INTERIM REPORT
JANUARY – SEPTEMBER 2019

CHRISTIAN LUIGA
PRESIDENT & CEO

DOUGLAS LUBE
CFO
TRENDS AS EXPECTED

SERVICE REVENUE DECLINE SOFTENING

-2.6%  -1.4%  -1.3%
Q1 19  Q2 19  Q3 19

* Like for like, Adjusted EBITDA excluding IFRS 16 impact

EBITDA IN POSITIVE GROWTH TERRITORY

-4%  -2%  1%
Q1 19  Q2 19  Q3 19

OPEX REDUCED IN Q3 VS INCREASED IN H1

-4%
(+1% H1 2019)
Q3 2019

STRENGTH OPERATIONAL FREE CASH FLOW

11.6BN
(SEK 9.4BN YTD Q3 2018)
YTD Q3 2019
SHARE BUY-BACK PROGRAM TO END SPRING 2020

**RECENT SHAREHOLDER REMUNERATION**

<table>
<thead>
<tr>
<th>Year</th>
<th>Ordinary dividend</th>
<th>Share buy-backs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>SEK 2 PER SHARE</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>SEK 2.30 PER SHARE</td>
<td></td>
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<tr>
<td>2018</td>
<td>SEK 2.36 PER SHARE</td>
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**RATIONAL**

- Current pro forma leverage* of 2.7x
- Credit rating target A-/BBB+
- Slower overall economic outlook
- Positive EBITDA trend but below internal plans
- Sustain flexibility going forward

**DECISION TAKEN BY THE BOARD NOT TO EXECUTE ON THE REMAINING SEK 5 BILLION OF THE THREE-YEAR SHARE BUY-BACK PROGRAM AMBITION**

* The 2018 share buy-back decision based on strong balance sheet and model being flexible
* Carried out as long as credit targets are not breached and strategy allows for it
* In total SEK 10 billion, about 6% of shares to be bought back until AGM 2020

* Based on Q3 2019 leverage and including second 2019 dividend tranche and remaining share buy-backs until AGM 2020
COST DRIVEN EBITDA RECOVERY

SERVICE REVENUE DEVELOPMENT*
Organic & like for like growth, external service revenues

- Unchanged sequential trend
- Loss of low-margin revenues in Telia Carrier still weights on group

ADJUSTED EBITDA DEVELOPMENT*
SEK million in reported currency, organic & like for like growth excl. IFRS 16

- EBITDA turned positive driven mainly by sequential improvements in Sweden and Norway
- Lower costs in central functions also contributed

* 2018 based on the previous organic growth definition (stable FX and M&A excluded)
2019 based on the new definition "like for like growth" (Stable FX and M&A included in current & corresponding period)
ACCELERATE EXECUTION

**B2C**
- Hub to digital experiences in homes and offices
  - Strong customer position in core
  - Drive loyalty further
  - Grow ARPA and add services

- Drive loyalty

**B2B**
- Digitalization partner of choice
  - Strong position in core services
  - Drive loyalty & protect core revenues
  - Monetize digitalization growth

- Utilize network superiority

**EFFICIENCY**
- Cost leadership through scale and synergies
  - New operating model

**INDUSTRY LEADER IN DIGITAL IMPACT THROUGH UN’S SUSTAINABLE DEVELOPMENT GOALS**
MINOR PART OF BASE MIGRATED – 3% ARPU GROWTH

**NEW MOBILE PORTFOLIO MIGRATION OVERVIEW**

- Subscriptions in scope migrated Q3 2019 delivered a +3% ARPU impact
- Gradual impact over the coming ~20 months

**POSTPAID ARPU - B2C**

Postpaid ARPU B2C excluding VAS

- IDD* and top-ups temporary burden

* EU international direct dialing regulation, introduced May 2019
AGAIN #1 ON QUALITY IN SWEDEN

TELIA HAD THE MOST SATISFIED B2B & B2C CUSTOMERS*

B2B (TELIA) B2C (HALEBOP)

