

COMMENTS FROM THE CEO

IMPORTANT STEPS TAKEN IN EXECUTING ON OUR STRATEGY

In 2019 our strategy to become something more than what telecommunications companies have traditionally been truly came to life. With the closing of the acquisition of our new TV and Media unit including TV4, C More and MTV we are now uniquely positioned to offer our customers a new world of digital experiences in the Nordics. During the year we continued to invest in our infrastructure in the region to cater to ever growing customer demands for high quality connectivity and we concretized our steps to become climate neutral within our own operations by 2022. We did all this while delivering on the financial targets we had set for the year.

Digitalization and sustainability

The increasing pace of digitalization is having, and will continue to have, a profound impact on society. We are at the heart of that change, therefore we have the opportunity and the responsibility to be a driver in sustainable digitalization. Today we offer our enterprise customers a combination of our core products with new types of Information and Communications Technology (ICT) services and connected devices commonly referred to as Internet of Things (IoT), which opens completely new opportunities for them. ICT and digitalization are not only key for our business, they are key elements in how we, our suppliers and our customers can help limit climate change and the unsustainable use of natural resources.

Our infrastructure is key in making a shift to a more sustainable path. We have continued to invest in the region, very much driven by customer demands and our acquisition of Get in Norway. Several independent studies have acknowledged the quality of our networks and they create a platform for enhancing the customer experience. 2019 was also the year when we launched 5G in some of our markets, with full scale commercial offerings in Finland, investment decisions in Norway in addition to several successful pilots across our footprint.

Digital solutions are important parts of Telia Company's environmental agenda (the Daring Goals) which we communicated in March 2019. During the year we have further concretized our road to zero CO₂ and zero waste by committing to become climate neutral within our own operations by 2022. In line with those targets we will keep on developing our offerings and increase the reuse of network equipment and handsets. We support UN's sustainable development goals and the Global Compact principles full-heartedly.

Commercial agenda adding value to customers

It was an eventful year during which we managed to strengthen our commercial agenda, focusing on how we add value to our customers. In 2019 we gradually improved, but we have yet to reach our full potential. Convergence improves customer experience and customer loyalty which in turn reduces churn, both in B2C and B2B. Therefore it will continue to be a key part in our commercial activities going forward. Our mobile family offer in Sweden is a great example in this area. In Sweden we have also continued to increase our fiber-reach, via our own infrastructure and through city networks. This paves the way for us to address end-customers with more converged offerings.

Delivering on financial targets

During the year operational free cash flow reached SEK 12.6 billion, up 16 percent from 2018, and within the SEK 12–12.5 billion target range if we exclude a positive pension refund of SEK 0.4 billion in the fourth quarter. Adjusted EBITDA grew by 17 percent in reported currency, including the positive effect from IFRS 16, following the outlined pattern with a gradual improvement throughout the year. This was mainly driven by positive effects from IFRS 16, acquisitions and increased efficiency in cost of goods sold and further reductions in operational expenses. A cost de-

"DIGITALIZATION HAS A PROFOUND IMPACT ON SOCIETY"

velopment we are pleased with, and take pride in, while we continue our efforts to improve our service revenues.

Based on the operational free cash flow the board proposes a dividend of SEK 2.45 per share for 2019, equal to a 3.8 percent increase versus 2018. Since the start of the share buy-back program in 2018, we have used SEK 10 billion, or around 6 percent additional return to our shareholders. As we have a slower than expected recovery of the service revenues, impacting our financial leverage expectations negatively and a potentially weaker economic outlook, the board decided in October not to execute on the remaining SEK 5 billion of the three-year share buy-back program.

Finally, I would like to express my gratitude to my team and all my co-workers at Telia Company for the hard work everyone put into 2019. Thanks also to all 472,000 shareholders for your trust in our company.

Stockholm, March 11, 2020

Christian Luiga
Acting President and CEO

