (2.71x reported end Q1 2020) |
| **Time table** | Expected closing second half of 2020 subject to regulatory approval as well as the AGM in Turkcell |
BACKGROUND AND RATIONALE

GRADUALLY REDUCED INTEREST IN TURKEY

- Telia Company has had no direct ownership interest in Turkcell since September 2017 when it completed the 14% direct stake divesture, when we also made it clear we were not long term owners
- Turkcell and Telia Company jointly owned the holding company Fintur, which was dissolved in 2019
- Telia Company has had one seat out of seven at the Turkcell board, with limited influence
- By divesting the 47.1% interest in Turkcell Holding Telia Company completes its exit from Turkey

TURKCELL HOLDING STRUCTURE

- Turkcell Holding is a privately held holding company owned by Cukurova, LetterOne (jointly 52.9%) and Telia Company (47.1%)
- Telia Company’s stake is illiquid as Turkcell Holding is not a publicly traded company
- Turkcell Holding has no other business besides owning Turkcell shares

CHALLENGING CORPORATE GOVERNANCE

- The governance of Turkcell Holding has been challenging among its three owners. Challenges have mainly related to:
  - How to vote at Turkcell AGMs including dividend
  - Potential decision to sell assets and decide on Turkcell Holding dividends
  - If and how to wind up the company
- Turkcell Holding owners have had a shareholders agreement and the right of first refusal, meaning that shares cannot be sold without acceptance from the other owners
Cash flow impact 2020*
**SEK 5.0 BILLIONS**

Leverage incl transaction as per 31 March
2.55X

- Final amounts subject to timing of the transaction closing

**P&L STATEMENT**
SEK in billions

- Capital loss: -3
- Recycled FX effects (immaterial equity impact): -17
- Net effect on net income: -20

**NO EQUITY IMPACT**
HUMAN RIGHTS AND COMPLIANCE

Human Rights

• Conclusion from due diligence process: Very limited effects of Telia Company leaving since we do not have operational control and have had no/limited opportunities for mitigation in the past
• Human rights clauses are included in the Global Settlement Agreement

Compliance

• The purchasing entity has undergone a due diligence process, conducted by both internal and external expertise
• Key individuals and counterparts have been screened
• Anti-money laundering control over source and flow of funds has been conducted
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