



BETTER CONNECTED LIVING

ANNUAL AND SUSTAINABILITY REPORT 2020

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The audited annual and consolidated accounts comprise pages 20-225 and 243. The corporate governance statement examined by the auditors comprises pages 90-107.

The sustainability information (which also constitutes the statutory sustainability report) reviewed by the auditors comprises pages 48-79 and 226-242.

**“CONNECTIVITY
HAS BECOME PART
OF THE VERY FIBER
OF LIFE”**

Allison Kirkby,
President and CEO



OUR COMPANY

Telia Company at a glance

TELIA COMPANY AT A GLANCE

WHAT WE DO

We connect businesses, individuals, families and communities via communications, technology, information and entertainment products and services. Our operations have a positive influence on social, economic and environmental development and pave the way for an inclusive society. We help people to stay in touch even when far apart. By being connected they can explore, invent and share. This is our business. Our passion. Everything we do is about reinventing better connected living. Our values Dare, Care, Simplify guide us when we deliver on our purpose in our daily work.

WHO WE ARE

We are Telia Company. With a strong connectivity base, we are the hub in the digital ecosystem, empowering people, companies and societies to stay in touch with everything that matters 24/7/365 - on their terms.



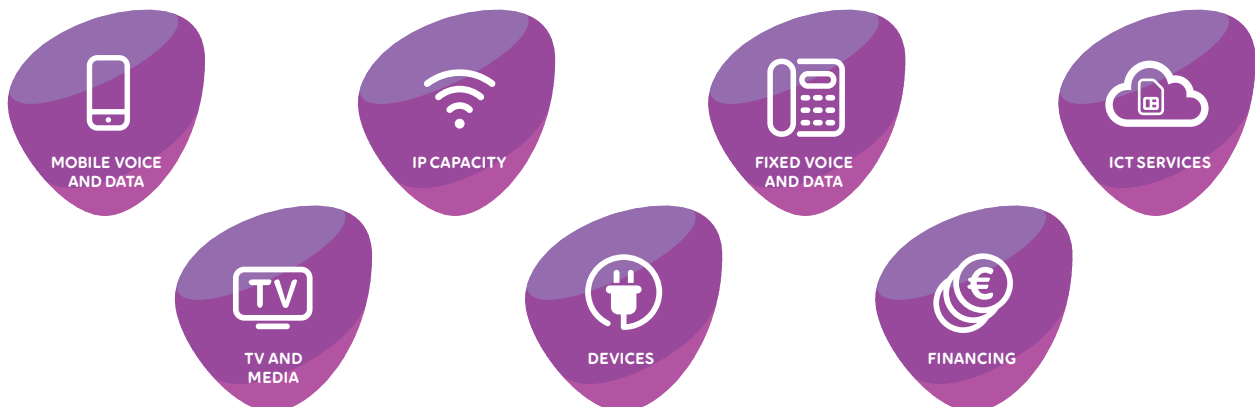
20,700

Employees

89.2

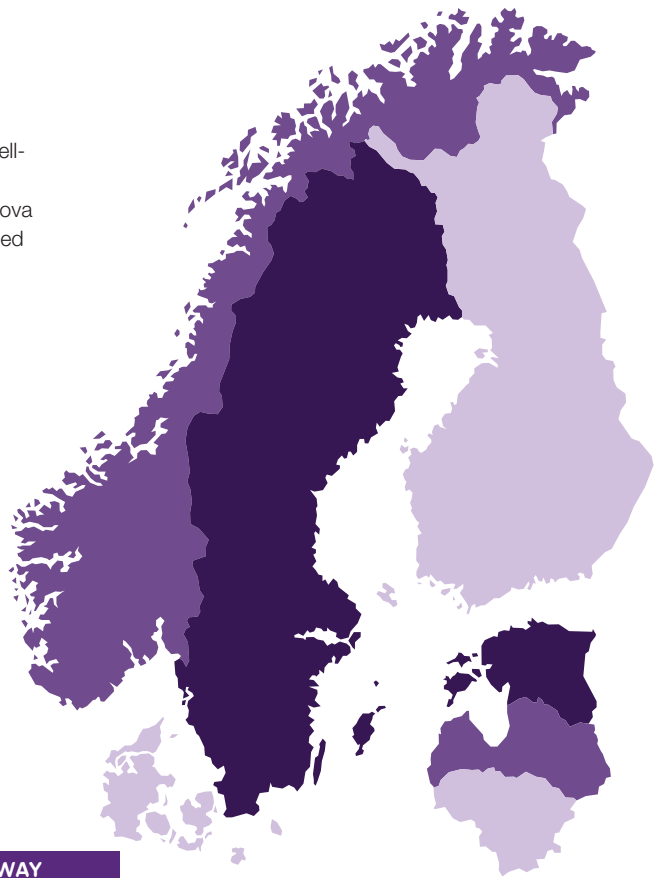
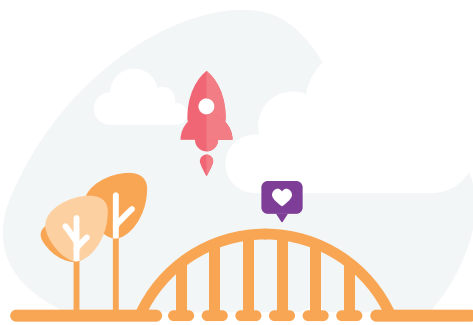
SEK billion in net sales

WE PROVIDE



WHERE WE OPERATE

Telia Company has its roots in Sweden and Finland. Today we are well-established in all the Nordic and Baltic countries. All our mobile operations in Eurasia have been divested, including Moldcell in Moldova which was divested in the first quarter of 2020. In October we divested our stake in Turkcell Holding.



| SWEDEN | FINLAND | NORWAY | DENMARK | ESTONIA | LITHUANIA | LATVIA | TV AND MEDIA | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | #1 | 34% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | #2 | 31% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #3 | 25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #3 | 20% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #2 | 33% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #2 | 11% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #2 | 12% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #2 | 14% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #3 | 18% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #3 | 7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #5 | 3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #4 | 1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #1 | 50% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #1 | 83% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #1 | 51% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #2 | 38% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #2 | 29% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #1 | 80% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #1 | 52% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #1 | 37% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | #1 | 46% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

1) Ownership is defined as direct and indirect ownership, i.e. effective ownership and is equal to consolidated share.

Telia Company's market share estimate is based on the number of subscriptions.

Mobile
 Fixed voice
 Broadband
 TV
 # Market position % Market share

2020 IN BRIEF

2020 has been a year of change and challenge. The most obvious challenge was of course COVID-19 and throughout the pandemic Telia has remained resilient, keeping its operations going, workplaces running and enabling people to stay in touch with loved ones. At the same time, we onboarded a new CEO, made several divestments, entered into strategic 5G partnerships, made substantial changes to the Group Executive Management and started the work to renew Telia's purpose and strategy.

CONTINUING OPERATIONS

SERVICE REVENUES

77,342

SEK million (73,455)

ADJUSTED EBITDA

30,702

SEK million (31,017)

OP. FREE CASH FLOW

12.1

SEK billion (12.6)

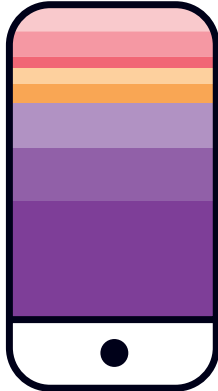
DIVIDEND

2.00

Proposed dividend per share,
SEK (2.45)

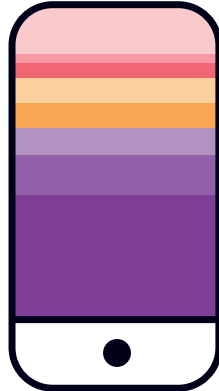
NET SALES

By segment



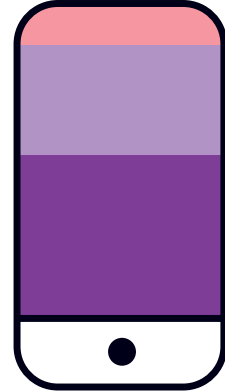
- Sweden, 38%
- Finland, 17%
- Norway, 15%
- Denmark, 6%
- Lithuania, 5%
- Estonia, 4%
- TV and Media, 8%
- Other, 8%

By service



- Mobile, 40%
- Equipment, 13%
- Fixed broadband, 9%
- Business solutions, 8%
- TV, 8%
- Advertising, 5%
- Fixed telephony, 3%
- Other, 14%

By type



- B2C, 52%
- B2B, 35%
- Operator and Other, 13%

CREATED VALUE

OPERATIONAL DATA



17.0

Mobile subscriptions (million)



3.2

TV subscriptions (million)



2.9

Fixed broadband subscriptions (million)



1.2

Fixed voice subscriptions (million)

SOCIAL DATA

38%

Share of females in the Extended Leadership Team

78/100

Employee engagement and satisfaction score

120,000

Children, parents and seniors reached through digital inclusion initiatives

106

Supplier audits carried out by Telia Company auditors

ENVIRONMENTAL DATA

100%

Renewable electricity use

0 CO₂

Climate neutral in own operations through reductions and offsetting

16%

Supply chain emissions covered by science-based targets

2%

Refurbished phones of total sales

TURN FOR MORE 2020 HIGHLIGHTS →

2020 IN BRIEF

2020 HIGHLIGHTS



FIRST GREEN BONDS ISSUED

As the first telco in the Nordic region, we issued a green hybrid bond of EUR 500 million in February followed by a SEK 750 million green senior bond in June. The proceeds were used primarily for energy efficiency measures, in particular replacing copper with more energy efficient fiber.



NEW LEADERSHIP

In May, Allison Kirkby took over as President and CEO of Telia Company. Allison has extensive experience from various positions within the telco industry, most recently as President & CEO of TDC Group. Additionally, we made significant changes to the Group Executive Management. Markus Messerer was appointed SVP and Chief Strategy & Commercial Officer, Rachel Samrén as SVP and Chief External Affairs, Governance & Trust Officer, Heli Partanen SVP and CEO of Telia Finland and Dan Strömberg as SVP and Head of LED. Per Christian Mørland was appointed EVP and Group Chief Financial Officer and Rainer Deutschmann as SVP and Group Chief Operating Officer. Effective January 1, 2021, Per Carleö took on the position as SVP and Head of Brand.



DIVESTMENT OF MOLDCELL COMPLETED

FIRST MAJOR 5G NETWORK UP AND RUNNING IN STOCKHOLM



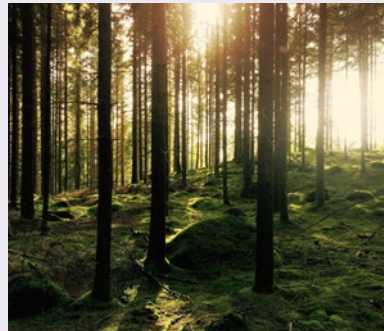
KEEPING COMMUNITIES CONNECTED DURING COVID-19

During these challenging times, helping communities cope with the consequences of the COVID-19 pandemic has been our number one priority. During the year, the entire Telia team worked tirelessly to keep people and enterprises in the Nordics and Baltics connected, informed and entertained. One issue highlighted by the COVID-19 pandemic is the digital divide, in particular the lack of understanding of

new technology among seniors and educational inequalities perpetuated by a lack of connectivity or equipment. Telia addresses such disparities, through e.g the Go Digital (Mer digital) program that supports municipalities in building digital skills. During the pandemic we also developed a similar program, Become digital (Bli digital) to support small and medium-sized enterprises in their digitalization journeys.

FOCUS ON THE NORDIC AND BALTIC REGIONS

We announced the divestment of Telia Carrier to Polhem Infra for a purchase price of SEK 9.45 billion, leveraging significant shareholder value from Telia Carrier's longstanding customer relationships and digital infrastructure. Together with the divestment of our holdings in Turkcell Holding and Moldcell, these transactions will allow us to focus our strategy and execution entirely on the Nordic and Baltic regions.



SCIENCE BASED TARGETS ADOPTED

As part of our commitment to reach zero CO2 by 2030, we adopted Science Based Targets (SBTs) to reach by 2025. The SBTs cover the full value chain with an emphasis on the supply chain, as our assessments show that our supply chain generates 86 percent of total emissions compared with just 6 percent from our own operations.

AWARDED MOST LGBTQI-FRIENDLY EMPLOYER

2021



BECAME CLIMATE NEUTRAL WITHIN OUR OWN OPERATIONS

EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting decided upon an extraordinary dividend to shareholders of SEK 0.65 per share.



STRATEGIC PARTNERSHIPS

Entering strategic partnerships with Ericsson and Nokia during the year brought together three of the region's wireless pioneers to provide superior network experiences based on 5G and 4G technology to 10 million customers in Sweden, Finland and Estonia. During the ongoing pandemic, our networks have been especially important to the lives and livelihoods of people since they form the foundation of the digital economy with innovation, sustainability and security at their core.

COMMENTS FROM THE CHAIR

LAYING THE FOUNDATION FOR A CUSTOMER CENTRIC BETTER TELIA

2020 was my first full year as Chair of the Board of Telia Company (Telia) – and what an eventful year it has been! It had barely begun when COVID-19 hit the world and Telia's markets. As Chair of the Board, I am proud of how well Telia has handled the challenge the pandemic has posed. Our solid networks have never been more important. They have enabled people to work efficiently from their homes and to interact from a safe distance with friends, colleagues and loved ones.

In May, I was delighted to welcome Telia's new CEO, Allison Kirkby. During the year she was joined by a number of new management team members, who the Board has taken a keen interest in supporting as Allison and the team laid the foundation for what we call a Better Telia, a Telia that will genuinely understand its customers and give them the best possible digital experiences. Putting the customer at the center has always been a guiding principle for me, together with simplicity, speed of execution and delivering increased shareholder value.

Telia has enormous opportunities ahead of it. Being a market leading operator in the Nordics and Baltics we are extremely well-positioned to take on a leadership role also in the rapid technological change associated with 5G, fibre and digitalization, while benefitting from important customer trends such as the increasing demand for more convergent and cloud-based solutions.

Our core strengths are the scale and value of our customer base, both in consumer and enterprise segments, and the quality leadership of our networks, our connectivity and entertainment offerings. We want to further enhance the experience of

being connected, no matter which platform or technology is being used. I want us – I say us for this is something we all must do together – to build on our strengths to improve customer service and experience, increase top line growth, and generate sustainable profit.

To do so will require new ways of working. All Telia employees will be involved, from the Boardroom to our stores and everywhere in between. We will be led by our new purpose – Reinvent Better Connected Living – and an updated strategy enabled by a transformation program to make Telia more digital, faster, better and more cost efficient. And most of all, customer centric.

Customers not only demand that we provide world class connectivity and digital experiences, but also that we do so in a sustainable way. I am therefore glad that we have increasingly integrated our ESG ambitions into our strategy, future-proofing the company while providing sustainable solutions also for our customers. Using our technology to deliver sustainable solutions benefits society as a whole and allows Telia to attract even more talent.

"I AM PROUD OF HOW WELL TELIA HAS HANDLED THE CHALLENGE THE PANDEMIC HAS POSED. OUR SOLID NETWORKS HAVE NEVER BEEN MORE IMPORTANT. THEY HAVE ENABLED PEOPLE TO WORK EFFICIENTLY FROM THEIR HOMES AND TO INTERACT FROM A SAFE DISTANCE WITH FRIENDS, COLLEAGUES AND LOVED ONES."



Trust in our connectivity in particular has come to the fore during the pandemic, and the Board has allocated time during the year on the importance of critical national infrastructure and the responsibility we have towards our governments and our societies to ensure the safety and reliability of our networks.

An attractive shareholder remuneration is key going forward. Despite the challenges of 2020, the Board of Directors was able to reinstate the originally proposed dividend of SEK 2.45 per share by paying an additional dividend of SEK 0.65 per share, which was approved by an Extraordinary General Meeting in December. During the coming years, we will increase investments to improve our customer experience, develop our leading connectivity assets, and sustainably grow our operational free cash flow. This in turn will enable us to pay appealing returns to our shareholders whilst maintaining a robust capital structure. Our Board has therefore proposed an updated dividend policy under which Telia will distribute at least SEK 2.00 per share, with a firm ambition to grow dividends by a low to mid-single digit percentage.

Finally, the Board of Directors and I would like to thank the shareholders for having put their trust in us to lead the company during this exceptional year. I would also like to thank our President and CEO, Allison Kirkby, and all Telia's employees for their hard work.

And now it is time to buckle up for the journey ahead – tackling challenges and leveraging tremendous opportunities – to create a Better Telia. I look forward to it!

Stockholm, March 10, 2021

Lars-Johan Jarnheimer
Chair of the Board

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.

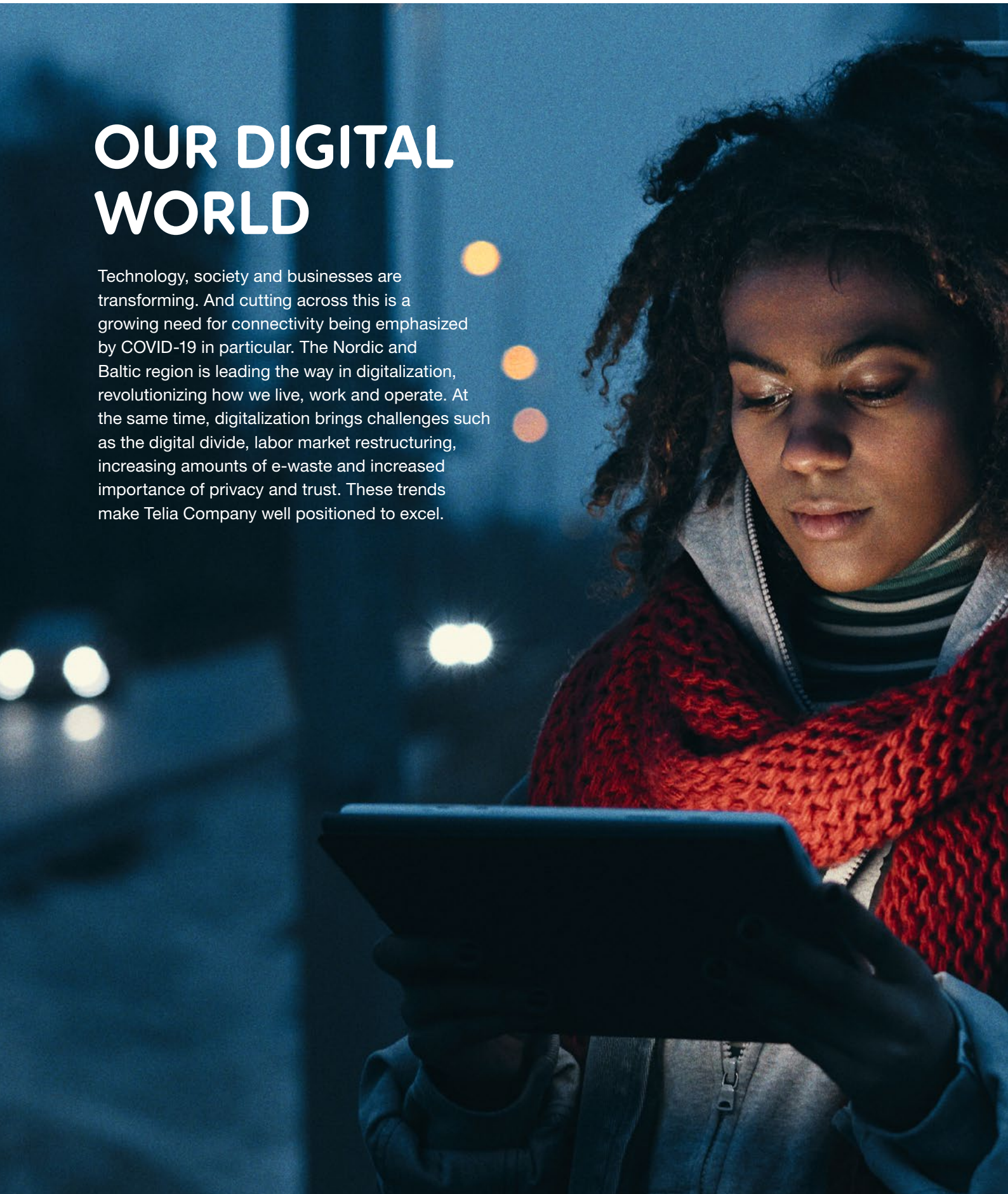
I do hope you all feel as excited about the future as I do!

Stockholm, March 10, 2021

Allison Kirkby
President and CEO

OUR DIGITAL WORLD

Technology, society and businesses are transforming. And cutting across this is a growing need for connectivity being emphasized by COVID-19 in particular. The Nordic and Baltic region is leading the way in digitalization, revolutionizing how we live, work and operate. At the same time, digitalization brings challenges such as the digital divide, labor market restructuring, increasing amounts of e-waste and increased importance of privacy and trust. These trends make Telia Company well positioned to excel.



BUSINESS

The impact of digitalization

Business models and processes are being transformed rapidly, driven partly by IT enablers, including IoT. New players are entering a broad range of industries and companies must adapt to new customer demands to survive and thrive. This is increasing the need for services that support and enable digitalization.

New media and entertainment landscape

Streaming is overtaking traditional media distribution and global companies are shifting to direct consumer distribution, changing the playing field. The demand for original content continues to grow, highlighting the value of in-house content rights. Content distribution is moving toward a broader range of devices, including mobile.

Data enables new business models

More data is being generated and harvested, creating data-based business opportunities including crowd-based insights. There is a demand for connecting products to generate real-time data, enabling smarter and more sustainable decision-making in areas such as transportation and city planning. This is unleashing possibilities for new business models including use-based payment, predictive maintenance or simply create an instant feedback loop from user to developer.

TECHNOLOGY

Cloud and Edge

Two key drivers of change are cloudification, or decoupling hardware from software, and servicefication, which is offering everything as a service. Cloudification enables flexibility and scale. New open standards reduce costs but require orchestration of multiple technologies. Cloud-based software as a service is gaining traction.

Data analytics, AI and automation

Data analytics enables massive personalization using large data sets and algorithms with AI and machine learning. This creates new opportunities for intelligent automation, leading to better experiences and smarter resource use. However, it increases demands for customer privacy and ethics in data management to gain and maintain trust.

Security and reliability

Security threats to critical physical and digital infrastructure are growing. Significant cyber security events are surfacing, more devices are now connected (and vulnerable) and geopolitical tension is rising, making trustworthy and reliable networks and solutions crucial. This trend is being seen across society, for companies and individuals alike, and creates strong demand for security products and services.

SOCIETY

Always connected

Societies are now connected at all times, blurring boundaries between the digital and physical. People live and work on the move. More processes and things are connected, requiring robust networks. This further raises the bar for connectivity, leading to new connectivity demands.

The pandemic effect

COVID-19 has caused economic uncertainty, hitting sectors unevenly, polarizing the economy and shifting business opportunities. It has also magnified inequalities and highlighted the need for digital inclusion – ensuring that everyone can access and use digital services.

Sustainability focus

Consumers and policymakers increasingly expect companies to contribute to societal development and address risks transparently. Climate change, circular business models, diversity and inclusion, security, privacy and ethical data use are some of the most material topics for our sector.

HOW WE ENABLE DIGITALIZATION

The Nordics and Baltics are at the forefront of digitalization and are attractive business regions. With business, technology and societal trends putting even greater emphasis on connectivity and digitalization, Telia is well positioned to lead in our region.

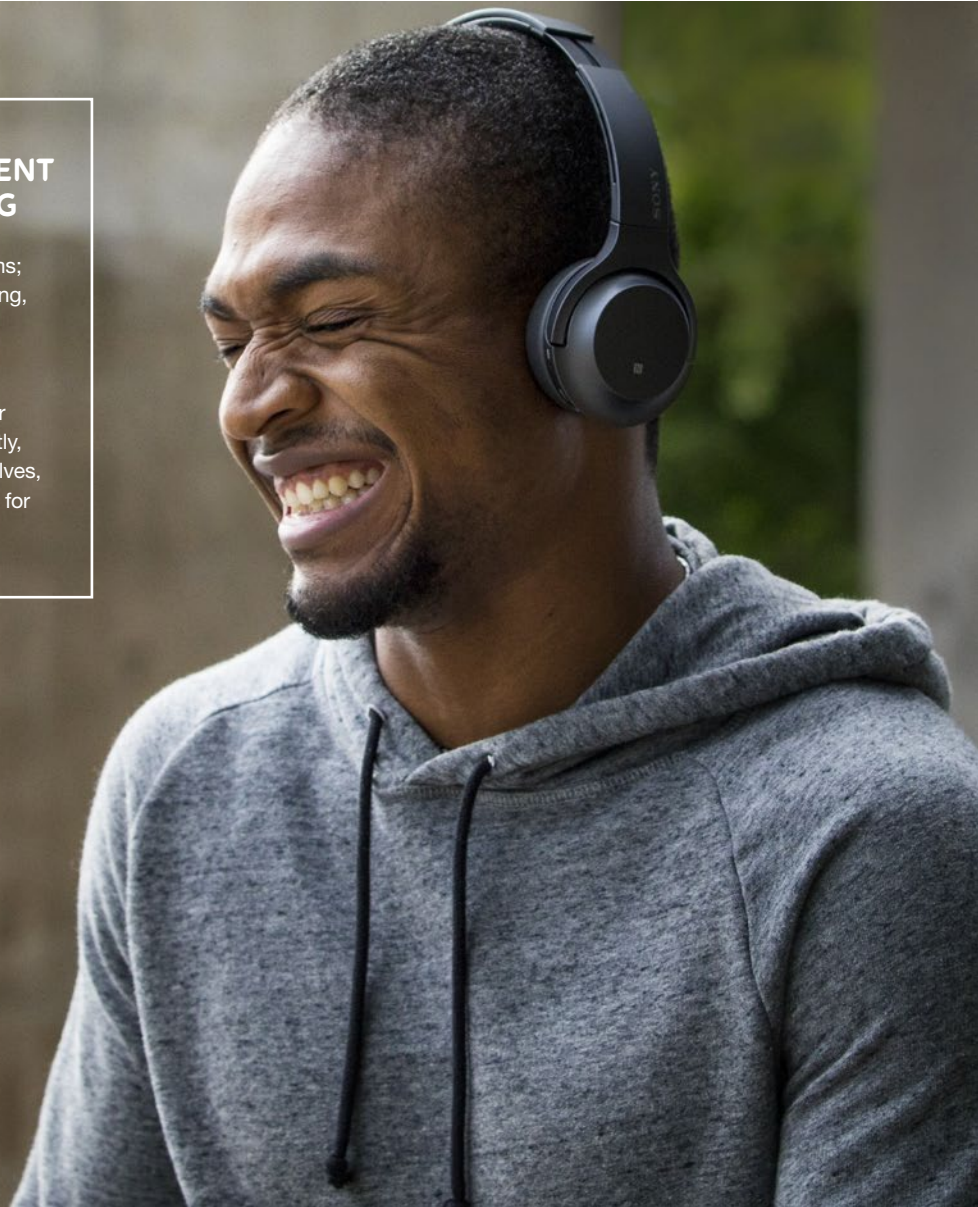
Telia's role is to ensure everyone is connected through trusted, secure and modern networks and enable digitalization by offering services in the areas of cloud, IoT, insights and security, complementing connectivity.

TO CREATE A BETTER TELIA

In January 2021 we launched a new purpose and an updated strategy to create a better Telia, to cater for the evolving needs that are emerging from living in an ever-more-connected world. We are on a mission to create a better Telia and reinvent better connected living through our digital connectivity, our digital experiences, and our digital infrastructure.

OUR PURPOSE IS TO REINVENT BETTER CONNECTED LIVING

Better connected living comes in many forms; in daily lives this can mean streaming, gaming, banking, working and studying, as well as our impact through digitalizing industrial sites, healthcare, transportation, education and more. Reinventing is how we will deliver better connected living. Innovating constantly, challenging ourselves to do better for ourselves, for our customers, for our shareholders and for the societies in our region.





FOUR KEY STRATEGIC PILLARS

Led by our purpose we aim to grow our business and deliver sustainable value creation to our shareholders through four key strategic pillars: *Inspire, Connect, Transform* and *Deliver*.

We will *inspire customers*; building on the premium experiences we are known for and offer unparalleled value beyond connectivity. We will, as an example, deliver our engaging media assets in new and innovative ways to entertain at home and on the go. We will act on opportunities in the nexus of innovation, digitalization and sustainability and enable and support our business customers to digitalize sustainably by bringing together IoT, crowd analytics, security solutions and more. We will also simplify our customer journeys to make it even easier to become and remain a passionate Telia customer.

We will *connect everyone*; through the most trusted, reliable and efficient modern networks, driving digital inclusion, ensuring privacy and security. We will continue to build gigabit networks including fiber and 5G, leveraging modern software-based technology. We will close down legacy networks to reduce cost and complexity along the way, and selectively engage with external infrastructure partners to increase efficiency and scale in our network expansion.

We will *transform to digital*; radically simplifying our operations to evolve into a simpler, faster, more agile company at lower cost. We will reduce complexity in the product portfolio and move to a modular setup with agile development to cater for better customer experiences. Similarly, we will digitalize and automate processes further, leveraging AI and machine learning. We will accelerate our data and analytics capabilities to enhance products, processes, decisions, and customer interaction in real time. Another aspect of our transformation journey is about integrating sustainability even further into our material processes.

Finally, we are committed to *deliver sustainably*; why we are building an execution muscle and use a transformation program to ensure the momentum in strategy execution. We will continue to support professional growth for our employees with digital upskilling and engaging leadership development, for them to consistently deliver, thrive and enable effective strategy execution. We will honor an ambitious agenda around environment, human rights, diversity/inclusion and ethics to deliver both on internal aspirations and on external commitments.

This will lead to the most loyal customers, most engaged employees, most satisfied shareholders, and an empowered society where we preserve the planet for generations to come.

BOARD OF DIRECTORS' REPORT

Telia Company's operating model is based on geographical areas except for the TV and Media segment. The group's operations are managed and reported by the following operating segments: Sweden, Finland, Norway, Lithuania, Denmark, Estonia and TV and Media. Included in Other operations are Telia Global (comprising Division X, Telia Carrier, Global Business and Telia Ventures), Telia Finance, the operations in Latvia as well as Group functions. Telia Carrier is classified as held for sale since September 30, 2020. Telia Company's shareholding in the Turkish associated company Turkcell was also included in Other operations but was divested on October 22, 2020. Group

functions include External Affairs, Governance and Trust, Corporate Affairs (including M&A), Finance (including Sourcing and Real Estate), Common Products & Services, Strategy & Innovation and People & Brand. Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. After the disposal of Moldcell on March 24, 2020, Telia Company has no operations classified as discontinued operations. For information on assets held for sale and discontinued operations, see Note C35. In this Report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the full year of 2019, unless otherwise stated.

GROUP DEVELOPMENT IN 2020



FINANCIAL HIGHLIGHTS

| SEK in millions, except key ratios, per share data and changes | Jan–Dec 2020 | Jan–Dec 2019 | Change (%) |
|---|--------------|--------------|------------|
| Net sales | 89,191 | 85,965 | 3.8 |
| Change (%) like for like ¹ | -3.4 | | |
| of which service revenues (external) ^{1, 4} | 77,342 | 73,455 | 5.3 |
| change (%) like for like | -3.4 | | |
| Adjusted ² EBITDA ¹ | 30,702 | 31,017 | -1.0 |
| Change (%) like for like | -3.0 | | |
| Margin (%) | 34.4 | 36.1 | |
| Adjusted ² operating income ¹ | 11,560 | 13,452 | -14.1 |
| Operating income | -17,747 | 12,293 | |
| Income after financial items | -21,065 | 9,354 | |
| Net income from continuing operations | -22,477 | 7,601 | |
| Net income from discontinued operations ³ | -279 | -341 | -18.0 |
| Total net income | -22,756 | 7,261 | |
| of which attributable to owners of the parent | -22,912 | 7,093 | |
| EPS total (SEK) | -5.60 | 1.70 | |
| Operational free cash flow, continuing operations ¹ | 12,095 | 12,571 | -3.8 |
| CAPEX ¹ excluding fees for licenses, spectrum and right-of-use assets in continuing operations | 13,640 | 14,113 | -3.3 |

1) See sections Alternative performance measures and Definitions.

2) See section Adjustment items.

3) For discontinued operations, see Note C35.

4) See Note C6.

NET SALES

Net sales increased 3.8 percent to SEK 89,191 million (85,965) driven by the consolidation of Bonnier Broadcasting. The effect from exchange rate fluctuations was negative by 1.9 percent.

Net sales like for like decreased 3.4 percent partly due to lower equipment sales although mainly following lower service revenues in all Nordic markets as well as in the TV and Media unit.

Service revenues like for like decreased 3.4 percent due to a combination of continued pressure on fixed telephony and

other copper-based legacy revenues as well as the COVID-19 pandemic which had an adverse impact on primarily roaming, TV and advertising revenues. In total COVID-19 had a negative SEK 2.0 billion impact on service revenues.

SUBSCRIPTION GROWTH

The total number of subscriptions increased by 0.1 million to 24.3 million as mainly a growing mobile base compensated for a continued loss of fixed telephony subscriptions.

| Net sales SEK in millions | Jan–Dec 2020 | Jan–Dec 2019 | Change (SEK million) | Change (%) |
|-------------------------------------|---------------|---------------|-------------------------|---------------|
| Sweden | 33,740 | 34,905 | -1,165 | -3.3 |
| Finland | 15,260 | 15,969 | -708 | -4.4 |
| Norway | 13,373 | 14,666 | -1,292 | -8.8 |
| Denmark | 5,464 | 5,675 | -211 | -3.7 |
| Lithuania | 4,151 | 4,045 | 106 | 2.6 |
| Estonia | 3,321 | 3,333 | -12 | -0.4 |
| TV and Media | 7,429 | 751 | 6,678 | |
| Other operations | 8,715 | 8,889 | -174 | -2.0 |
| <i>of which Telia Carrier</i> | 5,235 | 5,388 | -154 | -2.8 |
| <i>of which Latvia</i> | 2,381 | 2,408 | -28 | -1.2 |
| Eliminations & other | -2,263 | -2,268 | 5 | -0.2 |
| Total, continuing operations | 89,191 | 85,965 | 3,225 | 3.8 |

OPERATING EXPENSES

Operating expenses increased by 16.7 percent to 87,938 (75,375) mainly due to the consolidation of Bonnier Broadcasting acquired in December 2019 and a SEK 7,800 million non-cash impairment related to goodwill in Finland.

Goods and sub-contracting services purchased and change in inventories increased by 12.3 percent to SEK 25,016 million (22,269) as the consolidation of Bonnier Broadcasting more than offset reduced operating expenses in mainly Sweden, Finland and Norway.

Personnel expenses increased by 6.7 percent following the consolidation of Bonnier Broadcasting.

Amortization, depreciation and impairment losses increased 47.7 percent to SEK 27,861 million (18,861) partly driven by the consolidation of Bonnier Broadcasting but mainly due to the SEK 7,800 million non-cash impairment related to goodwill in Finland.

| Operating expenses SEK in millions | Jan–Dec 2020 | Jan–Dec 2019 |
|--|---------------|---------------|
| Goods and sub-contracting services purchased and change in inventories | 25,016 | 22,269 |
| Interconnect and roaming expenses | 5,132 | 5,728 |
| Other network expenses | 1,957 | 2,369 |
| Personnel expenses | 14,680 | 13,753 |
| Marketing expenses | 3,343 | 3,262 |
| Other expenses | 8,671 | 8,017 |
| Amortization depreciation and impairment losses | 27,861 | 18,861 |
| Subtotal | 86,660 | 74,260 |
| Other operating expenses | 1,278 | 1,117 |
| Total, continuing operations | 87,938 | 75,375 |

ADJUSTMENT ITEMS

Adjustment items affecting operating income totaled SEK -29,307 million (-1,159) and were mainly related to an impairment of goodwill in Finland, a net impairment as well as a capital loss from the disposal of Turkcell mainly related

to reclassified accumulated foreign exchange losses, and an impairment related to remeasurement of the Finnish real estate companies. For definition of adjustment items see section Definitions.

| Adjustment items SEK in millions | Jan–Dec 2020 | Jan–Dec 2019 |
|---|-----------------|-----------------|
| Within EBITDA | -508 | -1,000 |
| Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.: | | |
| Sweden | -10 | -255 |
| Finland | -37 | -168 |
| Norway | -161 | -227 |
| Denmark | -17 | -41 |
| Lithuania | -13 | -22 |
| Estonia | -7 | -5 |
| TV and Media | -64 | -86 |
| Other operations | -164 | -211 |
| Capital gains/losses | -35 | 15 |
| Within Depreciation, amortization and impairment losses | -7,910 | -151 |
| Within Income from associated companies and joint ventures | -20,889 | -8 |
| Total adjustment items within operating income, continuing operations | -29,307 | -1,159 |

| Adjusted EBITDA ¹ SEK in millions | Jan–Dec 2020 | Jan–Dec 2019 | Change (SEK million) | Change (%) |
|---|-----------------|-----------------|-------------------------|---------------|
| Sweden | 13,506 | 13,932 | -426 | -3.1 |
| Finland | 4,812 | 4,900 | -88 | -1.8 |
| Norway | 6,064 | 6,394 | -330 | -5.2 |
| Denmark | 1,029 | 1,056 | -27 | -2.6 |
| Lithuania | 1,497 | 1,430 | 67 | 4.7 |
| Estonia | 1,153 | 1,146 | 7 | 0.6 |
| TV and Media | 758 | 108 | 650 | |
| Other operations | 1,881 | 2,052 | -171 | -8.3 |
| <i>of which Telia Carrier</i> | 909 | 888 | 21 | 2.4 |
| <i>of which Latvia</i> | 778 | 799 | -21 | -2.6 |
| Eliminations | - | - | - | - |
| Total, continuing operations¹ | 30,702 | 31,017 | -316 | -1.0 |

1) See sections Alternative performance measures and Definitions.

| Operating income SEK in millions | Jan–Dec 2020 | Jan–Dec 2019 | Change (SEK million) | Change (%) |
|---|-----------------|-----------------|-------------------------|---------------|
| Sweden | 6,790 | 7,346 | -555 | -7.6 |
| <i>adjusted operating income¹</i> | 6,800 | 7,600 | -800 | -10.5 |
| Finland | -6,328 | 1,489 | -7,817 | |
| <i>adjusted operating income¹</i> | 1,591 | 1,657 | -66 | -4.0 |
| Norway | 1,502 | 1,934 | -432 | -22.3 |
| <i>adjusted operating income¹</i> | 1,663 | 2,184 | -521 | -23.9 |
| Denmark | -25 | -45 | 20 | -44.4 |
| <i>adjusted operating income¹</i> | -8 | -4 | -4 | 111.2 |
| Lithuania | 756 | 714 | 42 | 5.9 |
| <i>adjusted operating income¹</i> | 776 | 744 | 31 | 4.2 |
| Estonia | 446 | 512 | -65 | -12.7 |
| <i>adjusted operating income¹</i> | 453 | 502 | -48 | -9.6 |
| TV and Media | -120 | -44 | -76 | 172.7 |
| <i>adjusted operating income¹</i> | -55 | 42 | -97 | |
| Other operations | -20,770 | 388 | -21,158 | |
| <i>adjusted operating income¹</i> | 340 | 727 | -387 | -53.2 |
| Eliminations | - | - | - | - |
| Total operating income, continuing operations | -17,747 | 12,293 | -30,040 | |
| <i>Total adjusted operating income, continuing operations¹</i> | <i>11,560</i> | <i>13,452</i> | <i>-1,892</i> | <i>-14.1</i> |

1) See sections Alternative performance measures and Definitions.

EARNINGS

Adjusted EBITDA fell 1.0 percent to SEK 30,702 million (31,017) as the positive impact from consolidating the Bonner Broadcasting business, acquired in December 2019, was offset by pressure on adjusted EBITDA in predominately the Nordic markets.

Adjusted EBITDA like for like, fell by 3.0 percent primarily driven by Sweden and the TV and Media unit. In Sweden adjusted EBITDA fell 3.1 percent as efficiencies gained were not enough to compensate for a decline in service revenues mainly attributable to lower mobile, fixed telephony and fiber installation revenues. In TV and Media adjusted EBITDA fell 47.9 percent mainly as the COVID-19 pandemic had a significantly negative impact on both TV and advertising revenues. In total for the group COVID-19 had a negative SEK 1.0 billion impact on adjusted EBITDA from mainly pressure on roaming, TV and advertising revenues.

Adjusted operating income fell to SEK 11,560 million (13,452), mainly as a result from lower adjusted EBITDA and increased depreciations and amortizations in Norway and Sweden as well as the divestment of the ownership in Turkcell holding which resulted in reduced income from associated companies.

FINANCIAL ITEMS, TAXES AND NET INCOME

Financial items totaled SEK -3,318 million (-2,938) of which SEK -3,161 million (-2,778) related to net interest expenses.

Income taxes amounted to SEK -1,412 million (-1,753). The effective tax rate was -6.7 percent (18.7). The effective tax rate was mainly impacted by non-deductible capital loss related to the disposal of Turkcell and a non-deductible impairment related to goodwill in Finland.

Total net income amounted to SEK -22,756 million (7,261) of which SEK -22,477 million (7,601) from continuing operations and SEK -279 million (-341) from discontinued operations.

DISCONTINUED OPERATIONS

Former segment region Eurasia (including holding companies) was classified as held for sale and discontinued operations since December 31, 2015. After the disposal of Moldcell during 2020, Telia Company has no operations classified as discontinued operations.

FINANCIAL POSITION, CAPITAL RESOURCES AND LIQUIDITY

Financial position

Goodwill decreased to SEK 63,313 million (75,696), mainly due to an impairment in Finland of SEK 7,800 million as well as foreign exchange rate effects.

Other intangible assets decreased to SEK 23,208 million (26,242), positively impacted by CAPEX (investments) of SEK 2,911 million, but negatively impacted by amortization as well as foreign exchange rate effects.

Property, plant and equipment amounted to SEK 70,893 million (78,163). Property, plant and equipment decreased as investments were offset by depreciations and further impacted by negative foreign exchange rate effects as well as Telia Carrier being classified as held for sale.

Right-of-use assets decreased to SEK 14,814 million (15,640), negatively impacted by depreciations and Telia Carrier being classified as held for sale, but positively impacted by new contracts and reassessment of lease terms for existing contracts.

Investments in associated companies and joint ventures, pension obligation assets and other non-current assets decreased to SEK 3,445 million (14,567) mainly due to the disposal of Telia Company's holding in Turkcell as well as remeasurements on pension obligations.

Long-term interest-bearing receivables increased to SEK 11,233 million (10,869), mainly due to increased net investments in investment bonds and a revaluation of derivatives partly offset by a reclassification to Short-term interest-bearing receivables.

Trade and other receivables and current tax receivables decreased to SEK 13,815 million (16,738) mainly

due to Telia Carrier being classified as held for sale and a decrease in accounts receivables balances in the Nordic markets.

Short-term interest-bearing receivables decreased to SEK 5,486 million (12,300), mainly due to net divestments of investment bonds partly offset by a reclassification from Long-term interest-bearing receivables.

Cash and cash equivalents increased to SEK 8,133 million (6,116).

Assets classified as held for sale increased to SEK 4,957 million (875) due to Telia Carrier being classified as assets held for sale, partly offset by the disposal of Moldcell. These effects also had an impact on Liabilities directly associated with assets classified as held for sale.

Total equity decreased to SEK 63,954 million (92,455), negatively impacted by total comprehensive income, dividends paid and acquisitions of treasury shares.

Long-term borrowings increased to SEK 100,239 million (99,899), mainly due to issued bonds, offset by amortized debt and a reclassification to Short-term borrowings.

Provisions for pensions and other long-term provisions increased to SEK 11,787 million (8,407), mainly due to remeasurements on pension obligations, partly offset by Telia Carrier being classified as asset held for sale.

Short-term borrowings decreased to SEK 8,345 million (19,779) mainly due to matured debt and repayment of loans under the revolving credit facility, partly offset by a reclassification from Long-term borrowings.

Trade payables and other current liabilities, current tax payables and short-term provisions amounted to SEK 28,430 million (29,904)

See Consolidated statements of financial position and Consolidated statements of cash flows, Consolidated statements of changes in equity and related Notes to the consolidated financial statements for further details.

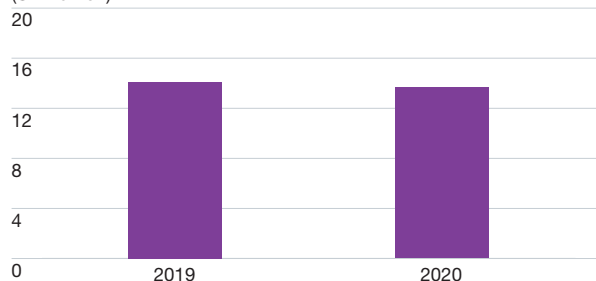
| Condensed consolidated financial position SEK in millions | Dec 31, 2020 | Dec 31, 2019 | Change (SEK in millions) | Change (%) |
|---|-----------------|-----------------|-----------------------------|---------------|
| Goodwill | 63,313 | 75,696 | -12,383 | -16.4 |
| Other intangible assets | 23,208 | 26,242 | -3,034 | -11.6 |
| Property plant and equipment | 70,893 | 78,163 | -7,270 | -9.3 |
| Film and program rights, non current | 1,312 | 1,063 | 249 | 23.5 |
| Right-of-use assets | 14,814 | 15,640 | -826 | -5.3 |
| Investments in associated companies and joint ventures, pension obligation assets and other non-current assets | 3,445 | 14,567 | -11,122 | -76.3 |
| Deferred tax assets | 1,449 | 1,849 | -401 | -21.7 |
| Long-term interest-bearing receivables | 11,233 | 10,869 | 364 | 3.4 |
| Total non-current assets | 189,668 | 224,088 | -34,420 | -15.4 |
| Film and program rights, current | 2,706 | 1,990 | 716 | 36.0 |
| Inventories | 1,918 | 1,966 | -48 | -2.5 |
| Trade and other receivables and current tax receivables | 13,815 | 16,738 | -2,923 | -17.5 |
| Short-term interest-bearing receivables | 5,486 | 12,300 | -6,814 | -55.4 |
| Cash and cash equivalents | 8,133 | 6,116 | 2,017 | 33.0 |
| Assets classified as held for sale | 4,957 | 875 | 4,082 | 466.5 |
| Total current assets | 37,014 | 39,984 | -2,970 | -7.4 |
| Total assets | 226,683 | 264,072 | -37,389 | -14.2 |
| Total equity | 63,954 | 92,455 | -28,501 | -30.8 |
| Long-term borrowings | 100,239 | 99,899 | 340 | 0.3 |
| Deferred tax liabilities | 9,845 | 11,647 | -1,802 | -15.5 |
| Provisions for pensions and other long-term provisions | 11,787 | 8,407 | 3,380 | 40.2 |
| Other long-term liabilities | 757 | 1,377 | -620 | -45.0 |
| Total non-current liabilities | 122,627 | 121,330 | 1,297 | 1.1 |
| Short-term borrowings | 8,345 | 19,779 | -11,434 | -57.8 |
| Trade payables and other current liabilities, current tax paya- bles and short-term provisions | 28,430 | 29,904 | -1,474 | -4.9 |
| Liabilities directly associated with assets classified as held for sale | 3,325 | 604 | 2,721 | 450.4 |
| Total current liabilities | 40,101 | 50,287 | -10,186 | -20.3 |
| Total equity and liabilities | 226,683 | 264,072 | -37,389 | -14.2 |

CAPEX

CAPEX excluding right-of-use assets fell to SEK 13,782 million (14,355) and CAPEX, excluding fees for licenses, spectrum and right-of-use assets fell to SEK 13,640 million (14,113).

Main CAPEX components were related to investments in the mobile networks, customer cases as well as roll-out of fiber. Furthermore, telecom licenses and spectrum permits were acquired in Finland, Norway and Denmark for a total amount of SEK 142 million.

CAPEX excluding fees for licenses, spectrum and right-of-use assets (SEK billion)



Credit facilities

Telia Company believes its available bank credit facilities and updated open-market financing programs are sufficient for the present known liquidity requirements. Telia Company's surplus liquidity (short-term investments, cash and bank, and certain securities with maturities exceeding 12 months but convertible to cash within 2 days) was in total SEK 16.3 billion (20.0) at year-end. In addition, the total available unutilized amount under committed bank credit facilities as well as overdraft and short-term credit facilities at year-end was SEK 16.4 billion (8.9). Telia Company shall target a solid investment grade long-term credit rating, defined as A- to BBB+. The credit rating of Telia Company remained unchanged during 2020. Moody's credit rating of Telia Company for long-term borrowings is Baa1 with a stable outlook. Standard & Poor long-term credit rating is BBB+ and the short-term rating is A-2, both with a stable outlook. In addition, on January 29, 2021 a leverage target of 2.0x-2.5x Net debt to EBITDA was reinstated. Telia Company normally arrange its financing through the parent company Telia Company AB. Most issuance are done under the company's existing EMTN (Euro Medium Term Note) program of EUR 12 billion. The primary means of external borrowing are described in Notes C21 and C27 to the consolidated financial statements.

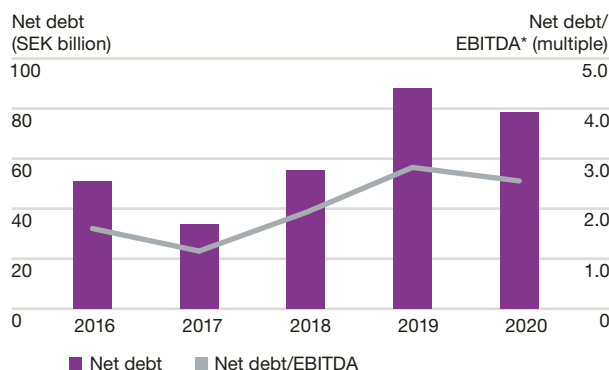
Telia Company issued senior bonds at three occasions in 2020 with a total amount equal to SEK 6.8 billion. These issues were made under the existing EUR 12 billion EMTN (Euro Medium Term Note) program. Further, on February 4, 2020, Telia Company issued a hybrid bond of EUR 500 million (SEK 5.3 billion) with a maturity of 61.25 years with the first reset date after 6.25 years.

As part of its commitment to sustainability Telia Company AB established a Green Bond Framework in 2019, under which Telia Company may issue Green Bonds. The framework specifies what kind of projects that are eligible for the use of proceeds, how projects are selected, the management of proceeds and reporting. Both the EUR 500 million hybrid bond and a SEK 750 million senior bond (included in the EMTN issuance amount above) was issued under the Green Bond Framework. The proceeds from the green bonds will finance more energy efficient networks and green digital solutions for customers. The first Green Bond impact report was released in February 2021.

Issued debt at an amount of SEK 11.6 billion was repaid during the year and the draw down amounting to EUR 750 million (SEK 7.9 billion) under the syndicated revolving credit facility was also repaid.

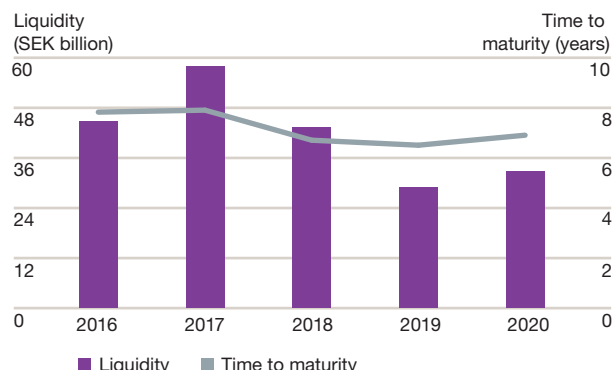
At year-end, the average time to maturity of Telia Company's overall debt portfolio was approximately 6.9 years

NET DEBT AND NET DEBT/EBITDA^{1, 2, 3, 4, 5}



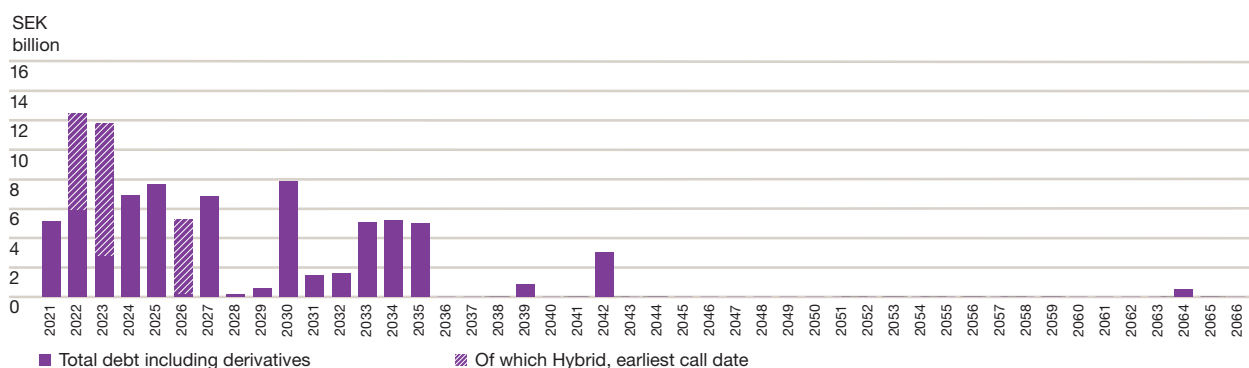
1) Excluding adjustment items.
 2) Including continuing and discontinued operations and assets held for sale.
 3) 2018 restated for comparability.
 4) 2016 not restated for IFRS 15.
 5) The increase 2019 is related to the implementation of IFRS 16.

LIQUIDITY AND TIME TO MATURITY¹



1) Liquidity includes cash balances, deposits, investment bonds and unutilized credit facilities.

DEBT PORTFOLIO MATURITY SCHEDULE – 2021 AND ONWARDS



(6.5). At the end of 2019 and 2020, no Commercial Papers were outstanding.

Cash flow, continuing and discontinued operations

Cash flow from operating activities amounted to SEK 28,824 million (27,594) and Free cash flow amounted to SEK 15,114 million (12,369) as 2019 was impacted by higher Cash CAPEX.

Operational free cash flow, from continuing operations, decreased to SEK 12,095 million (12,571).

Cash flow from investing activities amounted to SEK -3,466 million (-30,543). 2020 was positively impacted by the disposal of Turkcell while 2019 was impacted by the acquisition of Bonnier Broadcasting, net investments in short-term investments as well as higher cash CAPEX.

Cash flow from financing activities amounted to SEK -23,098 million (-14,712). 2020 was impacted by higher repayments related to matured debt. 2019 was affected by net increase in borrowings offset by the acquisition of

Turkcell's 41.45 percent share in Fintur as well as higher repurchased treasury shares.

See Consolidated statements of cash flows and related Notes to the consolidated financial statements for further details.

ASSOCIATED COMPANIES

On June 17, 2020, Telia Company signed an agreement to sell its 47.1 percent holding in Turkcell Holding A.S., which owns 51.0 percent in the listed company Turkcell Iletisim Hizmetleri A.S.. The transaction was closed on October 22, 2020, see Note C15.

For information regarding certain disputes related to shares in Turkcell Holding, see Note C30 to the consolidated financial statements.

| Cash flow SEK in millions | Jan–Dec 2020 | Jan–Dec 2019 | Change (SEK million) |
|---|-----------------|-----------------|-------------------------|
| Cash flow from operating activities | 28,824 | 27,594 | 1,230 |
| Cash CAPEX | -13,710 | -15,224 | 1,514 |
| Free cash flow | 15,114 | 12,369 | 2,745 |
| <i>of which operational free cash flow, continuing operations</i> | <i>12,095</i> | <i>12,571</i> | <i>-476</i> |
| Cash flow from other investing activities | 10,243 | -15,319 | 25,562 |
| Cash flow from investing activities | -3,466 | -30,543 | 27,076 |
| Cash flow from financing activities | -23,098 | -14,712 | -8,386 |
| Cash and cash equivalents, opening balance | 6,210 | 22,591 | -16,381 |
| Cash flow for the period | 2,259 | -17,661 | 19,920 |
| <i>of which continuing operations¹</i> | <i>2,244</i> | <i>-15,785</i> | <i>18,029</i> |
| Exchange rate differences | -137 | 1,280 | -1,417 |
| Cash and cash equivalents, closing balance | 8,332 | 6,210 | 2,122 |
| <i>of which continuing operations</i> | <i>8,332</i> | <i>6,116</i> | <i>2,216</i> |

1) Restated, see Note C1.

SIGNIFICANT EVENTS IN 2020

- On February 4, 2020, Telia Company, as the first telecommunications company in the Nordics, issued a green bond of EUR 500 million. The new hybrid bond has a maturity of 61.25 years with the first reset date after 6.25 years. The coupon is 1.375 percent and the re-offer yield has been set at 1.50 percent.
- On February 4, 2020, Telia Company announced that the Board of Transparency International Sweden has appointed Telia Company to its Corporate Supporters Forum (CSF), a forum for large Swedish companies with experience of operating internationally and in areas prone to corruption.
- On March 4, 2020, Telia Company announced that Allison Kirkby will take up her position of President and CEO on May 4, 2020.
- On March 26, 2020, Telia Company announced that the outlook for 2020 would not be reached and that the Company will give an updated 2020 outlook as soon as possible. This was related to increased uncertainty as COVID-19 impacts the TV and Media segment. In addition, the Board of Directors adjusted the dividend proposal to SEK 1.80 per share from the previous SEK 2.45.
- On April 2, 2020, Telia Company held its Annual General Meeting and announced that the Board members Rickard Gustafson, Lars-Johan Jarnheimer, Nina Linander, Jimmy Maymann, Anna Settman, Olaf Swantee and Martin Tivéus were reelected. Ingrid Bonde and Jeanette Jäger were elected as new members of the Board. Lars-Johan Jarnheimer was re-elected Chair of the Board and Ingrid Bonde was elected Vice-Chair of the Board.
- The Annual General Meeting decided upon a dividend to shareholders of SEK 1.80 per share and that the payment should be distributed in two tranches of SEK 0.90 each to be paid in April and October, respectively.
- The Annual General Meeting also approved the reduction of the share capital by way of cancellation of own shares and to increase the share capital by way of bonus issue. The resolutions were executed on April 15, 2020, by registration with the Swedish Companies Registration Office, and the number of shares in the company was reduced to 4,089,631,702 instead of the previous 4,209,540,375. Further the Annual General Meeting approved implementation of a long-term incentive program 2020/2023.
- On April 9, 2020, Telia Company announced that Heli Partanen has been appointed as new CEO of Telia Finland and member of the Group Executive Management team of Telia Company.
- On April 21, 2020, a new bilateral revolving credit facility was signed between Telia Company and Nordea Bank Abp, Filial i Sverige.
- On April 30, 2020, Telia Company announced that in accordance with the resolution at the Annual General Meeting on April 2, 2020, 119,908,673 treasury shares previously repurchased had been cancelled.
- On May 4, 2020, Telia Company announced that Christian Luiga, Chief Financial Officer and previously acting CEO and President, had submitted his resignation.
- On May 18, 2020, Telia Company announced that The European Commission had approved Telia Company's decision to license standalone OTT rights, in Sweden and Finland, to Discovery Networks.
- On May 24, 2020, Telia Company announced that its first major commercial 5G network in Sweden would be inaugurated in Stockholm the following day.
- On June 8, 2020, Telia Finland secured an 800 MHz frequency block on the 26 GHz band for EUR 7 million.
- On June 22, 2020, Telia Company announced several changes to the Group Executive Management team.
- On July 16, 2020, Telia Company announced that Dr. Rainer Deutschmann has been appointed Group Chief Operating Officer (COO) and that Per Christian Mørland has been appointed Group Chief Financial Officer (CFO) of Telia Company.
- On September 29, 2020, it was announced that the representative for AMF had informed the Chair of the Nomination Committee that it, due to reduced ownership in Telia Company, wanted to step down from the Nomination Committee. The Nomination Committee then decided to offer the seat to Handelsbanken Funds that accepted the offer.
- On October 6, 2020, it was announced that Telia Company reached an agreement to divest its Telia Carrier business to Polhem Infra for a value of SEK 9,450 million on a cash and debt free basis. The transaction is subject to regulatory approvals and is expected to be completed during the first half of 2021.
- On October 6, 2020, it was announced that the Board of Directors had decided to propose an additional dividend of SEK 0.65 per share, bringing the total dividend for 2019 back to 2.45 which was originally proposed in January this year.
- On October 21, 2020, Telia Company announced it has entered strategic partnerships with Ericsson and Nokia respectively. The agreements are five year each and related to modernization of Telia Company's 4G networks and upgrades to 5G in Sweden, Finland and Estonia.
- On October 21, 2020, Telia Company announced that Per Carleö has been appointed as Head of Brand and member of the Group Executive Management.
- On November 2, 2020, Telia Company gave notice of an Extraordinary General Meeting to be held in Stockholm on Wednesday, December 2, 2020.
- On November 20, 2020, Telia Company announced the issuance of a bond of EUR 500 million in a 10-year deal maturing in November 2030 under its existing EUR 12 billion EMTN (Euro Medium Term Note) program.
- On December 2, 2020, the Extraordinary General Meeting decided upon an extraordinary dividend to shareholders of SEK 0.65 per share.

For information on closed acquired and disposed subsidiaries and associated companies, see section Acquisitions and Disposals.

ACQUISITIONS AND DISPOSALS

Telia Company's significant acquisitions and disposals of subsidiaries and associated companies during 2020 are

summarized in the table below. For further information on acquisitions and disposals, see Notes C4, C15, C34 and C35.

| Closing date | Country | Comments |
|------------------|---------|--|
| March 24, 2020 | Moldova | • Telia Company completed the disposal of 100% of the shares in Moldcell S.A. to CG Cell Technologies DAC. |
| April 1, 2020 | Finland | • Telia Company completed the transaction with CapMan Infra and acquired 40% of the shares in Valokuitu Kotiin Holding 1 Oy. |
| October 22, 2020 | Turkey | • Telia Company completed the divestment of its 47.1 percent stake in Turkcell Holding A.S., which owned 51 percent in the listed company Turkcell Iletism Hizmetleri A.S., to the state owned Turkey Wealth Fund. |

OUTLOOK FOR 2021

- Service revenues, in constant currency and excluding Telia Carrier, is expected to be flat or grow by low single digit.
- Adjusted EBITDA, in constant currency and excluding Telia Carrier, is expected to be flat or grow by low single digit.
- Cash CAPEX, excluding Telia Carrier and fees for license, spectrum and right-of-use assets, is expected to be in the range of SEK 14.5-15.5 billion.

AMBITION FOR 2021-2023

- Service revenues, in constant currency and excluding Telia Carrier, is expected to grow by low single digit.
- Adjusted EBITDA, in constant currency and excluding Telia Carrier, is expected to grow by low to mid-single digit.
- Cash CAPEX to net sales, excluding Telia Carrier and fees for license, spectrum and right-of-use assets, is expected to return to around 15 percent by 2023.

DIVIDEND POLICY

- Telia Company intends to follow a progressive dividend policy, with a floor of SEK 2.00 per share and an ambition for low to mid-single digit percentage growth.
- The operational free cash flow is expected to cover the minimum level throughout the 2021-2023 period.
- The structural part¹ of operational free cash flow is expected to cover the minimum level of dividend from 2022.

1) Telia Company consider the structural part of Operational free cash flow to be Operational free cash flow less contribution from change in working capital.

CREDIT RATING TARGET

Telia Company targets a leverage corresponding to Net debt/adjusted EBITDA in the range of 2.0-2.5x and a solid investment grade of A- to BBB+.

TELIA COMPANY SHARE

The Telia Company share is listed on Nasdaq Stockholm and Helsinki. In 2020 the share price in Stockholm declined 15.6 percent and closed at year-end 2020, at SEK 33.96 (40.25). During the same period, the OMX Stockholm 30 Index rose 5.8 percent and the STOXX 600 Telecommunications Index fell 16.0.

At year-end 2020, Telia Company's market capitalization was SEK 138.9 billion. Besides Nasdaq Stockholm and Helsinki, the share was traded at other platforms with the major trading volumes on Chi-X and BATS.

As of December 31, 2020, Telia Company's issued share capital totaled SEK 13,856,271,299.20 distributed among 4,089,631,702 shares with a quotient value of SEK 3.39 per share. For further information, see sections "Share capital" and "Treasury shares" in Note C20 to the consolidated financial statements. All issued shares have been paid in full and apart from treasury shares carry equal rights to vote and participate in the assets of the company. At the general meeting of shareholders, each shareholder is entitled to vote for the total number of shares she or he owns or represents. Each share is entitled to one vote.

As of December 31, 2020, Telia Company's Finnish pension fund held 366,802 shares and its Finnish personnel fund 834,704 shares in the company, respectively, in total representing 0.03 percent of the outstanding shares.

There are no regulations in either the Swedish legislation or in Telia Company AB's Articles of Association that would limit the possibility to transfer Telia Company shares. Telia Company is not aware of any agreements between major shareholders of the company regarding the Telia Company shares.

The Board of Directors does not currently have any authorization by the general meeting of shareholders to issue new shares but has the authorization to repurchase a maximum of 10 percent of the company's total number of outstanding shares before the Annual General Meeting 2021. In order to continue to provide the Board of Directors with an instrument to adapt and improve Telia Company's capital structure, the Board of Directors proposes that the Annual General Meeting on April 12, 2021, resolves to authorize the Board of Directors to acquire the company's own shares. The authorization may be exercised on one or more occasions before the Annual General Meeting 2022. The maximum number of treasury shares held by the company may not exceed 10 percent of all shares in the company.

In case of a change of control in Telia Company, the company might have to repay certain loans at short notice, since some of Telia Company's financing agreements contain customary change-of-control clauses. These clauses generally also contain other conditions including, for example, that the change of control has to cause a negative change in Telia Company's credit rating in order to be effective.

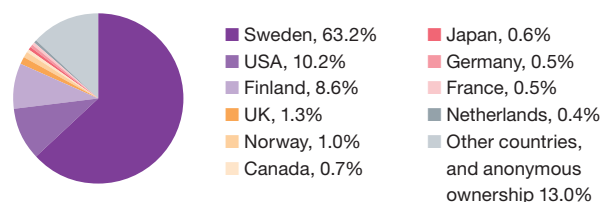
For 2020, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.00 (2.45), totaling SEK 8.2 billion (10.0). The dividend should be split and distributed into two tranches of SEK 1.00 per share, in April 2021 and one of SEK 1.00 per share in November 2021. The proposed dividend is based on the total number of shares as of December 31, 2020, which amounted to 4,089,631,702. See also section Proposed appropriation of earnings.

MAJOR SHAREHOLDERS, DECEMBER 31, 2020

| Shareholder | Total number of shares | Percent of total number of shares |
|---|------------------------|-----------------------------------|
| Swedish State | 1,614,513,748 | 39.5 |
| Black Rock | 112,598,459 | 2.8 |
| Vanguard | 72,930,825 | 1.8 |
| Swedbank Robur Funds | 67,683,036 | 1.7 |
| Nordea Funds | 56,168,917 | 1.4 |
| Handelsbanken Funds | 50,696,877 | 1.2 |
| Folksam | 36,756,669 | 0.9 |
| Mondrian Investment Partners | 31,345,073 | 0.8 |
| Livförsäkringsbolaget Skandia | 30,277,962 | 0.7 |
| SPP Funds | 29,990,204 | 0.7 |
| Other shareholders | 1,986,669,932 | 48.6 |
| Total number of shares¹ | 4,089,631,702 | 100.0 |

1) As of December 31, 2020 Telia Company held no treasury shares and the total number of issued and outstanding shares was 4,089,631,702.

**SHAREHOLDINGS PER COUNTRY, DECEMBER 31, 2020
(% OF TOTAL NUMBER OF SHARES)**

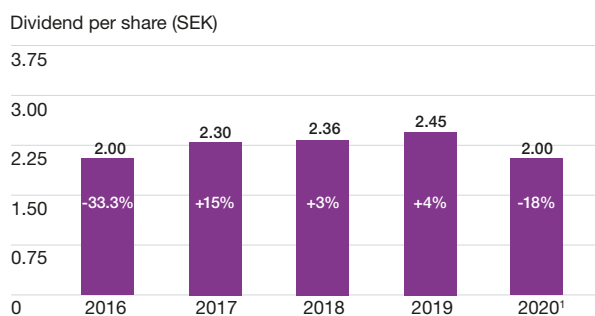


Quarterly updated shareholder information is available at: www.teliacompany.com/Shareholdings
(Information on the Telia Company website does not form part of this Report)

| Share data | 2020 | 2019 |
|---|---------|---------|
| Paid year-end (SEK) | 33.96 | 40.25 |
| Highest paid during the year (SEK) | 42.41 | 44.70 |
| Lowest paid during the year (SEK) | 30.29 | 38.97 |
| Total number of shares at year-end (millions) | 4,089.6 | 4,209.5 |
| Number of shareholders at year-end | 490,434 | 471,959 |
| Earnings per share, total (SEK) | -5.60 | 1.70 |
| Earnings per share, continuing operations (SEK) | -5.53 | 1.77 |
| Dividend per share (SEK) ¹ | 2.00 | 2.45 |
| Pay-out ratio (%) ² | 67 | 80 |
| Equity per share (SEK) | 15.36 | 22.14 |

1) For 2020 as proposed by the Board of Directors.
2) Based on operational free cash flow including dividends from associated companies, net of taxes, adjusted for fourth quarter 2019 pension refund.
Sources: Euroclear Sweden and Modular Finance.

ORDINARY DIVIDEND PER SHARE AND CHANGE YEAR-ON-YEAR (%)



1) For 2020 as proposed by the Board of Directors.

CUSTOMER INSIGHT

Insights to meet future needs

To deliver customer value, we need to understand and be able to predict customer's expectations and requirements. All customers interactions with Telia Company impact their opinion of, and confidence in, us. To ensure that we continuously understand and improve customer experience, we have implemented a holistic insight framework which captures everything from future trends, to brand perception and actual customer experience in different channels.

The elements of the insight framework are managed through a broad range of surveys and models which together allow us to both understand a specific perspective but also create a complete understanding of the customer.

Models and surveys to track performance

One important part of our insight framework is to continuously measure the perception of our brand. This enables us to monitor our market position and brand development but also to align with brand strategy.

We have a segmentation model based on needs and demands from different target groups that we want to attract, to ensure we develop relevant offerings. We track emerging consumer trends, to be ready to meet future expectations as well as current.

Actual customer satisfaction is continuously followed up for several interaction points. We use Net Promoter Score (NPS) to measure customer loyalty and monitor the most important drivers to improve customer experience.

Continuously identifying similarities and differences between markets and business units enables us to find areas with the greatest potential for synergies. To further increase customer focus, we will continue investing in identifying such common areas.

INNOVATION, RESEARCH AND DEVELOPMENT

In Telia Company all employees, regardless of position have a role in driving innovation. We want innovation to cut across businesses and operations, from development of new products and services to process improvements and tweaks to our ways of working.

Division X is the emerging business unit tasked with spearheading and accelerating activities in emerging business areas such as Internet of Things (IoT) and Data Insights. Business Innovation unit embraces the innovation area and drives innovation together with and across the entire group. Together they serve as catalysts that support and facilitate innovation efforts in operating units across the group, as explorers taking ideas to new business as well as incubators when there is a need to establish entirely new teams or business units.

Innovation initiative spectrum

Innovation initiatives represent a wide spectrum of applications meeting today's customer needs, from advanced connectivity solutions enabled by 5G to information services, also specifically sustainability focused. Some examples from 2020 can be seen as follows.

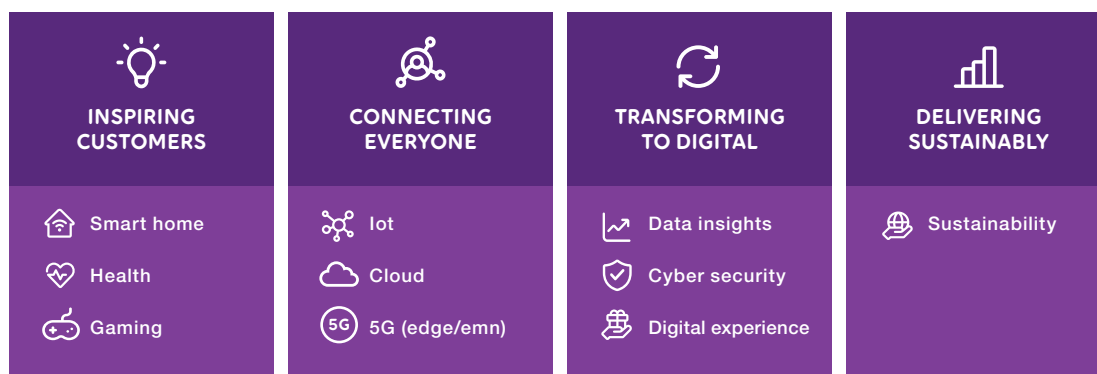
Customer driven innovation

Within the 5G area there are numerous innovation initiatives, just to mention a few:

Telia builds and manages a dedicated local 5G-ready mobile network for mining company Boliden at Aitik, the open-pit copper mine located in the north of Sweden. The network will be used to monitor and control machines in mining operations. The goal is to improve productivity, working environment and safety in operations.

A new self-driving electric and 5G-enabled bus route has been inaugurated in Stockholm's Royal Djurgården by HRH Prince Daniel, city officials and industry representatives.

KEY AREAS OF INNOVATION IN TELIA COMPANY



The project where Telia participates, 5G Ride, focuses on how 5G and control towers can enable the safe introduction of self-driving, electric buses in urban areas.

Research and innovation project with Konecranes, Finland, to apply machine vision algorithms, 360° video analytics and 5G connectivity to improve safety and efficiency in heavy machinery in the ports and logistics hubs of the future.

5G enabled shopping mall at Mall of Tripla & YIT in Finland, data analytics and sensor data flows about environmental conditions, traffic patterns and movements of people.

Growth in Fixed Wireless Access demand

For some time, Telia's 4G Fixed Wireless Access (FWA) base has been growing. And now that 5G has been rolled out, we are seeing increased demand for high-speed broadband, with double-digit growth in our subscriber base for FWA quarter-on-quarter in 2020. During the year, we introduced FWA with outdoor CPEs in combination with indoor WiFi routers in more markets and also launched 5G FWA in Norway and Finland.

Crowd insights

Crowd Insights started as an innovation project within Telia and has now expanded into a mature product available in all Nordic markets. Crowd Insights provides insights from anonymized mobility data that are used to create smart and sustainable public transport and more efficient cities. During 2020, Crowd Insights has become a matter of public reference in explaining how movement patterns have changed during the COVID-19 pandemic and has been utilized by the Public Health Agency of Sweden, among others, to support management of the pandemic.

Smart Family

Telia Smart Family is a digital service that we have built from the ground up. Basically, it offers families an everyday assistant that makes daily life smoother thanks to HomeSafe alerts, location sharing and smart reminders. It is also a soft start for a smart home since it makes home automation more family-friendly. The app has been downloaded 100,000 times in Sweden and we are already seeing reduced churn. We are now rolling it out in the rest of the Nordic countries. Why not download the app and try it yourself?

A world's first for Telia and Oslo Sporveier

Oslo Sporveier, the public transport company that operates the subway system in Oslo, will upgrade its train control system in the next few years. Instead of building their own dedicated wireless network, they have partnered with Telia to use the existing commercial cellular network as the backbone of the signaling system. The datalink service will provide the exact position of any train at any time and relay the information to the control system using Telia's cellular network with priority access and guaranteed availability.

This is clearly advantageous for Oslo Sporveier since they will enjoy a reliable and scalable managed service for considerably less than what it would cost to install

and operate their own dedicated network. Not only that, it marks the first time that a train service will rely on an open, commercial cellular network as part of the signaling system.

Patents and R&D expenses

As of December 31, 2020, Telia Company had 273 patent "families" and 1,370 patents or patent applications, with no significant changes compared to the previous year.

In 2020, Telia Company continued to modernize the patent portfolio by focusing on emerging technologies, such as Smart Home, Security & Authentication and 5G/IoT.

Telia Company incurred R&D expenses of SEK 298 million (152) in continuing operations in 2020.

PEOPLE

Our transformation journey

Telia Company is on a transformation journey to become a purpose-driven and value-oriented company. The foundation to succeed is built on common values, processes and an operating model driven by digital that offers flexibility and scalability to deliver value for customers and stakeholders. "Home of your next big opportunity" is our promise to current and prospective employees. We know that employees want to pursue their own paths toward their next big opportunity, to grow professionally and personally, to be part of a safe and healthy workplace where they feel a strong sense of belonging, and to have access to people, tools and technology that create opportunities to impact the societies we operate in.

The people strategy and agenda plays a vital part in the transformation of Telia Company. To deliver on our purpose we need to transform and pioneer both customer experiences and employee experience. Attracting the best talent as well as radically shift our skill profiles towards automation, digital, and agile (among others) are critical. During the year we have accelerated the focus on continuous innovation and performance, as well as adapting ways of working and organizational structures to future needs.

Building a sustainable workforce

The talent market is becoming more competitive. To be successful, we are continuing to focus on attracting and retaining the right people today and going forward. We have started to future proof our workforce using strategic workforce planning based on an analysis of talent market trends to ensure that we have the expertise and capabilities we will need. We have also carried out employer branding and recruitment initiatives focused on specific target groups to recruit key skills.

Guiding our diversity work is our diversity and gender equality framework. Local management teams define actions and goals based on local challenges, for example, the goal to hire more female tech professionals and managers as well as initiatives related to LGBTQI and integrating asylum seekers and immigrants. Read more in Sustainability, Diversity, Equal opportunity and non-discrimination.

Since during the year we had to adapt our operations and implement measures to limit the spread of COVID-19,

maintaining psychological and physical well-being while preserving engagement and motivation has been in the spotlight. Read more in Sustainability, health and well-being. We are continuing to analyze the lessons that learned from COVID-19 from a people perspective and we are addressing the opportunities we can take forward into the new normal through creating a “better connected worklife” aligned with our new purpose.

Leadership and capability upskilling

Telia Company's cultural change towards becoming purpose-driven and customer-obsessed is continuing. During the year we have provided further support for employees so they can develop self-leadership and large-scale support for team development. Since the launch of our learning and development platform in 2017, we have made a great effort to further enhance it with fit-for-purpose programs aimed at strengthening self-leadership and leadership skills as well as developing high-performing teams. In total, more than 10,000 employees have participated in self-leadership training and more than 500 teams of over 6,000 employees have participated in a team development initiative.

Focus during the year was on continuing to digitalize our leadership and upskilling offerings, in particular securing sustainable delivery during the pandemic, and on strengthening our professional skills platform to prepare for major reskilling and upskilling initiatives as well as introduction of a new leadership model based on 5E.

YouFirst

YouFirst is our Group-wide approach to employee performance and development. It is a key component in ensuring that “what” and “how” are equally recognized and rewarded. It also guarantees that expectations and priorities are connected to our strategy, setting challenging goals and creating personal accountability for results. YouFirst is integrated in daily work through continual leader-employee conversations that include coaching and feedback with all employees. YouFirst has proven to be an important tool to drive transformation. Results from employee engagement surveys show that people who frequently engage in dialog with their leaders are better aligned with goals and perceive Telia Company as an innovative company that stands for continuous improvement.

People insight

We know that higher employee engagement leads to a better customer experience, which in turn drives business results. During the year, we reshaped our approach to people insight, implementing a platform for faster, easier and more actionable insights to drive employee engagement.

The people insight program focuses on:

- People engagement, including key drivers such as culture, recognition and company direction
- Employee Lifecycle, including intro and exit experience
- Leadership effectiveness, including 360 reviews and leaders' ability to engage and provide direction

Input is gathered through regular surveys known as “employee pulse surveys”. The results are quickly made available to managers, highlighting their own and their teams' strengths and areas for improvement. Results can easily be broken down using a number of parameters such as age, country and profession. AI-based Natural Processing Language (NLP) analytics is applied to open-ended questions, allowing us to better capture employees' own words on what drives engagement.

We use a standardized KPI that allows for external benchmarking to measure employee engagement and satisfaction. The Group-level result for 2020 was 78/100, which is higher than the industry benchmark and placed us in the top quintile. The results were particularly high for respectful treatment, career path and collaboration, but we also learnt that we have more to do in creating a better customer experience.

During the year, employees received three pulse surveys focusing on their experience of working remotely and how they thought Telia Company was handling Covid-19 restrictions. Read more about the results in Sustainability, Health and well-being. The pulse survey also covered diversity and equal opportunity. Read more about the results in Sustainability, Diversity, Equal opportunity and non-discrimination.

Younite

Younite is Telia Company's employee engagement program that focuses on sustainability. The key purpose of Younite is to build internal awareness of the sustainability agenda and enable our employees to get closer insight into the impacts that Telia Company have on the markets we serve. Employees are given the opportunity to devote one day per year to engage in activities connected to digitalization and our contribution to the UN Sustainable Development Goals (SDGs). Each quarter, a Group-wide event related to topics closely linked to Telia Company's sustainability agenda is arranged in conjunction with internationally-recognized theme days such as the Safer Internet Day and the UN SDG Week. In 2020, activities included:

- Q1:** Global gaming and online safety (SDG 16: Peace, justice and strong institutions)
- Q2:** Employee well-being during COVID-19 (SDG 3: Good health and well-being)
- Q3:** Citizen science to contribute to the SDGs (All SDGs with focus on SDG 13: Climate action)
- Q4:** Teaching digital basics to promote inclusion (SDG 10: Reduced inequalities)

Local companies and teams also arranged community engagement activities connected to needs and challenges in their communities that were also related to the Group's sustainability agenda. During the year, more than 2,700 employees participated in Younite activities.

