

**INTERIM REPORT  
JANUARY – SEPTEMBER  
2020**

**Q3**



**ALLISON KIRKBY**  
PRESIDENT & CEO



# GROUP HIGHLIGHTS – Q3 2020

SEK billion	Q3 2020	% Change reported	% Change LFL	Comments
Service revenues	18.7	+2.2%	-4.8%	<ul style="list-style-type: none"> <li>• COVID-19 impacted service revenues negatively by ~SEK 600 million, and EBITDA by ~SEK 300 million</li> <li>• Excluding COVID-19 impacts, service revenues declined by 2% LFL, and EBITDA grew by 2% LFL</li> <li>• Less working capital contribution of SEK 2.2 billion included in the decline in OpFCF YTD</li> </ul>
Mobile subscription revenues	7.8	-6.0%	-2.8%	
Adjusted EBITDA	8.2	-0.2%	-0.6%	
EBITDA-cash capex*	4.6	+4.6%		
Operational Free Cash Flow YTD Q3	9.2	-20.3%		

2 \* adjusted EBITDA including repayment of lease liabilities less cash CAPEX excluding licenses and spectrum



# DELIVERING ON IMMEDIATE PRIORITIES

- Resilient core business, with Fixed BB growing 1% and Mobile stable, ex. roaming
- 5G now available in Sweden, Finland and Norway
- Network modernization and 5G partnerships signed with Ericsson & Nokia
- Telia & Get brands merged in Norway
- Return of premium sports packages gathering momentum and driving Swedish access
- Again awarded for having the most satisfied B2C and B2B customers in Sweden
- OPEX declined 2.9% in the quarter
- Head of transformation appointed
- Plans being developed to simplify and transform
- Telia Carrier divested for SEK 9.45 billion
- BoD proposed an additional SEK 0.65 dividend (subject to EGM approval)

**CONNECTIVITY**

**CONVERGENCE**

**CUSTOMER  
EXPERIENCE**

**COST CONTROL**

**CAPITAL  
ALLOCATION**

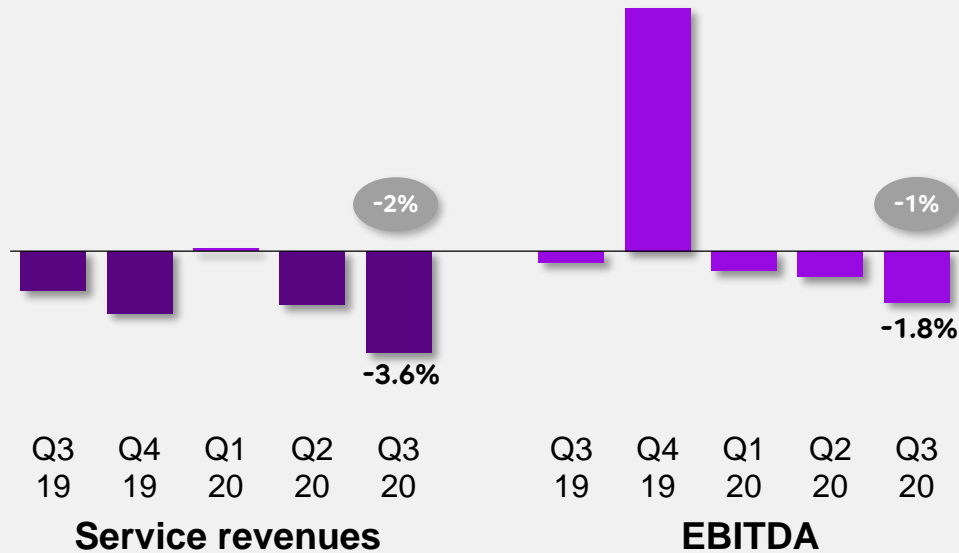




# SWEDEN – Q3 2020

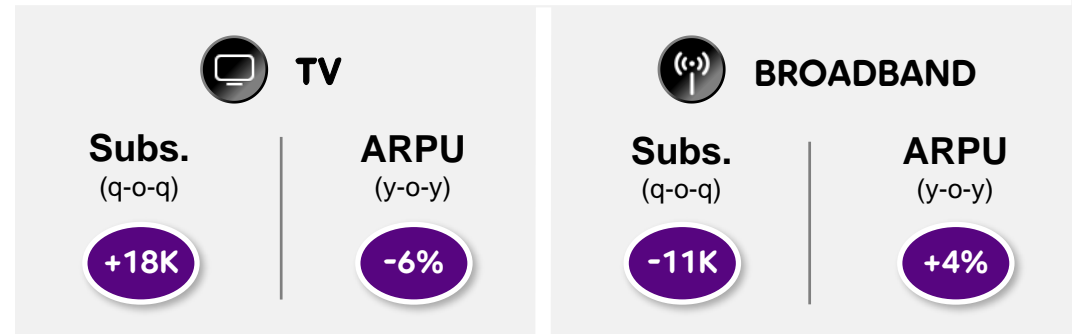
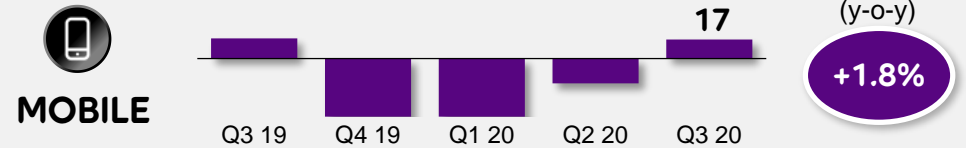
## SERVICE REVENUES & ADJUSTED EBITDA

Like for like growth *Excl. Covid19 impact*



## SUBSCRIPTIONS & ARPU DEVELOPMENT

Subscription growth ex. M2M, q-o-q in 000', subscription rev. ARPU ex. M2M in local currency



## HIGHLIGHTS

- Service revenue declined SEK 271m, due to legacy products (~SEK 200m) and roaming (~SEK 100m)
- Both Mobile and Broadband ARPU's developing positively, and TV revenues back to 2019 levels
- EBITDA was positively impacted by OPEX reducing 4% y-o-y
- Launch of 5G in 20 cities in Q4, and new strategic partnership announced with Ericsson
- Number of converged customers increased by 5k to 293k in the quarter

