

COMMENTS FROM THE CEO

REINVENTING TELIA

2020 was my first year at Telia, albeit not a full year since I came aboard in May, but eight very eventful and challenging months. The primary challenge of course was the COVID-19 pandemic. The health and well-being of our colleagues, customers and partners was, and remains, our number one priority. Despite the circumstances, we delivered essential connectivity with limited disruptions: we kept operations going, workplaces running and made it possible for people to stay in touch with loved ones. Beyond connectivity, Telia's services such as Crowd Insights have supported authorities and countries in gaining insights that have helped them fight the pandemic - a clear illustration of how our technology can be used for the common good.

When I arrived in May, I immediately recognized the enormous opportunities ahead for a market leading operator such as Telia Company - the possibility to take advantage of the rapid technological change associated with 5G, fiber and digitalization, and important customer trends such as the increasing demand for OTT, convergent and cloud based solutions. I identified five key priorities for us to focus on: connectivity, convergence, customer experience, cost control and capital allocation, and throughout the year we made progress in all areas.

Our connectivity leadership in Sweden was confirmed through the Umlaut/P3 survey which concluded that Telia's network is the best in Sweden - for the fourth year in a row. Having secured the largest block of 5G spectrum in the most attractive part of the available Swedish frequency band we now have an opportunity to further enhance and leverage our market leading position. In Finland we now cover 40 percent of the population with 5G and, importantly, we are seeing a positive impact on ARPU (average revenue per user) levels from 5G based subscriptions there. We have also made excellent progress in Norway, both on 5G coverage and in the upgrade of our cable network.

To provide superior 5G network experiences to our customers we entered into important partnerships to fortify our core business, teaming up with Ericsson and Nokia, thereby bringing together three of the region's wireless pioneers. I am confident that our investments in 5G will unleash the next wave of innovation across the Nordics and Baltics.

Convergence is proven to increase customer loyalty and customer lifetime value and was the strategic logic for the acquisition of Bonnier's TV and Media business unit, the acquisition of GET, and several smaller ICT acquisitions in recent years. Throughout the past year, we continued to increase the number of converged customers across our footprint. In Sweden, we now have 309,000 in total. In the Baltics, we have seen a similar trend, combining our network

leadership with TV in the consumer segment, and with ICT in the enterprise segment. And in Norway, having merged the GET brand with Telia in September, we now have a fully converged proposition to daringly challenge the incumbent operator. Consideration for Telia has grown significantly since we merged the two brands.

During the year, we challenged ourselves to reduce our cost base, to mitigate the COVID-19 impacts, namely from loss of roaming, live sports and advertising revenues. Overall, we did a good job on cost reduction but there is much more to be done. We have therefore set an ambitious plan to become a more agile, lean and efficient operator over the coming years - the details of which were outlined at our digital investor briefing at the end of January.

When it comes to capital allocation, we have made the structural moves necessary to establish Telia as a focused Nordic and Baltic operator, having divested our stake in Turkcell Holding to the state-owned Turkey Wealth Fund for USD 530 million. The transaction, whereby Telia exited Turkey completely, included a full and global settlement of all shareholder disputes and litigations connected to Turkcell and Turkcell Holding. In October, we also reached an agreement with Polhem Infra regarding the sale of our international carrier business, Telia Carrier, for a value of SEK 9,450 Million on a cash and debt free basis, and we are on track to close this transaction during the first half of 2021.

Despite COVID-19 significantly impacting revenues, especially in our TV and Media unit, our traditional telecom business proved resilient throughout the year. After a tough start, we generated a strong operational free cash flow result for the year, and better than the guidance we provided at the beginning of the year. This is evidence that Telia has a solid and resilient set of assets and operations, led by a team that steps up and delivers on our commitments to our customers, our owners, and society, even in these exceptional times.

“AT THE BEGINNING OF 2021 WE LAUNCHED OUR RENEWED STRATEGY TO CREATE “A BETTER TELIA”, FOCUSED ON BEING BETTER FOR OUR CUSTOMERS AND THEIR EVOLVING NEEDS, EMERGING FROM THE FACT THAT WE ARE ALL LIVING IN AN EVER-MORE CONNECTED WORLD.”



Our ambition is to be more than resilient, however, in a fast moving and disruptive environment. Connectivity has become part of the very fiber of life. This is clear in the fact that traffic in our networks is doubling every two years. And with our moves into media, entertainment and ICT, Telia is well positioned to provide a more complete, converged range of digital services to the highly digitalized population of the Nordics and the Baltics.

At the beginning of 2021 we therefore launched our renewed strategy to create “a Better Telia”, focused on being better for our customers and their evolving needs, emerging from the fact that we are all living in an ever-more connected world. We will be led by our new purpose, to “Reinvent better connected living”. We will pivot from being a somewhat passive facilitator of connectivity to being an active orchestrator of connected living, by reinventing Telia in order to reinvent better for our customers, our employees, our owners and the societies of the Nordics and the Baltics. Our renewed strategy will return Telia to growth and as a result deliver sustainable value creation for our owners going forward.

Underpinning our strategy are four key pillars where we aim to excel relative to our peers:

- Inspiring our Customers, with brands and experiences that go beyond connectivity
- Connecting Everyone, through the most trusted, reliable and modern networks
- Transforming to Digital, to be simpler, faster, more data driven and with lower cost
- Delivering Sustainably, through an accountable and empowered organization

Taking our strategy to execution I would like to highlight three key enablers.

Firstly, we will be enabled by a bold customer experience-led transformation program, yielding product and experience benefits

for our customers and yielding SEK 5 billion in lower OPEX and CAPEX by 2025.

Secondly, recognizing the strategic value of Telia’s infrastructure, we have created a new business unit, Telia Asset Management, that will own and manage selected assets, opening the opportunity to bring in external investors and accelerate infrastructure development. This unit will ultimately allow us to generate a better return on capital and to crystallize and grow the value of our infrastructure assets going forward.

Finally, we have now integrated our ambitious sustainability agenda into the four pillars of our strategy. We have set out bold targets across our priority areas of the environment - digital inclusion and privacy and security - while we will continue to maintain strong governance, an inclusive work environment, and high ESG rankings.

All of this will create a strong base from which to return Telia to growth and deliver sustainable value creation to our shareholders, whilst maintaining a robust capital structure.

Before concluding, I want to express my sincere gratitude to the whole Telia team for the hard work and commitment they have shown in an unprecedented year, having worked from home most of the time. The team’s engagement fills me with energy and confidence going forward. I would also like to thank our nearly 500,000 shareholders for the trust and support you have showed us.

It is an honor to lead Telia and I am convinced that Telia now has a well-defined roadmap to enable growth, develop our assets and reset our cost base, allowing us to reinvent better for our customers, employees, shareholders and the societies of the Nordics and the Baltics.

I do hope you all feel as excited about the future as I do!

Stockholm, March 10, 2021

Allison Kirkby
President and CEO