Labor rights

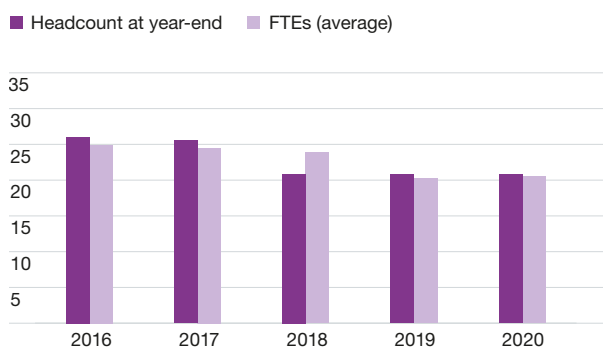
According to the Group policy – People, all employees, regardless of location or employment type, have the right to choose to be represented by a trade union for the purposes of collective bargaining. No employee shall be discriminated

against for exercising this right. These principles are also included in the Supplier Code of Conduct, which means that we also expect all suppliers to recognize these rights. At year-end, 84 (74) percent of employees were covered by collective bargaining agreements.

Telia Company cooperates with employee representatives and national trade unions in accordance with both national legislation and applicable collective bargaining agreements. Together with employees in the Nordic and Baltic operations Telia Company has established a European Works Council (EWC) that serves as an employee representative forum for information and consultation with the Group Executive Management on transnational matters. In addition, local companies regularly engage with local trade unions. During the year, there were no labor disputes resulting in strikes or notices of strike.

During the year, Telia Company carried out a number of reorganizations that impacted employees particularly in Sweden, Norway and Finland. In all cases, local companies complied with applicable legal obligations relating to union information and consultation.

EMPLOYEES, TOTAL (THOUSANDS)

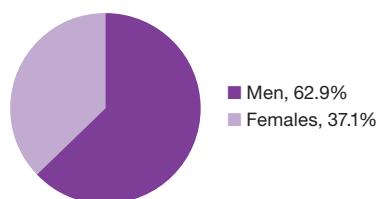


At year-end 2020, the number of employees decreased to 20,741 from 20,845 at year-end 2019 (in continuing operations).

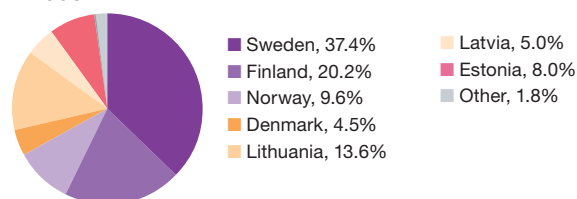
In continuing operations the total average number of full-time equivalents (FTEs) in 2020 was 20,473 (19,984). In total, Telia Company had employees in 23 countries (22).

EMPLOYEES, TOTAL (FTES, %)

BY GENDER



BY COUNTRY



The gender balance at year-end was as follows:

- The total workforce consisted of 37 percent females (38)
- Group Executive Management consisted of 33 percent females (25)
- The Board of Directors consisted of 42 percent females (27)
- The extended leadership team, which consists of Group Executive Management members and other senior executives (approximately 130 persons) consisted of 38 percent females (41)
- The managers consisted of 36 percent females (34)

For more information on employees, see Note C32 to the Consolidated financial statements.

REMUNERATION TO EXECUTIVE MANAGEMENT

Proposed remuneration principles for Group Executive Management 2021

The Board of Directors proposes that the Annual General Meeting on 12 April 2021 resolves on the following guidelines for remuneration to Group Executive Management. Group Executive Management is defined as the President and the other members of the Management Team who report directly to the CEO. The guidelines shall be in force until new guidelines are adopted by the General Meeting and valid for a maximum of four years. A successful implementation of the guidelines will ensure that the Company can attract and retain the best people, enabling the Company to execute its business strategies and serve the Company's long-term interests, including its sustainability goals. These guidelines do not apply to any remuneration decided or approved by the General Meeting. The proposed guidelines will be effective at the time of the AGM decision.

Total reward approach

Remuneration to Group Executive Management should be built on a total reward approach and be market relevant, but not leading. The remuneration guidelines should enable international hiring and should support diversity within

Group Executive Management. The market comparison should be made against a set of peer group companies with comparable sizes, industries and complexity. The total reward approach should consist of fixed salary, pension benefits, conditions for notice and severance pay as well as other benefits. The Company does not offer any variable remuneration to Group Executive Management.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Fixed salary

The fixed salary of a Group Executive Management member should be based on competence, responsibility and performance. The Company uses an international evaluation system in order to evaluate the scope and responsibility of the position. Market benchmark is conducted on a regular basis. The individual performance is monitored and used as a basis for annual reviews of fixed salaries. These are reviewed in relation to fulfilment of annual pre-defined goals (including financial, employee and sustainability-based).

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account. This is done by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis for decision when evaluating if these guidelines and their limitations are reasonable. The Remuneration Committee regularly consults with the CEO and Head of People & Brand to be mindful of employee pay, conditions and engagement across the broader employee population.

Pension

Pension and retirement benefits should be based on a defined contribution model, which means that a premium is paid amounting to a certain percentage of the individual's annual salary, unless legal requirements and/or collective agreements state differently. When deciding the size of the premium the level of total remuneration should be considered. The level of contribution should be benchmarked and may vary due to the composition of fixed salary and pension. The retirement age is normally 65 years of age but can vary based on regulatory requirements. The pension premiums for defined contribution pension shall amount to not more than 40 percent of the fixed annual cash salary.

Other benefits

The Company provides other benefits and programs in accordance with market practice which may change from time to time. A Group Executive Management member may be entitled to a company car, health and care provisions, etc. Such benefits may amount to not more than 10 percent of the fixed annual cash salary.

Internationally hired Group Executive Management members and those who are asked to move to another country can be offered mobility related benefits for a limited period of time. Such benefits may not in total exceed 25 percent of the fixed annual cash salary.

Notice of termination and severance pay

The termination period for a Group Executive Management member may be up to six (6) months (twelve (12) months for the President) when given by the employee and up to twelve (12) months when given by the Company. In case the termination is given by the Company the individual may be entitled to a severance payment. Fixed cash salary during the notice period and severance pay may together not exceed an amount equivalent to the fixed cash salary for two years.

Severance pay shall not constitute a basis for calculation of vacation pay or pension benefits. Remuneration during termination period and severance pay will also be reduced if the individual will be entitled to pay from a new employment or if the individual will be conducting own business during the termination period or the severance period.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment amount to not more than 60 percent of the monthly income at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than 12 months following termination of employment.

The decision-making process to determine, review and implementation of the guidelines

The Board of Directors has established a Remuneration Committee. The committee's task includes preparing the Board of Director's decision to propose guidelines for executive remuneration. Proposal for new guidelines shall be prepared at least every fourth year and submitted to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company.

Remuneration is managed through well-defined processes ensuring that no individual is involved in the decision-making process related to their own remuneration.

The CEO's total remuneration package is decided by the Board of Directors based on the recommendation of its Remuneration Committee within the confine of the guidelines. Total remuneration packages to other members of Group Executive Management are approved by the Remuneration Committee, based on the CEO's recommendation.

Deviation from the guidelines

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if there in an individual case are special reasons where a deviation is necessary in order to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in the remuneration-related matters. This includes any resolution to deviate from the guidelines.

The 2020 remuneration policy is reproduced in Note C32 to the consolidated financial statements.

Long-term incentive program 2020/2023

The Annual General Meeting held on April 2, 2020, resolved to launch a long-term incentive program (LTI) comprising of approximately 200 key employees. This program is not available for the members of Group Executive Management. The purpose of the program is to strengthen the company's ability to recruit and retain talented key employees, create a long-term confidence in and commitment to the group's long-term development, align key employees' interests with those of the shareholders, increase the part of the remuneration that is linked to the company's performance and encourage shareholding. The program rewards performance measured over a three-year period, is capped to a maximum value of 60 percent of the annual base salary and is equity based (delivered in Telia Company AB shares). A prerequisite for pay-out from the LTI program is the continuous employment during the length of the program.

Financial targets are earnings before interest, tax, depreciation and amortisation (EBITDA) and total shareholder return (TSR). The final allotment of Telia Company AB shares will be based 50 percent on accumulated EBITDA and 50 percent on TSR compared to a corresponding TSR development of a pre-defined peer group of companies.

The maximum number of Performance Shares a participant can receive is based on 30 percent of the participant's annual salary and related to the share price. Accumulated EBITDA represents 50 percent of the Performance Shares (or 15 percent of the participant's annual salary):

- If 100 percent (or above) of the EBITDA target is met, 100 percent of Performance Shares under the EBITDA part will vest.
- If between 97.5 and 100 percent of the target is met, a proportionate amount of Performance Shares under the EBITDA part will vest.
- If 97.5 percent (or less) of the target is met, 0 percent of Performance Shares under the EBITDA part will vest.

TSR part represents 50 percent of the Performance Shares (or 15 percent of the participant's annual salary):

- If the Company's TSR is ranked first or second compared to the defined peer group of companies, 100 percent of the Performance Shares under the TSR part will vest.
- If the Company's TSR is ranked third or fourth, 75 percent of the Performance Shares under the TSR part will vest.

- If the Company's TSR is ranked fifth or sixth, 50 percent of the Performance Shares under the TSR part will vest.
- If the Company's TSR is ranked seventh or lower, no Performance Shares under the TSR part will vest.

The program may be repeated annually. Similar programs were launched in 2010-2019. The prevalence of an LTI program is subject to the approval of the Annual General Meeting. For more information on Telia Company's LTI programs, see Note C32 to the consolidated financial statements.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

In its normal course of business, Telia Company is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial law issues and matters relating to telecommunications regulations and competition law. For further information regarding legal and administrative proceedings see Note C30.

PARENT COMPANY

The parent company Telia Company AB (Corporate Reg. No. 556103-4249), which is domiciled in Stockholm, comprises group executive management functions including the group's internal banking operations. The parent company has no foreign branches.

Net sales were SEK 564 million (500), of which SEK 560 million (500) was billed to subsidiaries.

Operating income decreased to SEK -507 million (1,252). 2019 was impacted by a reversal of a short-term provision regarding the Uzbekistan investigations resulting in a positive net effect of SEK 1,931. Financial income and expenses, net, amounted to SEK -8,634 million (6,147) negatively impacted by impairments of SEK -14,965 million (-24,016), mainly related to the subsidiary Telia Finland Oyj, offset by dividends from subsidiaries amounting to SEK 6,269 million (33,027). Income before taxes decreased to SEK -5,470 million (12,794) and net income decreased to SEK -6,176 million (12,243).

Non-current assets decreased to SEK 178,700 million (199,830), mainly impacted by impairments of the subsidiary Telia Finland Oyj and decreased long interest-bearing intragroup receivables.

Equity decreased to SEK 75,487 million (92,612), impacted by the decided dividends to the shareholders, repurchased shares related to the share buy-back program and by negative net income.

The equity/assets ratio was 33.9 (assuming dividend 2,00 per share) percent (36.0).

The average number of full-time employees was 267 (271).

SIGNIFICANT EVENTS AFTER YEAR-END 2020

- On January 19, 2021 it was announced that Telia Company secured a 120 MHz frequency block in the 3.5 GHz band in Sweden for EUR 75 million.
- On January 20, 2021 Telia Company announced that the operational free cash flow for the full year 2020 reached SEK 12.1 billion, which is above the outlook of “reaching the upper end of SEK 9.5-10.5 billion”, and that the Board of Directors intends to propose a dividend of SEK 2.00 per share for 2020. Furthermore, a SEK 7,800 million non-cash impairment relating to goodwill in Finland was communicated.
- On February 11, 2021 Telia Company announced that the Nomination Committee had been informed by Mr Olaf Swantee that he is not available for re-election to the Telia Company Board.

PROPOSED APPROPRIATION OF EARNINGS

Proposed Appropriation of earnings:

| | SEK |
|--|-----------------------|
| Non-restricted equity excluding net income | 65,950,705,739 |
| Net income | -6,175,792,975 |
| Total | 59,774,912,764 |

The board proposes that this sum be appropriated as follows:

| | SEK |
|--|-----------------------|
| SEK 2.00 per share ordinary dividend to the shareholders ¹⁾ | 8,179,263,404 |
| To be carried forward | 51,595,649,360 |
| Total | 59,774,912,764 |

1) Based on outstanding shares as per December 31, 2020.

The dividend should be split and distributed into two tranches of SEK 1.00 per share in April 2021 and SEK 1.00 per share in November 2021.

The Board of Directors is of the opinion that the proposed dividend, according to Chapter 18 Section 4 of the Swedish Companies Act, is justifiable. After distribution of the proposed dividend, the equity of the company and the group will be sufficient with respect to the nature, scope, and risks of the operations. Also, the company and the group are deemed to have a satisfactory level of liquidity, a consolidation need that is met and a satisfactory general financial position.

The full statement by the Board of Directors will be included in the AGM documentation.

AGM related documents are available at:
www.teliacompany.com/AGM
 (Information on the Telia Company website does not form part of this Report)

COUNTRY DEVELOPMENT IN 2020



SWEDEN

After inaugurating Sweden's first commercial 5G network in Stockholm in the third quarter, the 5G rollout continued in the fourth quarter and at the end of the year some 20 cities, from Luleå in the north to Malmö in the south, had access to 5G. Also, in the fourth quarter a five-year agreement was signed with Ericsson, which will empower Telia to continue deploying 5G in an efficient way and allow for a sustainable digitalization that offers ultra-fast connectivity as well as new digital opportunities to Telia's customers. Furthermore, Telia won the award for best digital TV service, according to the Swedish quality index (SKI), for the sixth consecutive year. And according to the same study Telia again had the most satisfied enterprise customers as well as consumer customers via the Halebop brand. Finally, Telia won, for the fourth consecutive year, the award for best mobile network according to the world-leading and independent benchmarking company Umlaut (formerly P3).

In the consumer segment fixed broadband revenues increased 3.0 percent supported by price adjustments and mobile subscription revenues grew by 1.3 percent. The growth in mobile and fixed broadband revenues was however not enough to fully compensate for a continued pressure on mainly fixed telephony and fiber installation revenues and hence service revenues in the consumer segment decreased by 1.2 percent. In the enterprise segment competition remained fierce with a continued pressure

on ARPU as a result. And in combination with roaming revenues falling due to less traveling as a result from the COVID-19 pandemic, service revenues decreased by 3.1 percent compared to a 1.4 percent decline in the previous year.

Net sales decreased 3.3 percent to SEK 33,740 million (34,905) and like for like, net sales decreased 3.4 percent rather equally driven by lower equipment sales and declining service revenues.

Service revenues like for like decreased 1.8 percent due to a continued pressure on mainly fixed telephony and fiber installation revenues, but also from mobile revenues declining by 1.7 percent. The latter driven by continued ARPU pressure in the enterprise segment, lower interconnect revenues following a reduction of mobile termination rates and also lower roaming revenues as the COVID-19 pandemic had an adverse impact on travelling.

Adjusted EBITDA declined 3.1 percent to SEK 13,506 million (13,932) and the adjusted EBITDA margin remained fairly unchanged at 40.0 percent (39.9). Adjusted EBITDA like for like fell 3.1 percent as cost efficiencies realized was not enough to offset the negative impact from lower service revenues.

CAPEX excluding licenses, spectrum and right-of-use assets, decreased to SEK 2,806 million (3,548), mainly driven by lower investments associated with the fiber roll-out.

| SEK in millions, except margins, operational data and changes | Jan–Dec 2020 | Jan–Dec 2019 | Change (%) |
|--|-----------------|-----------------|---------------|
| Net sales | 33,740 | 34,905 | -3.3 |
| Change (%) like for like | -3.4 | | |
| of which service revenues (external) ² | 29,734 | 30,274 | -1.8 |
| change (%) like for like | -1.8 | | |
| Adjusted EBITDA ² | 13,506 | 13,932 | -3.1 |
| Margin (%) ² | 40.0 | 39.9 | |
| change (%) like for like | -3.1 | | |
| Adjusted operating income ² | 6,800 | 7,600 | -10.5 |
| CAPEX excluding fees for licenses, spectrum and right-of-use assets ² | 2,806 | 3,548 | -20.9 |
| Subscriptions, (thousands) | | | |
| Mobile | 6,246 | 6,132 | 1.9 |
| of which machine to machine (postpaid) | 1,306 | 1,123 | 16.3 |
| Fixed telephony | 665 | 853 | -22.0 |
| Broadband | 1,242 | 1,263 | -1.7 |
| TV | 929 | 861 | 7.9 |
| Employees ¹ | 4,504 | 4,724 | -4.7 |

1) Restated, see Note C1. 2) See sections Alternative performance measures and Definitions.

The main CAPEX components were related to the fiber roll-out and the mobile network.

The number of mobile subscriptions increased during the year by 114,000 from an addition of 183,000 post-paid subscriptions used for machine-to-machine services, which more than compensated for a loss of 83,000 prepaid

subscriptions. TV subscriptions increased by 68,000 mainly driven by the addition of around 55,000 subscriptions previously not accounted for. Fixed broadband subscriptions fell by 21,000 during the year.



FINLAND

The roll-out of 5G accelerated throughout the year and by year-end about 40 percent of the population had access to Telia's ultra-fast 5G. And to cater for a continued efficient deployment of a best in class 5G network, a five-year agreement was signed with Nokia in the fourth quarter. Elsewhere on the commercial side Telia continued to be successful in the enterprise segment and several long-term contracts were secured during the year on the back of Telia's superior service portfolio. The contracts that covers customers across several different sectors contains in addition to connectivity also various ICT related services within fields such as cloud and security.

After having conducted the annual review of carrying values a non-cash impairment amounting to SEK 7,800 million related to goodwill in Finland was recognized.

Net sales decreased 4.4 percent to SEK 15,260 million (15,969) and net sales like for like, decreased 3.5 percent driven predominately by pressure on service revenues and to some extent also lower equipment sales. The effect of exchange rate fluctuations was negative by 0.9 percent.

Service revenues like for like, decreased 2.9 percent as mobile and fixed revenues fell 2.6 percent and 3.1 percent, respectively. The latter largely as a result from lower fixed telephony revenues driven by dismantling of the copper network and lower TV revenues following cancelled sport events as a result of the COVID-19 pandemic.

Adjusted EBITDA declined 1.8 percent to SEK 4,812 million (4,900) and the adjusted EBITDA margin increased to 31.5 percent (30.7). Adjusted EBITDA like for like de-

creased 1.0 percent as measures taken to realize efficiencies could not fully compensate for the negative impact from lower service revenues.

CAPEX excluding licenses, spectrum and right-of-use assets, increased to SEK 1,689 million (1,493) mainly from an increased level of mobile network related investments including 5G deployment.

The number of mobile subscriptions decreased by 19,000 and fixed broadband subscriptions decreased by 11,000 during the year. TV subscriptions decreased by 42,000 during the year.



| SEK in millions, except margins, operational data and changes | Jan–Dec 2020 | Jan–Dec 2019 | Change (%) |
|--|-----------------|-----------------|---------------|
| Net sales | 15,260 | 15,969 | -4.4 |
| Change (%) like for like | -3.5 | | |
| of which service revenues (external) ² | 12,851 | 13,359 | -3.8 |
| change (%) like for like | -2.9 | | |
| Adjusted EBITDA ² | 4,812 | 4,900 | -1.8 |
| Margin (%) ² | 31.5 | 30.7 | |
| change (%) like for like | -1.0 | | |
| Adjusted operating income ² | 1,591 | 1,657 | -4.0 |
| CAPEX excluding fees for licenses, spectrum and right-of-use assets ² | 1,689 | 1,493 | 13.1 |
| Subscriptions, (thousands) | | | |
| Mobile | 3,165 | 3,184 | -0.6 |
| of which machine to machine (postpaid) | 277 | 270 | 2.6 |
| Fixed telephony | 20 | 23 | -13.0 |
| Broadband | 462 | 473 | -2.3 |
| TV | 558 | 600 | -7.0 |
| Employees ¹ | 2,928 | 2,907 | 0.7 |

1) Restated see Note C1. 2) See sections Alternative performance measures and Definitions.

NORWAY

The work to realize cost synergies from the acquisition of Get and TDC Norway continued successfully during the year. Furthermore, the next steps on convergence and to also materially start realizing revenue synergies from the transaction was taken from the implementation of a single brand strategy and launch of a new and simplified mobile portfolio. This combined with the ongoing 4G network modernization, 5G rollout as well as upgrade of the fixed network will be important building blocks to further strengthen the customer experience as well as Telia's brand and position in the market.

Net sales declined 8.8 percent to SEK 13,373 million (14,666) and net sales like for like, increased 0.1 percent as lower service revenues was offset by growth in equipment sales. The effect of exchange rate fluctuations was negative by 8.9 percent.

Service revenues like for like, decreased 3.4 percent attributable to both lower mobile and fixed revenues. Mobile revenues declined from loss of subscriptions and lower roaming revenues as a result of limited travelling following the COVID-19 pandemic, whereas fixed revenues decreased mainly due to lower TV revenues following loss of subscriptions and the cancellation of sport events as a result of the COVID-19 pandemic.

Adjusted EBITDA fell 5.2 percent to SEK 6,064 million (6,394) and the adjusted EBITDA margin increased to 45.3 percent (43.6). Adjusted EBITDA like for like increased 4.1 percent as cost synergies as well as overall efficiencies gained more than offset the negative impact from lower service revenues.

CAPEX excluding licenses, spectrum and right-of-use assets, increased to SEK 2,441 million (2,421).

The number of mobile subscriptions decreased by 29,000 from the loss of prepaid subscriptions and fixed broadband subscriptions increased by 24,000 during the year. TV subscriptions decreased by 11,000 during the year.



| SEK in millions, except margins, operational data and changes | Jan–Dec 2020 | Jan–Dec 2019 | Change (%) |
|--|-----------------|-----------------|---------------|
| Net sales | 13,373 | 14,666 | -8.8 |
| Change (%) like for like | 0.1 | | |
| of which service revenues (external) ² | 11,338 | 12,884 | -12.0 |
| change (%) like for like | -3.4 | | |
| Adjusted EBITDA ² | 6,064 | 6,394 | -5.2 |
| Margin (%) ² | 45.3 | 43.6 | |
| change (%) like for like | 4.1 | | |
| Adjusted operating income ² | 1,663 | 2,184 | -23.9 |
| CAPEX excluding fees for licenses, spectrum and right-of-use assets ^{1,2} | 2,441 | 2,421 | 0.8 |
| Subscriptions, (thousands) | | | |
| Mobile | 2,247 | 2,276 | -1.3 |
| of which machine to machine (postpaid) | 107 | 85 | 25.1 |
| Fixed telephony | 40 | 49 | -18.4 |
| Broadband | 469 | 445 | 5.4 |
| TV | 469 | 480 | -2.3 |
| Employees ¹ | 1,633 | 1,626 | 0.4 |

1) Restated, see Note C1. 2) See sections Alternative performance measures and Definitions.

DENMARK

In Denmark the mobile market continued to be challenging but Telia managed to do well on the subscription intake and added 59,000 subscriptions net for the year. On the operational and commercial side of the business, the work to improve the customer experience and gain further efficiencies continued, which amongst other resulted in the launch of a new web store as well as in that a large number of products, services and price plans were closed down.

Net sales declined 3.7 percent to SEK 5,464 million (5,675) and net sales like for like, decreased 3.0 percent driven by lower service revenues that more than offset growth in equipment sales. The effect of exchange rate fluctuations was negative by 0.7 percent.

Service revenues like for like, decreased 6.0 percent partly from pressure on fixed revenues but mainly driven by mobile revenues declining 5.2 percent attributable to the mobile ARPU falling by 6.1 percent, largely as a result from lower roaming revenues.

Adjusted EBITDA decreased 2.6 percent to SEK 1,029 million (1,056) and the adjusted EBITDA margin increased slightly to 18.8 percent (18.6). Adjusted EBITDA like for like decreased 1.6 percent as successful work on reducing mainly operational expenses was not enough to fully offset the negative impact from lower service revenues.

CAPEX excluding licenses, spectrum and right-of-use assets, increased to SEK 288 million (286).

The number of mobile subscriptions increased by 59,000 during the year of which 31,000 attributable to subscriptions used for machine-to-machine services. Fixed broadband subscriptions decreased by 13,000 and TV subscriptions increased by 8,000 during the year.

| SEK in millions, except margins, operational data and changes | Jan–Dec 2020 | Jan–Dec 2019 | Change (%) |
|--|-----------------|-----------------|---------------|
| Net sales | 5,464 | 5,675 | -3.7 |
| <i>Change (%) like for like</i> | -3.0 | | |
| <i>of which service revenues (external)²</i> | 3,976 | 4,262 | -6.7 |
| <i>change (%) like for like</i> | -6.0 | | |
| Adjusted EBITDA ² | 1,029 | 1,056 | -2.6 |
| Margin (%) ² | 18.8 | 18.6 | |
| <i>change (%) like for like</i> | -1.6 | | |
| Adjusted operating income ² | -8 | -4 | 111.2 |
| CAPEX excluding fees for licenses, spectrum and right-of-use assets ^{1,2} | 288 | 286 | 0.8 |
| Subscriptions, (thousands) | | | |
| Mobile | 1,494 | 1,435 | 4.1 |
| <i>of which machine to machine (postpaid)</i> | 113 | 82 | 38.4 |
| Fixed telephony | 66 | 72 | -8.3 |
| Broadband | 68 | 81 | -16.0 |
| TV | 29 | 21 | 38.1 |
| Employees ¹ | 731 | 710 | 3.0 |

1) Restated, see Note C1. 2) See sections Alternative performance measures and Definitions.

LITHUANIA

In the consumer segment the push for convergence continued which resulted in that the share of broadband customers also having a mobile service for the first-time exceeded 30 percent. Also, a strategic five-year partnership with Ericsson was entered during the year to modernize the mobile network as well as over time also roll-out 5G across the country.

Net sales grew 2.6 percent to SEK 4,151 million (4,045) and net sales like for like, grew 3.6 percent following mainly increased service revenues although to some extent also increased sale of equipment. The effect of exchange rate fluctuations was negative by 1.0 percent.

Service revenues like for like, increased 3.3 percent supported by growth for both mobile as well as fixed revenues. For mobile revenues the growth was a result of an expanding customer base and a growing ARPU, whereas fixed service revenues increased from mainly a strong development for TV and business solutions revenues.

Adjusted EBITDA increased 4.7 percent to SEK 1,497 million (1,430) and the adjusted EBITDA margin increased to 36.1 percent (35.4). Adjusted EBITDA like for like increased 5.7 percent attributable to the growth in service revenues.

CAPEX excluding licenses, spectrum and right-of-use assets, fell to SEK 368 million (424).

The number of mobile subscriptions increased by 51,000 during the year of which 29,000 attributable to subscriptions used for machine-to-machine services. Fixed broadband subscriptions declined by 2,000 and TV subscriptions increased by 9,000 during the year.

| SEK in millions, except margins, operational data and changes | Jan–Dec 2020 | Jan–Dec 2019 | Change (%) |
|--|-----------------|-----------------|---------------|
| Net sales | 4,151 | 4,045 | 2.6 |
| <i>Change (%) like for like</i> | 3.6 | | |
| <i>of which service revenues (external)²</i> | 3,167 | 3,096 | 2.3 |
| <i>change (%) like for like</i> | 3.3 | | |
| Adjusted EBITDA ² | 1,497 | 1,430 | 4.7 |
| Margin (%) ² | 36.1 | 35.4 | |
| <i>change (%) like for like</i> | 5.7 | | |
| Adjusted operating income ² | 776 | 744 | 4.2 |
| CAPEX excluding fees for licenses, spectrum and right-of-use assets ^{1,2} | 368 | 424 | -13.2 |
| Subscriptions, (thousands) | | | |
| Mobile | 1,398 | 1,347 | 3.8 |
| <i>of which machine to machine (postpaid)</i> | 204 | 175 | 16.7 |
| Fixed telephony | 230 | 261 | -11.9 |
| Broadband | 417 | 419 | -0.5 |
| TV | 253 | 244 | 3.7 |
| Employees ¹ | 1,598 | 1,737 | -8.0 |

1) Restated, see Note C1. 2) See sections Alternative performance measures and Definitions.

ESTONIA

The converged proposition, Telia 1, continued to show good development and over the year the number of customers on the proposition increased by around 40 percent. In addition, a five-year agreement was signed with Ericsson to deploy 5G and together with Ericsson Telia as the first operator also launched 5G in three of the country's largest cities.

Net sales decreased 0.4 percent to SEK 3,321 million (3,333) and net sales like for like, increased 0.6 percent as growth in service revenues more than mitigated for a decline in equipment sales. The effect of exchange rate fluctuations was negative by 1.0 percent.

Service revenues like for like, increased 2.0 percent as a result of strong development for fixed revenues that grew 4.2 percent from a solid development for mainly fixed broadband, TV and business solutions revenues. Mobile revenues grew 0.2 percent supported by a growing subscription base that more than compensated for a slight reduction in ARPU following lower roaming revenues.

Adjusted EBITDA increased 0.6 percent to SEK 1,153 million (1,146) and the adjusted EBITDA margin increased to 34.7 percent (34.4). Adjusted EBITDA like for like increased 1.6 percent attributable to the growth in service revenues.

CAPEX excluding licenses, spectrum and right-of-use assets, fell to SEK 366 million (422).

The number of mobile subscriptions increased by 44,000 during the year of which 57,000 attributable to subscriptions used for machine-to-machine services. Fixed broadband subscriptions decreased by 2,000 and TV subscriptions declined by 4,000 during the year.

| SEK in millions, except margins, operational data and changes | Jan–Dec 2020 | Jan–Dec 2019 | Change (%) |
|--|-----------------|-----------------|---------------|
| Net sales | 3,321 | 3,333 | -0.4 |
| <i>Change (%) like for like</i> | 0.6 | | |
| <i>of which service revenues (external)²</i> | 2,627 | 2,600 | 1.0 |
| <i>change (%) like for like</i> | 2.0 | | |
| Adjusted EBITDA ² | 1,153 | 1,146 | 0.6 |
| Margin (%) ² | 34.7 | 34.4 | |
| <i>change (%) like for like</i> | 1.6 | | |
| Adjusted operating income ² | 453 | 502 | -9.6 |
| CAPEX excluding fees for licenses, spectrum and right-of-use assets ^{1,2} | 366 | 422 | -13.2 |
| Subscriptions, (thousands) | | | |
| Mobile | 1,112 | 1,068 | 4.1 |
| <i>of which machine to machine (postpaid)</i> | 353 | 305 | 15.7 |
| Fixed telephony | 226 | 245 | -7.8 |
| Broadband | 242 | 244 | -0.8 |
| TV | 208 | 212 | -1.9 |
| Employees ¹ | 1,463 | 1,568 | -6.7 |

1) Restated, see Note C1. 2) See sections Alternative performance measures and Definitions.

TV AND MEDIA

The segment TV and Media had a challenging financial year as the COVID-19 pandemic had a significant adverse impact on both TV and advertising revenues. On the positive side the pandemic also implied that TV viewership overall increased, which coupled with a continued strong focus on providing viewers with quality content resulted in several record numbers when it comes to viewership during the year. In Sweden for example, TV and Media's advertising-based TV stations as a collective noted the highest viewership level since the start of measuring share of viewing back in 1994.

During the year TV and Media strengthened its sport content portfolio by amongst other securing the broadcasting rights to the UEFA Champions League in Sweden and Finland for the period 2021-2024, and by extending the broadcasting rights for the Swedish hockey league, SHL, until 2030.

Net sales amounted to SEK 7,429 million and net sales like for like, fell 14.5 percent as service revenues were significantly impacted by the COVID-19 pandemic. For TV revenues that fell 12.1 percent the impact was mainly the result from lower pay-TV revenues following cancelled or postponed sporting events due to the COVID-19 pandemic. And for advertising revenues that fell by 15.3 percent the drop was primarily the result of a weaker demand for TV advertising, also this mainly due to the COVID-19 pandemic.

Adjusted EBITDA amounted to SEK 758 million and the adjusted EBITDA margin was 10.2 percent. Adjusted EBITDA like for like fell 47.9 percent from the lower service revenues.

CAPEX excluding right-of-use assets amounted to SEK 356 million.

The number of direct subscriptions video-on-demand (SVOD) grew by 136,000 to 789,000 during the year.

| SEK in millions, except margins, operational data and changes | Jan–Dec 2020 | Jan–Dec 2019 ² | Change (%) |
|--|-----------------|------------------------------|---------------|
| Net sales | 7,429 | 751 | |
| Change (%) like for like | -14.5 | | |
| of which service revenues (external) ¹ | 7,429 | 711 | |
| change (%) like for like | -14.5 | | |
| Adjusted EBITDA ¹ | 758 | 108 | |
| Margin (%) ¹ | 10.2 | 14.3 | |
| change (%) like for like | -47.9 | | |
| Adjusted operating income ¹ | -55 | 42 | |
| CAPEX excluding fees for licenses, spectrum and right-of-use assets ¹ | 356 | 13 | |
| Subscriptions, (thousands) | | | |
| TV | 789 | 653 | 20.8 |
| Employees | 1,484 | 1,261 | 17.7 |

1) See sections Alternative performance measures and Definitions. 2) Note that the TV and Media segment that contains the former Bonnier Broadcasting business was established in December 2019 and hence the comparable periods last year only contain one month of financials.

OTHER OPERATIONS

Included in Other operations are Telia Global (comprising Division X, Telia Carrier, Global Business and Telia Ventures), Telia Finance, the operations in Latvia as well as Group functions. Telia Company's shareholding in the Turkish associated company Turkcell was also included in Other operations but was divested on October 22, 2020. During the year an agreement was signed to divest Telia Carrier and the transaction is expected to be closed during the first half of 2021.

Net sales declined 2.0 percent to SEK 8,715 million (8,889), as growth in Telia Finance was more than offset by declining revenues in mainly Telia Carrier and Division X.

Service revenues like for like, fell 0.3 percent primarily as higher service revenues in Latvia was offset by a negative development for Telia Carrier.

Adjusted EBITDA declined 8.3 percent to SEK 1,881 million (2,052) and the adjusted EBITDA margin fell to 21.6 percent (23.1). Adjusted EBITDA like for like decreased 6.5 percent from the reduction in net sales as well as increased operational expenses

In Telia Carrier, net sales fell 2.8 percent to SEK 5,235 million (5,338) and net sales like for like, fell 1.0 percent following lower service revenues. Adjusted EBITDA increased

2.4 percent to SEK 909 million (888) and adjusted EBITDA like for like increased 3.7 percent due to a favorable service revenue mix development.

In Latvia, net sales fell 1.2 percent to SEK 2,381 million (2,408) and net sales like for like, fell 0.2 percent as lower sale of equipment offset a growth in service revenues. Adjusted EBITDA declined 2.6 percent to SEK 778 million (799) and adjusted EBITDA like for like fell 1.7 percent as growing service revenues was not enough to compensate for the negative impact from higher costs. The number of mobile subscriptions grew by 8,000 during the year.

Income from associated companies fell to SEK -20,073 million (1,150) driven by a net impairment SEK -2,928 million and a capital loss of SEK -17,955 million, both as a result of the divestment of Turkcell Holding.

CAPEX, excluding fees for licenses, spectrum and right-of-use assets, fell to SEK 5,323 million (5,499) of which SEK 0.9 billion related to Telia Carrier and Latvia and SEK 3.6 billion to the central function Common Services and Products (CPS) and referred to items such as IT systems, mobile networks and product platforms, for the segments to benefit from.

| SEK in millions, except margins, operational data and changes | Jan–Dec 2020 | Jan–Dec 2019 | Change (%) |
|--|-----------------|-----------------|---------------|
| Net sales | 8,715 | 8,889 | -2.0 |
| <i>Change (%) like for like</i> | -1.4 | | |
| <i>of which Telia Carrier</i> | 5,235 | 5,388 | -2.8 |
| <i>of which Latvia</i> | 2,381 | 2,408 | -1.2 |
| Adjusted EBITDA ² | 1,881 | 2,052 | -8.3 |
| <i>of which Telia Carrier</i> | 909 | 888 | 2.4 |
| <i>of which Latvia</i> | 778 | 799 | -2.6 |
| Margin (%) ² | 21.6 | 23.1 | |
| Income from associated companies | -20,073 | 1,150 | |
| <i>of which Turkey</i> | -20,246 | 990 | |
| <i>of which Latvia</i> | 179 | 164 | 9.1 |
| Adjusted operating income ² | 340 | 727 | -53.2 |
| CAPEX excluding fees for licenses, spectrum and right-of-use assets ^{1,2} | 5,323 | 5,499 | -3.2 |
| Subscriptions, (thousands) | | | |
| Mobile Latvia | 1,307 | 1,299 | 0.6 |
| <i>of which machine to machine (postpaid)</i> | 341 | 325 | 5.1 |
| Employees ¹ | 6,400 | 6,312 | 1.4 |

1) Restated see Note C1. 2) See sections Alternative performance measures and Definitions.



SUSTAINABILITY



OUR APPROACH

As an enabler of digitalization, Telia Company's products and services are vital in creating more sustainable societies. Digitalization is a catalyst for innovation and competitiveness. It paves the way for reducing inequalities and sustainably managing natural resources. We put people and planet at the center of this development to minimize risks and maximize our contribution to the UN Sustainable Development Goals by creating shared value that benefits both our business and the societies in which we operate.

We have adopted a stakeholder-based approach to understand, manage and communicate our positive and negative impacts on a broad range of topics. We strive to be fully transparent and accountable, highlighting our successes as well as the challenges we face.

For information about risks including mitigating activities, see Risks and uncertainties. For information about sustainability governance, see the Corporate Governance Statement, section Group-wide governance framework.

IT IS TELIA COMPANY'S FIRM BELIEF THAT INTEGRATING SUSTAINABLE AND RESPONSIBLE BUSINESS PRACTICES IN ALL ASPECTS OF BUSINESS AND STRATEGY IS A PREREQUISITE FOR SUSTAINABLE GROWTH AND PROFITABILITY, WHICH IN TURN CREATES LONG-TERM VALUE FOR SHAREHOLDERS AND SUPPORTS SUSTAINABLE DEVELOPMENT.

*Telia Company's
Statement of Materiality*

OUR APPROACH TO SUSTAINABILITY

BOARD AND MANAGEMENT COMMITMENT

RESPONSIBLE BUSINESS

Managing risk, minimizing negative impact and acting ethically and responsibly

SHARED VALUE CREATION

Addressing societal and environmental challenges while creating business value

EMPLOYEE ENGAGEMENT

ETHICS AND COMPLIANCE

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Telia Company has adopted a stakeholder-based approach to sustainability, to understand and manage both opportunities and risks. We regularly monitor and engage with key stakeholder groups to ensure that our sustainability agenda is aligned with expectations.

At the core of our sustainability work are eight focus areas. Our broader human rights work cuts across several of these. Read more about our work and performance in these areas in the following sections. In addition, there are a number of other topics such as labor rights, responsible tax practices and electromagnetic fields (EMF) which we consider vital to our social license to operate. Read more about our work with these topics in the Sustainability Notes.

EIGHT FOCUS AREAS

- **Anti-bribery and corruption**
- **Children's rights**
- **Diversity, equal opportunity and non-discrimination**
- **Environment**
- **Freedom of expression and surveillance privacy**
- **Health and well-being**
- **Responsible sourcing**
- **Safeguarding customer information**

Re-assessing stakeholders' views

We have seen substantial changes to our business as well as in the world around us in recent years. Major changes include:

- **A new geographical footprint:** In 2020, our final holdings in Eurasia were divested, thus ending a divestment process which started in 2015. With the forthcoming closing of the divestment of Telia Carrier in 2021, Telia Company will become a truly regional Nordic and Baltic digital telco.
- **Increasing impacts on society:** In the Nordics and Baltics, our role in society is becoming increasingly important as digitalization and high-speed connectivity drive changes in all aspects of society.
- **New opportunities and risks:** Technological development comes with great opportunities, such as the potential to reduce societal inequalities and use natural resources in a smarter way, but also with increased risks related to privacy, AI ethics and more.
- **Pandemic effects:** The COVID-19 pandemic has changed many facets of life, as well as ways of working both within the public and private sector. Some shifts and digital breakthroughs are expected to remain also in a post-pandemic world.

To make sure we capture the most material opportunities and risks, we carried out a comprehensive materiality assessment during the year. As we have earlier carried out extensive work to define our environmental goals of zero CO₂ and zero waste, the focus of this year's assessment was on understanding social trends, impacts and expectations. The process included:

- Assessing trends using internal and external consumer reports such as Sustainable Brand Index
- Reviewing investor ESG surveys and ratings, paying particular attention to their weighting of material topics
- Interviews with internal experts in functions like Public Affairs, our innovation unit Division X and local sustainability teams
- Consultation with sustainability non-profit organization BSR for further input on trends and material topics
- Roundtable with representatives from civil society, investors and consumer protection organizations to validate the results

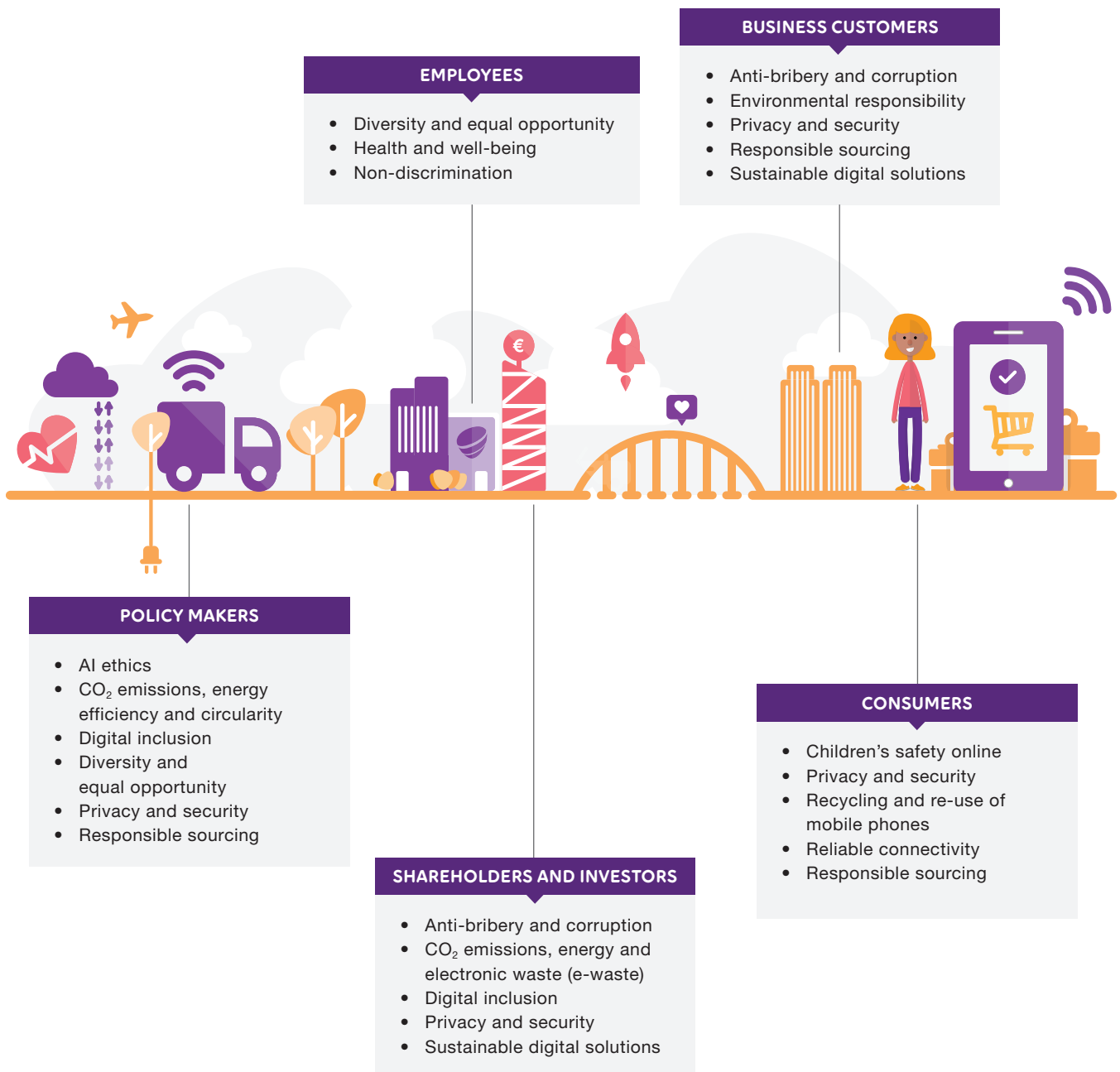
RESHAPING THE AGENDA IN 2021

The outcome of the assessment served as input to this year's report and as an integral part of the business strategy

review, which will affect work from 2021 onwards. Read more about the strategy review in About the report.

What matters to our stakeholders

The results of the assessment showed that Telia Company's current focus areas remain relevant to our key stakeholder groups. Some areas, like digital inclusion, privacy and security have grown in importance. Topics considered important for our key stakeholder groups include those listed below (in alphabetical order).



PARTNERSHIPS AND INDUSTRY COLLABORATION

Partnerships and collaborations within and outside our industry are vital to ensure that we achieve maximum leverage and that we stay aligned with and contribute to best practice. Telia Company is committed to support realizing SDG 17: Partnerships for the goals. We engage in national, regional and global partnerships on a wide range of topics. Our most important engagements include:



GSMA: The global industry association for mobile operators is engaged in developing sustainability-related guidance for several areas, most notably human rights and climate. GSMA was the driving force behind the development of the telecommu-

nications sector pathway for setting science-based targets, the only sector pathway to date that is aligned with a 1.5°C ambition. Together with Ericsson, Telia Company provided some of the underlying research for the sector pathway.



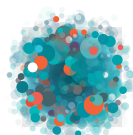
ETNO: The European telecommunications industry association in which Telia Company is a board member has taken a forward-leaning position in driving policy development related to the EU Green Deal. This includes areas such as developing telecom-

munications guidance in the EU taxonomy for sustainability activities and various circularity initiatives. We also contribute to ETNO's workstreams and position papers related to sustainability.



Nordic CEOs for a Sustainable Future: This initiative was founded in

2018 and consists of 13 of the largest Nordic companies. Through a personal commitment from their CEOs, the initiative aims to transform businesses to achieve the UN SDGs and deliver purpose-driven business models while showcasing the experience and values of the Nordic region. Telia Company is actively engaged in implementing members' commitments in the areas of climate change and diversity and inclusion.



GLOBAL NETWORK INITIATIVE

GNI: The Global Network Initiative is a multi-stakeholder organization that brings together ICT companies, human rights and freedom of press groups, academics and investors to protect and advance global free expression and privacy in the ICT industry. Shared learnings and joint leverage when governments act in violation of freedom of expression and privacy are at the core of its work. Telia Company is a member of the board and participates in various committees.

In addition, we are involved in several other topic-specific organizations. Read more in the following chapters.



HIGHLIGHT

STRONG ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PERFORMANCE

We retained and improved our strong performance in a number of ESG-related ratings and indices, including:

- Continued to be rated "AAA" in MSCI's ESG rating
- Gold Supplier in the EcoVadis supplier assessment
- Inclusion in FTSE4Good
- B in the CDP climate change assessment, up from B- in 2019, and A- in the supplier assessment rating, up from B- in 2019
- Among the top 20 in World Benchmarking Alliance's Digital Inclusion Benchmark

IMPACTS ON THE SDGs

According to GSMA's *Mobile Industry Impact Report*, telecommunications and ICT services are making a measurable positive contribution to the realization of all UN Sustainable Development Goals (SDGs), but there are also negative impacts and risks that must be managed.

Our approach to the SDGs is based on both actual and potential as well as current and future impacts. It is also strongly linked to the conditions in our markets.

SDG 9: Industry, innovation and infrastructure

The most directly impactful SDG for our industry, as realization of the goal on time depends on access to telecommunications and digitalization of society. The development of resilient infrastructure relies on secure digital solutions for monitoring and efficient management.

SDG 11: Sustainable cities and communities

Supporting this development is an integral part of our business strategy. Internet of Things (IoT), data insights and an already increasing number of 5G-based solutions enable smart, sustainable solutions in areas like public transport, traffic control and real-time monitoring of air quality.

SDG 12: Responsible consumption and production

The internet gives consumers direct access to services that replace physical products and support growing service economies. At the same time, the entire industry urgently needs to rethink and rework its approach to offering consumer electronics with a circular mindset.

SDG 13: Climate action

Digital solutions are key to creating a low-carbon economy across a vast range of application possibilities in transportation, agriculture, real estate, industry and more. The ICT sector also needs to take responsibility for its own negative climate impact.

SDG 16: Peace, justice and strong institutions

Access to telecommunications and the internet have created unprecedented opportunities related to access to information and learning. However, there are associated risks and negative impacts such as cyberattacks and the distribution of child sexual abuse material online that present a challenge to the realization of SDG 16. These risks and negative impacts need to be proactively and transparently managed and mitigated.

SDG 17: Partnerships for the goals

The ICT industry is increasingly taking an ecosystem approach, partnering with a broad range of stakeholders to unlock the potential of digital solutions as drivers for sustainable development and in managing industry-common and cross-industry challenges.



OVERVIEW OF OUR WORK

Below provides an overview of our focus areas, key achievements in 2020 and how the work contributes to the UN SDGs. On the following pages we provide more detailed reporting covering both ambitions, goals, key processes and work during the year.

| AREA | HIGHLIGHTS DURING THE YEAR | SDG CONTRIBUTION |
|--|--|--|
| Human rights¹ | <ul style="list-style-type: none"> Supported national health authorities and the healthcare sector during the pandemic, including supporting expansion of remote health monitoring/consultations Reached around 120,000 individuals through digital inclusion initiatives Published media owner commitments to promote and defend independent publishing with responsible editorship as a cornerstone |    |
| Environment | <ul style="list-style-type: none"> Adopted Science Based Targets covering total value chain greenhouse gas emissions Achieved climate neutrality in our own operations through emissions reductions and carbon offsetting At year end, suppliers representing 16 percent of total supply chain emissions had set science-based targets |      |
| Freedom of expression and surveillance privacy | <ul style="list-style-type: none"> Transparency reporting on COVID-19 related government requests and their potential impact on users' freedom of expression and surveillance privacy |  |
| Safeguarding customer information | <ul style="list-style-type: none"> Expanded ISO 27001 information management system certification. At year end, ISO 27001 certification covered products such as Telia Touchpoint Plus and Telia ACE, and key information security processes |  |
| Children's rights | <ul style="list-style-type: none"> Engaged with more than 7,000 children via the Children's Advisory Panel on the impacts of online learning during the pandemic |    |
| Diversity, equal opportunity and non-discrimination | <ul style="list-style-type: none"> 38 percent females in the Extended Leadership Team As part of implementing an equal pay framework, we carried out a gender pay gap analysis in all markets Awarded LGBTQI employer of the year in Sweden by Swedish trade union Unionen |    |
| Health and well-being | <ul style="list-style-type: none"> Strong score (85/100) in a "COVID-19 Employee Index" measuring employee's experience of working remotely, how they thought Telia Company was handling COVID-19 restrictions and more |   |
| Responsible sourcing | <ul style="list-style-type: none"> Carried out around 2,500 supplier due diligence assessments and 106 on-site and off-site supplier audits |   |
| Anti-bribery and corruption | <ul style="list-style-type: none"> Carried out an extensive anti-corruption risk assessment of the new TV and Media unit, including anti-corruption training for its 400 employees |  |

1) Our broader human rights work cuts across several focus areas and is not listed as a focus area in itself.

HUMAN RIGHTS

Our responsibility and approach

In line with the UN Guiding Principles for Business and Human Rights, Telia Company is committed to respect human rights throughout its value chain. Through connectivity and digital solutions, we also enable the realization of certain rights and work together with business partners, governments and other stakeholders to promote a broader human rights agenda.

OUR APPROACH – KNOW, SHOW AND ACT

Know: By applying ongoing due diligence and using human rights impact assessments to be aware of our human rights impacts, risks and opportunities

Show: By reporting and making other information public

Act: By acting to respect and support the rights of individuals based on our insights

The most important human rights areas to address

Our work focuses on the human rights areas and issues that we have identified as the most salient in our markets and value chain. These are similar to the issues identified in GSMA's report as most salient for the industry as a whole.

| Area | Most salient issue |
|--|--|
| Children's rights | Availability of child sexual abuse material online |
| Customer privacy | Privacy compliance when using customer data for advanced business insights |
| Discrimination | Discrimination related to e.g. gender or gender expression, ethnicity or sexual orientation in recruiting, promotions and redundancy |
| Freedom of expression and surveillance privacy | Government surveillance of individuals through direct access to Telia Company's networks and systems |
| Labor rights | Labor rights violations in parts of our supply chain, including forced and child labor |
| Media freedoms | Freedom of expression and content regulation |

In addition to these, there are other areas with human rights implications such as corruption, environment, supply chain issues such as conflict minerals, equality aspects linked to the digital divide and trade sanctions. More information on how most of these areas are managed is covered in subsequent chapters. For more information on the risk management of these areas, see Board of Directors' Report, section Risks and uncertainties.

A changing risk landscape

In 2020, Telia Company fully exited Eurasia as well as our global operations through the announced divestment of Telia Carrier (pending approval in 2021). These divestments have reduced the risk level related to certain human rights such as freedom of expression and surveillance privacy as well as labor issues in local suppliers' operations. At the same time, other human rights risks such as customer privacy have increased due to technological development and digitalization. As a consequence of our acquisition of Bonnier Broadcasting, media freedoms have been added to our risk universe.

MEDIA OWNER COMMITMENTS

In 2019, Telia Company acquired the Nordic media company Bonnier Broadcasting. Human rights due diligence carried out prior to signing the agreement showed that Bonnier Broadcasting's media ownership includes new human rights-related risks such as freedom of expression and content regulation as well as political advertisements. After signing the agreement, Telia Company published commitments to promote and defend independent publishing with responsible editorship as a cornerstone. In 2020, these commitments served as an important starting point when integrating Bonnier Broadcasting into Telia Company.

They also served as the basis for internal trainings provided by experts at the TV and Media unit to more than 400 employees throughout Telia Company on the meaning and importance of editorial freedom and editorial independence as protected by constitutional law.

Grievance mechanism

Telia Company's Speak-Up Line, which includes a grievance mechanism, is open for both employees and external stakeholders to raise concerns without fear of retaliation or reprisal and to provide fair investigation. Reports related to children's rights and freedom of expression and surveillance privacy are handled by human rights specialists. No such reports were filed in 2020. Reports related to employee matters such as harassment and fair employment are handled by the HR organization. Read more about these cases in Diversity, equal opportunity and non-discrimination.

Training

Human rights commitments are outlined in the Code of Responsible Business Conduct. All employees and contingent workers are required to be familiar with the contents of the Code through mandatory training using an e-learning course divided into two modules. Out of the target group of around 20,700 employees and contingent workers, around 18,800 have completed the first module and around 17,300 have completed the second module.

During the year, we developed a specific training program on human rights for all employees to be launched in 2021.

Human rights impact assessments

We are committed to undertake human rights due diligence and more in-depth human rights impact assessments (HRIAs) as appropriate to better understand local and Group-level impacts, risks and opportunities related to the rights of individuals. Between 2015 and 2017, we carried out HRIAs on local companies under divestment as part of a responsible exit from Eurasia, and on Telia Sweden and Telia Lithuania, to get a better general understanding of the impacts, risks and opportunities in the Nordics and Baltics. Since then, human rights risks have been assessed prior to exits from Eurasian markets and identified mitigation activities have been carried out. During 2020, risk assessments were carried out for the divestments of Moldcell and Telia Carrier. For more information, see Note S21 to the Sustainability Notes.

In 2019, we began aligning our approach to HRIAs with the changing risk landscape mentioned earlier, with a particular focus on business development involving artificial intelligence (AI). Telia Company is a founding member of the Stockholm-based *AI Sustainability Center* (AISC), a multidisciplinary hub that promotes the ethical use of AI. We have participated in the development of the AISC's tool for ethics and human rights-related risk identification, which we tested during the year on new business opportunities related to crowd insights.

During the year, we also developed a tool for Children's Rights Impact Assessment together with the non-profit consultancy BSR to be used when developing products that target children. Read more in Children's rights.

To understand potential human rights risks and opportunities related to the deployment of 5G, Telia Company engaged in a dialog with Ericsson in their work with a HRIA of 5G technology. In 2021, we aim to use the knowledge from Ericsson's work when making material business decisions related to 5G.

Challenges and next steps

Despite significant progress in defining and strengthening our human rights approach over the last years, a number of challenges remain. Some of these are linked to expectations of the industry to manage risks related to situations where a telco only has limited influence. Another area to be further developed is proactive assessment and mitigation of human rights risks when developing products and services. Our aim is to provide for or cooperate in human rights remedy and during 2021, we will look closer into this area.



Our work is governed by the Group policy – Human rights.

ENABLING HUMAN RIGHTS

The *GSMA's 2020 Mobile Industry Impact Report: Sustainable Development Goals* illustrates how connectivity and digitalization are important enablers of human rights and can contribute to and accelerate progress in relation to all 17 of the UN Sustainable Development Goals.

During the pandemic, Telia Company's infrastructure and solutions proved to be more important than ever. We kept societies functioning by enabling businesses to continue operating digitally and ensuring access to public services. Two areas where our work made a significant contribution both to limiting the negative impacts of COVID-19 and enabling human rights are healthcare and digital inclusion.



IMPROVING ACCESS TO HEALTHCARE

As the pandemic began impacting healthcare systems more significantly, the demand for Telia Company's e-health solutions grew. The Telia Health Monitoring service, which is available at 54 clinics in 9 regions in Sweden, is one example. The service enables the clinics to set up remote care for continuous monitoring including contacts via chat and video for individual support and treatment of patients with chronic diseases such as diabetes. Patients using the service can measure health values at home and send the data to their healthcare practitioner using an app, reducing the need to travel and limiting exposure to others. As the number of people infected with COVID-19

increased, a specific COVID-19 care plan to monitor patients quarantined at home was implemented in the solution.

Another service that was further developed during the pandemic is Telia Crowd Insights, a service analyzing aggregated movement patterns based on mobile network data. It was adapted to enable national health authorities, other public sector entities as well as cities and municipalities across the Nordics and Baltics to assess adherence to travel restrictions and social distancing recommendations. The service is produced with privacy by design principles, meaning all data is anonymized and automatically aggregated before use to protect personal privacy.

Looking ahead, we can see great opportunities to improve access to healthcare using new technology such as 5G. Together with Ericsson and the Karolinska Institute in Sweden, we have piloted emergency aid solutions using drones in rural areas where ambulances may be hours away as well as mobile 5G mammography buses that eliminate the need to travel long distances for potentially life-saving medical scans. Through these technologies, Telia Company makes a substantial contribution to SDG 3: Good health and well-being.



BRIDGING THE DIGITAL DIVIDE

Digitalization is currently transforming societies – bringing both new opportunities and risks. Those who are digitally included can make the most of new opportunities, while those who are not risk being left behind when public services are digitalized, and education and many social arenas are moving online.

Our materiality assessment carried out during the year showed that digital inclusion has grown in importance for several key stakeholder groups. Ensuring that everyone has access to reliable connectivity and the right digital skills are key to make sure that no one is left behind. Our work contributes to equality and inclusion, to make sure that societies in the Nordics and Baltics capture the full potential of digitalization, thereby supporting SDGs 5, 9 and 10.

Below are examples of our work during the year. In total, our initiatives reached close to 120,000 individuals, among these around 30,000 children, 65,000 parents and 10,000 seniors.

- In Sweden and Norway, we have since 2017 run the “Mer digital” (“More digital”) initiative. It supports and guides municipalities to improve seniors’ skills in using digital services. Since the launch, around 35 municipalities and 10 000 seniors in Sweden and Norway have engaged with the program and

there is strong demand for more as pandemic restrictions are lifted.

- In Estonia, a ten-part TV series on digital skills training for seniors reached around 10,000 seniors. In addition, 200 employees contributed to training seniors’ digital skills in our shops, via support phone line and through webinars.
- In Estonia, Telia continued its “Greatest Courage” initiative to educate children, families and teachers about how to counter-act cyberbullying. We trained 1,000 children directly through workshops and webinars and reached a large share of the population via media campaigns on the topic, to create general awareness. 18,000 children, teachers and parents used advice and support materials available at the initiative’s website.
- Since 2015, Telia Lithuania has been running the “Augu Internetė” (Growing up on the Internet) program with the aim of educating kids and parents about online safety. Since the start, the program has reached almost 90,000 students in total. In 2020, more than 1,500 children participated in the online workshops and close to 10,000 parents and teachers visited the program’s website for materials and advice on online safety.

For further information on our focus, definitions and more, see Note S13 to the Sustainability notes.



DIGITAL INCLUSION INDEX

To encourage greater action towards achieving the UN Sustainable Development Goals, the *World Benchmarking Alliance* has benchmarked 100 digital technology companies globally on their actions to strengthen digital inclusion. *In the inaugural benchmark report released in December 2020*, Telia Company ranked 19 out of 100.

The benchmark assesses technology companies’ efforts in improving access to technology, enhancing digital skills, fostering trustworthy use, and innovating openly and ethically. Telia Company came out strong in areas such as cybersecurity and support for children’s safety online.

ENVIRONMENT

Ambitions:

- Zero CO₂ throughout the value chain and zero waste from our operations including network construction and maintenance by 2030, achieved through 100 percent action
- A structured and science-based approach to assessing and managing impacts



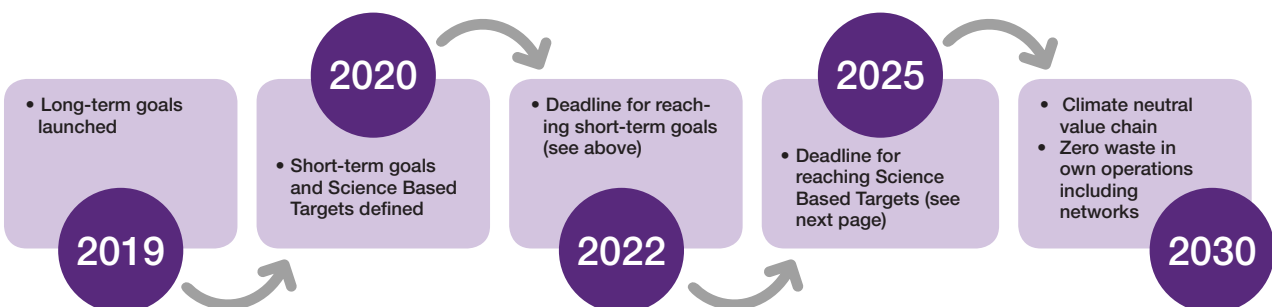
| 2022 GOALS | 2020 STATUS |
|---|--|
| <ul style="list-style-type: none"> • Climate neutrality in own operations (energy and business travel) | <ul style="list-style-type: none"> • Achieved climate neutrality in own operations through emissions reductions and carbon offsetting |
| <ul style="list-style-type: none"> • 100 percent renewable electricity use | <ul style="list-style-type: none"> • 100 percent renewable electricity use |
| <ul style="list-style-type: none"> • 5 percent lower energy consumption per subscription equivalent (baseline 2018) | <ul style="list-style-type: none"> • Energy consumption per subscription equivalent was one percent lower than the baseline |
| <ul style="list-style-type: none"> • Engage with all suppliers to have a plan to reach zero CO₂ by 2030 (including their suppliers) | <ul style="list-style-type: none"> • Supplier engagement model implemented, at year end 16 percent of suppliers by total supply chain emissions had set science-based targets |
| <ul style="list-style-type: none"> • Significant increase in re-use of customer and network equipment | <ul style="list-style-type: none"> • Group-wide process for reuse and resale of network equipment established • Eight percent of the number of sold or leased phones were bought back |
| <ul style="list-style-type: none"> • Comprehensive green offerings in all markets | <ul style="list-style-type: none"> • Enablement model developed, to calculate customers' GHG emissions and energy savings from remote meetings and IoT; around 490,000 tons of GHG emissions avoided and around 290 GWh electricity saved in 2020 • Refurbished phones offered in four markets, two percent of phones sold were refurbished • 18 percent of phones sold to business customers on all markets (excluding Denmark) were sold as a service |

Our approach

To forcefully address the climate crisis and the unsustainable use of natural resources, Telia Company adopted two ambitious environmental goals in 2019: zero CO₂ and zero waste by 2030.


The zero CO₂ ambition focuses on creating a climate-neutral value chain by 2030 while also enabling our customers to reduce their greenhouse gas (GHG) emissions. The work toward zero waste focuses on our operations including network construction and maintenance, while enabling a

OUR ROAD TO ZERO



circular economy through our offerings. To further concretize the 2030 goals, we have set more detailed goals to be reached by 2022 as well as science-based targets to be reached by 2025. Achieving these goals will require the involvement of all employees. The road to zero includes working across our value chain to promote rapid transformation. We acknowledge that we cannot achieve our goals alone. Therefore, we are committed to collaborating and co-creating with our suppliers, customers and other partners and to being transparent about our challenges and achievements along the way.

A structured and proactive approach is key to effective progress. Four out of six markets are covered by ISO 14001 certification. Environmental impact assessments covering energy efficiency, waste and GHG emissions were introduced for certain investment types during the year, to be expanded in 2021.

 *Our work is governed by the Group Policy - Environment.*

ZERO CO₂ – WORK DURING THE YEAR

The ongoing pandemic has shown how costly a systemic shock can be and points clearly to the need for accelerated climate action. In 2020, the European Green Deal and the EU COVID-19 recovery plan along with national initiatives in our markets highlighted the importance of a green transition and the opportunities for digitalization to enable such a change.

▶ **Aligning our work with science**

During the year, we concretized our road to zero by adopting goals for 2022 and 2025. To ensure that our ambition level is aligned with science, we set Science Based Targets (SBTs) aligned with the 1.5°C pathway developed for the telecommunications sector. The targets were approved by the Science Based Targets initiative in December.

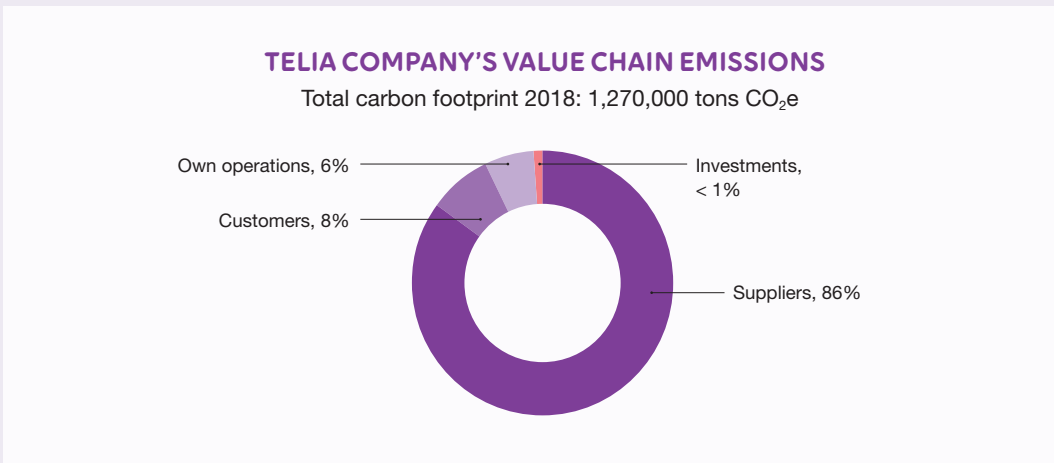
2025 Science Based Targets:

- Halve emissions from own operations
- Reduce the emissions related to use of sold and leased products by 29 percent
- Engaged with suppliers so that 72 percent of suppliers by emissions will have set science-based targets

▶ **Value chain emissions assessment**

To further understand our total carbon footprint and to set scope 3 science-based targets, we carried out a full value chain assessment using 2018 data. Our total 2018 carbon footprint was 1,270,000 tons CO₂e. Our own operations (scopes 1+2 and scope 3 category 6: business travel) account for only six percent while 86 percent can be attributed to the supply chain, mainly network construction, infrastructure equipment, mobile phones, access products and content production. Eight percent of emissions relate to electricity consumption when customers use our products.

For detailed information about scope 3 emissions in material categories, see Note S5 to the Sustainability Notes.



ZERO CO₂ – WORK DURING THE YEAR, CONT.► **Climate neutral own operations**

Following significant emissions reductions, mostly due to the shift to 100 percent renewable electricity, Telia Company became climate neutral in 2020 within our own operations (scopes 1, 2 and scope 3 category 6: business travel), two years ahead of set target deadline.

Carbon offsetting was used to cover remaining emissions from sources such as backup power, district heating, business travel and company cars while continuing our reduction efforts. We chose to offset our remaining emissions through industrial and biological removal credits which remove CO₂ from the atmosphere. Industrial removals were purchased through puro.earth, to support early stage technology. The biological removals which support forest conservation projects are certified by Verra according to VCS and CCBS certification schemes.

For more information about GHG emissions and how we are implementing the TCFD recommendations, see Note S5 to the Sustainability notes.

► **CDP score from D to B**

In 2020, we improved our CDP score to B - a marked improvement from D in 2018. We received the top score in several areas such as Governance and Emissions reduction initiatives. The main improvement area was reporting on climate-related risks and opportunities. We also improved our supplier score to A-.

► **Energy management**

Managing energy efficiency is increasingly important to control costs and reduce environmental impact. Telia Company addresses energy efficiency mainly in two ways:

- Replacing or decommissioning older, less energy-efficient technology, in particular legacy copper-based fixed networks
- Implementing energy efficiency features in current and new networks, such as energy-saving software in mobile network sites and high-efficiency cooling in data centers

Our short-term energy efficiency goal is to reduce energy consumption per subscription equivalent by 5 percent by 2022, compared to a 2018 baseline. The outcome in 2020 was 30.0 kWh per subscription equivalent, an improvement from 31.1 in 2019. The 2020 result was one percent lower than the baseline, meaning we are on track to reach the goal.

► **Addressing our supply chain**

86 percent of our value chain emissions are generated in our supply chain. This means that working closely with suppliers is critical. Our approach is based on three pillars:

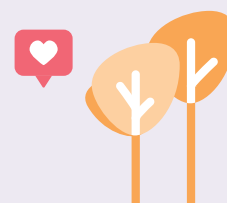
- **Using our leverage:** GHG emissions represent one of our supplier selection criteria and we work with peers and companies in other sectors to make low-carbon operations and manufacturing the new normal
- **Promoting science-based target setting:** Telia Company urges its suppliers to set science-based targets or the equivalent to reduce their absolute GHG emissions by at least 50 percent by 2030
- **Engagement and support:** We engage with our suppliers to encourage them to go one step further and develop plans to achieve their own climate-neutral value chains by 2030 (including subcontractors)

At year end, suppliers representing 16 percent of total supply chain emissions had set science-based targets.

We participate in and contribute to initiatives that will facilitate for companies to align their operations with a 1.5°C pathway, such as the Exponential Roadmap, the 1.5°C Business Playbook and SME Climate HUB. In September, Telia Company founded the 1.5°C Supply Chain Leaders together with Ericsson, BT Group, IKEA and Unilever with the goal of creating exponential climate action in global supply chains. In December, Nestlé, Telefonía and Ragn-Sells also joined the initiative.

► **Green bonds**

As the first telco in the Nordics, Telia Company issued its first green hybrid bond of EUR 500 million in February 2020, followed by a SEK 750 million senior bond in June. The proceeds have been used to finance energy efficiency through the network transformation from copper to fiber in Sweden, and green digital solutions that enable customers to reduce emissions and save energy. Read more in the [green bond report](#).



ENABLING OUR CUSTOMERS TO REDUCE EMISSIONS AND SAVE ENERGY

Several reports such as the GSMA *Enablement Effect report* show how connectivity and digital solutions improve resource efficiency and reduce GHG emissions in other industries through **increasing efficiency**, for example optimization of logistics, and by **replacing physical products or travel**. Future potential is great and far-reaching: 5G will enable societies to further scale existing as well as utilize new solutions. Digitalization, in particular related to IoT and data insights, will be key to enable smarter use of natural resources, fossil-free energy grids and more efficient transportation and logistics.

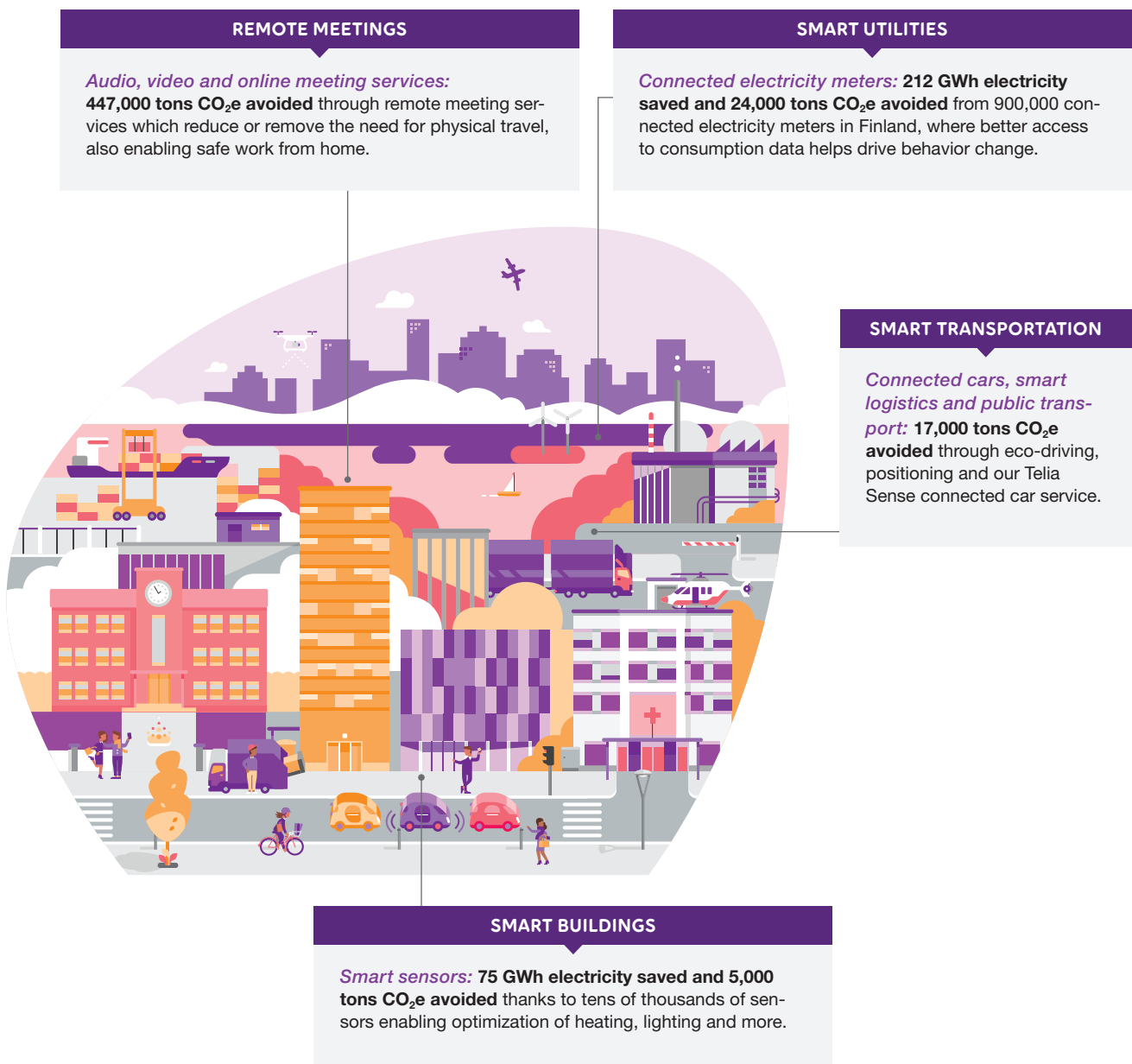
In 2020, we developed a model for estimating customers' GHG emissions reductions and energy savings through the use of some of our products and services with clear enablement potential. Based on products and services delivered during and before 2020, we estimate that these products and services helped reduce over 490,000 tons of

GHG emissions, the equivalent of over 3,5 million return trips by air between Stockholm and Helsinki.

The carbon enablement effect of some services such as connected electricity meters should be seen in the context of Telia Company operating mostly in markets where national electricity mixes consist of high shares of renewables. Hence, electricity savings for such services is more important to track to understand the full benefits. We estimate that in 2020 we helped save almost 290 GWh electricity, the annual consumption of 30,000 average Swedish households.

Going forward, we aim to expand the model to cover more of our services and to actively engage in industry collaboration to establish common calculation methods.

Read more about the model, the methodology and the results in Note S5 to the Sustainability notes.





SMART GRIDS

The production of renewable electricity from wind and solar continues to grow. However, conventional power grids are designed for constant energy sources, which means they cannot always manage heavily fluctuating energy production. Part of the solution is to digitalize grids to give grid owners real-time visibility of grid capacity by area.

Telia Company is helping digitalize power grids by providing IoT solutions to Heimdall Power. Through smart grid equipment, data is sent from power lines to the cloud, enabling real-time visibility of grid capacity. As a result, power line capacity can be increased by 25 percent and electricity from renewable sources can be prioritized over fossil sources.

SMART BUILDINGS

Based on the Telia IoT Platform, Telia Smart Building lets customers consolidate data from a building's systems on one screen and fine-tune systems such as heating, ventilation and air conditioning in real-time. This not only lowers energy cost and reduces GHG emissions but also helps to deliver a better experience for the occupants of the building.

To streamline property management and provide a better experience for their tenants, Rikshem, one of Sweden's largest property owners, is digitalizing its buildings with connectivity and new digitalization tools from Telia Company. Rikshem is now connecting all of its 30,000 apartments with sensors to monitor temperature and humidity. The data will be collected using the Telia IoT Platform and made available to Rikshem on dashboards for monitoring and insight.



SMART TRANSPORTATION

Telia Company's Smart Public Transport is a comprehensive solution that delivers a range of onboard services that help transport operators become more efficient, profitable and sustainable.

Nordic public transportation leader Nobina has connected over 3,000 buses in Sweden using Telia Company's solution. What started in 2010 with basic metrics such as fuel consumption and positioning has grown to include more advanced services such as real-time eco-driving feedback for drivers, smart depot heating and real-time fleet management information for managing overall logistics more efficiently. According to Nobina, the eco-driving service alone has been able to deliver fuel savings of up to 15 percent.

Smart Public Transport can be combined with Telia Company's Crowd Insights service to give operators an even better view of traveller behavior. Data that can be visualized to show exactly where commuters start their journey all the way down to how they change routes at stations. User data is fully anonymized and cannot be traced to individuals.

ZERO WASTE – WORK DURING THE YEAR

Today's take-make-waste approach combined with a growing population and improved living standards is pushing the environmental limits of our planet. During the next decade, a shift from a linear to a circular economy will be critical if we are to remain within the planetary boundaries. In a circular economy, waste is seen as a new resource and renewable resources are prioritized as inputs, enabling companies like Telia Company to reduce both emissions and waste. Policymakers are moving in this direction and the Sustainable Brand Index studies for our markets show that re-using and recycling phones is the number one topic consumers want us to address.

► **Assessing our circular potential and waste footprint**

In 2020, we assessed our waste footprint and mapped circular opportunities that are relevant for our sector. The assessment showed that the greatest inefficiencies are generated at the beginning and the end of the value chain, that is, when products are designed and at the end-of-life stage. Five circular business models were explored which illustrate practices that can be scaled.

Telia Company can play three roles in this area:

- **Embedding circularity in operations:**
Realize circular benefits internally within existing operations
- **Offering circular products and services:**
Develop innovative products and transform services to close the loop
- **Enabling circular ecosystems:**
Lead the adoption of circularity at scale within and across industries

In 2021, we will continue to develop the work with focus on reducing waste within our own operations including network construction and maintenance to achieve zero waste by 2030. We also see opportunities for Telia Company to provide customers with circular offerings and enable them to reduce emissions, waste and costs through digitalization.

► **Reducing waste in own operations**

Network equipment reuse and recycling

E-waste is our key waste stream to address. During the year, 730 tons of e-waste was sent to recycling. We work actively to increase the lifetime of network equipment, in turn reducing environmental impact and costs. Supporting this work is a group-wide re-use/resell program. Used network equipment is primarily reallocated to other companies within the Group. What cannot be reused internally is sold externally for re-use or recycling. In 2020, almost 120 tons of equipment was resold externally.

► **Circular offerings**

Buy-back programs for mobile phones

Research shows that producing a mobile phone generates 86 kg of waste and 55 kg of GHG emis-

sions. Re-use of devices helps extend the lifetime of products, thereby reducing emissions and waste.

Through buy-back programs, customers can sell back or hand in their used devices in exchange for a discount when they buy a new product. Phones and other devices in good condition are wiped of data, refurbished and then sold on the second-hand market or through our channels. Devices that cannot be re-used are properly recycled. All markets have buy-back programs in place and in 2020, eight percent of the number of phones sold or leased were bought back. This helped avoid 6,600 tons of GHG emissions. At year end, we offered refurbished phones to customers in Estonia, Finland, Norway and Sweden. Two percent of phones sold during the year were refurbished, avoiding another 2,000 tons of GHG emissions.

Device as a Service

Device as a Service (DaaS) is a pay-for-use arrangement with insurance and repair services as optional add-ons currently offered to business customers in Finland, Norway and Sweden. It allows us to maximize the re-use of an increasing number of devices through repairs, upgrades and refurbishment. At the end of the service agreement, Telia Company ensures appropriate refurbishment and, when needed, proper recycling of the devices. In 2020, 18 percent of phones sold to business customers on all markets (excluding Denmark) were sold as a service.

Re-use programs for routers and set top boxes

Routers and set top boxes are only offered through pay-for-use agreements, meaning that ownership of the hardware remains with Telia Company. At the end of the service, we take back the hardware for refurbishment and re-use. Devices that can no longer be used are properly recycled. The hardware portfolio is harmonized across all markets, further allowing us to maximize refurbishment and re-use potential.