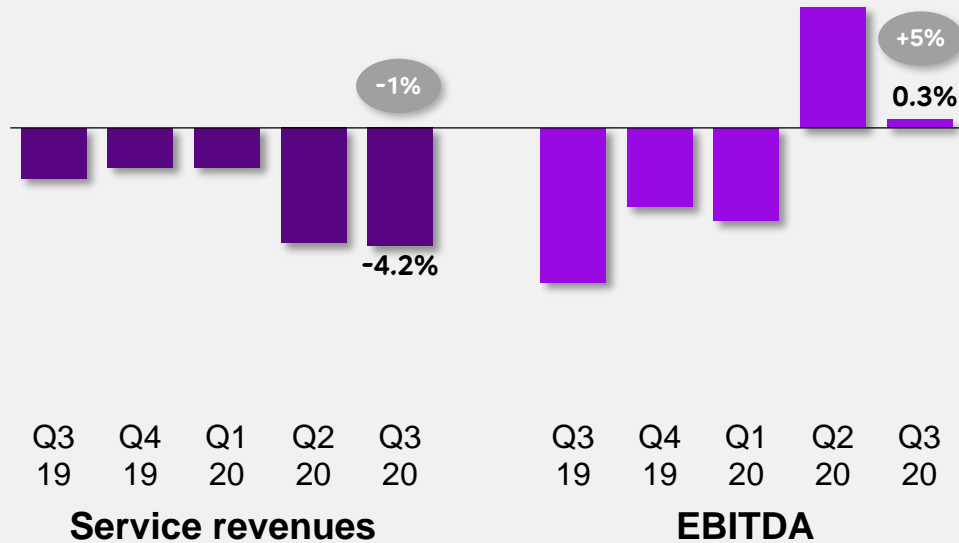




# FINLAND – Q3 2020

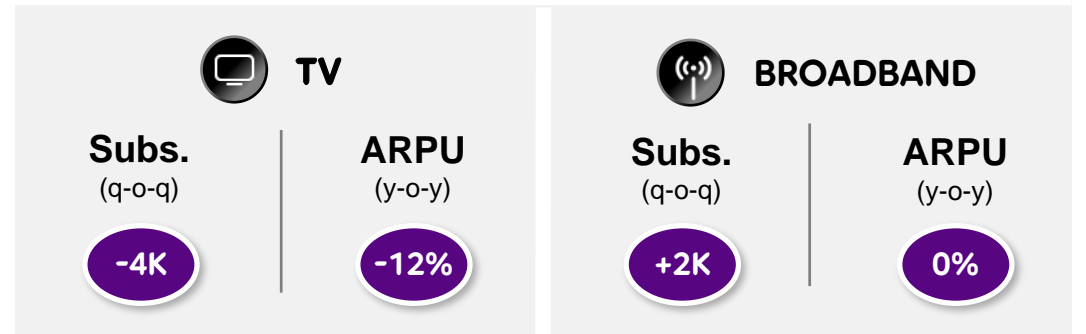
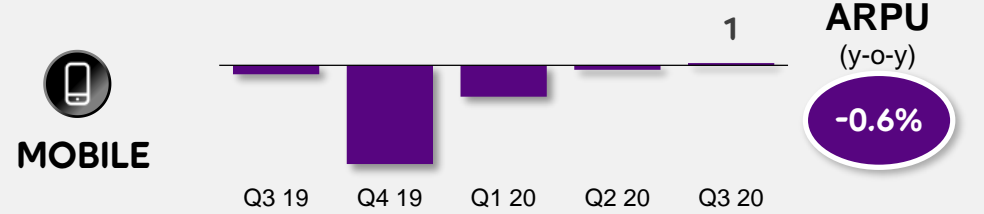
## SERVICE REVENUES & ADJUSTED EBITDA

Like for like growth *Excl. Covid19 impact*



## SUBSCRIPTIONS & ARPU DEVELOPMENT

Subscription growth ex. M2M, q-o-q in 000', subscription rev. ARPU ex. M2M in local currency