#1 ALSO IN 2019 ON THE BACK OF SUPERIOR PRODUCT QUALITY, ESPECIALLY RELATING TO

- COVERAGE
- SPEED
- RELIABILITY

* According to SKI (Svenskt Kvalitetsindex, English: Swedish quality index)
IMPROVED LONG-TERM B2B TREND

B2B SERVICE REVENUE GROWTH - ALL MARKETS

- Gradually improving last two quarters in B2B from increased customer relevance
- Main drivers are the large and public segments in Sweden and Norway
- Sweden B2B NPS trending upwards
- Significant improvement in Norway the last two quarters
- IoT growth YTD Q3 >20%
  - Sizable deal with E.ON in Sweden on smart electricity meters secured in Q3 (totaling ~1m SIMs over time)
  - Good traction in Crowd Insights with two strategic wins in the public transportation space in Q3

* Q2 2019 positively impacted by one-off like revenues in Sweden
OPEX STARTED TO COME DOWN

- Decrease in Q3 mainly driven by lower resource and marketing costs in Sweden & Norway
  - Sweden reduced by 5%
  - Norway reduced by 10%
- Positive development estimated to continue also in Q4 from
  - Synergy realization in Norway
  - New operating model (Finland enrolled from October)
  - Easier comparisons
  - Other efficiencies
- Full year target of around -2% on OPEX remains

* Including an estimated 2% cost inflation
STAYING IN THE FRONT OF DIGITALIZATION VIA 5G

SWEDEN

- The world’s first 5G network underground launched
- Sweden’s first 5G network for remote steering of construction equipment

FINLAND

- 5G devices and price plans now available
- Initial roll-out program to cover the 7 largest cities

NORWAY

- Network upgrade and 5G roll-out over 4 years
- Target to fully cover Norway
- Strong FWA business case
FULL YEAR CASH FLOW OUTLOOK UNCHANGED

OPERATIONAL FREE CASH FLOW

SEK 12-12.5 BILLION UNCHANGED

• Full year outlook reiterated with outcome likely in the lower end of the range
  • EBITDA and CAPEX YTD Q3 combined below internal expectations whereas WC and other items are ahead
• Composition and run-rate into 2020 slightly different vs. view at the beginning of the year
• Currently there is a higher uncertainty on the operational free cash flow level for 2020
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DOUGLAS LUBBE
CFO
LOWER COSTS COMPENSATED FOR REVENUE DECLINE

- Pressure on legacy, mobile and fiber installation revenues in Sweden
- Copper dismantling and legacy pressure in Finland
- Norway flat driven by one-off revenues
- Loss of low-margin revenues in Telia Carrier

- Sweden rather neutral given cost reduction
- Service revenue loss and lower equipment margin in Finland
- Synergies, one-offs and lower marketing in Norway
- Solid cost control in central functions
B2C IMPROVED AND B2B NORMALIZED VS STRONG Q2

SERVICE REVENUE DEVELOPMENT
Reported currency, external service revenues

- Price adjustments made continued to yield in B2C
- B2B came back down after being impacted by one-off like mobile revenues in Q2

ADJUSTED EBITDA DEVELOPMENT*
Organic & like for like growth excl. IFRS 16

- Positive trend continued driven primarily by lower OPEX and easy COGS comparisons

* 2018 based on the previous organic growth definition (stable FX and M&A excluded)
2019 based on the new definition "like for like growth" (Stable FX and M&A included in current & corresponding period)
CHANGING REVENUE MIX PUTS PRESSURE ON MARGIN

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

SEK million in reported currency & like-for-like growth excl. IFRS 16

- Q3 18: 3,258
- Q3 19: 3,315

- Service revenues: -1.8%
- EBITDA: -5%

- Stable on mobile subscription revenues but loss of interconnect revenues
- Fixed telephony fell from network dismantling
- Pressure on the equipment margin