FREEDOM OF EXPRESSION AND SURVEILLANCE PRIVACY

Ambitions:

- Know our impacts and enable, respect and support freedom of expression and privacy in the context of surveillance
- Promote transparency related to surveillance legislation as well as governments' requests



2022 GOALS

- Implemented processes to assess impact on and promote, to the extent possible, freedom of expression and privacy in the context of surveillance in potentially unconventional requests*
- Actively contribute to the work of the Global Network Initiative (GNI)
- Good faith efforts, including continuous improvement over time, to implement the GNI principles
- Law enforcement disclosure reporting with regard to number of conventional authority requests, information on local surveillance legislation and direct access and on data retention

2020 STATUS

- Closed almost 20 unconventional requests, promoting freedom of expression and privacy in around three out of four cases
- Actively contributed to the work of the GNI, most notably on shared learning related to e.g. COVID-19 and privacy
- Implementing measures identified in the 2019 independent assessment of how we implement the GNI principles, such as addressing the need for processes and tools for human rights impact assessments
- Published Law Enforcement Disclosure Reports
- Continuous transparency reporting on COVID-19 related authority requests

* An unconventional request is a request or demand that may have serious impacts on the freedom of expression and privacy of users.

Our approach

Our networks and services enable access to information and the exchange of ideas in a way that supports freedom of expression, openness, transparency and democracy. Today, there is an increasing trend of policymakers introducing surveillance measures to fight crime, terrorism, hate speech and more – measures that can potentially limit the freedom of expression and privacy of users.

Telia Company is committed to respect the freedom of expression and right to privacy of users while meeting legal requirements in the countries where we operate. Our approach is to have clear rights-respecting policy commitments in place and secure implementation through processes that are regularly reviewed through third-party assurance. States define the scope of surveillance privacy and limitations to the free flow of information through legislation and decisions by authorities. We abide by such laws and regulations but challenge requests that have no or unclear legal grounds. When there is a conflict between internationally-recognized human rights and local legislation, we try to find ways to raise the issue with the authorities or by pointing to the issue in public communications.

Assessments and escalation of unconventional requests

Our group instruction sets out practical steps regarding assessments and escalation to be carried out whenever a local company receives a request or demand that may have serious impacts on the freedom of expression and privacy of users (“unconventional request”).

Potentially unconventional requests are to be assessed by the local company and escalated to group level for final decision-making regarding measures – “points of challenge” – to mitigate human rights risks. In this way we can adhere to local legislation while at the same time seeking to carry out measures that respect and support the rights of individuals. In addition, we aim to publicly share as much information as possible about requests.

While our process is intended to identify and mitigate potential violations of individuals’ rights, the actual outcome depends significantly on local legislation and in challenging contexts also on the safety of local employees.



Our work is governed by the Group policy – Freedom of expression and surveillance privacy.

WORK DURING THE YEAR

► Global Network Initiative

Telia Company is an active member of the Global Network Initiative (GNI), a multi-stakeholder organization that brings together ICT companies, human rights and freedom of press groups, academics and investors to protect and advance global free expression and privacy in the ICT industry. Shared learnings and joint leverage when governments act in violation of freedom of expression and privacy are at the core of its work. Telia Company is a member of the board and participates in various committees.

In April, the GNI released the *GNI Principles at Work report* covering the independent assessment of Telia Company and ten other GNI member companies' work to respect and support freedom of expression and privacy. The report presents 86 hands-on case-studies reported by the member companies on how the GNI principles are applied.

As part of shared learning within the GNI, we contributed to work on e.g. COVID-19 and privacy, surveillance legislation in Russia as well as trade sanctions and free communications. GNI's public advocacy work during the year included:

- Submission to the Open Consultation on the EU Digital Services Act
- A policy brief that uses human rights as the starting point for analyzing more than 20 recent governmental initiatives claiming to address various forms of digital harm
- Statement on Proposed Social Media Bill in Turkey

GNI assessment

As part of our membership, we have committed to implement the GNI principles by putting concrete measures in place to promote and advance freedom of expression and the right to privacy. All GNI companies regularly undergo independent assessments of their implementation. Results of these assessments are shared with the GNI's multi-stakeholder board which makes a final determination of the member companies' improvement over time.

The first assessment of Telia Company's work was conducted in 2018/2019. Based on the assessor's report, the Board in 2019 determined that Telia Company was making good faith efforts to implement the GNI principles with improvement over time. More information about the assessment and outcome can be found at [Telia Company's website](#).

The most significant area for improvement noted in the assessor's report was with regard to implementing a formalized process to identify potential risks related to freedom of expression and privacy connected to new products and services. The

right to customer privacy is widely understood as fundamental to the right to freedom of expression. Privacy dimensions are today included in our "privacy by design" process with attention to how we as a company collect, handle and purge data. These measures are important also to protect users' rights in the contexts of government surveillance requests. Read more in Safeguarding customer information.

► Promoting transparency

We believe that transparency on governments' surveillance and actions to limit freedom of expression contributes to the protection of users' rights. Making such information more easily accessible has the potential to inform groups whose rights are particularly at risk and civil society working to protect these rights. For this reason, we publish Law Enforcement Disclosure Reports (LEDR). The LEDRs include:

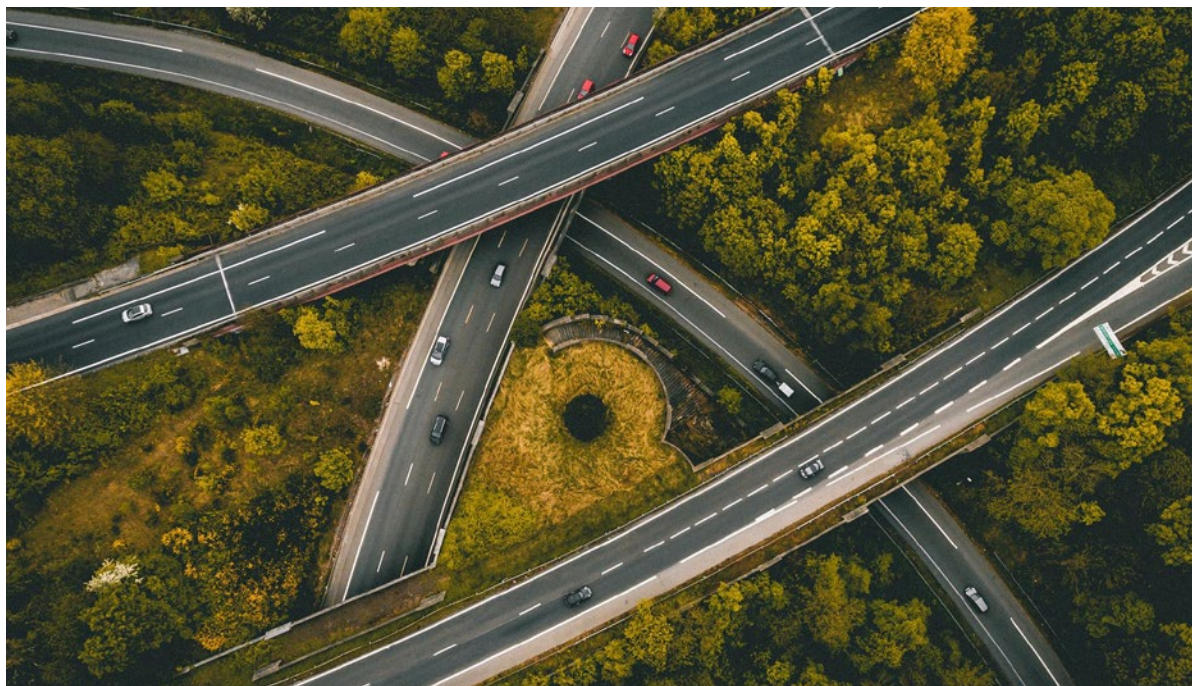
- Statistics regarding authorities' conventional ("day-to-day") requests
- Statistics and details regarding authorities' unconventional requests
- Links to national laws that provide governments direct access to information about our customers and their communication
- Links to national laws on data retention for law enforcement

Statistics are available in Note S6 to the Sustainability notes.

Our reporting on countries' local laws on freedom of expression and surveillance privacy in telecommunications is carried out through contributions to the GNI database on Country Legal Frameworks Resource. This database enables all participants, including human rights and freedom of press groups, to better understand the risks of users, enabling further action and policy discussion.

Unconventional requests during the year

During the year, we closed almost 20 unconventional requests or demands across our markets. Requests included e.g. new legislation, blocking of content and voluntary measures. Around one third of the requests were COVID-19 related. In around three out of four cases, we took measures to promote freedom of expression and surveillance privacy in some way, by e.g. comments to the lawmaker, transparency, appeal of court decision, or asking for the rule of law to apply. Such measures were defined jointly by local companies and members of Group Executive Management.



COOPERATION WITH THE EUROPEAN UNION TO FIGHT COVID-19

As COVID-19 escalated during spring, the European Commission (EC) requested operators throughout the Union to provide data to fight the pandemic. The potential risks of such requests would be misuse or “overuse” of data, meaning that data would be processed beyond the defined purposes or the time agreed. The request was examined in detail and was handled via established escalation processes and escalated as an unconventional request. Group Executive Management decided to approve the request and enter into cooperation with the EC by providing our Crowd Insights solution.

Telia Crowd Insights uses anonymized and aggregated user data from our mobile networks to visualize and analyze crowd movement patterns. The patterns show information such as short- and long-distance travel, thereby providing actionable insights for data-driven decision making. Data can never be traced back to an individual.

As a response to the EC request, the data was provided exclusively to the EC, to be used solely for the purpose of fighting COVID-19.

The above cooperation between the mobile operators and the Commission to use mobile data in the fight against COVID-19 has been manifested in a *Letter of Intent*. The Letter of Intent underpins the need for privacy safeguards and for transparency towards the public on the data collection and further processing procedure. Telia Company will continue to seek reassurance about the safeguards and results from the EC during the duration of the initiative.

As part of the commitment to transparency, Telia Company has, throughout the year, continuously *published information about COVID-19 related initiatives and government requests* such as the EC request, and how we have responded to them. Requests have concerned topics such as the provision of data to monitor the spread of the virus, blocking of sites with e.g. fraudulent information, sending of mass-sms’s, and initiatives for new legislation.



SAFEGUARDING CUSTOMER INFORMATION

Ambitions:

- Continuously be regarded as a trusted actor in handling personal data on the customer's terms
- A proactive approach to embedding security and privacy by design
- Create a culture of security awareness among employees and customers



2022 GOALS

- Ensure that stakeholders understand how their personal data is handled*
- Expand ISO 27001 certification scope
- Implement automated security risk controls
- Regular privacy and security training for employees
- Actively engage with stakeholders to increase security awareness

2020 STATUS

- Transparency notices about how we process customer data available in all relevant languages
- Expanded ISO 27001 scope to cover more products
- Automated security controls implemented in threat detection
- Launched mandatory e-training for all employees on data protection in their daily work
- Presented our security work at seminars and conferences hosted by e.g. the Swedish Defence University

Our approach

Together, customer privacy and information security – the foundations of safeguarding customer information – are inherently connected and of the utmost importance for creating and maintaining stakeholder trust. Each individual or organization must feel that their data is safe with Telia Company and only used according to agreements and their expectations.

Information security

Risks associated with cyberattacks remain a challenge for our industry and society at large. To manage these risks, our approach to cybersecurity includes both proactive and reactive measures. Key proactive measures include implementing a “security by design” approach including security awareness training. The approach ensures that products, systems and infrastructure are developed and implemented with security controls from the beginning to minimize potential cybersecurity risks. A Security Design Assessment and Validation (SDAV) procedure is applied during new IT system development and continuously for systems in scope of ISO 27001 certification.

Our Global Security Operations Centre (GSOC) is responsible for reactive measures, by monitoring and handling cybersecurity incidents at all times with a group-wide reach. The GSOC is a member of the Forum of Incident Response and Security Teams (FIRST) and is a Trusted Introducer (TF-CSIRT).

Telia Company has implemented an information security management system certified according to the ISO 27001 standard. This management system covers the Group In-

formation Security Governance and Enterprise Information Security Risk Management processes and their supporting systems, specifying requirements on information security and related risk management across all Group functions and local organizations. External audits are carried out annually to ensure that a proper security organization and measures are in place as well as to ensure continuous improvement related to the ISO 27001 certification. We also carry out information security-specific audits of suppliers that manage customer and other business sensitive data. Read more about supplier management in Responsible sourcing.

Information security governance is coordinated by the Group security function and implemented throughout the organization by local security leads. The Group Head of Security reports regularly to the Governance, Ethics and Compliance (GREC) management forum and the Board of Directors.

Customer privacy

Telia Company has adopted a “privacy by design” approach to ensure GDPR compliant and transparent management of personal data in all new products and services. The key areas of our approach are:

- Embedding data protection into our business including products, processes, and IT systems from the initial design stage throughout their lifecycle
- Analysis of data protection parameters already from the initial stages of planning a processing operation
- Privacy screening of all personal data processing

- A Data Protection Impact Assessment (DPIA) is conducted before carrying out data processing where the processing is likely to result in a high risk to the rights and freedoms of individuals

Furthermore, we have implemented mandatory controls that are continuously tested in relevant processes. These cover, for example, defining and documenting legitimate purposes for personal data processing and securing implementation of deletion/anonymization.

We continuously review and update privacy documentation based on evolving best practices, applicable legislation, case law and authority recommendations. Information on how we process customer data is available in transparency notices available in all relevant languages.

Responsibility for customer privacy is divided between a privacy team and the Data Protection Officer's (DPO) Office. The privacy team provides legal advice and pro-

actively supports business in "privacy by design" work. The DPO Office has a special role due to GDPR requirements and is considered independent to avoid conflict of interest. The DPO Office carries out reviews and tests of GDPR and e-Privacy Directive compliance, responds to individuals' requests in data protection cases and interacts with data protection authorities in customer privacy-related matters. The Director of the DPO Office reports regularly to the GREC management forum and the Board of Directors.



Information security requirements are governed by the Group policy – Security. Requirements related to respecting and safeguarding customer and employee privacy and handling of personal data are governed by the Group policy – Privacy and data protection.

WORK DURING THE YEAR

▶ ISO 27001 certification

Expanding ISO 27001 certification is an important step in strengthening information security practices and meeting increasing customer demands. During the year, the scope was extended to include our cloud-based telephone exchange service Touchpoint Plus. At year end, certification covered key processes such as Information System Governance, Enterprise Information Security Risk Management and Service Assurance Incident Management as well as products including the contact center solutions Telia TouchPoint Plus and Telia ACE.

▶ Managing data subjects' rights

Individuals can exercise their GDPR rights through several channels. The most important channels are customer self-service portals where individuals can easily access their accounts and request execution of applicable privacy rights including rectification and deletion of data. In addition, they can contact customer service or visit Telia stores.

During 2020, we received around 3,500 Right of Access requests from customers to obtain a copy of their personal data as well as other supplementary information. This helps customers understand how and why we are using their data as well as to check that we are doing it lawfully.

▶ Personal data breaches

Telia Company is continuously working to identify and prevent situations causing personal data breaches as well as on increasing awareness and capability of identifying suspected breaches. Telia Company entities follow a common investigation

and reporting process in all suspected personal data breach cases. We report all personal data breaches to supervisory authorities and notify individuals in a timely manner when applicable.

In 2020, we confirmed 701 personal data breaches across our markets. Most cases related to human errors or technical errors which caused personal data to be disclosed or accessed in an unauthorized way, for example the customer data was accidentally sent to a wrong customer. In all reported cases, the Telia Company entities cooperated with national supervisory authorities to correct inaccuracies.

During the year, the internal processes for reporting and investigating personal data breaches were further improved and a new, user-friendly tool for reporting suspected breaches was adopted.

▶ Training and awareness

The foundation of creating and maintaining a culture of security awareness is our security e-learning course that is mandatory for all employees. The training provides hands-on information about topics including password management, security incident reporting, IT security and physical security.

Customer privacy training is conducted via a mandatory onboarding e-learning course. There are also specific courses for employees who handle personal data directly and have direct customer contact such as customer care and retail staff as well as IT system owners. A mandatory e-learning course called "Data protection in your daily work" was launched during the year to provide employees with hands-on training.

CHILDREN'S RIGHTS

Ambitions:

- Know our impacts and respect children's rights in relevant business activities
- Support children's rights through employee engagement, advocacy and partnerships



2022 GOALS

- Continuously assess impacts on children's rights in relevant business activities
- Block websites containing child sexual abuse material (CSAM)
- Detect and report CSAM in our IT systems
- Regularly engage with children through Children's Advisory Panel
- Provide tools for customers and employees to support children's rights
- Actively contribute to relevant initiatives related to supporting children's rights

2020 STATUS

- Launched marketing guidelines on children's rights and training for all employees in marketing functions
- Continued detecting and blocking CSAM in our networks
- Continued detecting and blocking CSAM in our own IT environment
- Engaged with more than 7,000 children via the Children's Advisory Panel on online learning during the pandemic
- Developed and trialed a children's rights impact assessment tool
- Engaged in Group-level and local partnerships with organizations such as Childhood and Save the Children Finland

Our approach

Telia Company's commitment is to recognize, respect and support children's rights with a focus on protection, participation and well-being. Our main challenge is to balance stakeholder expectations related to protecting children online with promoting opportunities for children to develop, communicate, play, learn and voice their opinions online. In this work, we have adopted the *Children's Rights and Business Principles* framework as guidance.

Industry initiatives and partnerships

Collaboration with children's rights organizations and peers is a central component of our strategy. We are a signatory to several self-regulatory industry initiatives such as the GSMA Mobile Alliance against Child Sexual Abuse Content, the ICT Coalition for Children Online and the Alliance to better protect minors online. Through these initiatives, we contribute by sharing our experiences of working with children's rights and the Children's Advisory Panel (CAP).

The World Childhood Foundation, of which Telia Company is a co-founder, works to realize every child's right to a childhood free from violence or sexual abuse. We cooper-

ate with Childhood on one of their focus areas, child safety online. Together, we have developed an e-learning course on children's rights that is available to all employees and contingency workers. We also cooperate in carrying out the annual CAP.

As part of the GSMA's collaboration with Child Helpline International, we also support national helplines with anonymous, free-of-charge phone services for children.

In addition to group-level partnerships, local companies regularly engage with local children's rights organizations. In Estonia, Telia in cooperation with the Estonian Union for Child Welfare continued the anti-bullying campaign "Greatest Courage" that aims to encourage taking action against cyber-bullying. In Lithuania, Telia's initiative "Growing up on the internet" has been running for five years with workshops on topics like internet safety. Read more about the initiatives in Human rights.



Our work is governed by the Group policy – Human rights. Requirements related to child labor in the supply chain are governed by the Supplier Code of Conduct.

WORK DURING THE YEAR

▶ Integrating and promoting children's rights in business

To align our business with the Children's Rights and Business Principles, we launched internal guidelines on responsible marketing and advertising with regard to children's rights. These were prepared in cooperation with the Save the Children Centre for Child Rights and Business, who also provided training on children's rights and marketing for all marketing employees. Telia Finland and Save the Children developed an e-learning for customer service employees on children's rights and a guide for parents on supporting children's digital well-being.

Drawing upon the UN Guiding Principles on Business and Human Rights and the Children's Rights and Business Principles, together with the non-profit consultancy BSR, we developed a tool for children's rights impact assessment. The tool will be used when developing products and services that target children in order to identify actual and potential human rights impacts, both risks and opportunities. In 2020, the tool was tested on smart watches for children and will be further integrated into material business processes in 2021.

▶ Child safeguarding services

Part of our family offering is software that enables parents and guardians to set limits on children's screen time and block harmful content. Our TV service is equipped with PIN code functionality that enables parents to restrict access to, for example, programs featuring adult content material or movie rental services.

▶ Fighting child sexual abuse material (CSAM)

We actively participate in the fight against CSAM online through blocking measures and cooperation with industry peers, law enforcement agencies and NGOs such as ECPAT and Childhood. We block websites identified by law enforcement as illegal for hosting CSAM. While we stand for and promote an open internet, this is the only area where we have taken an active stand for voluntary blocking.

In addition, we apply a technical solution that provides alerts if CSAM is detected anywhere in Telia Company's own IT systems. If such material is detected, a police report is filed and a criminal investigation is carried out. A number of detections and subsequent police reports were filed during the year, some of which resulted in criminal investigations.

▶ Local initiatives to support children affected by COVID-19

During the year, children across our markets experienced increased vulnerability as a consequence of the pandemic. Telia Company and local companies in several markets launched campaigns or supported local organizations to support children affected by COVID-19. Examples of support include:

- Telia Company donated SEK 3 million over three years to Swedish children's rights organization Bris, to enable more children to contact and get help from their child helpline. A holiday donation of SEK 2 million was provided to Childhood.
- Telia Lithuania provided equipment and internet connections for 500 families in need so children could study from home when schools in Lithuania were closed due to the pandemic.
- In cooperation with the Estonian Ministry of Education and Research, Telia Estonia broadcast the live "Interactive Classroom" program on its TV channel Inspira. The program featured experts who shared their learning experiences and best practices for distance learning.

▶ Children's Advisory Panel (CAP)

To further integrate children's rights in our business and provide guidance for parents, we need to understand children's own experiences. For this reason, each year, we organize a Children's Advisory Panel (CAP) where together with children's rights organizations and in collaboration with schools we ask young internet users about their lives online. In 2020, the CAP gathered insights from over 7,000 children and young people in the Nordics and Baltics about their online learning experiences during the pandemic.

CAP - CHILDREN'S VIEWS ON DIGITAL LEARNING

| OVERALL SATISFACTION | ACCESS | LEARNING | WELL-BEING & SAFETY |
|--|---|--|---|
| <ul style="list-style-type: none"> • More than half were satisfied with the overall home-schooling experience • Children were open to continuing distance learning in some form in the future • Children reported feeling happy and relaxed but also more tired and bored when schooled from home | <ul style="list-style-type: none"> • Almost all children had access to a computer, many of which were provided by schools, especially in the Nordics • Most children thought their internet access worked well • Overall satisfaction strongly correlated with good internet connection and the devices needed for participation in school tasks | <ul style="list-style-type: none"> • Increased ability to solve school tasks independently • Most children developed new ways of learning and studying • Children experienced less support from teachers, less teamwork with classmates, but more help from parents | <ul style="list-style-type: none"> • Decrease in sports and physical activity, increase in screen time • Most common safety issue was phishing or seeing disturbing content • One in ten had been contacted by an unknown adult online |

DIVERSITY, EQUAL OPPORTUNITY AND NON-DISCRIMINATION

Ambitions*:

- Encourage and enable everyone to be their best, most brilliant and authentic selves.
- Provide equal opportunity to ensure that our employees reflect the diversity of the customers we serve.



2023 GOALS*

- At least 45 percent females in the Extended Leadership Team
- Mandatory trainings of managers in unconscious bias and inclusive recruitment practices
- Continuously assess and decrease the gender pay gap
- Partnerships for improving/promoting diversity and inclusion through digital re-skilling and up-skilling
- Conduct voluntary surveys on employees' diversity and perception of belonging, inclusion and equal opportunity

2020 STATUS

- 38 percent females in the Extended Leadership Team
- 33 percent females in Group Executive Management
- Mandatory training in unconscious bias conducted for 20 percent of managers
- Carried out the first Group-wide gender pay gap analysis in all markets

* Adopted in February 2021.

Our approach

We see diversity and inclusion as critical for building a high-performing, innovative organization geared towards understanding and staying relevant to the diverse customers we serve. To ensure that everyone feels safe, respected and treated fairly, we do not accept discrimination, victimization, harassment or bullying of any kind. Telia Company promotes a culture of diversity, inclusion and equal opportunity and no employee shall be treated differently because of their gender, gender identity or expression, ethnicity, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social background and/or other characteristics protected by applicable law. The Group instruction on recruiting stipulates that all recruitments shall be based on competence, experience and performance. In all recruitments, the candidate shortlist shall include at least one male and one female candidate.

Our approach to diversity, equal opportunity and discrimination is built on three elements:

- **Employee and leadership engagement:** Increasing awareness through training and supporting internal diversity network groups
- **Processes:** Eliminating bias and integrating diversity perspectives into key HR processes

- **Initiatives and partnerships:** Actively engaging in local diversity charters, the Nordic CEO Coalition for a Sustainable Future and other relevant organizations

In 2019, Telia Company adopted a gender equality framework which served as the basis for much of the work during 2020. In February 2021, Group Executive Management adopted ambitions and goals for 2023 which cover broader aspects of diversity.

Work is coordinated by a steering group that reports to Group Executive Management. The Group Diversity Lead coordinates a network of country leads responsible for implementation.



Our work is governed by the Group Policy - People.

WORK DURING THE YEAR

► External recognition

Telia Company remained a constituent of the Equileap Gender Equality Ranking. In November, Telia Company was named most LGBTQI-friendly employer of the year by Unionen, Sweden's largest trade union.

"Telia Company is awarded Unionen's LGBTQI Award 2020 for its unwavering commitment to an inclusive workplace where all employees can be themselves. At a time when LGBTQI persons' rights are under threat in certain parts of Europe, Telia Company is standing up for their co-workers' right to decide over their own bodies, their identity and the right to love whomever they choose, in societies where threats and disrespect still exists."

► Training

An unconscious bias e-learning course is offered to all employees. All recruitment specialists were trained in inclusive recruitment practices, to ensure that first selection, interaction and interviewing is carried out with inclusion in focus. The same training started for managers with a hiring responsibility, focusing on business units with low gender diversity. An inclusive leadership module was added to the compulsory training program for all new managers.

► Revised performance evaluation processes

Key HR processes such as recruitment, performance evaluation, talent management and compensation were revised to better support diversity and ensure equal opportunity. During team performance reviews at all levels in the Group, managers were provided data on the gender and age balance of their teams as well as questions aimed at identifying possible unconscious bias regarding gender and other personal characteristics such as age and background.

► Gender pay gap analysis

As part of implementing an equal pay framework, a pay gap analysis was carried out in all markets. The results showed that all markets have varying degrees of gender pay gaps. Much of this can be attributable to gender segregation in certain professions (for example more men in technology, more women in support functions) and an imbalance in

career growth between male and female employees. Future actions to achieve equal pay will focus on strengthening initiatives to recruit, promote and retain female managers and decrease gender segregation within certain professions.

► Initiatives and partnerships

During the year, Telia Company was involved in a number of partnerships and initiatives:

- Local companies in the Nordics and Baltics are active members of local Diversity Charters. Diversity Charters provide education and facilitate best practice in diversity and inclusion among members including both private companies and governmental institutions.
- We actively participated in staking out the Nordic CEO Coalition's roadmap on promoting diversity and inclusion in the workplace.
- Employees across the company participated in a Virtual Global Pride activity when physical events were canceled due to COVID-19.
- As part of the Younite employee engagement program, a Female Role Model day was held in all markets for the third year in a row. At the event, young female students were invited to learn more about working in the ICT industry. Another event, Investing in Women, was also held virtually.
- An event focused on age discrimination was also held internally to raise awareness.

During the year, Telia Sweden, Finland and Norway offered internships and mentorships to immigrants. In total, 21 internships and mentorships resulted in ten offers of employment.

► Discrimination and harassment

During the year, around 20 discrimination and/or harassment-related reports were filed. Subsequent investigations resulted in 13 minor disciplinary action and two terminations.

For gender-related workforce and management statistics, see Board of Directors' Report, section People.

HEALTH AND WELL-BEING

Ambitions:

- Provide a workplace and ways of working that are physically and psycho-socially safe
- Offer the tools and resources needed to meet personal goals and create engagement



2022 GOALS

- Local companies ready for ISO 45001 management system certification
- All employees covered by regular performance management approach
- Sickness absence rate lower than national industry average
- Implemented processes for supplier reporting on occupational health and safety performance and related corrective actions

2020 STATUS

- Local companies in Estonia, Finland, Lithuania and Norway were ISO 45001 certified, covering 40 percent of employees
- All employees covered by the YouFirst approach for employee performance and development
- Sickness absence rate: 2.5 percent (2.7)
- Lost-time injury frequency: 0.21 (0.26)
- No fatal accidents among employees or contractors

Our approach

Health and well-being are the foundation for a great employee experience. The objective of our health and well-being agenda is to ensure that all Telia Company employees perform at their best in their everyday work. This necessitates a safe and healthy workplace and ways of working based on flexibility and work-life balance.

Our employees generally work in offices and retail environments where health risks relate mainly to mental well-being and ergonomics. Our biggest challenges relate to ensuring that employees experience work-life balance and sufficient recovery between intense work periods.

Significant health and safety risks such as working at heights or doing electrical work relate to network construction and maintenance, activities that are generally carried out by contractors. To mitigate these risks, we include the Supplier Code of Conduct in all agreements, promote open communication and reporting from suppliers and carry out onsite audits. Telia Company's whistle-blowing tool, Speak-Up Line, is available for third parties such as contractors in all markets to report incidents. During the year, cases were reported from contractors in all markets. All cases reported regarded minor injuries.

Local companies use a common health and well-being model that aims to create a safe workplace and promote a good work-life balance. The model includes:

- A continuous improvement approach to occupational health and safety through the use of the ISO 45001 management system standard
- Group-wide digital health and well-being activities based on gamification
- Preventive actions such as risk assessments and employee surveys
- Health and well-being included in regular performance check-ins between managers and employees
- Health and well-being training for all managers

Work is coordinated by the Group health and well-being manager. All local companies have one or several health and well-being coordinators who report to their local management team and the Group manager.



Our work is governed by the Group policy – People. Health and safety requirements of suppliers are outlined in the Supplier Code of Conduct.

WORK DURING THE YEAR

▶ COVID-19 measures

As a result of public health authorities' recommendations to limit the spread of COVID-19, most employees worked from home for long periods during the year. To reduce the risk of employees contracting the virus, we issued internal guidelines and provided mandatory training on how to limit the risk of spreading the infection and when and how to use personal protective equipment.

The risks involved in working from home for prolonged periods of time relate mainly to lack of social contact and poor ergonomics. We took several measures to mitigate these risks including:

- Increasing access to mental health support
- Offering digital employee engagement activities to help reduce social isolation and promote healthy habits
- Providing employees and managers with information on mental and physical health and well-being based on WHO guidelines

To better understand employees' views, we conducted three short surveys asking employees about their experience of working remotely and how well they have been able to perform their job, how they thought Telia Company was handling COVID-19 restrictions and more.

COVID-19 employee index: 85¹

Overall well-being: 80²

Main challenges³

- Increased stress
- Increased workload
- Physical discomfort

1) Average of the share of respondents who replied Agree or Fully agree to a number of statements.

2) Share of respondents who replied 4 or 5 on a scale 1-5 to the statement "How would you describe your overall well-being right now?"

3) Most common challenges to health and well-being among respondents who replied 1-3 to the overall well-being statement.

▶ Measuring health and well-being

Overall health and well-being is measured as part of the employee engagement survey. The survey asks employees if they feel that they can achieve a good balance between work and personal life. 74 percent of respondents agreed with this statement, placing Telia Company close to the top quintile in the external benchmark.

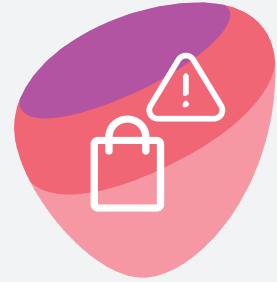
▶ ISO 45001 certification

Telia Company views the ISO 45001 health and well-being management system standard as a valuable tool to ensure systematic assessments and follow-up on risks. During the year, local companies in Finland and Norway maintained their ISO 45001 certifications while local companies in Estonia and Lithuania received ISO 45001 certification. At year end, 40 percent of all employees were covered by ISO 45001 certification. Local companies in Sweden and Denmark are not ISO 45001 certified but have implemented management systems based on the same principles.

RESPONSIBLE SOURCING

Ambitions:

- Responsible sourcing as a mindset and behavior
- A proactive approach to managing sourcing risks
- Value-adding industry and supplier collaboration



| 2022 GOALS |
|--|
| <ul style="list-style-type: none"> • All new and renewed supplier contracts screened according to the due diligence process |
| <ul style="list-style-type: none"> • Carry out at least 100 supplier audits annually |
| <ul style="list-style-type: none"> • Actively participate in audit collaboration within the industry |
| <ul style="list-style-type: none"> • Regular responsible sourcing training for sourcing managers |

| 2020 STATUS |
|--|
| <ul style="list-style-type: none"> • Carried out around 2,500 supplier risk assessments |
| <ul style="list-style-type: none"> • Conducted 106 on-site and off-site audits |
| <ul style="list-style-type: none"> • 78 audits conducted as part of the Joint Audit Cooperation (JAC) |
| <ul style="list-style-type: none"> • Trained around 300 employees in supplier due diligence |

Our approach

Responsible sourcing practices are essential for Telia Company to deliver on its business objectives while reducing and mitigating risks related to human rights violations, negative environmental impact and more. Our approach aims for risk-based life cycle management of suppliers' sustainability performance.

A dedicated responsible sourcing function is responsible for supplier due diligence and audit, including developing guiding documents, tools and trainings. In addition, there are subject matter experts in local organizations or Group functions that support in auditing.

Responsible sourcing process

Supplier requirements

We expect suppliers to follow and apply our Supplier Code of Conduct, which is mandatory for all contracts. In addition, some suppliers must comply with the Black and Grey Lists, which define prohibited and hazardous substances. Supplier handling personal or otherwise

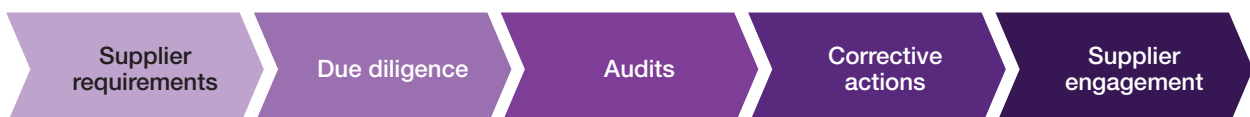
sensitive data must also comply with the security and privacy requirements in the Supplier Security Directive. All applicable requirements apply to suppliers' own suppliers (subcontractors).

Due diligence

All suppliers are subject to mandatory due diligence screening before contracting and mandatory revised due diligence during the term of the contract. The process which covers a large number of areas is continuous, meaning that the due diligence cycle is based on the identified risks regardless of contract length.

The due diligence process has a risk-based approach that allows us to focus on those suppliers that could potentially expose Telia Company to elevated risks. An up-front risk assessment is carried out initially to identify high-risk triggers related to, for example, trade sanctions, bribery and corruption and privacy. If risks are deemed high, the supplier undergoes an in-depth due diligence assessment consisting of a self-assessment against the

RESPONSIBLE SOURCING PROCESS



Supplier Code of Conduct and other relevant requirements as well as a database search covering, for example, ultimate beneficial ownership (UBO) and sanctions. Audits are required if certain risk criteria such as potential serious violation of human rights or labor rights are met.

High-risk suppliers identified during the due diligence assessment and suppliers with critical non-conformities identified

through audits are reported to the Group sourcing management team for decision-making on mitigating activities.




Audits and supplier dialog

Supplier audits play a key role in supplier assessment and continuous development. Audits result in audit reports that contain identified non-conformities against our requirements as well as mutually agreed Corrective Action Plan (CAP) activities.

Telia Company is a member of the Joint Audit Cooperation (JAC), an association of telecom operators aiming to assess and develop sustainability practices in the different tiers of the global ICT supply chain. The members share resources and best practices to coordinate supplier audits using common requirements in five areas: Labor, Health and safety, Environment, Ethics and Management Systems.

In addition, as part of supplier management, we maintain a continuous dialog with suppliers during the due diligence and audit processes. This gives us opportunities to raise suppliers' awareness and educate them in sustainability related areas. To support basic understanding of the Supplier Code of Conduct requirements, an information film for suppliers is available on Telia Company's website.

DUE DILIGENCE COVERAGE

|  LEGAL |  SOCIAL |  OTHER |
|--|--|--|
| <ul style="list-style-type: none"> • Company information • Ownership • Management • Anti-corruption • Trade sanctions | <ul style="list-style-type: none"> • Human rights • Labor rights | <ul style="list-style-type: none"> • Security • Privacy • Environment • Occupational health and safety |

WORK DURING THE YEAR

▶ **Due diligence**

During the year, around 2,500 supplier risk assessments were carried out, resulting in around 1,100 in-depth assessments. While most suppliers were assigned a low risk profile, around six percent were assessed as high risk suppliers mainly due to findings regarding bribery and corruption, breach of labor rights and privacy.

Around 300 employees were trained in carrying out supplier due diligence.

▶ **Audits**

As a result of COVID-19 related restrictions, an off-site audit process was developed and implemented during the year to complement the otherwise standard on-site audits. A total of 106 audits were conducted by Telia Company auditors during the year, mainly on tier 1 suppliers through off-site audits. Audited suppliers scored relatively higher in the areas of labor rights, human rights and occupational health and safety. The identified largest gap for the suppliers was enforcing Telia Company's Supplier Code of Conduct requirements in their own supply chains. The results

confirm our ambition on auditing suppliers beyond tier 1 going forward. In addition, these audits were complemented by 78 audits of common suppliers carried out by other Joint Audit Cooperation (JAC) members, covering over 120,000 workers in total.

▶ **Supplier engagement**

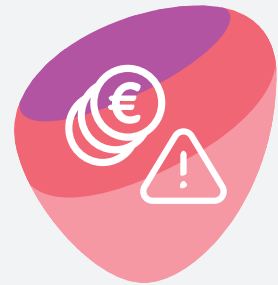
Some local companies carried out supplier days, inviting key suppliers to discuss responsible sourcing practices. Telia Sweden hosted a large supplier collaboration day in November, to which large local and international infrastructure suppliers were invited to learn more about Telia Company's environmental goals and expectations on suppliers. Telia Finland invited its largest contractors to discuss a number of environmental topics such as developing zero CO₂ emissions plans, waste management and logistics.

For information on supplier evaluation and engagement related to GHG emissions performance, see Environment.

ANTI-BRIBERY AND CORRUPTION

Ambitions:

- Conduct business with zero tolerance for corruption
- Employees and partners comply with our anti-bribery and corruption (ABC) requirements and are confident in raising concerns



2022 GOALS

- An ABC program designed to effectively detect and prevent corruption and violations of anti-corruption laws
- Demonstrate compliance with ABC requirements, and assurance of sufficient risk mitigation of corruption risks
- Robust framework for effective reporting, investigation and remediation of misconduct and corrupt practices
- Regular ABC training for employees and third parties in roles with high corruption risk exposure

2020 STATUS

- Strengthened ABC program resources
- Significantly improved the maturity of the ABC program
- Implemented the ABC program in the new TV and Media unit, including risk assessment and training
- 1,200 employees participated in targeted ABC training

Our approach

The ABC program

The ABC program provides a systematic way to implement the elements of the Group-wide compliance program and follow up on progress. It allows us to understand and improve control of the corruption and bribery-related risks and challenges that organizations such as Transparency International recognize as elevated in our industry. Read more about these risks in Risks and uncertainties.

The ABC program is implemented and continuously developed using a risk-based approach through:

- Regular ABC risk assessments to identify and manage key risks
- Annual maturity assessments to follow up on progress and set annual objectives
- Implementation and testing of process controls to effectively prevent corruption
- Training to ensure awareness of ABC risks
- Supply chain risk management by screening, monitoring and auditing suppliers

Ethics and compliance network

The ABC program is managed by the Group Ethics and Compliance Office, which is responsible for the program design and coordinating activities. The ABC Program Lead oversees progress and governance related to implementing the program.

Local Ethics and Compliance Officers are responsible for implementing the program and act as focal points for compliance activities including reporting to local management.

The Special Investigations Office (SIO), which is part of the Group Ethics and Compliance Office, handles special investigations related to potential corruption, fraud and other significant related risks such as retaliation. Read more about cases during the year in Note S20 to the Sustainability Notes.



Our work is governed by the Group policy – Anti-Bribery and Corruption and the related Group Instruction supplemented by applicable guidelines.

WORK DURING THE YEAR

► Improved ABC program maturity

In 2019, Telia Company introduced a maturity assessment methodology to enable holistic and credible evaluation and follow-up of key risks. ABC program maturity assessments were carried out in all markets and on the Group level. In 2020, maturity increased significantly compared with 2019 mainly due to improvements in risk management processes and improved reporting routines.

The organization managing the ABC program was strengthened to improve the way key risk areas such as third party management, employee awareness and conflicts of interest are managed. A conflict of interest declaration tool and process were also introduced during the year.

► ABC risk assessments

ABC risk assessments focusing on third party (suppliers, agents and business partners) management were initiated in all markets, to be completed in early 2021. These risks were considered elevated during the year due to the general loss of business across global supply chains as a result of COVID-19. The risk assessments will be supplemented with targeted compliance testing.

► Assessment of the new TV and Media unit

During 2020, the ABC program was implemented in the new TV and Media unit. A thorough risk assessment was conducted and a targeted awareness training program was run in the unit. Around 400 employees underwent anti-corruption training.

► Training

In total, around 1,200 employees in defined target groups completed ABC-specific awareness training. Training includes general information on the importance of our zero-tolerance approach and how we ensure full compliance with our policy and instructions as well as unit-specific information.

RISKS AND UNCERTAINTIES

Telia Company operates in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry. Telia Company has defined risk as anything that could have a material adverse effect on the achievement of Telia Company’s goals.

Risks can be threats, uncertainties or lost opportunities relating to Telia Company’s current or future operations or activities.

Telia Company has an established risk management framework in place to regularly identify, analyze, assess and report business, financial as well as ethics and sustainability risks and uncertainties, and to mitigate such risks when appropriate. A Risk Universe consisting of four categories and over thirty risk areas is used to aggregate and categorize risks identified across the organization within the risk management framework.



Risk management is an integrated part of Telia Company’s business planning process and monitoring of business performance. Risks and uncertainties that could specifically be impacted by Telia Company’s operations include, but may not be limited to the following:

| Strategic and emerging risks | | |
|---|---|--|
| Risk | Description | Mitigating activities |
| Investments in business transformation and future growth | <p>Telia Company is currently investing in business transformation, improving agility and flexibility, reducing cost and complexity to increase competitiveness, customer attractiveness and financial performance. We are also investing to grow both in the connectivity business, media as well as working more with more partners in adjacent business in order to better meet evolving customer needs. Transformation and growth initiatives success is dependent on complex project interdependencies, delivery of suppliers and partners, internal capability shifts and competitor reactions as well as the dynamics of fast shifting customer behavior. Connectivity business growth is also dependent on regulation as well as outcome and prices in spectrum auctions.</p> <p>Potential impact Failure in business transformation and growth initiatives will defer revenue upside from customer gains and preference, as well as delay the efficiency gains from transformed operations. Regulatory changes can have a direct impact on revenues, as well as parts of our cost base, including spectrum costs.</p> | <ul style="list-style-type: none"> • Cost savings and business transformation programs with structured objectives and measures to ensure execution • Partnering capability expansion in both B2B and B2C • Close monitoring of regulation |

Strategic and emerging risks

| Risk | Description | Mitigating activities |
|--|--|---|
| Emerging markets | <p>In September 2015, Telia Company announced its decision to reduce the presence in, and over time leave, region Eurasia where significant investments had been made. Telia Company had also made significant investments in Russia and Turkey. The nature of these markets, including potential government intervention, combined with the fact that Telia Company's assets are not fully owned makes the complexity of these disposal processes high. Further, undertakings and obligations in various shareholder agreements, reputational issues regarding the assets and fewer potential buyers than in more mature markets add additional complexity to the disposal process.</p> <p>Potential impact Developments or weakening of the local economies or currencies have previously had a material effect on Telia Company's results of operations. In Turkey Telia Company has made significant investments in the associated company Turkcell. Turkey has previously experienced significant financial turbulence with material decreased value of the Turkish lira as a consequence. The potential impact of this specific risk has decreased substantially as Telia Company in all material aspects has left the above described markets.</p> | <ul style="list-style-type: none"> • The disposal process was finalized during 2020 as an agreement to divest Moldova was signed in February 2020. This has significantly reduced this risk • In October 2020, Telia Company also completed the divestment of the associated company Turkcell • Efforts to ensure tax, legal and regulatory compliance at local level, with compliance oversight at regional and group level |
| Ability to recruit and retain skilled employees | <p>People are at the core of everything we do at Telia Company and their talents enable us to execute on our strategy. The demand and competition for talents in the ICT area is getting increasingly tougher. In order to secure the right talent Telia Company needs to attract, recruit, and retain highly skilled employees.</p> <p>Potential impact Failure to recruit, develop and retain necessary skilled employees may impact the ability to develop new or high growth business areas and thereby deliver on the strategy.</p> | <ul style="list-style-type: none"> • Attract talents through strong and targeted employer branding • An efficient global recruitment process and ability to build sustainable people pipelines • Providing internal growth, reskilling and upskilling offerings • Continuous improvements and activities resulting from follow-up of yearly employee survey • Performance and Talent Management processes to develop and retain critical competencies and talents for the future |

| Financial risks | | |
|--|--|--|
| Risk | Description | Mitigating activities |
| Associated companies and joint operations | <p>Telia Company conducts some of its activities through associated companies, the major one being Turkcell in Turkey. On June 17, 2020 Telia Company announced it had agreed to sell its 47.1 percent holding in Turkcell Holding, which owns 51.0 percent in the listed company Turkcell Iletisim Hizmetleri, to the state owned Turkey Wealth Fund for USD 530 million. The transaction was closed on October 22, 2020.</p> <p>Telia Company also has holdings in LMT and Tet, the leading Latvian mobile and fixed operators. In turn, our associated companies have holdings in numerous other companies. Under the governing documents for certain of these associated companies, Telia Company's partners share control of key matters such as the approval of business plans and budgets, and decisions regarding timing of payments of decided dividends, as well as protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder related matters.</p> <p>The risk of actions outside Telia Company's or its associated companies' control and adverse to their interests is inherent in associated companies and jointly controlled entities.</p> <p>Potential impact The financial performance of these associated companies may have a significant impact on Telia Company's short and long-term results.</p> | <ul style="list-style-type: none"> • Monitoring of the associated companies' performance • Active board work in our associated companies, driving issues of key importance to Telia Company |
| Impairment losses and restructuring charges | <p>Factors generally affecting the markets Telia is operating in as well as changes in the economic, regulatory, business or political and societal environment may negatively change management's expectation of future cash flows attributable to certain assets. Telia Company may then be required to recognize asset impairment losses, including but not limited to goodwill and fair value adjustments recorded in connection with historical or future acquisitions.</p> <p>Potential impact Significant adverse changes in the economic, regulatory, business or political and societal environment, as well as in Telia Company's business plans, may affect Telia Company's financial position, and results of operations, impairment losses, restructuring charges, which may adversely affect Telia Company's ability to pay dividends.</p> | <ul style="list-style-type: none"> • Management constantly reviews and refines the business plans, and may make exit decisions or take other actions in order to effectively execute on business strategy |
| Competition and price pressure | <p>Our industry is undergoing an historical transformation and is subject to new and substantially increasing competition, also from new type of competitors including e.g. hyperscalers in the entertainment business, communications business and ICT. In addition there is a continued price pressure on services.</p> <p>Potential impact Failure to anticipate and respond to industry dynamics, and to drive a change agenda to meet mature and developing demands in the marketplace, may affect Telia Company's customer relationships, service offerings and position in the value chain. Competition from a variety of sources, including current market participants, new entrants and new products and services, may also adversely affect Telia Company's results.</p> | <ul style="list-style-type: none"> • Actively monitor changes in customer and market behavior to create and execute mitigation plans • Business transformation programs and new business initiatives in line with our business strategy • Continuously exploring opportunities close to our core services to create new revenues and broaden customer relationships |

For information on management of capital and credit, liquidity, currency, interest rate and refinancing risks as well as insurable risks, see Note C27. Pension obligation risks are described in Note C22.

Operational and societal risks

| Risk | Description | Mitigating activities |
|-------------------------------------|--|--|
| COVID-19 | <p>The outbreak of COVID-19 has an impact on Telia Company and its operations. Telia Company operates networks and services that are critical to society and our customers. Also, the need for reliable and high-speed networks to support working from home has increased during the pandemic. Telia Company is also highly dependent on a reliable supply chain to secure planned infrastructure development and a supply spare parts.</p> <p>Potential impact People's safety is key, and a majority of employees is working from home except for employees in business-critical functions. Ensuring business continuity, even with an increased number of employees on sick leave, is a prioritized task and is being mitigated. The increased need for network capacity in society, in general, may lead to service disruptions and a degradation in service quality. COVID-19's impacts on the global transportation and production systems put further strain on our supply chain which may have an impact on planned infrastructure deliveries and supply of spare parts. Current restrictions in society result in declining revenues (e.g. roaming) and the overall decline in the economy may lead to a negative impact on service revenues as well as increased credit losses, or even bankruptcies, leading to financial loss.</p> | <ul style="list-style-type: none"> • Strict travel and meeting restrictions implemented • Strengthened workplace safety procedures have been implemented including increased cleaning, social distancing, availability of hand sanitizer, etc • Majority of employees working from home • Contingency plans for critical functions and services in place to handle a situation if the business has to be run with a minimal staffing • Risk assessments and preparation of contingency plans to ensure supply of goods and services from key suppliers • Increased follow-up of key business KPI's to early mitigate the negative impact on financials • Organized and coordinated allocation of office staff in line with recommendations from local authorities |
| Security and network quality | <p>Telia Company's ability to deliver high-quality, secure services and networks is fundamental to our customers and critical for our commercial success. Cyberattacks aimed directly at Telia Company and our customers are becoming more sophisticated and threaten the loss of data or damage to our equipment or infrastructure.</p> <p>Potential impact Failure to meet our customers' quality requirements and expectations may have an adverse impact on customer retention and may also result in missed opportunities to grow and stay ahead of our competition. If our protective measures fail to prevent or contain a major continuity or security incident we might incur regulatory fines, contract penalties, significant financial loss, damage to our reputation and loss of market share.</p> | <ul style="list-style-type: none"> • Execution on the security strategy ensuring that the security of Telia Company maintains pace with the changes around us • Further investments in security skills, technology and processes to prevent, detect and monitor the different threat surfaces • Improvements made to operational processes, ensuring customer and authorities' security requirements are fulfilled • Strengthen security awareness and security culture • Group-wide crisis management organizations were put to test during 2020, due to COVID-19. Safeguarding our people, securing our workplaces safety, and keeping our services available to customers |

| Operational and societal risks | | |
|---|--|---|
| Risk | Description | Mitigating activities |
| Customer privacy | <p>Ensuring the privacy and security of our customers' data is vital for our business. Vast amounts of data are generated in and through Telia Company's services and networks and we have a responsibility to protect this data from misuse, loss, unauthorized disclosure or damage. New ways of connecting as well as data-driven business models increase the complexity of understanding and retaining control over how data is collected and used.</p> <p>Potential impact Actual or perceived issues related to network integrity, data security and customer privacy may violate users' privacy rights and lead to an unfavorable reputation of how Telia Company handles these matters, which in turn may impact business. Failing to meet national and EU legislation may cause significant financial penalties.</p> | <ul style="list-style-type: none"> • Continuous compliance reviews of GDPR implementation • Ongoing implementation of common tools and processes to further improve quality and control of compliance with customer privacy requirements • Strengthen the organization and mandate for Data Privacy Officers (DPO) and others in the customer privacy organization • Mandatory training on data security and privacy awareness for all employees |
| Freedom of expression and surveillance privacy | <p>Risks associated with freedom of expression and surveillance privacy of users pose significant challenges to the telecommunications industry. Authorities might make requests without legal reason, or without clear legal reason. Telecommunications companies risk becoming complicit in violations involving extensive or problematic government requests. Telia Company may be legally required to comply and, like other operators, only has limited possibility to investigate, challenge or reject such often strictly confidential requests.</p> <p>Potential impact Actual failure in respecting freedom of expression and surveillance privacy may harm rights holders. Actual or perceived failure may also damage the reputation of Telia Company, leading to loss of customer trust, exclusion from procurement or institutional investments. Network shutdowns and blocking limit business, which may negatively affect revenue.</p> | <ul style="list-style-type: none"> • Structured process for assessments and escalation of government requests, including defining "points of challenge" to potentially limit harm • Build leverage together with peer companies and multi-stakeholder organization Global Network Initiative (GNI) to influence national laws and regulations • Transparency reporting (Law Enforcement Disclosure Reports) on statistics of day-to-day conventional authority requests and of unconventional requests |
| Protection of children | <p>Children and young people are active users of Telia Company's services. Children are particularly vulnerable to online threats such as cyber bullying, grooming and inappropriate content. Telia Company's services may be used for distributing or accessing child sexual abuse material (CSAM).</p> <p>Potential impact Telia Company may cause, contribute or be linked to violations of children's rights, if products and services offered by the company or its partners, as well as network filters, are not properly designed and assessed. This may result in physical, emotional or psychological harm to children. Actual or perceived failure to create a safe online experience for children and young people may also negatively affect brand reputation, in turn potentially incurring loss of business.</p> | <ul style="list-style-type: none"> • Continuous assessment of impact on children's rights in relevant business activities such as marketing and product development • Blocking CSAM, and implementing systems for detecting and reporting CSAM in internal IT systems • Collaboration in industry initiatives on topics like best practice and effective policy measures • Understanding children's perspectives on online life through a Children's Advisory Panel (CAP) |

Operational and societal risks

| Risk | Description | Mitigating activities |
|---|---|--|
| <p>Corruption and unethical business practices</p> | <p>The telecommunications industry is particularly susceptible to a range of corrupt practices as it requires government approvals and necessitates large investments. In general, key areas where the threat of corruption is significant include the licensing process, market regulation and price setting, the supply chain, third-party management and customer relations. Mergers and acquisitions may pose risks of corruption, fraud and unethical business practices and require extensive buyer/seller due diligence.</p> <p>Some of the countries in which Telia Company operates, mainly through Telia Carrier, are ranked by Transparency International's Corruption Perceptions Index as having high levels of corruption risk. In Telia Company's core markets in the Nordics and Baltics, the corruption risk is considered low or medium.</p> <p>Potential impact Actual or perceived corruption or unethical business practices may damage the reputation of Telia Company. Actual corrupt activity may result in loss of trust and customers, financial penalties and debarment from procurement and institutional investment processes. Fraud may significantly impact financial results. As corruption is often a barrier for human rights and equal opportunities, actual corruption or fraud may lead to Telia Company being associated with human rights violations.</p> | <ul style="list-style-type: none"> • Anti-bribery and corruption (ABC) program implemented in all parts of the organization • Continuous development and testing of ABC-related controls, including implementation of measures to improve automatic controls • Due diligence and handover plans covering e.g. third-party due diligence, as part of mergers and acquisitions. • Education and communication efforts on ABC to targeted employees, specifically to high-risk roles and newly acquired businesses |
| <p>Responsible sourcing</p> | <p>Telia Company relies on a vast number of suppliers and subcontractors, many of which are located in countries or industries with challenges in upholding ethical business practices, human and labor rights, health and safety and environmental protection. Despite efforts to conduct due diligence and audits, suppliers and subcontractors may be in violation of Telia Company's supplier requirements and/or national and international laws, regulations and conventions. Certain suppliers have access to sensitive information such as personal data related to Telia Company's customers, which increases risks related to security and privacy.</p> <p>Potential impact Failure of Telia Company's suppliers to adhere to relevant laws, regulations and supplier requirements may risk or violate the rights of their employees' or subcontractors' human and labor rights. Such failure or perceived failure may also damage customers' or other stakeholders' reputation of Telia Company. Violations of laws, regulations or supplier requirements put suppliers and subcontractors at risk of needing to limit or terminate their operations, which may negatively affect how Telia Company is able to deliver its services. Severe violations of such requirements, or disruptions to supplier due diligence or operations caused by restrictions, may lead to Telia Company needing to seek new suppliers which could negatively impact sourcing costs or delivery times.</p> | <ul style="list-style-type: none"> • The Supplier code of conduct, which stipulates Telia Company's expectations on sustainable business practices, is included in all supplier contracts. In addition, the Supplier security directive is included in contracts where suppliers handle sensitive information • A standardized risk-based supplier due diligence process implemented and performed prior to signing new or renewed contracts • Continuous monitoring through recurring due diligence of high-risk suppliers • On-site and off-site audits by Telia Company or through the industry collaboration Joint Audit Cooperation (JAC) |

Operational and societal risks

| Risk | Description | Mitigating activities |
|--------------------|--|---|
| Environment | <p>Telia Company’s operations and value chain generate negative environmental impacts, in particular greenhouse gas (GHG) emissions and electronic waste (e-waste). The vast majority of GHG emissions are generated in the supply chain, while e-waste is primarily associated with end of life of the mobile devices, routers, network equipment etc.</p> <p>We see increasing requirements and expectations from customers, policy makers, investors and others to manage these negative impacts. There is increasing regulatory and self-regulatory pressure on both national and EU level on areas such as energy efficiency in data centers and extending the lifetime of electronic devices.</p> <p>Telecommunications and IT services are becoming increasingly vital for society to function. Climate change increases the likelihood and duration of extreme weather events such as heat waves and thunderstorms which may cause severe disruptions to telecommunications and IT services.</p> <p>Potential impact Failure to meet stakeholders’ requirements or expectations may lead to reputational loss, loss of business or limit access to “green capital”. Increasing electricity prices, availability of renewable energy certificates or carbon taxation could increase operational costs. More extreme weather may drive the need for additional investments in cooling and resilient infrastructure. Failure to implement circular business models such as leasing programs for consumer electronics (such as mobile phones and routers) and re-use of network equipment may lead to lost opportunities for cost savings and additional revenue.</p> | <ul style="list-style-type: none"> • Ambitious short, mid and long-term GHG emissions and waste-related goals, such as Science Based Targets • 100 percent renewable electricity use and carbon offsetting • ISO 14001 environmental management system certification • Device leasing offerings and programs for buy-back, re-use and recycling of consumer electronics and network equipment • Stringent supplier requirements, and implementation of a model for evaluating suppliers’ GHG emissions performance • Expand the scope of network planning and business continuity processes to factor in the risk for extreme weather |

To assess and manage climate-related risks, we are implementing the TCFD recommendations. For more information on identified transition and physical risks as well as mitigating activities, see Note S5 to the Sustainability Notes.

Legal and regulatory risks

| Risk | Description | Mitigating activities |
|--------------------------------|---|---|
| Regulation and licenses | <p>Telia Company operates in a highly regulated industry, and regulations impose significant limits on Telia Company’s flexibility to manage its business. In a number of countries, Telia Company entities are designated as a party with significant market power in one or several telecom submarkets. As a result, Telia Company is required to provide certain services on regulated terms and prices, which may differ from the terms on which it would otherwise have provided those services. Effects from regulatory intervention may be both retroactive and prospective.</p> <p>Potential impact Changes in regulation affecting Telia Company’s business activities, as well as decisions by regulatory authorities or courts, including granting or amending telecom licenses and spectrum permits and increasing national security requirements, may affect Telia Company’s possibility of carrying out business and subsequently results of operations.</p> | <ul style="list-style-type: none"> • Proactive work towards regulators when they are evaluative how to apply submarket intervention and remedies |



CORPORATE GOVERNANCE STATEMENT

STATEMENT OF MATERIALITY AND SIGNIFICANT AUDIENCES

Telia Company AB is registered in Sweden and is bound by the Swedish Companies Act (2005:551). The Act requires the Board of Directors to govern the company in a way that is profitable and creates value for its shareholders. It is Telia Company's firm belief that integrating sustainable and responsible business practices in all aspects of business and strategy is a prerequisite for sustainable growth and profitability, which in turn creates long-term value for shareholders and supports sustainable development.

Telia Company plays a vital role in tackling current and future societal and environmental challenges; challenges which in turn increasingly define the playing field for economies of all scales. The company also has an obligation to manage risks and negative impacts. Therefore, Telia Company has adopted a stakeholder-based approach to sustainability. The approach is based on continuous engagement with key stakeholder groups to identify, understand and manage the most material current and future impacts on its stakeholders, society and the environment. These material impacts guide how Telia Company operates and are reflected in the commitment to make a substantial contribution towards reaching the UN Sustainable Development Goals. Telia Company regularly monitors and discloses progress through this combined Annual and Sustainability Report.

Significant stakeholder groups are defined as:

- Consumers
- Business customers
- Employees
- Shareholders and investors
- Suppliers and partners
- Society

Telia Company is committed to a number of international guidelines and initiatives related to anti-corruption, environmental responsibility, human rights and labor rights, including:

- The UN Universal Declaration of Human Rights
- The core conventions of the International Labour Organization (ILO)
- The OECD Guidelines for Multinational Enterprises
- The UN Global Compact
- The UN Guiding Principles on Business and Human Rights
- The Children's Rights and Business Principles

These guidelines form the foundation of the Code of Responsible Business Conduct which is approved by the Board. The requirements set by the Code, which go beyond legal compliance and apply to all employees, lay out how to engage with stakeholders in a way that ensures the highest degree of ethical business practices and behavior.

CORPORATE GOVERNANCE

This Corporate Governance Statement was adopted by the Board at its meeting on March 10, 2021. It was prepared according to the Swedish Corporate Governance Code and the Swedish Annual Reports Act and has been examined by the external auditors. The Statement presents an overview of Telia Company's corporate governance model and includes the Board's description of the internal control environment and risk management regarding financial reporting.

It is the opinion of the Board that Telia Company in all respects complied with the Swedish Corporate Governance Code during 2020. Further, there was no infringement of applicable stock exchange rules and no breach of good practice on the securities market reported by the Nasdaq Stockholm Disciplinary Committee or the Swedish Securities Council.

Updated information required by the Swedish Corporate Governance Code is available at <https://www.teliacompany.com/en/about-the-company/corporate-governance/> (Information on the Telia Company website does not form part of this Statement)

GOVERNING BODIES

Telia Company's main governing bodies are:

- The Shareholders at the General Meeting
- The Board of Directors
- The Chief Executive Officer (CEO), assisted by Group Executive Management

SHAREHOLDERS

Telia Company is a Swedish public limited liability company and is bound by the Swedish Companies Act, the Nordic Main Market Rulebook for Issuers of Shares, the Swedish Corporate Governance Code and the company's Articles of Association as well as other relevant Swedish and foreign laws and regulations. The General Meeting is the company's highest decision-making forum where the owners exercise their shareholder power.

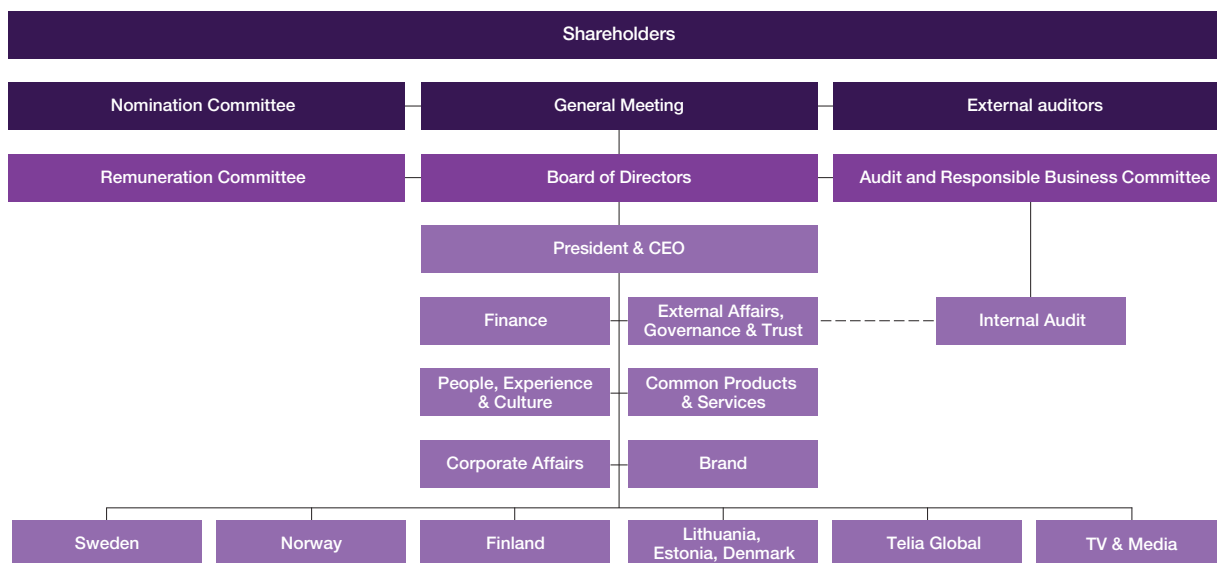
For further information see Swedish Companies Act (2005:551), Annual Reports Act (1995:1554), Securities Market Act (2007:528) at www.riksdagen.se/en, www.government.se – Nasdaq Stockholm (issuer rules and surveillance) at www.nasdaq.com/solutions/rules-regulations-stockholm – Swedish Corporate Governance Code and specific features of Swedish corporate governance at www.corporategovernanceboard.se

Telia Company has one type of shares. Each share represents one vote at the General Meeting. As of December 31, 2020, Telia Company had 490,434 shareholders.

The Swedish State is the largest shareholder, owning 39.5 percent of the total shares at year-end 2020. For companies with State ownership, the Swedish Government has issued an ownership policy, which sets forth requirements related to, inter alia, responsible business, diversity and gender balance. In companies where the State does not have majority ownership, the State acts in dialogue with other owners to promote the application of the policy.

The Telia Company share is listed on Nasdaq Stockholm and Nasdaq Helsinki. For more information on the Telia Company share and the shareholder structure, see the Board of Directors' Report.

TELIA COMPANY'S GOVERNING BODIES AS FROM MARCH 10, 2021



Annual General Meeting 2020

The Annual General Meeting 2020 was held in Stockholm on April 12, 2020, and decided, among other things, on the following:

- Approval of the income statement and balance sheet
- Discharged the board members and CEO from liability
- Election of board members
- Election of auditors
- Election of the Nomination Committee
- Appropriation of earnings
- Remuneration guidelines for Group Executive Management
- Long-term incentive program for key employees and transfer of own shares
- Authorization for the Board to decide on repurchase of the company's own shares, within certain limits, and transfer of the same shares
- Reduction of the share capital by way of cancellation of own shares and increase of the share capital by way of bonus issue

Extraordinary General Meeting 2020

An Extraordinary general meeting 2020 was held on December 2, 2020. The meeting, that was held as a postal voting meeting only in accordance with temporary legislation, decided on an extraordinary dividend of SEK 0.65 per share, in accordance with the Board's proposal.

Telia Company's Articles of Association are available at <https://www.teliacompany.com/en/about-the-company/corporate-governance/articles-of-association/> and AGM and EGM minutes and related documents at www.teliacompany.com/en/investors/annual-general-meeting/ (Information on the Telia Company website does not form part of this Statement)

NOMINATION COMMITTEE

Telia Company's Nomination Committee shall consist of representatives of the four largest shareholders in terms of votes at the turn of the month that occurs closest to 30 days before the notice of the Annual General Meeting is issued and who also wish to participate in the nomination process. The Nomination Committee presently consists of:

- Daniel Kristiansson, Chair (the Swedish State)
- Jan Andersson (Swedbank Robur Funds)
- Lilian Fossum Biner (Handelsbanken Funds)
- Javiera Ragnartz (SEB Funds)

The Annual General Meeting 2020 has adopted instructions for the work of the nomination committee, which includes to:

- Propose the number of board members elected by the Annual General Meeting
- Nominate the Chair, the Vice-Chair and other board members
- Propose the board remuneration that is divided among the Chair, the Vice-Chair and other board members, and remuneration for serving on committees
- Nominate the Chair of the Annual General Meeting

- Nominate the external auditors and propose remuneration payable to the auditors
- Nominate members of the Nomination Committee until the next Annual General Meeting

The Nomination Committee performs interviews and receives information from the Chair of the Board, other board members, including employee representatives and the CEO on internal work of the Board, Telia Company's position and strategic direction and other relevant circumstances and receives an internally executed written evaluation of the Board. Based on this information, the Nomination Committee assesses the functioning of the Board and the competences needed in the Board as a whole. The Nomination Committee has concluded that competences currently needed are experiences from:

- The telecommunications industry and industries closely related to it
- Digitalization
- Relevant markets
- Consumer-oriented operations and markets
- Sustainability work
- Board work in listed companies
- Media
- Executive leadership
- Transformation and change processes
- Finance

On the basis of the competence needs identified, the Nomination Committee evaluates the competences of the present board members and the aggregated composition of the Board. Taking into account the competences and experiences needed in the future, diversity, including gender as well as professional background of the Board and the competences of present board members, the Nomination Committee nominates board members to the Annual General Meeting.

The Nomination Committee has reported that it complies with the provisions of the Swedish Corporate Governance Code and that it intends to report its activities on the company's website. In its work, the Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy. The Nomination Committee has considered the importance of a well-functioning composition of the Board with diversity and breadth of qualifications, experience and background. The Nomination Committee has specifically discussed gender diversity as part of its efforts to strive for gender balance in the Board and to compose the most competent Board. The Board currently consists of four women and five men.

The Annual General Meeting 2020 resolved to appoint board members in accordance with the Nomination Committee's proposals. The Nomination Committee reviews its instruction annually and as necessary proposes changes thereto to the Annual General Meeting.

Shareholders are welcome to send nomination proposals to the Nomination Committee. Proposals can be sent by e-mail to forslagstill-styrelseledamot@teliacompany.com

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the organization of the company and the administration of the company's affairs. The Board regularly assesses the company's and the group's financial position and ensures that the company is organized so that accounting, management of funds and the company's financial conditions, in general, are controlled in a satisfactory manner.

The tasks of the Board include, among other things, to:

- Establish business objectives and strategy
- Appoint, continuously evaluate and, if required, remove the CEO from office
- Ensure that there are effective systems in place for monitoring and controlling of the company's operations and financial position compared to its stated objectives
- Ensure that there is satisfactory control of the company's compliance with laws and other regulations applicable to the company's operations
- Ensure that policies to govern the company's ethical conduct are adopted
- Ensure that the company's external disclosure of information is marked by openness and is correct, relevant and reliable, by way of, among other things, adopting a communication policy

Instructions for the work of the Board are set forth in its rules of procedure, which are reviewed and adopted annually. The rules of procedure set out the number of ordinary board meetings, agenda items and matters to be addressed at ordinary board meetings, the duties of the Chair of the Board and the allocation of responsibilities between the Board and the CEO, including the CEO's reporting to the Board. It also includes instructions for the work in Board Committees, inter alia, stipulating the Committees' duties, the number of Committee meetings, matters to be addressed at the meetings and reporting to the Board.

Members and independence

The Board consists of nine members elected by the Annual General Meeting, serving one-year terms, and three employee representatives (with three deputies) from the Swedish operations. Lars-Johan Jarnheimer is the Chair of the Board. The other board members, elected by the Annual General Meeting 2020, are Ingrid Bonde (Vice-Chair), Rickard Gustafson, Jeanette Jäger, Nina Linander, Jimmy Maymann, Anna Settman, Olaf Swantee and Martin Tivéus. Olli-Pekka Kallasvuo left the Board in April 2020.

In accordance with the guidelines of the Swedish Corporate Governance Code, all board members elected by the General Meeting are considered independent in relation to the company, to the Group Executive Management of the company and to major shareholders.

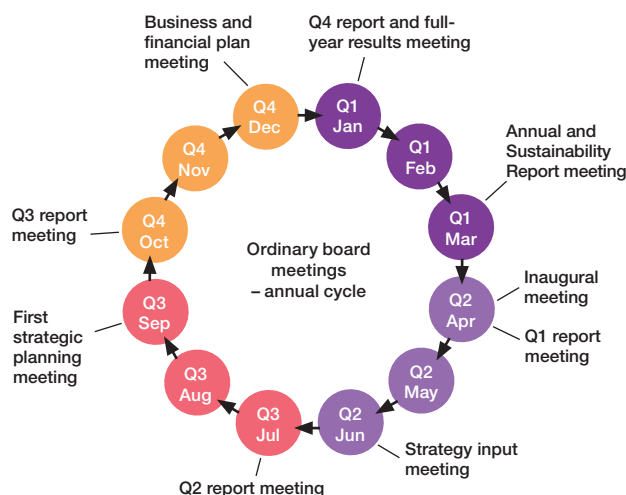
The board members are presented in more detail, including meeting attendance, remuneration and holdings of Telia Company shares, at the end of this Statement.

Annual work cycle

The work of the Board follows an annual cycle, enabling the Board to appropriately address each of its duties and to keep strategic issues, risk assessment and value creation high up on the agenda.

Board meetings are normally held in Solna, Sweden, but the Board's ambition is to hold at least one meeting elsewhere to be able to discuss local issues more deeply, make specific site visits, etc.

THE BOARD'S ANNUAL WORK CYCLE



Board meetings

The annual board cycle starts and ends at the Annual General Meeting. During the year approximately seven ordinary meetings are held, including the inaugural meeting and a two-day strategy meeting. The meetings address, among other things:

- Approval of financial reports and the Annual and Sustainability Report
- Review and assessment of financial forecasts, investments, business plans and sustainability activities
- Budget review and approval
- Strategy review and evaluation
- Review and approval of key policies as well as governance documents
- Dividend proposal
- Issues that shall be referred to the Board, in accordance with, i.e. laws and governance documents
- Self-assessment of board work and board members
- Target setting
- Risk reports
- Performance review of the CEO
- Organization and management issues
- Discussion with the auditor of the group without the presence of the CEO or Group Executive Management

Board work in 2020

In 2020, the Board held nine (9) ordinary meetings (whereof one inaugural meeting) and three (3) extra meetings. Due to COVID-restrictions, the meetings moved to digital during the course of 2020. In addition to following up on the day-to-day business of the group, the Board paid special attention to:

- Strategic options, with specific review of the changing business environment in the telecom industry
- Follow-up of major strategic initiatives within the business operations
- Follow-up on the integration work related to the Bonnier Broadcasting acquisition
- Strategic 5G partnerships and launch of the 5G network throughout the footprint
- Operating model and organizational issues, including the enrollment of the new operating model
- Review of the overall sustainability risks for the group
- Appointment of Allison Kirkby as the President and CEO of Telia Company
- COVID-19 related issues
- Monitoring and expiration of the global settlement agreement with the US Department of Justice
- Developments in Turkcell in Turkey, until divestment
- M&A activities including divestment of Telia Carrier, Roshan, Turkcell Holding and Moldcell
- Review of efficiency initiatives and cost-reduction programs
- Regulatory developments in the telecom industry
- Potential acquisitions and joint ventures
- Investments in telecom licenses and spectrum permits
- Follow-up of CAPEX, in particular, related to network investments
- Capital structure of the group, including to not execute remaining SEK 5 billion of the buy-back program and issuing of a green hybrid bond of EUR 500 million and a bond of EUR 500 million in a 10-year deal maturing in November 2030 under its existing EUR 12 billion EMTN (Euro Medium Term Note) program.
- Human resources related issues, in particular, succession planning and performance management

Further, the Board evaluated its internal work during 2020 and the result was reported to the Nomination Committee.

Board Committees

To improve board work efficiency, the Board has appointed a Remuneration Committee and an Audit and Responsible Business Committee. The Committees prepare recommendations for the Board and make proposals on matters that require the Board's approval. The Committees also continuously give reports to the Board in relation to its work.

ORGANIZATION OF THE BOARD



Remuneration Committee

The Remuneration Committee, among other things, assists the Board by preparing proposals on remuneration and monitor and evaluate on a regular basis the structures and levels of remuneration for the CEO and other members of the Group Executive Management.

Audit and Responsible Business Committee

The Audit and Responsible Business committee assists, among other things, the Board in fulfilling its responsibility in relation to financial reporting, internal control, internal and external audit, enterprise risk management and the company's process for monitoring compliance with laws and regulations (including laws and regulations within financial reporting, accounting standards and other requirements for listed companies) as well as monitoring the company's assurance of key risks and mitigating controls.

Remuneration Committee work in 2020

Lars-Johan Jarnheimer is the Chair of the Remuneration Committee. Olli-Pekka Kallasvuo left the Committee in April 2020. In 2020, the Committee held three (3) meetings. Its work included, among other things:

- Guidelines for remuneration and evaluation of remuneration policies and programs as well as to prepare a remuneration report
- Variable pay and long-term incentive programs
- Succession planning and talent management
- Performance management
- Remuneration to the CEO and Group Executive Management
- Approval of recruitments of officers at senior management level

Audit and Responsible Business Committee work in 2020

Nina Linander is the Chair of the Audit and Responsible Business Committee. Ingrid Bonde joined as a member of the Committee in April 2020, replacing Lars-Johan Jarnheimer. In 2020, the Committee held seven (7) meetings. Its work included, among other things:

- Supervise and review the company's financial reporting process and procedures for financial information and annual accounts

- Review and approval of accounting principles pertaining to financial reporting
- Review of annual accounts, the Board's Report, the Corporate Governance Statement and the reporting within the sustainability area
- Review of assessments concerning asset valuation, treasury and operational risks (including assessment of, and actions taken in response to, whistle-blower reports)
- Monitor the financial statements and interim reports and give recommendations and proposals to ensure accurate reporting
- Monitor the efficiency of the internal control and risk management systems with respect to financial reporting
- Review of risks and risk management issues to be presented in the Annual and Sustainability Report and financial statements
- With regards to the external auditors: Monitor and review the audit of the financial statements and follow-up of recommended actions, review and approval of audit plans, review impartiality, independence and performance of the external auditors and submit recommendation on the election of the external auditors as well as closed sessions with external auditors without management present
- With regards to the internal auditors: Review and approval of the internal audit charter and internal audit plan, review of audit reports and the follow-up process of monitoring the implementation, review of the performance of Internal Audit and closed sessions with Head of Internal Audit without management present
- With regards to GREC (Governance, Risks, Ethics & Compliance): Review of the company's risk appetite, review the enterprise risk management system, review of the risk portfolio and its development, review of the Ethics & Compliance program and investigations regarding speak up cases, monitor the company's assurance of key risks and mitigating controls and closed session with Chief Ethics & Compliance Officer without management present

The Remuneration Committee and the Audit and Responsible Business Committee evaluated its internal work during 2020 by self-assessment.

CEO AND GROUP EXECUTIVE MANAGEMENT

The CEO is responsible for the company's business development and leads and coordinates the day-to-day operations in accordance with the Board's instructions for the CEO and other decisions made by the Board.

Headed by the CEO, the Group Executive Management comprises of the CEO, CFO, Chief Operating Officer, General Counsel and Head of Corporate Affairs, Head of Group People and Brand, Chief of Strategy/Innovation and Head of Global Business, Chief External Affairs, Governance and Trust Officer, CEO of Telia Sweden, CEO of Telia Norway, CEO of Telia Finland, Head of Lithuania, Estonia and Denmark and Head of TV and Media.

As from March 10, 2021 The Group Executive Management comprises of the CEO, CFO, Chief Operating Officer,

General Counsel and Head of Corporate Affairs, Head of People Experience and Culture, Chief Strategy and Commercial Officer and Head of Telia Global, Chief External Affairs, Governance and Trust Officer, Head of Brand, CEO of Telia Sweden, CEO of Telia Norway, CEO of Telia Finland, Head of Lithuania, Estonia and Denmark and Head of TV and Media.

Group Executive Management meets monthly and the meetings are devoted to follow-up on strategic and business performance, major change programs, risks and other issues of strategic nature and group-wide importance.

Allison Kirkby is, since May 2020, the President and CEO of Telia Company. Before that Christian Luiga was the acting President and CEO. The members of Group Executive Management are presented in more detail, including remuneration and holdings of Telia Company shares, at the end of this Statement.

GROUP-WIDE GOVERNANCE FRAMEWORK

Telia Company's group-wide governance framework is approved by the Board. Its purpose is to ensure that operational results correspond to decisions made, and is structured to encourage all employees to strive, within set boundaries, towards the same goals, with a common clear understanding of the group's purpose, values, roles, responsibilities and authority to act.

GROUP-WIDE GOVERNANCE FRAMEWORK

1 Deciding what we shall achieve

- Purpose
- Strategic priorities
- Operational and financial targets



2 Setting the boundaries for how we act

- Set of values
- Code of responsible business conduct
- Sustainability work governance
- Policy framework
- Organization
- Delegation of obligations and authority



3 Follow-up of our performance

- Business reviews
- Risk and compliance reviews
- Individual performance management – YouFirst

Deciding what we shall achieve

In order to provide overall guidance to the employees, the Board has approved a purpose statement: "Bringing the world closer." By January 29th 2021 a new purpose statement "Reinvent a better connected living" was launched together with an updated strategy. The Board has adopted the strategy, setting more specific directions for the coming years as well as yearly operational and financial targets.

Operational and financial targets are set for the group as a whole and for each country and business unit. Read more about the strategy in Our company.

Setting the boundaries for how we act

The Board and Group Executive Management set the boundaries for how the employees shall act. Telia Company's values – "Dare, Care and Simplify" – are the compass for how to act and behave in the daily work. Key elements are Telia Company's values, the Code of Responsible Business Conduct, group policies, group instructions, assurance framework, organizational structure and Delegation of Obligations and Authority.

Sustainability governance

The ultimate responsibility for sustainability oversight lies with the Board which also decides on the overall sustainability direction and policy commitments. Group Executive Management and the Governance, Risk, Ethics & Compliance (GREC) meetings are the primary decision-making forums for sustainability-related topics. Group Executive Management, GREC and the Board receive quarterly updates on sustainability performance covering the sustainability focus areas as well as other relevant topics and performance highlights.

Within Group Executive Management and GREC, the Chief External Affairs, Governance & Trust Officer has the overall responsibility for sustainability-related topics. The Group Head of Sustainability reports to the Chief External Affairs, Governance & Trust Officer and has the overall operational responsibility for sustainability oversight. The Chief Ethics & Compliance Officer reports to the Chief External Affairs, Governance and Trust Officer and leads the Group Ethics & Compliance Office and has operational responsibility and oversight over compliance work and the anti-bribery and corruption program. The Special Investigations Office which is part of the Group Ethics & Compliance Office is responsible for whistle-blowing and speak-up related oversight and together with other functions carries out investigations.

There are also specific coordination and decision-making forums related to the respective sustainability focus areas. Read more in the respective section in the Boards of Directors' Report, section Sustainability. For more information on Telia Company's sustainability work, see Board of Directors' Report, section Sustainability, and the Sustainability Notes.

Code of Responsible Business Conduct

The Code of Responsible Business Conduct, issued by the Board, provides high-level guidance on the framework of policies and instructions. It helps creating a Telia way of doing by defining a common ethical compass, setting clear standards and expectations on how to act and helps in recognizing that doing business with integrity is a shared responsibility. The different chapters of the Code reflect the group policies and group instructions and they provide practical and instructional information with reference to where to find more information. The Code applies to everyone at Telia Company – employees, directors, members

of the boards, contractors, consultants and free-lancers. The Code is made accessible for all internal and external stakeholders.