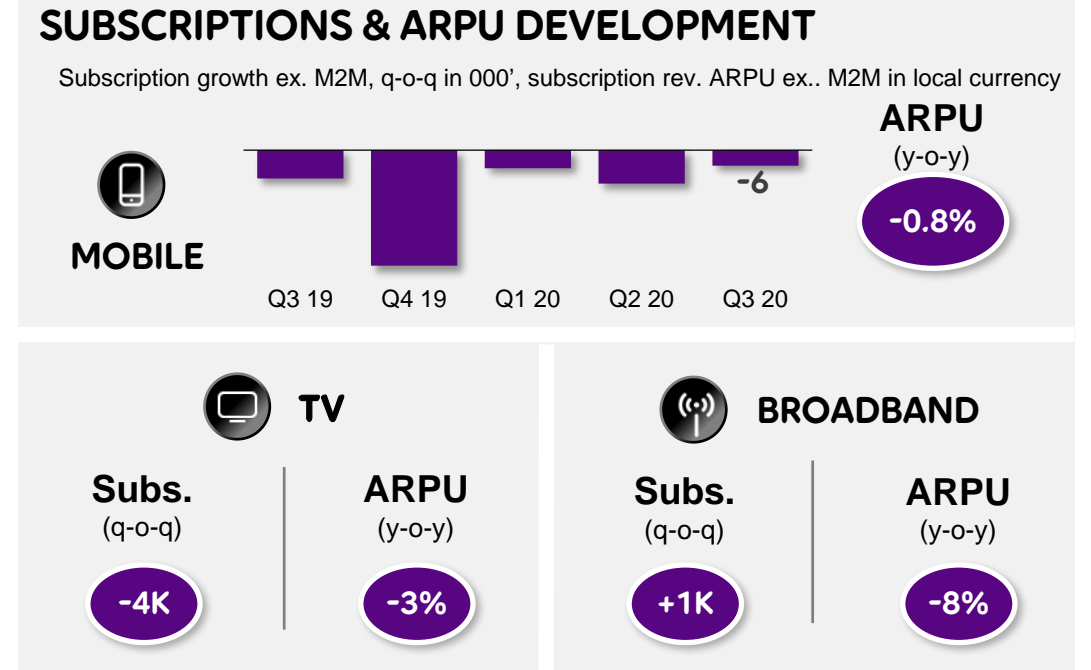
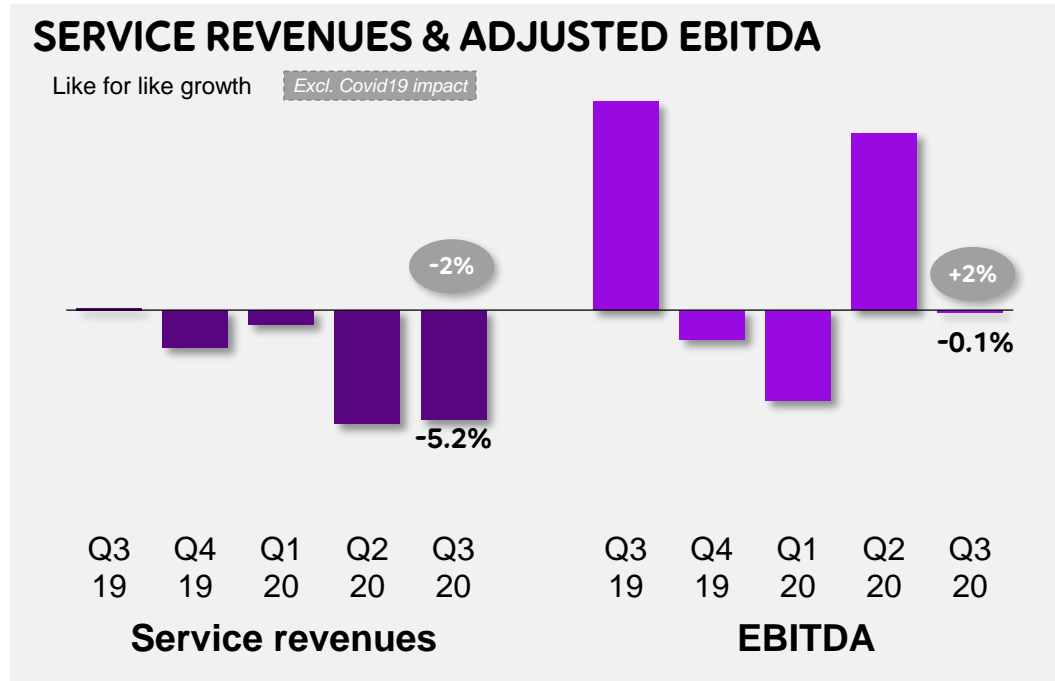
## HIGHLIGHTS

- Service revenue declined SEK 139m, due to pressure from legacy products (~SEK 30m), COVID-19 (~SEK 90m) and fiber installations (~SEK 20m)
- Intense competitive activity increased market churn
- EBITDA was relatively stable as higher energy costs were offset by Liiga rescheduling
- 5G now at 25% population coverage. New strategic partnership signed with Nokia





# NORWAY – Q3 2020



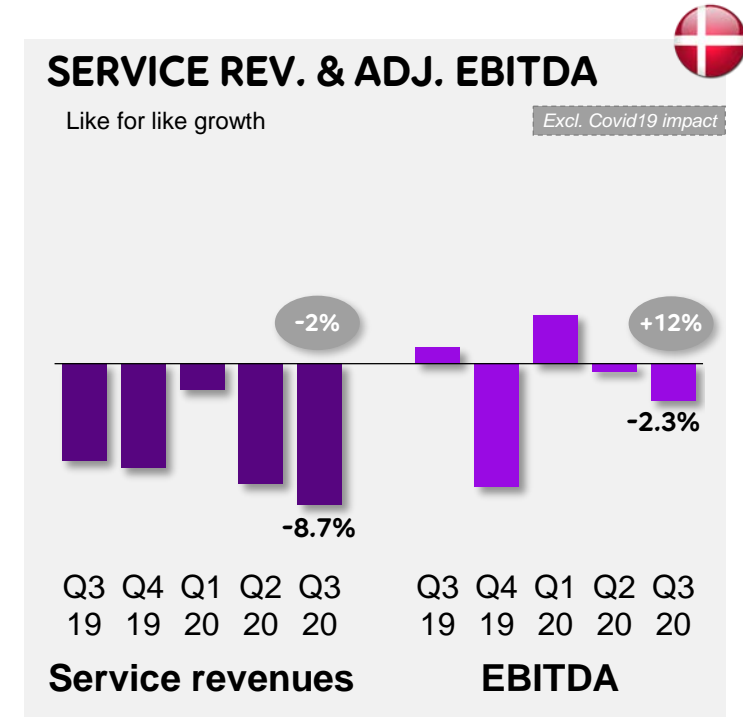
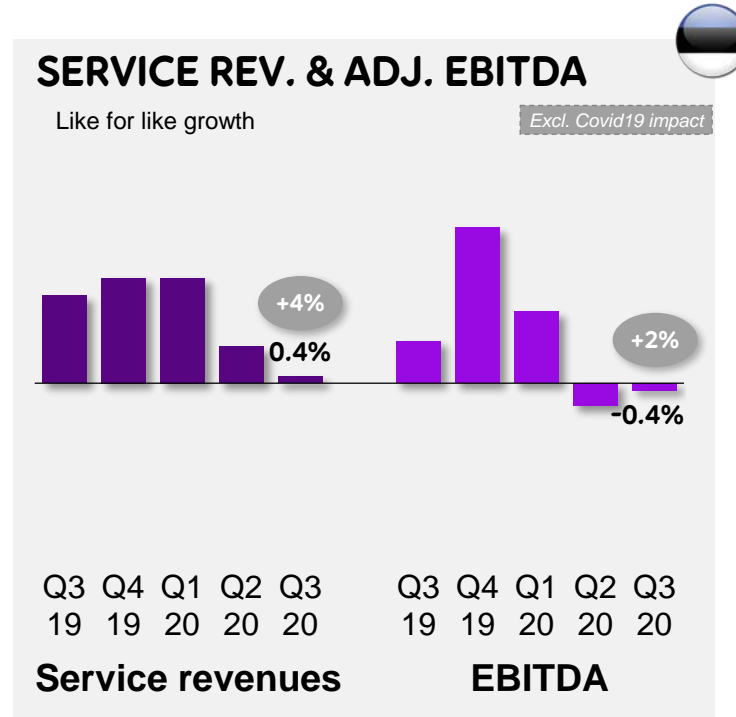
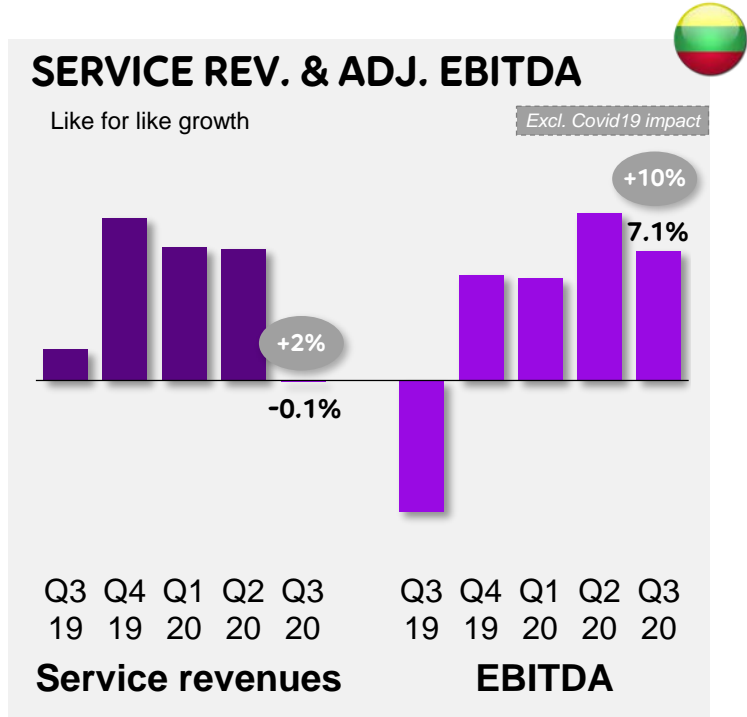
## HIGHLIGHTS

