YEAR-END REPORT
JANUARY – DECEMBER 2017

JOHAN DENNELIND
PRESIDENT & CEO

STRONG Q4 PUTS 2017 CASH FLOW WELL ABOVE EXPECTATIONS

We said: “cash flow above SEK 7.5 billion”
We said: “Sweden OPEX down H2 2017 by 5 percent vs 2016”
We said: “Cash flow should cover a dividend around SEK 2”
We said: “EBITDA around 2016 level”
We said: “Sweden OPEX down H2 2017 by 5 percent vs 2016”

WE DID

9.7bn
(+0.8bn Q4)

FLAT
(+3.8% Q4)

WE PROPOSE

2.30
(+15%)

WE DID

6%
GOOD UNDERLYING EBITDA DEVELOPMENT

**SERVICE REVENUE DEVELOPMENT**
Organic growth, external service revenues
- Service revenues
- Service revenues excl. fiber installation revenues

![Graph showing service revenue development]

- Service revenue growth in 5 of 7 markets
- Lower fiber installation and Telia Carrier revenues impacted growth negatively by almost 2 p.p.

**EBITDA DEVELOPMENT**
Organic growth, excluding adjustment items
- EBITDA
- EBITDA excl. fiber installation revenues

![Graph showing EBITDA development]

- EBITDA growth in 5 of 7 markets
- Strong performance in Finland and the Baltics
- Growth excluding fiber was around 7 percent

*On average ~70% EBITDA margin on fiber installation revenues in Sweden*

COST MANAGEMENT SUPPORTS EBITDA IN SWEDEN

**SWEDEN OPEX DEVELOPMENT***
Reported currency, SEK billion & adjusted OPEX
- OPEX R12
- OPEX y-o-y growth

![Graph showing Sweden OPEX development]

- The ambition announced Q2 2017 to take down OPEX by 5 percent H2 y-o-y* was more than realized

**SWEDEN UNDERLYING EBITDA**
Reported currency, adjusted EBITDA
- EBITDA growth
- EBITDA growth excl. fiber installation revenues and pension one-off

![Graph showing Sweden underlying EBITDA]

- Positive underlying EBITDA adjusted for fiber installation revenues and pension one-off Q4 2016

* Adjusted external OPEX, excluding a one-off item in Q4 2016 related to pensions

** Adjusted EBITDA excluding fiber installation revenues and for a positive one-off item in Q4 2016 related to pensions
CONVERGENCE IN SWEDEN VIA CUSTOMER EXPERIENCE

DEMAND FOR SIMPLIFICATION...

...IN OUR CUSTOMERS' DIGITAL LIFE

TELIA LIFE

• Leading the way on convergence in Sweden through customer experience
• Large untapped potential ahead as we refine the portfolio step by step
• Simplification & customer experience to drive

POSITIVE ON REVENUES & STRONG EBITDA GROWTH

SERVICE REVENUES* & EBITDA**

SEK million, reported currency & organic growth

<table>
<thead>
<tr>
<th></th>
<th>Q4 16</th>
<th>Q4 17</th>
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</thead>
<tbody>
<tr>
<td>Service revenues</td>
<td>2,934</td>
<td>3,087</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,000</td>
<td>1,137</td>
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+10.1%

• Solid development on mobile
• Double-digit EBITDA growth on the back of revenue growth and solid cost control

MOBILE DEVELOPMENT

Organic growth, ARPU growth in local currency

Q4 16 Q1 17 Q2 17 Q3 17 Q4 17

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<tbody>
<tr>
<td>Total mobile service revenues</td>
<td>6.3%</td>
<td>4.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile ARPU</td>
<td></td>
<td></td>
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</table>

• Continued solid mobile service revenue trend
• ARPU uplift in both B2B and B2C due to price increases and portfolio management

= Organic growth  * External service revenues  ** Excluding adjustment items
GEARING UP IN B2B & B2C CONVERGENCE IN FINLAND

DATA CENTER BUILD

- Largest open data center to support customers’ digital agenda
- First customer contracts signed

M&A TO EXPAND PORTFOLIO

- B2B convergence capabilities strengthened via M&A
- Around SEK 0.7 billion revenues annually in the acquired businesses

ICE HOCKEY RIGHTS FOR B2C

- Exclusive content to build superior B2C proposition
- Liiga starts autumn 2018

NEW FOOTPRINT TAKING SHAPE

CONTINUING TO BUILD…

RECENT DIVESTMENTS

- …AND STRENGTHENING THE NORDIC/BALTIC FOOTPRINT

- FULL STAKE DIVESTED

- FULL STAKE DIVESTED
TARGET TO TAKE DOWN COSTS BY SEK 1.1 BILLION 2018

2018 COST TARGET OVERVIEW
Targeted saving by market

- Net savings of SEK 1.1 billion targeted in 2018 vs. 2017-initiative launched mid 2017
- Limited net effect in Finland as gross savings are offset by M&A
- Other mainly related to group functions
- Key programme streams
  - Vendor consolidation & near-shoring
  - Transfer of customers online (sales & support)
  - Use of robotics
  - Optimized SAC spend

* Lithuania, Estonia, Denmark

DIVIDEND PROPOSAL FOR 2017

SEK 2.30
Equal to 9.96bn in pay-out

+15% vs 2016
Excluding Eurasia cash flow
SO WE ARE LOOKING FORWARD...