The Code of Responsible Business Conduct is reviewed on an annual basis to establish if revisions are necessary. The review is led by Group Ethics & Compliance in collaboration with appropriate subject matter experts.

Policy framework

The policy framework consists of the governance documents group policies, group instructions and the document "Policy framework description and General Principles for Governance Documents".

The heads of group functions secure that necessary group policies and group instructions are issued within their respective area of responsibility. All group policies and group instructions are binding for all entities in which Telia Company has management responsibility.

Group policies are approved by the Board, at least on an annual basis, after being reviewed at a Group GREC or Group Executive Management meeting. The Board has delegated to the CEO to issue instructions for more detailed governance in areas of overall importance for the operations. Group instructions are reviewed, and updated if considered necessary, annually and approved by the CEO or the head of the relevant group function, also after being reviewed at a Group GREC or Group Executive Management meeting.

All group policies and group instructions are stored and published in a common database available to all employees and certain categories of contingent workers. Group policies are listed below.

Group policies are publicly available at: www.teliacompany.com/en/about-the-company/public-policy (Information on the Telia Company website does not form part of this Statement)

Organization – country based and group functions

For management purposes, the Group is divided into Countries and Group Functions. Group Functions are responsible for driving developments within their respective areas to ensure efficiency and cross-border synergies. All Countries and Group Functions work in close cooperation with each other, providing advice and guidance in order to maintain high technical and commercial skills, ensure good management and regulatory compliance, use of economies of scale, as well as achieve a business that is sustainable in the long term.

During 2019, a new operating model was implemented across Telia Company with the purpose of further driving scalability, efficiency and consolidation across the company through the introduction of common product areas, as well as common technology and delivery capabilities. As of January 1, 2020, all six countries – Sweden, Finland, Norway, Denmark, Estonia and Lithuania – have been onboarded to the new operating model.

Business Area TV and Media was formed after Telia Company's acquisition of Bonnier Broadcasting, including TV4, C More and Finnish MTV in Q4 2019. This business

GROUP POLICIES

| Group policy | Description |
|--|---|
| Anti-Bribery and Corruption | To set the standards for ethical business practices throughout the operations. |
| Communication | To ensure that all communication of the group is accurate and provided in a professional and timely manner. |
| Electromagnetic fields | To ensure that Telia Company fulfils its commitments to take an earnest approach to electromagnetic fields (EMF). |
| Enterprise risk management | To describe the enterprise risk management framework. |
| Environment | To ensure that we proactively manage environmental impacts throughout the full lifecycle of delivering our products and services. |
| Financial management | To set the rules for managing financial risks and for counterparty credit ratings. |
| Freedom of expression and surveillance privacy | To define our commitments in relation to requests or demands with potentially serious impacts on freedom of expression and surveillance privacy. |
| Inside information and Insider trading | To ensure a high standard of ethical behavior towards the capital markets by defining trading and reporting rules. |
| Human rights | To respect and support human rights, to avoid complicity in human rights abuse and violations and to seek to provide for or cooperate in their remediation. |
| People | To provide our employees with an overview of our company values and expectations in relation to people, health, safety and well-being. It gives also employees at all levels the prerequisites to act in line with these values and expectations. |
| Privacy and data protection | To respect and safeguard privacy and data protection by setting high and consistent standards. |
| Quality | To define our commitment to consistently provide products and services with high quality that meet customer needs. |
| Remuneration | To set the strategic direction and clarify the approach on designing and implementing remuneration practices for employees at all levels. |
| Security | To describe the governance as well as control, facilitation and implementation of security measures. |
| Source-to-pay | To provide a single point of reference and direction for sourcing activities and a clear understanding of the sourcing principles. |
| Media Owner Commitments | To define Telia Company's commitments in relation to a free flow of information, freedom of expression, freedom and independence of mass media and an open and democratic society. As media owner, we confirm that all mass media content shall be protected by traditional editorial integrity principles, established journalistic practices and the sovereignty of the responsible publisher pursuant to constitutional law regarding freedom of expression. |

area is a combination of a Business Unit and a Product Area. Business Area TV and Media operations are characterized as mass media operations and protected by the constitutional law on Freedom of Expression. According to the constitution and the Group Policy on Media Owner Commitments, all editorial decisions are solely taken by personnel within the editorial operations which are separate from other parts of Telia Company. The same applies for the professional secrecy of mass media including the confidentiality of sources, the integrity and confidentiality of editorial work and decisions. The Group Policy guarantees that independent publishing is upheld vis-à-vis the owners, board and management of Telia Company.¹⁾

Delegation of Obligations and Authority

The CEO has issued a Delegation of Obligations and Authority (DoA), which defines how the CEO delegates obligations and authority to Group Executive Management and describes its governance principles. The document also

provides general descriptions of obligations and authority and expectations on the Group Executives Management.

Follow-up of our performance

Performance follow-up is essential in order to be able to take corrective measures and plan for the future. Performance follow-up is applied to organizational units as well as on individuals. Individual performance management is described in Board of Directors' Report, section People.

Business reviews

The CEO sets goals for the operations based on the decisions of the Board. To ensure performance, managers have annual targets for their respective operation. The target for each business is followed-up on a monthly basis and complemented with quarterly forecasts.

Business reviews are meetings held on a monthly basis and include financial and operational reviews for the reporting period and forecast period as well as reviewing of risks and operations performance metrics on customer service levels, network quality, etc. The business reviews allow for

1) For more info, see Statement from the Board of Directors on Telia Company's role as a media owner (www.Teliacompany.com)

frequent follow-up of operational key performance indicators (KPIs) on country level. The operational KPIs are a key part of the follow-up and consist of several measurements that give management a good overview of current state and progress over time. The Net Promoter Score (NPS®) framework is used to monitor and improve the customer experience that Telia Company provides.

At the country review meetings, the CEO, CFO, COO, Head of Corporate Control, Head of Investor Relations and selected members of Group Executive Management attend, in addition to the respective country management.

The Board receives reports on operational performance on a monthly basis, and at each ordinary board meeting, the group's operational and financial performance is presented in detail by the CEO and the CFO, respectively. See also section Board of Directors.

Risk and compliance reviews

Governance, Risk, Ethics & Compliance (GREC) committee is the primary governing body for risk and compliance follow-up. For further information, see section Governance, Risk, Ethics & Compliance meetings.

ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

Risks and uncertainties

Operating in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry, Telia Company is subject to a wide variety of risks and uncertainties. Telia Company has defined risk as anything that could have a material adverse effect on the achievement of Telia Company's goals. Risks can be threats, uncertainties or lost opportunities relating to current or future operations or activities.

Risks and uncertainties related to business and sustainability as well as to shareholder issues are described in Directors' Report section Risks and uncertainties and financial risks in Note C27 to the consolidated financial statements.

Risk management – three lines of defense

Telia Company's risk management is a fundamental component of the well-established three-lines of defense model for managing and controlling risks. Risk management is an integral part of the group's operational activities, business planning process and monitoring of business performance. Risks are continuously identified and assessed, and measures are implemented to mitigate and monitor these risks.

The defense-line roles and responsibilities include:

- **First line of defense:** The line organization owns its operational risks and is responsible and accountable for assessing, controlling and mitigating the risks as well as for internal control activities and assurance.
- **Second line of defense:** Comprises the group-level Enterprise Risk Management (ERM) function, the group risk area coordinators, the internal controls function within

Group Finance, the Group Ethics & Compliance Office, the Chief External Affairs, Governance & Trust Officer and the GREC meetings.

- **Third line of defense:** The Group Internal Audit function provides independent and objective assurance and advisory services of governance, risk and internal control.

In addition, external parties, such as the external auditors and regulatory bodies, provide assurance related to specific statutory requirements, e.g. information presented in the consolidated financial statements or reported to the Swedish Financial Supervisory Authority.

The objective of the continuous risk management process is that all risks that may help or hinder the achievement of Telia Company's objectives are regularly assessed, managed and monitored. The risk management process promotes transparency, feasibility and traceability and Telia Company strives to fully integrate risk management into all business processes. Management shall ensure that a personal sense of responsibility and common view on and awareness of risk is established among the employees, as well as facilitate accountability for risks in daily decision making. Risk reporting is integrated into the business planning process and risks shall be reviewed at business reviews and escalated through the line organization.

Management proactively conducts risk and compliance evaluations and assessments, on a regular basis and in a timely manner, in order to ensure that all employees are aware of and take steps to comply with the relevant requirements. Compliance indicates the conformance to external as well as internal requirements, such as:

- Applicable legislation and regulation
- International standards and norms
- Group policies and group instructions

Combined assurance

Telia Company has adopted a combined assurance way of working where the Enterprise Risk Management, Ethics & Compliance and Group Internal Audit communities align planning, executing and reporting assurance activities. Fundamental objectives of Combined Assurance are to ensure that risks are being managed within the company's risk appetite, as well as providing holistic visibility and assurance to the Board, management, regulators and customers.

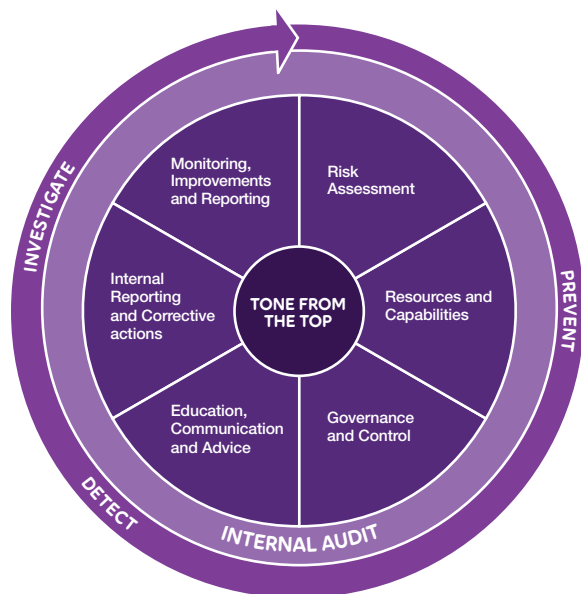
Information gathered through the combined assurance activities is provided to GREC and the Audit and Responsible Business Committee. The aligned approach from assurance functions supports management's decision making with comprehensive views of the company's overall risks, current levels of control and effectiveness of mitigating activities.

Assurance framework

A risk assurance framework has been developed to support an aligned and systematic approach to assurance. The assurance framework consists of six elements that are founded on a sound and clear tone from the top. It is designed to adhere to international standards and is based on the principles prevent, detect and investigate. The

framework is used to establish assurance of the appropriate management of key risks in our risk universe.

ASSURANCE FRAMEWORK



Currently, the combined assurance work is focused on six prioritized risk areas that have been identified through risk assessments and materiality analysis:

- Bribery and corruption
- Security
- Customer privacy
- Business continuity management
- Sanctions and export control
- Financial reporting

Financial reporting risks are included due to its already mature control framework which will be reused for other risk areas.

Bi-yearly risk reporting

A risk report is consolidated on a bi-yearly basis and delivered to the Audit and Responsible Business Committee and the Board, in alignment with the Board’s annual work cycle. Risks are presented as group-wide, country or group perspectives within the following four categories:

- Strategic and emerging risks
- Financial risks
- Operational and societal risks
- Legal and regulatory risks

In addition, the Audit and Responsible Business Committee quarterly receives a consolidated litigation report with short-form details of ongoing, pending and threatened major legal and administrative proceedings. Each case description also includes nominal and estimated financial impact when possible and a probability grading. The Board receives a summary of major litigations.

Group-level enterprise risk management (ERM) function

The Head of the ERM function reports to the Chief External Affairs, Governance & Trust Officer and acts as the owner of the group-common ERM process to ensure a structured approach towards risk management, compliance and reporting within the group. Function responsibilities include:

- Own, govern, coordinate and monitor the ERM process to ensure a structured approach towards risk management, compliance and reporting in the group
- Own the group framework for ERM, policies and instructions within his/her areas of responsibility and to monitor compliance herewith and support group-wide implementation
- Oversee the operational effectiveness of the ERM processes across the group and propose actions for improvement
- Monitor the risk level as well as the nature of specific risk matters across the group. As part of that responsibility, the Head of the ERM will collect and aggregate the respective reports from countries and group functions in order to give the CEO and the Board a consolidated and holistic view on the group’s risk level and individual, material risks
- Facilitate and organize the governance forum for risk management and compliance (GREC) on group level

Ethics and Compliance function

The purpose of Telia Company’s Group Ethics & Compliance function is, i.a. to promote a culture that encourages ethical conduct and commitment to compliance as well as to assist, advise and provide objective and reasonable assurance that the company manages Ethics & Compliance risks in an appropriate way.

The Chief Ethics & Compliance Officer reports and escalates issues to the Chief External Affairs, Governance and Trust Officer. To secure independence’ the Chief Ethics & Compliance Officer also has an unconditional right to issue Ethics & Compliance reports and/or escalate issues/questions or other matters that are deemed necessary, directly to the Audit and Responsible Business Committee, the CEO, Group Executive Management members or Group GREC.

Governance, Risk, Ethics & Compliance (GREC) committee

The purpose of the Group GREC committee is to act as the primary governing body for risk management and compliance throughout Telia Company.

GREC committees are also established on country level and in selected group functions and subsidiaries (Common Products and Service and Telia Carrier).

GREC meetings, on all levels, are held at least quarterly and provide a forum for management updates, discussion, decisions and follow-up on risk and control mitigation activities and initiatives within the different risk areas and sustainability focus areas.

On group level, the GREC meeting is chaired by the CEO and consists of Group Executive Management, the Head of ERM, the Chief Ethics & Compliance Officer as well as the Head of Group Internal Audit. The purpose, agenda and participants of local GREC meetings mirror the group-level meetings.

Whistle-blowing and Speak-up line

2020 was the sixth year of operation of Telia Company's speak-up line, the whistle-blowing tool available in 11 languages, enabling employees and others to anonymously and confidentially report violations of proper accounting, reporting or internal controls, as well as non-compliance with local laws or breaches of Telia Company's Code of Responsible Business Conduct, group policies and group instructions. Telia Company has a group-wide standard for performing internal investigations. The guiding principle is to ensure that investigations are conducted objectively and impartially; are carried out in a way to swiftly establish the facts with minimum disruption to the business or the personal lives of employees; and to make sure that confidentiality and non-retaliation are respected at all times. Consolidated case reports have been presented to the Audit and Responsible Business Committee throughout the year. The reports included allegations of certain significance, the progress of investigations and the final results of the investigations.

For more information about whistle-blowing reports, internal investigations and disciplinary decisions during 2020, see Note S13 to the Sustainability Notes.

To the reader of this Statement: If you believe there are deficiencies in Telia Company's financial reporting or if you suspect any misconduct within the Telia Company group, you may report your concerns at: www.speakupline.ethicspoint.com

INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, the Board is responsible for internal controls over financial reporting. The Board continuously reviews the performance of internal controls and initiates activities to foster continuous improvement of internal controls.

Telia Company's risk management framework includes internal controls over financial reporting and is in line with the COSO framework for internal controls. It consists of inter-related areas, which are control environment, risk assessment, control activities, information and communication, and monitoring. To establish a consistent approach to and a group-common view of risks related to incorrect financial reporting, group-wide risk catalogues have been implemented in all major entities in which Telia Company has management responsibility. The internal control function within Group Finance is responsible for developing and maintaining the IT-based tool for managing the risk catalogues.

Internal control is an integral part of Telia Company's corporate governance and enterprise risk management which involves the Board, Group Executive Management and employees on all organizational levels. It is a process which includes methods and processes to:

- Safeguard the group's assets
- Ensure the reliability and correctness of financial reporting
- Secure compliance with applicable legislation and guidelines
- Ensure that objectives are met and continuous improvement of operational efficiency

The objective of Telia Company's financial reporting is to be in line with the highest professional standards and to be full, fair, accurate, punctual and understandable.

Control environment

The most essential elements of Telia Company's control environment are the group policies with related group instructions as well as detailed group directives. Management at all levels is responsible for ensuring that the organization complies with the Delegation of Obligations and Authority issued by the CEO, the financial governing documents, the reporting framework and other group requirements.

Group Finance is responsible for monthly monitoring and, if significant, communication of changes in legislation, listing requirements and financial reporting standards affecting financial group instructions or directives.

Management in each entity or group function is responsible for ensuring that:

- Monthly and quarterly financial statements comply with Telia Company's accounting policies
- Financial reports are delivered on time
- Activities to mitigate the risks, as specified in the group risk catalogues, have been implemented and are performed

Material business and financial risks are identified and reported

The financial shared services unit of Telia Company supports harmonized and standardized financial accounting processes and controls across large wholly-owned business units.

Risk assessment

Telia Company has a risk-based approach towards internal controls over financial reporting. Risk management related to financial reporting is incorporated in the group-common risk management framework as described in Enterprise Risk Management (ERM) framework. As such, assessment and management of risks that may result in inaccurate financial reporting is a natural part of the daily work. The group risk catalogues are used as a baseline. Risk assessments are performed from both a top-down and a bottom-up perspective. The results of the risk assessments are documented in the group risk catalogues.

Control activities

All business processes across Telia Company include controls regarding the initiation, approval, recording and accounting of financial transactions. Major processes, including related risks and key controls, are described and documented in a common and structured way, based on the requirements set in the group risk catalogues. Controls are either automated or manual and designed to ensure that necessary actions are taken to either prevent or detect material errors or misstatements and to safeguard the assets of the company. Controls for the recognition, measurement and disclosure of financial information are included in the financial closing and reporting process, including controls for IT applications used for accounting and reporting.

Information and communication

Group policies, instructions and directives, the reporting framework guidelines and other requirements regarding accounting and reporting as well as performing internal controls are made accessible to all employees concerned, through the use of Telia Company's regular internal communication channels. Employees at group level continuously engage in internal training activities to ensure harmonization within important areas such as revenue recognition, distinction between capital and operating expenditure, etc.

Telia Company promotes an open, honest and transparent flow of information, especially regarding the performance of internal controls. Control performers are encouraged to disclose any issues concerning their controls in the reporting, so that a problem can be taken care of before it, possibly, causes errors or misstatements.

Monitoring

Telia Company has implemented a structured process for performance monitoring of internal controls over financial reporting. This process includes countries and group functions and consists of self-assessments of the risk-mitigating activities. The internal controls function within Group Finance monitors the process on a monthly basis.

On behalf of Group Executive Management, the internal controls function carries out an annual risk-based compliance review of key risks in order to evaluate the quality of self-assessments, risk mitigation and the overall internal control environment.

The results of the self-assessments and the compliance review are communicated to the management of all relevant entities and to the Audit and Responsible Business Committee. The Committee also receives reports directly from both external and internal auditors. The reports are discussed, and follow-up observations are made by the Committee. Both the external and internal auditors are present at the Committee meetings.

At least once a year, the entire Board meets with the external auditors, in part without the presence of management.

GROUP INTERNAL AUDIT

The Group Internal Audit function provides independent, and objective assurance and advisory services designed to add value and improve Telia Company's operations. Internal Audit assists Telia Company in accomplishing its objectives by bringing a systematic, disciplined and agile approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control.

The direction of the work of the internal audit function is stated in the audit plan. In order to reflect the overall business objectives and risks, the audit plan is aligned with the group strategy and business plans. The audit plan determines priorities and resource allocation. It is approved by the Audit and Responsible Business Committee and presented to the external auditors on a regular basis. Quarterly, the audit assignments are discussed with the external auditors in order to share risk assessments and audit findings.

In 2020, audits were performed in group functions, as well as in the countries. Important focus areas were:

- Transformation to new generation telco
- Information and IT security
- Mergers, acquisitions and integration
- Supply chain

The Head of Group Internal Audit reports functionally to the Audit and Responsible Business Committee and administratively to the Chief External Affairs, Governance and Trust Officer. The results from each specific audit assignment are reported to the line manager responsible for the audited area or unit, to relevant members of Group Executive Management, and to the external auditors. A summary of audit findings is reported to the Committee on a quarterly basis.

AUDITORS

Number of auditors and duties

According to its Articles of Association, Telia Company AB shall have no less than two and no more than three auditors and no more than the same number of deputy auditors. The Annual General Meeting can also appoint only one auditor if the auditor in question is a public accounting firm. The auditors' report to the shareholders at General Meetings.

The task of the external auditor is to examine Telia Company's annual accounts and accounting practices, as well as to review the Board and the CEO's administration of the company. The duties of the auditors include among others:

- Presenting the planning, scope and content of the annual audit to the Audit and Responsible Business Committee
- Audit of the financial statements in accordance with international standards on auditing and generally accepted auditing standards in Sweden which among others includes an assessment of adherence to a applicable financial reporting standards and review of internal controls over financial reporting
- Conducting a statutory examination of this Corporate Governance Statement
- Conducting an examination of the statutory sustainability report

In addition, the auditors perform an annual limited assurance of the Telia Company Sustainability Report. Besides the audit report submitted to the shareholders at each Annual General Meeting, the auditors also issue a review report on the second-quarter consolidated interim financial statements. The auditors' report procedures performed in relation to the review of Telia Company's financial statements to the Audit and Responsible Business Committee and Group Executive Management on a quarterly basis. In November or December each year, the auditors' report on internal controls within financial reporting and IT.

For further information on the contacts between the Board and the auditors, see sections Board of Directors and Internal controls over financial reporting, respectively.

When the auditors are retained to provide services other than audit services, it is done in accordance with rules decided by the Audit and Responsible Business Committee pertaining to pre-approval of the nature of the services and the fees. The auditors' present the non-audit services performed, the consideration paid and other issues determining the auditors' independence to the Audit and Responsible Business Committee on a quarterly basis.

Current auditors and fees

At the Annual General Meeting 2020, Deloitte AB was elected as auditor until the end of the Annual General Meeting 2021. Deloitte AB has appointed Jan Nilsson (born 1962), Authorized Public Accountant, to serve as auditor in charge. Deloitte AB is often engaged by Telia Company's largest shareholder, the Swedish State, for both audit and advisory services. Jan Nilsson does not hold any shares in Telia Company.

For information on fees paid for audit-related and other services, see Note C33 to the consolidated financial statements.





BOARD OF DIRECTORS



Lars-Johan Jarnheimer

Born 1960. Chair of the Board. Elected to the Board of Directors in 2019.

Lars-Johan Jarnheimer is chair of the Board of Directors of Ingka Holding B.V (IKEA), Egmont International Holding AS, Arvid Nordqvist HAB and of Polar Music Award Board and is a board member of SAS AB, Point Properties AB and Elite Hotels. He has been CEO of Tele2 (between 1999-2008), deputy CEO and CEO of Comviq and has held various positions within H&M. Mr. Jarnheimer holds a Bachelor of Science in Business Administration and Economics.

Shares in Telia Company: 20,097



Ingrid Bonde

Born 1959. Vice-Chair of the Board. Elected to the Board of Directors in 2020.

Ingrid Bonde is chair of the Board of Directors of Alecta, Apoteket AB and Hoist Finance and board member of Securitas AB. Ms. Bonde was previously Chief Financial Officer and deputy Chief Executive Officer of Vattenfall, Chief Executive Officer of AMF, Director General of Finansinspektionen, Deputy Director General of Riksgäldskontoret and VP Finance at SAS. Ms. Bonde holds an MBA.

Shares in Telia Company: 10,000



Rickard Gustafson

Born 1964. Elected to the Board of Directors in 2019. Rickard Gustafson is President and CEO of SAS. He has previously held various executive positions in GE Capital, both in Europe and the US, and he was President of Codan/ Trygg-Hansa 2006–2011. Mr Gustafsson is board member of FAM AB and Confederation of Swedish Enterprises (Svenskt Näringsliv). Mr. Gustafson holds a Master of Science degree.

Shares in Telia Company: 14,075



Jeanette Jäger

Born 1969. Elected to the Board of Directors in 2020. Jeanette Jäger is CEO of Bankgirot and board member of ICA-gruppen. She has previously held a number of executive roles at Tieto and also as Product- and Marketing Director of TDC. Ms. Jäger has studied business economics.

Shares in Telia Company: 4,000

Employee representatives



Martin Tivéus

Born 1970. Elected to the Board of Directors in 2018. Martin Tivéus is CEO of Attendo. Previously he was Chief Commercial Officer Nordics at Klarna and he has also held managerial positions such as CEO at Avanza and Glocalnet. Mr. Tivéus has a Bachelor of Science degree.

Shares in Telia Company: 2,550



Agneta Ahlström

Born 1960. Agneta Ahlström is Chair of the Swedish Union for white-collar workers in the private labour market, Telecommunications section (Unionen-Tele).

Shares in Telia Company: 200



Stefan Carlsson

Born 1956. Stefan Carlsson is deputy Chair of the Swedish Union for white-collar workers in the private labour market, Telecommunications section (Unionen-Tele) and member of the board of Unionen. Previously, he was second deputy Chair of SIF and Unionen.

Shares in Telia Company: 0



Hans Gustavsson

Born 1954. Hans Gustavsson is the Chair of the Union of Service and Communication Employees within Telia Company, SEKO klubb Telia.

Shares in Telia Company: 110

Deputy employee representatives

Arja Kivin (born 1964), Unionen-Tele. Shares in Telia Company: 0²

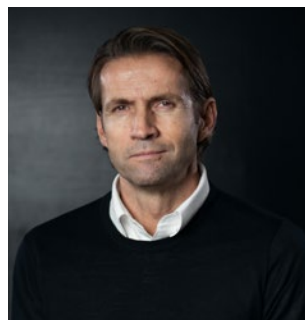
Rickard Wäst (born 1964), SEKO klubb Telia. Shares in Telia Company: 0²

Martin Sääf (born 1957), Akademikerna i Telia (AiT). Shares in Telia Company: 100²



Nina Linander

Born 1959. Elected to the Board of Directors in 2013. Nina Linander is former partner at Stanton Chase International between 2006 and 2012 and prior to that SVP and Head of Treasury at Electrolux AB 2001–2005. She is Chair of the Board of Awa Holding AB and of Greeniron H2 AB, and a board member of Castellum AB, Swedavia AB and Suominen Corporation. Ms. Linander holds a BSc degree in Economics and a MBA (IMD) degree.
Shares in Telia Company: 5,700



Jimmy Maymann

Born 1971. Elected to the Board of Directors in 2018. Jimmy Maymann is a Danish entrepreneur and investor specializing in digital advertising, digital technology and new media strategy. He is Chair of the Board in TV2 Denmark, AirHelp Inc. and The Museum for the United Nations - UN Live Online, and a board member of Maternity Foundation. Mr. Maymann has served as EVP and President at AOL Content & Consumer Brands and as CEO of the Huffington Post. Mr. Maymann has an EMBA and a Master of Science.
Shares in Telia Company: 0



Anna Setzman

Born 1970. Elected to the Board of Directors in 2016. Anna Setzman is CEO of Liber AB and Chair of the board of Dreams Nordic AB. She has extensive experience from start-ups as founder of the investment company The Springfield Project as well as significant experience from the media sector, mainly from Aftonbladet where she served as CEO. Ms. Setzman studied marketing strategy and economics at the Berghs School of communications and completed the IFL Executive Management Program at the Stockholm School of Economics.
Shares in Telia Company: 0



Olaf Swantee

Born 1966. Elected to the Board of Directors in 2016. Olaf Swantee has been CEO of Sunrise and earlier he was the CEO of the UK's mobile telecoms business EE. Prior to joining EE, he held a number of Executive Board roles for Orange Group, as well as senior leadership roles within Hewlett Packard, Compaq and Digital Equipment Corporation, across Europe and the United States. Mr. Swantee holds an MBA.
Shares in Telia Company: 1,300

REMUNERATION DURING 2020, ATTENDANCE AND NUMBER OF SHARES

| Name | Elected year | Position | Meeting attendance | | | Total remuneration (SEK thousand) ¹ | Shares in Telia Company ² |
|---|--------------|--|--------------------|------------------------|--|--|--------------------------------------|
| | | | Board | Remuneration Committee | Audit and Responsible Business Committee | | |
| Lars-Johan Jarnheimer | 2019 | Chair of the Board and Chair of the Remuneration Committee | 12/12 | 3/3 | 2/7 | 1,933 | 20,097 |
| Ingrid Bonde | 2020 | Vice Chair of the Board | 9/12 | | 5/7 | 755 | 10,000 |
| Rickard Gustafson | 2019 | | 12/12 | 3/3 | | 660 | 14,075 |
| Jeanette Jäger | 2020 | | 9/12 | | | 456 | 4,000 |
| Olli-Pekka Kallasvuo (Left in April 2020) | 2012 | | 2/12 | 1/3 | | 233 | 35,896 |
| Nina Linander | 2013 | Director and Chair of the Audit and Responsible Business Committee | 12/12 | | 7/7 | 885 | 5,700 |
| Jimmy Maymann | 2018 | | 12/12 | | 7/7 | 760 | 0 |
| Anna Setzman | 2016 | | 11/12 | | | 610 | 0 |
| Olaf Swantee | 2016 | | 12/12 | | | 610 | 1,300 |
| Martin Tivéus | 2018 | | 12/12 | | | 610 | 2,550 |
| Agneta Ahlström | 2007 | Employee representative | 10/12 | | | - | 200 |
| Stefan Carlsson | 2009 | Employee representative | 11/12 | | | - | 0 |
| Hans Gustavsson | 2019 | Employee representative | 12/12 | | | - | 110 |

All Board members elected by the Shareholders' General Meeting are considered to be independent in relation to the company, to the administration of the company and to major shareholders.

1) See also Note C32 to the Consolidated financial statements.

2) Shareholdings refers to any holdings of shares in Telia Company owned by the person or it's related natural or legal persons. Holdings as of the date of this Annual and Sustainability Report.

GROUP EXECUTIVE MANAGEMENT



Allison Kirkby

Born 1967. President and Chief Executive Officer since May 2020. Until October 2019, Allison Kirkby was President and Group CEO of TDC Group. From 2014 to 2018 she held the positions of President and Group CEO (2015-2018) and Group CFO (2014-2015) at Tele2 AB. Ms. Kirkby has worked in the technology, media and telecom sector since 2010, initially joining Virgin Media and then as CFO of Shine Group, a division of 21stCentury Fox. Before that, 1990-2010, she held various senior financial and operational roles at Procter & Gamble. Ms. Kirkby also serves as a Non-Executive Director on the board of BT Group plc, the UK's multinational provider of communication services. Ms. Kirkby is a Fellow of the Chartered Institute of Management Accountants.

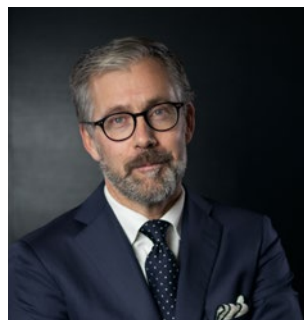
Shares in Telia Company: 175,000



Casten Almqvist

Born 1962. Senior Vice President and Head of TV and Media since December 2019. CEO of TV4 since 2011. Before joining Telia Company Casten Almqvist was CEO of Bonnier Broadcasting since 2013. Prior to the above he was CEO and President of business areas Bonnier Business Press and Dagens Industri. In addition Mr. Almqvist has extensive experience from various leading positions within the television industry. Mr. Almqvist holds a degree in Journalism.

Shares in Telia Company: 20,000



Jonas Bengtsson

Born 1970. Executive Vice President, Group General Counsel and Head of Corporate Affairs. Jonas Bengtsson has been at Telia Company since 2014. Prior to joining Telia Company, Mr. Bengtsson was the Group General Counsel at Tele2 between 2007 and 2013. He has almost 25 years' experience as a commercial lawyer, of which approximately 20 years as a General Counsel in the telecom industry and has worked for, i.a. Telenor Sweden, Utfors and lawfirm Mannheimer Swartling. Mr. Bengtsson holds a law degree.

Shares in Telia Company: 23,000



Rainer Deutschmann

Born 1970. Senior Vice President and Group Chief Operating Officer since September 2020. Rainer Deutschmann has built and led businesses across digital sectors, including telecommunications, B2B and IT services, TV/media and entertainment and fintech, in mature and emerging markets. Previously, he was Group COO at Dialog Axiata in Sri Lanka, Chief Product and Innovation Officer at Reliance Jio in India and held senior positions in Deutsche Telekom AG and McKinsey. Mr. Deutschmann is a Non-Executive Director at Rain, South Africa's digital telco, and holds a PhD from the University of Technology in Munich.

Shares in Telia Company: 0



Heli Partanen

Born 1972. Senior Vice President and CEO of Telia Finland since April 2020. Heli Partanen has been at Telia Company since 1998 in various leadership positions, most recently as Head of Consumer Business in Finland since 2016. Ms. Partanen holds an exam from Helsinki Business College.

Shares in Telia Company: 8 113



Rachel Samrén

Born 1974. Senior Vice President and Chief External Affairs, Governance and Trust Officer since October 2020. Prior to joining Telia Company, Rachel Samrén was Chief External Affairs Officer at Millicom. Before that she was Head of Business Intelligence at The Risk Advisory Group and worked in corporate banking at Citigroup. Ms. Samrén holds a BSc in International Relations from the London School of Economics and Political Science and an MLitt in International Security Studies from the University of St Andrews. Ms. Samrén is a Member of the Board of Advisors of the University of Miami Herbert Business School's Latin America and Caribbean Initiative.

Shares in Telia Company: 0



Dan Strömberg

Born 1958. Senior Vice President and Head of LED (Lithuania, Estonia and Denmark) and CEO of Telia Lithuania. Dan Strömberg has been the CEO of Telia Lithuania since 2018 and he was the CEO of Telia Eesti 2016-2018, the CEO of Omnitel in Lithuania 2013-2015 and the CEO of Telia Denmark 2009-2012. Mr. Strömberg has held several senior management positions in Telia Company since the late 1990s.

Shares in Telia Company: 46,018



Stein-Erik Vellan

Born 1965. Senior Vice President and CEO of Telia Norway since December 2019. Stein-Erik Vellan has been at Telia Company since 2017. Mr. Vellan has worked with Telenor Group since 2001 in various managerial positions in Norway and internationally, including CEO of Telenor's operations in India, Serbia and Bulgaria, respectively and he is Chair of Onsagers A/S. Mr. Vellan is marketing candidate.

Shares in Telia Company: 0



Cecilia Lundin

Born 1970. Executive Vice President and Head of People Experience and Culture. Cecilia Lundin has been at Telia Company since 2014. Prior to joining Telia Company, she was Head of Human Resources at Investment AB Kinnevik. Ms. Lundin has almost 20 years' experience in positions as Human Resources Executive at Tele2 AB, Billerud AB and Novartis Nordics. She also has experience from different business roles in Ericsson as well as Connecta AB. Ms. Lundin holds a Master's degree in Economics.

Shares in Telia Company: 1,000



Markus Messerer

Born 1981. Senior Vice President and Chief Strategy and Commercial Officer and Head of Telia Global since December 2020. Prior to joining Telia Company, Markus Messerer was CEO of Alltron AG, a leading Swiss e-commerce company. From 2013 to 2018 he was Head of Corporate Strategy at Swisscom AG and before that Head of Strategy at Telekom Austria AG. Mr. Messerer has worked within technology and digitization since 2005. He serves as Non-Executive Director and advisor in boards of non-listed companies and holds a PhD in International Management and an Executive MBA. Mr. Messerer is a CFA charterholder and an alumnus of Harvard Business School.

Shares in Telia Company: 0



Per Christian Mørland

Born 1979. Executive Vice president and Group Chief Financial Officer since August 2020. Per Christian Mørland was CFO of Telia Norway since October 2015 and previously Senior Financial Advisor for region Europe in Telia Company. Prior to that, he was CFO of Telenor in Denmark and he has held several senior positions in Telenor in Malaysia, Thailand and Norway. Mr. Mørland holds a MSc from Norges Handelshøyskole.

Shares in Telia Company: 5,379



Anders Olsson

Born 1969. Executive Vice President and CEO of Telia Sweden. Anders Olsson has been at Telia Company since 2016 as COO and Head of Global Services and Operations. Prior to joining Telia Company, he spent 19 years at Tele2 of which 14 years in the Group Executive Management. Mr. Olsson had several managerial positions at Tele2 including EVP, CCO and Head of Region Central Europe and Benelux. Mr. Olsson holds a Master of Science in Business Administration and Economics.

Shares in Telia Company: 155,000

Per Carleö

Born 1976. Senior Vice President and Head of Brand. Per Carleö took on his position at Telia Company in January 2021.

REMUNERATION AND OTHER BENEFITS DURING 2020, CAPITAL VALUE OF PENSION COMMITMENTS

| SEK thousand | Base salary | Other remuneration | Other benefits | Pension expense | Total remuneration and benefits | Capital value of pension commitment |
|--|-------------|--------------------|----------------|-----------------|---------------------------------|-------------------------------------|
| Allison Kirkby, CEO from May 4 | 11,886 | 0 | 131 | 4,658 | 16,674 | - |
| Christian Luiga, Acting CEO until May 4 | 4,931 | 51 | 37 | 1,112 | 6,131 | - |
| Other members of Group Executive Management (11 members) | 47,281 | 896 | 1,229 | 13,602 | 63,008 | 25,112 |

See also Note C32 to the consolidated financial statements and the Board of Directors' Report, section Remuneration to executive management. Shareholdings refers to any holdings of shares in Telia Company owned by the person or it's related natural or legal persons. Holdings as of the date of this Annual and Sustainability Report.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| SEK in millions, except per share data | Note | Jan–Dec 2020 | Jan–Dec 2019 |
|---|----------|----------------|---------------|
| Continuing operations | | | |
| Net sales | C5, C6 | 89,191 | 85,965 |
| Cost of sales | C7 | -57,035 | -54,082 |
| Gross profit | | 32,156 | 31,884 |
| Selling and marketing expenses | C7 | -15,051 | -14,153 |
| Administrative expenses | C7 | -6,353 | -5,873 |
| Research and development expenses | C7 | -298 | -152 |
| Other operating income | C8 | 1 080 | 565 |
| Other operating expenses | C8 | -9,202 | -1,117 |
| Income from associated companies and joint ventures | C15 | -20,080 | 1,138 |
| Operating income | C5 | -17,747 | 12,293 |
| Finance income | C9 | 275 | 353 |
| Finance costs | C9 | -3,593 | -3,291 |
| Income after financial items | | -21,065 | 9,354 |
| Income taxes | C10 | -1,412 | -1,753 |
| Net income from continuing operations | | -22,477 | 7,601 |
| Discontinued operations | | | |
| Net income from discontinued operations | C35 | -279 | -341 |
| Total net income | | -22,756 | 7,261 |
| Items that may be reclassified to net income: | | | |
| Foreign currency translation differences from continuing operations | C11 | 10,936 | 624 |
| Foreign currency translation differences from discontinued operations | C11, C35 | 433 | 146 |
| Other comprehensive income from associated companies | C11, C15 | -111 | 382 |
| Cash flow hedges | C11 | 14 | -93 |
| Cost of hedging | | -100 | 54 |
| Debt instruments at fair value through OCI | C11 | 32 | -28 |
| Income taxes relating to items that may be reclassified | C10, C11 | -125 | 361 |
| Items that will not be reclassified to net income: | | | |
| Equity instruments at fair value through OCI | C11 | 63 | 47 |
| Remeasurements of defined benefit pension plans | C11, C22 | -7,166 | -323 |
| Income tax relating to items that will not be reclassified | C10, C11 | 1,457 | 64 |
| Associates' remeasurements of defined benefit pension plans | C11, C15 | -12 | 4 |
| Other comprehensive income | | 5,422 | 1,237 |
| Total comprehensive income | | -17,335 | 8,498 |
| Net income attributable to: | | | |
| Owners of the parent | | -22,912 | 7,093 |
| Non-controlling interests | C20 | 156 | 167 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | -17,237 | 8,161 |
| Non-controlling interests | | -99 | 337 |
| Earnings per share (SEK), basic and diluted, total | C20 | -5.60 | 1.70 |
| Earnings per share (SEK), basic and diluted, continuing operations | | -5.53 | 1.77 |
| Earnings per share (SEK), basic and diluted, discontinued operations | C35 | -0.07 | -0.07 |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| SEK in millions | Note | Dec 31, 2020 | Dec 31, 2019 |
|---|------|----------------|----------------|
| Assets | | | |
| Goodwill | C12 | 63,313 | 75,696 |
| Other intangible assets | C12 | 23,208 | 26,242 |
| Property, plant and equipment | C13 | 70,893 | 78,163 |
| Film and program rights, non-current | C14 | 1,312 | 1,063 |
| Right-of-use assets | C28 | 14,814 | 15,640 |
| Investments in associated companies and joint ventures | C15 | 950 | 10,165 |
| Deferred tax assets | C10 | 1,449 | 1,849 |
| Pension obligation assets | C22 | 158 | 2,234 |
| Long-term interest-bearing receivables | C16 | 11,233 | 10,869 |
| Other non-current assets | C16 | 2,338 | 2,168 |
| Total non-current assets | | 189,668 | 224,088 |
| Film and program rights, current | C14 | 2,706 | 1,990 |
| Inventories | C17 | 1,918 | 1,966 |
| Trade and other current receivables and assets | C18 | 13,722 | 16,648 |
| Current tax receivables | | 92 | 90 |
| Interest-bearing receivables | C19 | 5,486 | 12,300 |
| Cash and cash equivalents | C19 | 8,133 | 6,116 |
| Assets classified as held for sale | C35 | 4,957 | 875 |
| Total current assets | | 37,014 | 39,984 |
| Total assets | | 226,683 | 264,072 |
| Equity and liabilities | | | |
| Equity attributable to owners of the parent | | 62,836 | 91,047 |
| <i>of which capital</i> | | 26,336 | 26,881 |
| <i>of which reserves and retained earnings</i> | | 36,500 | 64,166 |
| Equity attributable to non-controlling interests | C20 | 1,118 | 1,409 |
| Total equity | | 63,954 | 92,455 |
| Long-term borrowings | C21 | 100,239 | 99,899 |
| Deferred tax liabilities | C10 | 9,845 | 11,647 |
| Provisions for pensions and employment contracts | C22 | 7,428 | 3,334 |
| Other long-term provisions | C23 | 4,359 | 5,073 |
| Other long-term liabilities | C24 | 757 | 1,377 |
| Total non-current liabilities | | 122,627 | 121,330 |
| Short-term borrowings | C21 | 8,345 | 19,779 |
| Short-term provisions | C23 | 555 | 658 |
| Current tax payables | | 886 | 959 |
| Trade payables and other current liabilities | C25 | 26,990 | 28,286 |
| Liabilities directly associated with assets classified as held for sale | C35 | 3,325 | 604 |
| Total current liabilities | | 40,101 | 50,287 |
| Total equity and liabilities | | 226,683 | 264,072 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| SEK in millions | Note | Jan–Dec 2020 | Jan–Dec 2019 ¹ |
|--|------|----------------|---------------------------|
| Net income | | -22,756 | 7,261 |
| Adjustments for: | | | |
| Amortization, depreciation and impairment losses | | 27,861 | 19,149 |
| Amortization film and program right assets | | 4,057 | 541 |
| Capital gains/losses on sales/disposals of non-current assets and operations | | 400 | -93 |
| Income from associated companies and joint ventures, net of dividends received | C15 | 20,298 | -773 |
| Pensions and other provisions | | -1,235 | -715 |
| Compensation from the pension fund | | 500 | 1,247 |
| Financial items | | 615 | 401 |
| Income taxes | | 37 | 892 |
| Miscellaneous non-cash items | | -70 | 0 |
| Cash flow before change in working capital | | 29,707 | 27,909 |
| Increase (-)/Decrease (+) in film and program right assets | | -1,021 | 72 |
| Increase (-)/Decrease (+) in film and program right liabilities | | -127 | 80 |
| Increase (-)/Decrease (+) in operating receivables | | 2,909 | 2,646 |
| Increase (-)/Decrease (+) in inventories | | 4 | -99 |
| Increase (+)/Decrease (-) in operating liabilities | | 1,409 | -2,474 |
| Change in working capital | | 3,173 | 225 |
| Adjustment for amortization film and program rights | | -4,057 | -541 |
| Cash flow from operating activities | | 28,824 | 27,594 |
| <i>of which from discontinued operations</i> | | <i>22</i> | <i>-1,983</i> |
| Intangible assets and property, plant and equipment acquired | | -13,710 | -15,224 |
| Intangible assets and property, plant and equipment divested | | 20 | 89 |
| Business combinations and other equity instruments acquired | C34 | -717 | -9,274 |
| Operations and other equity instruments divested | | 5,285 | 6 |
| Loans granted and other similar investments | | -3,704 | -8,175 |
| Repayment of loans granted and other similar investments | | 2,739 | 9,214 |
| Net change in short-term investments | | 6,620 | -7,180 |
| Cash flow from investing activities | | -3,466 | -30,543 |
| <i>of which from discontinued operations</i> | | <i>-5</i> | <i>122</i> |
| Cash flow before financing activities | | 25,358 | -2,949 |
| Repurchased treasury shares including transaction costs | | -1,002 | -5,013 |
| Acquisition of non-controlling interests | | - | -3,684 |
| Dividends paid to owners of the parent | | -10,020 | -9,850 |
| Dividends paid to holders of non-controlling interests | | -240 | -178 |
| Proceeds from borrowings | | 12,026 | 6,308 |
| Repayment of borrowings | | -15,132 | -7,429 |
| Net change in short-term borrowings | | -8,175 | 4,321 |
| Settlement of derivative contracts for economic hedges and CSA | | -555 | 814 |
| Cash received for repurchase agreements | | 18,233 | 9,910 |
| Cash paid for repurchase agreements | | -18,233 | -9,910 |
| Cash flow from financing activities | | -23,098 | -14,712 |
| <i>of which from discontinued operations</i> | | <i>-2</i> | <i>-3,699</i> |
| Net change in cash and cash equivalents | | 2,259 | -17,661 |
| <i>of which from discontinued operations</i> | | <i>15</i> | <i>-5,559</i> |
| Cash and cash equivalents, opening balance | | 6,210 | 22,591 |
| Net change in cash and cash equivalents for the year | | 2,259 | -17,661 |
| Exchange rate differences in cash and cash equivalents | | -137 | 1,280 |
| Cash and cash equivalents, closing balance | C19 | 8,332 | 6,210 |
| <i>of which from continuing operations</i> | | <i>8,332</i> | <i>6,116</i> |
| <i>of which from discontinued operations</i> | | <i>-</i> | <i>94</i> |

1) Restated, see Note C1.

For more information on cash flow, see Note C31.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| SEK in millions | Note | Share capital | Other contributed capital | Hedging reserve | Cost of hedging reserve | Fair value reserve | Foreign currency translation reserve | Revaluation reserve | Inflation reserve | Equity transactions in associates | Retained earnings | Total owners of the parent | Non-controlling interests | Total equity |
|--|----------|---------------|---------------------------|-----------------|-------------------------|--------------------|--------------------------------------|---------------------|-------------------|-----------------------------------|-------------------|----------------------------|---------------------------|----------------|
| Closing balance, December 31, 2018 | | 13,856 | 17,582 | -183 | 35 | 1,355 | -6,533 | 266 | 3,099 | -2,922 | 70,833 | 97,387 | 5,050 | 102,438 |
| Dividends | C20 | - | - | - | - | - | - | - | - | - | -9,850 | -9,850 | -166 | -10,016 |
| Share-based payments | C32 | - | 32 | - | - | - | - | - | - | - | - | 32 | - | 32 |
| Acquisition and transfer of treasury shares | C20 | - | -4,974 | - | - | - | - | - | - | - | - | -4,974 | - | -4,974 |
| Acquisition of non-controlling interests ¹ | C35 | - | - | - | - | - | - | - | - | - | 311 | 311 | -3,831 | -3,520 |
| Non-controlling interest from reclassification to subsidiary | | - | - | - | - | - | - | - | - | - | - | - | 19 | 19 |
| Cancellation of treasury shares | C20 | -386 | 386 | - | - | - | - | - | - | - | - | - | - | - |
| Bonus issue | C20 | 386 | - | - | - | - | - | - | - | - | -386 | - | - | - |
| <i>Total transactions with owners</i> | | - | -4,557 | - | - | - | - | - | - | - | -9,925 | -14,482 | -3,978 | -18,460 |
| Net income | C20 | - | - | - | - | - | - | - | - | - | 7,093 | 7,093 | 167 | 7,261 |
| Other comprehensive income | C11, C20 | - | - | 8 | 87 | 25 | 1,203 | - | - | - | -256 | 1,068 | 169 | 1,237 |
| <i>Total comprehensive income</i> | | - | - | 8 | 87 | 25 | 1,203 | - | - | - | 6,838 | 8,161 | 337 | 8,498 |
| Effect of Turkcell's acquisition of treasury shares | C15 | - | - | - | - | - | - | - | - | -20 | - | -20 | - | -20 |
| Closing balance, December 31, 2019 | | 13,856 | 13,025 | -175 | 123 | 1,380 | -5,330 | 266 | 3,099 | -2,943 | 67,745 | 91,047 | 1,409 | 92,455 |
| Change in accounting principles in associated companies ² | | - | - | - | - | - | - | - | - | - | -12 | -12 | - | -12 |
| Adjusted opening balance, January 1, 2020 | | 13,856 | 13,025 | -175 | 123 | 1,380 | -5,330 | 266 | 3,099 | -2,943 | 67,733 | 91,035 | 1,409 | 92,443 |
| Dividends | C20 | - | - | - | - | - | - | - | - | - | -10,020 | -10,020 | -192 | -10,212 |
| Share-based payments | C32 | - | 16 | - | - | - | - | - | - | - | - | 16 | - | 16 |
| Acquisition and transfer of treasury shares | C20 | - | -956 | - | - | - | - | - | - | - | - | -956 | - | -956 |
| Cancellation of treasury shares | C20 | -395 | 395 | - | - | - | - | - | - | - | - | - | - | - |
| Bonus issue | C20 | 395 | - | - | - | - | - | - | - | - | -395 | - | - | - |
| Reclassification of Inflation reserve ³ | | - | - | - | - | - | - | - | -3,099 | - | 3,099 | - | - | - |
| <i>Total transactions with owners</i> | | - | -545 | - | - | - | - | - | - | - | -7,315 | -10,959 | -192 | -11,151 |
| Net income | C20 | - | - | - | - | - | - | - | - | - | -22,912 | -22,912 | 156 | -22,756 |
| Other comprehensive income | C11, C20 | - | - | -8 | -160 | 89 | 11,476 | - | - | - | -5,720 | 5,677 | -255 | 5,422 |
| <i>Total comprehensive income</i> | | - | - | -8 | -160 | 89 | 11,476 | - | - | - | -28,634 | -17,237 | -99 | -17,335 |
| Effect of Turkcell's acquisition of treasury shares | C15 | - | - | - | - | - | - | - | - | -2 | - | -2 | - | -2 |
| Closing balance, December 31, 2020 | | 13,856 | 12,480 | -183 | -37 | 1,469 | 6,146 | 266 | - | -2,945 | 31,784 | 62,836 | 1,118 | 63,954 |

1) Mainly relates to acquisition of Turkcell's 41.45 percent share in Fintur. 2) Transition effect of IFRS 15 and IFRS 9 for Turkcell, which is a publicly listed company and therefore included with one-quarter lag. 3) Reclassification of Inflation reserve due to divestment of Turkcell.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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C1 BASIS OF PREPARATION

General

The annual report and consolidated financial statements have been approved for issue by the Board of Directors on March 10, 2021. The income statement and the balance sheet of the parent company and the statement of comprehensive income and the statement of financial position of the group are subject to adoption by the Annual General Meeting on April 12, 2021.

Telia Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). In addition, concerning purely Swedish circumstances, the Swedish Financial Reporting Board has issued standard RFR 1 "Supplementary Accounting Rules for Groups" and other statements. The standard is applicable to Swedish legal entities whose securities are listed on a Swedish stock exchange or authorized equity marketplace at the end of the reporting period and specifies supplementary rules and disclosures in addition to IFRS requirements, caused by provisions in the Swedish Annual Accounts Act.

Measurement bases and accounting policies

The consolidated financial statements have been prepared mainly under the historical cost convention. Other measurement bases used, and applied accounting policies are described in Note C3.

Amounts and dates

Unless otherwise specified, all amounts are in millions of Swedish kronor (SEK) or other currency specified and are based on the twelve-month period January 1 to December 31 for items related to comprehensive income and cash flows, and as of December 31 for items related to financial position. Rounding differences may occur.

Change in accounting estimates

During 2020 Telia Company changed the method for calculating the discount rate for the defined benefit pension plans for the Swedish operation. Telia Company no longer adjust the discount rate with the difference between the long-term inflation target of the central bank and the actual

market inflation. Telia Company also changed the mortality table which is used when calculating the pension obligation. The changes led to a total net increase of the pension obligation and a corresponding decrease in Other comprehensive income of SEK 4,387 million in 2020, whereof SEK 2,628 million related to the discount rate method and SEK 1,758 million related to the mortality table, see Note C22.

Segments

From July 1, 2020 the segment TV and Media, including the acquired Bonnier Broadcasting businesses (TV4/MTV/C More), also contains Telia Company's former product area Media and Entertainment (former part of Other operations).

The former segment region Eurasia was classified as held for sale and discontinued operations since December 31, 2015, and was therefore not included in the segment information, see Note C5. For information on discontinued operations, see Note C35.

Restatements of financial and operational data

In the first quarter 2020 the remaining holding companies in discontinued operations were reclassified to continuing operations. As a result of the reclassification, cash flow from financing activities for 2019 has been restated with SEK -3,684 million from discontinued operations to continuing operations. The restated amount relates to the cash flow effect from the acquisition of non-controlling interest in Fintur in 2019, see Note C35. Total cash flow from financing activities for 2019 is unchanged.

As a result of the implementation of the new operating model in Norway, Denmark, Lithuania and Estonia as of January 2020, CAPEX excluding fees for licenses, spectrum and right-of-use assets and Segment assets and liabilities as well as employees have been restated as presented in the table below

Revenues from invoicing fees referring to both mobile and fixed services have been restated for the historical period. This implies that revenues from invoicing fees have been reclassified from mobile and fixed service revenues to other service revenues, leaving the total service revenues unchanged.

| Amounts in SEK millions except employees | 2019 | | | | | | | | Group |
|---|-------------|-------------|-------------|-------------|------------|----------|--------------|------------------|-------------|
| | Sweden | Finland | Norway | Denmark | Lithuania | Estonia | TV and Media | Other operations | |
| CAPEX excluding fees for licenses, spectrum and right-of-use assets | - | - | -462 | -116 | -102 | -127 | - | 807 | - |
| Employees, Dec 31, 2019 | -9 | -19 | -248 | -84 | -222 | -228 | - | 810 | - |
| Disaggregation of revenues, (invoice fee) | | | | | | | | | |
| Mobile Subscription Revenues | -348 | -89 | -137 | -67 | -8 | - | - | - | -649 |
| Other Mobile Service Revenues | -37 | -75 | - | - | - | - | - | - | -113 |
| Total Mobile Service Revenues | -385 | -164 | -137 | -67 | -8 | - | - | - | -761 |
| Other Fixed Service Revenues | -259 | -99 | - | - | -10 | - | - | - | -368 |
| Total Fixed Service Revenues | -259 | -99 | - | - | -10 | - | - | - | -368 |
| Other Service Revenues | 644 | 263 | 137 | 67 | 18 | - | - | - | 1,129 |
| Segment assets, Dec 31, 2019 | - | -7 | -1,181 | -399 | -506 | -262 | - | 2,354 | - |
| Segment liabilities, Dec 31, 2019 | - | - | -324 | -133 | - | - | - | 458 | - |

Recently issued accounting standards

New and amended standards and interpretations effective in 2020

As of January 1, 2020, the following amended standards and interpretations became applicable:

- Amendments for IFRS 9, IAS 39 and IFRS 7 (early adopted by Telia Company in 2019)
- Amendment to IFRS 3
- Amendments to References to the Conceptual framework in IFRS standards
- Amendment to IAS 1 and IAS 8: "Definition of material"

In addition, an amendment to IFRS 16 "Leases COVID 19-Related Rent Concessions" became effective during 2020. The amendment had no material impact on the financial statements since Telia Company has not received any significant rent concessions due to COVID-19.

The amended standards and interpretations relevant to Telia Company are in certain cases in line with already applied interpretations and otherwise have had no or very limited impact on the financial statements.

New or revised/amended standards and interpretations effective on or after January 1, 2021

Telia Company has not pre-adopted any of the new or revised/amended standards effective on or after January 1, 2021.

IFRS 17 "Insurance contracts", a new accounting standard covering recognition and measurement, presentation and disclosure, replaces IFRS 4 and is effective January 1, 2023, early application is permitted. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them. A few scope exceptions will apply. IFRS 17 provides a general model for valuation of insurance contracts, supplemented by a simplified approach and some specific adaptations. The value of the insurance con-

tract is the sum of future cash flow, i.e. discounted probability-weighted cash flows plus an explicit risk adjustment for non-financial risks, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The cash flows will be remeasured each reporting period. Telia Company has currently limited insurance operations and is assessing the potential effects of IFRS 17.

The following amendments, which will be applicable for Telia Company, are expected to have no or very limited impact on Telia Company's financial statements when they are applied for the first time:

- Amendment to IFRS 4 – deferral of IFRS 9, effective January 1, 2021
- Amendment to IFRS 9, IAS 39, IFRS 7 etc. "Interest Rate Benchmark Reform – Phase 2", effective January 1, 2021
- Amendment to IFRS 3, effective January 1, 2022
- Amendment to IAS 16, effective January 1, 2022
- Amendment to IAS 37, effective January 1, 2022
- Annual improvement 2018-2020, effective January 1, 2022
- Amendment to IAS 1 "Classification of liabilities as current or non current", effective January 1, 2023
- Amendments to IAS 1 and IFRS Practice Statement 2, effective January 1, 2023
- Amendment to IAS 8, effective January 1, 2023

Other issued amendments are deemed not applicable for Telia Company.

EU endorsement status

As of the beginning of March 2021, amendments to standards and interpretations mentioned above had been adopted by the EU, except for IFRS 17, amendment to IFRS 3, amendment to IAS 16, amendment to IAS 37, annual improvement 2018-2020, amendments to IAS 1, amendments to IAS 1 and IFRS Practice Statement 2, amendment to IAS 8.

C2 JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management and the Board of Directors to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates are based on historical experience and various other assumptions that management and the Board believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, significantly impacting Telia Company's earnings and financial position.

Management believes that the following areas comprise the most difficult, subjective or complex judgments it has to make in the preparation of the financial statements.

For information on accounting policies applied, see the respective sections of Note C3.

Revenue recognition

For a telecom operator, if and when revenues should be recognized requires management judgment in a number of cases.

Principal or agent – gross versus net presentation

When the group acts as a principal, income and payments to suppliers are reported on a gross basis in revenues and operating costs. If the group sells goods or services as an agent (for example insurance in some countries) revenues and payments to suppliers are recorded in revenues on a net basis, representing the margin/commission earned.

Whether the group is considered to be principal or agent in a transaction depends on analysis by management of both the legal form and substance of the agreement between the group and its business partners; such judgments impact the amount of reported revenues and operating expenses but do not impact net income or cash flows.

Features indicating that the group is acting as a principal include: it has the primary responsibility for fulfilling the promise to provide the goods or services, it bears the inventory risk, and the group has latitude in establishing prices or provides additional goods and services. If the group does not have control of the goods or services before they are transferred to the customer, it acts as an agent. For insurance services, the key judgement is based on whether Telia Company bears the insurance risk or not. Telia Company is deemed to be acting as an agent if it does not bear the insurance risk. For other types of digital value added services the key judgement is related to assessment of whether Telia Company has the primary responsibility for fulfilling the promise to provide the service. In this assessment the terms of the contract, the way the service is sold, the level of interaction with the customer before, during and after delivering the service and the technical delivery of the service are considered among other things.

Bundling of products and services

In bundling of products and services, identifying performance obligations and determining the stand-alone selling prices requires management judgment. Revenues are allocated between the goods and services identified as a separate performance obligation based on their relative stand-alone selling price. The stand-alone selling price determined for goods or services may impact the timing of the recognition of revenue. Determining the stand-alone selling price of each performance obligation can require complex estimates if those are not directly observable. The group's estimation of stand-alone selling prices that are not directly observable are mainly based on expected cost plus a margin.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Significant management judgment is required in determining whether the contract is a lease or a service agreement. To determine if a contract is a lease an assessment of whether, throughout the period of use, the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. Especially for contracts for network related assets (technical space and technical equipment) where the contract is related to the use of a portion of a larger asset this assessment requires significant judgment and analysis of the contract terms and the facts and circumstances such as for example the technological aspects of the asset.

Lease term

Determining the lease term requires management judgment as the estimated lease term includes the non-cancellable period of the lease together with both periods covered by extension options, if the lessee is reasonably certain to exercise that option, and periods covered by termination options if the lessee is reasonable certain not to exercise that option. The threshold for reasonably certain is deemed to be higher than "more likely than not", but lower than "virtually certain" in IAS 37 "Provisions, contingent liabilities and contingent assets". Extension and termination options are included in a number of Telia Company's lease contracts throughout all asset classes across the group. When determining the lease term, Telia Company considers all facts and circumstances that creates an economic incentive to exercise an extension option, or not to exercise a termination option. Example of factors that are considered are; strategic plans, assessment of future technology changes, the importance of the underlying asset to Telia Company's operations and/or costs associated with not extending or not terminating the lease. Approximately 45 percent of Telia Company's lease liability relates to extension periods.

Discount rate

The future lease payments are discounted using either the interest rate implicit in the contract, if that rate can be readily determined, or the lessee’s incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For most contracts, Telia Company has discounted the future lease payments using the incremental borrowing rate. Determining the incremental borrowing rate requires management judgement. The incremental borrowing rate is based on Telia Company’s external funding rate by currency and by duration of the estimated lease term. The rate is also adjusted for geographical risks and credit risks for the subsidiaries.

For additional information on leases and carrying values, see Note C28.

Income taxes

Significant management judgment is required in determining current tax liabilities and assets as well as provisions for deferred tax liabilities and assets, in particular as regards valuation of deferred tax assets. As part of this process, income taxes have to be estimated in each of the jurisdictions in which Telia Company operates. The process involves estimating the actual current tax exposure together with assessing temporary differences resulting from the different valuation of certain assets and liabilities in the financial statements and in the tax returns. Management must also assess the probability that the deferred tax assets will be recovered from future taxable income.

Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities or by courts of law. For additional information on deferred tax assets and liabilities and their carrying values as of the end of the reporting period, see Note C10.

Valuation of intangible and other non-current assets

Intangible assets, property, plant and equipment, right of use assets, film and program rights and cost to obtain a contract represent a significant part of Telia Company’s total assets.

Useful lives

Determination of the useful lives of asset classes involves taking into account historical trends and making assumptions related to future socio-economic and technological development and expected changes in market behavior.

In 2020 and 2019, amortization, depreciation and impairment losses for intangible assets, property, plant and equipment and right of use assets totaled SEK 27,861 million and SEK 18,863 million, respectively. Amortization and impairment losses for film and program rights and cost to obtain a contract were SEK 4,057 million (541) and SEK 1,239 million (1,266), respectively. For additional information on intangible and tangible assets, right of use assets, film and program rights and costs to obtain a contract subject to amortization and depreciation and their carrying values as of the end of the reporting period, see Notes C6, C7, C12, C13, C14 and C28, respectively.

Currently, the following amortization and depreciation rates are applied.

| | |
|---|--|
| Trade names | Individual evaluation, minimum 10 percent, except for trade names with indefinite useful lives |
| Telecom and frequency licenses, numbering rights | Remaining license period, minimum 5 percent |
| Interconnect and roaming agreements | Agreement term, based on the remaining useful life of the related license |
| Customer relationships | Individual evaluation, based on historic and projected churn |
| Capitalized development expenses | 20 percent or individual evaluation |
| Other intangible assets | 20–33 percent or individual evaluation |
| Buildings | 2–10 percent |
| Land improvements | 2 percent |
| Capitalized improvements on leased premises | Remaining term of corresponding lease |
| Mobile networks (base stations and other installations) | 14.5–20 percent |
| Fixed networks | |
| – Switching systems and transmission systems | 10–20 percent |
| – Transmission media (cable) | 5–10 percent |
| – Equipment for special networks | 10 percent |
| – Usufruct agreements of limited duration | Agreement term or time corresponding to the underlying asset |
| – Other installations | 2–33 percent |
| Equipment, tools and installations | 10–33 percent |
| Customer premises equipment under service arrangements | 33 percent, or agreement term if longer |
| Film and program rights | 20–100 percent |
| Cost to obtain a contract | Straight line, based on historic and projected churn |
| Right-of-use assets | Expected lease term, 3–50 percent |

Impairment testing

A number of significant assumptions and estimates are involved when measuring value in use and fair value less costs of disposal based on the expected future discounted cash flows attributable to an asset, for example with respect to factors such as market growth rates, revenue volumes, market prices for telecommunication services, costs to maintain and develop communication networks and working capital requirements. Forecasts of future cash flows are based on the best estimates of future revenues and operating expenses using historical trends, general market conditions, industry trends and forecasts and other available information. These assumptions are prepared by management and subject to review by the Audit and Responsible Business Committee of the Board of Directors. The cash flow forecasts are discounted at the weighted average cost of capital for the relevant cash-generating unit. For Denmark, Norway and Finland the sales growth and EBITDA margin development in the forecasts are deviating from historical trends. This is due to that Telia Company for the forecast period has clear and committed plans for sales initiatives and net cost reductions supported by digital transformation investments.

For additional information on goodwill and its carrying value as of the end of the reporting period, see Note C12.

Provisions for pensions and employment contracts

The most significant assumptions that management has to make in connection with the actuarial calculation of pension obligations and pension expenses affects the discount rate, the inflation, and the longevity. Changes in any of these key assumptions may have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost.

For additional information on assumptions made, sensitivity analysis related to change in assumptions and pension obligations and their present values as of the end of the reporting period, see Note C22.

Provisions for restructuring activities, contingent liabilities and litigation

Telia Company has engaged, and may in the future need to engage, in restructuring activities, which require management to make significant estimates related to expenses for severance and other employee termination costs, lease cancellation, site dismantling and other exit costs and to realizable values of assets made redundant or obsolete (see section "Valuation of intangible and other non-current assets" above). Should the actual amounts differ from these estimates, future results could be materially impacted.

Determination of the treatment of contingent assets and liabilities in the financial statements is based on management's view of the expected outcome of the applicable contingency. Management consults with legal counsel on matters related to litigation and other experts both within and outside the company with respect to matters in the ordinary course of business.

For additional information on restructuring provisions, including their carrying values as of the end of the reporting period, and on contingencies and litigation, see Notes C23 and C30, respectively.

Classification as held for sale and discontinued operations

Non-current assets and disposal groups are classified as held-for-sale if their carrying value will be recovered principally through a sales transaction rather than through continuing use. The determination if and when non-current assets and disposal groups should be classified as held-for-sale requires management judgment considering all facts and circumstances relating to the transaction, the parties and the market and entities can come to different conclusions under IFRS. One of the conditions that must be satisfied for classification as held for sale is that the sale is highly probable within one year. One criterion for the sale to qualify as highly probable is that the appropriate level of management must be committed to a plan to sell the assets or disposal group in its present condition. In the telecom industry acquisitions often require regulatory approval. If the buyer is a telecom operator in the same market entities often have to agree to a number of remedies to get the approval. If the buyer is expected to be a telecom operator in the same market and significant remedies are expected, a sale is usually not regarded as highly probable and consequently the assets are not classified as held for sale by Telia Company, until the remedies are agreed upon and accepted by management.

Accounts payables under vendor financing arrangements

Telia Company has arrangements with several banks under which the banks offer Telia Company's vendors the option to receive earlier payment of Telia Company's accounts payables. Vendors utilizing the financing arrangement pay a credit fee to the bank. Telia Company does not pay any credit fees and does not provide any additional collateral or guarantee to the bank. Based on Telia Company's assessment the liabilities under the vendor financing arrangement are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as accounts payables with separate disclosures in the notes. The credit period does not exceed 12 months and the accounts payables are therefore not discounted. Account payables under vendor financing arrangements were SEK 8,535 million per December 31, 2020 (5,923). See Note C25.

COVID-19 impact

The COVID-19 pandemic has had a significant impact on how we live and work, the global economy and the global financial markets.

In the first quarter 2020 Telia Company was impacted by COVID-19 through lower revenues from pay TV due to lowered prices, both in segment TV and Media and the other segments, as a consequence of sport cancellations as well as lower advertising revenues. Further, as a result of the cancelled and postponed sport events and seasons due to COVID-19, film and program right assets were impaired by SEK 256 million. However, there was no significant net impact on EBITDA or Operating income from the impairment of the sports rights due to the offsetting effects from expected compensation and lower expenses from sports rights where events and seasons were postponed. Management's assessment is that the expected compensation will cover the decreases of the sport rights values.

During the second quarter of 2020 Telia Company was impacted through lower roaming revenues due to travel restrictions, and lower revenues from pay TV due to lowered prices, both in segment TV and Media and the other segments, as a consequence of the sport cancellations and postponements as well as lower advertising revenues. The cancelled and postponed sport events and seasons led to both lower revenues and a lower amortization of sports rights.

During the second half of 2020 Company continued to be impacted, but less than in the first half of the year. Service revenue was impacted negatively by lower revenues from mainly roaming and advertising. The negative impact on service revenues for the year 2020 is estimated to be around SEK 2.0 billion and the negative impact on EBITDA as well as Operating income is estimated to be around SEK 1.0 billion.

The annual impairment tests for all Cash Generating Units (CGU) resulted in an impairment loss for the CGU Finland. The CGUs TV and Media, Norway and Denmark have recoverable amounts close to the carrying values and are sensitive to changes in the long-term plans or WACCs. See Note C12. The uncertainty surrounding COVID-19 and how the resurgence of the pandemic develops implies a risk also going forward. In 2021 we foresee a continued gradual improvement in advertising revenues and estimate the negative roaming revenue impact in the first quarter 2021 to be around SEK 0.2 billion compared to roaming revenues for the first quarter 2020. For the full year 2021 we estimate the roaming revenues to recover to a similar level as the roaming revenues in 2020.

Financial markets have had a strong rebound from its lows during the first half of 2020, volatility has normalized and liquidity in most markets has returned. Telia Company's financial risk management is in all material aspects unchanged but with additional focus to maintain a continued strong liquidity position. Also, the debt capital market has rebounded and offers pre COVID-19 spread levels to the Telia Company credit. The refinancing need 12 months ahead remains limited.

The general credit risk increase during the first part of the year has somewhat decreased and there has been no need for any significant increases in Telia Company's allowances for expected credit losses in 2020. For more information on risks related to the outbreak of COVID-19, see "Risks and uncertainties".

C3 SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

General – Subsidiaries

The consolidated financial statements comprise the parent company Telia Company AB and all entities over which Telia Company has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled or not. Telia Company is assumed to have control if the group owns the majority of shares and the shares have equal voting rights attached, and a proportionate entitlement to a share of the returns of the entity and decisions about relevant activities are determined by majority votes. Telia Company is also assumed to have control if Telia Company selects the majority of the board contractually even if not holding the majority of the shares, see Notes C4 and C20, respectively.

Acquisitions are accounted for using the acquisition method which measures goodwill at the acquisition date as: the fair value of the consideration transferred; plus the amount of any non-controlling interest in the acquiree recognized in the transaction; plus if the business combination is achieved in stages, the fair value of the previously held equity interest in the acquiree; less the net recognized amount of the identifiable assets acquired and liabilities assumed. When the difference is negative, a bargain purchase gain would be recognized in net income. Costs related to the acquisition are expensed as incurred.

Any contingent consideration payable would be recognized at fair value at the acquisition date. If the contingent consideration would be classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in net income. Acquisition of additional shares in a subsidiary after obtaining control as well as a partial disposal of shares in a subsidiary while retaining control are accounted for as equity transactions with owners. See section "Non-controlling interests" below.

Assets (including any goodwill and fair value adjustments) and liabilities for entities acquired or divested during the year are included in the consolidated financial statements from the date on which control is obtained and excluded from the date on which control is lost.

Intra-group sales and other transactions have been eliminated in the consolidated financial statements. Profits and losses resulting from intra-group transactions are eliminated unless a loss indicates impairment.

Non-controlling interests

Prior to 2010, transactions involving non-controlling interests were treated as transactions with non-related parties. Disposals of non-controlling interests resulted in capital

gains or losses which were recognized in net income.

Purchases of non-controlling interests resulted in goodwill, being the difference between any consideration paid and the relevant share acquired of the group's carrying value of net assets of the subsidiary. Prospectively as of 2010, transactions with non-controlling interests are treated as equity transactions, including any transaction-related costs. Gains or losses on disposals as well as any excess or deficit of consideration paid over the carrying amount of non-controlling interests when acquiring additional shares in a subsidiary are recognized in retained earnings. Consideration paid for a call option or other similar contract giving Telia Company the right to acquire a fixed non-controlling interest in exchange for a fixed amount of cash or another financial asset is deducted from retained earnings.

Commitments to purchase non-controlling interests (NCI) made prior to 2010 and put options granted to holders of non-controlling interests (taking into account any subsequent capital contributions from or dividends to such shareholders) prior to 2010 are recognized as contingent consideration (provisions). Where the amount of the liability exceeds the amount of the non-controlling interest, the difference is recorded as goodwill. Subsequent changes in the value of put option liabilities are recognized as an adjustment to goodwill. Commitments entered into on or after 2010 are considered financial liabilities with subsequent changes in the value recognized as other operating income/expense. For each business combination the group elects to measure any non-controlling interest in a subsidiary either at fair value (goodwill recognized on non-controlling interest) or only at the proportionate share of the identifiable net assets (goodwill recognized only on acquired interest). If Telia Company has a commitment of a NCI option linked to a receivable from the same counterparty and the shares are held as collateral for the receivable, then the receivable and liability is recognized and offset in the statement of financial position. The change in fair value of the option is assumed to equal the return on the shares held as collateral, see Note C27.

Joint arrangements

Joint arrangements are entities over which the group has joint control by virtue of contractual arrangements. Joint arrangements are classified as either joint operations or joint ventures. Joint operations are arrangements whereby Telia Company has the right to the assets and obligation for the liabilities and accounts for its share of the assets, liabilities, revenues and expenses of the joint operation line by line in the consolidated financial statements. The joint operations are primarily designed for providing output to the shareholders.

Joint ventures on the other hand are arrangements where Telia Company has right to the net assets of the arrangement and the investment is accounted for under the equity method (similar to associated companies - see section below). Joint arrangements acquired or divested during

the year are included in the consolidated financial statements from the date on which joint control is obtained and excluded from the date on which joint control is lost.

Associated companies

Associated companies are entities over which the group has significant influence but not control. If the group holds, directly or indirectly (e.g. through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the group has significant influence, unless it can be clearly demonstrated that this is not the case. Holdings in associated companies are accounted for using the equity method and are initially recognized at cost, including any transaction costs. The group's share of net income in associated companies is included in operating income because the operations of these companies are related to telecommunications and it is the group's strategy to capitalize on industry know-how by means of investing in partly owned operations. The share of net income is based on the entity's most recent accounts, adjusted for any discrepancies in accounting policies, and with estimated adjustments for significant events and transactions up to Telia Company's close of books.

The line item Income from associated companies and joint ventures also includes amortization of fair value adjustments and other consolidation adjustments made upon the acquisition of associated companies as well as any subsequent impairment losses on goodwill and other intangible assets, and capital gains and losses on disposals of stakes in such companies. Telia Company's share of any gains or losses resulting from transactions with associated companies is eliminated.

Dividend received reduces the carrying amount of an investment. Negative equity participations in associated companies are recognized only to the extent contractual obligations to contribute additional capital exist and are then recorded as Other provisions.

The group's share of associated entities equity transactions such as the acquisition or sale of treasury shares from third parties are recognized directly in equity.

Cash flow reporting

Cash flows from operating activities are reported using the indirect method and include dividends received from associated companies and other equity instruments, interest paid or received (except for paid interest capitalized as part of the acquisition or construction of non-current assets and therefore included in cash flows from investing activities), provisions, compensation from or contributions to the Swedish pension fund and taxes paid or refunded. Changes in non-interest bearing receivables and liabilities are reported in working capital. Terminal financing receivables are also included in working capital. Cash flow from operating activities also includes cash flows from film and program rights.

Cash flows from investing activities include CAPEX, payments to acquire or receipts from the sale of joint ventures, associates, subsidiaries (obtaining or losing control) net of cash and cash equivalents acquired or disposed of and other equity instruments. Further, cash flows from investing

activities include payments related to lease receivables, as well as other investments with maturities over 3 months.

Cash flows from financing activities include dividends paid to owners of the parent and to holders of non-controlling interests, payments and receipts from changes in ownership of non-controlling interest and cash flows from settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances including any payments or receipts from CSA (Credit Support Annex).

Proceeds from and repayment of borrowings include cash flows from derivatives hedging such borrowings. Further, cash flow from financing activities also includes repayments of lease liabilities.

Cash and cash equivalents include cash at hand, bank deposits and highly-liquid short-term investments with maturities up to and including 3 months.

Cash flows of a foreign entity are translated at the average exchange rate for the reporting period, except for certain transactions like dividends from associates, dividends paid to holders of non-controlling interests, acquisitions or disposals of subsidiaries and associated companies, and other major non-recurring transactions which are translated at the rate prevailing on the transaction day.

Segment reporting

The group's businesses are managed and reported by the seven operating segments: Sweden, Finland, Norway, Denmark, Lithuania, Estonia and TV and Media. Operating segments that are not individually reportable: Latvia, the Telia Carrier operations, Telia Company's shareholding in the associate Turkish Turkcell (up until disposal) as well as Group functions are combined into Other operations. The former segment region Eurasia was classified as held for sale and discontinued operations since December 31, 2015, and was therefore not included in the segment information. For additional information, see Note C5. Segments are consolidated based on the same accounting principles as for the group as a whole except for inter-segment leases which are treated as operating leases. When significant operations are transferred between segments, comparative period figures are restated.

Foreign currency translation and inflation adjustments

Currency translation is based on market rates with information from major market providers and are fixed daily.

Separate financial statements of a group entity are presented in the entity's functional currency, being the currency of the primary economic environment in which the entity operates, normally the local currency. In preparing the financial statements, foreign currency transactions are translated at the exchange rates prevailing at the date of each transaction. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rates existing at that date. Exchange rate differences arising from operating receivables or liabilities are recognized in operating income, while differences attributable to financial assets or liabilities are recognized in finance items.

Exchange rate differences on equity instruments measured at fair value through other comprehensive income and on cash flow hedges are recognized in other comprehensive income.

The consolidated financial statements are presented in Swedish krona (SEK), which is the functional currency of the parent company. For consolidation purposes, income and expenses of foreign operations (subsidiaries, joint ventures and associated companies, and branch offices) are translated at the average exchange rates for the period.

However, for items related to dividends, gains or losses on disposal of operations or other major transactions or if exchange rates fluctuated significantly during the period, the exchange rates at the date of the transactions are used. Assets and liabilities, including goodwill and fair value adjustments arising on acquisition of foreign operations, are translated at closing rates at the end of the reporting period except for equity components, which are translated at historical rates. Translation differences are recognized in other comprehensive income and accumulated in equity attributable to owners of the parent or to non-controlling interests, as appropriate.

When a foreign operation is disposed, any related cumulative exchange rate difference is recycled to net income as part of the gain or loss on the disposal, except for accumulated exchange rate differences related to non-controlling interests which are derecognized but not recycled to net income. However, if Telia Company would dispose a non-controlling interest in a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the functional currency for a foreign operation is the currency of a hyperinflationary economy, prior to translating the financial statements, the reported non-monetary assets and liabilities, and equity are restated in terms of the measuring unit current at the end of the reporting period.

Revenue recognition

Revenues principally consist of mobile service revenues including subscription, interconnect and roaming and fixed service revenues including telephony, broadband, TV, installation fees, advertising revenue and business solutions, as well as revenues from equipment sales and leases. There are both revenues from products and services sold separately and from products and services sold as a bundle.

Revenues are recognized based on a single principle based five-step model which is applied to all contracts with customers. Revenues are allocated to performance obligations (equipment and services) in proportion to stand-alone selling prices of the individual items. Revenue is recognized when (at a point in time) or as (over a period of time) the performance obligations are satisfied, which is determined by the manner in which control passes to the customer.

Revenues are measured based on the consideration specified in a contract with a customer and excludes amount collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both. For variable consideration accumulated experience is used to estimate and provide for the variable consideration, and revenues

are only recognized to the extent that it is highly probable that a significant reversal will not occur.

Service revenues

Service revenues are recognized over time, in the period in which the service is performed, based on actual traffic or over the contract term, as applicable. Revenues from voice and data services are recognized when the services are used by the customer. Subscription fees are recognized as revenues over the subscription period. Sales relating to prepaid phone cards, primarily mobile, are deferred as a contract liability and recognized as revenues based on the actual usage of the cards.

Revenues from interconnect traffic with other telecom operators are recognized at the time of transit across Telia Company's network.

Installation services are in many cases considered separate performance obligations and revenue is recognized when or as the obligation is satisfied, depending on the type of installation service and how and when the control is transferred to the customer

For open access fiber installed at customer's premises, non-refundable customer fees and related installation costs, including planning, trenching, cabling, splicing, mounting, connection, cross-connect equipment and media converter, are recognized when the installation is finalized. Connection fees are separately recognized at completion of connection, if the fees do not include any amount for subsequent servicing but only cover the connection costs. Amounts for subsequent servicing are deferred.

