

COMMENTS FROM THE CEO

AN EVENTFUL YEAR

Telia Company is now basically a Nordic and Baltic company as we have completed the divestment of the operations in Eurasia in all material aspects. Now we can put all efforts and resources into developing the company in our home markets including our global carrier operation. We meet our customer under the Telia brand in six countries and the subsidiaries become more and more integrated into the group.

SHAREHOLDER RETURN

In 2018 we delivered much according to what we planned to do. The operational free cash flow reached SEK 10.8 billion, comfortably above outlook. We have executed on the net cost reduction program leaving the adjusted EBITDA to grow by 1.7 percent. The free cash flow that forms the basis for the dividend reached SEK 11.8 billion. The board decided to initiate a share buy-back program with the intention to buy back shares for an annual amount of SEK 5 billion over the coming three-year period. The board proposes a dividend per share of SEK 2.36, implying an unchanged absolute amount distributed to our shareholders and equals a pay-out ratio of 84 percent, taking the share buy-back program into account. As the same time as the stock markets fell 2018, Telia Company's shareholders could see the share price rise and get a total shareholder return in European top class. To continue to deliver shareholder value, we stay focused on increasing our core service revenues, increasing the average price per user, and further lowering our costs.

DIGITALIZATION

New digital business models are created worldwide that quickly gain favor with increasingly consumers on the go.



Telia Company should stop being on the planet's minus account to instead become part of the solution to the climate problem and the environmental impact.

Companies can no longer count on or control their customers - it is the customer who holds the steering wheel and decides the speed. It goes fast and it's just to keep up with the turns. To us it implies to change a lot under the hood to be able to work faster and more efficient. Now we are removing parallel systems and complicated solutions. A common technology and product organization is created to work across the whole group and provide services on common scalable platforms. It will, over time, reduce our costs and make the wheels spin faster.

We are often seen as a technology company, which is of course true and we are proud of that, but we are also a service company, an advisor, a start-up and a retail chain. Back in 2014 we changed our strategy, which we have fine tuned along the way, and as a consequence we can see new services launched within areas like internet-of-things, security, smart home and entertainment. We offer flexible services for discerning customers via modern and future-proof networks.

IMPORTANT ACQUISITIONS

One of the highlights during the year was the acquisition of Bonnier Broadcasting, expected to be closed in the second half of 2019. Locally produced news and entertainment is highly sought after and together with our connected services, Telia Company will stand out of the crowd and be able to contribute something unique. We are prepared to meet a changed consumption pattern among viewers, while we can create attractive converged offerings to new and old customers.

In February 2019 a new unit, Telia Global, was created with the aim to increase focus on multinational customers, partners and innovation.

The acquisition of Get and TDC Norway means a paradigm shift for Telia in Norway. From being, a few years ago,

a smaller company with only mobile services Telia Norway is now a full-service provider with fixed and mobile solutions as well as TV, to both enterprises and consumers. In addition to these extensive acquisitions further strengthened the B2B proposition by acquiring the ICT companies Cloud Solutions and Ainacom and we have also invested in a top modern data center in Finland as well as secured spectrum to be able to lead the development of 5G. As always, one of our unique competitive advantage is in our networks - that strength must be nurtured and strengthened. Together with our customers we enable the next technology leap and let companies become 5G pioneers in our region on our 5G partnership programs.



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SUSTAINABILITY

Telia Company wholeheartedly supports UN's global goals for sustainable development and the Global Compact principles. It is comforting to see how states, organizations and companies jointly gather to handle problems and spread solutions. Not at least our own industry contributes to enabling sustainable business models and responsible resource utilization. At the same time as we see all the good we contribute to, we should not settle for or disregard our own environmental impact.

Telia Company should stop being on the planet's minus account to instead become part of the solution to the climate problem and the environmental impact. Under the current management, sustainability and responsibility have become one of the foundations on which the business rests. The more important our services become for the society to function, the greater responsibility can be required from us. We conduct a business that aims at social and economic value creation which is managed in a responsible and ethical manner. To these benchmarks, we are now making an ambitious and far-reaching effort to reduce our negative environmental impact, with the goal of reducing it to zero over time. In 2019 we will enhance the work that will make us one of the world's most environmentally friendly telecom operators.

Finally, I would like to extend my sincere thanks to our employees, partners and customers who make our joint journey possible. Thanks also to all 483,000 shareholders for your confidence in the company and for us leading it.

Stockholm, March 13, 2019

Johan Dannelind
President and CEO