1. THE 2018 FUNDAMENTALS...
   - LEGACY REVENUE HEADWIND
   - TAILWIND FROM COST PROGRAMS & SYNERGIES (M&A 2017)
   - NWC & CAPEX SUPPORTING CASH FLOW

...LEADS TO

- MAINTAINED HIGH CASH FLOW 2018
- FURTHER CASH FLOW GROWTH 2019/20 FROM CORE METRICS

OUTLOOK FOR 2018

OPERATIONAL FCF*

Around SEK 9.7 billion
Operational FCF together with dividends from associated companies should cover a dividend around the 2017 level (a SEK 2.30 dividend/share equals SEK 9.96 billion)

EBITDA**

In line or slightly above the 2017 level of SEK 25.4 billion

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* Free cash flow from continuing operations, excluding licenses and dividends from associated companies
** Based on current structure, i.e. including M&A made so far, excluding adjustment items, in local currencies
EBITDA GROWTH DESPITE SERVICE REVENUE DECLINE

**SERVICE REVENUE DEVELOPMENT Q4**
Organic growth, y-o-y, external service revenues

-2.3%

**EBITDA DEVELOPMENT Q4**
Organic growth, y-o-y, excluding adjustment items

+3.8%

- Lower legacy and fiber installation revenues in Sweden
- Solid mobile supported revenues in Finland
- Positive development across the Baltics

- Overall solid execution on costs more than compensated for revenue pressure
STABLE UNDERLYING B2C BUT PRESSURE ON FIBER AND B2B

SERVICE REVENUES BY SEGMENT

- Flat B2C development excluding fiber installation revenues
- Fiber installation revenues down SEK 224 million
- Challenging B2B comparison

B2C MOBILE TRENDS

- B2C mobile continues to develop positively
- ARPU uplift from positive subscription base mix development

FIBER ROLL-OUT IN SWEDEN CONTINUES TO BE A DRAG

FIBER INSTALLATION REVENUE TREND

- Slow fiber roll-out pace also in Q4
- Permits still an issue and execution has become more challenging

FIBER CAPEX TREND

- More rural locations and phasing effects in Q4
STABLE UNDERLYING PERFORMANCE IN NORWAY

**SERVICE REVENUES** & **EBITDA**

<table>
<thead>
<tr>
<th></th>
<th>Q4 16</th>
<th>Q4 17</th>
<th>Organic Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Revenues</td>
<td>SEK million</td>
<td>2,036</td>
<td>2,149</td>
</tr>
<tr>
<td>EBITDA</td>
<td>SEK million</td>
<td>865</td>
<td>851</td>
</tr>
</tbody>
</table>

- Flat revenue growth supported by increase in Wholesale
- Limited Phonero synergies in the quarter
- Almost 40,000 B2C subscriptions acquired

**ORGANIC EBITDA** DEVELOPMENT

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<tr>
<th></th>
<th>Q4 16</th>
<th>Q1 17</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic EBITDA (SEK million)</td>
<td>0</td>
<td>250</td>
<td>500</td>
<td>750</td>
<td>1,000</td>
</tr>
<tr>
<td>Organic EBITDA Margin (%)</td>
<td>0%</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>50%</td>
</tr>
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</table>

- Absolute organic EBITDA continues to be fairly stable
- Q4 impacted by seasonality and a few special cost items

STRATEGY EXECUTION AND EBITDA GROWTH

**DELIVERING ON THE STRATEGY IN LED**

- Telia One launched in Lithuania & Estonia
  - Increase loyalty
  - Drive cross-sell
  - Improved experience

- "My Telia" in Denmark improved
  - Simplifies subscription management online
  - Less need for support
  - Improved experience

**FINANCIAL DEVELOPMENT 2017**

<table>
<thead>
<tr>
<th></th>
<th>Service Revenues</th>
<th>EBITDA**</th>
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<tbody>
<tr>
<td>Estonia</td>
<td>FY2017</td>
<td>3.2%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>FY2017</td>
<td>5.7%</td>
</tr>
<tr>
<td>Denmark</td>
<td>FY2017</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

- Increased efficiency across including continued synergy realization in Estonia and Lithuania
- Estonia and Lithuania also supported by strong revenue development