To corporate customers, Telia Company offers complex, long-term functional service agreements which could include telecom and datacom subscription services, installation services related to telecom or datacom and other customized services. Typically, telecom and datacom services are considered separate performance obligations. Revenue for each separate performance obligation is recognized over the period of time that the subscription service is provided, and the performance obligation is satisfied. Since the subscription services in a functional agreement are performed on a monthly basis over the same period, these services are in practice accounted for in the same way as if they had been one performance obligation. Installation services in functional agreements are in most cases considered separate performance obligations and revenue is recognized when or as the obligation is satisfied, depending on the type of installation service and how and when control is transferred to the customer. For many of the installation services the control is transferred, and revenue is recognized upon completion of the installation. Functional agreements often also include equipment, see below. In functional agreements there are often also variable usage-based services and add on services. Each one of these services are considered separate performance obligations. Revenue for usage-based services is recognized over the period the service is used as the obligation is satisfied and control is transferred over time. Revenue for add on services is recognized when or as the obligation is satisfied, depending on the type of add on service and how and when control is transferred to the customer.

Invoices for mobile subscriptions, broadband, fixed telephony and other services are normally paid monthly, over the contract period.

Equipment revenues

Revenues from equipment sales are recognized at the point in time when control is transferred to the customer, which normally is on delivery and when accepted by the customer.

If the customer has the right to return the equipment, the amount of revenues recognized are adjusted for expected returns, estimated based on historical data. Equipment are paid for upfront or over time, when Telia Company provides the customer with financing.

Functional agreements with corporate customers often include equipment such as sales or financial leases of for example terminals (phones/tablets/LAN equipment etc.). The equipment is considered separate performance obligations and revenue from sale of equipment is recognized at the point in time when the performance obligation is satisfied, and control has been transferred (when the equipment have been delivered). When the equipment is leased to the customer, the lease is usually classified as a finance lease and the finance lease revenue is recognized in accordance with IFRS 16.

Advertising revenues

The performance obligation for advertising is satisfied when the advertisement is actually shown, published or displayed and the revenues are recognized at that time. The revenues are reduced for rebates.

Bundled services and products

Telia Company may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). Telia Company accounts for each individual product and service separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. When the transaction price is determined for bundles that includes services (e.g. a mobile subscription), the minimum non-cancellable contract term is considered. When applicable, the transaction price is adjusted for financing components and expected returns. There are usually no or few other variable components in the transaction price. The transaction price is allocated to each equipment and service accounted for as a separate performance obligation, based on their relative stand-alone selling price. For most performance obligations, the stand-alone selling prices are directly observable. If stand-alone selling prices are not directly observable, they are estimated based on expected cost plus margin. In some cases, the offerings include non-refundable upfront fees such as activation fees. Payments for such fees are included in the transaction price, and, if not related to the satisfaction of a performance obligation, allocated to other performance obligations identified in the contract.

Some bundled offerings include lease components, e.g. TV boxes, as well as non-lease components, e.g. subscrip-

tion. In those arrangements, the transaction price is allocated to both the lease components and non-lease components identified as separate performance obligations. The lease components are then accounted for as either an operating lease or a finance lease depending on the lease classification (see also section “lease agreements, Telia Company as a lessor” below). Revenues for the non-lease components are recognized when or as the performance obligations are satisfied.

Equipment that can be used only in connection with services provided by Telia Company and that have no other significant function for the customer than delivering the service, e.g. routers, is not accounted for as a separate performance obligation. In such arrangements, the transaction price is allocated to the performance obligations identified, i.e. no part of the transaction price is allocated to the equipment. Any consideration received upfront, when the equipment is delivered, is recognized as a contract liability and recognized as revenues when or as the identified performance obligations are satisfied.

If a contract with a customer includes a license that is distinct, the promise to grant a license is classified as either a “right to access” or a “right to use” Telia Company’s intellectual property. A license is classified as a “right to access” if Telia Company will undertake activities that significantly affects the intellectual property, that do not result in the transfer of a separate performance obligation to the customer, and, the customer is directly exposed to any positive or negative effects of those activities. When the promise to grant a license is classified as a “right to access”, revenues are recognized over time. When the promise to grant a license is classified as a “right to use”, revenues are recognized at the point in time when control is transferred to the customer.

Principal or agent

Sometimes a third party is engaged in delivering goods or services to Telia Company’s customers, e.g. Telia Company offers several value-added services (VAS) to the customers in bundled offers.

In arrangements where Telia Company acts as a principle, revenue is recognized on a gross basis. When Telia Company acts as an agent and arranges goods or services to be provided by another party, revenues are recognized as the net amount of consideration that Telia Company retains after paying that other party. When invoicing end-customers for third-party content services, amounts collected on behalf of the principal are excluded from revenues. For more information see to Note C2.

Other revenue related transactions

Under customer loyalty programs, customers are entitled to certain discounts (award credits) relating to services and goods provided by Telia Company. The loyalty program provides the customers with a material right which is accounted for as a separate performance obligation. The transaction prices are allocated between the services and goods provided, and the award credits based on relative stand-alone selling prices. The stand-alone selling price for the award credits is estimated based on the discount grant-

ed when the award credit is redeemed and the likelihood of redemption, which is based on past practice. A contract liability is recognized until the award credits are redeemed or expire.

Some contracts contain a financing component because the timing of payments provides the customer or Telia Company with a benefit of financing. When determining the transaction price for such agreements, Telia Company adjusts the promised amount of consideration for the effects of the time value of money. Telia Company uses the practical expedient to not calculate and account for significant financing component if the period between the transfer of a good or service to a customer and payment is 12 months or less.

Telia Company distinguishes between contract assets and receivables based on whether receipt of the consideration is conditional on something other than passage of time. Contract assets primarily relate to transactions where Telia Company satisfies a performance obligation to transfer equipment that is part of a bundles to the customer, but the right to payment for the equipment is dependent on Telia Company satisfying another performance obligation in the contract, for example a mobile subscription. The contract assets are transferred to receivables when the right becomes unconditional, i.e. when only the passage of time is required before payment of consideration is due. Contract liabilities primarily relate to prepayments received from customers such as prepaid cards, prepaid subscriptions, loyalty programs and variable considerations.

If expected to be recovered, sales commissions and equipment subsidies granted to dealers for obtaining a specific contract are capitalized and deferred over the period which Telia Company expects to provide services to the customer. The asset (included in balance sheet line item Other non-current assets) is amortized on a straight-line basis. The amortization is classified as an operating expense (within EBITDA) in the income statement. Telia Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred, if the amortization period of the asset is one year or less.

Operating expenses

Telia Company presents its analysis of expenses using a classification based on function. Cost of sales comprises all costs for services and products sold as well as for installation, maintenance, service, and support. Selling and marketing expenses comprise all costs for selling and marketing services and products and includes expenses for advertising, PR, pricelists, commission fees, credit information, debt collection, etc. Credit losses as well as allowances for credit losses are also included. Recovery of receivables written-off in prior years is included in Other operating income. Research and development expenses (R&D) include expenses for developing new or substantially improving already existing services, products, processes or systems. Maintenance and minor adjustments to already existing services, products, processes or systems are not included in R&D. Expenses that are related to specific customer orders (customization) are included in Cost of

sales. Amortization, depreciation and impairment losses are included in each function to the extent referring to intangible assets, property, plant and equipment or right-of-use assets used for that function. Amortization of film and program rights is included in the function Cost of sales. Amortization of cost to obtain a contract is included in the function Selling and marketing expenses.

Advertising and other marketing costs are expensed as incurred.

All pension benefit costs except for the interest component are recognized as personnel expenses. For equity-settled share-based payments to employees, such as Telia Company's Performance Share Programs, cost, being the fair value at the allotment date of the equity instruments allotted, is recognized as personnel expenses allocated over the vesting period and with a corresponding increase in equity. Cost is based on the best available estimate of the number of equity instruments to vest. If necessary, the estimate is revised during the vesting period and finally revised at the end of the vesting period.

Other operating income and expenses

Other operating income and other operating expenses include gains and losses, respectively, on disposal of shares or operations in subsidiaries (see section "Associated companies" above) and on disposal or retirement of intangible assets or property, plant and equipment.

Also included in other operating income and expenses are impairment losses of goodwill, government grants, exchange rate differences on operating transactions, results from court-settled disputes with other operators regarding historical interconnect and roaming fees, restructuring costs and other similar items. Government grants are initially measured at fair value and recognized as income over the periods necessary to match them with the related costs.

Exchange rate differences from operating transactions also include effects from economic hedges and value changes in derivatives hedging operational transaction exposure (see section "Derivatives and hedge accounting" below).

Finance costs and other financial items

Interest income and expenses are recognized as incurred, using the effective interest rate method, with the exception of borrowing costs directly attributable to the acquisition, construction or production of an asset, which are capitalized as part of the cost of that asset (see also section "Intangible assets, and property, plant and equipment" below). Increases in provisions due to passage of time and interest on lease liabilities are recognized as interest expenses.

Interest income and expenses also include changes in fair value of the interest component of cross-currency interest rate swaps as well as changes in fair value of interest rate swaps. The initial difference between nominal value and net present value of borrowings with an interest rate different to market rate ("day 1 gain") is amortized until due date and recognized as Other interest income. The interest component of changes in the fair value of borrowings iden-

tified as hedged items in fair value hedges and of derivatives hedging loans and borrowings (see section “Derivatives and hedge accounting” below) are included in Other interest income (gains) or in Interest expenses (losses). Exchange rate differences on financial transactions also comprise changes in fair value of the currency component of cross-currency interest rate swaps and of forward contracts hedging currency risks in external borrowings.

Dividend income from equity investments is recognized when Telia Company’s rights to receive payment have been established. Income and expenses relating to guarantee commissions are included in Other interest income and Interest expenses, respectively. Interest expenses include funding-related bank fees and fees to rating institutions and market makers. Further the net interest on the net defined benefit liability (asset) is recognized as part of finance costs.

Income taxes

Incomes taxes comprise current and deferred tax. Current and deferred income taxes are recognized in net income or in other comprehensive income, to the extent relating to items recognized in other comprehensive income. Deferred income taxes are provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements and on unutilized tax deductions or losses. Where a subsidiary has a history of tax losses, Telia Company recognizes a deferred tax asset only to the extent that the subsidiary has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available.

On initial recognition of assets and liabilities, deferred taxes are not recognized on temporary differences in transactions that are not business combinations. Deferred tax liabilities for undistributed earnings or temporary differences related to investments in subsidiaries, joint ventures and associated companies are not recognized because such retained earnings can be withdrawn as non-taxable dividends and the companies can be sold without tax consequences. However, some foreign jurisdictions impose withholding tax on dividends. In such cases, a deferred tax liability is recognized, calculated by applying the respective withholding tax rate on undistributed earnings. In certain countries, income tax is not levied on profits, but on dividends paid or declared. In those cases, since current and deferred taxes should be recognized at the rate of undistributed earnings, no deferred tax is recognized and current tax is recognized in the period when dividends are declared.

Current and deferred income tax is determined using tax rates and tax legislation that have been enacted or substantively enacted at the end of the reporting period and in the case of deferred tax that are expected to apply when the related deferred income tax asset or liability is settled. Effects of changes in tax rates are recognized in the period when the change is substantively enacted. Deferred tax assets are recognized to the extent that the ability of utilizing the tax asset is probable. Deferred tax assets and liabilities are offset when a legally enforceable right exists to set off

current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interest on current tax payable or refundable calculated by tax authorities is classified as Interest expenses and Other interest income, respectively.

Intangible assets, and property, plant and equipment

Measurement bases

Goodwill is measured, after initial recognition, at cost, less any accumulated impairment losses. Goodwill is not amortized but tested for impairment at least annually. Impairment losses are not reversed. Based on management analysis, goodwill acquired in a business combination is for impairment testing purposes allocated to the groups of cash-generating units that are expected to benefit from the synergies of the combination. Each group represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

Other intangible assets are measured at cost, including directly attributable borrowing costs, less accumulated amortization and any impairment losses. Direct external and internal development expenses for new or substantially improved products and processes are capitalized, provided that future economic benefits are probable, costs can be measured reliably and the product and process is technically and commercially feasible. Activities in projects at the feasibility study stage as well as maintenance and training activities are expensed as incurred.

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are measured on the same basis as intangible assets acquired separately. Fair values of intangible assets acquired in a business combination are determined as follows. Patents and trademarks are valued based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. Customer relationships are valued using the multi-period excess earnings method. For other intangible assets, income, market and cost approaches are considered in a comprehensive valuation analysis, by which the nature of the intangible asset, any legal and contractual circumstances and the availability of data will determine which approach(es) ultimately to be utilized to derive each asset’s fair value.

Property, plant and equipment are measured at cost, including directly attributable borrowing costs, less accumulated depreciation and any impairment losses. Software used in the production process is considered to be an integral part of the related hardware and is capitalized as plant and machinery. Property and plant under construction are valued at the expense already incurred, including interest during the installation period. To the extent a legal or constructive obligation to a third party exists, the acquisition

cost includes estimated costs of dismantling and removing the asset and restoring the site. The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the item will flow to Telia Company and the cost of the item can be measured reliably. All other replacement costs are expensed as incurred. A change in estimated expenditures for dismantling, removal and restoration is added to and/or deducted from the carrying value of the related asset. To the extent that the change would result in a negative carrying value, this effect is recognized in net income. The change in depreciation charge is recognized prospectively.

Fair values for property, plant and equipment acquired in a business combination are determined as follows. Commercial real estate is normally valued using an income or market approach, while technical buildings, plant and equipment are normally valued using a cost approach, in which the fair value is derived based on depreciated replacement cost for the asset.

Capitalized interest is calculated, based on the group's estimated average cost of borrowing. However, actual borrowing costs are capitalized if individually identifiable, such as interest paid on construction loans for buildings.

Government grants received as compensation for the cost of an asset are initially measured at fair value, normally being the consideration received. A government grant reduces the carrying value of the related asset and the depreciation charge recognized over the asset's useful life.

Amortization and depreciation

Amortization of intangible assets (other than goodwill and trade names with indefinite useful lives) and depreciation on property, plant and equipment is based on cost, less residual values, and taking into account the estimated useful lives of various asset classes or individual assets. Land is not depreciated. For assets acquired during a year, amortization and depreciation is calculated from the date of acquisition. Amortization and depreciation are mainly recognized on a straight-line basis.

Mobile and fixed telecommunication licenses to operate a specific network are regarded as integral to the network and amortization does not commence until the related network is ready for use. Amortization of network-independent licenses to use specific radio frequencies (spectrum) commences when the related frequency block is available for use. License fees based on future services, i.e. relating to the ongoing performance of the entity are not capitalized but expensed as incurred.

Impairment testing

Goodwill and other intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Intangible assets with a finite life and tangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Where it is not possible to estimate the recoverable

amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is tested for impairment. If an analysis indicates that the carrying value is higher than its recoverable amount, which is the higher of the fair value less costs to sell and value in use, an impairment loss is recognized for the amount by which the carrying amounts exceed the recoverable amount.

Value in use is measured based on the expected future discounted cash flows (DCF model) attributable to the asset.

Film and program rights

Film and program right assets and related liabilities are recognized in the statement of financial position when the license period begins, the cost can be measured reliably, the content has been accepted by the group in accordance with the license agreement and the film or program is available for its first showing/broadcasting. The assets are presented in separate line items for non-current and current film and program rights in the consolidated statement of financial position. Film and program rights are recognized at cost less accumulated amortization and any impairments. Future payment commitments for contractual film and program rights not recognized in the statement of financial position are disclosed as contractual commitments. Film and program rights are amortized over the useful life which is based on the license period or number of showings. Amortization of film and program rights is included in the function Cost of sales and is classified as operating expenses within EBITDA. Cash flows relating to program rights are classified within operating activities.

Financial instruments

Classification of financial assets

A financial asset is for measurement purposes initially classified into one of three measurement categories. The classification depends on how the asset is managed (business model) and the characteristics of the asset's contractual cash flows. The measurement categories for financial assets are as follows:

- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at amortized cost

A financial asset is measured at amortized cost (AC) if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to realize the cash flows from the financial assets by holding the financial assets and collecting its contractual cash flows over the life of the assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A financial asset is measured at Fair Value through Other Comprehensive Income (FVTOCI) if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to realize the cash flows from the financial assets both by collecting the contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A financial asset is measured at Fair Value through Profit or Loss (FVTPL) unless it is measured at amortized cost or at fair value through other comprehensive income.

Equity instruments and derivative instruments do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and are therefore measured at fair value through profit or loss. However, for equity instruments that are not held-for-trading, there is an irrevocable option that can be made on initial recognition to present changes in the fair value in other comprehensive income. This is made on an instrument-by-instrument basis. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

Telia Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice
- How the performance of the portfolio is evaluated and reported to management of Telia Company
- The risks that affect the performance of the business model and how those risks are managed
- How managers of the business are compensated
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity

Fair value hierarchy levels

The carrying values of classes of financial assets and liabilities measured at fair value are determined based on a three-level fair value hierarchy, as follows.

| Level | Fair value determination | Comprises |
|-------|--|---|
| 1 | Quoted (unadjusted) prices in active markets for identical assets or liabilities | Primarily quoted equity instruments measured at fair value through other comprehensive income or at fair value through profit or loss |
| 2 | Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) | Derivatives designated as hedging instruments or measured at fair value through income statement and borrowings in fair value hedge relationships |
| 3 | Inputs for the asset or liability that are not based on observable market data (unobservable inputs) | Unquoted equity instruments measured at fair value through other comprehensive income or at fair value through profit or loss |

Inputs for fair value measurements disclosed for assets and liabilities that are not carried at fair value are categorized to fair value level hierarchy 2.

Transaction costs

Financial assets and financial liabilities are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. However, transaction costs related to assets or liabilities held for trading are expensed as incurred.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when Telia Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset, or has transferred control of the asset. A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the carrying amounts is recognized in net income.

Impairment

A loss allowance is recognized for financial assets measured at amortized cost and, financial assets measured at fair value through other comprehensive income and for contract assets. The loss allowance is measured at an amount equal to lifetime expected credit losses, except for the following, for which the loss allowance is measured at an amount of twelve months expected credit losses:

- Financial assets that are determined to have low credit risk at the reporting date
- Financial assets for which the credit risk has not increased significantly since initial recognition

The loss allowance for trade receivables and contract assets is always measured at an amount equal to lifetime expected losses applying the simplified approach in IFRS 9. The general model is applied for all other financial assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the group considers reasonable and supportable information that is relevant and available without undue cost or effort.

Expected credit losses are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive.

Fair value estimation

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. For financial assets, the current bid price is used. The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques. Management uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows (DCF analyses), are used to determine fair value for the remaining financial instruments. DCF analyses are performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Forward exchange contracts are measured using quoted forward exchange rates and yield-curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows, estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The carrying value less impairment provision of trade receivables and payables are assumed for disclosure purposes to approximate their fair values. The fair value of financial liabilities is for disclosure purposes estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments with adjustment for credit purposes based on known credit spreads from exchange traded Telia Company bonds. The fair value of loans and receivables is for disclosure purposes estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments with adjustment for credit purposes based on known credit spreads, where available and if not available, individual estimates.

Current/non-current distinction, offsetting

Financial assets and liabilities maturing more than one year from the end of the reporting period are considered to be non-current. Other financial assets and liabilities are recognized as current.

Financial assets are recognized and derecognized applying settlement date accounting. Financial liabilities are recognized when Telia Company receives payment from the counterparty and are derecognized when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities are offset only if there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial assets – measurement

Equity instruments are measured at fair value. Unrealized gains and losses arising from changes in fair value up to the date of sale are recognized in other comprehensive income and accumulated in the fair value reserve. Quoted equity instruments are valued at quoted market price. Telia Company's primary valuation technique for unquoted equity instruments is based on the most recent transaction for the specific company if such transaction has been recently done. Adjustments to the carrying value is made to reflect significant changes in circumstances since the transaction date if Telia Company assess that the change will have a material impact on the fair value. The estimated fair value for material unquoted equity instruments is verified by applying other valuation models in the form of valuation multiples from peers on relevant financial and operational metrics.

Holdings in venture capital entities are measured at fair value with changes in fair value recognized in net income. Bonds are measured at fair value (quoted market prices) with changes in fair value recognized in other comprehensive income. Receivables arising from own lending, except for short-term receivables where the interest effect is immaterial, are measured at amortized cost, using the effective interest rate method, less impairment. An impairment loss on receivables from own lending is calculated as the difference between the carrying amount and the present value of the estimated future cash flow discounted at the original effective interest rate.

Short-term investments with maturities over 3 months comprise bank deposits, commercial papers issued by banks, bonds and investments. Cash and cash equivalents include cash at hand and bank deposits as well as highly-liquid short-term investments with maturities up to and including 3 months, such as commercial papers issued by banks. All instruments are initially measured at fair value and subsequently at either fair value through other comprehensive income or at amortized cost.

Financial liabilities – measurement

Financial liabilities (interest-bearing loans and borrowings), except for short-term liabilities where the interest effect is immaterial, are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method. Liabilities that are hedged against changes in fair value are, however, measured at hedged fair value. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the loan or borrowings. Borrowings with an interest rate different to market rate are initially measured at fair value, being the net present value applying the market interest rate. The difference between the nominal value and the net present value is amortized until due date.

Financial guarantee liabilities are contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee.

The financial guarantee is subsequently measured at the higher of the allowance calculated at the end of the reporting period and the amount initially recognized.

Trade receivables and trade payables – measurement

Trade receivables are initially recognized at fair value, normally being the invoiced amount, and subsequently carried at invoiced amount less allowance for expected credit losses, which equals amortized cost since the terms are generally 30 days and the impact of discount would be immaterial. An estimate of the amount of allowance for expected credit losses is recognized and reduces the carrying amount of the trade receivables. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flow. Bad debts are written-off when identified and charged to Selling and marketing expenses. Accrued trade receivables are recognized at the amounts expected to be billable.

Trade payables are initially recognized at fair value, normally being the invoiced amounts, and subsequently measured at invoiced amounts, which equals amortized cost, using the effective interest rate method, since generally the payments terms are such that the impact of discounting would be immaterial.

Accounts payable under vendor financing arrangements are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as accounts payables, but are specified in the disclosures. The credit period does not exceed 12 months and the accounts payables are therefore not discounted.

Derivatives and hedge accounting – measurement and classification

Telia Company uses derivative instruments, such as interest and cross-currency interest rate swaps, forward contracts and options, primarily to control exposure to fluctuations in exchange rates and interest rates. For hedging of net investments in foreign operations, Telia Company also uses financial liabilities.

Derivatives and embedded derivatives, when their economic characteristics and risks are not clearly and closely related to other characteristics of the host contract, are recognized at fair value. Derivatives with a positive fair value are recognized as non-current or current receivables and derivatives with a negative fair value as non-current or current liabilities. Swaps, forward exchange contracts and options are classified as non-interest-bearing and interest rate swaps and cross-currency interest rate swaps as interest-bearing items. For classification in the statement of comprehensive income, see sections “Other operat-

ing income and expenses” and “Finance costs and other financial items” above.

Hedging instruments are designated as hedges in economic hedges, see below or in either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. Documentation on hedges includes: the economic relationship between the hedging instrument and the hedged item; risk management objectives and strategy for undertaking various hedge transactions; and an effectiveness assessment. For fair value hedges, the effective and ineffective portions of the change in fair value of the derivative, along with the gain or loss on the hedged item attributable to the risk being hedged, are recognized in net income.

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies (economic hedges) or that are initiated in order to manage e.g. the overall interest rate duration of the debt portfolio. Changes in the fair value of economic hedges are recognized in net income as exchange rate differences, offsetting the exchange rate differences on monetary assets and liabilities. Changes in the fair value of portfolio management derivatives are recognized in net income as Finance costs.

For cash flow hedges, the effective portion of the change in fair value of the derivative is recognized in other comprehensive income and accumulated in the hedge reserve in equity until the underlying transaction is reflected in net income, at which time any deferred hedging gains or losses are recycled to net income. The ineffective portion of the change in fair value of a derivative used as a cash flow hedge is recognized in net income. However, when the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gains and losses are included in the initial measurement of the cost of the asset or liability.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve in equity. The gain or loss relating to the ineffective portion is recognized in net income. Gains and losses deferred in the foreign currency translation reserve are recycled to net income on disposal of the foreign operation. Changes in the fair value of derivative instruments that do not meet the criteria for hedge accounting are recognized in net income.

When the forward element of a forward contract or the foreign currency basis spread is excluded from the hedging relationship, the change in fair value of the excluded portion is accounted for as a cost of hedging. The change in fair value of the excluded portion is recognized in other comprehensive income and accumulated in a separate component of equity.

Repurchase agreements

Repurchase agreements, means that the parties have agreed on sale and repurchase of a certain security, at a predetermined price and point in time. Since the group

remains exposed to the risk and rewards of the asset during the transaction period, securities remain accounted for in the balance sheet as financial assets. Received cash is accounted for as financial liabilities. Sold securities are also disclosed as pledged assets.

Inventories

Inventories are carried at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Obsolescence is assessed with reference to the age and rate of turnover of the items. The entire difference between the opening and closing balance of the obsolescence allowance is charged to cost of sales. The fair value of inventories acquired in a business combination is determined based on the estimated selling price less the estimated cost of sale and a reasonable profit margin.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. An asset held for sale is measured at the lower of its previous carrying value and fair value less costs to sell.

One of the conditions that must be satisfied for an asset to be classified as held for sale is that the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. One criterion for the sale to qualify as highly probable is that the appropriate level of management must be committed to a plan to sell the assets or disposal group in its present condition. In the telecom industry acquisitions often require regulatory approval. If the buyer is a telecom operator in the same market parties often have to agree to a number of remedies to get the approval. If the buyer is expected to be a telecom operator in the same market and significant remedies are expected, a sale is usually not regarded as highly probable and consequently the assets are not classified as held for sale by Telia Company, until the remedies are agreed upon and accepted by management. The determination if and when non-current assets and disposal groups should be classified as held for sale requires management judgment considering all facts and circumstances relating to the transaction, the parties and the market and entities can come to different conclusions under IFRS.

Equity attributable to owners of the parent

Equity attributable to owners of the parent is divided into share capital, other contributed capital, hedging reserve, cost of hedging reserve, fair value reserve, foreign currency translation reserve, revaluation reserve, inflation adjustment reserve, equity transaction in associates and retained earnings. Share capital is the legally issued share capital. Other contributed capital comprises contributions made by

shareholders in the form of share premiums in connection with new share issues, specific share holder contributions, etc. This item is reduced by reimbursements to shareholders made in accordance with separately decided and communicated capital repayment programs (e.g. through purchasing own shares or extraordinary dividends). The hedging reserve as well as the cost of hedging reserve and the foreign currency translation reserve are reclassified to net income. The fair value reserve includes both debt instruments at fair value through OCI which are reclassified to net income, and equity instruments at fair value through OCI which are not classified to net income. Cash flow hedges may also adjust the initial cost of a non-financial asset or liability. The revaluation reserve is used in connection with step acquisitions made before 2010 and the inflation adjustment reserve when accounting for operations in hyperinflationary economies. Equity transactions in associates are the effect on the group from equity transactions such as buyback of shares from third parties by an associated entity. All other equity is retained earnings.

Dividend payments are proposed by the Board of Directors in accordance with the regulations of the Swedish Companies Act and decided by the general meeting of shareholders. The proposed cash dividend will be recorded as a liability immediately following the final decision by the shareholders.

Provisions for pensions and employment contracts

Telia Company provides defined contribution or defined benefit pension plans to its employees. Contributions to defined contribution plans are normally set at a certain percentage of the employee's salary and are expensed as incurred. Telia Company pays fixed contributions to separate legal entities and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employee benefits. Contributions to defined contribution plans are expensed when employees provide services entitling them to the contribution.

Defined benefit pension plans, provided to part of Telia Company employees in Sweden, Finland and Norway, means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plans mainly include retirement pension, disability pension and family pension. The present value of pension obligations and pension costs are calculated annually, using the projected unit credit method, which distributes the cost over the employee's service period. The pension cost is recognized in three components, service cost, net interest and remeasurements. Service cost is recognized in operating income and net interest, based on discount rate, on defined benefit obligation and plan assets is reported as interest income or interest expenses in financial items.

Changes in actuarial assumptions and experience adjustments of obligations and changes in fair value of plan assets, deviations from discount rate, results in remeasurements and are recognized in Other comprehensive income at the end of the reporting period.

Actuarial assumptions are determined at the end of the reporting period. The assets of Telia Company's pension

funds constitute pension plan assets and are valued at fair value at the end of the reporting period.

Net provisions or assets for post-employment benefits in the statement of financial position represent the present value of obligations at the end of the reporting period less the fair value of plan assets.

Other provisions and contingencies

A provision is recognized when Telia Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the likelihood of an outflow of resources is less than probable but more than remote, or a reliable estimate is not determinable, the matter is disclosed as a contingency provided that the obligation or the legal claim is material.

Provisions are measured at management's best estimate, at the end of the reporting period, of the expenditure required to settle the obligation, and are discounted to present value where the effect is material. From time to time, parts of provisions may also be reversed due to better than expected outcome in the related activities in terms of cash outflow.

Where there are a number of similar obligations, e.g. product warranty commitments, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class may be small but it is probable that some outflow of resources will be needed to settle the class of obligations as a whole.

Other provisions comprise restructuring provisions which include termination benefits, onerous contracts and other expenses related to cost reduction programs, post-acquisition integration programs, closing-down of operations, etc. Restructuring provisions are mainly recognized as Other operating expenses, since they are not expenses for post-decision ordinary activities.

Termination benefits are recognized at the earlier of when Telia Company no longer can withdraw the offering of those benefits or when Telia Company has made an appropriate public announcement, specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms.

Onerous contracts are recognized when the expected benefits to be derived by from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, any impairment loss on the assets associated with that contract is provided for.

Other provisions also include warranty commitments, environmental restoration, litigation, onerous contracts not related to restructuring activities, etc. These provisions are recognized as Cost of sales, Selling and marketing expenses, Administrative expenses or Research and development expenses as applicable.

Lease agreements

Telia Company as lessee

Telia Company recognizes a right-of-use asset and a lease liability on the statement of financial position when the underlying asset is made available for Telia Company, i.e. at the commencement date. Telia Company applies the practical expedients to recognize payments associated with short-term leases and leases of low value as an expense in the income statement. Telia Company does not apply IFRS 16 to intangible assets.

The lease liability is initially measured at the present value of the lease payments during the estimated lease term that are not paid at the commencement date. Lease payments included in the measurement of the lease liability comprise of fixed lease payments including in-substance fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee and payments related to options that Telia Company is reasonably certain to exercise. In all asset classes, payments related to non-lease components are separated from the lease payments and expensed as incurred.

The estimated lease term includes the non-cancellable period of the lease together with both periods covered by extension options (if Telia Company is reasonable certain to exercise that option) and periods covered by termination options (if Telia Company is reasonable certain not to exercise that option). Determining the estimated lease term, including extension and termination options, requires significant judgement, see Note C2.

The lease liability is re-measured if there are modifications to the lease contract or if there are changes in the cash flow based on the initial contract terms. Changes in cash flows based on the initial term occurs when; Telia Company changes its initial estimation of whether extension and/or termination options will be exercised, there are changes in earlier estimates of whether a purchase option will be exercised, lease payments changes due to changes in index or rate, or if there is a change in estimates regarding amounts expected to be paid under a residual value guarantee.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Telia Company's incremental borrowing rate. For the majority of all lease contracts Telia Company uses its incremental borrowing rate, as the interest rate implicit in the lease usually is not readily determinable.

Some lease agreements, e.g. for stores could contain variable payments that are linked to the sales generated from the store. Variable lease payments are recognized in the income statement in the period in which the event that trigger those payments occurs.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date and any initial direct costs incurred, less any lease incentives received. Also, any restoration costs estimated in accordance with the guidance in IAS 37 are included in the measurement of the right-of-use asset. The related provision is recognized separately from the lease liability.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the estimated lease term. Any re-measurement of the lease liability results in most cases in a corresponding adjustment of the right-of-use asset. If the carrying amount of the right-of-use asset has already been reduced to zero, the remaining re-measurement is recognized in the income statement. The right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

Right-of-use assets are presented as a separate line in the statement of financial position and lease liabilities as long- and short-term borrowings in the statement of financial position.

In the income statement, depreciation charges of the right-of-use asset are presented in the different functions depending on type of leased asset. The interest expense on the lease liability is presented as finance costs. Lease payments associated with leases of low value and short-term leases are presented in the different functions depending on type of leased asset.

Repayments on the lease liability are presented as a cash flow from financing activities. Payments of interest as well as payments for short-term leases and leases of low value are presented as cash flow from operating activities.

Telia Company as a lessor

In arrangements where Telia Company is a lessor, determination of whether each lease is a finance lease or an operating lease is made at lease inception. To classify each lease, an overall assessment is made of whether the lease

transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset. If substantially all of the risk and rewards are transferred, then the lease is a finance lease. If not, it is an operating lease. If a contract includes both lease and non-lease components, Telia Company allocates the consideration to the components identified on the basis of relative stand-alone selling prices (see section "revenue recognition" above).

In arrangements where Telia Company is an intermediate lessor the classification of the sublease is assessed with reference to the right-of-use asset arising from the head lease.

Telia Company as finance lessor

Telia Company owns assets that are leased to customers under finance lease agreements. Amounts due from lessees are recorded as receivables at the amount of the net investment in the leases, which equals the net present value. Initial direct costs are included in the initial measurement of the financial lease receivable and reduce the amount of income recognized over the lease term. Interest income is recognized over the lease term on an annuity basis.

Telia Company as operating lessor

Rental revenues from operating leases are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and are recognized on the same basis as the lease revenues.

C4 CHANGES IN GROUP COMPOSITION AND EVENTS AFTER THE REPORTING PERIOD

Group composition

Subsidiaries

Telia Company's principal operating subsidiaries as of December 31, 2020, are disclosed in "Where we operate." Subsidiaries in continuing operations with non-controlling interests are disclosed in Note C20.

Business combinations

Telia Company did not acquire any business combination during 2020. During 2019 Telia Company acquired Bonnier Broadcasting and Fello. For more information on the acquisition of Bonnier Broadcasting, see Note C34.

Disposal of subsidiaries

During 2020, Telia Company disposed its holdings in Moldcell in Moldova. For more information see Note C35.

Associated companies

During 2020, Telia Company disposed its holding in Turck-sell Holding. For more information on associated companies see Note C15.

Joint arrangements

Telia Company owns four joint arrangements that are classified as joint operations, Svenska UMTS-nät AB (SUNAB) in Sweden, TT-Netværket P/S (TT) in Denmark, Suomen Yhteisverkko Oy in Finland and Springworks International in Other operations. The following companies are network-sharing operations with Tele2 (SUNAB), Telenor (TT) and DNA (Suomen Yhteisverkko). Springworks International is a technology-sharing operation with autoSense. Telia Company holds 50 percent of the shares in SUNAB, TT and Springworks International. Telia Company owns 51 percent of the shares in Suomen Yhteisverkko, but based on the shareholders agreement the company is jointly controlled and equally governed by the consensus principle.

Events after the reporting period

On January 19, 2021 it was announced that Telia Company secured a 120 MHz frequency block in the 3.5 GHz band in Sweden for EUR 75 million.

C5 SEGMENT INFORMATION

Telia Company's operating model is based on geographical areas with the exception of the segment TV and Media that was established in December 2019 following the acquisition of Bonnier Broadcasting. The group's operations are managed and reported by the following operating segments: Sweden, Finland, Norway, Denmark, Lithuania, Estonia and TV and Media. The organisations are country-based, except for the segment TV and Media which is based on its business nature. The heads of Sweden, Finland, Norway and, TV and Media report directly to the CEO while the head of Denmark, Lithuania and Estonia reports to the Head of Cluster (LED - Lithuania, Estonia, Denmark) who reports to the CEO. Other operations are collectively reported. The former segment region Eurasia was classified as held for sale and discontinued operations since December 31, 2015, and was therefore not included in the segment information. For more information, see Note C35.

- Sweden comprises Telia Company's mobile, broadband, TV and fixed-line operations in Sweden.
- Finland comprises Telia Company's mobile, broadband, TV and fixed-line operations in Finland.
- Norway comprises Telia Company's mobile, broadband, TV and fixed-line operations in Norway.
- Denmark comprises Telia Company's mobile, broadband, TV and fixed-line operations in Denmark.
- Lithuania comprises Telia Company's mobile, broadband, TV and fixed-line operations in Lithuania.
- Estonia comprises Telia Company's mobile, broadband, TV and fixed-line operations in Estonia.
- TV and Media comprises the broadcasting and content production business in the acquired Bonnier Broadcasting, mainly consisting of TV4 and C More in Sweden and MTV in Finland. From July 1, 2020, TV and Media also contains Telia Company's former product area Media and Entertainment (former part of Other Operations).

- Other operations include mainly the operations in Latvia, customer financing operations, as well as Common Products and Services and Group functions. The international carrier operations are included in Other operations, but are classified as held for sale since September 30, 2020, see Note C35. Telia Company's shareholdings in the Turkish associated company Turkcell were also included in Other operations, but were divested on October 22, 2020. For further information, see Note C15.

Segment information is based on the same accounting principles as for the group as a whole, except for inter-segment leases which are treated as operating leases. Inter-segment transactions are based on commercial terms. Besides Net sales and Operating income, principal segment control and reporting concepts are EBITDA excluding adjustment items, Investments in associated companies and joint ventures, Other operating segment assets and Operating segment liabilities, respectively (see Definitions).

Operating segment assets comprise total assets less non-operating interest-bearing receivables, long-term and short-term investments, pension obligation assets, foreign currency derivatives, accrued interest, tax assets and cash and cash equivalents. Operating segment liabilities contain total liabilities less non-operating interest-bearing liabilities, provisions for pensions and employment contracts, foreign currency derivatives, accrued interest and tax liabilities. For information on distribution of goodwill and other intangible assets with indefinite useful lives by reportable segments, see Note C12.

January-December 2020 or December 31, 2020

| SEK in millions | Sweden | Finland | Norway | Den- mark | Lithuania | Estonia | TV and Media | Other opera- tions | Elimina- tions and other | Group |
|--|--------------|---------------|--------------|--------------|------------|------------|-----------------|--------------------------|--------------------------------|----------------|
| Net sales | 33,740 | 15,260 | 13,373 | 5,464 | 4,151 | 3,321 | 7,429 | 8,715 | -2,263 | 89,191 |
| External net sales | 33,581 | 15,026 | 13,356 | 5,385 | 4,089 | 3,223 | 7,429 | 7,103 | - | 89,191 |
| Adjusted EBITDA | 13,506 | 4,812 | 6,064 | 1,029 | 1,497 | 1,153 | 758 | 1,881 | 1 | 30,702 |
| <i>of which impairment losses</i> | - | -58 | - | - | - | - | -198 | - | - | -256 |
| Adjustment items | -10 | -9 | -161 | -17 | -13 | -7 | -64 | -227 | - | -508 |
| Amortization, depreciation and impairment losses | -6,706 | -11,123 | -4,407 | -1,038 | -718 | -705 | -814 | -2,351 | 0 | -27,861 |
| <i>of which impairment losses</i> | - | -7,906 | -111 | - | -3 | - | - | -30 | - | -8,050 |
| Income from associated companies and joint ventures | 0 | -9 | 5 | 1 | -9 | 4 | 1 | -20,073 | - | -20,080 |
| Operating income | 6,790 | -6,328 | 1,502 | -25 | 756 | 446 | -120 | -20,770 | 1 | -17,747 |
| Financial items, net | | | | | | | | | | -3,318 |
| Income taxes | | | | | | | | | | -1,412 |
| Net income from continuing operations | | | | | | | | | | -22,477 |
| Investments in associated companies and joint ventures | 3 | 14 | 30 | 4 | - | 31 | 7 | 861 | - | 950 |
| Other operating segment assets | 46,820 | 44,234 | 51,739 | 7,500 | 6,425 | 5,452 | 13,271 | 22,951 | -2,995 | 195,398 |
| Current and deferred tax assets | | | | | | | | | | 1,541 |
| Other unallocated assets | | | | | | | | | | 23,838 |
| Assets classified as held for sale ¹ | | | | | | | | 4,957 | - | 4,957 |
| Total assets | | | | | | | | | | 226,683 |
| Operating segment liabilities | 12,273 | 4,784 | 5,128 | 1,870 | 1,330 | 971 | 1,900 | 6,452 | -2,987 | 31,720 |
| Current and deferred tax liabilities | | | | | | | | | | 10,730 |
| Other unallocated liabilities | | | | | | | | | | 116,952 |
| Liabilities directly associated with assets classified as held for sale ¹ | | | | | | | | 3,325 | - | 3,325 |
| Total non-current and current liabilities | | | | | | | | | | 162,727 |
| Investments, continuing operations | 4,395 | 3,520 | 3,277 | 493 | 503 | 493 | 371 | 5,941 | 4 | 18,996 |
| <i>of which CAPEX excluding fees for licenses, spectrum and right-of-use assets, continuing operations</i> | 2,806 | 1,689 | 2,441 | 288 | 368 | 366 | 356 | 5,323 | 4 | 13,640 |
| Number of employees | 4,504 | 2,928 | 1,633 | 731 | 1,598 | 1,463 | 1,484 | 6,400 | - | 20,741 |

1) Relates to the international carrier operations, see Note C35.

FINANCIAL STATEMENTS

Consolidated financial statements

| January-December 2019 or December 31, 2019 | | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|------------|------------|-----------------|--------------------------|---|--------------------------------|----------------|
| SEK in millions | Sweden | Finland | Norway | Den- mark | Lithuania | Estonia | TV and Media | Other opera- tions | Discontinued operations and assets held for sale | Elimina- tions and other | Group |
| Net sales | 34,905 | 15,969 | 14,666 | 5,675 | 4,045 | 3,333 | 751 | 8,889 | - | -2 268 | 85,965 |
| External net sales | 34,762 | 15,763 | 14,650 | 5,585 | 3,981 | 3,235 | 711 | 7,278 | - | - | 85,965 |
| Adjusted EBITDA | 13,932 | 4,900 | 6,394 | 1,056 | 1,430 | 1,146 | 108 | 2,051 | - | - | 31,017 |
| Adjustment items | -255 | -168 | -227 | -41 | -22 | 10 | -86 | -211 | - | - | -1,000 |
| Amortization, depreciation and impairment losses | -6,332 | -3,247 | -4,232 | -1,061 | -678 | -645 | -65 | -2,603 | - | - | -18,863 |
| of which impairment losses | -3 | - | -10 | - | -9 | - | - | -130 | - | - | -153 |
| Income from associated companies and joint ventures | 0 | 3 | 0 | 1 | -16 | 1 | - | 1,150 | - | - | 1,138 |
| Operating income | 7,346 | 1,489 | 1,934 | -45 | 714 | 512 | -44 | 387 | - | - | 12,293 |
| Financial items, net | | | | | | | | | | | -2,938 |
| Income taxes | | | | | | | | | | | -1,753 |
| Net income from continuing operations | | | | | | | | | | | 7,601 |
| Investments in associated companies and joint ventures | 3 | 3 | 27 | 3 | 0 | 28 | 6 | 10,095 | - | - | 10,165 |
| Other operating segment assets ¹ | 48,689 | 54,300 | 58,342 | 8,575 | 7,207 | 5,769 | 13,671 | 28,683 | - | -2,444 | 222,792 |
| Current and deferred tax assets | | | | | | | | | | | 1,939 |
| Other unallocated assets | | | | | | | | | | | 28,302 |
| Assets classified as held for sale | | | | | | | | | 875 | - | 875 |
| Total assets | | | | | | | | | | | 264,072 |
| Operating segment liabilities ¹ | 12,403 | 4,808 | 4,543 | 1,636 | 1,120 | 878 | 2,716 | 9,305 | - | -2,442 | 34,966 |
| Current and deferred tax liabilities | | | | | | | | | | | 12,606 |
| Other unallocated liabilities | | | | | | | | | | | 123,440 |
| Liabilities directly associated with assets classified as held for sale | | | | | | | | | 604 | - | 604 |
| Total non-current and current liabilities | | | | | | | | | | | 171,616 |
| Investments, continuing opera- tions ¹ | 5,881 | 2,141 | 2,869 | 323 | 709 | 489 | 10,929 | 5,865 | - | 8 | 29,214 |
| of which CAPEX excluding fees for licenses, spectrum and right- of-use assets, continuing operations ¹ | 3,548 | 1,493 | 2,421 | 285 | 424 | 422 | 13 | 5,499 | - | 8 | 14,113 |
| Number of employees ¹ | 4,724 | 2,907 | 1,626 | 710 | 1,737 | 1,568 | 1,261 | 6,312 | 387 | - | 21,232 |

1) Restated for comparability, see Note C1.

C6 NET SALES

Disaggregation of revenue

The group derives revenue from the transfer of goods and services in the following major product lines and segments in 2020 and 2019, respectively. Fixed services mainly include telephony, broadband, data and TV services. Disaggregation of revenue has been based on Telia Company's reportable segments.

| 2020 | | | | | | | | | | |
|---|---------------|---------------|---------------|--------------|--------------|--------------|--------------|------------------|---------------|---------------|
| SEK in millions | Sweden | Finland | Norway | Denmark | Lithuania | Estonia | TV and Media | Other operations | Eliminations | Total |
| Mobile subscription revenues | 12,600 | 6,408 | 6,367 | 2,586 | 1,151 | 946 | – | 1,267 | – | 31,325 |
| Interconnect | 520 | 411 | 406 | 225 | 169 | 72 | – | 121 | – | 1,924 |
| Other mobile service revenues | 522 | 569 | 884 | 335 | 39 | 11 | – | 43 | – | 2,403 |
| Total mobile service revenues | 13,643 | 7,388 | 7,656 | 3,146 | 1,359 | 1,030 | – | 1,430 | – | 35,652 |
| Telephony | 1,927 | 102 | 138 | 191 | 229 | 115 | – | 2 | – | 2,703 |
| Broadband | 4,704 | 706 | 1,260 | 208 | 572 | 583 | 4 | 11 | – | 8,048 |
| TV | 1,810 | 555 | 1,613 | 82 | 364 | 281 | 2,460 | – | – | 7,165 |
| Business solutions | 2,874 | 2,579 | 439 | 192 | 235 | 249 | – | 87 | – | 6,656 |
| Other fixed service revenues | 3,700 | 1,248 | 74 | 47 | 386 | 356 | 1 | 4,277 | – | 10,088 |
| Total fixed service revenues | 15,015 | 5,190 | 3,524 | 719 | 1,786 | 1,585 | 2,464 | 4,375 | – | 34,659 |
| Advertising revenues | – | 2 | – | – | – | – | 4,822 | – | – | 4,825 |
| Other service revenues | 1,075 | 271 | 159 | 110 | 21 | 13 | 142 | 415 | – | 2,206 |
| Total service revenues¹ | 29,734 | 12,851 | 11,338 | 3,976 | 3,167 | 2,627 | 7,429 | 6,221 | – | 77,342 |
| Total equipment revenues¹ | 3,848 | 2,175 | 2,017 | 1,409 | 922 | 596 | – | 882 | – | 11,848 |
| Total external net sales | 33,581 | 15,026 | 13,356 | 5,385 | 4,089 | 3,223 | 7,429 | 7,103 | – | 89,191 |
| Internal net sales | 158 | 234 | 18 | 80 | 63 | 98 | 0 | 1,612 | -2,263 | – |
| Total net sales | 33,740 | 15,260 | 13,373 | 5,464 | 4,151 | 3,321 | 7,429 | 8,715 | -2,263 | 89,191 |

| 2019 | | | | | | | | | | |
|---|---------------------|----------------------|---------------------|----------------------|------------------------|--------------|--------------|------------------|---------------|--------------------|
| SEK in millions | Sweden ² | Finland ² | Norway ² | Denmark ² | Lithuania ² | Estonia | TV and Media | Other operations | Eliminations | Total ² |
| Mobile subscription revenues | 12,661 | 6,559 | 7,085 | 2,820 | 1,102 | 947 | – | 1,294 | – | 32,469 |
| Interconnect | 646 | 403 | 485 | 201 | 157 | 72 | – | 126 | – | 2,090 |
| Other mobile service revenues | 564 | 696 | 1,007 | 322 | 42 | 18 | – | 51 | – | 2,700 |
| Total mobile service revenues | 13,871 | 7,657 | 8,578 | 3,343 | 1,301 | 1,038 | – | 1,471 | – | 37,259 |
| Telephony | 2,286 | 138 | 187 | 184 | 268 | 124 | – | 0 | – | 3,188 |
| Broadband | 4,585 | 735 | 1,359 | 239 | 569 | 575 | 1 | 0 | – | 8,063 |
| TV | 1,843 | 645 | 1,922 | 143 | 326 | 258 | 229 | – | – | 5,366 |
| Business solutions | 2,808 | 2,551 | 495 | 190 | 216 | 236 | – | 73 | – | 6,568 |
| Other fixed service revenues | 3,773 | 1,340 | 132 | 62 | 398 | 341 | – | 4,400 | – | 10,445 |
| Total fixed service revenues | 15,295 | 5,408 | 4,095 | 818 | 1,776 | 1,534 | 230 | 4,474 | – | 33,631 |
| Advertising revenues | – | 4 | – | – | – | – | 473 | – | – | 477 |
| Other service revenues | 1,108 | 289 | 211 | 101 | 18 | 28 | 8 | 324 | – | 2,088 |
| Total service revenues¹ | 30,274 | 13,359 | 12,884 | 4,262 | 3,096 | 2,600 | 711 | 6,270 | – | 73,455 |
| Total equipment revenues¹ | 4,488 | 2,404 | 1,766 | 1,322 | 886 | 635 | – | 1,008 | – | 12,510 |
| Total external net sales | 34,762 | 15,763 | 14,650 | 5,585 | 3,981 | 3,235 | 711 | 7,278 | – | 85,965 |
| Internal net sales | 142 | 206 | 15 | 91 | 64 | 98 | 40 | 1,611 | -2,268 | – |
| Total net sales | 34,905 | 15,969 | 14,666 | 5,675 | 4,045 | 3,333 | 751 | 8,889 | -2,268 | 85,965 |

1) In all material aspects, equipment revenues are recognized at a point in time and service revenue over time.

2) Restated, see Note C1.

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External net sales by customer location and non-current assets¹, respectively, were distributed among individually material countries as follows.

| | Dec 31, 2020 | | Dec 31, 2019 | | Dec 31, 2020 | | Dec 31, 2019 | |
|---------------------|--------------------|--------------|--------------------|--------------|---------------------------------|--------------|--------------------|--------------|
| | Net sales | | | | Non-current assets ¹ | | | |
| | SEK in millions | Percent | SEK in millions | Percent | SEK in millions | Percent | SEK in millions | Percent |
| Sweden | 41,103 | 46.1 | 37,034 | 43.1 | 59,295 | 33.9 | 61,693 | 31.1 |
| Finland | 16,801 | 18.8 | 15,998 | 18.6 | 43,800 | 25.0 | 53,892 | 27.2 |
| Norway | 13,372 | 15.0 | 14,672 | 17.1 | 51,289 | 29.3 | 57,476 | 29.0 |
| Denmark | 5,417 | 6.1 | 5,604 | 6.5 | 6,419 | 3.7 | 7,084 | 3.6 |
| Lithuania | 4,089 | 4.6 | 3,981 | 4.6 | 6,591 | 3.8 | 6,899 | 3.5 |
| Estonia | 3,226 | 3.6 | 3,263 | 3.8 | 5,033 | 2.9 | 5,273 | 2.7 |
| All other countries | 5,185 | 5.8 | 5,413 | 6.3 | 2,609 | 1.5 | 6,029 | 3.0 |
| Total | 89,191 | 100.0 | 85,965 | 100.0 | 175,035 | 100.0 | 198,345 | 100.0 |

1) Non-current assets relate to intangible assets, property, plant and equipment, costs to obtain a contract, non-current contract assets, right-of-use assets and non-current film and program rights.

External net sales by customer location were distributed among economic regions as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|---------------|---------------|
| European Economic Area (EEA) | 86,579 | 83,311 |
| <i>of which European Union (EU) member states</i> | 73,311 | 68,606 |
| Rest of Europe | 400 | 533 |
| North-American Free Trade Agreement (NAFTA) | 1,516 | 1,116 |
| Rest of world | 696 | 1,005 |
| Total | 89,191 | 85,965 |

Telia Company group offers a diversified portfolio of mass-market services and products in highly competitive markets. Hence, the group's exposure to individual customers is limited.

Assets and liabilities related to contracts with customers

Costs to obtain a contract

Costs to obtain a contract are incremental costs incurred resulting in obtaining a contract with a customer, which Telia Company would not have incurred if the contract had not been obtained. These costs are typically external commissions paid, internal commission or bonus paid related to obtaining a new contract. Closing balance for Cost to obtain a contract amounted to SEK 1,376 million (1,446). Amortization in 2020 amounted to SEK 1,257 million (1,266). Other changes during the year were mainly due to new contracts of SEK 1,213 million (1,254). Costs to obtain a contract are included in Other non-current assets. The amortization is classified as an operating expense (within EBITDA) in the income statement, see Note C7.

Contract assets

Contract assets mainly refer to transactions where Telia Company satisfies a performance obligation to transfer equipment that is part of a bundle to the customer, but the payment for the equipment is dependent on Telia Company satisfying another performance obligation in the contract, for example a mobile subscription. Total contract assets amounted to SEK 488 million (485) of which SEK 117 million (96) are included in Other non-current assets and SEK 370 million (389) are included in Trade and other current receivables and assets.

Contract liabilities

Contract liabilities primarily relate to deferred revenues such as prepaid cards, prepaid subscriptions, loyalty programs and variable considerations. Total contract liabilities amounted to SEK 3,091 million (4,402), of which SEK 10 million (9) are included in Other long-term liabilities and SEK 3,081 million (4,393) are included in Trade payables and other current liabilities. The opening balance for contract liabilities has, in all material aspects, been recognized as revenues during the year.

For information on revenues from leases, see Note C28.

Unsatisfied performance obligations

The following reflects the amount of the transaction price in long term contracts, which relates to either partially or fully unsatisfied performance obligation as of December 31, 2020.

| SEK in millions, Expected revenue recognition of unsatisfied performance obligations | 2021 | 2022 | 2023 | 2024 and onwards | Total Dec 31, 2020 | Total Dec 31, 2019 |
|--|--------|-------|-------|------------------|--------------------|--------------------|
| Total unsatisfied performance obligations | 10,808 | 4,757 | 1,561 | 995 | 18,122 | 19,919 |

The disclosures in the table above do not include unsatisfied performance obligations where Telia Company has a right to consideration from a customer based on time incurred.

C7 EXPENSES BY NATURE

Operating expenses are presented on the face of the statement of comprehensive income using a classification based on the functions "Cost of sales," "Selling and marketing expenses," "Administrative expenses" and "Research and development expenses." Total expenses by function were distributed by nature as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|--|----------------|----------------|
| Goods and sub-contracting services purchased and change in inventories | -25,016 | -22,269 |
| <i>whereof amortization and impairment losses of film and program rights¹</i> | -4,057 | -541 |
| Interconnect and roaming expenses | -5,132 | -5,728 |
| Other network expenses | -1,957 | -2,369 |
| Personnel expenses (see also Note C32) | -14,680 | -13,753 |
| Marketing expenses | -3,343 | -3,262 |
| <i>whereof amortization of cost to obtain a contract</i> | -1,257 | -1,266 |
| Other expenses | -8,671 | -8,017 |
| Amortization, depreciation and impairment losses ² | -19,937 | -18,861 |
| Total | -78,736 | -74,260 |

1) For changes in Film and program rights, see Note C14.

2) Relates to intangible assets, property, plant and equipment and right-of-use assets.

The main components of Other expenses are consultant expenses, IT expenses and energy expenses.

Amortization, depreciation and impairment losses of intangible assets, property, plant and equipment and right-of-use assets by function were as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|---------------------------------------|----------------|----------------|
| Cost of sales | -16,664 | -15,802 |
| Selling and marketing expenses | -2,021 | -1,835 |
| Administrative expenses | -1,134 | -1,106 |
| Research and development expenses | -118 | -118 |
| Total functions | -19,937 | -18,861 |
| Other operating expenses ¹ | -7,924 | -1 |
| Total | -27,861 | -18,862 |

1) 2020 includes mainly an impairment of SEK -7,800 million related to goodwill in Finland, see Note C12, and an impairment of SEK -110 million relating to remeasurement of the Finnish real estate companies, see Note C13.

Amortization of film and program rights is included in the function Cost of sales. Amortization of cost to obtain a contract is included in the function Selling and marketing expenses. For more information on amortization, deprecia-

tion and impairment losses see Notes C12, C13, C14 and C28, respectively. Amortization, depreciation and impairment losses are broken down by reportable segment in Note C5.

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C8 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses were distributed as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|--|---------------|---------------|
| Other operating income | | |
| Capital gains | 58 | 31 |
| Exchange rate gains | 699 | 288 |
| Commissions, license and patent fees, etc. | 65 | 92 |
| Grants | 8 | 11 |
| Gains/losses business combinations | 1 | 1 |
| Recovered accounts receivable | 21 | 115 |
| Court-settled fees with other operators | 111 | 0 |
| Damages received | 116 | 28 |
| Total other operating income | 1,080 | 565 |
| Other operating expenses | | |
| Capital losses | -153 | -56 |
| Transaction costs in business combinations | -154 | -98 |
| Provisions for onerous contracts | 0 | -9 |
| Exchange rate losses | -564 | -304 |
| Restructuring costs | -401 | -584 |
| Impairment losses | -7,924 | -1 |
| Court-settled fees with other operators | 0 | -56 |
| Damages paid | -6 | -9 |
| Total other operating expenses | -9,202 | -1,117 |
| Net effect on income | -8,122 | -551 |
| <i>of which net exchange rate losses on derivative instruments measured at fair value through income statement</i> | 45 | 3 |

Full year 2020 includes an impairment of SEK -7,800 million related to goodwill in Finland, see Note C12, and an impairment of SEK -110 million relating to remeasurement of the Finnish real estate companies, see Note C13.

C9 FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs were distributed as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|---|---------------|---------------|
| Finance income | | |
| Interest income | 100 | 162 |
| Interest income on finance leases | 91 | 95 |
| Net interest on the net defined benefit liability (asset) | 1 | 10 |
| Other finance income | 0 | 4 |
| Unwinding of discounts, receivables | 83 | 82 |
| Total finance income | 275 | 353 |
| Finance costs | | |
| Interest expenses | -3,022 | -2,738 |
| Interest expenses on lease liabilities | -439 | -436 |
| Unwinding of provision discount | -73 | -57 |
| Capitalized interest | 109 | 128 |
| Net exchange rate losses | -136 | -104 |
| Capital losses on other financial investments | -32 | -84 |
| Total finance costs | -3,593 | -3,291 |
| Net effect on income | -3,318 | -2,938 |

Details on interest expenses, net exchange rate gains and losses and interest income related to hedging activities, financial assets and financial liabilities were as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 | Jan-Dec 2020 | Jan-Dec 2019 | Jan-Dec 2020 | Jan-Dec 2019 |
|--|---------------------------|---------------|------------------------------------|--------------|-------------------------|--------------|
| | Interest related expenses | | Net exchange rate gains and losses | | Interest related income | |
| Fair value hedge derivatives | 868 | 488 | - | - | - | - |
| Cash flow hedge derivatives | -451 | -334 | -1,125 | 535 | - | - |
| Derivatives at fair value through income statement | -284 | 132 | 1,042 | -420 | 0 | - |
| Financial assets at amortized cost | - | - | -2,263 | -358 | 54 | 65 |
| Borrowings in fair value hedge relationships | -2,637 | -2,842 | 3,093 | -865 | - | - |
| Borrowings and other financial liabilities at amortized cost | -542 | -230 | -884 | 1,006 | - | - |
| Interest on lease liabilities and lease receivables | -439 | -436 | - | - | 91 | 95 |
| Other | 133 | 176 | 1 | -2 | 46 | 108 |
| Total | -3,352 | -3,046 | -136 | -104 | 191 | 268 |

Borrowings at amortized cost include items in net investment hedge relationships as well as unhedged items.

C10 INCOME TAXES

Tax items recognized in comprehensive income and directly in equity

Tax items recognized in comprehensive income and directly in equity were distributed as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|---|---------------|---------------|
| Tax items recognized in net income | | |
| Current tax | -1,364 | -1,861 |
| Adjustment of current tax related to prior years | 56 | 31 |
| Deferred tax | 27 | 84 |
| Adjustment of deferred tax related to prior years | -130 | -7 |
| Effect on deferred tax from changes in tax rates | 0 | 0 |
| Total tax expense recognized in net income | -1,412 | -1,753 |
| Tax items recognized in other comprehensive income | | |
| Current tax | -143 | 338 |
| Deferred tax | 1,475 | 72 |
| Total tax recognized in other comprehensive income | 1,332 | 410 |
| Tax items recognized directly in equity | | |
| Deferred tax | - | - |
| Total tax recognized directly in equity | - | - |

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Income before taxes was SEK -21,065 million in 2020 and SEK 9,354 million in 2019. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

| Percent | Jan-Dec 2020 | Jan-Dec 2019 |
|--|---------------|--------------|
| Swedish income tax rate | 21.4 | 21.4 |
| Effect of higher or lower tax rates in subsidiaries | 0.2 | -0.8 |
| Withholding tax on earnings in subsidiaries and associated companies | 0.7 | 0.7 |
| Prior year adjustment of current tax expense | 0.3 | -0.3 |
| Prior year adjustment of deferred taxes | -0.6 | 0.1 |
| Effect on deferred tax expense from changes in tax rates | 0.0 | -0.1 |
| Income from associated companies | 0.8 | -2.6 |
| Current year losses and change in temporary difference for which no deferred tax asset was recognized ¹ | 0.0 | -0.1 |
| Non-deductible expenses ² | -29.9 | 1.5 |
| Tax-exempt income | 0.4 | -0.9 |
| Effective tax rate in net income | -6.7 | 18.7 |
| <i>Effective tax rate excluding effects from associated companies³</i> | <i>-158.4</i> | <i>20.5</i> |

1) Valuation allowance of deferred tax asset related to tax losses, which occurred due to the divestment of Moldcell S.A. in the Dutch holding company Fintur Holding B.V. is not included

2) Non-deductible expenses in 2020 are mainly impacted by non-deductible capital loss related to the divestment of Turkcell Holding and non-deductible impairment related to goodwill in segment Finland

3) Non-deductible expenses in 2020 are mainly impacted by non-deductible impairment related to goodwill in segment Finland

Deferred tax assets and liabilities

Movement in deferred tax assets and liabilities were as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|--------------|---------------|
| Deferred tax assets | | |
| Opening balance | 1,849 | 2,670 |
| Change in accounting principles | - | 89 |
| Adjusted opening balance | - | 2,759 |
| Change recognized in comprehensive income | 358 | -34 |
| Operations acquired | - | 230 |
| Operations divested | -11 | - |
| Offset tax liabilities/assets, other reclassifications | -188 | -1,141 |
| Change in tax rate | 0 | 0 |
| Exchange rate differences | -81 | 35 |
| Reclassification to assets classified as held for sale | -478 | - |
| Deferred tax assets, closing balance | 1,449 | 1,849 |
| Deferred tax liabilities | | |
| Opening balance | 11,647 | 11,382 |
| Change in accounting principles | - | 89 |
| Adjusted opening balance | - | 11,471 |
| Change recognized in comprehensive income | -1,013 | -183 |
| Operations acquired | - | 1,302 |
| Operations divested | -10 | 0 |
| Offset tax liabilities/assets, other reclassifications | -188 | -1,141 |
| Change in tax rate | 0 | 0 |
| Exchange rate differences | -381 | 199 |
| Reclassification to liabilities directly associated with assets classified as held for sale | -210 | - |
| Deferred tax liabilities, closing balance | 9,845 | 11,647 |

The decrease of deferred tax assets in 2020 is mainly related to reclassification of deferred tax assets classified as held for sale referring to the international carrier operations and netting of deferred tax assets and liabilities in Sweden, Finland and Norway. The decrease is partly offset by deferred tax assets related to remeasurements on pension

obligations, that at the same time reduced deferred tax liabilities in 2020. Deferred tax liabilities have also decreased mainly due to netting of deferred tax assets and liabilities in Sweden, Finland and Norway, depreciations of surplus values and changes in purchase price allocations related to prior year acquisitions.

Deferred tax assets and liabilities are allocated to the following temporary differences and tax loss carry-forward.

| SEK in millions | 2020 | | | | | | | |
|--|-----------------|--------------------------------|--|------------------------------|--|---------------------------|------------------------|-----------------|
| | Opening balance | Recognized in income statement | Recognized in other comprehensive income | Acquired/disposed operations | Reclassification to assets classified as held for sale | Exchange rate differences | Other reclassification | Closing balance |
| Gross deferred tax assets | | | | | | | | |
| Non-current assets | 2,867 | 1,912 | - | -11 | -242 | 61 | - | 4,587 |
| Provisions | 1,442 | 435 | 328 | - | -405 | -38 | - | 1,762 |
| Liabilities | 3,028 | -2,508 | - | - | -74 | -102 | - | 344 |
| Accounts receivables and other current assets | 228 | -200 | - | - | -13 | 0 | - | 13 |
| Interest expense carry-forward and capitalized R&D | 194 | -37 | - | - | - | -6 | - | 151 |
| Tax loss carry-forward | 1,593 | 435 | - | - | -1,024 | -119 | - | 885 |
| Subtotal | 9,351 | 37 | 328 | -11 | -1,758 | -205 | - | 7,742 |
| Valuation allowance | | | | | | | | |
| Non-current assets | -113 | -2 | - | - | 15 | 1 | - | -99 |
| Accounts receivables and other current assets | -5 | 3 | - | - | 0 | - | - | -2 |
| Tax loss carry-forward | -1,273 | -492 | - | - | 818 | 123 | - | -824 |
| Subtotal | -1,391 | -491 | - | - | 833 | 124 | - | -925 |
| Offset deferred tax assets/liabilities | -6,110 | 483 | - | - | 447 | - | -188 | -5,368 |
| Total deferred tax assets | 1,850 | 29 | 328 | -11 | -478 | -81 | -188 | 1,449 |
| Deferred tax liabilities | | | | | | | | |
| Withholding taxes subsidiaries and associates ¹ | 341 | -103 | - | - | 0 | -25 | - | 213 |
| Non-current assets | 14,825 | -750 | - | -10 | -345 | -348 | - | 13,372 |
| Provisions | 987 | 520 | -1,147 | - | -312 | 0 | - | 49 |
| Accounts receivables and other current assets | 98 | -46 | - | - | 0 | -8 | - | 45 |
| Profit equalization reserves | 1,506 | 28 | - | - | - | - | - | 1,534 |
| Subtotal | 17,757 | -350 | -1,147 | -10 | -657 | -381 | - | 15,213 |
| Offset deferred tax assets/liabilities | -6,110 | 483 | - | - | 447 | - | -188 | -5,368 |
| Total deferred tax liabilities | 11,647 | 133 | -1,147 | -10 | -210 | -381 | -188 | 9,845 |
| Net deferred tax assets (+)/ liabilities (-) | -9,797 | -104 | 1,475 | -1 | -268 | 300 | 0 | -8,396 |

1) Including deferred tax liability related to undistributed earnings in Estonia and Latvia.

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| SEK in millions | 2019 | | | | | | | | |
|--|-----------------|---------------------------------|--------------------------|--------------------------------|--|------------------------------|---------------------------|------------------------|-----------------|
| | Opening balance | Change in accounting principles | Adjusted opening balance | Recognized in income statement | Recognized in other comprehensive income | Acquired/disposed operations | Exchange rate differences | Other reclassification | Closing balance |
| Gross deferred tax assets | | | | | | | | | |
| Non-current assets | 2,864 | – | 2,864 | -266 | – | 216 | 53 | – | 2,867 |
| Provisions | 1,016 | – | 1,016 | 300 | 106 | 14 | 5 | – | 1,442 |
| Liabilities | – | 2,869 | 2,869 | 167 | – | – | -9 | – | 3,028 |
| Accounts receivables and other current assets | 53 | – | 53 | 177 | – | 0 | -2 | – | 228 |
| Interest expense carry-forward | 169 | – | 169 | 22 | – | – | 3 | – | 194 |
| Tax loss carry-forward | 1,490 | – | 1,490 | 23 | – | 49 | 31 | – | 1,593 |
| Subtotal | 5,592 | 2,869 | 8,461 | 423 | 106 | 279 | 81 | – | 9,351 |
| Valuation allowance | | | | | | | | | |
| Non-current assets | -33 | – | -33 | -80 | – | – | -1 | – | -113 |
| Accounts receivables and other current assets | -3 | – | -3 | -2 | – | – | – | – | -5 |
| Tax loss carry-forward | -1,214 | – | -1,214 | 35 | – | -49 | -45 | – | -1,273 |
| Subtotal | -1,250 | – | -1,250 | -47 | – | -49 | -46 | – | -1,392 |
| Offset deferred tax assets/liabilities | -1,672 | -2,780 | -4,452 | -517 | – | – | – | -1,141 | -6,110 |
| Total deferred tax assets | 2,670 | 89 | 2,759 | -141 | 106 | 230 | 36 | -1,141 | 1,849 |
| Deferred tax liabilities | | | | | | | | | |
| Withholding taxes subsidiaries and associates ¹ | 144 | – | 144 | 214 | – | – | -16 | – | 341 |
| Non-current assets | 10,328 | 2,869 | 13,197 | 120 | – | 1,302 | 206 | – | 14,825 |
| Provisions | 807 | – | 807 | 146 | 34 | – | -1 | – | 987 |
| Accounts receivables and other current assets | 256 | – | 256 | -168 | – | – | 10 | – | 98 |
| Profit equalization reserves | 1,519 | – | 1,519 | -13 | – | – | 0 | – | 1,506 |
| Subtotal | 13,054 | 2,869 | 15,923 | 299 | 34 | 1,302 | 199 | – | 17,757 |
| Offset deferred tax assets/liabilities | -1,672 | -2,780 | -4,452 | -517 | – | – | – | -1,141 | -6,110 |
| Total deferred tax liabilities | 11,382 | 89 | 11,471 | -218 | 34 | 1,302 | 199 | -1,141 | 11,647 |
| Net deferred tax assets (+)/liabilities (-) | -8,712 | 0 | -8,712 | 77 | 72 | -1,072 | -164 | 0 | -9,798 |

1) Including deferred tax liability related to undistributed earnings in Estonia and Latvia.

Unrecognized deferred tax

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2020, were expected to expire as follows.

| Expected expiry, SEK in millions | 2021 | 2022 | 2023 | 2024 | 2025 | 2026-2029 | Unlimited | Total |
|---|------|------|------|------|------|-----------|-----------|-------|
| Unrecognized deferred tax assets | 31 | 34 | 38 | 43 | 416 | 230 | 32 | 824 |
| Unrecognized deferred tax assets, asset held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 818 | 818 |

As of December 31, 2020 and 2019, unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated income tax that is levied on dividends paid, totaled SEK 2 million and SEK 4 million, respectively.

Tax loss carry-forward

Deferred tax assets originating from tax loss carry-forward in continuing operations are mainly related to Dutch holding companies referring primarily to capital losses on loans

connected to formerly owned subsidiaries, in full reduced by valuation allowance.

Deferred tax assets originating from tax loss carry-forward related to assets classified as held for sale refer mainly to impairment losses on plant and machinery incurred in 2002 in international carrier operations.

Telia Company's accumulated tax loss carry-forward for continuing operations were SEK 3,593 million in 2020 (6,451).

Tax loss carry-forward as of December 31, 2020 is expected to expire as follows.

| Expected expiry, SEK in millions | 2021 | 2022 | 2023 | 2024 | 2025 | 2026-2037 | Unlimited | Total |
|---|------|------|------|------|-------|-----------|-----------|-------|
| Tax loss carry-forward | 124 | 137 | 152 | 169 | 1,655 | 950 | 406 | 3,593 |
| Tax loss carry-forward, asset held for sale | 0 | 0 | 10 | 1 | 0 | 201 | 3,635 | 3,847 |

C11 OTHER COMPREHENSIVE INCOME

Other comprehensive income was distributed as follows.

| SEK in millions | Equity component | Jan–Dec 2020 | Jan–Dec 2019 |
|---|--------------------------------------|---------------|--------------|
| Other comprehensive income that may be reclassified to net income | | | |
| Foreign currency translation differences | | | |
| Translation of foreign operations, continuing operations | Foreign currency translation reserve | -7,473 | 2,142 |
| Translation of foreign operations, discontinued operations | Foreign currency translation reserve | -51 | 82 |
| Translation of foreign non-controlling interests, continuing operations | Non-controlling interests | -739 | 32 |
| Translation of foreign non-controlling interests, discontinued operations | Non-controlling interests | 484 | 137 |
| Transferred to net income on disposal of operations | Foreign currency translation reserve | 18,513 | – |
| Hedging of foreign operations, continuing operations | Foreign currency translation reserve | 635 | -1,551 |
| Hedging of foreign operations, discontinued operations | Foreign currency translation reserve | – | -73 |
| Income tax effect, continuing operations | Foreign currency translation reserve | -136 | 332 |
| Income tax effect, discontinued operations | Foreign currency translation reserve | – | 16 |
| Total foreign currency translation differences | | 11,233 | 1,117 |
| <i>of which attributable to non-controlling interests</i> | | <i>-255</i> | <i>169</i> |
| Other comprehensive income from associated companies | | | |
| Cash flow hedges | Hedging reserve | -19 | 82 |
| Cost of hedging | Cost of hedging reserve | -81 | 45 |
| Translation of foreign operations | Foreign currency translation reserve | -12 | 255 |
| Total other comprehensive income from associated companies | | -111 | 382 |
| Cash flow hedges | | | |
| Net changes in fair value | Hedging reserve | 11 | -99 |
| Transferred to financial items in net income | Hedging reserve | 2 | 6 |
| Income tax effect | Hedging reserve | -3 | 19 |
| Total cash flow hedges | | 11 | -74 |
| Cost of hedging | | | |
| Changes in fair value | Cost of hedging reserve | -100 | 54 |
| Income tax effect | Cost of hedging reserve | 21 | -11 |
| Total cost of hedging | | -79 | 43 |
| Debt instruments at fair value through OCI | | | |
| Net changes in fair value | Fair value reserve | 32 | -28 |
| Income tax effect | Fair value reserve | -7 | 6 |
| Total debt instruments at fair value through OCI | | 26 | -22 |
| Total other comprehensive income that may be reclassified to net income | | | |
| <i>of which total income tax effects (see also Note C10)</i> | | <i>-125</i> | <i>361</i> |
| <i>of which attributable to non-controlling interests</i> | | <i>-255</i> | <i>169</i> |
| Other comprehensive income that will not be reclassified to net income | | | |
| Equity instruments at fair value through OCI | | | |
| Net changes in fair value | Fair value reserve | 63 | 47 |
| Income tax effect | Fair value reserve | – | – |
| Total equity instruments at fair value through OCI | | 63 | 47 |
| Remeasurements of defined benefit pension plans | | | |
| Remeasurements | Retained earnings | -7,166 | -323 |
| Income tax effect | Retained earnings | 1,457 | 64 |
| Total remeasurements of defined benefit pension plans | | -5,709 | -260 |
| Associates' remeasurements of defined benefit pension plans | Retained earnings | -12 | 4 |
| Total other comprehensive income that will not be reclassified to net income | | | |
| <i>of which total income tax effects (see also Note C10)</i> | | <i>1,457</i> | <i>64</i> |
| Total other comprehensive income | | 5,422 | 1,237 |
| <i>of which attributable to non-controlling interests, continuing operations</i> | | <i>-739</i> | <i>32</i> |
| <i>of which attributable to non-controlling interests, discontinued operations</i> | | <i>484</i> | <i>137</i> |

Other comprehensive income increased to SEK 5,422 million (1,237). 2020 was mainly impacted by reclassified accumulated foreign exchange losses from the disposal of Turkcell (see Note C15), partly offset by negative

translation differences in continuing operations related to EUR and NOK, as well as negative remeasurements on defined benefit pension plans. See Note C22 for details of remeasurements of defined benefit pension plans.

The hedging reserve comprises gains and losses on derivatives hedging interest rate and foreign currency exposure, with a net effect in equity of SEK 11 million as of December 31, 2020, and SEK -74 million as of December

31, 2019. Future gains or losses will affect net income in 2021, 2022, 2023 and later, when the hedged items mature. See also section "Financial instruments" in Note C3.

C12 GOODWILL AND OTHER INTANGIBLE ASSETS

The total carrying value was distributed and changed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 |
|---|---------------|---------------|-------------------------|---------------|
| | Goodwill | | Other intangible assets | |
| Accumulated cost | 79,898 | 85,111 | 60,476 | 61,622 |
| Accumulated amortization | - | - | -35,646 | -33,627 |
| Accumulated impairment losses | -16,585 | -9,415 | -1,622 | -1,753 |
| Carrying value | 63,313 | 75,696 | 23,208 | 26,242 |
| <i>of which work in progress</i> | - | - | 2,012 | 1,764 |
| Carrying value, opening balance | 75,696 | 71,514 | 26,242 | 20,343 |
| Change in accounting principles ¹ | - | - | - | -284 |
| Adjusted opening balance | 75,696 | 71,514 | 26,242 | 20,059 |
| Investments | - | - | 2,911 | 3,124 |
| <i>of which capitalized interest</i> | - | - | 28 | 37 |
| Operations acquired | - | 2,655 | - | 6,649 |
| Adjusted purchase price allocation Bonnier Broadcasting | -184 | - | -55 | - |
| Reclassifications | - | - | 7 | 487 |
| Amortization for the year | - | - | -4,932 | -4 283 |
| Impairment losses for the year | -7,835 | - | -30 | -130 |
| Exchange rate differences | -4,363 | 1,526 | -850 | 338 |
| Reclassification to assets classified as held for sale | - | - | -86 | - |
| Carrying value, closing balance | 63,313 | 75,696 | 23,208 | 26,242 |

1) Reclassification in connection with the implementation of IFRS 16.

Operations acquired in 2019 were mainly related to the acquisition of Bonnier Broadcasting and Fello in Sweden. Other intangible assets from acquired operations were mainly related to customer relationships and brands from the acquisition of Bonnier Broadcasting, and customer relationships from the acquisition of Fello. In 2020, the purchase price allocation for Bonnier Broadcasting has been adjusted, see Note C34.

The carrying value for intangible assets with indefinite useful lives was SEK 2,124 million (2,160) and related to brands acquired as part of the Bonnier Broadcasting acquisition. These brands serve as umbrella brands under which the various TV and Media businesses are operated. The brands are deemed to be lasting in the sense that the brands are expected to remain as long as there is a commercial interest from advertisers, viewers and Telia Company. Additionally, the brands have a long history, are well-known and estab-

lished in Sweden and Finland. Therefore, the remaining useful lives for these brands have been deemed indefinite.

Apart from goodwill, and trade names from the acquisition of Bonnier Broadcasting, there are currently no intangible assets with indefinite useful lives. No general changes of useful lives were made in 2020. For amortization rates applied, see section "Useful lives" in Note C2. In the statement of comprehensive income, amortization and impairment losses are included in all expense line items by function as well as in line item Other operating expenses.

Impairments in 2020 relate to an impairment of goodwill in Finland of SEK 7,800 million, see section Impairment testing below. In addition, SEK 35 million relate to the divested Finnish real estate companies, see Note C13.

The total carrying value of goodwill was distributed by reportable segments and cash generating units with significant goodwill amounts as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|------------------------------------|---------------|---------------|
| Sweden | 2,031 | 1,209 |
| Finland | 25,803 | 34,929 |
| Norway | 25,097 | 27,731 |
| Denmark | 2,223 | 2,307 |
| Lithuania | 2,824 | 2,943 |
| Estonia | 2,568 | 2,675 |
| TV and Media | 1,503 | – |
| Other operations | 1,264 | 1,307 |
| of which Latvia | 1,026 | 1,068 |
| of which Other | 238 | 240 |
| Unallocated (Bonnier Broadcasting) | – | 2,595 |
| Total goodwill | 63,313 | 75,696 |

Goodwill from the Bonnier Broadcasting acquisition has been allocated to cash generating units (CGUs) and reportable segment, see Note C5 and C34.

The total carrying value of other intangible assets was distributed by asset type as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|---------------|---------------|
| Trade names | 2,245 | 2,292 |
| Telecom licenses and spectrum permits | 5,210 | 6,097 |
| Customer and vendor relationships, interconnect and roaming agreements | 7,911 | 10,170 |
| Capitalized development expenses ¹ | 5,701 | 5,824 |
| Patents, etc. | 0 | – |
| Other | 150 | 95 |
| Work in progress, advances ¹ | 1,991 | 1,765 |
| Total other intangible assets | 23,208 | 26,242 |

1) Capitalized development expenses and Work in progress, advances mainly refer to IT systems, supporting the selling and marketing, and administrative functions.

Impairment testing

Goodwill is, for impairment testing purposes, allocated to cash generating units in accordance with Telia Company's business organization. Each country, TV and Media and Telia Carrier constitutes a separate cash-generating unit (CGU). Carrying values of all cash-generating units are tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. Based on the annual impairment test for the cash-generating unit Finland a goodwill impairment loss of SEK 7,800 million has been recognized in 2020. For both 2018 and 2019 the sensitivity analysis showed that the recoverable amount for Finland was very close to the carrying value. COVID-19, a slightly weaker underlying performance as well as increased network investments versus the original business plan have resulted in the need for the impairment of goodwill in Finland. The recoverable amount for the cash-generating unit Finland as of December 31, 2020 after the impairment was SEK 41,570 million.

For impairment testing purposes the carrying value is defined as segment operating capital and allocated common assets from Common Products and Services, less deferred tax on fair value adjustments and notionally adjusted for non-controlling interests in goodwill. The segment operating capital includes Right of use assets, but excludes lease liabilities. For definition of segment operating capital, see Note C5 and "Definitions."

The recoverable amounts (that is, the higher of value in use and fair value less cost to sell) are normally determined

on the basis of value in use, applying discounted cash flow calculations. For Telia Carrier which is classified as held for sale, the recoverable amount has been determined based on fair value less costs to sell. The fair value is determined based on the price in the signed sales agreement for Telia Carrier. See Note C35. In all of the recoverable amount calculations, management used assumptions that it believes are reasonable based on the best information available.