- Service revenue declined SEK 173m, from negative roaming impact of (~SEK 110m) and a combination of fixed telephony, broadband and TV (~SEK 50m)
- Increased share of MDUs and partner networks have had a dilutive impact on broadband ARPU levels
- EBITDA was relatively stable due to special items in Q3 2019 impacting comparisons. OPEX Q3 2020 up by 3 percent due to marketing
- Telia & Get brands merged into one converged Telia brand and updated/new wholesale agreements with ICE and NGT





# LED - Q3 2020



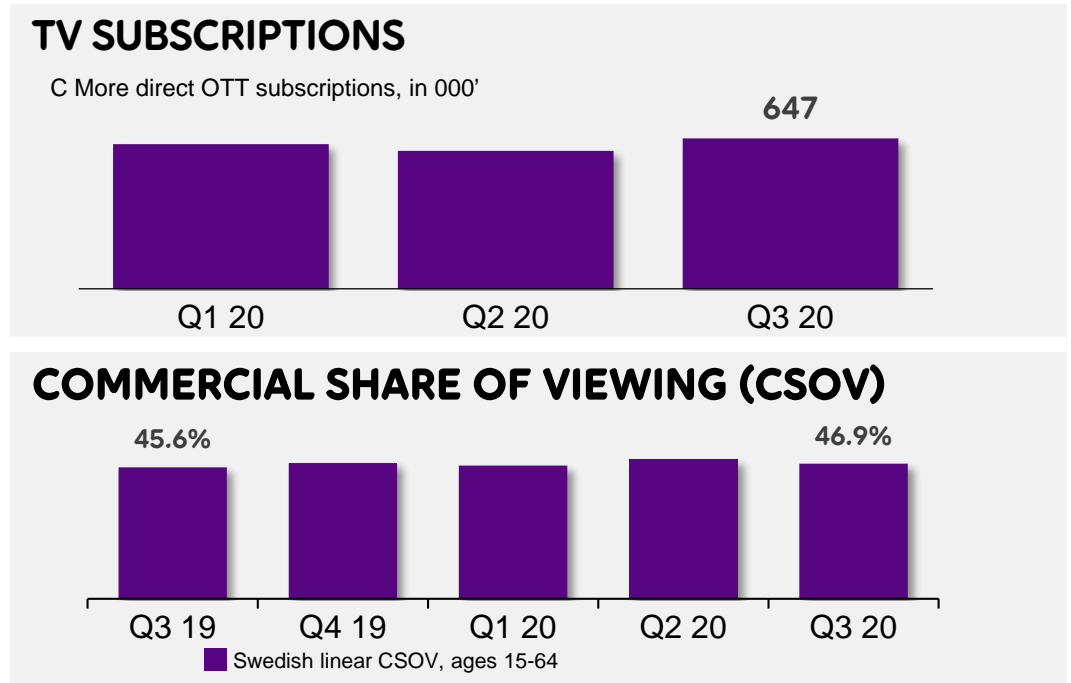
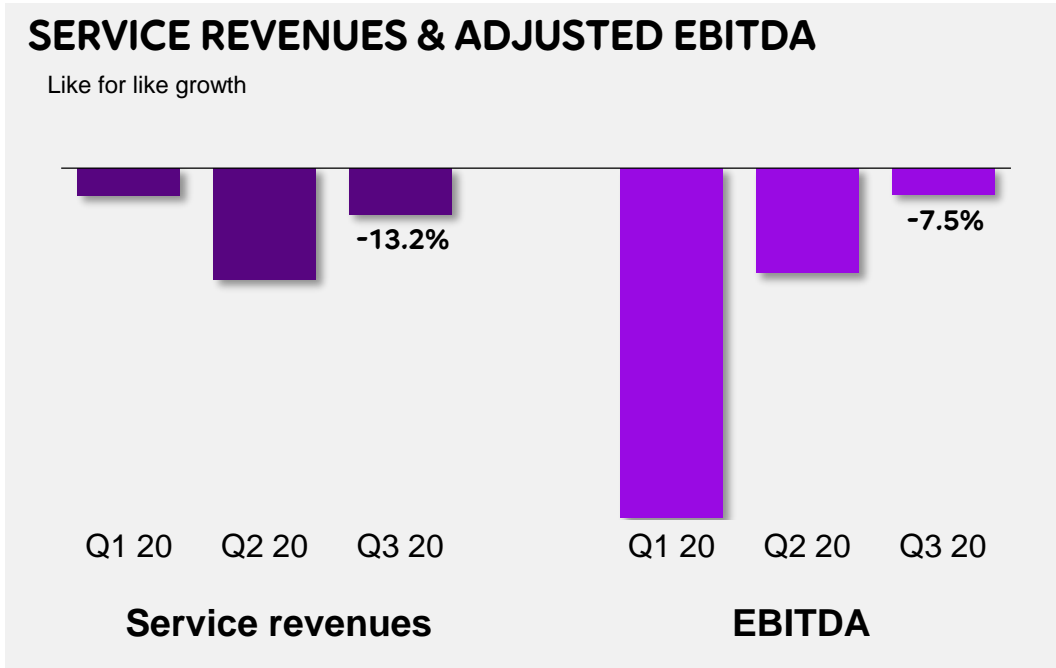
## HIGHLIGHTS