* = External service revenues  ** EBITDA excluding adjustment items
EURASIA STILL IN GROWTH TERRITORY

FINANCIAL TRENDS IN EURASIA

Organic growth
- Service revenues*
- EBITDA**

Revenues continue to grow from positive development in 4 of 5 markets
- EBITDA growth in Eurasia despite devaluation in Uzbekistan
- Impairment in Eurasia made to reflect updated view on value

FINANCIAL TRENDS IN KAZAKHSTAN

Organic growth

Continued flat revenue development and EBITDA recovery in Kazakhstan

CAPITAL ALLOCATION REDUCED NET DEBT IN Q4

NET DEBT DEVELOPMENT

Continuing and discontinued operations, SEK billion

Net debt down by SEK 8.8 billion in the quarter mainly driven by the divestment of MegaFon
- The second dividend tranche of SEK 4.3 billion paid in Q4
- Turkcell dividend of SEK 0.5 billion received in Q4
- Around SEK 1.6 billion relates to the Uzbek global settlement to be paid in due time (amount subject to changes in FX)
**CAPEX DOWNWARD TREND TO CONTINUE IN 2018**

**CAPEX EXCLUDING LICENSES**
Reported currency, SEK million, R12

- Flat CAPEX development in Q4 but the ambition to take down CAPEX further in 2018 remains

**CASH CAPEX TRENDS - ILLUSTRATIVE 2018**
Reported currency, SEK billion, excluding licenses

- Cash CAPEX expected to decline 2018 driven mainly by lower fiber in Sweden
- Finnish ice hockey rights acquired 2017 to be paid over 6 years starting 2018

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**STRONG CASH FLOW TREND**

**OPERATIONAL FREE CASH FLOW TREND**
Continuing operations, SEK billion

- Continued strong cash flow generation from better performance for the majority of cash flow components

**OPERATIONAL FREE CASH FLOW**
Continuing operations, SEK billion

- Tax impacted by SEK 0.7 billion refund
- Lower cash CAPEX and improved Net Working Capital levels
AMBITION TO MAINTAIN 2017 CASH FLOW LEVEL IN 2018

**OPERATIONAL FREE CASH FLOW AMBITION 2018**

SEK billion

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>EBITDA + NWC + CAPEX*</td>
<td>11.2</td>
<td>13.0</td>
<td></td>
</tr>
<tr>
<td>FINANCE + TAX + OTHER</td>
<td>-5.7</td>
<td>-3.3</td>
<td></td>
</tr>
<tr>
<td>OPERATIONAL FREE CASH FLOW*</td>
<td>5.5</td>
<td>9.7</td>
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* Excluding licenses

OUTLOOK FOR 2018

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* Free cash flow from continuing operations, excluding licenses and dividends from associated companies

** Based on current structure, i.e. including M&A made so far, excluding adjustment items, in local currencies
CAPITAL MANAGEMENT TARGETS

- **Leverage** Unchanged
  - Net debt/EBITDA of 2x plus/minus 0.5x

- **Credit Rating** Unchanged
  - Solid investment grade long-term credit rating (A- to BBB+)

- **Dividend Policy** Unchanged
  - At least 80 percent of free cash flow from continuing operations and excluding licenses
FREE CASH FLOW DEFINITIONS 2018 (UNCHANGED)

<table>
<thead>
<tr>
<th>SEK BILLION</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>FREE CASH FLOW FROM CONTINUING OPERATIONS</td>
<td>7.2</td>
<td>11.8</td>
</tr>
<tr>
<td>FREE CASH FLOW EXCLUDING LICENSES</td>
<td>7.5</td>
<td>12.4</td>
</tr>
<tr>
<td>OPERATIONAL FREE CASH FLOW</td>
<td>5.5</td>
<td>9.7</td>
</tr>
</tbody>
</table>

FREE CASH FLOW 2017

- Free cash flow continuing operations: 11.8
- Licenses: 0.6
- Free cash flow excluding licenses: 12.4
- Dividends from associates (net of tax): -2.7
- Operational free cash flow: 9.7

EPS DOWN FROM M&A AND IMPAIRMENTS IN EURASIA

TOTAL EPS DEVELOPMENT

SEK, continuing and discontinued operations

- Operating income*: 1.69
- Adjustment items: -0.03
- MegaFon capital gain: 0.35
- Finance net: 0.12
- Tax: -0.13
- Other: -0.02
- Impairments: -0.75
- Eurasia other: -0.03

In addition to a capital gain of SEK 2.8 billion the MegaFon disposal also impacted finance net.

Mainly impairment of the operations in Azerbaijan.

28 * Excluding income from associates and adjustment items
FORWARD-LOOKING STATEMENTS

Statements made in this document relating to future status or circumstances, including future performance and other trend projections are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of Telia Company.