The key assumptions in the value in use calculations were sales growth, EBITDA margin development, the weighted average cost of capital (WACC), CAPEX-to-sales ratio, and the terminal growth rate of free cash flow. EBITDA excludes lease expenses and CAPEX for Right-of-use assets has been considered in the impairment test model. The value in use calculations were based on forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information.

For Denmark, Norway and Finland the sales growth and EBITDA margin development in the forecasts are deviating from historical trends. This is due to that Telia Company for the forecast period has clear and committed plans for sales initiatives and net cost reductions supported by digital transformation investments. Management believes that value in use based on own business plan better reflects the value for Telia Company and of the long-term valuation, compared to the current market values that in some cases can be below the recoverable amount derived from Telia Company's own long-term business plans.

The forecasted cash flows were discounted at the weighted average cost of capital (WACC) for the relevant cash-generating unit. The WACC is derived from the risk-free interest rate in local currency, the country risk premium, the business risk represented by the estimated beta, the local equity market risk premium and an estimated reasonable cost of borrowing above the risk-free rate. The pre-tax discount rate typically cannot be directly observed or measured. It is calculated by iteration – by first running DCF calculation using post-tax cash flows and a post-tax discount

rate, and then determining what the pre-tax discount rate would need to be to cause value in use determined using pre-tax cash flows to equal the value in use determined by the post-tax DCF calculation. The forecast periods, WACC rates and the terminal growth rates of free cash flow used to extrapolate cash flows beyond the forecast period varied by cash generating unit as presented below. In all cases management believes the terminal growth rates do not exceed the average growth rates for markets in which Telia Company operates.

| Years/Percent | 2020 | | | | | | | |
|--|--------|---------|--------|---------|-----------|--------|---------|--------------|
| | Sweden | Finland | Norway | Denmark | Lithuania | Latvia | Estonia | TV and Media |
| Forecast period (years) | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Post-tax WACC rate (%) | 4.3 | 4.5 | 4.9 | 4.3 | 5.7 | 5.3 | 5.3 | 7.1 |
| Pre-tax WACC rate (%) | 5.6 | 5.8 | 6.3 | 5.7 | 6.8 | 7.5 | 6.4 | 8.5 |
| Terminal growth rate of free cash flow (%) | 1.8 | 1.9 | 2.0 | 1.6 | 2.1 | 2.2 | 1.9 | 1.8 |

| Years/Percent | 2019 | | | | | | | |
|--|--------|---------|--------|---------|-----------|--------|---------|---------------|
| | Sweden | Finland | Norway | Denmark | Lithuania | Latvia | Estonia | Telia Carrier |
| Forecast period (years) | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Post-tax WACC rate (%) | 4.1 | 4.4 | 5.2 | 3.6 | 5.4 | 5.0 | 5.0 | 5.1 |
| Pre-tax WACC rate (%) | 5.3 | 5.5 | 6.7 | 4.9 | 6.3 | 6.9 | 6.0 | 6.9 |
| Terminal growth rate of free cash flow (%) | 2.0 | 2.0 | 2.0 | 2.0 | 2.5 | 2.3 | 2.1 | 2.0 |

The recoverable amounts for brands with indefinite useful lives in TV and Media have been determined based on fair value less costs to sell. The brands are tested annually for impairment, or more frequently if there are indications that brands might be impaired. The fair value less costs to sell has been estimated based on the Relief of royalty method under the Income approach. Under this method the fair value of the brands is estimated to the present value of the after-tax royalty savings attributable to owning the brands.

The key assumptions in the fair value less costs to sell calculations for the brands were revenue growth, the weighted average cost of capital (WACC), the terminal growth rate of revenue and royalty rates. The revenue growth rates over the ten-year projected cash flow period are based on past performance and management's expectations of market development. Due to the negative effects following COVID-19, a relatively high growth is forecasted during the early years of the period. The total revenue growth is expected to stabilize at the long-term growth level in line with the long-term inflation target of developed countries. The projected revenue cash flows were discounted at the weighted average cost of capital (WACC). The WACC was determined on the same basis as described for goodwill above, but with additional specific risk factors associated with intangible assets as compared to the TV and Media business as a whole. The royalty rates were determined based on license agreements for other

strong brands within the media industry and the brand awareness of TV and Media's brands. The brand valuation is categorized in level three in the fair value hierarchy. (See Note C3 for description of fair value hierarchies.)

The key assumptions used when determining the fair value less costs to sell for the brands are presented in the table below.

| Years/percent | 2020 |
|--------------------------------------|----------|
| Projected cash flow period (years) | 10 |
| Revenue growth (%) | 1.1-13.4 |
| WACC-post tax (%) | 9.2 |
| Terminal growth rate of revenue (%) | 2 |
| Royalty rates (weighted average) (%) | 2.5-2.7 |

Sensitivity analysis

The estimated recoverable amounts for Finland, Norway, Denmark and TV and Media were in proximity of the carrying values as of December 31, 2020. As of December 31, 2019, the estimated recoverable amounts for Finland, Norway and Denmark were in proximity of the carrying values.

The impairment tests assumed, in addition to the post-tax WACC rates and the terminal growth rates stated above, the following sales growth, EBITDA margin and CAPEX-to-sales ranges during the next 5 years for the cash generating units (CGUs) that are sensitive to reasonable changes in assumptions.

| 5-year period/Percent | 2020 | | | |
|---------------------------------------|---------|--------|---------|--------------|
| | Finland | Norway | Denmark | TV and Media |
| Sales growth, lowest in period (%) | 1.3 | 1.4 | 1.4 | 2.4 |
| Sales growth, highest in period (%) | 2.5 | 3.7 | 2.3 | 13.4 |
| EBITDA margin, lowest in period (%) | 32.1 | 46.3 | 20.5 | 6.3 |
| EBITDA margin, highest in period (%) | 35.3 | 49.5 | 26.5 | 14.2 |
| CAPEX-to-sales, lowest in period (%) | 16.0 | 20.6 | 8.9 | 1.7 |
| CAPEX-to-sales, highest in period (%) | 17.7 | 28.6 | 22.3 | 3.6 |

| 5-year period/Percent | 2019 | | |
|---------------------------------------|---------|--------|---------|
| | Finland | Norway | Denmark |
| Sales growth, lowest in period (%) | 1.2 | 1.2 | 0.1 |
| Sales growth, highest in period (%) | 2.4 | 3.1 | 0.8 |
| EBITDA margin, lowest in period (%) | 30.3 | 46.8 | 19.6 |
| EBITDA margin, highest in period (%) | 34.2 | 51.4 | 22.8 |
| CAPEX-to-sales, lowest in period (%) | 13.6 | 21.2 | 8.4 |
| CAPEX-to-sales, highest in period (%) | 16.5 | 29.1 | 28.7 |

The upper part of the following table sets out how many percentage points each key assumption approximately must change, all else being equal, in order for the recoverable value to equal carrying value for the respective cash generating unit. The lower part of the table first shows the SEK bil-

lion effect on the recoverable values of the cash generating units, should there be a one percentage point upward shift in WACC. Finally, it sets out the absolute SEK billion change of the recoverable value that would equal carrying value for the respective cash generating unit.

| Percentage points, SEK in billions | 2020 | | | |
|---|---------|--------|---------|--------------|
| | Finland | Norway | Denmark | TV and Media |
| Sales growth each year in the 5-year period (%) | 0.0 | -1.4 | -1.2 | -0.1 |
| EBITDA margin each year in the 5-year period and beyond (%) | 0.0 | -2.7 | -1.2 | -0.1 |
| CAPEX-to-sales ratio each year in the 5-year period and beyond (%) | 0.0 | 2.5 | 1.1 | 0.0 |
| Terminal growth rate (%) | 0.0 | -1.6 | -0.8 | -0.4 |
| Post-tax WACC rate (%) | 0.0 | 0.7 | 1.1 | 0.0 |
| Effect of a one percentage-point upward shift in WACC (SEK in billions) | -6.6 | -8.5 | -1.2 | -1.4 |
| Change in the recoverable value to equal the carrying value (SEK in billions) | 0.0 | -6.4 | -1.3 | 0.0 |

| Percentage points, SEK in billions | 2019 | | |
|---|---------|--------|---------|
| | Finland | Norway | Denmark |
| Sales growth each year in the 5-year period (%) | -0.5 | -0.8 | -0.9 |
| EBITDA margin each year in the 5-year period and beyond (%) | -0.3 | -0.9 | -0.7 |
| CAPEX-to-sales ratio each year in the 5-year period and beyond (%) | 0.3 | 0.8 | 0.6 |
| Terminal growth rate (%) | 0.0 | -0.2 | -0.3 |
| Post-tax WACC rate (%) | 0.1 | 0.2 | 0.6 |
| Effect of a one percentage-point upward shift in WACC (SEK in billions) | -9.2 | -8.1 | -1.3 |
| Change in the recoverable value to equal the carrying value (SEK in billions) | -0.8 | -1.9 | -0.7 |

C13 PROPERTY, PLANT AND EQUIPMENT

The carrying value was distributed and changed as follows.

| SEK in millions | December 31, 2020 | | | | | | | |
|--|-------------------|-----------------------------|---------------------|--|------------------------------------|---|---------------|---------------------------------------|
| | Property | Whereof leased out property | Plant and machinery | Whereof leased out plant and machinery | Equipment, tools and installations | Whereof leased out equipment, tools and installations | Total | Whereof leased out total ¹ |
| Accumulated cost | 6,438 | 7 | 201,275 | 6,662 | 10,168 | 2,051 | 217,881 | 8,720 |
| Accumulated depreciation | -4,156 | -5 | -132,487 | -4,566 | -6,720 | -1,147 | -143,363 | -5,718 |
| Accumulated impairment losses | -221 | - | -3,219 | -31 | -203 | - | -3,642 | -31 |
| Advances | - | - | 17 | - | - | - | 17 | - |
| Carrying value | 2,062 | 1 | 65,587 | 2,066 | 3,245 | 904 | 70,893 | 2,971 |
| <i>of which assets under construction</i> | - | - | 7,410 | - | - | - | 7,410 | - |
| Carrying value, opening balance | 3,196 | 2 | 71,765 | 2,427 | 3,202 | 928 | 78,163 | 3,357 |
| Investments | 52 | - | 9,392 | 623 | 1,428 | 585 | 10,871 | 1,208 |
| <i>of which capitalized interest</i> | - | - | 81 | - | - | - | 81 | - |
| Sales and disposals | 0 | - | -529 | 0 | -17 | -12 | -546 | -12 |
| Dismantling, restoration and discard | 0 | - | 33 | 0 | -4 | 0 | 29 | 0 |
| Operations acquired | 0 | - | 0 | - | 0 | - | 0 | - |
| Operations divested | -552 | - | - | - | -1 | - | -553 | - |
| Grants received | - | - | 11 | - | - | - | 11 | - |
| Reclassifications | -85 | 0 | -470 | -2 | 364 | 24 | -190 | 22 |
| Depreciation for the year | -265 | 0 | -9,907 | -834 | -1,482 | -582 | -11,653 | -1,417 |
| Impairment losses for the year | -80 | - | -56 | -2 | -50 | - | -186 | -2 |
| Advances | - | - | 17 | - | - | - | 17 | - |
| Exchange rate differences | -90 | 0 | -2,729 | -146 | -102 | -38 | -2,922 | -184 |
| Reclassification to assets classified as held for sale | -114 | - | -1,941 | - | -93 | - | -2,148 | - |
| Carrying value, closing balance | 2,062 | 1 | 65,587 | 2,066 | 3,245 | 904 | 70,893 | 2,971 |

1) Disclosures of leased out assets do not include assets which are mainly used in Telia Company's own operations, and where only a portion of the asset is leased out under an operating lease (mainly network assets).

| SEK in millions | December 31, 2019 | | | | | | | |
|--|-------------------|-----------------------------|---------------------|--|------------------------------------|---|---------------|---------------------------------------|
| | Property | Whereof leased out property | Plant and machinery | Whereof leased out plant and machinery | Equipment, tools and installations | Whereof leased out equipment, tools and installations | Total | Whereof leased out total ² |
| Accumulated cost | 8,940 | 8 | 223,346 | 6,592 | 10,434 | 1,991 | 242,719 | 8,569 |
| Accumulated depreciation | -5,197 | -6 | -140,242 | -4,142 | -7,025 | -1,063 | -152,464 | -5,188 |
| Accumulated impairment losses | -547 | - | -11,339 | -23 | -207 | - | -12,093 | -20 |
| Advances | - | - | - | - | - | - | - | - |
| Carrying value | 3,196 | 2 | 71,765 | 2,427 | 3,202 | 928 | 78,163 | 3,357 |
| <i>of which assets under construction</i> | - | - | 6,800 | - | - | - | 6,800 | - |
| Carrying value, opening balance | 3,993 | 2 | 71,532 | 961 | 2,695 | 835 | 78,220 | 1,798 |
| Change in accounting principles ¹ | -820 | - | -453 | - | - | - | -1,273 | - |
| Adjusted opening balance | 3,173 | 2 | 71,079 | 961 | 2,695 | 835 | 76,947 | 1,798 |
| Investments | 132 | - | 10,069 | 1,226 | 1,030 | 604 | 11,231 | 1,831 |
| <i>of which capitalized interest</i> | - | - | 91 | - | - | - | 91 | - |
| Sales and disposals | -37 | - | -18 | - | -8 | -5 | -63 | -5 |
| Dismantling, restoration and discard | -1 | - | 916 | 0 | -1 | 0 | 915 | 0 |
| Operations acquired | 1 | - | 16 | 0 | 36 | - | 52 | 0 |
| Operations divested | - | - | - | - | 0 | - | 0 | - |
| Grants received | - | - | -1 | - | - | - | -1 | - |
| Reclassifications | 154 | - | -1,450 | 928 | 820 | 0 | -474 | 928 |
| Depreciation for the year | -278 | 0 | -9,812 | -673 | -1,400 | -528 | -11,490 | -1,201 |
| Impairment losses for the year | -1 | - | -21 | -9 | 0 | - | -22 | -9 |
| Advances | - | - | - | - | - | - | - | - |
| Exchange rate differences | 53 | - | 988 | -6 | 29 | 22 | 1,070 | 16 |
| Carrying value, closing balance | 3,196 | 2 | 71,765 | 2,427 | 3,202 | 928 | 78,163 | 3,361 |

1) Reclassification in connection with the implementation of IFRS 16.

2) Disclosures of leased out assets do not include assets which are mainly used in Telia Company's own operations, and where only a portion of the asset is leased out under an operating lease (mainly network assets).

In 2020 Telia Company divested the Finnish real estate companies Kiinteistö Oy Sturenportti and Helsingin Teollisuuskatu 13 Oy to YIT Rakennus Oy (YIT) for a cash and debt free value of SEK 0.6 billion. The transaction also implies that Telia Company will lease new properties from YIT. The real estate companies were in connection with the signed agreement classified as held for sale and remeasured to fair value less costs to sell, which resulted in an impairment of SEK 110 million, whereof SEK 35 million related to goodwill, see Note C12. In addition, impairments of SEK 56 and 50 million have been recognized within Plant and machinery and Equipment, tools and installations, respectively, as a result of an assessment performed of assets mainly in the Norwegian operations.

No general changes of useful lives were made in 2020. For depreciation rates applied, see section "Useful lives" in Note C2. In the statement of comprehensive income, depreciation and impairment losses are included in all expense line items by function as well as in line item Other operating expenses, see Notes C7 and C8, respectively.

For information on contractual obligations regarding future acquisitions of property, plant and equipment, see Note C30.

Property

Telia Company's real estate holdings include approximately 4,000 properties, mainly in Sweden and Finland. The substantial majority is used solely for technical facilities, like network installations, computer installations, research centers and service outlets.

The total carrying value of property was distributed by depreciable/non-depreciable assets as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|--------------|--------------|
| Depreciable property (buildings, etc.) | 1,695 | 2,710 |
| Non-depreciable property (land) | 367 | 485 |
| Total property | 2,062 | 3,196 |

C14 FILM AND PROGRAM RIGHTS

The total carrying value for Film and program rights was distributed and changed as follows:

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|-------------------------|--------------|
| | Film and program rights | |
| Accumulated cost | 8,540 | 7,510 |
| Accumulated amortization | -6,282 | -5,610 |
| Accumulated impairment | -250 | - |
| Advances (Prepaid) | 2,010 | 1,153 |
| Carrying value | 4,019 | 3,053 |
| <i>of which non-current</i> | 1,312 | 1,063 |
| <i>of which current</i> | 2,706 | 1,990 |
| Carrying value, opening balance | 3,053 | 110 |
| Additions | 5,009 | 465 |
| Operations acquired | - | 3,006 |
| Amortization for the year (included in EBITDA) | -3,801 | -541 |
| Impairment for the year (included in EBITDA) | -256 | - |
| Exchange rate differences | 13 | 13 |
| Carrying value, closing balance | 4,019 | 3,053 |

Amortization of film and program rights is included within the function Cost of sales and is classified as Cost of film and program rights (within EBITDA) in the distribution of operating expenses by nature in Note C7.

As a result of cancelled and postponed sport events and seasons due to COVID-19, film and program right assets have been impaired by SEK 256 million during 2020, whereof SEK 198 million in segment TV and Media and SEK 58 million in Finland (Liiga). However, there was no significant net impact on net income (or EBITDA) from the

impairment of the sports rights due to the offsetting effects from expected compensation and lower expenses from sports rights where events and seasons were been postponed. Management's assessment is that the expected compensation will cover the decreases of the sport rights values.

Contractual obligations regarding future acquisitions (or equivalent) of film and program rights which are not included in the consolidated statement of financial position represented the following expected maturities.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|-------------------|-------------------------------------|--------------|
| | Film and program rights commitments | |
| Within 1-3 years | 8,351 | 6,116 |
| Within 4-10 years | 7,377 | 1,643 |
| Total | 15,728 | 7,760 |

For other unrecognized contractual obligations, see Note C30.

C15 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

The total carrying value was distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|-----------------------------------|--------------|---------------|
| Interests in associated companies | 916 | 10,133 |
| Interests in joint ventures | 34 | 33 |
| Total carrying value | 950 | 10,165 |

Items recognized in net income and in total comprehensive income were distributed as follows.

| SEK in millions | January–December | |
|---|------------------|--------------|
| | 2020 | 2019 |
| Share of income from associated companies | 804 | 1,143 |
| Impairment | -3,488 | -8 |
| Reversal of impairment | 560 | - |
| Gains/losses net from disposals of shares in associated companies | -17,962 | 3 |
| Income from joint ventures | 5 | 0 |
| Recognized in net income | -20,080 | 1,138 |
| Other comprehensive income from associated companies | -123 | 386 |
| Recognized in total comprehensive income | -20,203 | 1,524 |

Details of material associated companies

Telia Company's material associated company, Turkcell Iletisim Hizmetleri A.S., in which Telia Company's ownership and voting power as well as consolidated share were 24 percent (24 percent) was divested during 2020. Turkcell operates in Turkey, Ukraine and Belarus as a mobile operator. Turkcell, reported in Telia Company's financial statements using the equity method up until the divestment, is a publicly listed company and was therefore included with a one-quarter lag with adjustments made for the effects of significant transactions or events that occurred between Telia Company's closing date and the date of the respective company's financial statements.

On June 17, 2020, Telia Company signed an agreement to sell its 47.1 percent holding in Turkcell Holding A.S., which owns 51.0 percent in the listed company Turkcell Iletisim Hizmetleri A.S., to the state-owned Turkey Wealth Fund for a purchase price of USD 530 million. The holding was classified as held for sale from June 2020 and was remeasured to fair value less costs to sell which was estimated to USD

530 million (SEK 4,771 million) based on the purchase price in the signed agreement. The remeasurement resulted in an impairment of 3,488 million in the second quarter 2020. Due to changes in foreign exchange rates, SEK 560 million of the impairment was reversed in the third quarter 2020. The transaction was closed on October 22, 2020 and resulted in a capital loss of SEK 17,955 million, whereof accumulated foreign exchange losses reclassified from equity to net income of SEK 18,019 million. The reclassification of accumulated exchange losses had no effect on total equity. The capital loss is recognized in line item Income from associated companies and joint ventures in the consolidated statement of comprehensive income. The transaction had a positive cash flow effect in 2020 of SEK 4,641 million. The transaction included, a full and global settlement of all shareholder disputes and litigations connected to Turkcell and Turkcell Holding.

Market value of Telia Company's holding as of December 31, 2019 amounted to SEK 11.399 million.

FINANCIAL STATEMENTS

Consolidated financial statements

The following table summarizes the financial information of Turkcell, as included in the company's own financial statements adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarized financial information to the carrying

amount of the group's interests in the companies. Information on other, non-material, associated companies and joint ventures are not disclosed separately. Telia Company has four joint arrangements classified as joint operations. For additional information on those, see Note C4.

| Statements of financial position, SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|----------------|---------------|
| Turkcell | | |
| Non-current assets | – | 39,782 |
| Current assets | – | 31,535 |
| Non-current provisions and liabilities | – | 23,487 |
| Current provisions and liabilities | – | 20,605 |
| Net assets (100 percent) | – | 27,224 |
| Non-controlling interests | – | 85 |
| Net assets excluding non-controlling interests | – | 27,309 |
| Adjustment for differences in accounting principles | – | -58 |
| Adjustment for acquisition of treasury shares | – | -26 |
| Net assets after adjustments | – | 27,225 |
| Group's share | – | 6,586 |
| Adjustment, fair values | – | 2,607 |
| Carrying value of interests in Turkcell | – | 9,192 |
| Carrying value of other associated companies not individually material (group's share) | 916 | 940 |
| Carrying value of joint ventures (group's share) | 34 | 33 |
| Total carrying value of interests in associated companies and joint ventures | 950 | 10,165 |
| | | |
| Statements of comprehensive income, SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
| Turkcell | | |
| Net sales | 20,045 | 39,901 |
| Net income | 2,630 | 5,357 |
| Other comprehensive income | -508 | 1,595 |
| Total comprehensive income (100 percent) | 2,122 | 6,952 |
| Total comprehensive income (group's share) | 513 | 1,682 |
| Turkcell gain of sales of Fintur, reclassified to acquisition of non-controlling interest | – | -310 |
| Impairment | -3,488 | – |
| Reversal of impairment | 560 | – |
| Capital loss of the divestment of Turkcell | -17,955 | – |
| Total comprehensive income after adjustments, group's share in Turkcell | -20,370 | 1,372 |
| Other associated companies not individually material | | |
| Net sales (100 percent) | 2,712 | 2,699 |
| Net income (group's share) | 168 | 149 |
| Total comprehensive income from other associated companies | 168 | 149 |
| Gains/losses from sale of shares in other associates | -6 | 3 |
| Joint ventures not individually material | | |
| Net income (group's share) | 5 | 0 |
| Total comprehensive income joint ventures (group's share) | 5 | 0 |
| Group's share of total comprehensive income in associated companies and joint ventures | -20,203 | 1,524 |
| | | |
| Dividends received from Turkcell | – | 198 |
| Dividends received from other associated companies | 218 | 168 |
| Total dividends received from associated companies and joint ventures | 218 | 365 |

The carrying value was distributed and changed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|--------------|---------------|
| Goodwill and fair value adjustments | 24 | 1,286 |
| Share of equity | 926 | 8,880 |
| Carrying value | 950 | 10,165 |
| Carrying value, opening balance | 10,165 | 9,555 |
| Share of net income for the year | 809 | 1,138 |
| Share of other comprehensive income for the year, pensions | -12 | 4 |
| Share of other comprehensive income for the year, cash flow hedge | -19 | 82 |
| Share of other comprehensive income for the year, cost of hedging | -81 | 45 |
| Share of other comprehensive income for the year, exchange rate differences | -11 | 255 |
| Impairment | -3,488 | -8 |
| Reversal of impairment | 560 | - |
| Dividends received | -218 | -368 |
| Acquisitions and operations acquired | 21 | 5 |
| Divestments and operations divested | -5,526 | 3 |
| Transactions in equity | - | -20 |
| Acquisition of non-controlling interest in Fintur ¹ | - | 164 |
| Reclassifications | 39 | 20 |
| Changes in accounting principles | -12 | - |
| Exchange rate differences | -1,277 | -709 |
| Carrying value, closing balance | 950 | 10,165 |

1) For more information see Note C35.

The carrying value is broken down by reportable segment in Note C5 and by company as follows.

| Company, corp. reg. no., registered office | Participa- tion (%) | Number of shares | Equity participation in consolidated accounts | | Carrying value in the parent company | |
|--|------------------------|---------------------|--|---------------|---|-----------|
| | | | 2020 | 2019 | 2020 | 2019 |
| SEK in millions | | | | | | |
| Parent company holdings | | | | | | |
| Swedish companies | | | | | | |
| SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm | 20 | 400 | 3 | 3 | 1 | 1 |
| Solidtango AB, 556671-5586, Stockholm | 25 | 3,333 | 16 | 16 | 20 | 20 |
| Non-Swedish companies | | | | | | |
| Kivra Oy, 2918721-9, Helsinki | 27 | 300,000 | 2 | 7 | 12 | 12 |
| Valokuitu Kotiin Holding 1 Oy, 3101702-4, Helsinki | 40 | 1,617,335 | 11 | - | 21 | - |
| Other operating, dormant and divested companies | | | 0 | 0 | 0 | 0 |
| Total parent company | | | | | 54 | 33 |
| Subsidiaries' holdings | | | | | | |
| Swedish companies | | | | | | |
| Mediamätning i Skandinavien MMS AB, 556353-3032, Stockholm | 24 | 5,100 | 6 | 6 | | |
| Other operating, dormant and divested companies | | | 0 | 0 | | |
| Non-Swedish companies | | | | | | |
| SK ID Solutions AS, 10747013, Tallinn | 50 | 32 | 31 | 28 | | |
| SIA Tet, 000305278, Riga | 49 | 71,581,000 | 843 | 876 | | |
| 4T af 1. oktober 2012 ApS, 32348882, Copenhagen | 25 | - | 6 | 6 | | |
| Suomen Numerot NUMPAC Oy, 1829232-0, Helsinki | 25 | 3,000 | 2 | 2 | | |
| Strex AS, 985867569, Oslo | 49 | 49,001 | 28 | 26 | | |
| Other operating, dormant and divested companies ¹ | | | 1 | 9,194 | | |
| Total group | | | 950 | 10,165 | | |

1) For 2019, SEK 9,192 million related to Turkcell Holding AS, which was divested in 2020.

For additional information related to associated companies, see Notes C29 and C30, respectively.

C16 OTHER NON-CURRENT ASSETS

For other non-current assets, fair values equal carrying values. The total carrying values of other non-current assets were distributed as follows.

| SEK in millions | Carrying value | |
|--|----------------|---------------|
| | Dec 31, 2020 | Dec 31, 2019 |
| Equity instruments at fair value through OCI ¹ | 473 | 319 |
| Equity instruments at fair value through income statement | 18 | 13 |
| Bonds at fair value through OCI | 5,296 | 5,450 |
| Interest rate and cross-currency interest rate swaps at fair value | 3,989 | 3,335 |
| <i>of which designated as fair value hedges</i> | 1,475 | 1,205 |
| <i>of which at fair value through income statement</i> | 930 | 66 |
| <i>of which designated as cash flow hedges</i> | 1,583 | 2,064 |
| Subtotal (see Fair value hierarchy levels – Note C26) | 9,776 | 9,117 |
| Loans and receivables at amortized cost | 1,854 | 1,834 |
| Finance lease receivables at amortized cost | 379 | 483 |
| Subtotal (see Categories – Note C26 and Credit risk – Note C27) | 12,009 | 11,435 |
| Cost to obtain a contract | 1,376 | 1,446 |
| Contract assets | 117 | 96 |
| Deferred expenses | 68 | 62 |
| Total other non-current assets | 13,571 | 13,037 |
| <i>of which interest-bearing</i> | 11,233 | 10,869 |
| <i>of which non-interest-bearing</i> | 2,338 | 2,168 |

1) For more information regarding Equity instruments measured at fair value through OCI, see Note C26.

For loans and receivables fair value is estimated at the present value of future cash flows discounted by applying market interest rates as of the end of the reporting period

(fair value hierarchy level 2). As of December 31, 2020, contractual cash flows for Loans and receivables represented the following expected maturities.

| Expected maturity, SEK in millions | 2022 | 2023 | 2024 | 2025 | Later years | Total |
|------------------------------------|-------|------|------|------|-------------|-------|
| Loans and receivables | 1,531 | 244 | 39 | 22 | 17 | 1,854 |

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, see Note C26 and section “Credit risk management” in Note C27, respectively. For information on leases, see Note C28.

C17 INVENTORIES

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|--------------|--------------|
| Goods for resale | 1,872 | 1,910 |
| Other inventories and expense incurred on construction contracts | 46 | 55 |
| Total | 1,918 | 1,966 |

Other inventories include purchased supplies that are mainly intended for use in constructing Telia Company’s own installations and for repair and maintenance. No material amounts are carried at net realizable value.

C18 TRADE AND OTHER CURRENT RECEIVABLES AND ASSETS

The total carrying value of trade and other current receivables and assets was distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|---------------|---------------|
| Currency swaps, forward exchange contracts and currency options measured at fair value through income statement | 21 | 105 |
| Subtotal (see Fair value hierarchy levels – Note C26) | 21 | 105 |
| Accounts receivable at amortized cost | 8,117 | 10,405 |
| Loans and receivables at amortized cost | 2,494 | 3,370 |
| Subtotal (see Categories – Note C26 and Credit risk – Note C27) | 10,632 | 13,880 |
| Other current receivables | 1,500 | 953 |
| Current contract assets | 370 | 389 |
| Deferred expenses | 1,220 | 1,426 |
| Total trade and other current receivables and assets¹ | 13,722 | 16,648 |

1) Telia Carrier is classified as held for sale as of December 31, 2020 and therefore not included in the figures for 2020.

For accounts receivable and loans and receivables, including claims on associated companies, the carrying values equal fair value as the impact of discounting is insignificant. Loans and receivables mainly comprise accrued call, interconnect and roaming charges.

Telia Company offers a diversified portfolio of mass-market services and products in a number of highly competitive markets, resulting in a limited credit risk concentration to individual markets and customers.

For accounts receivable and loans and receivables, as of the end of the reporting period, concentration of credit risk by geographical area and by customer segment was as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|-----------------------------|---------------|---------------|
| Geographical area | | |
| Nordic countries | 8,714 | 10,363 |
| Baltic countries | 1,652 | 1,867 |
| Other countries | 245 | 1,545 |
| Total carrying value | 10,611 | 13,775 |
| Customer segment | | |
| Consumers | 3,572 | 5,076 |
| Business customers | 6,337 | 7,450 |
| Other operators | 586 | 1,113 |
| Distributors | 116 | 136 |
| Total carrying value | 10,611 | 13,775 |

Contract assets are mainly related to the Nordic countries and the business segment.

The geographic concentration to the Nordic operations reflects a relatively higher share of postpaid customer contracts. In most cases, customers are billed in local currency. Receivables from and payables to other opera-

tors for international fixed-line traffic and roaming are normally settled net through clearing-houses. See Note C26 and section "Credit risk management" in Note C27 for more information on financial instruments classified by category/fair value hierarchy level and exposed to credit risk, respectively.

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As of the end of the reporting period, allowance for expected credit losses and ageing of accounts receivable, respectively, were as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|--------------|---------------|
| Accounts receivable invoiced | 9,112 | 11,450 |
| Allowance for expected credit losses for accounts receivable | -995 | -1,045 |
| Total accounts receivable | 8,117 | 10,405 |
| Accounts receivable not due, net of allowance for expected credit losses | 5,792 | 5,756 |
| Accounts receivable past due, net of allowance for expected credit losses | 2,325 | 4,649 |
| <i>of which less than 30 days</i> | 1,525 | 3,065 |
| <i>of which 30–180 days</i> | 445 | 1,078 |
| <i>of which more than 180 days</i> | 355 | 506 |
| Total accounts receivable | 8,117 | 10,405 |

As of the end of the reporting period, ageing of loans and receivables were as follows. The allowance for credit losses for loans and receivables is considered insignificant.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|--------------|--------------|
| Loans and receivables not due, net of allowance for expected credit losses | 2,442 | 2,756 |
| Loans and receivables past due but not impaired, net of allowance for expected credit losses | 52 | 614 |
| <i>of which less than 30 days</i> | 52 | 565 |
| <i>of which 30–180 days</i> | 0 | 49 |
| <i>of which more than 180 days</i> | 0 | 0 |
| Total loans and receivables | 2,494 | 3,370 |

There are no material contract assets past due or material allowance for expected credit losses related to contract assets.

See section “Credit risk management” in Note C27 for information on mitigation of risks related to accounts receivable.

Total expenses for credit losses for accounts receivables were SEK 669 million in 2020 and SEK 608 million in 2019. Recovered accounts receivable were SEK 21 million in 2020 and SEK 115 million in 2019. See Note C8 for more information on recovered accounts receivables.

The allowance for expected credit losses for accounts receivable changed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|--------------|--------------|
| Opening balance | 1,045 | 995 |
| Net of charges for expected credit losses in the period and receivables written-off | 20 | 262 |
| Operations acquired and divested | -2 | -133 |
| Unused allowances reversed | -10 | -95 |
| Exchange rate differences | -31 | 15 |
| Reclassification to assets classified as held for sale | -27 | - |
| Closing balance | 995 | 1,045 |

C19 INTEREST-BEARING RECEIVABLES, CASH AND CASH EQUIVALENTS

Interest-bearing receivables

The total carrying value of interest-bearing receivables was distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|--------------|---------------|
| Interest rate swaps and cross-currency interest rate swaps at fair value | 167 | 382 |
| <i>of which designated as fair value hedges</i> | 50 | 77 |
| <i>of which designated as cash flow hedges</i> | 20 | 305 |
| <i>of which at fair value through Income Statement</i> | 97 | – |
| Short-term investments with maturities over 3 months | 2,832 | 8,426 |
| <i>of which bonds at fair value through OCI</i> | 2,832 | 8,426 |
| Subtotal (see Fair value hierarchy levels – Note C26) | 2,999 | 8,808 |
| Loans and receivables at amortized cost | 2,060 | 3,043 |
| Finance lease receivables at amortized cost | 426 | 448 |
| Total (see Categories – Note C26 and Credit risk – Note C27) | 5,486 | 12,300 |

Interest-bearing receivables has decreased to SEK 5,486 million (12,300), mainly due to net divestments of investment bonds. Carrying values for items measured at amortized cost are assumed to approximate fair values as the risk of changes in value is insignificant. See Note

C26 and section “Credit risk management” in Note C27 for more information on financial instruments classified by category/fair value hierarchy level and exposure to credit risk, respectively. For information on leases, see Note C28.

Cash and cash equivalents

Cash and cash equivalents were distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|--------------|--------------|
| Short-term investments with maturities up to and including 3 months | 419 | 806 |
| <i>of which bonds at fair value through OCI (see Fair value hierarchy levels – Note C26)</i> | 385 | 800 |
| <i>of which bank deposits at amortized cost</i> | 34 | 6 |
| Cash and bank | 7,714 | 5,310 |
| Total (see Categories – Note C26 and Credit risk – Note C27) | 8,133 | 6,116 |

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. See Note C26 and section “Credit risk management” in Note C27 for

more information on financial instruments classified by category and exposed to credit risk, respectively, and to Note C30 for information on blocked funds in bank accounts.

C20 EQUITY AND EARNINGS PER SHARE

Share capital

According to the articles of association of Telia Company AB, the authorized share capital shall amount to no less than SEK 8 billion and no more than SEK 32 billion. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the company. Since December 31, 2005, the issued share capital changed as follows.

| | Issued share capital (SEK) | Number of issued shares | Quotient value (SEK/share) |
|--|----------------------------|-------------------------|----------------------------|
| Issued share capital, December 31, 2005 | 14,960,742,621 | 4,675,232,069 | 3.20 |
| Cancellation of shares repurchased in 2005, September 6, 2006 | -591,279,539 | -184,774,856 | 3.20 |
| Issued share capital, December 31, 2006, 2007, 2008, 2009 and 2010 | 14,369,463,082 | 4,490,457,213 | 3.20 |
| Cancellation of shares repurchased in 2011, July 19, 2011 | -513,191,783 | -160,372,432 | 3.20 |
| Issued share capital, December 31, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018 | 13,856,271,299 | 4,330,084,781 | 3.20 |
| Cancellation of shares repurchased in 2018 and 2019, May 3, 2019 | -385,742,099 | -120,544,406 | |
| Bonus issue May 3, 2019 | 385,742,099 | | |
| Issued share capital, December 31, 2019 | 13,856,271,299 | 4,209,540,375 | 3.29 |
| Cancellation of shares repurchased in 2020, April 15, 2020 | -394,695,610 | -119,908,673 | |
| Bonus issue April 15, 2020 | 394,695,610 | | |
| Issued share capital, December 31, 2020 | 13,856,271,299 | 4,089,631,702 | 3.39 |

Treasury shares

At the date for the annual general meeting held on April 2, 2020, Telia Company held 119,908,673 treasury shares (120,544,406). The annual general meeting approved a reduction of the share capital of SEK -395 million (-386) by way of cancellation of all treasury shares held and a corresponding increase of the share capital of SEK 395 million (386) by way of bonus issue, which were executed on April 15, 2020 (May 3, 2019).

The total price for the repurchased shares under the share buy-back program during 2020 was SEK 945 million (4,930) and transaction costs, net of tax, amounted to SEK 1 million (3).

During May 2020 Telia Company transferred 380,741 shares to the participants in the Long Term Incentive (LTI) program 2017/2020 (1,002,363 shares to participants in the LTI program 2016/2019), via a share swap agreement with an external party, at an average price of SEK 32.30 per share (SEK 40.5568 per share). The total cost for the transferred shares was SEK 12 million (41) and transaction costs, net of tax, amounted to SEK 0 million (0).

In total the acquisitions of treasury shares under the share buy-back program and the transfer of shares under the LTI program reduced other contributed capital within parent shareholder's equity by SEK 956 million (4,974).

As of December 31, 2020, Telia Company held no treasury shares (96,859,759) and the total number of issued and outstanding shares was 4,089,631,702 (4,209,540,375 and 4,112,680,616, respectively).

Subsidiaries in continuing operations with material non-controlling interests

Summarized financial information on subsidiaries in continuing operations with material non-controlling interests (NCI) is presented below. The amounts disclosed for each subsidiary are based on those included in the consolidated financial statements before inter-company eliminations and only the net asset in which the NCI has a share. Other comprehensive income (OCI) only comprises exchange rate differences arising on translation to SEK.

The NCI in Telia Lietuva, AB (former TEO LT, AB) is 11.8 percent. The group holds 49 percent of the shares in Latvijas Mobilais Telefons SIA (LMT). However, according to shareholders' agreements Telia Company has the board majority in LMT and the company is therefore regarded as a subsidiary. In addition, LMT is held partly by the associated company SIA Tet which decreases NCI to 39.7 percent.

Dividends paid to NCIs are disclosed in Note C31 "Cash flow information."

| December 31, 2020 SEK in millions, except percentages | Telia Lietuva, AB (former TEO LT, AB), Lithuania | Latvijas Mobilais Telefons SIA, Latvia | Other subsidiar- ies, continuing operations | Discontinued operations | Total |
|--|--|--|---|----------------------------|--------------|
| <i>Assets</i> | | | | | |
| Non-current assets | 4,751 | 1,876 | | | |
| Current assets | 1,406 | 651 | | | |
| <i>Liabilities</i> | | | | | |
| Non-current liabilities | -1,374 | -542 | | | |
| Current liabilities | -1,296 | -639 | | | |
| Net assets | 3,488 | 1,345 | | | |
| NCI percentage | 11.8 | 39.7 | | | |
| Carrying amount of NCI | 413 | 535 | 0 | 170 | 1,118 |
| Net sales | 4,188 | 1,536 | | | |
| Net income | 560 | 396 | | | |
| Net income allocated to NCI | 66 | 157 | - | -66 | 156 |
| Cash flows from operating activities | 1,643 | 660 | | | |
| Free cash flow | 1,067 | 379 | | | |

| December 31, 2019 SEK in millions, except percentages | Telia Lietuva, AB (former TEO LT, AB), Lithuania | Latvijas Mobilais Telefons SIA, Latvia | Other subsidiar- ies, continuing operations | Discontinued operations | Total |
|--|--|--|---|----------------------------|--------------|
| <i>Assets</i> | | | | | |
| Non-current assets | 4,878 | 1,973 | | | |
| Current assets | 1,557 | 955 | | | |
| <i>Liabilities</i> | | | | | |
| Non-current liabilities | -1,464 | -461 | | | |
| Current liabilities | -1,373 | -1,160 | | | |
| Net assets | 3,597 | 1,307 | | | |
| NCI percentage | 11.8 | 39.7 | | | |
| Carrying amount of NCI | 426 | 519 | 248 | 215 | 1,409 |
| Net sales | 4,182 | 1,543 | | | |
| Net income | 622 | 157 | | | |
| Net income allocated to NCI | 74 | 62 | 66 | -35 | 167 |
| Cash flows from operating activities | 1,636 | 821 | | | |
| Free cash flow | 1,102 | 527 | | | |

Earnings per share and dividends

| | Jan-Dec 2020 | Jan-Dec 2019 |
|---|--------------|--------------|
| Net income attributable to owners of the parent (SEK million) | -22,912 | 7,093 |
| Average number of outstanding shares, basic and diluted (thousands) | 4,090,367 | 4,172,356 |
| Earnings per outstanding share, basic and diluted (SEK) | -5.60 | 1.70 |
| Ordinary cash dividend (for 2020 as proposed by the Board of Directors) | | |
| - Per share (SEK) | 2.00 | 2.45 |
| - Total (SEK million) | 8,179 | 10,020 |

Ordinary dividend proposed by the Board of Directors was for 2019 SEK 2.45 per share. In March 2020 a decision to amend the dividend proposal to SEK 1.80 per share was announced, which was decided on the Annual General Meeting in April 2020. In October a decision to propose an

additional dividend of SEK 0.65 per share was announced, which was decided on an Extraordinary General Meeting in December 2020. Total dividend per share amounted to SEK 2.45 for the financial year 2019.

C21 LONG-TERM AND SHORT-TERM BORROWINGS

Open-market financing programs

Telia Company has the following open-market financing programs.

| Program | Characteristics | Limit currency | Dec 31, 2020 | | | | Dec 31, 2019 | | | |
|------------------|------------------------------|---|--------------|----------|--------------------|-----|--------------------------------|-------|----------|---------------|
| | | | Limit | Utilized | Interest rate type | | Average maturity (years) | Limit | Utilized | |
| | | | | | (in millions) | | | | | (in millions) |
| Telia Company AB | Euro Medium Term Note (EMTN) | Uncommitted, International, Long-term | EUR | 12,000 | 6,304 | 110 | 6,194 | 8.2 | 12,000 | 6,767 |
| Telia Company AB | SEK Commercial Paper | Uncommitted, international, Green opportunity, Short-term | SEK | 10,000 | – | – | – | – | – | – |

Borrowings

Long-term and short-term borrowings were distributed as follows.

| SEK in millions | Dec 31, 2020 | | Dec 31, 2019 | |
|--|----------------|--------------|----------------|--------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Long-term borrowings | | | | |
| Interest rate swaps at fair value | 134 | 134 | 230 | 230 |
| <i>of which designated as hedging instruments</i> | 134 | 134 | 230 | 230 |
| Cross-currency interest rate swaps at fair value | 3,907 | 3,907 | 2,694 | 2,694 |
| <i>of which hedging net investments</i> | 1,924 | 1,924 | 1,892 | 1,892 |
| <i>of which designated as hedging instruments</i> | 1,593 | 1,593 | 647 | 647 |
| <i>of which at fair value through income statement</i> | 391 | 391 | 155 | 155 |
| Subtotal (see Fair value hierarchy levels – Note C26) | 4,041 | 4,041 | 2,924 | 2,924 |
| Open-market financing borrowings in fair value hedge relationships | 51,628 | 55,249 | 50,945 | 55,574 |
| Open-market financing borrowings at amortized cost | 31,345 | 41,992 | 32,475 | 42,255 |
| <i>of which hedging net investments</i> | 11,419 | 15,910 | 11,833 | 15,740 |
| Other borrowings at amortized cost | 1,042 | 1,042 | 1,508 | 1,420 |
| Lease liabilities at amortized cost | 12,183 | | 12,046 | |
| Total long-term borrowings (see Categories - Note C26) | 100,239 | | 99,899 | |
| Short-term borrowings | | | | |
| Interest rate swaps at fair value | 8 | 8 | 22 | 22 |
| <i>of which designated as hedging instruments</i> | 8 | 8 | 22 | 22 |
| Cross-currency interest rate swaps at fair value | 143 | 143 | – | – |
| <i>of which designated as hedging instruments</i> | 143 | 143 | – | – |
| Subtotal (see Fair value hierarchy levels – Note C26) | 151 | 151 | 22 | 22 |
| Utilized bank overdraft and short-term credit facilities at amortized cost | 213 | 213 | 7,838 | 7,846 |
| Open-market financing borrowings in fair value hedge relationships | 5,131 | 5,317 | 6,807 | 6,841 |
| Open-market financing borrowings at amortized cost | – | – | 1,422 | 1,431 |
| Other borrowings at amortized cost | 179 | 179 | 723 | 783 |
| Lease liabilities at amortized cost | 2,671 | | 2,968 | |
| Total short-term borrowings (see Categories - Note C26) | 8,345 | | 19,779 | |

The fair values of borrowings above relate to hierarchy level 2. For a description of valuation techniques, see Note C3 section “Fair value estimation.”

Normally, borrowings by Telia Company denominated in foreign currencies are swapped into SEK. The exceptions typically include funds borrowed to finance the group's international operations or selective hedging of net investments abroad.

See Note C26 for more information on financial instruments classified by category/fair value hierarchy level and to Note C27 for information on maturities and management of liquidity risk, currency risk, interest rate risk and financing risk, respectively.

C22 PROVISIONS FOR PENSIONS AND EMPLOYMENT CONTRACTS

Post-employment benefits

Telia Company provides defined benefit pension plans to most of its employees in Sweden, Finland and Norway. The pension plans mainly include retirement pension, disability pension and family pension.

Employees in Telia Company AB and most of its Swedish subsidiaries are eligible for retirement benefits under the ITP-Tele (ITP 2 plan) defined benefit plan. However, all employees born in 1979 and later are covered by a defined contribution pension plan (the ITP 1 plan). The part of the Swedish ITP 2 multi-employer pension plan that is secured by paying pension premiums to Alecta is accounted for as a defined contribution plan as the plan administrator does not provide sufficient information necessary to account for the plan as a defined benefit plan. Telia Company's portion of total premiums in the Alecta ITP 2 plan is 0.06 percent and the share of total number of active insured in ITP 2 is 0.73 percent. Expected contribution to the ITP 2 plan for 2021 is SEK 47 million.

Telia Company's employees in Finland are entitled to statutory pension benefits pursuant to the Finnish Employees Pensions Act, a defined benefit pension arrangement with retirement, disability, unemployment and death benefits (TyEL pension). In addition, certain employees

have additional pension coverage through a supplemental pension plan. In Finland, a part of the pension is funded in advance and the remaining part financed as a pay-as-you-go pension i.e. contributions are set at a level that is expected to be sufficient to pay the required benefits falling due in the same period.

Telia Norway operates a defined benefit pension plan, which was closed for new entrants in 2011.

The pension obligations are secured mostly by pension funds, but also by provisions in the statements of financial position combined with pension credit insurance.

Telia Company's defined benefit plans are approximately divided between the following groups; 24 percent active members, 39 percent deferred members and 37 percent retirees.

Telia Company's employees in many other countries are usually covered by defined contribution pension plans. Contributions to the latter are normally set at a certain percentage of the employee's salary and are expensed as incurred.

Pension obligations and pension expenses

Total amounts recognized in the statements of financial position for pension obligations were as follows.

| SEK in millions | Dec 31, 2020 | | | | Dec 31, 2019 | | | |
|--|--------------|--------------|-----------|--------------|---------------|--------------|------------|---------------|
| | Sweden | Finland | Norway | Total | Sweden | Finland | Norway | Total |
| Present value of funded pension obligations | 26,154 | 8,156 | 497 | 34,807 | 21,326 | 7,054 | 540 | 28,920 |
| Fair value of plan assets | -23,492 | -5,467 | -405 | -29,364 | -23,648 | -5,650 | -417 | -29,715 |
| Surplus (-)/deficit (+) of funded plans | 2,662 | 2,689 | 92 | 5,443 | -2,322 | 1,404 | 124 | -794 |
| Present value of unfunded pension obligations | 1,827 | - | - | 1,827 | 1,894 | - | - | 1,894 |
| Net assets (-)/provisions (+) for pension obligations | 4,489 | 2,689 | 92 | 7,270 | -428 | 1,404 | 124 | 1,099 |
| <i>of which recognized as provisions</i> | <i>4,647</i> | <i>2,689</i> | <i>92</i> | <i>7,428</i> | <i>1,806</i> | <i>1,404</i> | <i>124</i> | <i>3,334</i> |
| <i>of which recognized as assets</i> | <i>-158</i> | <i>-</i> | <i>-</i> | <i>-158</i> | <i>-2,234</i> | <i>-</i> | <i>-</i> | <i>-2,234</i> |

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Total pension expenses were distributed as follows.

| SEK in millions | Jan-Dec 2020 | | | | Jan-Dec 2019 | | | |
|--|--------------|--------------|------------|--------------|--------------|------------|-----------|------------|
| | Sweden | Finland | Norway | Total | Sweden | Finland | Norway | Total |
| Current service cost | 180 | 210 | 14 | 405 | 149 | 145 | 16 | 310 |
| Past service cost | - | -1 | - | -1 | -27 | -5 | -16 | -48 |
| Gain/loss on settlements ³ | - | - | - | - | 7 | 140 | - | 147 |
| Total pension expenses in operating income from defined benefit obligations | 180 | 209 | 14 | 403 | 129 | 280 | 1 | 410 |
| Interest expense | 477 | 91 | 10 | 578 | 548 | 120 | 14 | 682 |
| Interest income | -497 | -73 | -8 | -578 | -579 | -103 | -11 | -692 |
| Total net interest in financial items | -19 | 18 | 2 | 0 | -31 | 18 | 3 | -10 |
| Total pension expenses from defined benefit obligations | 161 | 226 | 17 | 404 | 98 | 298 | 3 | 399 |
| Pension expenses in operating income from defined contribution plans | | | | 1,200 | | | | 965 |
| Remeasurement gains (-)/losses (+) | | | | | | | | |
| Gain/loss from change in financial assumptions ¹ | 3,085 | 1,059 | 6 | 4,150 | 2,068 | 887 | 11 | 2,966 |
| Experience gains/losses | 898 | 238 | -5 | 1,132 | -63 | 4 | -5 | -64 |
| Gain/loss from change in demographic assumptions ² | 1,758 | -9 | - | 1,749 | - | -40 | - | -40 |
| Return on plan assets (excluding interest income) | 153 | -6 | -11 | 135 | -2,058 | -491 | 10 | -2,539 |
| Total gains/losses recorded in OCI, defined benefit pension plans | 5,894 | 1,282 | -10 | 7,166 | -52 | 360 | 16 | 323 |

Specifications to defined benefit obligations and fair value of plan assets

Movements in the present value of defined benefit obligations were as follows.

| SEK in millions | 2020 | | | | 2019 | | | |
|---|---------------|--------------|------------|---------------|---------------|--------------|------------|---------------|
| | Sweden | Finland | Norway | Total | Sweden | Finland | Norway | Total |
| Opening balance, present value of pension obligations | 23,220 | 7,054 | 540 | 30,813 | 21,545 | 5,353 | 512 | 27,410 |
| Current service cost | 180 | 210 | 14 | 405 | 149 | 145 | 16 | 310 |
| Interest expenses | 477 | 91 | 10 | 578 | 548 | 120 | 14 | 682 |
| Benefits paid | -1 019 | -139 | -8 | -1,166 | -1,007 | -116 | -8 | -1,130 |
| Plan transfer ³ | - | - | - | - | - | 380 | - | 380 |
| Settlements | - | - | - | - | 7 | 140 | - | 147 |
| Curtailed of pension obligations | - | -1 | - | -1 | -27 | -5 | -16 | -48 |
| Operations acquired | - | - | - | - | - | 105 | 0 | 105 |
| Reclassification to liabilities directly associated with assets classified as held for sale | -619 | - | - | -619 | - | - | - | - |
| Remeasurement gains (-)/losses (+) | | | | | | | | |
| Gain/loss from change in financial assumptions ¹ | 3,085 | 1,059 | 6 | 4,150 | 2,068 | 887 | 11 | 2,966 |
| Experience gains/losses | 898 | 238 | -5 | 1,132 | -63 | 4 | -5 | -64 |
| Gain/loss from change in demographic assumptions ² | 1,758 | -9 | - | 1,749 | - | -40 | - | -40 |
| Exchange rate differences | - | -346 | -61 | -407 | - | 80 | 15 | 95 |
| Closing balance, present value of pension obligations | 27,981 | 8,156 | 497 | 36,634 | 23,220 | 7,054 | 540 | 30,813 |

1) Loss from change in financial assumptions in Sweden in 2020 included a loss of SEK 2,628 million related to changed method for calculating the discount rate, see section Principle actuarial assumptions below.

2) Loss from demographic assumptions in Sweden in 2020 related to change in mortality table, see section Principle actuarial assumptions below.

3) In Finland a defined contribution plan has been transferred to a defined benefit plan during 2019. The transfer resulted in an increase of pension obligations and plan assets with SEK 380 million respectively. The transfer also resulted in a settlement loss in the income statement of SEK 140 million.

Movements in the fair value of plan assets were as follows.

| SEK in millions | 2020 | | | | 2019 | | | |
|---|---------------|--------------|------------|---------------|---------------|--------------|------------|---------------|
| | Sweden | Finland | Norway | Total | Sweden | Finland | Norway | Total |
| Opening balance, fair value of plan assets | 23,648 | 5,650 | 416 | 29,715 | 22,259 | 4,533 | 385 | 27,176 |
| Interest income | 497 | 73 | 8 | 578 | 579 | 103 | 11 | 692 |
| Contribution to pension funds | - | 105 | 17 | 122 | - | 87 | 29 | 116 |
| Payment from pension funds | -500 | - | - | -500 | -1,247 | - | - | -1,247 |
| Benefits paid | - | -139 | -8 | -147 | - | -116 | -8 | -123 |
| Plan transfer ¹ | - | - | - | - | - | 380 | - | 380 |
| Operations acquired | - | - | - | - | - | 101 | - | 101 |
| Remeasurement gains (-)/losses (+) | | | | | | | | |
| Return on plan assets (excluding interest income) | -153 | 6 | 11 | -135 | 2,058 | 491 | -10 | 2,539 |
| Exchange rate differences | - | -229 | -40 | -269 | - | 72 | 10 | 82 |
| Closing balance, fair value of plan assets | 23,492 | 5,467 | 405 | 29,364 | 23,648 | 5,650 | 416 | 29,715 |

1) In Finland a defined contribution plan has been transferred to a defined benefit plan during 2019. The transfer resulted in an increase of pension obligations and plan assets with SEK 380 million respectively. The transfer also resulted in a settlement loss in the income statement of SEK 140 million.

Principal actuarial assumptions

The actuarial calculation of pension obligations and pension expenses is based on the following principal assumptions, each presented as a weighted average for the different pension plans. These assumptions are the most significant ones in terms of the risk for changes in Telia Company's pension obligations. The discount rate reflects the interest rate level at which the pension liabilities could be effectively settled and affects the value of the defined benefit obligations.

As in previous years the discount rate for Sweden is determined by the covered bond market. Since the commitment has a longer duration than most covered bonds, an extrapolation of the yield curve is performed and used with the corresponding duration of Telia Company's pension obligations. In 2020 Telia Company changed the method for calculating the discount rate for the Swedish operation. Telia Company no longer adjust the discount rate with the difference between the long-term inflation target of the central bank and the actual market inflation. Telia Company also changed to DUS14 mortality table used in the Swedish operation. The changes led to a total net increase of the

pension obligation and a corresponding decrease in other comprehensive income of SEK 4,387 million, whereof SEK 2,628 million related to the discount rate method and SEK 1,758 million related to the mortality table. The discount rate for Finland is based on high-quality corporate bonds with long duration. Norway sets the discount rate on the same basis as Sweden.

Inflation and increased longevity have an impact on future pension payments and therefore the pension obligation. From 2020 management set the long-term annual inflation rate based on a combination of the target set by the national central bank, implied market inflation and forecasts. For Finland, the inflation assumption is derived from long-term inflation swaps. For Norway, the inflation assumption is mainly based on estimations from the Norwegian Accounting Standards Board. See below for a sensitivity analysis related to a change in the significant assumptions used in calculating the pension provision.

In Sweden, Telia Company has not adjusted for salary increases during 2020 since this adjustment would not have had a material impact on the pension liability.

| Percentages, except longevity | Dec 31, 2020 | | | | Dec 31, 2019 | | | |
|--|--------------|---------|--------|------------------|--------------|---------|--------|------------------|
| | Sweden | Finland | Norway | Weighted average | Sweden | Finland | Norway | Weighted average |
| Discount rate | 1.3 | 0.6 | 1.8 | 1.2 | 2.1 | 1.3 | 2.1 | 1.9 |
| Inflation | 1.8 | 1.4 | 1.5 | 1.7 | 2.0 | 1.4 | 1.4 | 1.9 |
| Longevity | | | | | | | | |
| <i>life expectancy 65-year-old male (year)</i> | 22 | 21 | 22 | 21 | 21 | 21 | 22 | 21 |
| <i>life expectancy 65-year-old female (year)</i> | 25 | 25 | 26 | 25 | 24 | 25 | 26 | 24 |

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Sensitivity of the defined benefit obligations to changes in the assumptions was as follows.

| SEK in millions | Dec 31, 2020 | | | | Dec 31, 2019 | | | |
|----------------------------------|--------------------------------------|---------|--------|--------|--------------------------------------|---------|--------|--------|
| | Impact on defined benefit obligation | | | | Impact on defined benefit obligation | | | |
| | Sweden | Finland | Norway | Total | Sweden | Finland | Norway | Total |
| Discount rate +0.5 p.p. | -2,706 | -860 | -45 | -3,610 | -2,085 | -703 | -50 | -2,838 |
| Discount rate -0.5 p.p. | 3,000 | 1,011 | 50 | 4,061 | 2,354 | 820 | 58 | 3,232 |
| Inflation +0.5 p.p. ¹ | 3,051 | 966 | 45 | 4,061 | 2,354 | 791 | 37 | 3,182 |
| Inflation -0.5 p.p. ¹ | -2,713 | -966 | -40 | -3,719 | -2,085 | -710 | -32 | -2,827 |
| Longevity +1 year | 1,209 | 296 | 11 | 1,515 | 1,594 | 235 | 12 | 1,841 |

1) Inflation change include pension increase and salary growth.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Investment strategy

The assets of Telia Company's pension funds constitute pension plan assets and are valued at fair value. These assets are used as prime funding source for the pension obligations, and exist primarily in Sweden and Finland. The pension funds invest the assets in such a manner that the liquidity of the pension funds is ensured. The investment horizons are long-term, and aimed to cover Telia Company's pension obligations. The weighted average duration for the pension obligation plans is approximately 20 years. Investment plans are approved by the boards of the pension funds. The investment activities comply with the rules and regulations issued by the authorities governing pension foundations.

For the Swedish pension fund, which represents approximately 80 percent of the total group plan assets, Telia Company applies a minimum funding requirement.

The allocation of assets has been successful and the portfolio has generated an annual return of 6.4 percent, since inception. As of December 31, 2020, the strategic asset allocation decided by the Board of the Swedish Fund, was 49 percent fixed income, 34 percent equities and 17 percent alternative investments. The alternative investments include real estate, hedge funds and a small part private equity. The actual allocation may deviate from the strategic allocation in a range up to a specified limit. It is always important to find an appropriate balance between risk and return. To manage the increased market volatility during the spring 2020, caused by the COVID-19 pandemic, positions in assets with a high risk was somewhat reduced. During the autumn the allocation of assets are restored to desired strategic allocation.

Total plan-asset allocation

As of the end of the reporting period, plan assets were allocated as follows.

| SEK in millions Asset category | December 31, 2020 | | | | December 31, 2019 | | | |
|---|-------------------|--------------|---------------|------------|-------------------|--------------|---------------|------------|
| | Quoted | Unquoted | Total | Percent | Quoted | Unquoted | Total | Percent |
| Equity instruments | 9,676 | 451 | 10,126 | 34 | 9,791 | 381 | 10,172 | 34 |
| Debt instruments | 12,784 | 305 | 13,089 | 45 | 13,290 | 580 | 13,870 | 47 |
| Real estate | 364 | 1,574 | 1,937 | 7 | - | 1,678 | 1,678 | 6 |
| Cash and cash equivalents | 458 | - | 458 | 2 | 153 | 494 | 647 | 2 |
| Alternative investments | 594 | 2,843 | 3,437 | 12 | 207 | 2,838 | 3,045 | 10 |
| Other | - | 315 | 315 | 1 | - | 303 | 303 | 1 |
| Total | 23,876 | 5,488 | 29,364 | 100 | 23,441 | 6,274 | 29,715 | 100 |
| <i>of which shares in Telia Company</i> | 12 | - | 12 | 0.04 | 15 | - | 15 | 0.05 |

Future contributions

For companies in Sweden, pension liabilities are secured also by pension credit insurance. This means that, should the net provision for pension obligation increase, each

company can choose if and when to contribute to the pension fund or otherwise to recognize a provision. To pension funds outside Sweden, Telia Company expects to contribute SEK 144 million in 2021.

C23 OTHER PROVISIONS

Changes in other provisions were as follows.

| SEK in millions | December 31, 2020 | | | Total |
|---|--------------------------|------------------------------|------------------|--------------|
| | Restructuring provisions | Asset retirement obligations | Other provisions | |
| Opening balance | 336 | 3,608 | 1,787 | 5,731 |
| Provisions for the period | 438 | 311 | 195 | 944 |
| Utilized provisions | -471 | -582 | -31 | -1,085 |
| Reversals of provisions | -37 | -83 | -157 | -277 |
| Reclassifications | -3 | 13 | -8 | 2 |
| Timing and interest-rate effects | - | 60 | - | 60 |
| Exchange rate differences | -5 | -60 | -158 | -223 |
| Reclassification to liabilities directly associated with assets classified as held for sale | -4 | -234 | 0 | -238 |
| Closing balance | 254 | 3,033 | 1,627 | 4,914 |
| <i>of which non-current portion</i> | <i>61</i> | <i>3,033</i> | <i>1,265</i> | <i>4,359</i> |
| <i>of which current portion</i> | <i>193</i> | <i>-</i> | <i>362</i> | <i>555</i> |

Restructuring provisions

The restructuring provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimates may vary as a result of changes in the length of notice period before leaving and in the actual outcome of negotiations with, sub-contractors and other external counterparts as well as the timing of such changes. The restructuring provisions are mainly related to workforce reduction as a result of ongoing optimization of the business in the Nordics and Group functions.

Asset retirement obligations

Asset retirement obligations mainly refer to handling hazardous waste such as worn-out telephone poles impregnated with creosote or arsenic and to dismantling and restoration of mobile and fixed network sites. Remaining provisions as of December 31, 2020, are expected to be fully utilized in the period 2021–2099, depending on factors such as any contractual renewal options for site leases and dismantling plans decided by management.

Other provisions

Other provisions include provisions for damages and court cases, future onerous and other loss-making contracts, insurance provisions, payroll taxes on future pension payments, estimated expenses related to fulfilling representations made and warranties, i.e. transaction warranties, and for potential litigation etc. in connection with disposals and winding-up of group entities, associated companies and other equity holdings as well as provision for buy-back commitments for sold equipment in certain markets. Full utilization of these provisions is expected in the period 2021–2054. The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities.

C24 OTHER LONG-TERM LIABILITIES

Other long-term non-interest-bearing liabilities were distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|--------------|--------------|
| Danish license fee liabilities at amortized cost | 171 | 151 |
| Finnish license fee liabilities at amortized cost | 166 | 163 |
| Other liabilities at amortized cost | 142 | 162 |
| Financial liabilities at amortized cost (see Categories – Note C26) | 480 | 476 |
| Prepaid operating lease agreements | - | 444 |
| Other liabilities | 277 | 458 |
| Total other long-term liabilities¹ | 757 | 1,377 |

1) Telia Carrier is classified as held for sale as of December 31, 2020 and therefore not included in the figures for 2020.

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For liabilities at amortized cost, the carrying value approximates fair value as the impact of discounting using market interest rates at the end of the reporting period was insignificant. See Note C26 for more information on financial instruments classified by category and to Note C27 on management of liquidity risk.

As of December 31, 2020, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

| Expected maturity SEK in millions | 2022 | 2023 | 2024 | 2025 | Later years | Total | Carrying value |
|--------------------------------------|------|------|------|------|----------------|-------|-------------------|
| Liabilities at amortized cost | 255 | 94 | 66 | 16 | 84 | 515 | 480 |

For information on leases, see Note C28.

C25 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables and other current liabilities were distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|---------------|---------------|
| Currency swaps, forward exchange contracts and currency options at fair value through income statement | 526 | 377 |
| Contingent consideration liability at fair value ² | – | 41 |
| Subtotal (see Fair value hierarchy levels – Note C26) | 526 | 418 |
| Accounts payable at amortized cost | 14,312 | 12,697 |
| of which accounts payable under vendor financing arrangements | 8,535 | 5,923 |
| Current liabilities at amortized cost ² | 2,298 | 3,016 |
| Subtotal (see Categories – Note C26) | 17,136 | 16,131 |
| Other current liabilities | 6,773 | 7,761 |
| Contract liabilities (Deferred income) | 3,081 | 4,393 |
| Total trade payables and other current liabilities¹ | 26,990 | 28,286 |

1) Telia Carrier is classified as held for sale as of December 31, 2020 and therefore not included in the figures for 2020.

2) Current liabilities at amortized cost 2019 have been restated to present contingent consideration liability at fair value separately in the table.

For accounts payable and current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. See Note C26 for more information on financial instruments classified by category/fair value hierarchy level and to Note C27 on management of liquidity risk. Telia Company has arrangements with several banks un-

der where the banks offers Telia Company's vendors the option to receive earlier payment of Telia Company's accounts payables. Vendors utilizing the financing arrangement pay a credit fee to the bank. Telia Company does not pay any credit fees and does not provide any additional collateral or guarantee to the bank.

As of December 31, 2020, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

| Expected maturity SEK in millions | Jan–Mar 2021 | Apr–Jun 2021 | Jul–Sep 2021 | Oct–Dec 2021 | Total |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|--------|
| Liabilities at amortized cost | 8,986 | 2,456 | 2,467 | 2,700 | 16,610 |

Corresponding information for currency derivatives held-for-trading are presented in section "Liquidity risk management" to Note C27.

The main components of current liabilities are accrued payables to suppliers and accrued interconnect and roam-

ing charges, while other current liabilities mainly entail value-added tax, advances from customers and accruals of payroll expenses and social security contributions.

Contract liabilities (Deferred income) mainly relate to subscription and other telecom charges.

C26 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND LEVEL

Categories

Carrying values of classes of financial assets and liabilities were distributed by category as follows.

| SEK in millions | Note | Dec 31, 2020 | Dec 31, 2019 |
|--|---------------|----------------|----------------|
| Financial assets | | | |
| Derivatives designated as hedging instruments | C16, C19 | 3,129 | 3,651 |
| Financial assets at fair value through income statement | | 1,066 | 184 |
| <i>of which derivatives at fair value through income statement</i> | C16, C18, C19 | 1,049 | 170 |
| <i>of which other investments at fair value through income statement</i> | C16 | 18 | 13 |
| Financial assets at fair value through OCI | C16, C19 | 8,986 | 14,995 |
| Total financial assets at fair value | | 13,181 | 18,830 |
| Financial assets at amortized cost ¹ | C16, C18, C19 | 23,078 | 24,899 |
| Total financial assets by category | | 36,258 | 43,729 |
| Financial liabilities | | | |
| Derivatives designated as hedging instruments | C21 | 3,802 | 2,791 |
| Derivatives measured at fair value through income statement | C21, C25 | 917 | 532 |
| Contingent consideration liabilities at fair value | C25 | – | 41 |
| Total financial liabilities at fair value | | 4,719 | 3,365 |
| Financial liabilities measured at amortized cost ¹ | C21, C24, C25 | 121,482 | 132,922 |
| Total financial liabilities by category | | 126,201 | 136,287 |

1) Financial assets and financial liabilities measured at amortized cost 2019 have been restated by SEK 931 million and SEK 36,862 million respectively.

Fair value hierarchy levels

The carrying values of classes of financial assets and liabilities measured at fair value were distributed by fair value hierarchy level as follows.

| SEK in millions | Note | December 31, 2020 | | | | December 31, 2019 | | | |
|---|---------------|-------------------|--------------|--------------|------------|-------------------|---------------|--------------|------------|
| | | Carrying value | of which | | | Carrying value | of which | | |
| | | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| Financial assets at fair value | | | | | | | | | |
| Equity instruments at fair value through OCI | C16 | 473 | – | – | 473 | 319 | – | – | 319 |
| Equity instruments at fair value through income statement | C16 | 18 | – | – | 18 | 13 | – | – | 13 |
| Long- and short-term bonds at fair value through OCI | C16, C19 | 8,513 | 7,263 | 1,250 | – | 14,677 | 12,667 | 2,010 | – |
| Derivatives designated as hedging instruments | C16, C19 | 3,129 | – | 3,129 | – | 3,651 | – | 3,651 | – |
| Derivatives at fair value through income statement | C16, C18, C19 | 1,049 | – | 1,049 | – | 170 | – | 170 | – |
| Total financial assets at fair value by level | | 13,181 | 7,263 | 5,427 | 490 | 18,830 | 12,667 | 5,831 | 332 |
| Financial liabilities at fair value | | | | | | | | | |
| Derivatives designated as hedging instruments | C21, C25 | 3,802 | – | 3,802 | – | 2,791 | – | 2,791 | – |
| Derivatives at fair value through income statement | C21, C25 | 917 | – | 917 | – | 532 | – | 532 | – |
| Contingent consideration liabilities | | – | – | – | – | 41 | – | – | 41 |
| Total financial liabilities at fair value by level | | 4,719 | – | 4,719 | – | 3,365 | – | 3,323 | 41 |

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There were no transfers between Level 1, 2 or 3 in 2020 and 2019.

Fair value measurement of Level 3 financial instruments

Investments classified within Level 3 make use of significant unobservable inputs in deriving fair value, as they trade infrequently. As observable prices are not available for these equity instruments, Telia Company has a market approach to derive the fair value.

Telia Company's primary valuation technique used for estimating the fair value of unlisted equity instruments in Level 3 is based on the most recent transaction for the specific company if such transaction has been recently done. If

there have been significant changes in circumstances between the transaction date and the balance sheet date that, in the assessment of Telia Company, would have a material impact on the fair value, the carrying value is adjusted to reflect the changes.

The fair values for contingent consideration liabilities have been estimated using a Discounted cash flow method where the present value of the expected future payments is considered. Contingent consideration liabilities per December 31, 2019 mainly related to the acquisition of Fello, which was paid during 2020. Other contingent considerations are not material.

The table below presents the movement in Level 3 instruments during the year.

| SEK in millions | Assets, December 31, 2020 | | Liabilities, December 31, 2020 | |
|--|--|---|--------------------------------|---------------------------|
| | Equity instruments at fair value through OCI | Equity instruments at fair value through income statement | Total | Contingent considerations |
| Level 3, opening balance | 319 | 13 | 332 | 41 |
| Changes in fair value | 63 | – | 63 | – |
| <i>of which recognized in other comprehensive income</i> | 63 | – | 63 | – |
| Purchases/capital contributions | 99 | 5 | 104 | – |
| Settlements | -7 | – | -7 | -41 |
| Exchange rate differences | -2 | – | -2 | – |
| Level 3, closing balance | 473 | 18 | 491 | – |

| SEK in millions | Assets, December 31, 2019 | | Liabilities, December 31, 2019 | |
|--|--|---|--------------------------------|---------------------------|
| | Equity instruments at fair value through OCI | Equity instruments at fair value through income statement | Total | Contingent considerations |
| Level 3, opening balance | 272 | 13 | 286 | – |
| Changes in fair value | 46 | – | 46 | – |
| <i>of which recognized in other comprehensive income</i> | 46 | – | 46 | – |
| Purchases/capital contributions | 70 | – | 70 | 41 |
| Disposals | -69 | – | -69 | – |
| Level 3, closing balance | 319 | 13 | 332 | 41 |

C27 FINANCIAL RISK MANAGEMENT

Principles of financing and financial risk management

Telia Company's financing and financial risks are managed under the control and supervision of the Board of Directors of Telia Company. Financial management is centralized within the Group Treasury unit of Telia Company, which operates as Telia Company's internal bank and is responsible for the management of financing, management of capital requirements and cash. Group Treasury is also responsible for Telia Company's financial risk management, related to implementation of group policies and instructions, identification and monitoring of financial risks as well as implementation of hedging strategies thereof. The most noticeable risks under Group Treasury's responsibility are credit risk, liquidity risk, currency risk, interest rate risk and (re-)financing risk. Group Treasury also seeks to manage the cost of financial risk management.

Telia Company finances its operations mainly by borrowing under its uncommitted open-market financing programs directly in Swedish and international money markets and debt capital markets. The communicated funding strategy themes have been to have a smooth maturity profile, maintain duration, to diversify funding sources and to keep a prudent liquidity position. Capital markets is the primary source of funding while bank funding is considered a supplement. This increases flexibility and ensures access to markets with attractive pricing. The open-market financing programs typically provide a cost-effective and flexible alternative to bank financing. During the fourth quarter of 2019 Telia Company announced a Green Bond Framework as a part of its commitment to sustainability. The framework specifies what kind of projects that are eligible for the use of green bond proceeds, how projects are selected, the management of proceeds and reporting. A second-party opinion on Telia Company's framework has been provided by Sustainalytics. On February 4, 2020, Telia Company issued a green hybrid bond of EUR 500 million with a maturity of 61.25 years with the first reset date after 6.25 years. The coupon was 1.375 percent and the re-offer yield was set at 1.50 percent. In May 2020, a 5 year green bond of SEK 750 million was issued. The first Green Bond Report was released in February 2021.

Capital management

Telia Company's capital structure and dividend policy is decided by the Board of Directors. An updated policy was announced on January 29, 2021. The dividend policy states a dividend of at least SEK 2.00 per share with a firm ambition to grow the dividend with a low to mid single digit percentage.

Telia Company shall target a solid investment grade long term credit rating of A- to BBB+ to secure the company's strategically important financial flexibility for investments in future growth, both organically and by acquisitions. In addition, on January 29, 2021 a leverage target of 2.0-2.5x Net debt to EBITDA was reinstated.

Standard & Poor's long-term credit rating of Telia Company was BBB+ with stable outlook during the year. The short-term rating was affirmed and remains at A-2 with stable outlook. Moody's credit rating of Telia Company also remained unchanged with the long-term rating at Baa1 with a stable outlook. These ratings represent a solid investment grade level and are expected to allow Telia Company continued good access to the financial markets.

Telia Company is not subject to any externally imposed capital requirements.

In respect of capital management, Telia Company defines capital as equity and 50 percent of hybrid bonds, which is consistent with the market practice for this type of instrument. As per December 31, 2020, Telia Company's capital amounted to SEK 74,221 million (100,402), whereof equity SEK 63,954 million (95,455) and 50 percent of hybrid bonds SEK 10,267 million (7,947).

Credit risk management

Credit risk is the risk of delay or loss of value or income as well as incurred costs due to counterparty default or failure to meet its financial obligations. The carrying amount of Telia Company's instruments with credit risk exposure is as follows.

| SEK in millions | Note | Dec 31, 2020 | Dec 31, 2019 |
|--|------|---------------|---------------|
| Other non-current assets excluding Equity instruments at cost, Costs to obtain a contract, Contract assets and Deferred expenses | C16 | 12,009 | 11,435 |
| Trade and other receivables and assets excluding Other current receivables, Current contract assets and Deferred expenses | C18 | 10,632 | 13,880 |
| Short-term interest-bearing receivables | C19 | 5,486 | 12,300 |
| Cash and cash equivalents | C19 | 8,133 | 6,116 |
| Total | | 36,260 | 43,731 |

When entering into financial transactions such as interest rate swaps, cross-currency swaps and other derivative transactions, Telia Company accepts only creditworthy counterparties with a solid investment grade rating. Telia Company requires each counterparty to have an International Swaps and Derivatives Association, Inc. (ISDA) agreement. The permitted exposure of each counterparty when entering into a financial transaction depends on the rating of that counterparty.

The net aggregated exposure in derivatives as of December 31 is distributed by the counterparty long-term rating as in the table below. Received collateral, regulated by the Credit Support Annex of the ISDA agreements, is deducted from the exposure.

Telia Company can invest surplus cash in bank deposits and securities issued by banks with a rating of at least A- (Standard & Poor's) or A3 (Moody's). In addition investments can be made in corporate securities with rating of at least BBB+ or Baa1. Cash can also be invested in government bonds and treasury bills issued by the Swedish, German, Finnish, Norwegian or Danish government, Swedish municipalities, investment funds and securitized assets with AAA/Aaa rating. Expected credit losses for cash in bank and deposits as well as for investments in securities measured at amortized cost or at fair value through OCI are reassessed on a regular basis and is primarily based on external ratings of the counterparties or issuers. The expected credit losses on the balance sheet date are considered insignificant and reflects the high credit quality of the counterparties reflected in the external ratings. The exposure related to cash in bank deposits and investments in securities is distributed as in the tables below.

The credit risk with respect to Telia Company's trade receivables is diversified geographically and among a large number of customers, private individuals as well as companies in various industries. Solvency information is required for credit sales to minimize the risk of credit losses and is

based on group-internal information on payment behavior, if necessary supplemented by credit and business information from external sources. Incurred expenses for credit losses in relation to consolidated net sales was approximately 0.8 percent in 2020 and 0.7 percent in 2019.

Telia Company applies a simplified approach for calculating expected credit losses for trade receivables, meaning that the loss allowance reflect lifetime expected credit losses for those assets even if the credit risk has not increased significantly since the assets were initially recognized. The loss allowance for expected credit losses for trade receivables is calculated using a provision matrix based on the age of the receivables and experience of actual historical losses. The historical information used in the provision matrix is regularly assessed in order to determine that it reflects information about current conditions and reasonable and supportable future conditions. For quantitative information about the loss allowance for expected credit losses for trade receivables, see Note C18.

The loss allowance for expected credit losses for consumer financing receivables is calculated based on default statistics per country. The default statistics are based on how much of each month's lending that is transferred to debt collection over the lifetime of the contracts. The historical information used to calculate the loss allowance is evaluated regularly in order to determine that it reflects information about current conditions and reasonable and supportable future conditions.

An allowance for expected credit losses is calculated and recognized also for lease receivables. The loss allowance for lease receivables is calculated based on risk classification from a credit reference agency representing the probability that a counterparty will encounter financial problems. To cover a credit loss within the leasing area there is always an option to sell the underlying asset to an external part.

For quantitative information about the loss allowance for expected credit losses for lease receivables, see Note C28.

| SEK in millions Rating Category (S&P / Moody's) | 2020 | | | |
|--|---------------|------------------|---------------------------------|------------------------------------|
| | Cash and bank | Cash equivalents | Long and short-term investments | Counterparty exposures derivatives |
| AAA / Aaa | - | - | 6,033 | - |
| AA+ to AA- / Aa1 to Aa3 | 4,824 | 234 | 316 | 46 |
| A+ to A- / A1 to A3 | 2,890 | 85 | 1,279 | 171 |
| BBB+ to BBB- / Baa1 to Baa3 | - | 100 | 500 | - |
| Non-investment grade | - | - | - | - |
| Total | 7,714 | 419 | 8,128 | 217 |

| SEK in millions Rating Category (S&P / Moody's) | 2019 | | | |
|--|---------------|------------------|---------------------------------|------------------------------------|
| | Cash and bank | Cash equivalents | Long and short-term investments | Counterparty exposures derivatives |
| AAA / Aaa | - | - | 7,663 | - |
| AA+ to AA- / Aa1 to Aa3 | 4,574 | 100 | 4,019 | 37 |
| A+ to A- / A1 to A3 | 735 | 706 | 677 | 147 |
| BBB+ to BBB- / Baa1 to Baa3 | - | - | 906 | - |
| Non-investment grade | - | - | - | - |
| Total | 5,310 | 806 | 13,265 | 184 |

Liquidity risk management

Liquidity risk is the risk that Telia Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Telia Company has internal control processes and contingency plans for managing liquidity risk. The short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from operations.

A centralized daily cash pooling process enables Telia Company to manage liquidity surpluses and deficits according to the actual needs on group and subsidiary level.

Telia Company's policy is to have a prudent liquidity position in terms of available cash and/or unutilized committed credit facilities. Telia Company's short-term liquidity risk (payment obligations due in 2021, see table "Expected maturity") is managed with the liquidity reserve described below. Telia Company's vendor financing arrangements are described in Note C25. An unexpected termination of these arrangements would temporarily increase the liquidity risk.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|---------------|---------------|
| Surplus liquidity | | |
| Cash and bank | 7,714 | 5,310 |
| Cash equivalents ¹ | 419 | 806 |
| Cash and cash equivalents (see also Note C19) | 8,133 | 6,116 |
| Short-term investments ² (see also Note C19) | 2,832 | 8,426 |
| Total | 10,965 | 14,542 |
| Long-term investments ³ (see also Note C16) | 5,296 | 5,450 |
| Total surplus liquidity | 16,261 | 19,992 |
| Committed credit facilities | | |
| Revolving credit facilities (limit amount) | 15,036 | 15,664 |
| Bank overdraft and short-term credit facilities (limit amount) | 1,605 | 1,036 |
| Utilized credit facilities | -213 | -7,838 |
| Total unutilized committed credit facilities | 16,428 | 8,862 |
| Liquidity position | 32,689 | 28,854 |

1) Bank deposits and securities which mature within 3 months of the date of acquisition.