- Lithuania show flat service revenues but adjusting for COVID and low margin transit revenues, the core grows by 4%. EBITDA at record levels (SEK 387m).
- Stable development in Estonia with good fixed development offset by roaming pressure in mobile
- Denmark mitigating competitive market by cost control





# TV AND MEDIA – Q3 2020



## HIGHLIGHTS

- Improved service revenue trends in both TV and advertising resulted in revenues falling 13 percent vs. 32 percent in Q2
- Strong SVOD subscriber intake especially in Finland
- EBITDA declined by SEK 20m, as a result of COVID offset by lower COGS and lower OPEX
- Full year EBITDA expected to be above SEK 0.5 billion (previously SEK 0.3-0.5 billion)





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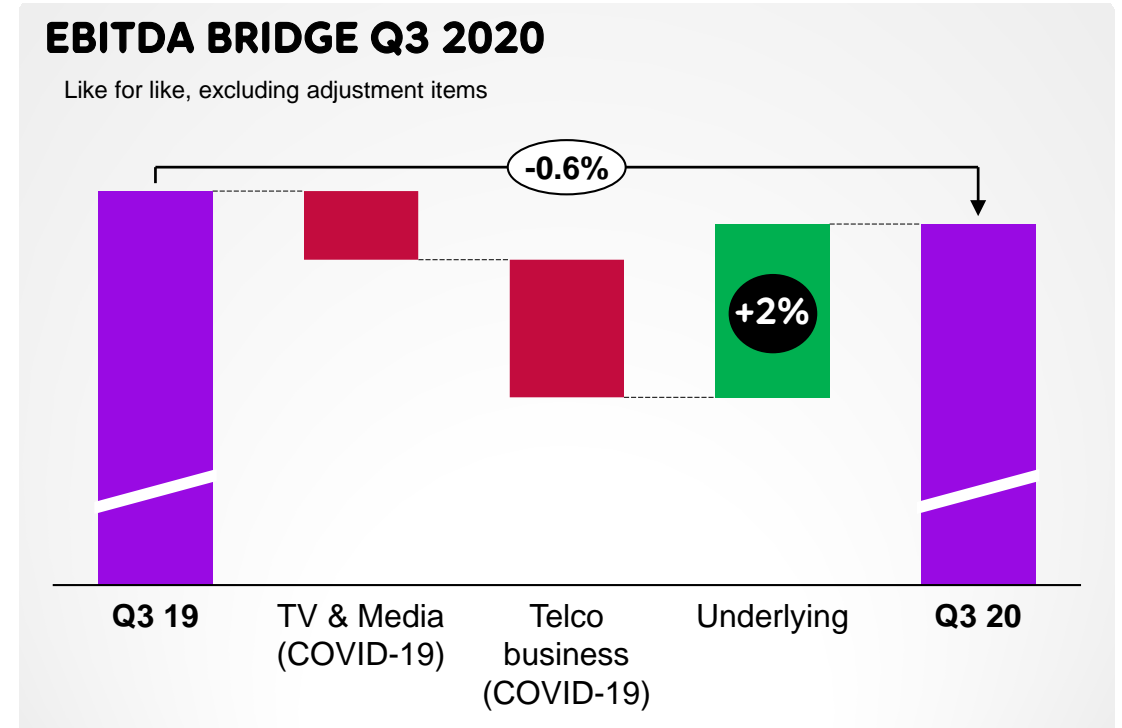
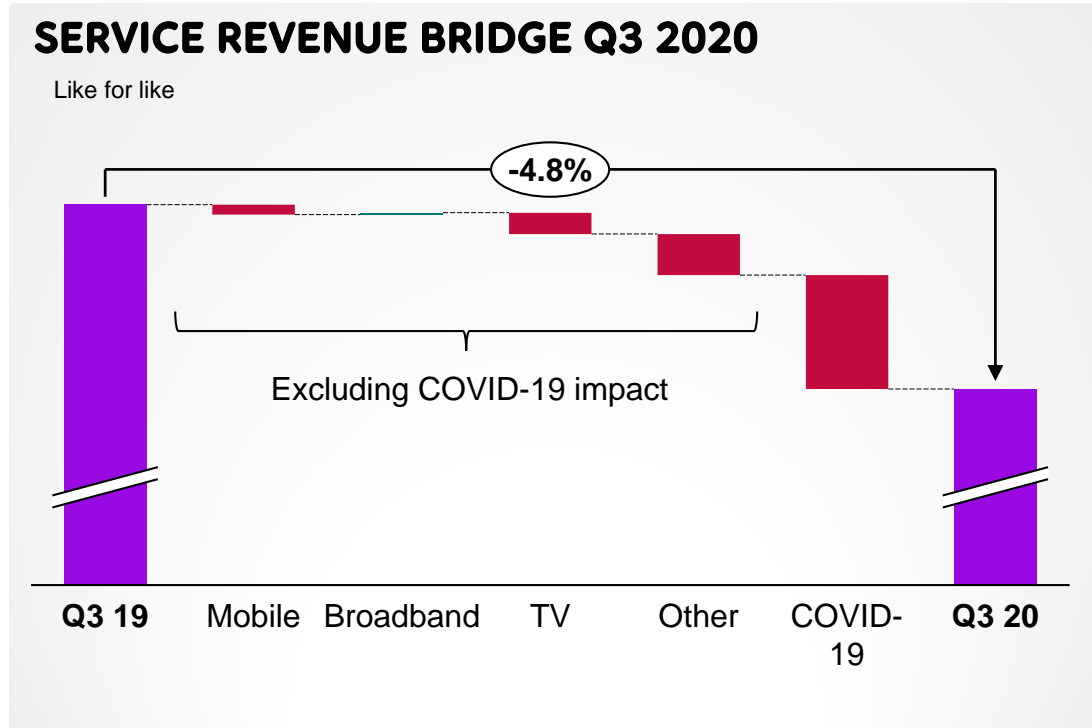