**MOBILE SUBSCRIPTIONS AND ARPU**

Total subscription base in 000s, blended ARPU in local currency

- Subscriptions: +2.4%
- ARPU: +2.4%

- Stable subscription base development
- ARPU uplift driven by both B2C and B2B
NORWAY BENEFITED FROM SYNERGIES AND ONE-OFFS

- Mobile and fixed broadband compensated for pressure on fixed telephony, TV and business solutions
- Synergies supported EBITDA but also a few special items

SERVICE REVENUES* & EBITDA**
SEK million in reported currency & like for like growth excl. IFRS 16

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Service Revenues</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 18</td>
<td>2,303</td>
<td>1,126</td>
</tr>
<tr>
<td>Q3 19</td>
<td>3,348</td>
<td>1,794</td>
</tr>
</tbody>
</table>

- +0.1%
- +4% UNDERLYING
- +9%

SERVICE REVENUES - BB/TV & FULL B2B SEGMENT
SEK million, like for like, external service revenues

- +1.2%
- +2.7%

- Growth in Get from broadband
- B2B segment growth driven by mobile

= Like for like growth excl. IFRS 16  * External service revenues ** Excluding adjustment items
SOLID ESTONIA & FURTHER DANISH COST CONTROL

- Another solid quarter for Estonia
- Lithuania back to growth due to less pressure on fixed
- Denmark remains challenging on both mobile & fixed

- Lithuania burdened by higher resource costs
- Estonia benefited from good revenue development
- Solid work on costs in Denmark

SERVICES REVENUE DEVELOPMENT
Like for like growth, external service revenues

ADJUSTED EBITDA DEVELOPMENT
SEK million in reported currency & like for like growth excl. IFRS 16

Q3 18 Q3 19
Lithuania
361 364
-7%

Q3 18 Q3 19
Estonia
282 311
+2%

Q3 18 Q3 19
Denmark
202 288
+1%

= Like for like growth excl. IFRS 16
Step up in operational free cash flow

Operational free cash flow development
SEK billion, rolling twelve months

- Full year likely at the lower part of the SEK 12-12.5 billion range due to:
  - Seasonality
  - WC reversal

Operational free cash flow bridge
SEK billion, rolling twelve months

- WC tailwind of SEK 0.3 billion YTD Q3 from new handset financing program in Norway
- CAPEX decline in Sweden more than offset by increase in Norway (Get consolidation and the handset financing program “Svitsj”)

* Repayment of lease liabilities
Net debt and leverage fell in the quarter

- Net debt down Q3 driven by strong cash flow from operations
- Leverage also down but still not enjoying the full run-rate contribution to EBITDA from IFRS 16

- Second dividend tranche of SEK 5 billion to be paid Q4 (pro forma leverage impact of 0.16x)
- Share buy-backs of around SEK 2.5 billion left to do until the AGM 2020 (pro forma leverage impact of 0.08x)
**REPORTED EBITDA POST IFRS 16 IMPLEMENTATION Q3**

**REPORTED SEK**
Illustrative graph

- +18.5%

**LIKE FOR LIKE GROWTH**
Illustrative graph

- +11.0%

**LIKE FOR LIKE GROWTH EX. IFRS 16 IMPACT**
Illustrative graph

- +1%

- Reported numbers in SEK including impact from M&A and changes in FX as well as the positive impact from IFRS16
- Growth in the existing business including/excluding any acquired or disposed businesses in current and corresponding period, as well as including the positive impact from IFRS16
- At stable FX
- Based on like for like growth but 2018 adjusted as if IFRS16 would have been implemented
- At stable FX
DISCLAIMER & FORWARD-LOOKING STATEMENTS

This document contains the use of alternative performance measures (APM's) to provide readers with additional financial information that is regularly reviewed by management, such as adjusted EBITDA, CAPEX and operational free cash flow. These APM's should not be viewed as a substitute for Telia Company's IFRS based figures, but as a complement. APM definitions can be found in Telia Company's interims reports and Annual and Sustainability Report 2018 and may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies. Telia Company's management considers these APM's combined with IFRS performance measures and in conjunction with each other, the most appropriate way to measure the performance of Telia Company.

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