2) Securities with maturities between 3 and 12 months. Convertible to cash within 2 days, i.e. excluding securities that for regulatory reasons are not convertible to cash within 2 days.

3) Securities with maturities exceeding 12 months. Convertible to cash within 2 days.

Telia Company's committed bank credit facilities and overdraft facilities, intended for short-term financing and back-up purposes, were as follows.

| SEK in millions | | | | | Dec 31, 2020 | Dec 31, 2019 |
|-----------------------------------|---------------------------|-----------------------|-----------------|-----------|--------------|--------------|
| Group entity | Type | Characteristics | Final maturity | Currency | Limit | Limit |
| Telia Company AB | Revolving credit facility | Committed, syndicated | September 2023 | EUR | 15,035 | 15,664 |
| Telia Company AB and subsidiaries | Bank overdraft facility | Committed, bilateral | Extended yearly | (various) | 1,605 | 1,036 |

As of December 31, 2020, contractual undiscounted cash flows for the group represented the following expected maturities. The amounts regarding the group's interest-bearing borrowings and derivatives include instalments and estimated interest payments. The maturity date for the hybrid bonds in SEK is 2077, 2078 for the EUR bond and 2081 for the green hybrid EUR bond. However, at specific dates Telia Company has the option to exercise early redemption. The first of these dates, also known as call dates, occur

in 2022 for the SEK bonds, 2023 for the EUR bond and in 2026 for the green hybrid EUR bond. Amounts in foreign currency have been converted into SEK using the exchange rate prevailing as of the end of the reporting period. Future interest payments, related to instruments with floating interest rates, have been estimated using forward rates. Where gross settlements are performed (cross-currency interest rate swaps, currency swaps and forward exchange contracts), all amounts are reported on a gross basis.

| Expected maturity SEK in millions | Note | Jan-Mar 2021 | Apr-Jun 2021 | Jul-Sep 2021 | Oct-Dec 2021 | 2022 | 2023 | 2024 | 2025 | Later years | Total |
|--|------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Utilized bank overdraft and short-term credit facilities | | -213 | - | - | - | - | - | - | - | - | -213 |
| Open-market financing program borrowings | | -732 | -475 | -412 | -5,856 | -14,423 | -13,132 | -8,267 | -8,697 | -50,162 | -102,156 |
| Other borrowings | | -176 | -10 | 0 | 0 | -312 | -11 | -602 | - | - | -1,112 |
| Cross-currency interest rate swaps and interest rate swaps | | | | | | | | | | | |
| Payables | | -365 | -505 | -360 | -8,721 | -8,483 | -12,935 | -13,262 | -7,570 | -28,901 | -81,102 |
| Receivables | | 288 | 579 | 293 | 8,861 | 8,250 | 12,633 | 13,809 | 7,404 | 28,443 | 80,560 |
| Currency swaps and forward exchange contracts | | | | | | | | | | | |
| Payables | | -21,713 | -243 | -69 | -17 | - | - | - | - | - | -22,042 |
| Receivables | | 21,210 | 236 | 66 | 17 | - | - | - | - | - | 21,529 |
| Financial guarantees | C23 | - | - | - | - | - | - | - | - | - | - |
| Other long-term liabilities | C24 | - | - | - | - | -255 | -94 | -66 | -16 | -84 | -515 |
| Trade payables and Other current liabilities | C25 | -8,986 | -2,456 | -2,467 | -2,700 | - | - | - | - | - | -16,610 |
| Lease Liabilities | C28 | -941 | -610 | -621 | -730 | -2,330 | -2,152 | -1,670 | -1,580 | -6,259 | -16,893 |
| Credit and performance guarantees | C30 | - | - | - | - | -16 | - | - | - | - | -16 |
| Total | | -11,628 | -3,484 | -3,570 | -9,146 | -17,569 | -15,691 | -10,058 | -10,459 | -56,963 | -138,569 |

Currency risk management

Currency risk is the risk that fluctuations in foreign exchange rates will adversely affect the group's results, financial position and/or cash flows. Currency risk can be divided into operational transaction exposure and translation exposure.

Transaction exposure relates to net inflows or outflows of foreign currencies required by operations and financing. Telia Company's general policy is to hedge the majority of known operational transaction exposure up to 12 months into the future. Financial flows are usually hedged until maturity, even if that is longer than 12 months.

Regarding foreign currency transaction exposure, CFO has a clearly defined deviation mandate which is capped at the equivalent of SEK 10 million calculated as one day Value at Risk (VaR), expressed as the long/short SEK counter-value amount that may be exposed to currency fluctuations. Since SEK is the functional currency of Telia Company, borrowings are either denominated in, or swapped into SEK unless linked to international operations or allocated as hedging of net investments in foreign currency.

Financial transaction exposure risk

As of December 31, 2020, contractual undiscounted financial cash flows split by currency, for the group's interest-bearing borrowings, assets and derivatives represented the following expected maturities, including instalments

and estimated interest payments. Amounts in foreign currency have been converted to SEK using the exchange rate prevailing as of the end of the reporting period. Future interest payments, related to instruments with floating interest rates, have been estimated using forward rates.

| SEK in millions | Jan-Mar 2021 | Apr-Jun 2021 | Jul-Sep 2021 | Oct-Dec 2021 | 2022 | 2023 | 2024 | 2025 | Later years | Total |
|------------------------------|---------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| AUD Interest bearing asset | - | - | - | - | - | - | - | - | - | - |
| Interest bearing liabilities | -6 | - | -6 | - | -13 | -13 | -13 | -13 | -577 | -641 |
| Derivatives | 6 | - | 6 | - | 13 | 13 | 13 | 13 | 577 | 641 |
| Net | 0 | - | 0 | - | 0 | 0 | 0 | 0 | 0 | 0 |
| DKK Interest bearing asset | - | - | - | - | - | - | - | - | - | - |
| Interest bearing liabilities | - | - | - | - | - | - | - | - | - | - |
| Derivatives | -2,890 | - | - | - | - | - | - | - | - | -2,890 |
| Net | -3,943 | - | - | - | - | - | - | - | - | -2,890 |
| EUR Interest bearing asset | 1 | - | - | - | - | - | - | - | - | 1 |
| Interest bearing liabilities | -629 | -362 | -353 | -5,555 | -5,439 | -10,475 | -7,466 | -7,678 | -39,499 | -77,456 |
| Derivatives | 18,250 | 595 | 137 | 4,277 | 1,567 | 9,502 | 6,237 | 4,629 | 252 | 45,446 |
| Net | 17,622 | 233 | -216 | -1,278 | -3,827 | -973 | -1,229 | -3,049 | -39,247 | -32,009 |
| GBP Interest bearing asset | - | - | - | - | - | - | - | - | - | - |
| Interest bearing liabilities | - | - | - | -120 | -120 | -120 | -120 | -120 | -4,783 | -5,383 |
| Derivatives | 4 | - | - | 120 | 120 | 120 | 120 | 120 | 4,782 | 5,386 |
| Net | 4 | - | - | 0 | 0 | 0 | 0 | 0 | -1 | 3 |
| JPY Interest bearing asset | - | - | - | - | - | - | - | - | - | - |
| Interest bearing liabilities | -8 | - | -8 | - | -1,442 | -8 | -8 | -8 | -908 | -2,390 |
| Derivatives | 8 | - | 8 | - | 1,442 | 8 | 8 | 8 | 908 | 2,390 |
| Net | 0 | - | 0 | - | 0 | 0 | 0 | 0 | 0 | 0 |
| NOK Interest bearing asset | - | - | - | - | - | - | - | - | - | - |
| Interest bearing liabilities | -18 | -66 | -6 | -44 | -613 | -113 | -113 | -113 | -4,146 | -5,232 |
| Derivatives | -1,633 | -99 | -67 | -40 | -179 | -2,138 | -6,129 | -1,939 | 20 | -12,204 |
| Net | -1,651 | -165 | -73 | -84 | -792 | -2,251 | -6,242 | -2,052 | -4,126 | -17,436 |
| USD Interest bearing asset | 60 | - | - | - | - | - | - | - | - | 60 |
| Interest bearing liabilities | - | - | - | - | - | - | - | - | - | - |
| Derivatives | -222 | 30 | 45 | 17 | - | - | - | - | - | -130 |
| Net | -162 | 30 | 45 | 17 | - | - | - | - | - | 70 |
| Other Interest bearing asset | - | - | - | - | - | - | - | - | - | - |
| Interest bearing liabilities | - | - | - | - | - | - | - | - | - | - |
| Derivatives | -162 | -20 | - | - | - | - | - | - | -415 | -597 |
| Net | -162 | -20 | - | - | - | - | - | - | -415 | -597 |
| Total, net | 12,761 | 78 | -244 | -1,345 | -4,664 | -3,224 | -7,471 | -5,101 | -43,789 | -52,999 |

The cash flow pertains to foreign exchange rate hedging of receivables, payables and cash balances in foreign currencies. Foreign exchange rate risks are also mitigated through the group's net investments in EUR, see section "Translation exposure."

Operational transaction exposure sensitivity

In most cases, Telia Company customers are billed in their respective local currency. Receivables from and payables to other operators for international fixed-line traffic and roaming are normally settled net through clearing-houses.

Hence, the operational need to net purchase foreign currency is primarily due to a deficit from such settlements and the limited import of equipment and supplies. Main sources of transaction exposures are derived from the Nordic operations involving EUR, NOK and DKK.

| Currency | Impact on Net income if currency rate depreciates by 10 percent 2020 | Impact on Net income if currency rate depreciates by 10 percent 2019 |
|----------|--|--|
| EUR | 2.0 | 1.0 |
| NOK | 9.3 | 0.1 |
| DKK | 1.0 | -0.1 |
| Other | -1.5 | 2.6 |

The sensitivity analysis is based on the exposure as of year end and after hedges.

Translation exposure

Translation exposure relates to net investments in foreign operations. CFO has a mandate to implement hedging up

to a specific ratio limit. Telia Company's net investments in foreign operations were distributed by currency as follows.

| SEK in millions | 2020 | | | 2019 | | |
|------------------|-----------------|--|---------------|-----------------|--|---------------|
| | Net investments | Hedged through borrowings or derivatives | Net | Net investments | Hedged through borrowings or derivatives | Net |
| DKK | 2,917 | – | 2,917 | 3,218 | – | 3,218 |
| EUR | 47,512 | -17,104 | 30,498 | 56,935 | -20,712 | 36,223 |
| GBP | 105 | – | 105 | 107 | – | 107 |
| NOK | 28,630 | – | 28,630 | 32,748 | – | 32,748 |
| RUB | 75 | – | 75 | 98 | – | 98 |
| TRY | – | – | – | 8,793 | – | 8,793 |
| USD | 365 | – | 365 | 357 | – | 357 |
| Other currencies | 625 | – | 625 | 816 | – | 816 |
| Total | 80,229 | -17,104 | 63,125 | 103,072 | -20,712 | 82,360 |

Translation exposure sensitivity

The positive impact on group equity would be approximately SEK 8.2 billion if the Swedish krona weakened by 10 percentage points against all translation exposure currencies and vice versa. The calculation is based on the exposure as of December 31, 2020, including hedges but excluding any potential equity impact due to Telia Company's operational need to net purchase foreign currency, or to currency translation of other net income related items. Changes in exposure during 2020 is mainly due to an impairment charge related to Finland (EUR) and divestment of shares in Turkcell Holding (TRY).

Interest rate risk management

Telia Company's sources of funds are primarily equity attributable to owners of the parent, cash flows from operating activities, and borrowings. The interest-bearing borrowing and financial investments expose the group to interest rate risk. Interest rate risk is the risk that a change in interest rates will negatively affect the group's net interest expense and/or cash flows. The interest rate risk relating to Telia Company's lease agreements is deemed immaterial. Leasing is not under active interest rate risk management and is therefore not included in the section below.

Average interest rates, including relevant hedges, on Telia Company's outstanding long-term and short-term borrowings as of the end of the reporting period was as follows.

| Percent | Dec 31, 2020 ¹ | Dec 31, 2019 ¹ |
|-----------------------|---------------------------|---------------------------|
| Long-term borrowings | 2.57 | 2.61 |
| Short-term borrowings | 4.53 | 3.43 |

1) Excluding lease liabilities.

Debt key figures on debt portfolio as of the end of the reporting period was as follows. Amounts indicated represent carrying values excluding leases.

| SEK in millions | Dec 31, 2020 ¹ | Dec 31, 2019 ¹ |
|---------------------------------|---------------------------|---------------------------|
| Duration (interest rate risk) | 4.4 | 4.1 |
| Average maturity (years) | 6.9 | 6.5 |
| Short-term borrowings | 5,674 | 16,811 |
| Long-term borrowings | 88,055 | 87,852 |
| Interest rate adjustment <1year | 60,159 | 83,731 |
| Interest rate adjustment >1year | 33,570 | 20,932 |

1) Excluding lease liabilities.

Telia Company's financial policy provides the framework for management of interest rates and the average maturity of borrowings and investments. The group aims at balancing the estimated running cost of borrowing and the risk of negative impact on earnings if market interest rates increase. The group's policy is that the duration of the debt portfolio should be between 1 to 5 years.

If the loan portfolio structure deviates from the desired one, various forms of derivative instruments are used to adapt the structure in terms of duration and/or currency, including interest rate swaps and cross-currency interest rate swaps.

As of December 31, 2020, Telia Company's rate reset periods of interest-bearing assets, liabilities and derivatives represented the following interest types and expected maturities. Amounts indicated represent nominal values.

| Expected maturity SEK in millions | Jan-Mar 2021 | Apr-Jun 2021 | Jul-Sep 2021 | Oct-Dec 2021 | 2022 | 2023 | 2024 | 2025 | Later years | Total |
|---|-----------------|-----------------|-----------------|-----------------|---------------|------------|--------------|-------------|----------------|----------------|
| Fixed | | | | | | | | | | |
| Interest bearing asset ¹ | 1,397 | 100 | 150 | 138 | 1,399 | 771 | 1,315 | 356 | 459 | 6,085 |
| Interest bearing liabilities ¹ | -116 | - | - | -5,052 | -6,938 | -10,222 | -6,783 | -7,466 | -42,841 | -79,417 |
| Derivatives | - | - | - | 5,052 | 2,238 | 10,222 | 6,783 | 6,263 | 17,884 | 48,442 |
| Net | 1,281 | 100 | 150 | 138 | -3,300 | 771 | 1,315 | -847 | -24,498 | -24,890 |
| Float | | | | | | | | | | |
| Interest bearing asset ¹ | 1,458 | - | - | - | - | - | - | - | - | 1,458 |
| Interest bearing liabilities ¹ | -1,100 | -5,000 | - | - | - | - | -601 | - | - | -6,701 |
| Derivatives | -34,553 | -14,681 | - | - | - | - | - | - | - | -49,233 |
| Net | -34,195 | -19,681 | - | - | - | - | -601 | - | - | -54,477 |
| Total, net | -32,913 | -19,581 | 150 | 138 | -3,300 | 771 | 714 | -847 | -24,498 | -79,367 |

1) Excluding lease receivables and lease liabilities.

Telia Company has designated certain interest rate swaps as cash flow hedges to hedge against changes in the amount of future cash flows related to interest payments on existing liabilities also including certain long-term borrowings hedging net investments, see Note C21. Hedge ineffectiveness related to outstanding cash flow hedges was immaterial and recognized in net income. Net changes in fair value recognized in other comprehensive income are offset in a hedging reserve as a component of equity, see Note C11. In 2020, no cash flow hedges were discontinued due to the original forecasted transactions not having occurred in the originally specified time period.

Interest rate risk sensitivity

As of December 31, 2020, Telia Company had interest-bearing debt of SEK 93.7 billion, carrying value, with duration of interest of approximately 4.4 years, including derivatives. The volume of debt exposed to changes in interest rates over the next 12-month period was at the same date approximately SEK 60.1 billion, carrying value, assuming that existing debt maturing during the year are refinanced and after accounting for derivatives.

The exact effect of a change in interest rates on the financial net stemming from this debt portfolio depends on the timing of maturity of the debt as well as reset dates for floating rate debt, and that the volume of loans may vary over time, thereby affecting the estimate.

However, assuming that those loans were reset by January 1, 2021, at a one percentage point higher interest rate than the prevailing rate as per December 31, 2020, and remained at that new level during 12 months, the post-tax interest expense would increase by approximately SEK 472 million. At the same time the effect on equity would be a decrease of SEK 50 million due to cash flow hedges.

Carrying value of the loan portfolio would change by approximately SEK 2,3 billion, should the level in market interest rates make a parallel shift of one percentage point, and assuming the same volume of loans and a similar duration on those loans as per 31 December 2020.

Refinancing risk management

In order to reduce refinancing risk, the group aims to distribute loan maturity dates over a longer period. The group's policy is that the average maturity of borrowings should exceed 4 years and that a maximum of 25 percent of the funding is allowed to mature within 2 years. As of December 31, 2020, the average maturity of Telia Company's borrowings was 7.0 years and 13 percent of the borrowings due within 2 years.

Pension obligation risk and sensitivity

See Note C22 for details on the pension obligation risks and a sensitivity analysis.

Management of insurable risks

The insurance cover is governed by corporate guidelines and includes a common package of different property and liability insurance programs. The business units and other units being responsible for assessing the risks decide the extent of actual cover. Corporate Insurance at Telia Company manages the common group insurance programs and uses a captive, Telia Försäkring AB, as a strategic tool in managing the insurance programs. Some of the risks that are placed in the captive are reinsured in the international reinsurance market.

Master netting arrangements and similar agreements

Telia Company has entered into ISDA Master Agreements for its OTC derivative business, i.e. interest rate and currency derivatives, with all of its core banks. These ISDA Master Agreements allow the parties to do close-out nettings. For derivatives in the financial operations, CSAs (credit support annex) may be entered into as an annex to the respective master agreement, and are recognized as other current receivables/liabilities. Under the CSA, the parties agree to provide each other with collateral, which is calculated based on a weekly exposure under the specific agreement. Funds transferred and interest accrued under a CSA agreement is not considered collateral.

FINANCIAL STATEMENTS

Consolidated financial statements

| | | December 31, 2020 | | | | | |
|---|----------|---------------------------------|--------------------------------------|--|---------------------------------------|------------|------------|
| SEK in millions | Note | Gross amounts, financial assets | Gross amounts, financial liabilities | Net amounts of financial assets in the statement of financial position | Financial assets that are not set off | CSA | Net amount |
| Interest and cross-currency interest rate swaps | C16, C19 | 4,156 | – | 4,156 | 940 | 861 | 78 |
| Currency swaps and forward exchange contracts | C16, C18 | 21 | – | 21 | 5 | – | 5 |
| Other assets | | 2 | -10 | – | – | – | – |
| Total | | 4,179 | -10 | 4,177 | 945 | 861 | 84 |

| | | December 31, 2020 | | | | | |
|---|----------|--------------------------------------|---------------------------------|---|--|------------|------------|
| SEK in millions | Note | Gross amounts, financial liabilities | Gross amounts, financial assets | Net amounts of financial liabilities in the statement of financial position | Financial liabilities that are not set off | CSA | Net amount |
| Interest and cross-currency interest rate swaps | C21 | 4,193 | – | 4,193 | 976 | 909 | 67 |
| Currency swaps and forward exchange contracts | C24, C25 | 526 | – | 526 | 510 | – | 510 |
| Other liabilities | | 7 | -38 | – | – | – | – |
| Total | | 4,726 | -38 | 4,719 | 1,486 | 909 | 577 |

| | | December 31, 2019 | | | | | |
|---|----------|---------------------------------|--------------------------------------|--|---------------------------------------|--------------|------------|
| SEK in millions | Note | Gross amounts, financial assets | Gross amounts, financial liabilities | Net amounts of financial assets in the statement of financial position | Financial assets that are not set off | CSA | Net amount |
| Interest and cross-currency interest rate swaps | C16, C19 | 3,717 | – | 3,717 | 1,709 | 1,487 | 222 |
| Currency swaps and forward exchange contracts | C16, C18 | 105 | – | 105 | 24 | – | 24 |
| Other assets | | 39 | -29 | 10 | 10 | – | 10 |
| Total | | 3,861 | -29 | 3,831 | 1,743 | 1,487 | 246 |

| | | December 31, 2019 | | | | | |
|---|----------|--------------------------------------|---------------------------------|---|--|------------|------------|
| SEK in millions | Note | Gross amounts, financial liabilities | Gross amounts, financial assets | Net amounts of financial liabilities in the statement of financial position | Financial liabilities that are not set off | CSA | Net amount |
| Interest and cross-currency interest rate swaps | C21 | 2,946 | – | 2,946 | 938 | 773 | 165 |
| Currency swaps and forward exchange contracts | C24, C25 | 377 | – | 99 | 297 | – | 297 |
| Other liabilities | | 23 | -18 | 5 | 5 | – | 5 |
| Total | | 3,346 | -18 | 3,329 | 1,240 | 773 | 468 |

Hedge accounting

Telia Company mainly applies hedge accounting when hedging interest rate and currency risk related to funding activities. Telia Company's objective with the hedge strategies is to mitigate the uncertainty in future payments. The uncertainty is due to changes in future interest fixings but also changes in currency rates against SEK.

A hedge relationship will be perfectly matched by critical terms. That means that the critical terms of the hedged item and the hedging instrument will be identical. The terms that may be considered as critical are nominal amount, cur-

rency, maturity date, future coupon payment dates, future coupon fixing dates or fixing rate index.

To assess that the hedge can be assumed to be effective going forward the future cash flows calculated based on the critical terms can be compared between the hedged item and the hedging instrument. If the cash flows offset the hedge it can be deemed to be highly effective going forward (prospectively).

For more information about hedge accounting principles see Note C3.

Hedging instruments 2020

| SEK in millions | Instrument | Line item | Assets | | | Liabilities | | |
|------------------------------|-------------|--|----------------|-----------------|----------------------------------|----------------|-----------------|----------------------------------|
| | | | Nominal amount | Carrying amount | Changes in value during the year | Nominal amount | Carrying amount | Changes in value during the year |
| Fair value hedges | | | | | | | | |
| Interest rate risk | Derivatives | Long/Short-term receivables/borrowings | 52,802 | 1,525 | 243 | 9,936 | 65 | -186 |
| Cash flow hedges | | | | | | | | |
| Foreign exchange risk | Derivatives | Long/Short-term receivables/borrowings | 8,869 | 52 | -1,588 | 31,089 | 1,812 | 1,165 |
| Net investment hedges | | | | | | | | |
| Foreign exchange risk | Bonds | Long/Short-term | - | - | - | 18,681 | 15,001 | 4,209 |
| Foreign exchange risk | Derivatives | receivables/borrowings | - | - | - | 7,670 | 1,923 | 31 |

Hedging instruments 2019

| SEK in millions | Instrument | Line item | Assets | | | Liabilities | | |
|------------------------------|-------------|--|----------------|-----------------|----------------------------------|----------------|-----------------|----------------------------------|
| | | | Nominal amount | Carrying amount | Changes in value during the year | Nominal amount | Carrying amount | Changes in value during the year |
| Fair value hedges | | | | | | | | |
| Interest rate risk | Derivatives | Long/Short-term receivables/borrowings | 48,495 | 1,282 | 216 | 19,402 | 251 | 44 |
| Cash flow hedges | | | | | | | | |
| Foreign exchange risk | Derivatives | Long/Short-term receivables/borrowings | 32,467 | 1,641 | 851 | 9,951 | 647 | 381 |
| Net investment hedges | | | | | | | | |
| Foreign exchange risk | Bonds | Long/Short-term receivables/borrowings | - | - | - | 18,861 | 19,210 | -31,319 |
| Foreign exchange risk | Derivatives | | - | - | - | 1,892 | 1,892 | 474 |

Hedged items 2020

| SEK in millions | Liabilities | | | | | |
|--|-----------------------|---------------------|---|---|--|--|
| | Total Carrying Amount | Accrued amount debt | Accumulated value adjustment on hedged item | Value adjustment on hedged item during the year | Accumulated value adjustment on closed hedge relations | Ineffectiveness recognized in profit or loss |
| Fair value hedges, interest rate risk | | | | | | |
| Line item in balance sheet | | | | | | |
| Long/Short-term borrowings | 56,759 | 54,393 | 2,366 | 397 | 1,065 | - |
| Line item in income statement | | | | | | |
| Finance net | - | - | - | - | - | -27 |

Hedged items 2019

| SEK in millions | Liabilities | | | | | |
|--|-----------------------|---------------------|---|---|--|--|
| | Total Carrying Amount | Accrued amount debt | Accumulated value adjustment on hedged item | Value adjustment on hedged item during the year | Accumulated value adjustment on closed hedge relations | Ineffectiveness recognized in profit or loss |
| Fair value hedges, interest rate risk | | | | | | |
| Line item in balance sheet | | | | | | |
| Long/Short-term borrowings | 57,752 | 55,783 | 1,969 | 512 | 1,104 | - |
| Line item in income statement | | | | | | |
| Finance net | - | - | - | - | - | 16 |

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Hedged items 2020

| SEK in millions Cash flow hedges, foreign exchange risk | Liabilities | | | | | |
|---|--|---|---|---|--|--|
| | Change in value on the hedged item during the year | Cash flow hedge reserve for continuing hedges | Cash flow hedge reserve for closed hedges | Change in value on hedged item during the year via other comprehensive income | Ineffectiveness recognized in profit or loss | Amount reclassified from hedge reserve to profit or loss |
| Line item in balance sheet | | | | | | |
| Long/Short-term borrowings | | | | | | |
| Equity | - | -128 | -3 | - | - | - |
| Line item in income statement | | | | | | |
| Finance net | - | - | - | - | - | -3 |
| Other comprehensive income | -1,813 | - | - | -1,813 | - | - |

Hedged items 2019

| SEK in millions Cash flow hedges, foreign exchange risk | Liabilities | | | | | |
|---|--|---|---|---|--|--|
| | Change in value on the hedged item during the year | Cash flow hedge reserve for continuing hedges | Cash flow hedge reserve for closed hedges | Change in value on hedged item during the year via other comprehensive income | Ineffectiveness recognized in profit or loss | Amount reclassified from hedge reserve to profit or loss |
| Line item in balance sheet | | | | | | |
| Long/Short-term borrowings | | | | | | |
| Equity | - | -212 | 6 | - | - | - |
| Line item in income statement | | | | | | |
| Finance net | - | - | - | - | - | 6 |
| Other comprehensive income | -382 | - | - | -382 | - | - |

Hedged items 2020

| SEK in millions Net investment hedges, foreign exchange risk | Assets | | | | | |
|--|--|--------------------------------------|--|---|--|--|
| | Change in value on the hedged item during the year | Foreign currency translation reserve | Foreign currency translation reserve closed hedges | Change in value on hedged item during the year via other comprehensive income | Ineffectiveness recognized in profit or loss | Amount reclassified from translation reserve to profit or loss |
| Line item in balance sheet | | | | | | |
| Equity | - | 4,081 | - | - | - | - |
| Line item in income statement | | | | | | |
| Finance net | - | - | - | - | - | - |
| Other comprehensive income | -635 | - | - | -635 | - | - |

Hedged items 2019

| SEK in millions Net investment hedges, foreign exchange risk | Assets | | | | | |
|--|--|--------------------------------------|--|---|--|--|
| | Change in value on the hedged item during the year | Foreign currency translation reserve | Foreign currency translation reserve closed hedges | Change in value on hedged item during the year via other comprehensive income | Ineffectiveness recognized in profit or loss | Amount reclassified from translation reserve to profit or loss |
| Line item in balance sheet | | | | | | |
| Equity | - | 4,579 | - | - | - | - |
| Line item in income statement | | | | | | |
| Finance net | - | - | - | - | - | - |
| Other comprehensive income | 1,623 | - | - | 1,623 | - | - |

C28 LEASES

Telia Company as lessee

The group leases various types of assets, such as technical space (e.g. technical sites, roof-tops, co-locations, space on towers and data centers), technical equipment (e.g. copper, dark fiber, IRU, ducts, towers, base stations and servers), non-technical space (e.g. office space, stores and parking space) and land. Other leases mainly relate to cars, office equipment and IT equipment. Lease agreements are negotiated on individual basis and contain a wide range of different lease terms and conditions. The lease contracts often include renewal options for various periods of time. The lease liabilities (and the right-of-use assets) include the non-cancellable period of the lease together with both extension periods (if Telia Company is reasonable certain

to exercise the extension option) and termination periods (if Telia Company is reasonable certain not to exercise the termination option). Determination of the lease term therefore requires management judgment, see Note C2. Apart from short-term leases, estimated lease terms including estimated extension and termination periods range between 2 and 41 years. The average useful life of the right-of-use assets 2020 range between 3 and 13 years. Approximately 45 percent of the total lease liabilities (and right of use assets) relate to extension periods were Telia Company has made an assessment that it is reasonable certain that the extension options will be exercised. This portion of the lease liabilities (and right of use assets) mainly relates to technical space and technical equipment.

Amounts recognized in the consolidated statement of financial position

The carrying value of Right-of-use assets were distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|----------------------------|---------------|---------------|
| Right-of-use assets | | |
| Technical space | 7,235 | 7,419 |
| Technical equipment | 2,820 | 3,704 |
| Non-technical space | 3,613 | 3,416 |
| Land | 940 | 852 |
| Other | 206 | 248 |
| Total | 14,814 | 15,640 |

In 2020, SEK 1,097 million of Right-of-use assets related to Carrier has been reclassified to assets held for sale, see Note C35. Additions to the right-of-use assets during 2020 amounted to SEK 4,573 million (1,719), whereof SEK 2,385 million related to new contracts, mainly for technical and

non-technical space as well as technical equipment. SEK 2,188 million related to lease modifications mainly due to reassessed lease terms for existing contracts for technical space and technical equipment.

The carrying value of lease liabilities were distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--------------------------------------|---------------|---------------|
| Lease liabilities¹ | | |
| Non-current | 12,183 | 12,046 |
| Current | 2,671 | 2,968 |
| Total | 14,854 | 15,015 |

1) Included in the line items long- and short-term borrowings in the consolidated statements of financial position.

In 2020, SEK 692 million of total lease liabilities related to Carrier have been reclassified to liabilities directly associated with assets held for sale, see Note C35. For expected maturities of the lease liabilities, see Note C27.

Amounts recognized in the consolidated statements of comprehensive income

The consolidated statement of comprehensive income includes the following amounts relating to leases.

| SEK in millions, except for average useful life | Average useful life (years) 2020 | Dec 31, 2020 | Dec 31, 2019 |
|---|--|--------------|--------------|
| Depreciation of right-of-use assets | | | |
| Technical space | 7 | 1,294 | 1,298 |
| Technical equipment | 5 | 815 | 708 |
| Non-technical space | 6 | 883 | 737 |
| Land | 13 | 80 | 69 |
| Other | 3 | 132 | 125 |
| Total depreciation | | 3,205 | 2,938 |
| Interest expense (included in finance cost) | | 441 | 436 |
| Expenses relating to short-term leases, low-value assets and variable lease payments ¹ | | 68 | 62 |
| Total expenses | | 3,714 | 3,435 |

1) Expenses related to short-term leases, leases of low-value assets and variable lease payments are included in the line items Cost of sales, Selling and marketing expenses and Administrative expenses.

There was no material income related to subleases or sale or lease back transactions during 2020 or 2019.

Amounts recognized in the consolidated statements of cash flow

The total cash outflow for leases in 2020 amounted to SEK 3,490 million (3,144). Repayments of lease liabilities have been recognized as cash flow from financing activities and paid interest has been recognized as cash flow from operating activities.

Telia Company as lessor**Finance leases**

The lease portfolio of Telia Company's customer financing operations in Sweden, Finland, and Norway, comprise

financing related to Telia Company's product offerings such as devices and customer premises equipment.

The term of the contract stock is approximately 12 quarters. The term of new contracts signed in 2020 was 12 quarters. Of all contracts, 72 percent carry a fixed interest rate and 28 percent a floating interest rate. Many contracts include renewal options. In Finland, Telia Company provides, under a finance lease agreement, electricity meters with SIM cards for automated reading to a power company as part of Telia Company's service package. The term of the agreement was 15 years and it carries a fixed interest rate and the agreement will end at year 2023.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|--------------|--------------|
| Selling profit | 30 | 39 |
| Finance income on the net investment in the lease | 91 | 95 |
| Total | 121 | 134 |

Finance lease maturity analysis

Lease payments receivable have the following maturities.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|--------------|--------------|
| Less than 1 year | 463 | 494 |
| 1-2 years | 215 | 308 |
| 2-3 years | 88 | 120 |
| 3-4 years | 55 | 57 |
| 4-5 years | 44 | 38 |
| 5 years+ | 8 | 7 |
| Total undiscounted lease payments receivable | 874 | 1,024 |
| Unearned finance income | -68 | -93 |
| Net investment in the lease | 806 | 931 |

As of December 31, 2020, expected credit losses for lease payments receivables totaled SEK 0 million (0). Credit losses on leasing receivables are reduced by gains from the sale of equipment returned.

Operating leases

Telia Company as lessor, is leasing out various types of assets to customers such as technical equipment and space (i.e. copper, dark fibre, IRU, ducts and space on towers). The lease portfolio also refers to the international carrier business and includes agreements with other international operators and other contracts. The international carrier business is classified as assets held for sale. The contract periods with operators range between 10 and 25 years with the average term being 20 years. For other contracts, the contract periods range between 3 and 10 years with the

average term of approximately 5 years. Apart from this, Telia Company has operating lease agreements related product offerings to end-customers in Sweden and Finland. Contract periods range between 2 and 5 years, with an average term of approximately 3 years. In addition, Telia Company has operating lease contracts of handsets in Norway, which include a right for the customer to swap to a new handset by returning the current handset and entering into a new lease contract. Contract periods range between 1 and 2 years. For information on assets subject to operating leases, see Note C13.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|-----------------|--------------|--------------|
| Lease income | 2,780 | 2,341 |

There were no material variable lease payments related to operating leases during 2020 or 2019.

Maturity analysis for operating lease payments

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|--------------|--------------|
| Less than 1 year | 2,276 | 2,207 |
| 1-2 years | 1,602 | 1,302 |
| 2-3 years | 991 | 1,022 |
| 3-4 years | 701 | 728 |
| 4-5 years | 521 | 551 |
| 5 years+ | 480 | 774 |
| Total undiscounted lease payments receivables | 6,570 | 6,585 |

For 2020, SEK 817 million of total undiscounted lease payments receivables related to Telia Carrier which is classified as assets held for sale.

C29 RELATED PARTY TRANSACTIONS

The Swedish State

At year-end, the Swedish State held 39.5 percent of total shares in Telia Company. The remaining 60.5 percent of the total shares are widely held.

The Telia Company group's services and products are offered to the Swedish state, their agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain state-owned companies run businesses that compete with Telia Company. Likewise, Telia Company buys services from state-owned companies at market prices and on otherwise conventional commercial terms. Neither the Swedish State and their agencies, nor state-owned companies represent a significant share of Telia Company's net sales or earnings.

The Swedish telecommunications market is governed mainly by the Electronic Communications Act and ordinanc-

es, regulations and decisions in accordance with the Act. Notified operators are required to pay a fee to finance measures to prevent serious threats and disruptions to electronic communications during peacetime. The required fee from Telia Company was SEK 36 million in 2020 and SEK 38 million in 2019. In addition, Telia Company, like other operators, pays annual fees to the Swedish National Post and Telecom Agency (PTS) to fund the Agency's activities under the Electronic Communications Act and the Radio and Telecommunications Terminal Equipment Act. Telia Company paid fees of SEK 39 million in 2020 and SEK 41 million in 2019.

Associated companies and joint ventures

Telia Company sells and buys services and products to and from associated companies. These transactions are based on commercial terms.

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Summarized information on transactions and balances with associated companies was as follows.

| SEK in millions | January–December or December 31 | |
|--|------------------------------------|----------|
| | 2020 | 2019 |
| Sales of goods and services | | |
| Operators Clearing House | 3 | 3 |
| Turkcell | 0 | 1 |
| Tet (former Latttelecom) | 1 | 3 |
| Other | 2 | 0 |
| Total sales of goods and services | 6 | 7 |
| Purchases of goods and services | | |
| Mediamätning i Skandinavien | 23 | 2 |
| Turkcell | 0 | 3 |
| Tet (former Latttelecom) | 4 | 3 |
| Other | 0 | 2 |
| Total purchases of goods and services | 27 | 9 |
| Total trade and other receivables | 2 | 1 |
| Total trade and other payables | 5 | 7 |

Pension and personnel funds

As of December 31, 2020, Telia Company's Finnish pension fund held 366,802 shares and its Finnish personnel fund 834,704 shares in the company, respectively, in total representing 0.03 percent of total shares. For information on transactions and balances, see Note C22.

Key management

See section "Remuneration to corporate officers" in Note C32 for further details.

C30 CONTINGENCIES, OTHER CONTRACTUAL OBLIGATIONS AND LITIGATION

Contingent assets and contingent liabilities

As of the end of the reporting period, Telia Company had no contingent assets, while financial guarantees reported as contingent liabilities were distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 ¹ |
|---|--------------|---------------------------|
| Credit and performance guarantees, etc. | 16 | 16 |
| Subtotal (see Liquidity risk – Note C27) | 16 | 16 |
| Guarantees for pension obligations | 295 | 294 |
| Total contingent liabilities | 311 | 309 |

1) 2019 continuing operations.

As of December 31, 2020, credit and performance guarantees represented the following expected maturities.

| Expected maturity SEK in millions | Jan–Mar 2021 | Apr–Jun 2021 | Jul–Sep 2021 | Oct–Dec 2021 | 2022 | 2023 | 2024 | 2025 | Later years | Total |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|------|------|------|------|----------------|-------|
| Credit and performance guarantees | - | - | - | - | 16 | - | - | - | - | 16 |

Some loan covenants agreed limit the scope for divesting or pledging certain assets. Some of Telia Company's more recent bond issuances include change-of-control provisions which under certain conditions allow the lenders to call back the bond before scheduled maturity. Conditions stipulated include a new owner taking control of Telia Company, as such also resulting in a lowering of Telia Company's official credit rating to a "non-investment grade" level.

For all financial guarantees issued, stated amounts equal the maximum potential future payments that Telia Company could be required to make under the respective guarantee.

Collateral pledged

As of the end of the reporting period, collateral pledged for blocked funds in bank accounts was SEK 43 million (45).

Other unrecognized contractual obligations

As of December 31, 2020, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets (excluding film and program rights) represented the following expected maturities.

| Expected investment period SEK in millions | Jan-Mar 2021 | Apr-Jun 2021 | Jul-Sep 2021 | Oct-Dec 2021 | 2022 | 2023 | 2024 | 2025 | Later years | Total |
|---|-----------------|-----------------|-----------------|-----------------|------------|------------|------------|-----------|----------------|--------------|
| Intangible assets | 60 | 15 | 2 | 26 | - | - | - | - | - | 104 |
| Property, plant and equipment | 1,631 | 1,323 | 527 | 633 | 870 | 566 | 110 | 78 | - | 5,738 |
| Leases | 2 | 1 | 1 | 1 | 5 | 16 | 21 | 20 | 129 | 196 |
| Total (see Liquidity risk – Note C27) | 1,693 | 1,339 | 530 | 660 | 875 | 582 | 131 | 98 | 129 | 6,037 |

As of December 31, 2020, contractual obligations totaled SEK 21,765 million (10,990 at the end of 2019, continuing operations), of which SEK 15,728 million (7,760 at the end of 2019), related to film and program rights. The increase in contractual obligations is mainly related to film and program rights as well as network modernization in Norway. See Note C14 for further information.

Legal and administrative proceedings

In its normal course of business, Telia Company is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial contract and commercial law issues and matters relating to telecommunications regulations and copyright laws.

Except for the proceedings described here, Telia Company or its subsidiaries are not involved in any legal, arbitration or regulatory proceedings which management believes could have a material adverse effect on Telia Company's business, financial condition or results of operations.

In 2005, Telia Company and Çukurova signed an agreement regarding Telia Company's purchase of shares in Turkcell Holding A.S. from Çukurova. As Çukurova subsequently did not honor the agreement, Telia Company brought legal action on September 1, 2011, an International Chamber of Commerce (ICC) Arbitral Tribunal awarded Telia Company USD 932 million in damages, plus interest and costs, for Çukurova's failure to deliver the Turkcell Hold-

ing shares as required under the share purchase agreement. Çukurova refused to honor the ICC award, and Telia Company has been involved in several legal actions related to this, including legal action to pursue enforcement of the award. On June 17, 2020, Telia Company signed an agreement to sell its 47.1 percent holding in Turkcell Holding A.S., which owns 51.0 percent in the listed company Turkcell İletişim Hizmetleri A.S., to the state-owned Turkey Wealth Fund for a purchase price of USD 530 million. The transaction included a full and global settlement of all shareholder disputes and litigations connected to Turkcell and Turkcell Holding.

In September 2019, London arbitration proceedings were initiated against Telia Company and Turkcell under the Share Purchase Agreement related to the divestment of the subsidiary Kcell in Kazakhstan in 2018. The total claim against Telia Company and Turkcell amounts to USD 66 million (equivalent to SEK 594 million) plus interest, of which Telia Company's share amounts to USD 45 million (equivalent to SEK 405 million). The arbitration proceedings are still in an early stage and includes significant uncertainties. During December 2020, the parties have engaged in mediation discussions, but no settlement has yet been reached. As per December 31, 2020, a provision has been recognized. The expense is recognized within discontinued operations, see Note C35.

C31 CASH FLOW INFORMATION

Non-cash transactions, continuing and discontinued operations

Asset retirement obligations (AROs)

In 2020 and 2019, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 311 million and SEK 954 million, respectively, see Note C23.

Building-infrastructure exchange transactions

Telia Company provides and installs infrastructure in buildings and as compensation is granted an exclusive right to deliver services for 5–10 years through this infrastructure. These activities entailed non-cash exchanges of SEK 36 million in 2020 and SEK 112 million in 2019.

Dividends, interest and income taxes, continuing and discontinued operations

| SEK millions | Jan-Dec 2020 | Jan-Dec 2019 |
|--------------------|--------------|--------------|
| Dividends received | 219 | 366 |
| Interest received | 375 | 344 |
| Interest paid | -3,009 | -2,841 |
| Income taxes paid | -1,374 | -911 |

Dividends to holders of non-controlling interests, continuing and discontinued operations

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|--|--------------|--------------|
| Subsidiaries | | |
| Latvijas Mobilais Telefons SIA | -156 | -119 |
| Telia Lietuva, AB | -66 | -59 |
| Other subsidiaries | -18 | 0 |
| Total dividends to holders of non-controlling interests | -240 | -178 |

Liabilities and cash flows arising from financing activities

| SEK in millions | Dec 31, 2019 | Cash flows | Non-cash changes | | | | | Other changes ¹ | Reclassified to Asset-held-for-sale ³ | Dec 31, 2020 |
|---|----------------|----------------|---------------------------|---------------------------------|--------------------------|--------------------|---------------|----------------------------|--|--------------|
| | | | Acquisitions/ Divestments | New and changed lease contracts | Foreign exchange changes | Fair value changes | | | | |
| Long-term borrowings | 99,899 | 7,866 | -27 | 3,925 | -3,257 | 723 | -8,474 | -416 | 100,239 | |
| Long-term lease liabilities | 12,046 | - | -27 | 3,925 | -414 | - | -2,930 | -416 | 12,183 | |
| Long-term borrowings less lease liabilities | 87,853 | 7,866 | - | - | -2,843 | 723 | -5,544 | - | 88,055 | |
| <i>of which derivatives hedging long-term borrowings</i> | <i>2,770</i> | <i>24</i> | <i>-</i> | <i>-</i> | <i>901</i> | <i>99</i> | <i>-144</i> | <i>-</i> | <i>3,650</i> | |
| Short-term borrowings | 19,779 | -19,865 | 135 | - | -1,199 | 78 | 9,692 | -275 | 8,345 | |
| Short-term lease liabilities | 2,968 | -2,955 | 135 | - | -104 | - | 2,902 | -275 | 2,671 | |
| Short-term borrowings less lease liabilities | 16,811 | -16,910 | - | - | -1,096 | 78 | 6,790 | - | 5,674 | |
| <i>of which derivatives hedging short-term borrowings</i> | <i>22</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>185</i> | <i>18</i> | <i>-73</i> | <i>-</i> | <i>151</i> | |
| Borrowings discontinued operations | 124 | -2 | -130 | - | -2 | - | 10 | - | - | |
| Long-term lease liabilities | 81 | - | -85 | - | -1 | - | 5 | - | - | |
| Short-term lease liabilities | 43 | -2 | -45 | - | -1 | - | 5 | - | - | |
| Short-term borrowings | - | - | - | - | - | - | - | - | - | |
| Total liabilities from financing activities | 119,803 | -12,001 | -23 | 3,925 | -4,458 | 802 | 1,227 | -692 | 108,584 | |
| Assets hedging borrowings² | -3,717 | 165 | - | - | -389 | -509 | 245 | - | -4,205 | |
| <i>of which derivatives hedging long-term borrowings</i> | <i>-3,269</i> | <i>-31</i> | <i>-</i> | <i>-</i> | <i>585</i> | <i>-432</i> | <i>88</i> | <i>-</i> | <i>-3,059</i> | |
| <i>of which derivatives hedging short-term borrowings</i> | <i>-382</i> | <i>175</i> | <i>-</i> | <i>-</i> | <i>-56</i> | <i>-28</i> | <i>222</i> | <i>-</i> | <i>-70</i> | |
| Total liabilities from financing activities net of assets hedging borrowings² | 116,086 | -11,836 | -23 | 3,925 | -4,847 | 293 | 1,473 | -692 | 104,379 | |

1) Other changes mainly refer to reclassification between long- and short-term borrowings due to maturity.

2) Assets held to hedge borrowings has been added to table to clarify that they are included in cash flow from financing activities.

3) Reclassification of lease liabilities Telia Carrier to liabilities associated with Assets-held-for-sale.

| SEK in millions | Dec 31, 2018 | Transition effect IFRS 16 ³ | Adjusted, Jan 1, 2019 | Cash flows | Non-cash changes | | | | | Dec 31, 2019 |
|---|---------------|--|-----------------------|---------------|---------------------------|---------------------|--------------------------|--------------------|----------------------------|----------------|
| | | | | | Acquisitions/ Divestments | New lease contracts | Foreign exchange changes | Fair value changes | Other changes ¹ | |
| Long-term borrowings | 86,990 | 11,810 | 98,800 | 6,004 | 331 | 1,719 | 1,945 | 942 | -9,842 | 99,899 |
| Long-term lease liabilities | 1,363 | 11,810 | 13,173 | - | 330 | 1,719 | 171 | - | -3,347 | 12,046 |
| Long-term borrowings less lease liabilities | 85,627 | - | 85,627 | 6,004 | 1 | - | 1,774 | 942 | -6,495 | 87,853 |
| <i>of which derivatives hedging long-term borrowings</i> | <i>1,954</i> | <i>-</i> | <i>1,954</i> | <i>-30</i> | <i>-</i> | <i>-</i> | <i>268</i> | <i>604</i> | <i>-26</i> | <i>2,770</i> |
| Short-term borrowings | 9,552 | 2,529 | 12,081 | -2,513 | 105 | - | -27 | 23 | 10,110 | 19,779 |
| Short-term lease liabilities | 46 | 2,529 | 2,575 | -2,651 | 105 | - | - | - | 2,939 | 2,968 |
| Short-term borrowings less lease liabilities | 9,506 | - | 9,506 | 138 | - | - | -27 | 23 | 7,171 | 16,811 |
| <i>of which derivatives hedging short-term borrowings</i> | <i>45</i> | <i>-</i> | <i>45</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-7</i> | <i>-17</i> | <i>22</i> |
| Borrowings discontinued operations | - | 133 | 133 | -14 | - | 16 | 5 | - | -15 | 124 |
| <i>Long-term lease liabilities</i> | <i>-</i> | <i>104</i> | <i>104</i> | <i>-</i> | <i>-</i> | <i>16</i> | <i>4</i> | <i>-</i> | <i>-42</i> | <i>81</i> |
| <i>Short-term lease liabilities</i> | <i>-</i> | <i>29</i> | <i>29</i> | <i>-21</i> | <i>-</i> | <i>-</i> | <i>1</i> | <i>-</i> | <i>34</i> | <i>43</i> |
| <i>Short-term borrowings</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>7</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-7</i> | <i>-</i> |
| Total liabilities from financing activities | 96,541 | 14,472 | 111,013 | 3,477 | 436 | 1,735 | 1,923 | 965 | 254 | 119,803 |
| Assets hedging borrowings² | -2,923 | - | -2,923 | 537 | - | - | -774 | -553 | -4 | -3,717 |
| <i>of which derivatives hedging long-term borrowings</i> | <i>-2,321</i> | <i>-</i> | <i>-2,321</i> | <i>-41</i> | <i>-</i> | <i>-</i> | <i>-522</i> | <i>-553</i> | <i>169</i> | <i>-3,269</i> |
| <i>of which derivatives hedging short-term borrowings</i> | <i>-81</i> | <i>-</i> | <i>-81</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-135</i> | <i>9</i> | <i>-175</i> | <i>-382</i> |
| Total liabilities from financing activities net of assets hedging borrowings² | 93,618 | 14,472 | 108,090 | 4,014 | 436 | 1,735 | 1,149 | 412 | 250 | 116,086 |

1) Other changes mainly refer to reclassification between long- and short-term borrowings due to maturity.

2) Assets held to hedge borrowings has been added to table to clarify that they are included in cash flow from financing activities.

3) Transition effect of IFRS 16.

Business combinations, other acquisitions and disposals

The Telia Company group is continually restructured by acquiring and divesting equity instruments or operations.

In 2020, the total net cash outflow from business combinations and other equity instruments acquired was SEK 717 million mainly related to a additional (deferred) consideration connected to the acquisition of Bonnier Broadcasting.

In 2019, the total net cash outflow from business combinations and other equity instruments acquired was SEK 9,274

million mainly related to the acquisitions of Bonnier Broadcasting and Fello. For information on business combinations, see Note C34.

The total cash inflow from divested operations and other equity instruments in 2020 amounted to SEK 5,285 million mainly related to the disposals of Turkcell and Moldcell.

The total cash inflow from divested operations and other equity instruments in 2019 amounted to SEK 6 million.

For more information on divested operations, see Note C15 and C35.

C32 HUMAN RESOURCES

Employees, salaries, and social security expenses

During 2020, the number of employees in continuing operations decreased by 104 to 20,741 at year-end from

20,845 at year-end 2019. The number of employees in discontinued operations decreased by 387 to 0 from 387 at year-end 2019.

The average number of full-time employees by country was as follows.

| Country | Jan-Dec 2020 | | Jan-Dec 2019 | |
|---------------------------------------|----------------|-----------------|----------------|-----------------|
| | Total (number) | of whom men (%) | Total (number) | of whom men (%) |
| Sweden ¹ | 7,654 | 63.4 | 7,337 | 64.1 |
| Finland | 4,144 | 68.1 | 3,890 | 68.1 |
| Norway | 1,960 | 73.2 | 1,928 | 72.8 |
| Denmark | 929 | 68.2 | 930 | 67.1 |
| Lithuania | 2,778 | 53.8 | 2,903 | 53.5 |
| Latvia | 1,018 | 48.3 | 998 | 48.6 |
| Estonia | 1,630 | 55.0 | 1,675 | 54.0 |
| Russian Federation | 34 | 50.0 | 35 | 51.4 |
| United Kingdom | 58 | 60.1 | 53 | 62.3 |
| Other countries ¹ | 268 | 72.8 | 235 | 69.0 |
| Total, continuing operations | 20,473 | 62.9 | 19,984 | 62.7 |
| Moldova | 30 | 33.3 | 224 | 39.3 |
| Other countries | 2 | 100.0 | 7 | 57.1 |
| Total, discontinued operations | 32 | 37.5 | 231 | 39.8 |
| Total | 20,505 | 62.8 | 20,215 | 62.5 |

1) 2019 have been restated by moving 46 employees from Sweden to Other countries.

Operations were conducted in 24 countries for both 2020 and 2019, of which continuing operations were conducted in 23 and 22 countries, respectively, for 2020 and 2019.

The share of female and male senior executives was as follows. Boards of directors refer to board members in

all consolidated group companies. Other senior executives include presidents and other members of executive management teams at the group level, region level and company level.

| Percent | Dec 31, 2020 | | Dec 31, 2019 | |
|---------------------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | Boards of directors | Other senior executives | Boards of directors | Other senior executives |
| Women | 33.8 | 34.4 | 30.1 | 36.6 |
| Men | 66.2 | 65.6 | 69.9 | 63.4 |
| Total, continuing operations | 100.0 | 100.0 | 100.0 | 100.0 |
| Women | – | – | – | 77.8 |
| Men | – | – | 100.0 | 22.2 |
| Total, discontinued operations | – | – | 100.0 | 100.0 |

Total salaries and other remuneration, along with social security expenses and other personnel expenses, were as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|---|---------------|---------------|
| Salaries and other remuneration | 12,077 | 11,503 |
| Social security expenses | | |
| Employer's social security contributions | 2,291 | 2,168 |
| Pension expenses | 1,648 | 1,433 |
| Total social security expenses | 3,939 | 3,601 |
| Capitalized work by employees | -1,221 | -1,105 |
| Other personnel expenses | 287 | 338 |
| Total personnel expenses, continuing operations ¹ | 15,081 | 14,337 |
| Total personnel expenses, discontinued operations | 24 | 95 |

1) Of which SEK 401 million (584) recognized within Other operating expenses. 2019 restated.

Salaries and other remuneration were divided between senior executives and other employees as follows. Variable pay was expensed in the respective year, but disbursed in the following year.

| SEK in millions | Jan-Dec 2020 | | Jan-Dec 2019 | |
|---|---|--------------------|---|--------------------|
| | Senior executives (of which variable pay) | Other employees | Senior executives (of which variable pay) | Other employees |
| Salaries and other remuneration, continuing operations ¹ | 231 (91) | 11,846 | 139 (88) | 11,363 |
| Salaries and other remuneration, discontinued operations | -(–) | 22 | 11(1) | 79 |

1) Of which Corporate Officers SEK 54 million (–) and Other employees SEK 267 million (468) recognized in Other operating expenses. 2019 restated.

Pension expenses for all senior executives totaled SEK 34 million in 2020 and SEK 39 million in 2019.

In 2020 and 2019, employee profit-sharing costs in Telia Company's Finnish subsidiaries amounted to SEK 7 million and SEK 23 million, respectively. In addition to this employee profit-sharing system, all Telia Company regions apply performance-based variable compensation for different groups of employees. In Sweden, for example, all permanent employees are included in variable compensation schemes, one type for the sales force and one for all other staff.

Long-term incentive program (LTI)

The 2010 to 2020 Annual General Meetings in Telia Company resolved to implement performance share programs (PSP), to be offered to a selected group of senior executives and key position holders within the group. Members of the Group Executive Management team are excluded. If the pre-defined financial performance conditions are met during the defined performance period, participants in the programs shall receive a number of Telia Company shares (performance shares) at a share price of SEK 0. The financial targets include a minimum level which must be achieved in order for any allotment of performance shares to occur at all, as well as a maximum level over which no additional allotment of performance shares will occur. Each program shall in total comprise no more than 2,491,202 (PSP 2017), 2,413,597 (PSP 2018), 2,194,830 (PSP 2019) and 2,355,802 (PSP 2020). Telia Company shares, corresponding to approximately 0.06 percent of the total number of outstanding shares for PSP 2017, 0.06 percent

for PSP 2018, 0.05 percent for PSP 2019 and 0.06 percent for PSP 2020 respectively.

Recalculation of final allotments of performance shares shall take place in the event of an intervening bonus issue, a split, a rights issue and/or other similar events.

Performance share program 2015 to 2020

Financial targets are earnings before interest, tax, depreciation and amortization (EBITDA) and total shareholder return (TSR). The maximum number of performance shares a participant can receive corresponds to 30 percent of the participant's annual base salary. The final allotments of performance shares will be based 50 percent on accumulated EBITDA and 50 percent on TSR during the full performance period of three years. TSR is measured in relation to TSR of a group of comparable telecom companies defined by the Board of Directors.

Participants are not required to invest in Telia Company shares. The final number of performance shares awarded shall be capped at such number where the aggregated market value corresponds to 60 percent of each participant's base salary.

PSP 2017 vested during the spring 2020 and final rewards were distributed to 135 participants remaining in the program. Three participants received cash payments equivalent to the value of 9,184 shares. During May 2020 Telia Company transferred 380,741 shares to 132 participants via a share swap agreement with an external party, at an average price of SEK 32.30 per share. The total cost for the transferred shares was SEK 12 million and transaction costs, net of tax, amounted to SEK 0 million.

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The summarized performance share program activity in 2020 was as follows.

| Performance share program | 2020/2023 | 2019/2022 | 2018/2021 | 2017/2020 |
|--|------------|------------|----------------|-----------|
| Participants | | | | |
| Number of participants, December 31, 2019 ¹ | – | 196 | 174 | 146 |
| New participants in 2020 | 210 | – | – | – |
| Terminated employments in 2020 | -5 | -21 | -21 | -11 |
| Final allotments in 2020 | – | – | – | -135 |
| Number of participants, December 31, 2020 | 205 | 175 | 153 | – |
| Allotted shares | | | | |
| Preliminary allotments, December 31, 2019 | – | 0 | 745,350 | 424,656 |
| Preliminary allotments in 2020 | 2,418,336 | – | – | – |
| Forfeited shares | -2,361,657 | – | – | – |
| Cancelled shares | -56,679 | 0 | -94,791 | -34,729 |
| Final allotments | – | – | – | -389,925 |
| Number of allotted shares, December 31, 2020 | 0 | 0 | 650,559 | – |

1) One participant, in total for all performance share programs, was part of discontinued operations

The estimated fair value at the date of allotment and the assumptions used when estimating the achievements of the performance conditions were as follows.

| Performance share program | 2020/2023 | 2019/2022 | 2018/2021 | 2017/2020 |
|---|-----------|-----------|-----------|-----------|
| Fair value at the date of allotment (SEK in millions) | -11 | 10 | 45 | 35 |
| Assumptions used (percentages) | | | | |
| Achievement of EBITDA-based performance condition | 0 | 0 | 0 | 0 |
| Achievement of TSR-based performance condition was based on | | | | |
| Estimated volatility, Telia Company | 20 | 18 | 20 | 21 |
| Estimated volatility, peer group companies | 16-39 | 14-28 | 16-26 | 17-28 |
| Average reciprocal correlation between Telia Company and the peer group companies | 50 | 41 | 54 | 49 |
| Risk-free interest rate | -0.3 | -0.6 | -0.5 | -0.5 |

The achievement of the TSR-based performance condition was estimated using a Monte Carlo simulation model. The estimated fair value of each performance share program and related social security expenses are amortized to expense over the performance period. Total personnel expenses were as follows.

| SEK in millions | Jan–Dec 2020 | Jan–Dec 2019 |
|---|--------------|--------------|
| Salaries and other remuneration | 16 | 32 |
| Social security expenses | 4 | 8 |
| Total personnel expenses, performance share programs | 21 | 40 |

Remuneration to corporate officers

Board of Directors

As resolved by the 2020 Annual General Meeting of shareholders (AGM) in Telia Company, annual remuneration is paid to the members of the Board of Directors in the amount of SEK 1,825,000 (1,825,000) to the Chair, SEK 860,000 (860,000) to the Vice-Chair and SEK 610,000 (610,000) to each of the other directors, elected by the

AGM. In addition, annual remuneration is paid to the members of the Board's Audit and Responsible Business Committee in the amount of SEK 275,000 (275,000) to the Chair and SEK 150,000 (150,000) to each of the other members. Additional annual remuneration is also paid to the members of the Board's Remuneration Committee in the amount of SEK 70,000 (70,000) to the Chair and SEK 50,000 (50,000) to each of the other members.

Remuneration to Board members

| SEK in thousands | Board ¹ | Audit and Responsible Business Committee | Remuneration Committee | Total remuneration |
|---|--------------------|--|------------------------|--------------------|
| Board of Directors, 2020 | | | | |
| Lars-Johan Jarnheimer | 1,825 | 38 | 70 | 1,933 |
| Ingrid Bonde, Vice-Chair from April 2 | 643 | 112 | | 755 |
| Olli-Pekka Kallasvujo, Vice-Chair until April 2 | 220 | | 13 | 233 |
| Rickard Gustafson | 610 | | 50 | 660 |
| Jeanette Jäger from April 2 | 456 | | | 456 |
| Nina Linander | 610 | 275 | | 885 |
| Jimmy Maymann | 610 | 150 | | 760 |
| Anna Setzman | 610 | | | 610 |
| Olaf Swantee | 610 | | | 610 |
| Martin Tivéus | 610 | | | 610 |
| Total | 6,803 | 575 | 133 | 7,511 |

| SEK in thousands | Board ¹ | Audit and Responsible Business Committee | Remuneration Committee | Total remuneration |
|--|--------------------|--|------------------------|--------------------|
| Board of Directors, 2019 | | | | |
| Lars-Johan Jarnheimer, Chair included from November 26 | 177 | 15 | 7 | 199 |
| Marie Ehrling, Chair included until November 26 | 1,628 | 136 | 63 | 1,827 |
| Olli-Pekka Kallasvujo, Vice-Chair | 848 | – | 50 | 898 |
| Susanna Campbell included until January 18 | 28 | – | 2 | 30 |
| Rickard Gustafson included from April 10 | 442 | – | 36 | 478 |
| Nina Linander | 601 | 268 | – | 869 |
| Jimmy Maymann | 601 | 109 | – | 710 |
| Anna Setzman | 601 | 41 | – | 642 |
| Olaf Swantee | 601 | 41 | – | 642 |
| Martin Tivéus | 601 | – | – | 601 |
| Total | 6,129 | 609 | 159 | 6,897 |

1) Board remuneration, remuneration for Audit and Responsible Business Committee and remuneration for Remuneration Committee are presented in separate columns above. The remuneration is paid monthly. Lars-Johan Jarnheimer, Nina Linander, Jimmy Maymann, Anna Setzman, Olaf Swantee and Martin Tivéus were re-elected at the AGM 2020. New board members are Ingrid Bonde and Jeanette Jäger. Numbers may not add up due to rounding.

Group Executive Management

The Chief Executive Officer (CEO) and the “Other members of the Group Executive Management” referring to the four EVPs and the seven SVPs directly reporting to the CEO, constituted the Telia Company Group Executive Management. On May 4, 2020 Allison Kirkby took office as Telia Company’s President and CEO.

Guidelines for remuneration to Group Executive Management

The Board of Directors proposes that the annual general meeting 2020 resolves on the following guidelines for remuneration to Group Executive Management. Group Executive Management is defined as the president and the other members of the management team who report directly to the CEO. The guidelines shall be in force until new guidelines are adopted by the general meeting and valid for a maximum of four years. A successful implementation of the guidelines will ensure that the Company can attract and retain the best people, enabling the Company to execute its business strategies and serve the Company’s long-term interests, including its sustainability goals¹. These guidelines

do not apply to any remuneration decided or approved by the general meeting. The proposed guidelines will be effective at the time of the annual general meeting decision.

Total reward approach

Remuneration to Group Executive Management should be built on a total reward approach and be market relevant, but not leading. The remuneration guidelines should enable international hiring and should support diversity within Group Executive Management. The market comparison should be made against a set of peer group companies with comparable sizes, industries and complexity. The total reward approach should consist of fixed salary, pension benefits, conditions for notice and severance pay as well as other benefits. The Company does not offer any variable remuneration to Group Executive Management.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

1) For more information regarding the Company’s business strategy, please see <https://www.teliacompany.com/en/about-the-company/strategy/>

Fixed salary

The fixed salary of a Group Executive Management member should be based on competence, responsibility and performance. The Company uses an international evaluation system in order to evaluate the scope and responsibility of the position. Market benchmark is conducted on a regular basis. The individual performance is monitored and used as a basis for annual reviews of fixed salaries. These are reviewed in relation to fulfilment of annual pre-defined goals (including financial, employee and sustainability-based).

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account. This is done by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis for decision when evaluating if these guidelines and their limitations are reasonable. The Remuneration Committee regularly consults with the CEO and Head of People & Brand to be mindful of employee pay, conditions and engagement across the broader employee population.

Pension

Pension and retirement benefits should be based on a defined contribution model, which means that a premium is paid amounting to a certain percentage of the individual's annual salary, unless legal requirements and/or collective agreements state differently. When deciding the size of the premium the level of total remuneration should be considered. The level of contribution should be benchmarked and may vary due to the composition of fixed salary and pension. The retirement age is normally 65 years of age but can vary based on regulatory requirements. The pension premiums for defined contribution pension shall amount to not more than 40 percent of the fixed annual cash salary.

Other benefits

The Company provides other benefits and programs in accordance with market practice which may change from time to time. A Group Executive Management member may be entitled to a company car, health and care provisions, etc. Premiums and other costs relating to such benefits may amount to not more than 10 percent of the fixed annual cash salary.

Internationally hired Group Executive Management members and those who are asked to move to another country can be offered mobility related benefits for a limited period of time. Such benefits may not in total exceed 25 percent of the fixed annual cash salary.

Notice of termination and severance pay

The termination period for a Group Executive Management member may be up to six (6) months (twelve (12) months for the President) when given by the employee and up to

twelve (12) months when given by the Company. In case the termination is given by the Company the individual may be entitled to a severance payment. Fixed cash salary during the notice period and severance pay may together not exceed an amount equivalent to the fixed cash salary for two years.

Severance pay shall not constitute a basis for calculation of vacation pay or pension benefits.

Remuneration during termination period and severance pay will also be reduced if the individual will be entitled to pay from a new employment or if the individual will be conducting own business during the termination period or the severance period.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment, amount to not more than 60 percent of the monthly income at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than 12 months following termination of employment.

The decision-making process to determine, review and implementation of the guidelines

The Board of Directors has established a Remuneration Committee. The committee's task includes preparing the Board of Director's decision to propose guidelines for executive remuneration. Proposal for new guidelines shall be prepared at least every fourth year and submitted the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company.

Remuneration is managed through well-defined processes ensuring that no individual is involved in the decision-making process related to their own remuneration.

The CEO's total remuneration package is decided by the Board of Directors based on the recommendation of its Remuneration Committee within the confine of the guidelines. Total remuneration packages to other members of Group Executive Management are approved by the Remuneration Committee, based on the CEO's recommendation.

Deviation from the guidelines

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if there in an individual case are special reasons where a deviation is necessary in order to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in the remuneration-related matters. This includes any resolution to deviate from the guidelines.

Remuneration and other benefits earned as member of Group Executive Management during the year and capital value of pension commitments

| SEK in thousands | Base salary | Other remuneration ¹ | Other benefits ² | Pension expense ³ | Total remuneration | Capital value of pension commitment ⁴ |
|---|----------------|---------------------------------|-----------------------------|------------------------------|--------------------|--|
| Group Executive Management, 2020 | | | | | | |
| Allison Kirkby, CEO from May 4 | 11,886 | 0 | 131 | 4,658 | 16,674 | – |
| Christian Luiga, CEO until May 4 | 4,931 | 51 | 37 | 1,112 | 6,131 | – |
| Other members of Group Executive Management (including 4 EVPs and 7 SVPs) | 47,281 | 896 | 1,229 | 13,602 | 63,008 | 25,112 |
| Total | 64,098 | 948 | 1,397 | 19,372 | 85,814 | 25,112 |
| Other former members of Group Executive Management | | | | | | |
| Johan Dannelind notice period (until January 31) | 1,567 | 1,392 | 2 | 616 | 3,577 | – |
| Other former members of Group Executive Management (7 individuals) ⁵ | 67,203 | 3,229 | 948 | 12,582 | 83,962 | – |
| Other former CEOs and EVPs (8 individuals) | | | | | | 164,736 |
| Total | 68,770 | 4,620 | 949 | 13,199 | 87,539 | 164,736 |
| Grand total | 132,868 | 5,568 | 2,346 | 32,571 | 173,353 | 189,847 |

| SEK in thousands | Base salary | Other remuneration ¹ | Other benefits ² | Pension expense ³ | Total remuneration | Capital value of pension commitment ⁴ |
|---|---------------|---------------------------------|-----------------------------|------------------------------|--------------------|--|
| Group Executive Management, 2019 | | | | | | |
| Christian Luiga, CEO from September 12 | 4,371 | – | 33 | 1,714 | 6,119 | – |
| Johan Dannelind, CEO until September 12 | 13,112 | 325 | 45 | 5,159 | 18,641 | – |
| Other members of Group Executive Management (including 3 EVPs, 7 SVPs and 1 other member) | 55,978 | 2,132 | 1,631 | 15,302 | 75,043 | 1,966 |
| Total | 73,461 | 2,457 | 1,710 | 22,175 | 99,803 | 1,966 |
| Other former members of Group Executive Management | | | | | | |
| Johan Dannelind, notice period (from September 12) | 5,694 | 63 | 16 | 2,240 | 8,013 | – |
| Other former members of Group Executive Management (2 individuals) ⁵ | 14,358 | 890 | 352 | 2,552 | 18,152 | – |
| Other former CEOs and EVPs (8 individuals) | – | – | – | – | – | 168,423 |
| Total | 20,052 | 953 | 368 | 4,792 | 26,165 | 168,423 |
| Grand total | 93,513 | 3,409 | 2,077 | 26,968 | 125,968 | 170,388 |

1) Other remuneration for other members of Group Executive Management mainly includes holiday allowance.

2) Other benefits refer to company car benefit, relocation benefits and a number of other taxable benefits. Other benefits for Allison Kirkby and Christian Luiga are mainly company car benefit and health insurance.

3) See further disclosures concerning the terms and conditions of pension benefits below.

4) Capital value of pension commitment includes defined benefit plans for eight former CEOs and EVPs (left Telia Company before 2020) and one current SVP.

5) Other former members of the Group Executive Management includes members who left Telia Company and provisions during the notice period for base salary, benefits and pension costs as well as for provisions for severance pay are included in the amount. The salary during notice period and severance pay will be reduced by any other income. The provision will then be reduced.

Comments on the table related to 2019 can be found in the Annual and Sustainability Report 2019. Numbers may not add up due to rounding.

Pension benefits

Telia Company offers permanent members of the Group Executive Management defined contribution pension schemes. A defined contribution scheme provides premium contributions to the pension scheme as a percentage of the pensionable salary or as a fixed amount. The level of pension benefits at retirement will be determined by the contributions paid and the return on investments and the costs associated to the plan.

For defined benefit plans, the main drivers of the change in capital value for the obligation are the change in discount rate, paid out pension premiums and the fact that one new member of group management has a defined benefit pension plan.

CEO

The CEO is eligible to a defined contribution pension scheme with contributions corresponding to 14.5 percent of base salary up to 7.5 income base amounts and to 40 percent for such salary above 7.5 income base amounts. These contributions for Allison Kirkby as CEO add up to a total pension contribution of SEK 4,657,796 (compared to a base salary of SEK 11,886,000 representing 39.2 percent). For Christian Luiga the contributions add up to a total for 2020 of SEK 1,112,221 (representing 22.6 percent compared to a base salary of SEK 4,930,937) for the period as acting CEO.

The contributions into the scheme are vested immediately. The income base amount is determined annually by the Swedish Government and was SEK 66,800 for 2020. The retirement age is variable. Contributions to the pension scheme will cease at retirement or earlier if leaving the company for any other reason.

Other members of Group Executive Management

The EVPs and the SVPs based in Sweden are eligible to defined contribution pension schemes providing contributions corresponding to 4.5 percent of their base salary up to 7.5 income base amounts and 30 percent of such salary above 7.5 income base amounts. Two members of Group Executive Management have an additional contribution of 5 percent and one member of Group Executive Management has an additional contribution of 10 percent of the base salary. Members of Group Executive Management in Sweden covered by the ITP plan are in addition to the pension contribution covered by all collective agreed benefits. One Group Executive Management member is covered by a defined benefit plan. Group Executive Management members based in other countries are also eligible for defined contributions pension schemes (with the exception of legally required defined benefit pension plans in Finland). One member based in another country received a cash allowance as part of the pension contribution. The contributions to the pension schemes are vested immediately. The retirement age for members of Group Executive Management is 65 or variable.

Other former members of Group Executive Management

Defined pension benefits earned by former CEOs and EVPs until 2008 are pledged and calculated as capital values (debt) until all their lifelong pensions are fully paid out by Telia Company. Their pensions are paid out from the age of 60. Since 2008, Telia Company does not offer any defined benefit pension schemes to CEOs and EVPs.

C33 REMUNERATION TO AUDIT FIRMS

Remuneration to audit firm for audit and other reviews based on applicable legislation and for advice and other assistance resulting from observations in the reviews was as follows. Remuneration also includes independent advice, using group auditors or other locally elected audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Deloitte AB was re-

elected at the Annual General Meeting as Telia Company's group auditor. The remuneration to Deloitte was as follows. For the review of interim financial statements, no separate remuneration has been debited.

Remuneration to other audit firms refers to subsidiaries not audited by the group auditors.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|---|--------------|--------------|
| Remuneration, continuing and discontinued operations | | |
| Deloitte | | |
| Audit | 38 | 35 |
| Audit-related services | 3 | 1 |
| Tax services | 1 | 2 |
| All other services | 1 | 0 |
| Total Deloitte | 43 | 38 |
| Other audit firms | | |
| Audit | 1 | 2 |
| Audit-related services | 0 | 0 |
| Tax services | 0 | 0 |
| All other services | - | 0 |
| Total Other audit firms | 1 | 2 |

C34 BUSINESS COMBINATIONS

Bonnier Broadcasting

On December 2, 2019 Telia Company acquired Bonnier Broadcasting, including the brands TV4, C More and Finnish MTV, from Bonnier AB at an enterprise value of SEK 9.2 billion with an additional consideration of maximum SEK 1 billion. The additional (deferred) consideration was to be based on operational performance on revenues and EBITDA for the period July 1, 2018 to June 30, 2019 (i.e. not a contingent consideration). As per December 31, 2019 the additional amount was estimated to SEK 800 million. The preliminary purchase price allocation disclosed in the Annual and Sustainability Report 2019 has been adjusted

during 2020. The total cost of the combination was reduced with SEK -223 million, of which SEK -285 million related to the additional consideration. In addition, goodwill was reduced by SEK -184 million and fair value of intangible assets was reduced by SEK -55 million, (whereof customer relationships by SEK -22 million and brands by SEK -32 million). Further, related deferred tax liability was reduced by SEK -9 million and current liabilities by SEK -7 million. The cost of the combination, the fair values of net assets acquired and goodwill for the combination is presented in the table below.

| SEK in millions | Bonnier Broadcasting |
|--|----------------------|
| Cost of combination | 10,447 |
| <i>of which cash consideration paid</i> | 10,447 |
| Fair value of net assets acquired | |
| Intangible assets | 6,513 |
| <i>of which customer relationships</i> | 4,072 |
| <i>of which brands</i> | 2,128 |
| <i>of which software</i> | 313 |
| Film and program rights, non-current | 1,029 |
| Other non-current assets | 753 |
| Non-current assets | 8,295 |
| Film and program rights, current | 1,977 |
| Other current assets | 1,109 |
| Cash and cash equivalents | 715 |
| Current assets | 3,802 |
| Total assets acquired | 12,096 |
| Deferred tax liabilities | -1,278 |
| Other non-current liabilities | -349 |
| Non-current liabilities | -1,627 |
| Current liabilities | -2,433 |
| Total liabilities assumed | -4,060 |
| Total fair value of net assets acquired | 8,036 |
| Goodwill | 2,410 |

The net cash flow effect from the business combination was SEK 9,155 million (cash consideration SEK 9,870 million paid at closing less cash and cash equivalents SEK 715 million) in the fourth quarter of 2019. The cash flow effect in 2020 was SEK 577 million, of which SEK 515 million related to the additional consideration and SEK 61 million

related to the original purchase price. Goodwill refers to, among other things, future customers, market position and workforce. No part of goodwill is expected to be deductible for tax purposes. Acquisition-related costs of SEK 170 million have been recognized as other operating expenses, whereof SEK 15 million in 2020.

Allocation of goodwill and intangible assets with indefinite useful lives.

Goodwill from the Bonnier Broadcasting acquisition has been allocated to cash generating units (CGUs) and reportable segments as follows:

| SEK in millions | Dec 31, 2020 | Share, % |
|-----------------|--------------|------------|
| TV and Media | 1,477 | 61 |
| Sweden | 824 | 34 |
| Finland | 109 | 5 |
| Total | 2,410 | 100 |

The goodwill was allocated pro rata based in the net present value of forecast synergies by CGU. Brands with indefinite useful lives of SEK 2,128 were allocated to TV and Media.

C35 DISCOUNTED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Classification

Region Eurasia

Former segment region Eurasia (including holding companies) was classified as held for sale and discontinued operations since December 31, 2015. Ncell in Nepal was disposed during 2016 and Tcell in Tajikistan was disposed in 2017. Azercell in Azerbaijan, Geocell in Georgia, the associated company Rodnik in Kazakhstan, Ucell in Uzbekistan and Kcell in Kazakhstan were disposed in 2018. Moldcell in Moldova was disposed on March 24, 2020. After the disposal of Moldcell, Telia Company has no operations classified as discontinued operations.

Presentation

Former segment region Eurasia (including holding companies), which was classified as discontinued operations, is presented as a single amount in the consolidated statements of comprehensive income. The consolidated cash flow statement is presented including region Eurasia, but with additional information on cash flows from operating, investing and financing activities and free cash flow for region Eurasia. Non-current assets and assets and liabilities related to disposal groups classified as held for sale are presented separately in two line items in the consolidated statement of financial position. The amounts for discontinued operations and assets and liabilities held for sale in the consolidated financial statements are presented after elimination of intra-group transactions and intra-group balances.

Net income from discontinued operations (region Eurasia)

| SEK in millions, except per share data | Jan-Dec 2020 | Jan-Dec 2019 |
|---|--------------|--------------|
| Net sales | 96 | 603 |
| Expenses and other operating income, net | -79 | -604 |
| Operating income | 16 | -1 |
| Financial items, net | -22 | 1 |
| Income after financial items | -6 | 0 |
| Income taxes | - | -50 |
| Net income before remeasurement and gain/loss on disposal | -6 | -51 |
| Impairment loss on remeasurement to fair value less costs to sell ¹ | - | -290 |
| Loss on disposal of Moldcell in Moldova (including cumulative Moldcell exchange loss in equity reclassified to net income of SEK -172 million) ² | -193 | - |
| Loss from net changes in provisions for transaction warranties | -80 | - |
| Net income from discontinued operations | -279 | -341 |
| EPS from discontinued operations (SEK) | -0.07 | -0.07 |
| Adjusted EBITDA | 30 | 157 |

1) Non-tax deductible.

2) Non-taxable gain/loss.

Assets and liabilities classified as held for sale

| SEK in millions | Telia Carrier Dec 31, 2020 | Eurasia Dec 31, 2019 |
|---|-------------------------------|-------------------------|
| Goodwill and other intangible assets | 86 | 129 |
| Property, plant and equipment | 2,148 | 327 |
| Right-of-use assets | 1,097 | 95 |
| Other non-current assets | 534 | 29 |
| Other current assets | 891 | 200 |
| Cash and cash equivalents | 199 | 94 |
| Assets classified as held for sale | 4,957 | 875 |
| Long-term borrowings | 416 | 81 |
| Long-term provisions | 848 | 10 |
| Other long-term liabilities | 620 | 131 |
| Short-term borrowings | 275 | 43 |
| Other current liabilities | 1,166 | 338 |
| Liabilities associated with assets classified as held for sale | 3,325 | 604 |
| Net assets classified as held for sale | 1,631 | 271 |

Disposals

Moldcell in Moldova

On February 14, 2020, Telia Company signed an agreement to divest its holding in Moldcell S.A. (Moldcell) in Moldova to CG Cell Technologies DAC, for a transaction price of SEK 323 million (USD 31.5 million), corresponding to a cash and debt free value of SEK 0.4 billion. The transaction was not subject to any conditions and was completed on March 24, 2020. The disposal resulted in a capital loss of SEK -193 million for the group, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK -172 million. The reclassification of accumulated exchange losses had no effect on equity. The transaction had a positive cash flow effect for the group of SEK 312 million (price received less cash and cash equivalents in the entity sold).

Roshan

On July 31, 2020 Telia Company divested all of its 12.25 percent interest in the Afghan mobile operator Roshan to Aga Khan Fund for Economic Development. The transaction had no material effects on the financial statements.

Acquisition of non-controlling interest in Fintur

On April 2, 2019, Telia Company acquired Turkcell's 41.45 percent minority share in Fintur at a price of EUR 353 million (SEK 3,684 million) based on their proportional share of the cash in Fintur. As a result of the transaction, Telia Company was the sole owner of Fintur Holdings B.V. (Fintur) and Moldcell in Moldova until the disposal.

All effects related to the acquisition were recognized directly in equity, including Telia Company's 24 percent share of Turkcell's reported effects from the transaction, as the total transaction was treated as a transaction with owners in their capacity as owners. The transaction resulted in a net increase of equity attributable to parent shareholders (retained earnings) of SEK 295 million and a decrease of equity attributable to non-controlling interests of SEK 3,815 million in the second quarter of 2019. The cash flow effect from the transaction (price paid) of SEK -3,684 million was recognized within financing activities. The cash flow effect is reclassified in the comparative figures for 2019 from discontinued operations to continuing operations, due to the reclassification of the holding companies to continuing operations in the first quarter 2020.

Provision for settlement amount agreed with the US and Dutch authorities

The US and Dutch authorities have investigated historical transactions related to Telia Company's entry into Uzbekistan in 2007. On September 21, 2017, Telia Company reached a global settlement with the US and Dutch authorities regarding the Uzbekistan investigations. As part of the settlement, Telia Company agreed to pay fines and disgorgements in an aggregate amount of USD 965 million, whereof USD 757 million (SEK 6,129 million) were paid during the third quarter of 2017.