PER CHRISTIAN MØRLAND

CFO



# SERVICE REVENUES AND EBITDA – Q3 2020



- COVID-19 impact of SEK 0.6 billion mainly related to roaming and partly also advertising
- Mobile revenues rather flat excluding roaming impact

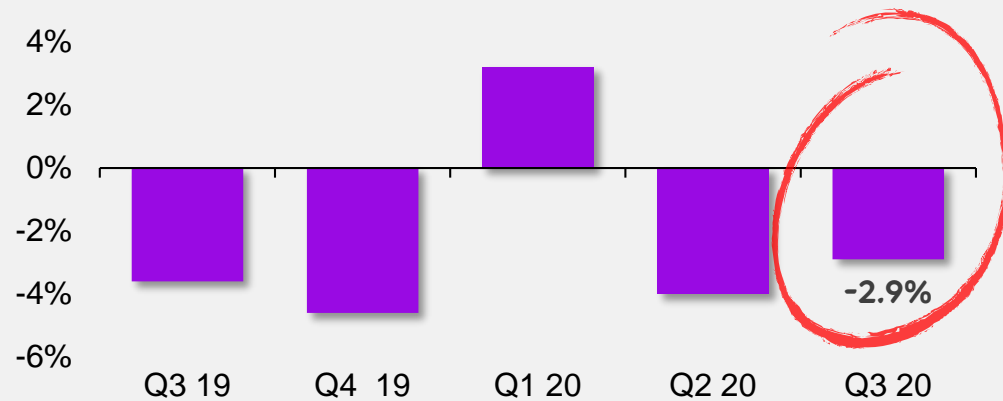
- Underlying growth almost offset a SEK 0.3 billion impact from COVID-19



# OPEX AND CASH CAPEX – Q3 2020

## OPEX DEVELOPMENT

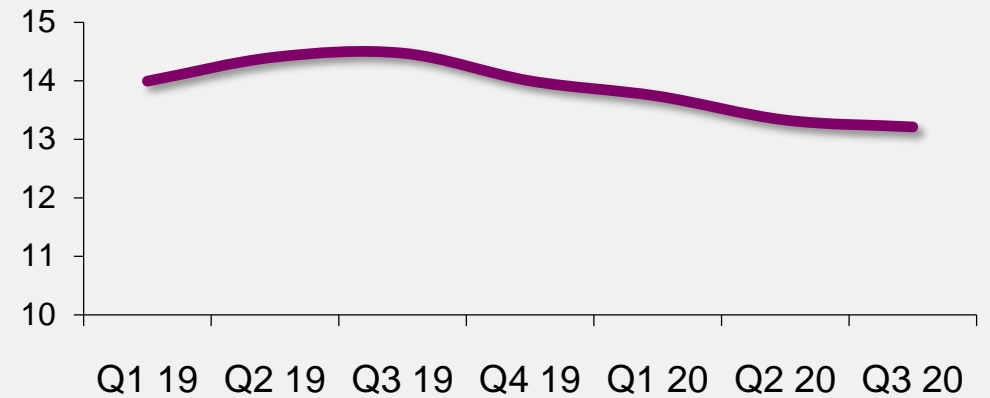
External expenses, like for like



- Decline driven mainly by Sweden, TV & Media and group functions
- Reduction driven from lower Resources, Marketing, Travel, Bad debt and IT
- We expect the trend to be broken in Q4 2020

## CASH CAPEX DEVELOPMENT

Reported currency in SEK billion, excluding licenses & spectrum fees, R12,



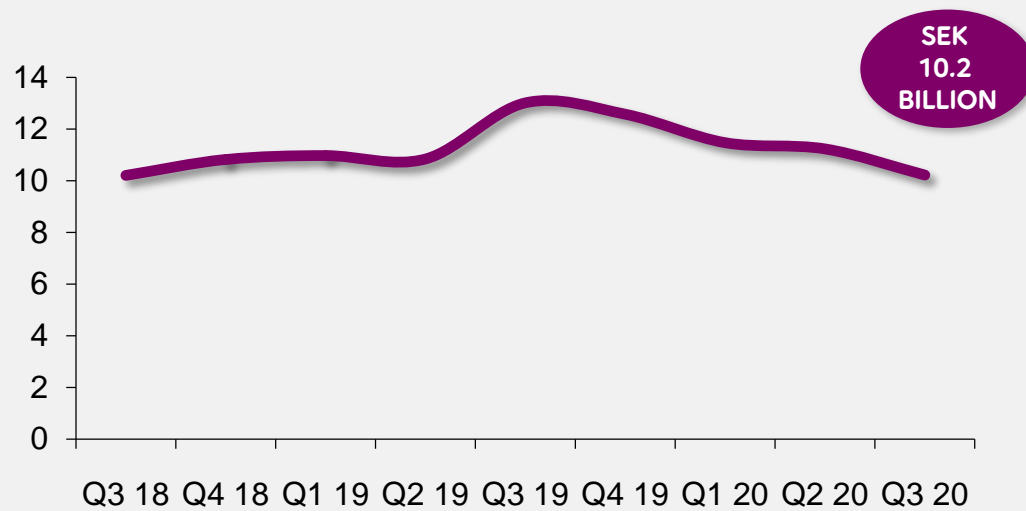
- Cash CAPEX decline of 4% in the quarter
- Sweden main driver for reduction
- Finland increase related to mobile network roll out



# OPERATIONAL FREE CASH FLOW – Q3 2020

## OPERATIONAL FREE CASH FLOW DEVELOPMENT

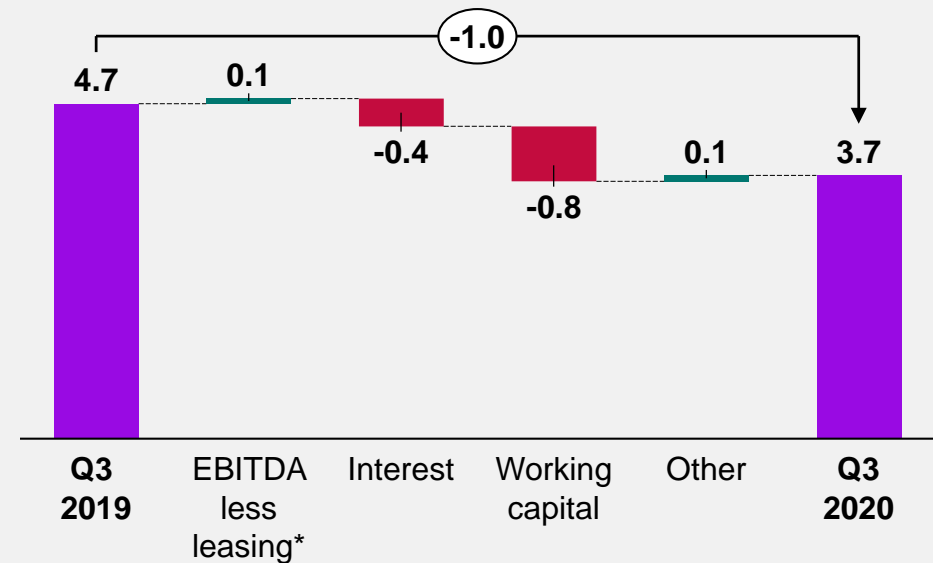
SEK billion, rolling twelve months



- Less contribution from working capital mainly explains development from peak

## OPERATIONAL FREE CASH FLOW Q3

SEK billion



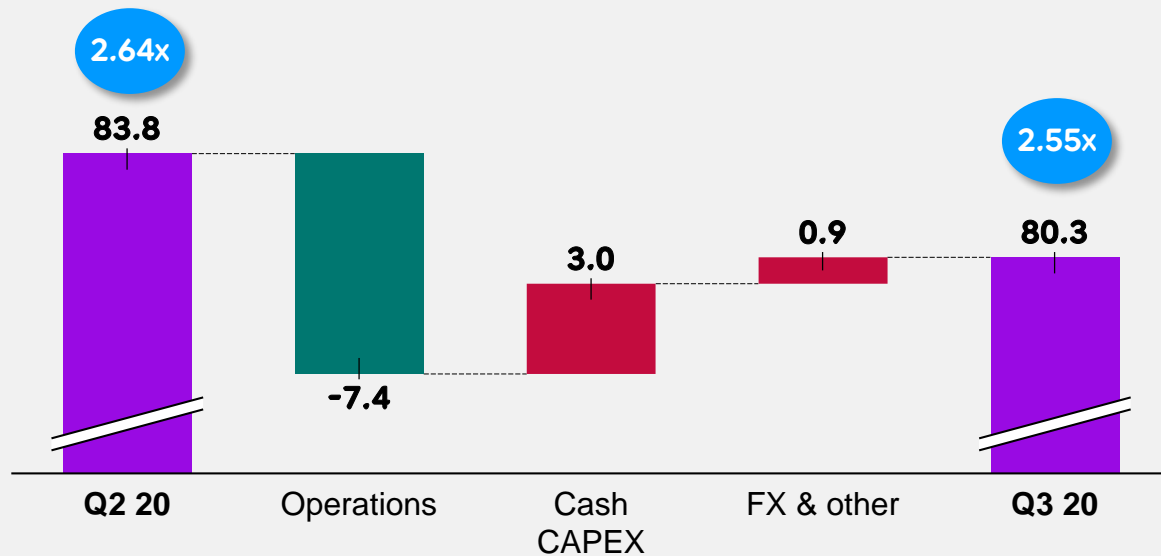
- Tough comparable in the quarter for both interest and working capital



# NET DEBT AND LEVERAGE – Q3 2020

## NET DEBT DEVELOPMENT

SEK billion and leverage ratio



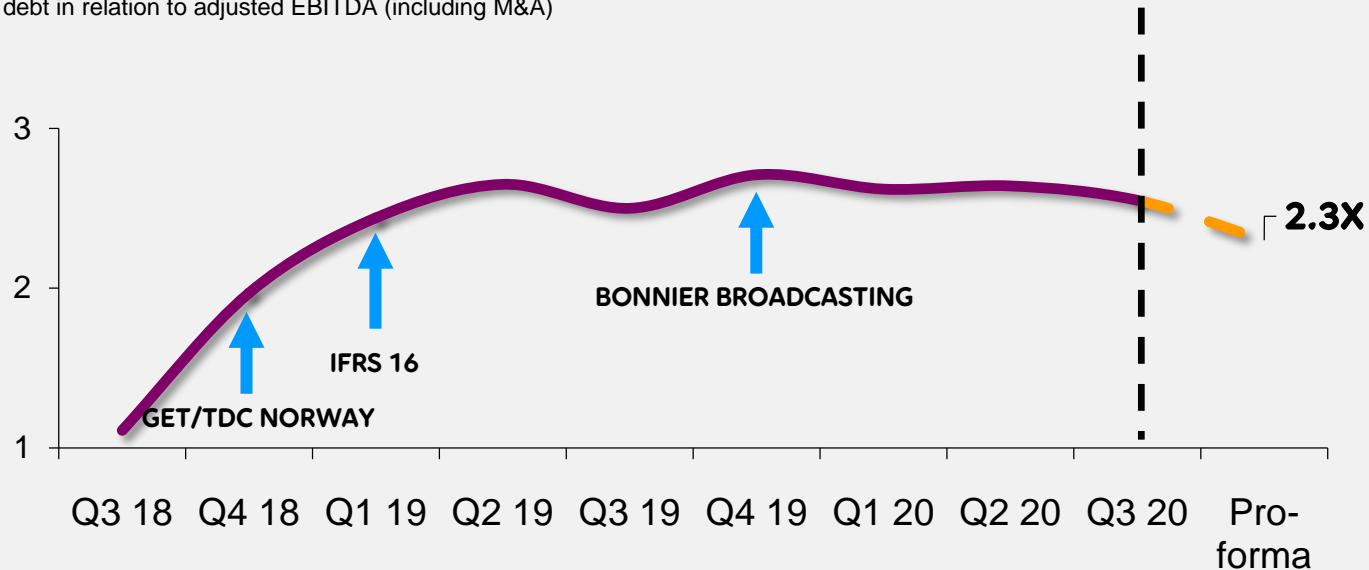
- Operations less cash CAPEX lowered net debt by SEK 4.4 billion
- CAPEX down driven mainly by Sweden and partly Norway



# PROFORMA LEVERAGE – Q3 2020

## LEVERAGE DEVELOPMENT

Net debt in relation to adjusted EBITDA (including M&A)



- Increased leverage 2018/2019 driven mainly by
  - M&A
  - Buy backs
  - IFRS 16
- Proforma leverage post divestment proceeds (Turkcell and Telia Carrier) and 2<sup>nd</sup> dividend payment falls to a comfortable 2.3x
  - 2<sup>nd</sup> dividend of SEK 3.7 billion to be paid in Q4 2020
  - Additional dividend of SEK 2.7 billion included, but require EGM approval
  - Turkcell proceeds of ~SEK 5 billion expected in Q4 2020
  - Telia Carrier proceeds of SEK 9.45 billion expected in H1 2021





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# OUTLOOK FOR 2020 (UPDATED)

## OPERATIONAL FREE CASH FLOW (UPDATED)

Upper end of SEK 9.5 – 10.5 billion

*(previously: SEK 9.5 – 10.5 billion)*

## ADJUSTED EBITDA (UPDATED)

Adjusted EBITDA for the full year 2020 to be around SEK 30.5 billion

*(previously: Adjusted EBITDA generation in constant currency is expected to be similar in the second half of the year compared to the first half)*

## CAPITAL ALLOCATION (UPDATED DIVIDEND)

Committed to maintain A- to BBB+

BoD propose EGM an additional dividend of SEK 0.65 per share for 2019



# SUMMARY

- Q3 better than our expectations
- Raised 2020 outlook
- Telco business resilient, TV & Media improving
- Supporting our communities remains a priority
- New Head of Brand appointed, with iconic brand building experience
- Key immediate priorities to improve performance
  - Connectivity
  - Convergence
  - Customer Experience
  - Cost base
- Preparing the roadmap and plans that generate sustainable, long term value creation

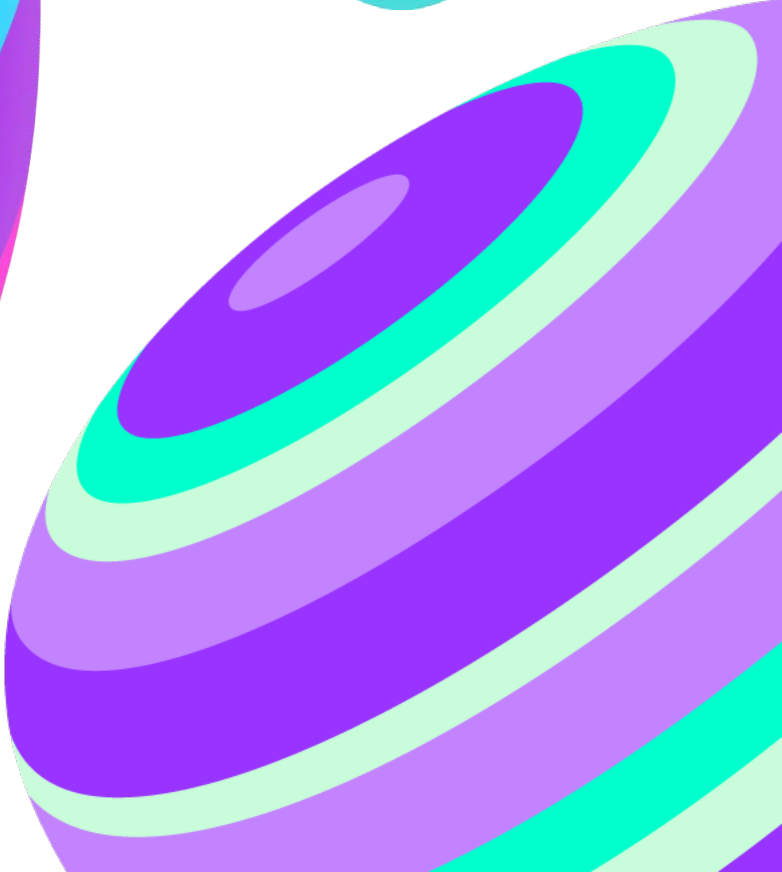
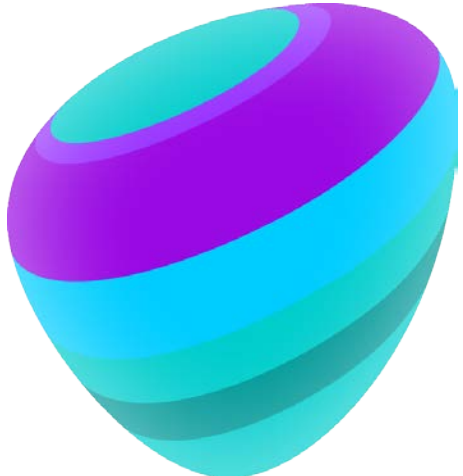
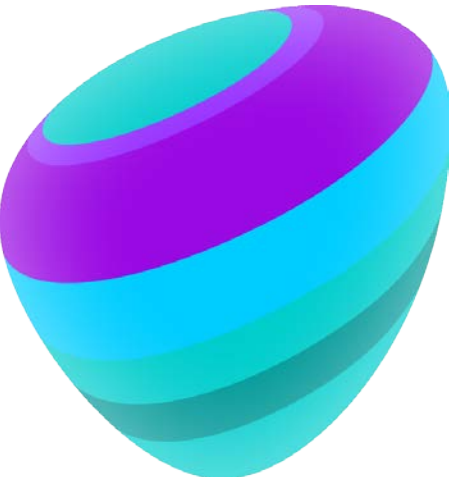
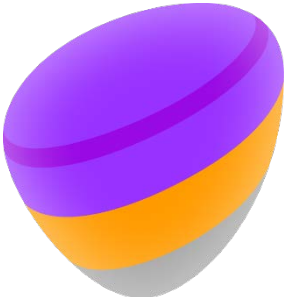
OUR VALUES OF  
**DARE**  
**CARE**  
**SIMPLIFY**

COULD NOT BE MORE RELEVANT





# Q&A



# 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 2019 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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