On March 19, 2019, Telia Company paid the last remaining part of the disgorgement amount, USD 208.5 million (SEK 1,920 million), to the Dutch Public Prosecution Service (Openbaar Ministerie, OM). The Swedish prosecutor has informed that the appeal against the February, 15, 2019, ruling by the Stockholm city court has been withdrawn, with respect to the disgorgement claim against Telia Company AB. Thereby, Telia Company has completed all financial obligations under the global settlement agreements and no further disgorgement claim will be made against Telia Company by the Swedish prosecutor or by any other authority related to this matter. There was no material effect on net income in 2019.

Assets held for sale

Telia Carrier

On October 5, 2020 Telia Company signed an agreement to sell its international carrier business, Telia Carrier, to Polhem Infra for a value of SEK 9,450 million on a cash and debt free basis. Polhem Infra is jointly owned by the Swedish Pension Funds; First AP Fund, Third AP Fund and Fourth AP Fund. Telia Carrier is classified as held for sale since September 30, 2020. The transaction is expected to generate a capital gain of approximately SEK 7 billion at closing. For 2020 Telia Carrier reported external net sales of SEK 4,352 million, an adjusted EBITDA of SEK 909 million and operating income of SEK 375 million. During 2020, SEK -310 million has been recognized in Other comprehensive income related to Telia Carrier, whereof SEK -180 million related to foreign currency translation differences and SEK -130 million to remeasurement on defined benefit pension obligations.

In connection with the divestment Telia Company has established a long-term strategic partnership with Telia Carrier securing continuous provision and development of network solutions to Telia's customers. The transaction is subject to regulatory approvals (relating to e.g. competition and foreign direct investments) in, inter alia, the EU and the US, and is expected to be completed during the first half of 2021.

PARENT COMPANY INCOME STATEMENTS

| SEK in millions | Note | Jan–Dec 2020 | Jan–Dec 2019 |
|-------------------------------------|------|---------------|---------------|
| Net sales | P2 | 564 | 500 |
| Cost of sales | | – | – |
| Gross income | | 564 | 500 |
| Selling and marketing expenses | P3 | -43 | -67 |
| Administrative expenses | P3 | -792 | -994 |
| Other operating income | P4 | 194 | 1,943 |
| Other operating expenses | P4 | -430 | -131 |
| Operating loss/income | | -507 | 1,252 |
| Finance income | P5 | 9,294 | 34,844 |
| Finance costs | P5 | -17,927 | -28,698 |
| Income after financial items | | -9,140 | 7,399 |
| Appropriations | P6 | 3,670 | 5,395 |
| Income before taxes | | -5,470 | 12,794 |
| Income taxes | P6 | -706 | -551 |
| Net income | | -6,176 | 12,243 |

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

| SEK in millions | Note | Jan–Dec 2020 | Jan–Dec 2019 |
|--|------|---------------|---------------|
| Net income | | -6,176 | 12,243 |
| Items that may be reclassified to net income | | | |
| Cash flow hedges, net change in fair value | | 11 | -99 |
| Cash flow hedges, transferred to finance costs in net income | | 2 | 6 |
| Cost of hedging | | -100 | 54 |
| Debt instruments at fair value through OCI | | 32 | -28 |
| Income taxes relating to items that may be reclassified | | 11 | 14 |
| Items that may not be reclassified to net income | | | |
| Equity instruments at fair value through OCI | | 63 | 47 |
| Income taxes relating to items that will not be reclassified | | - | - |
| Total other comprehensive income | P7 | 20 | -6 |
| Total comprehensive income | | -6,156 | 12,237 |

PARENT COMPANY BALANCE SHEETS

| SEK in millions | Note | Dec 31, 2020 | Dec 31, 2019 |
|---|----------|----------------|----------------|
| Assets | | | |
| Intangible assets | P8 | 3 | 4 |
| Property, plant and equipment | P9 | 0 | 0 |
| Deferred tax assets | P6 | 110 | 121 |
| Other financial assets | P11 | 178,588 | 199,705 |
| Total non-current assets | | 178,700 | 199,830 |
| Film and program rights, current | P10 | 531 | – |
| Trade and other receivables | P12 | 26,960 | 29,884 |
| Current tax receivables | | – | – |
| Short-term investments | P13 | 2,621 | 9,226 |
| Cash and bank | P13 | 6,000 | 3,649 |
| Total current assets | | 36,111 | 42,759 |
| Total assets | | 214,811 | 242,589 |
| Shareholders' equity and liabilities | | | |
| <i>Restricted equity</i> | | | |
| Share capital | | 13,856 | 13,856 |
| Statutory reserve | | 1,855 | 1,855 |
| Reserve for capitalized development expenses | | 1 | 1 |
| <i>Non-restricted equity</i> | | | |
| Fair value reserve | | 1,520 | 1,500 |
| Retained earnings | | 64,431 | 63,157 |
| Net income | | -6,176 | 12,243 |
| Total shareholders' equity | | 75,487 | 92,612 |
| Untaxed reserves | P6 | 7,002 | 6,246 |
| Provisions for pensions and employment contracts | P15 | 371 | 379 |
| Deferred tax liabilities | P6 | – | – |
| Other provisions | P16 | 187 | 196 |
| Total provisions | | 557 | 575 |
| <i>Interest-bearing liabilities</i> | | | |
| Long-term borrowings | P17 | 87,014 | 86,348 |
| Short-term borrowings | P17 | 41,827 | 53,533 |
| Current tax payables | | 279 | 19 |
| <i>Non-interest-bearing liabilities</i> | | | |
| Long-term liabilities | P18 | 4 | 9 |
| Short-term provisions, trade payables and other current liabilities | P16, P19 | 2,642 | 3,246 |
| Total liabilities | | 131,765 | 143,155 |
| Total shareholders' equity and liabilities | | 214,811 | 242,589 |

PARENT COMPANY CASH FLOW STATEMENTS

| SEK in millions | Note | Jan–Dec 2020 | Jan–Dec 2019 |
|--|------|----------------|----------------|
| Net income | | -6,176 | 12,243 |
| Adjustments for: | | | |
| Amortization, depreciation and impairment losses | | 14,975 | 24,098 |
| Capital gains/losses on sales/disposals of non-current assets | | 5 | 5 |
| Pensions and other provisions | | 197 | -2,019 |
| Financial items | | -293 | 1,696 |
| Group contributions and appropriations | | -3,670 | -5,395 |
| Income taxes | | 282 | 231 |
| Cash flow before change in working capital | | 5,319 | 30,860 |
| Increase (-)/Decrease (+) in film and program right assets | | -531 | - |
| Increase (-)/Decrease (+) in operating receivables | | -346 | -1,190 |
| Increase (+)/Decrease (-) in operating liabilities | | 17 | 1,193 |
| Change in working capital | | -859 | 3 |
| Cash flow from operating activities | | 4,459 | 30,863 |
| Intangible and tangible non-current assets acquired | | - | - |
| Repayment of capital in subsidiary | | - | - |
| Equity instruments acquired | | -855 | -20,138 |
| Equity instruments and operations divested | | 81 | 24,976 |
| Net change in loans granted and other similar investments | | 3,948 | -47,016 |
| Net change in interest-bearing current receivables | | 6,616 | -7,180 |
| Repayment of long-term loans | | 2,125 | 8,471 |
| Cash flow from investing activities | | 11,915 | -40,888 |
| Cash flow before financing activities | | 16,374 | -10,025 |
| Repurchased treasury shares including transaction costs | | -1,003 | -5,013 |
| Dividend to shareholders | | -10,020 | -9,850 |
| Group contributions net | | 4,748 | 6,137 |
| Proceeds from borrowings | | 12,010 | 14,456 |
| Repayment of borrowings | | -19,678 | -4,412 |
| Settlement of derivative contracts for economic hedges and CSA | | -516 | 814 |
| Cash received for repurchase agreements | | 18,233 | 9,910 |
| Cash paid for repurchase agreements | | -18,233 | -9,910 |
| Cash flow from financing activities | | -14,458 | 2,131 |
| Change in cash and cash equivalents | | 1,916 | -7,894 |
| Cash and cash equivalents, opening balance | | 4,449 | 12,222 |
| Change in cash and cash equivalents | | 1,916 | -7,894 |
| Exchange rate differences in cash and cash equivalents | | 20 | 121 |
| Cash and cash equivalents, closing balance | P13 | 6,385 | 4,449 |
| Dividends received | | 6,269 | 33,027 |
| Interest received | | 2,434 | 1,339 |
| Interest paid | | -2,596 | -2,429 |
| Income taxes paid | | -424 | -319 |

PARENT COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| SEK in millions | Note | Share capital | Statutory reserve | Reserve for capitalized development expenses | Fair value reserve | Retained earnings | Total shareholders' equity |
|---|------|---------------|-------------------|--|--------------------|-------------------|----------------------------|
| Closing balance, December 31, 2018 | | 13,856 | 1,855 | 1 | 1,506 | 77,970 | 95,189 |
| Dividend | P14 | – | – | – | – | -9,850 | -9,850 |
| Share-based payments | P26 | – | – | – | – | 10 | 10 |
| Treasury shares | | – | – | – | – | -4,588 | -4,588 |
| Cancellation of treasury shares | | -386 | – | – | – | – | -386 |
| Bonus issue | | 386 | – | – | – | -386 | – |
| Capitalized development expenses | P8 | – | – | 0 | – | 0 | – |
| Total comprehensive income | | – | – | – | -6 | 12,243 | 12,237 |
| Closing balance, December 31, 2019 | | 13,856 | 1,855 | 1 | 1,500 | 75,400 | 92,612 |
| Dividend | P14 | – | – | – | – | -10,020 | -10,020 |
| Share-based payments | P26 | – | – | – | – | 7 | 7 |
| Treasury shares | | – | – | – | – | -562 | -562 |
| Cancellation of treasury shares | | -395 | – | – | – | – | -395 |
| Bonus issue | | 395 | – | – | – | -395 | – |
| Capitalized development expenses | P8 | – | – | 0 | – | 0 | – |
| Total comprehensive income | | – | – | – | 20 | -6,176 | -6,156 |
| Closing balance, December 31, 2020 | | 13,856 | 1,855 | 1 | 1,520 | 58,256 | 75,487 |

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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P1 BASIS OF PREPARATION

General

The parent company Telia Company AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RFR 2 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board. The standard is applicable to Swedish legal entities whose equities at the end of the reporting period are listed on a Swedish stock exchange or authorized equity market place. In their consolidated financial statements such companies have to comply with the EU regulation on international accounting standards, while they still have to comply with the

Annual Reports Act in their separate financial statements. RFR 2 states that as a main rule listed parent companies should apply IFRSs and specifies exceptions and additions, caused by legal provisions or by the connection between accounting and taxation in Sweden.

Measurement bases and significant accounting principles

With the few exceptions below, Telia Company applies the same measurement bases and accounting principles as described in Notes to consolidated financial statements, Notes C1 and C3, respectively.

| Item | Note | Accounting treatment |
|--|------------|--|
| Intra company lending and credit rating | P5, P17 | Telia Company has an internal model for credit rating of subsidiaries used when pricing internal lending to subsidiaries. The model has four risk categories and, depending on risk rating, the model has a credit spread curve to be applied on top of the benchmark rate when lending money to subsidiaries. The model is based on pricing of inter-company lending at an arms-length basis and if the credit spreads used represent an unbiased pricing of credit risk, this is used for calculating expected credit losses on inter-company receivables. |
| Group contributions | P6 | Under certain conditions, it is possible to transfer profits through group contributions between Swedish companies in a group. A group contribution is normally a deductible expense for the contributor and a taxable income for the recipient. Group contributions are recognized as appropriations in the income statement. |
| Borrowing costs | P5, P8, P9 | Borrowing costs directly attributable to the acquisition, construction or production of an asset are not capitalized as part of the cost of that asset. |
| Investments in subsidiaries and associated companies | P5, P11 | Shares in subsidiaries and associated companies are recognized at cost including related transaction expenses less any impairment. Dividends received are brought to income while repayment of certain contributed capital reduces the carrying value. |
| Provisions for pensions and employment contracts | P5, P15 | Pension obligations and pension expenses are recognized in accordance with the simplification rule for pensions in RFR 2 "Accounting for legal entities." |
| Untaxed reserves and appropriations | P6 | Untaxed reserves and appropriations are reported gross excluding deferred tax liabilities related to the temporary differences. |
| Capitalized development expenses | P8 | The corresponding amount that has been capitalized as development expenses in the balance sheet as intangible assets have been recognized in the reserve for capitalized development expenses in equity. |
| Lease agreements | P22 | All leasing agreements are accounted for as operating leases. |

Amounts and dates

Unless otherwise specified, all amounts are in millions of Swedish kronor (SEK million) or other currency specified and are based on the twelve-month period ended December 31 for income statement and cash flow statement items, and as of December 31, for balance sheet items, respectively.

Recently issued accounting standards

For information relevant to Telia Company, see Note C1.

Judgments and key sources of estimation uncertainty

For information relevant to Telia Company, see Note C2.

P2 NET SALES

Net sales were mainly related to group common services to subsidiaries and were distributed among individually material countries as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|-----------------|--------------|--------------|
| Sweden | 280 | 247 |
| Finland | 109 | 102 |
| Norway | 89 | 77 |
| Denmark | 38 | 35 |
| Other countries | 49 | 40 |
| Total | 564 | 500 |

FINANCIAL STATEMENTS

Parent company financial statements

P3 EXPENSES BY NATURE

Operating expenses are presented on the face of the income statement using a classification based on the functions “Cost of sales,” “Selling and marketing expenses” and “Administrative expenses.” Total expenses by function were distributed by nature as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|--|--------------|---------------|
| Other network expenses | -9 | -18 |
| Personnel expenses (see also Note P26) | -632 | -798 |
| Rent and leasing fees | -3 | -26 |
| Consultants' services | -132 | -116 |
| IT expenses | -7 | -9 |
| Other expenses and net of intra-group invoicing | -51 | -92 |
| Amortization, depreciation and impairment losses | -1 | -2 |
| Total | -835 | -1,061 |

Amortization, depreciation and impairment losses were distributed by function as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|-------------------------|--------------|--------------|
| Administrative expenses | -1 | -2 |
| Total | -1 | -2 |

P4 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses were distributed as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|--|--------------|--------------|
| Other operating income | | |
| Reversal of provisions ¹ | - | 1,931 |
| Exchange rate gains | 83 | 12 |
| Other operating income | 112 | 0 |
| Total other operating income | 194 | 1,943 |
| Exchange rate losses | -58 | -41 |
| Capital losses | 0 | 0 |
| Unwinding of provision discount | - | -11 |
| Restructuring costs - termination benefits | -86 | -15 |
| Other operating expenses | -286 | -63 |
| Total other operating expenses | -430 | -131 |
| Net effect on income | 235 | 1,812 |

1) In 2019 an adjustment of the provision for the global settlement with the authorities regarding the Uzbekistan investigations was made as Telia Company AB's subsidiary in the Netherlands, Sonera Holding B.V., paid the last part of the settlement amount.

Other operating expenses in 2020 and 2019 mainly relate to transaction costs and transaction related warranties in business combinations.

P5 FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs were distributed as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|--|----------------|----------------|
| Finance income | | |
| Dividends from subsidiaries | 6,269 | 33,027 |
| Capital gains from subsidiaries | - | - |
| Dividends from associated companies | - | - |
| Interest from subsidiaries | 2,188 | 1,777 |
| Other interest income | 47 | 39 |
| Net exchange rate gains | 790 | - |
| Other financial revenues | 0 | 1 |
| Total finance income | 9,294 | 34,844 |
| Finance costs | | |
| Impairment losses from subsidiaries | -14,740 | -24,251 |
| Capital losses from subsidiaries | -5 | -5 |
| Impairment losses from other financial investments | -8 | -81 |
| Other interest expenses | -3,065 | -2,802 |
| Interest expenses related to subsidiaries | -14 | -33 |
| Interest component of pension expenses | -15 | -16 |
| Net exchange rate losses | - | -1,449 |
| Other financial expenses | -80 | -61 |
| Total finance costs | -17,927 | -28,698 |
| Net effect on income | -8,634 | 6,146 |

Impairment losses from subsidiaries include impairment charges/reversed impairment charges amounting to SEK 225 million (-235) in accordance with IFRS 9. For more information regarding Impairment losses from subsidiaries see Notes P11 and P12, respectively.

Details on interest related expenses, net exchange rate gains and losses and interest related income related to hedging activities, loan receivables, bonds and borrowings were as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 | Jan-Dec 2020 | Jan-Dec 2019 | Jan-Dec 2020 | Jan-Dec 2019 |
|---|---------------------------|---------------|------------------------------------|---------------|-------------------------|--------------|
| | Interest related expenses | | Net exchange rate gains and losses | | Interest related income | |
| Fair value hedge derivatives | 868 | 488 | - | - | - | - |
| Cash flow hedge derivatives | -452 | -334 | -1,127 | 536 | - | - |
| Derivatives at fair value through income statement | -284 | 132 | 1,086 | -420 | - | - |
| Financial assets at amortized cost | - | - | -2,133 | -278 | 13 | 2 |
| Bonds at fair value through OCI | - | - | - | - | 34 | 37 |
| Borrowings in fair value hedge relationships ¹ | -2,637 | -2,842 | 3,093 | -865 | 2,188 | 1,777 |
| Borrowings and other financial liabilities at amortized cost ¹ | -573 | -278 | -130 | -421 | - | - |
| Other ¹ | -95 | -76 | - | - | - | - |
| Total | -3,174 | -2,911 | 790 | -1,449 | 2,234 | 1,815 |

1) Restated numbers 2019.

P6 INCOME TAXES

Tax items recognized in comprehensive income

Tax items recognized in comprehensive income were distributed as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|---|--------------|--------------|
| Tax items recognized in net income | | |
| Current tax | -671 | -579 |
| Adjustment of current tax related to prior years | -6 | 0 |
| Deferred tax | -30 | 29 |
| Effect on deferred tax from changes in tax rates ¹ | 1 | -1 |
| Total tax expense recognized in net income | -706 | -551 |
| Tax items recognized in other comprehensive income | | |
| Current tax | -7 | 6 |
| Deferred tax | 18 | 8 |
| Total tax recognized in other comprehensive income | 11 | 14 |
| Tax items recognized directly in equity | | |
| Deferred tax | - | - |
| Total tax recognized directly in equity | - | - |

1) The impact relates to changed assessment of timing for release/settlement of deferred tax assets/ liabilities. Tax rate 21.4 percent is applied to release/settlement before 2021, tax rate 20.6 percent is applied to release/settlement from 2021 and onwards.

Pre-tax income was SEK -5,470 million in 2020 (12,794). The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

| Percent | Jan-Dec 2020 | Jan-Dec 2019 |
|---|--------------|--------------|
| Swedish income tax rate | 21.4 | 21.4 |
| Underprovided or overprovided current tax expense in prior years | -0.1 | 0.0 |
| Effect on deferred tax expense from changes in tax rates ¹ | 0.0 | 0.0 |
| Non-deductible expenses | -59.3 | 41.1 |
| Tax-exempt income | 25.0 | -58.2 |
| Effective tax rate in net income | -12.9 | 4.3 |

1) The impact relates to changed assessment of timing for release/settlement of deferred tax assets/ liabilities. Tax rate 21.4 percent is applied to release/settlement before 2021, tax rate 20.6 percent is applied to release/settlement from 2021 and onwards.

Non-deductible expenses in 2020 and 2019 was mainly affected by impairment write-downs of subsidiaries. Tax-exempt income in 2020 and 2019 consisted primarily of dividends from subsidiaries. Tax-exempt income 2019 also consisted of the reversal of the provision for settlement amount proposed by the US and Dutch authorities.

| SEK in millions | 2020 | | | |
|---|-----------------|--------------------------------|--|-----------------|
| | Opening balance | Recognized in income statement | Recognized in other comprehensive income | Closing balance |
| Gross deferred tax assets | | | | |
| Non-current assets | 1 | 0 | - | 1 |
| Provisions | 124 | 1 | - | 125 |
| Interest expense carry-forward | 30 | -30 | - | - |
| Subtotal | 156 | -29 | - | 126 |
| Offset deferred tax liabilities/assets | -36 | - | 18 | -17 |
| Total deferred tax assets | 121 | -29 | 18 | 110 |
| Deferred tax liabilities | | | | |
| Fair value adjustments, cash flow hedges and financial assets at fair value through OCI | 36 | - | -18 | 17 |
| Subtotal | 36 | - | -18 | 17 |
| Offset deferred tax assets/liabilities | -36 | - | 18 | -17 |
| Total deferred tax liabilities | - | - | - | - |
| Net deferred tax assets (+)/liabilities (-) | 121 | -29 | 18 | 110 |

| SEK in millions | 2019 | | | |
|---|-----------------|--------------------------------|--|-----------------|
| | Opening balance | Recognized in income statement | Recognized in other comprehensive income | Closing balance |
| Gross deferred tax assets | | | | |
| Non-current assets | 2 | 0 | - | 1 |
| Provisions | 126 | -2 | - | 124 |
| Interest expense carry-forward | - | 30 | - | 30 |
| Subtotal | 128 | 28 | - | 156 |
| Offset deferred tax liabilities/assets | -44 | - | 8 | -36 |
| Total deferred tax assets | 85 | 28 | 8 | 121 |
| Deferred tax liabilities | | | | |
| Fair value adjustments, cash flow hedges and financial assets at fair value through OCI | 45 | - | -8 | 36 |
| Subtotal | 45 | - | -8 | 36 |
| Offset deferred tax assets/liabilities | -45 | - | 8 | -36 |
| Total deferred tax liabilities | - | - | - | - |
| Net deferred tax assets (+)/liabilities (-) | 85 | 28 | 8 | 121 |

In 2020 and 2019, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. As of December 31, 2020, the unrecognized deferred tax liability in untaxed reserves amounted to SEK 1,442 million (1,337).

Untaxed reserves and appropriations

As of December 31, 2020 and 2019, untaxed reserves in the balance sheet consisted of profit equalization reserves totaling SEK 7,002 million and SEK 6,246 million, respectively.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|--|--------------|--------------|
| Change in profit equalization reserves | -756 | 636 |
| Group contributions received | 4,879 | 5,444 |
| Group contributions paid | -453 | -685 |
| Net effect on income | 3,670 | 5,395 |

P7 OTHER COMPREHENSIVE INCOME

Other comprehensive income was distributed as follows.

| SEK in millions | Equity component | Jan–Dec 2020 | Jan–Dec 2019 |
|---|-------------------------|--------------|--------------|
| Other comprehensive income that may be reclassified to net income | | | |
| Cash flow hedges | | | |
| Net changes in fair value | Hedging reserve | 11 | -99 |
| Transferred to financial items in net income | Hedging reserve | 2 | 6 |
| Income tax effect | Hedging reserve | -3 | 19 |
| Total cash flow hedges | | 11 | -74 |
| Cost of hedging | | | |
| Changes in fair value | Cost of hedging reserve | -100 | 54 |
| Income tax effect | Cost of hedging reserve | 21 | -11 |
| Total cost of hedging | | -79 | 43 |
| Debt instruments at fair value through OCI | | | |
| Net changes in fair value | Fair value reserve | 32 | -28 |
| Income tax effect | Fair value reserve | -7 | 6 |
| Total debt instruments at fair value through OCI | | 25 | -22 |
| Other comprehensive income that will not be reclassified to net income | | | |
| Equity instruments at fair value through OCI | | | |
| Net changes in fair value | Fair value reserve | 63 | 47 |
| Income tax effect | Fair value reserve | – | – |
| Total equity instruments at fair value through OCI | | 63 | 47 |
| Total other comprehensive income | | 20 | -6 |
| <i>of which total income tax effects (see also Note P6)</i> | | <i>11</i> | <i>14</i> |

P8 INTANGIBLE ASSETS

No general changes of useful lives were made during the year. For useful lives applied, see Notes to consolidated financial statements (corresponding section in Note C2). In the income statement, amortization and impairment losses are, if applicable, included in all expense line items by

function as well as in line item Other operating expenses. Accelerated amortization, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations, see this section in Note P6.

The carrying value of intangible assets was distributed as follows.

| SEK in millions | Other intangibles | |
|--|-------------------|--------------|
| | Dec 31, 2020 | Dec 31, 2019 |
| Accumulated costs | 22 | 39 |
| Accumulated amortization | -19 | -35 |
| Carrying value | 3 | 4 |
| <i>of which work in progress</i> | <i>–</i> | <i>0</i> |
| Carrying value opening balance | 4 | 6 |
| Investments | – | 0 |
| Disposals | – | 0 |
| Depreciation for the year | -1 | -2 |
| Carrying value, closing balance | 3 | 4 |

Other intangibles are mainly related to IT-systems. As of December 31, 2020 carrying value of Capitalized development expenses amounted to SEK 1 million (1).

P9 PROPERTY, PLANT AND EQUIPMENT

The total carrying value was distributed and changed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 |
|--|---------------------|-----------------|---------------------------------------|-----------------|-----------------|-----------------|
| | Plant and machinery | | Equipment, tools and installations | | Total | |
| Accumulated cost | 6 | 6 | – | 17 | 6 | 23 |
| Accumulated depreciation | -6 | -6 | – | -17 | -6 | -23 |
| Carrying value | – | – | 0 | 0 | 0 | 0 |
| Carrying value, opening balance | – | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the year | – | 0 | 0 | – | 0 | 0 |
| Carrying value, closing balance | – | – | – | 0 | 0 | 0 |

No general changes of useful lives were made in 2020. For useful lives applied, see Note C2. In the income statement, depreciation and impairment losses are, if applicable, included in all expense line items by function as well as

in line item Other operating expenses. Accelerated depreciation, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations, see this section in Note P6.

P10 FILM AND PROGRAM RIGHTS

The total carrying value for Film and program rights was distributed and changed as follows:

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|-------------------------|--------------|
| | Film and program rights | |
| Advances (Prepaid) | 531 | – |
| Carrying value | 531 | – |
| <i>of which non-current</i> | – | – |
| <i>of which current</i> | 531 | – |
| Carrying value, opening balance | – | – |
| Additions | 531 | – |
| Carrying value, closing balance | 531 | – |

Contractual obligations regarding future acquisitions (or equivalent) of film and program rights which are not

included in the balance sheet represented the following expected maturities.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|-------------------|-------------------------------------|--------------|
| | Film and program rights commitments | |
| Within 1-3 years | 2,161 | – |
| Within 4-10 years | 534 | – |
| Total | 2,694 | – |

For other unrecognized contractual obligations, see Note P24.

P11 OTHER FINANCIAL ASSETS

The total carrying value changed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 |
|--|--|--|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Investments in associated companies and joint operations | Investments in other equity instruments | Investments in subsidiaries and other non-current financial assets | Total | | | | |
| Carrying value, opening balance | 35 | 27 | 267 | 234 | 199,403 | 175,712 | 199,705 | 175,974 |
| New share issues and shareholder contributions | 13 | 8 | – | – | 12 | 11,549 | 25 | 11,556 |
| Repayment of capital | – | – | – | – | – | – | – | – |
| Additions | 8 | 1 | 100 | 55 | 9,555 | 72,258 | 9,673 | 72,314 |
| Disposals | – | – | – | -28 | -8,089 | -30,087 | -8,089 | -30,114 |
| Impairment losses | – | – | – | – | -14,965 | -24,066 | -14,965 | -24,066 |
| Reclassifications to short-term investments | – | – | – | – | -6,643 | -7,017 | -6,643 | -7,018 |
| Other reclassifications | – | -1 | 10 | – | 293 | 1 | 293 | 1 |
| Changes in fair value | – | – | 63 | 6 | -1,475 | 1,053 | -1,411 | 1,059 |
| Carrying value, closing balance | 56 | 35 | 440 | 267 | 178,092 | 199,403 | 178,588 | 199,705 |

For other financial assets, fair values equal carrying values. Impairment losses in 2020 were mainly related to impairment losses of Telia Finland Oyj amounting to SEK 14,955 million. Impairment losses in 2019 were mainly related to impairment losses amounting to SEK 22,837 million of Telia Finland Oyj and TeliaSonera Kazakhstan Holding B.V.

amounting to SEK 1,180 million, respectively. For more information regarding Equity instruments measured at fair value through OCI, see Note C26. The total carrying values of other financial assets were distributed as follows.

| SEK in millions | Carrying value | |
|--|----------------|----------------|
| | Dec 31, 2020 | Dec 31, 2019 |
| Investments in other equity instruments at fair value through OCI | 422 | 253 |
| Investments in other equity instruments at fair value through income statement | 18 | 13 |
| Bonds at fair value through OCI | 5,086 | 4,849 |
| Interest rate and cross-currency interest rate swaps at fair value | 3,989 | 3,335 |
| <i>of which designated as fair value hedges</i> | 1,476 | 1,205 |
| <i>of which at fair value through income statement</i> | 930 | 66 |
| <i>of which designated as cash flow hedges</i> | 1,583 | 2,064 |
| Subtotal (see Fair value hierarchy levels – Note P20) | 9,516 | 8,451 |
| Financial assets at amortized cost | 394 | 19 |
| Subtotal (see Categories – Note P20 and Credit risk – Note P21) | 9,910 | 8,470 |
| Investments in subsidiaries | 111,401 | 126,573 |
| Receivables from subsidiaries (see Note P23) | 57,221 | 64,627 |
| Investments in associated companies and joint operations | 56 | 35 |
| Total other financial assets | 178,588 | 199,705 |
| <i>of which interest-bearing</i> | 66,690 | 72,822 |
| <i>of which non-interest-bearing</i> | 111,897 | 126,882 |

For Loans and receivables (including claims on associated companies), fair value is estimated at the present value of future cash flows discounted by applying market interest rates at the end of the reporting period.

For more information on financial instruments by category/fair value hierarchy level and exposed to credit

risk, see Note P20 and section "Credit risk management" in Note P21, respectively. Conventional commercial terms apply for receivables from subsidiaries.

Investments in subsidiaries are specified below, while corresponding information on associated companies and other equity instruments is presented in Notes C15 and C16.

| Subsidiary, Corp. reg. no., registered office | Participation (%) | Number of shares | Carrying value (SEK in millions) | |
|--|----------------------|---------------------|----------------------------------|--------------|
| | | | Dec 31, 2020 | Dec 31, 2019 |
| Swedish companies | | | | |
| Telia Sverige AB, 556430-0142, Stockholm | 100 | 3,000,000 | 9,389 | 9,224 |
| TV4 Media Holding AB, 556906-0824, Stockholm | 100 | 50,000 | 9,207 | 9,415 |
| Telia Towers AB, 559196-5164, Stockholm | 100 | 133,050,000 | 6,634 | 6,634 |
| Telia Nättjänster Norden AB, 556459-3076, Stockholm | 100 | 68,512 | 3,146 | 3,146 |
| Cygate AB, 556549-8952, Solna | 100 | 61,000 | 765 | 765 |
| TeliaSonera Mobile Networks AB, 556025-7932, Stockholm | 100 | 550,000 | 663 | 663 |
| Telia Finance AB, 556404-6661, Solna | 100 | 45,000 | 659 | 659 |
| Telia Mobile Holding AB, 556855-9040, Stockholm | 100 | 50,000 | 511 | 511 |
| Telia Carrier AB, 556583-2226, Stockholm | 100 | 1,000,000 | 453 | 453 |
| Zitius Service Delivery AB, 556642-8339, Gothenburg | 100 | 2,079,000 | 353 | 353 |
| Telia Försäkring AB, 516401-8490, Stockholm | 100 | 2,000,000 | 200 | 200 |
| Telia Sverige Net Fastigheter AB, 556368-4801, Stockholm | 100 | 5,000 | 169 | 169 |
| Fält Communications AB, 556556-1999, Umeå | 100 | 31,857,538 | 150 | 150 |
| Telia Asset Finance AB, 556599-4729, Solna | 100 | 1,000 | 22 | 22 |
| Styx012 AB, 556577-9195, Lund | 100 | 100,000 | 13 | 23 |
| Telia Network Sales AB, 556458-0040, Stockholm | 100 | 10,000 | 7 | 7 |
| Fello AB, 556921-7648, Gothenburg | 100 | 180,656 | 2 | 105 |
| We Care and Repair Nordic AB, 556989-3679, Stockholm | 100 | 500 | 2 | 2 |
| Styx010 AB, 556669-1704, Umeå | 100 | 8,500 | 2 | 31 |
| Styx011 AB, 556848-4249, Mellerud | 100 | 50,000 | 1 | 14 |
| Styx009 AB, 556426-1716, Lund | 100 | 1,000 | 1 | 5 |
| isMobile AB, 556575-0014, Luleå | 67 | 8,255,975 | 1 | 1 |
| Axelerate Solutions AB, 556988-3076, Stockholm | 100 | 1,000 | 0 | 16 |
| Styx008 AB, 556663-4514, Växjö | - | - | - | 1 |
| Styx007 AB, 556419-9908, Löddeköpinge | - | - | - | 1 |
| Styx006 AB, 559028-4153, Stockholm | - | - | - | 4 |
| Styx005 AB, 556612-1686, Sala | - | - | - | 7 |
| Styx004 AB, 556606-6055, Gothenburg | - | - | - | 7 |
| Styx003 AB, 556569-7314, Stockholm | - | - | - | 3 |
| Styx002 AB, 556628-1498, Gnesta | - | - | - | 2 |
| Styx001 AB, 556672-3275, Stockholm | - | - | - | 1 |
| Other operating, dormant and divested companies | | | 0 | 0 |

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| Subsidiary, Corp. reg. no., registered office | Participation (%) | Number of shares | Carrying value (SEK in millions) | |
|---|----------------------|---------------------|----------------------------------|----------------|
| | | | Dec 31, 2020 | Dec 31, 2019 |
| Non-Swedish companies | | | | |
| Telia Finland Oyj, 1475607-9, Helsinki | 100 | 1,417,360,515 | 31,886 | 46,646 |
| Telia Inmics-Nebula Oy, 2546028-1, Helsinki | 100 | 46,921,852 | 2,049 | 2,049 |
| Telia Cygate Oy, 0752421-0, Helsinki | 100 | 1,500,000 | 416 | 416 |
| Telia Carrier Finland Oy, 1649304-9, Helsinki | 100 | 100 | 98 | 98 |
| Assembly Organizing Oy, 2245136-3, Helsinki | 80.1 | 1,006 | 23 | 23 |
| Telia Payment Oy, 1636595-2, Hämeenlinna | 100 | 7,673 | 14 | – |
| Telia Communication Oy, 0962834-7, Hämeenlinna | – | – | – | 195 |
| Telia Norge AS, 981929055, Oslo | 100 | 30,000 | 32,675 | 32,675 |
| Telia Carrier Denmark A/S, 24210413, Copenhagen | 100 | 1,000 | 172 | 172 |
| Telia Company Danmark A/S, 18530740, Copenhagen | 100 | 14,500 | 32 | 19 |
| Argon A/S, 36462272, Copenhagen | 100 | 500,000 | 1 | 1 |
| Telia Lietuva, AB, 121215434, Vilnius | 88.2 | 513,594,774 | 4,144 | 4,144 |
| Telia Global Services Lithuania, UAB, 134517169, Vilnius | 100 | 192,414 | 12 | 12 |
| SIA Telia Latvija, 000305757, Riga | 100 | 353,500 | 24 | 24 |
| Telia Carrier Latvia SIA, 40003251354, Riga | 100 | 108,542 | 7 | 7 |
| Latvijas Mobilais Telefons SIA, 50003050931, Riga | 24.5 | 200,165 | 2 | 2 |
| Telia Eesti AS, 10234957, Tallinn | 100 | 137,954,528 | 5,691 | 5,690 |
| Telia Carrier Estonia OÜ, 12606073, Tallinn | 100 | 1 | 11 | 11 |
| Telia Carrier France S.A.S., B421204793, Paris | 100 | 1,366,667 | 482 | 482 |
| Telia Carrier UK Ltd, 02796345, London | 100 | 1,010,000 | 268 | 268 |
| Telia Carrier Germany GmbH, HRB50081, Frankfurt am Main | 100 | 0 | 249 | 249 |
| AO Telia Carrier Russia, 1027809197327, Moscow | 100 | 220,807,825 | 200 | 200 |
| Telia Carrier U.S. Inc., 541837195, Herndon, VA | 100 | 3,000,100 | 136 | 136 |
| Telia Carrier Czech Republic a.s., 26207842, Praha | 100 | 20,000 | 126 | 126 |
| Telia Carrier Austria GmbH, FN191783i, Vienna | 99.6 | 0 | 118 | 118 |
| Telia Carrier Netherlands B.V., 34128048, Amsterdam | 100 | 910 | 59 | 59 |
| Telia Carrier Switzerland AG, CHE-105.398.242, Zürich | 100 | 997 | 54 | 54 |
| Telia Carrier Poland Sp.z o.o., 0000018616, Warszawa | 100 | 22,500 | 37 | 37 |
| Telia Carrier Italy S.p.A., 07893960018, Turin | 100 | 530,211 | 17 | 17 |
| Telia Carrier Hungary Kft, 01-09-688192, Budapest | 100 | 0 | 13 | 13 |
| Telia Carrier Turkey Telekomunikasyon L.S., 609188, Istanbul | 99.5 | 55,919 | 8 | 8 |
| Telia Carrier Ireland Ltd., 347074, Dublin | 100 | 27 | 6 | 6 |
| TOV Telia Carrier Ukraine, 34716440, Kyiv | 100 | 0 | 6 | 6 |
| Telia Carrier Romania S.R.L., 20974985, Bucharest | 100 | 10,001 | 3 | 3 |
| Telia Carrier Slovakia s.r.o., 36709913, Bratislava | 100 | 0 | 3 | 3 |
| Telia Carrier Belgium S.A., 0469422293, Brussels | 100 | 50,619 | 3 | 3 |
| Telia Carrier Canada Inc., BC0968600, Vancouver, British Columbia | 100 | 100 | 1 | 1 |
| Telia Carrier Singapore Pte. Ltd., 200005728N, Singapore | 100 | 1,200,002 | 1 | 1 |
| Telia Carrier d.o.o. Beograd-Stari Grad, 21372820, Belgrade | 100 | 0 | 1 | 1 |
| Telia Carrier Communications Mexico S.A. de C.V., TCC1707186Y6, Mexico City | 99.9 | 1,079,200 | 1 | 1 |
| Telia Carrier Croatia d.o.o., 081061252, Zagreb | 100 | 112,500 | 0 | 0 |
| Telia Carrier Japan Godo-Kaisha, 10403018587, Tokyo | 100 | 1 | 0 | 0 |
| TeliaSonera Telekomunikasyon Hizmetleri A.S., 381395, Istanbul | 99.0 | 79,193 | 10 | 10 |
| Other operating, dormant and divested companies | | | 1 | 1 |
| Total | | | 111,401 | 126,573 |

In May 2020 the wholly-owned subsidiary Telia Communication Oy was merged into the wholly-owned subsidiary Telia Finland Oyj. The wholly-owned subsidiaries Styx001 AB, Styx002 AB, Styx003 AB, Styx004 AB, Styx005 AB, Styx006 AB, Styx007 AB and Styx008 AB were liquidated in 2020. For information regarding acquisitions see Note C34. Telia Denmark is a branch of Telia Nättjänster Norden AB. Telia Company's holdings in the networksharing operations

in Sweden and Denmark are held through Telia Sverige AB and Telia Mobile Holding AB, respectively. Another 24.5 percent of the shares in Latvijas Mobilais Telefons SIA are owned by a subsidiary. Telia Company has a board majority in Latvijas Mobilais Telefons SIA. Remaining shares in Telia Carrier Austria GmbH, Telia Carrier Turkey Telekomunikasyon L.S. and Telia Carrier Communications Mexico S. A. de C.V. are owned by Telia Carrier AB. Remaining shares in

TeliaSonera Telekomünikasyon Hizmetleri A.S. is owned by Telia Finland Oyj which also controls Sonera Holding B.V. and TeliaSonera UTA Holding B.V.. Equity participation corresponds to voting rights participation in all companies.

Other operating and dormant companies do not control group assets of significant value. In addition to companies mentioned above, Telia Company indirectly controls a number of operating and dormant subsidiaries of subsidiaries.

P12 TRADE AND OTHER RECEIVABLES

The carrying value of trade and other receivables were distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|---------------|---------------|
| Interest rate and cross-currency interest rate swaps designated as fair value hedges | 70 | 382 |
| Currency- and interest rate swaps and forward exchange contracts at fair value through income statement | 118 | 104 |
| Subtotal (see Fair value hierarchy levels – Note P20) | 188 | 487 |
| Accounts receivable at amortized cost | 7 | 32 |
| Loans and receivables at amortized cost | 0 | 2 |
| Subtotal (see Categories – Note P20 and Credit risk – Note P21) | 195 | 521 |
| Receivables from subsidiaries (see Note P23) | 26,404 | 29,197 |
| <i>of which cash-pool balances and short-term deposits</i> | 20,366 | 23,076 |
| <i>of which trade and other receivables</i> | 6,038 | 6,122 |
| Other current receivables | 341 | 145 |
| Deferred expenses | 20 | 21 |
| Total trade and other receivables | 26,960 | 29,884 |
| <i>of which interest-bearing</i> | 20,636 | 23,500 |
| <i>of which non-interest-bearing</i> | 6,325 | 6,385 |

For Accounts receivable and Loans and receivables, the carrying values equal fair value as the impact of discounting is insignificant. Receivables from subsidiaries includes impairment charges in accordance with IFRS 9, see Note P5. For Accounts receivable and Loans and receivables

(including receivables from associated companies and joint ventures), at the end of the reporting period, concentration of credit risk by geographical area and by customer segment was as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|-----------------------------|--------------|--------------|
| Geographical area | | |
| Sweden | 3 | 11 |
| Other countries | 4 | 23 |
| Total carrying value | 7 | 34 |
| Customer segment | | |
| Other customers | 7 | 34 |
| Total carrying value | 7 | 34 |

For more information on financial instruments by category/ fair value hierarchy level and exposed to credit risk, see Note P20 and section “Credit risk management” in Note

P21, respectively. Conventional commercial terms apply for receivables from subsidiaries.

As of the end of the reporting period, allowance for expected credit losses and ageing of Accounts receivable, respectively, were as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|--------------|--------------|
| Accounts receivable invoiced | 7 | 32 |
| Allowance for expected credit losses, accounts receivable | – | – |
| Total accounts receivable | 7 | 32 |
| Accounts receivable not due | 3 | 31 |
| Accounts receivable past due but not impaired | 4 | 1 |
| <i>of which 30–180 days</i> | 4 | 1 |
| <i>of which more than 180 days</i> | 0 | 0 |
| Total accounts receivable | 7 | 32 |

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As of the end of the reporting period, ageing of Loans and receivables (including receivables from associated companies) were as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|------------------------------------|--------------|--------------|
| Loans and receivables not due | 0 | 2 |
| Total loans and receivables | 0 | 2 |

There were no expenses for credit losses and no recovered accounts receivables within accounts receivables or loans and receivables at amortized cost in 2020 and in 2019.

P13 SHORT-TERM INVESTMENTS, CASH AND CASH EQUIVALENTS

Short-term investments, cash and cash equivalents were as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|--------------|---------------|
| Short term investments with maturities longer than 3 months <i>of which bonds at fair value through OCI</i> | 2,235 | 8,426 |
| Short-term investments with maturities up to and including 3 months <i>of which bonds at fair value through OCI</i> | 385 | 800 |
| <i>of which bank deposits at amortized cost</i> | 385 | 800 |
| | – | – |
| Total short-term investments | 2,621 | 9,226 |
| Cash and bank | 6,000 | 3,649 |
| Total (see Categories – Note P20 and Credit risk – Note P21) | 8,620 | 12,875 |
| <i>of which cash and cash equivalents</i> | 6,385 | 4,449 |

Cash and cash equivalents are defined as the sum of Short-term investments with maturities up to and including 3 months and the balance sheet item Cash and bank. The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. As of December

31, 2020, there were no blocked funds in Telia Company's bank accounts. For more information on financial instruments by category and exposed to credit risk, see Note P20 and section "Credit risk management" in Note P21, respectively.

P14 SHAREHOLDERS' EQUITY

Share capital, treasury shares, earnings per share and dividends

See Notes to consolidated financial statements (corresponding sections in Note C20).

At the disposal of the Annual General Meeting (AGM):

| | SEK |
|--|-----------------------|
| Non-restricted equity excluding net income | 65,950,705,739 |
| Net income | -6,175,792,975 |
| Total | 59,774,912,764 |

The Board proposes that this sum be appropriated as follows:

| | SEK |
|---|-----------------------|
| SEK 2.00 per share ordinary dividend to the shareholders ¹ | 8,179,263,404 |
| To be carried forward | 51,595,649,360 |
| Total | 59,774,912,764 |

1) Based on outstanding shares as per December 31, 2020.

The dividend should be split and distributed into two tranches one of SEK 1.00 per share in April 2021 and one of SEK 1.00 per share in November 2021.

The Board of Directors is of the opinion that the proposed dividend, according to Chapter 18 Section 4 of the Swedish Companies Act, is justifiable. After distribution of the proposed dividend, the equity of the company and the group will be sufficient with respect to the nature, scope, and risks of the operations. Also, the company and the group are deemed to have a satisfactory level of liquidity, a consolidation need that is met and a satisfactory general financial position.

The full statement by the Board of Directors will be included in the AGM documentation.

P15 PROVISIONS FOR PENSIONS AND EMPLOYMENT CONTRACTS

Pension obligations and pension expenses

The employees in Telia Company AB are covered by one of the three occupational pension plans ITP1, ITP2 or ITP-Tele due to collective agreement. ITP2 and ITP-Tele are defined benefit pension plans which means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. All employees born in 1979 or later are covered by ITP1.

Most pension obligations are secured by Telia Pension Fund. Certain commitments, such as certain supplementary individual pension benefits and a right under the employment contracts for certain categories of personnel to retire at age 55, 60, or 63, are provided for by taxed reserves in the balance sheet.

Pension obligations are calculated annually, as of the end of the reporting period, based on actuarial principles.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|--------------|--------------|
| Opening balance, pension obligations covered by plan assets | 1,558 | 1,551 |
| Opening balance, pension obligations not covered by plan assets | 379 | 403 |
| Opening balance, total pension obligations | 1,937 | 1,954 |
| Current service cost | 11 | 16 |
| Interest cost, paid-up policy indexation | 105 | 94 |
| Benefits paid | -120 | -125 |
| Other changes in valuation of pension obligations | -15 | -3 |
| Closing balance, pension obligations covered by plan assets | 1,549 | 1,558 |
| Closing balance, pension obligations not covered by plan assets | 371 | 379 |
| Closing balance, total pension obligations | 1,920 | 1,937 |
| <i>of which PRI Pensionsgaranti pensions</i> | <i>1,351</i> | <i>1,360</i> |

The fair value of plan assets changed as follows.

| SEK in millions, except return | Dec 31, 2020 | Dec 31, 2019 |
|---|--------------|--------------|
| Opening balance, plan assets | 3,005 | 2,680 |
| Payments from pension fund | -100 | - |
| Actual return | 39 | 325 |
| Closing balance, plan assets | 2,944 | 3,005 |
| <i>Actual return on plan assets (%)</i> | <i>1.3</i> | <i>12.1</i> |

Provisions for pension obligations were recognized in the balance sheet as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|---|--------------|--------------|
| Present value of pension obligations | 1,920 | 1,937 |
| Fair value of plan assets | -2,944 | -3,005 |
| Surplus capital in pension fund | 1,395 | 1,446 |
| Provisions for pension obligations | 371 | 379 |

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Total pension expenses (+)/income (-) were distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|--------------|--------------|
| Current service cost | 11 | 16 |
| Interest cost, paid-up policy indexation | 105 | 94 |
| Less interest expenses recognized as financial expenses | -15 | -16 |
| Actual return on plan assets | 60 | -325 |
| Divested operations, pension obligations | 0 | 0 |
| Other changes in valuation of pension obligations | -15 | -3 |
| Termination benefits | 1 | 1 |
| Payments from pension fund | -100 | - |
| Pension expenses (+)/income (-), defined benefit pension plans | 47 | -233 |
| Pension premiums, defined benefit/defined contribution pension plans and other pension costs | 81 | 88 |
| Pension-related social charges and taxes | 20 | 46 |
| Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost | -2 | -1 |
| Pension expenses (+)/income (-) | 99 | 134 |
| Decrease (-)/Increase (+) of surplus capital in pension fund | -51 | 318 |
| Recognized pension expenses (+)/income (-) | 94 | 219 |
| <i>of which pension premiums paid to the ITP pension plan</i> | 5 | 8 |

Principal actuarial assumptions

The actuarial calculation of pension obligations and pension expenses is based on principles set by PRI Pensionsgaranti and the Swedish Financial Supervisory Authority, respectively.

The principal calculation assumption is the discount rate which, as a weighted average for the different pension plans and, as applicable, net of calculated yield tax, was 3.3 percent in 2020 (3.4). Obligations were calculated based on the salary levels prevailing at December 31, 2020 and 2019, respectively.

Plan-asset allocation

At the end of the reporting period, plan assets were allocated as follows.

| Asset category | Dec 31, 2020 | | Dec 31, 2019 | |
|-------------------------------------|-----------------|--------------|-----------------|--------------|
| | SEK in millions | Percent | SEK in millions | Percent |
| Fixed income instruments, liquidity | 1,436 | 48.8 | 1,411 | 47.0 |
| Shares and other investments | 1,508 | 51.2 | 1,594 | 53.0 |
| Total | 2,944 | 100,0 | 3,005 | 100,0 |

Future contributions and pension payments

As of December 31, 2020, the fair value of plan assets exceeded the present value of pension obligations. Unless the

fair value of plan assets during 2021 should fall short of the present value of pension obligations, Telia Company has no intention to make any contribution to the pension fund.

P16 OTHER PROVISIONS

Changes in other provisions were as follows.

| SEK in millions | December 31, 2020 | | | | Total |
|-------------------------------------|--|--------------------------|------------------|----------------------|------------|
| | Payroll taxes on future pension payments | Restructuring provisions | Other provisions | Insurance provisions | |
| Opening balance | 49 | 7 | 211 | 17 | 285 |
| Provisions for the period | 4 | 86 | 161 | - | 251 |
| Utilized provisions | -1 | -29 | -8 | -2 | -40 |
| Reclassifications | 1 | - | -32 | 5 | -26 |
| Exchange rate differences | - | - | -22 | - | -22 |
| Closing balance | 53 | 65 | 310 | 20 | 448 |
| <i>of which non-current portion</i> | 53 | 20 | 94 | 20 | 187 |
| <i>of which current portion</i> | - | 45 | 216 | - | 261 |

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. See Note P20 for more information on financial instruments classified by category.

Full utilization of payroll taxes on future pension payments and insurance provisions is expected in the period 2021-2054. The provisions represent the present value of management's best estimate of the amounts required to

settle the liabilities. Restructuring provisions mainly refer to staff redundancy costs. The remaining provision as of December 31, 2020, is expected to be fully utilized in 2022. Other provisions include provisions for damages and court cases, estimated expenses related to fulfilling representations made and warranties, i.e. transaction warranties, and for potential litigation etc. in connection with disposals and winding-up of group entities.

P17 LONG-TERM AND SHORT-TERM BORROWINGS

Open-market financing programs

For information on Telia Company's open-market financing programs, see Note C21.

Borrowings

Long-term and short-term borrowings were distributed as follows.

| SEK in millions | Dec 31, 2020 | | Dec 31, 2019 | |
|--|----------------|----------------|----------------|----------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Long-term borrowings | | | | |
| Open-market financing program borrowings in fair value hedge relationships | 51,628 | 55,249 | 50,945 | 55,574 |
| Interest rate swaps at fair value | 134 | 134 | 230 | 230 |
| <i>of which designated as hedging instruments</i> | 134 | 134 | 230 | 230 |
| Cross-currency interest rate swaps at fair value | 3,907 | 3,907 | 2,694 | 2,694 |
| <i>of which designated as hedging instruments</i> | 1,593 | 1,593 | 647 | 647 |
| <i>of which at fair value through income statement</i> | 2,314 | 2,314 | 2,047 | 2,047 |
| Subtotal (see Fair value hierarchy levels – Note P20) | 55,669 | 59,290 | 53,870 | 58,498 |
| Open-market financing program borrowings at amortized cost | 31,345 | 41,992 | 32,475 | 42,255 |
| Subtotal (see Categories – Note P20) | 87,014 | 101,282 | 86,345 | 100,753 |
| Total long-term borrowings | 87,014 | 101,282 | 86,345 | 100,753 |
| Short-term borrowings | | | | |
| Open-market financing program borrowings in fair value hedge relationships | 5,127 | 5,313 | 6,807 | 6,841 |
| Interest rate swaps designated as hedging instruments | 8 | 8 | 22 | 22 |
| Cross-currency interest rate swaps designated as hedging instruments | 143 | 143 | – | – |
| Subtotal (see Fair value hierarchy levels – Note P20) | 5,278 | 5,465 | 6,828 | 6,863 |
| Utilized short term credit facilities | – | – | 7,833 | 7,841 |
| Open-market financing program borrowings at amortized cost | – | – | 1,422 | 1,431 |
| Subtotal (see Categories – Note P20) | 5,278 | 5,465 | 16,083 | 16,134 |
| Borrowings from subsidiaries (see Note P23) | 36,549 | – | 37,450 | – |
| <i>of which cash pool balances</i> | 36,434 | – | 35,447 | – |
| <i>of which other borrowings</i> | 115 | – | 2,003 | – |
| Total short-term borrowings | 41,827 | – | 53,533 | – |

As of December 31, 2020, fully unutilized bank overdraft facilities had a total limit of SEK 1,011 million (1,036).

For additional information on financial instruments classified by category/fair value hierarchy level, see Note P20, and for information on maturities and liquidity risks, see

section "Liquidity risk management" in Note P21. See Note C21 for further information on borrowings and the swap portfolio. Conventional commercial terms apply for borrowings from subsidiaries, which comprise cash-pool balances and other borrowings.

P18 LONG-TERM LIABILITIES

The carrying value of long-term liabilities were SEK 4 million (9). For liabilities to subsidiaries, see Note P23. For the years 2020 and 2019, no long-term liabilities fell due more than 5 years after the end of the reporting period.

P19 SHORT-TERM PROVISIONS, TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Short-term provisions, trade payables and other current liabilities were distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--|--------------|--------------|
| Currency swaps, forward exchange contracts and currency options measured at fair value through profit or loss (income statement) | 526 | 377 |
| Subtotal (see Fair value hierarchy levels – Note P20) | 526 | 377 |
| Accounts payable at amortized cost | 101 | 111 |
| Current liabilities at amortized cost | 12 | 13 |
| Subtotal (see Categories – Note P20) | 639 | 501 |
| Liabilities to subsidiaries (see Note P23) | 1,598 | 1,257 |
| Other current liabilities and short-term provisions | 404 | 1,489 |
| Total short-term provisions, trade payables and other current liabilities | 2,642 | 3,246 |

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. For additional information on financial instruments classified by category/fair value hierarchy level

and on liquidity risks, see Note P20 and section “Liquidity risk management” in Note P21. As of December 31, 2020, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

| Expected maturity SEK in millions | Jan–Mar 2021 | Apr–Jun 2021 | Jul–Sep 2021 | Oct–Dec 2021 | Total |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-------|
| Liabilities at amortized cost | 112 | 0 | 0 | 0 | 112 |

Corresponding information for currency derivatives held-for-trading is presented in section “Liquidity risk management” to Note P21.

Conventional commercial terms apply for trading with subsidiaries.

P20 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND LEVEL

Categories

Carrying values of classes of financial assets and liabilities were distributed by category as follows. Financial liabilities exclude pension obligations as presented in Note P15.

| SEK in millions | Note | Dec 31, 2020 | Dec 31, 2019 |
|---|---------------|----------------|----------------|
| Financial assets | | | |
| Derivatives designated as hedging instruments | P11, P12 | 3,129 | 3,651 |
| Financial assets at fair value through income statement | | 1,066 | 183 |
| <i>of which derivatives measured at fair value through income statement</i> | P11, P12 | 1,049 | 170 |
| <i>of which other investments at fair value through income statement</i> | P11 | 18 | 13 |
| Long- and short-term bonds measured at fair value through OCI | P11, P13 | 7,706 | 14,075 |
| Financial assets at amortized cost | P11, P12, P13 | 84,367 | 94,023 |
| Financial assets measured at fair value through OCI | P11, P13 | 422 | 253 |
| Total financial assets by category | | 96,691 | 112,185 |
| Financial liabilities | | | |
| Derivatives designated as hedging instruments | P17 | 3,802 | 2,791 |
| Derivatives measured at fair value through income statement | P17, P19 | 917 | 532 |
| Financial liabilities measured at amortized cost | P17, P19 | 126,360 | 138,316 |
| Total financial liabilities by category | | 131,079 | 141,639 |

Fair value hierarchy levels

The carrying values of classes of financial assets and liabilities were distributed by fair value hierarchy level as follows.

| SEK in millions | Note | December 31, 2020 | | | | December 31, 2019 | | | |
|---|----------|-------------------|--------------|--------------|------------|-------------------|---------------|--------------|------------|
| | | Fair value | of which | | | Fair value | of which | | |
| | | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| Financial assets at fair value¹⁾ | | | | | | | | | |
| Equity instruments at fair value through OCI | P11 | 422 | – | – | 422 | 253 | – | – | 253 |
| Equity instruments at fair value through income statement | P11 | 18 | – | – | 18 | 13 | – | – | 13 |
| Long- and short-term bonds at fair value through OCI | P11, P13 | 7,706 | 6,457 | 1,250 | – | 14,075 | 12,066 | 2,010 | – |
| Derivatives designated as hedging instruments | P11, P12 | 3,129 | – | 3,129 | – | 3,651 | – | 3,651 | – |
| Derivatives at fair value through income statement | P11, P12 | 1,049 | – | 1,049 | – | 170 | – | 170 | – |
| Total financial assets at fair value by level | | 12,323 | 6,457 | 5,427 | 440 | 18,163 | 12,066 | 5,831 | 266 |
| Financial liabilities at fair value | | | | | | | | | |
| Derivatives designated as hedging instruments | P17 | 3,802 | – | 3,802 | – | 2,791 | – | 2,791 | – |
| Derivatives at fair value through income statement | P17, P19 | 917 | – | 917 | – | 532 | – | 532 | – |
| Contingent consideration liabilities | | – | – | – | – | 41 | – | – | 41 |
| Total financial liabilities at fair value by level | | 4,719 | – | 4,719 | – | 3,365 | – | 3,323 | 41 |

1) For information on fair value hierarchy levels and fair value estimation, see Note C3.

There were no transfers between Level 1, 2 or 3 in 2020 and 2019.

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Level 3 financial assets changed as follows.

| SEK in millions | Assets, December 31, 2020 | | | Total | Liabilities, December 31, 2020 |
|--|--|---|--|------------|-----------------------------------|
| | Equity instruments at fair value through OCI | Equity instruments at fair value through income statement | Derivatives at fair value through income statement | | Contingent considerations |
| Level 3, opening balance | 253 | 13 | – | 266 | 41 |
| Changes in fair value | 63 | – | – | 63 | |
| <i>of which recognized in other comprehensive income</i> | 63 | – | – | 63 | |
| Purchases/capital contributions | 96 | 5 | – | 100 | |
| Disposal | 0 | – | – | 0 | |
| Settlements | – | – | – | – | -41 |
| Other reclassifications | 10 | – | – | 10 | |
| Level 3, closing balance | 422 | 18 | – | 440 | – |

| SEK in millions | Assets, December 31, 2019 | | | Total | Liabilities, December 31, 2019 |
|--|--|---|--|------------|-----------------------------------|
| | Equity instruments at fair value through OCI | Equity instruments at fair value through income statement | Derivatives at fair value through income statement | | Contingent considerations |
| Level 3, opening balance | 220 | 13 | – | 234 | – |
| Changes in fair value | 46 | – | – | 46 | – |
| <i>of which recognized in other comprehensive income</i> | 46 | – | – | 46 | – |
| Purchases/capital contributions | 55 | – | – | 55 | 41 |
| Disposal | -69 | – | – | -69 | – |
| Level 3, closing balance | 253 | 13 | – | 266 | 41 |

The changes in fair value of equity instruments relate mainly to Volterra Inc., Subspace Inc., Swappie Oy and Soundtrack your brand Sweden AB in 2020 and to Aporeto Inc. in 2019. Purchases include the acquisition of Volterra Inc., Varjo Technologies Oy, and Challengermode AB

in 2020. Disposals relates to Aporeto Inc. in 2019. Changes in fair value recognized in net income are included in line item Financial income and expenses. For more information see Note P5 and Note C26.

P21 FINANCIAL RISK MANAGEMENT

Principles, capital management and management of financial risks

For information relevant to Telia Company, see Note C27.

Credit risk management

Telia Company's exposure to credit risk arises from default of counterparts (including price risks as regards investments in equity instruments), with a maximum exposure equal to the carrying amount of these instruments (detailed in the respective Note and excluding receivables from subsidiaries), as follows.

| SEK in millions | Note | Dec 31, 2020 | Dec 31, 2019 |
|---|------|---------------|---------------|
| Other financial assets excluding investments and receivables on subsidiaries and associated companies and investments in other equity instruments | P11 | 9,469 | 8,204 |
| Trade and other receivables | P12 | 195 | 521 |
| Short-term investments, cash and cash equivalents | P13 | 8,620 | 12,875 |
| Total | | 18,284 | 21,600 |

Telia Company has an internal model for credit rating of subsidiaries used when pricing internal lending to subsidiaries. For information on the model, see Note P1 and for

information on credit risk management relevant to Telia Company, see Note C27.

Liquidity risk management

Liquidity risk is the risk that Telia Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. For information on liquidity risk management relevant to Telia Company, see Note C27.

As of December 31, 2020, contractual undiscounted cash flows for interest-bearing borrowings and non-interest-bearing currency derivatives (excluding intra-group derivatives) represented the following expected maturities, including instalments and estimated interest payments. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant.

| Expected maturity SEK in millions | Jan-Mar 2021 | Apr-Jun 2021 | Jul-Sep 2021 | Oct-Dec 2021 | 2022 | 2023 | 2024 | 2025 | Later years | Total |
|--|-----------------|-----------------|-----------------|-----------------|----------------|----------------|---------------|---------------|----------------|-----------------|
| Utilized bank overdraft and short-term credit facilities | - | - | - | - | - | - | - | - | - | - |
| Open-market financing program borrowings | -732 | -475 | -412 | -5,856 | -14,423 | -13,132 | -8,267 | -8,697 | -50,162 | -102,156 |
| Cross-currency interest rate swaps and interest rate swaps | | | | | | | | | | |
| Payables | -365 | -505 | -360 | -8,721 | -8,483 | -12,935 | -13,262 | -7,570 | -28,901 | -81,102 |
| Receivables | 288 | 579 | 293 | 8,861 | 8,250 | 12,633 | 13,809 | 7,404 | 28,443 | 80,560 |
| Currency swaps and forward exchange contracts | | | | | | | | | | |
| Payables | -21,713 | -243 | -69 | -17 | - | - | - | - | - | -22,042 |
| Receivables | 21,210 | 236 | 66 | 17 | - | - | - | - | - | 21,529 |
| Total, net | -1,312 | -408 | -482 | -5,716 | -14,656 | -13,434 | -7,720 | -8,863 | -50,620 | -103,211 |

Expected maturities for and additional information on non-interest-bearing liabilities, guarantees and other contractual obligations are presented in Notes P16, P19 and P24, respectively.

P22 OPERATING LEASE AGREEMENTS

Telia Company leases primarily office premises. Most of the leases are from outside parties. The leases are on commercial terms with respect to prices and duration.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2020, that could not be canceled in advance and were in excess of one year were as follows.

| Expected maturity SEK in millions | Jan-Mar 2021 | Apr-Jun 2021 | Jul-Sep 2021 | Oct-Dec 2021 | 2022 | 2023 | 2024 | 2025 | Later years | Total |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|------|------|------|------|----------------|-------|
| Future minimum leasing fees | 33 | 1 | 1 | 1 | 2 | 2 | - | - | - | 39 |

In 2020 total rent and leasing fees paid were SEK 37 million (36).

P23 RELATED PARTY TRANSACTIONS

General

Conventional commercial terms apply for the supply of goods and services to and from subsidiaries, associated companies and joint ventures.

Subsidiaries

In 2020 sales to subsidiaries totaled SEK 560 million (500), while purchases from subsidiaries totaled SEK 68 million (26). For information regarding receivables from and liabilities to subsidiaries see Notes P11, P12, P17, P18 and P19.

Commitments on behalf of related parties

Telia Company has made certain commitments on behalf of group companies and joint ventures. See Note P24 for further details.

Other transactions

For descriptions of certain other transactions with related parties, see Note C29.

P24 CONTINGENCIES, OTHER CONTRACTUAL OBLIGATIONS AND LITIGATION

Contingent assets and financial guarantees

As of the end of the reporting period, Telia Company had no contingent assets, while financial guarantees reported as contingent liabilities were distributed as follows.

| SEK in millions | Dec 31, 2020 | Dec 31, 2019 |
|--------------------------------------|---------------|--------------|
| Guarantees on behalf of subsidiaries | 23,686 | 6,424 |
| Guarantees for pension obligations | 38 | 38 |
| Total financial guarantees | 23,724 | 6,462 |

The increase of guarantees on behalf of subsidiaries mainly relates to guarantees for pension obligations of SEK 12,848 million, of which SEK 12,052 million is covered by pension plan assets in the pension fund and guarantees for program rights. Some loan covenants agreed limit the scope for divesting or pledging certain assets. For information on change-of-control provisions included in some of Telia Company's more recent bond issuances, see Notes to consolidated financial statements (corresponding section in Note C30). For all financial guarantees issued, stated amounts equal the maximum potential future payments that Telia Company could be required to make under the respective guarantee. In addition to financial guarantees indicated above, guarantees for fulfilment of contractual undertakings are granted by Telia Company on behalf of subsidiaries, as part of the group's normal course of business. At the end of the reporting period, there was no indication that payment will be required in connection with any such contractual guarantee.

Collateral pledged and other unrecognized contractual obligations

As of the end of the reporting period, there were no collateral pledged and no unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets. For additional information see Note P10.

Legal and administrative proceedings

For additional information relevant to Telia Company, see Note C30.

P25 CASH FLOW INFORMATION

Non-cash transactions

No non-cash transactions were performed during 2020 or 2019.

Liabilities and cash flows arising from financing activities

| SEK in millions | Dec 31, 2019 | Cash flows | Non-cash changes | | | Dec 31, 2020 |
|---|-----------------|----------------|----------------------------------|-----------------------|-------------------------------|-----------------|
| | | | Foreign exchange movements | Fair value changes | Other changes ¹ | |
| Long-term borrowings | 86,348 | 8,251 | -2,843 | 723 | -5,465 | 87,014 |
| Long-term borrowings (excluding borrowings from subsidiaries) | 86,348 | 8,251 | -2,843 | 723 | -5,465 | 87,014 |
| <i>of which derivatives hedging long-term borrowings</i> | 2,770 | 24 | 901 | 99 | -144 | 3,650 |
| Short-term borrowings | 53,533 | -16,600 | -1,096 | 78 | 5,911 | 41,827 |
| Short-term borrowings (excluding borrowings from subsidiaries) | 16,083 | -16,600 | -1,096 | 78 | 6,813 | 5,278 |
| <i>of which derivatives hedging short-term borrowings</i> | 22 | - | 185 | 18 | -73 | 151 |
| Borrowings from subsidiaries | 37,450 | - | - | - | -902 | 36,549 |
| Total liabilities from financing activities | 139,881 | -8,349 | -3,939 | 802 | 445 | 128,841 |
| Assets held to hedge borrowings² | -3,717 | 165 | -389 | -509 | 245 | -4,205 |
| <i>of which derivatives hedging long-term borrowings</i> | -3,269 | -31 | 585 | -432 | 88 | -3,059 |
| <i>of which derivatives hedging short-term borrowings</i> | -382 | 175 | -56 | -28 | 222 | -70 |
| Total liabilities from financing activities net of assets hedging borrowings² | 136,164 | -8,184 | -4,328 | 293 | 691 | 124,636 |

1) Other changes mainly refer to change in borrowing from subsidiaries and reclassification due to maturity from long- to short-term.

2) Assets held to hedge borrowings has been added to table to clarify that related cash flow is included in cash flow from financing activities.

| SEK in millions | Dec 31, 2018 | Cash flows | Non-cash changes | | | Dec 31, 2019 |
|---|-----------------|---------------|----------------------------------|-----------------------|-------------------------------|-----------------|
| | | | Foreign exchange movements | Fair value changes | Other changes ¹ | |
| Long-term borrowings | 84,184 | 6,620 | 1,774 | 942 | -7,171 | 86,348 |
| Long-term borrowings (excluding borrowings from subsidiaries) | 84,184 | 6,620 | 1,774 | 942 | -7,171 | 86,348 |
| <i>of which derivatives hedging long-term borrowings</i> | 1,954 | -30 | 268 | 604 | -26 | 2,770 |
| Short-term borrowings | 33,943 | 3,700 | -27 | 23 | 15,894 | 53,533 |
| Short-term borrowings (excluding borrowings from subsidiaries) | 5,127 | 3,700 | -27 | 23 | 7,260 | 16,083 |
| <i>of which derivatives hedging short-term borrowings</i> | 45 | - | - | -7 | -17 | 22 |
| Borrowings from subsidiaries | 28,816 | - | - | - | 8,634 | 37,450 |
| Total liabilities from financing activities | 118,127 | 10,320 | 1,747 | 965 | 8,723 | 139,881 |
| Assets held to hedge borrowings² | -2,923 | 537 | -774 | -553 | -4 | -3,717 |
| <i>of which derivatives hedging long-term borrowings</i> | -2,321 | -41 | -522 | -553 | 169 | -3,269 |
| <i>of which derivatives hedging short-term borrowings</i> | -81 | - | -135 | 9 | -175 | -382 |
| Total liabilities from financing activities net of assets hedging borrowings² | 115,204 | 10,858 | 973 | 412 | 8,719 | 136,164 |

1) Other changes mainly refer to change in borrowing from subsidiaries and reclassification due to maturity from long- to short-term.

2) Assets held to hedge borrowings has been added to table to clarify that related cashflow is included in cash flow from financing activities.

P26 HUMAN RESOURCES

The number of employees was 286 at December 31, 2020 (288). The average number of full-time employees was as follows.

| Country | Jan-Dec 2020 | | Jan-Dec 2019 | |
|--------------|----------------|-----------------|----------------|-----------------|
| | Total (number) | of whom men (%) | Total (number) | of whom men (%) |
| Sweden | 267 | 48% | 271 | 48 |
| Total | 267 | 48% | 271 | 48 |

The share of female and male Corporate Officers was as follows. Corporate Officers include all members of the Board of Directors, the President and the 6 other members (8) of Group Executive Management employed by the parent company.

| Percent | Dec 31, 2020 | | Dec 31, 2019 | |
|--------------|--------------------|--------------------------|--------------------|--------------------------|
| | Board of Directors | Other Corporate Officers | Board of Directors | Other Corporate Officers |
| Women | 41.7% | 42.9% | 27.3 | 33.3 |
| Men | 58.3% | 57.1% | 72.7 | 66.7 |
| Total | 100.0% | 100.0% | 100.0 | 100.0 |

Total salaries and other remuneration, along with social security expenses and other personnel expenses were as follows.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|---|--------------|--------------|
| Salaries and other remuneration | 440 | 421 |
| <i>of which performance share programs</i> | 7 | 10 |
| Social security expenses | | |
| Employer's social security contributions | 134 | 129 |
| <i>of which performance share programs</i> | 2 | 3 |
| Pension expenses | 102 | 220 |
| Total social security expenses | 235 | 349 |
| Other personnel expenses | 44 | 43 |
| Total personnel expenses¹ | 719 | 814 |

1) Of which SEK 86 million (15) recognized within in Other operating expenses. 2019 has been restated.

Salaries and other remuneration were divided between Corporate Officers and other employees as follows.

| SEK in millions | Dec 31, 2020 | | Dec 31, 2019 | |
|--|--|-----------------|--|-----------------|
| | Corporate Officers (of which variable pay) | Other employees | Corporate Officers (of which variable pay) | Other employees |
| Salaries and other remuneration ¹ | 122 (-) | 318 | 74 (-) | 347 |

1) Of which Corporate Officers SEK 54 million (-) and Other employees SEK 10 million (11) recognized in Other operating expenses. 2019 has been restated.

Corporate Officers include members of the Board of Directors and, as applicable, former Board members (but exclude employee representatives); the President and, as applicable, former Presidents and Executive Vice Presidents; and the 6 other members (8) of Group Executive

Management employed by the parent company. Pension expenses and outstanding pension commitments for Corporate Officers were as follows. There are no pension benefit arrangements for external members of the Board of Directors.

| SEK in millions | January–December or December 31, | |
|---------------------------------|-------------------------------------|------|
| | 2020 | 2019 |
| Pension expenses ¹ | 25 | 23 |
| Outstanding pension commitments | 165 | 168 |

1) Of which SEK 7 million (-) recognized within Other operating expenses.

For additional information, see sections “Performance share programs” and “Remuneration to corporate officers” in Note C32.

P27 REMUNERATION TO AUDIT FIRMS

Remuneration to audit firms was as follows. See additional information in Note C33.

| SEK in millions | Jan–Dec 2020 | Jan–Dec 2019 |
|------------------------|--------------|--------------|
| Remuneration | | |
| Deloitte | | |
| Audit | 7 | 7 |
| Audit-related services | 2 | 1 |
| Tax services | – | – |
| All other services | – | – |
| Total | 9 | 8 |

SUSTAINABILITY NOTES

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S1 GENERAL INFORMATION

The Board of Directors' Report, section Sustainability together with the Sustainability Notes constitute Telia Company's statutory sustainability report according to the requirements in the Swedish Annual Accounts Act. It also serves as Telia Company's and all subsidiaries' Global Compact Communication On Progress.

The report has been prepared according to Telia Company's Sustainability Reporting Framework. The framework contains reporting principles, content guidance, detailed information on basis for preparation of information, and definitions. It is available on www.teliacompany.com/sustainability/reporting.

Please note:

- To facilitate comparability, the Sustainability Notes include references to several sustainability reporting frameworks. This sustainability report shall not be considered prepared strictly in accordance with any of these frameworks
- Scope of the information provided covers Continuing operations, meaning Nordic and Baltic operations, Telia Carrier and LMT in Latvia. During the year, Discontinued

operations were divested; historical data is included where relevant to present a complete picture of the company's historical performance

- Material omissions or limited scope of information are explained in the respective Note.

Deloitte has been engaged to provide limited assurance of the sustainability report, see Auditors' Limited Assurance Report on the Sustainability Report for more information. All disclosures which constitute the sustainability report are covered by the limited assurance engagement.

In addition to the Annual and Sustainability Report we release *quarterly sustainability updates* alongside the regular financial reports, highlighting key achievements and events during the quarter.

Comments and feedback help us develop our sustainability work and reporting. You are welcome to contact us at [sustainability-group \(at\) teliacompany.com](mailto:sustainability-group@teliacompany.com).

References:

| |
|---|
| GRI 102-10 Significant changes to the organization and its supply chain |
| GRI 102-48 Restatements of information |
| GRI 102-53 Contact point for questions regarding the report |
| GRI 102-56 External assurance |

S2 SUSTAINABILITY GOVERNANCE

See Corporate Governance Statement, sections Board of Directors, CEO and Group Executive Management, and Group-wide governance framework for a description of roles and responsibilities of Group Executive Management and the Board of Directors. Governance of the Responsible business focus areas as well as human rights is described in the respective chapters, see Board of Directors' Report, section Sustainability.

More detailed information on risk management and identified risks and uncertainties can be found in the Corporate Governance Statement, section Enterprise risk management (ERM) framework and Board of Directors' Report,

section Risks and uncertainties. The Code of Responsible Business Conduct and other governing documents can be found on [Telia Company's website](http://telia.com).

Telia Company is a signatory, or committed to adhering to the principles, of a number of international frameworks. See Corporate Governance Statement, section Statement of materiality and significant audiences. We are also members on group level or locally of various associations and initiatives. Read more in the Board of Directors' Report, section Sustainability, Partnerships and industry collaboration.

References:

| | |
|------------|--|
| GRI 102-12 | External initiatives |
| GRI 102-15 | Key impacts, risks, and opportunities |
| GRI 102-16 | Values, principles, standards and norms of behaviour |
| GRI 102-18 | Governance structure |
| GRI 102-26 | Role of the highest governance body in setting purpose, values, and strategy |
| GRI 102-29 | Identifying and managing economic, environmental, and social impacts |

S3**STAKEHOLDER ENGAGEMENT AND MATERIALITY DETERMINATION**

Telia Company has adopted a stakeholder-based approach to sustainability. The approach is based on continuous engagement with key stakeholder groups to identify, understand and manage the most material current and future impacts on our stakeholders, the society and the environment.

Our reporting is based on the “double materiality” principle as defined in the EU Non-Financial Reporting Directive. Some topics not considered material from an impact perspective are nevertheless included in this sustainability report, to meet information requests used for various ESG assessment purposes.

Stakeholders are generally selected for engagement either because we believe that they represent the opinions of a stakeholder group as a whole (e.g. respondents of consumer surveys), or because we consider them influential or critical in order to better understand our impacts and expectations (e.g. industry associations or certain institutional investors).

References:

| | |
|------------|--|
| GRI 102-43 | Approach to stakeholder engagement |
| GRI 102-44 | Key topics and concerns raised |
| GRI 102-46 | Defining report content and topic boundaries |

Engagement during the year*Materiality assessment*

During the year, a materiality assessment was carried out to provide guidance to the revision of the overall business strategy and sustainability approach. Read more in the Board of Directors' Report, section Sustainability, Stakeholder engagement and materiality.

Investor outreach

We actively engage with traditional financial analysts and portfolio managers as well as dedicated ESG analysts on our sustainability work and performance. Key topics discussed during the year included:

- Adherence with and reporting against the EU taxonomy
- Implementation of the TCFD recommendations
- Communication around the green bond issuance

S4 HUMAN RIGHTS

See Board of Directors' Report, section Sustainability, Human rights for more information.

References:

| |
|---|
| GRI 412 Human rights assessment |
| Global Compact principle 1: Support and respect the protection of internationally proclaimed human rights |
| Global Compact principle 2: Non-complicity in human rights abuses |
| UN Guiding Principles Reporting Framework |
| EU Non-Financial Reporting Directive: Respect for human rights |

S5 ENVIRONMENT

See Board of Directors' Report, section Sustainability, Environment for more information. For more details on calculation methods, emission factors and more, see the Sustainability Reporting Framework. Please note:

- As Moldcell in Moldova, the last remaining majority holding reported as part of Discontinued operations was divested in early 2020, there is no relevant data for Discontinued operations for 2020. For the sake of completeness, Discontinued operations are included in the tables below as they constituted a significant share of the Group's historic total environmental footprint. 2018 and 2019 data for Discontinued operations is not directly comparable because of divestments during these years
- Electronic waste such as mobile phones, chargers and batteries which is collected in stores and covered by local producer responsibility legislation is not included in the reported electronic waste figures
- 2019 scope 2 location-based emissions for Continuing operations were recalculated as a result of a correction in emission factors. This resulted in a 12 percent decrease in scope 2 location-based emissions compared to what was reported in the 2019 Annual and Sustainability Report

Energy

ENERGY CONSUMPTION

| Direct energy consumption (scope 1), GWh | 2020 | 2019 | 2018 |
|--|-----------|-----------|-----------|
| Continuing operations | 21 | 26 | 27 |
| Discontinued operations | - | 2 | 56 |
| Total | 21 | 28 | 83 |

100 percent of scope 1 energy consumption was non-renewable. Around 80 percent of scope 1 energy consumption relates to car use, primarily gasoline or diesel. The remaining energy consumption relates to the use of

back-up diesel generators.

| Indirect energy consumption (scope 2), GWh | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|
| Continuing operations | 1,195 | 1,147 | 1,122 |
| Discontinued operations | - | 20 | 297 |
| Total | 1,195 | 1,167 | 1,419 |

Around 95 percent of scope 2 energy consumption is electricity, 100 percent of which was renewable. The remaining five percent is mainly non-renewable district heating.

Greenhouse gas (GHG) emissions

In 2020, Telia Company achieved climate neutrality for its own operations (scopes 1, 2 and scope 3 category 6: business travel) through a combination of emissions reductions, use of 100 percent renewable electricity (Guarantees of Origin and I-REC) and carbon offsetting of remaining emissions. Carbon offsetting was applied to scope 1 emissions, non-electricity scope 2 emissions and scope 3 category 6 emissions, 15 kttons CO₂e in total. GHG emissions from these categories for 2020 should be considered 0 (zero). To be able to track absolute emission reductions, scope 1 and 2 market-based emissions are reported excluding carbon offsetting.

DIRECT AND INDIRECT GHG EMISSIONS - SCOPES 1 AND 2

| Direct GHG emissions (scope 1), kttons CO ₂ e | 2020 | 2019 | 2018 |
|--|----------|----------|-----------|
| Continuing operations | 7 | 7 | 7 |
| Discontinued operations | - | 0 | 13 |
| Total | 7 | 7 | 20 |

In 2020, 100 percent of scope 1 emissions, 7 kttons CO₂e, were offset through carbon offsetting.

| Indirect GHG emissions (scope 2, market-based), ktons CO ₂ e | 2020 | 2019 | 2018 |
|---|----------|-----------|------------|
| Continuing operations | 6 | 37 | 56 |
| Discontinued operations | - | 10 | 138 |
| Total | 6 | 47 | 194 |

In 2020, 100 percent renewable electricity was used, meaning market-based scope 2 emissions from electricity were 0. Other market-based scope 2 emissions, 6 ktons CO₂e, are attributable primarily to district heating. 100 percent of these emissions were covered by carbon offsetting.

| Indirect GHG emissions (scope 2, location-based), ktons CO ₂ e | 2020 | 2019 | 2018 |
|---|------------|------------|------------|
| Continuing operations | 128 | 122 | 136 |
| Discontinued operations | - | 10 | 138 |
| Total | 128 | 132 | 274 |

OTHER INDIRECT GHG EMISSIONS – SCOPE 3

| Other indirect GHG emissions (scope 3) | 2018 ¹ | |
|---|-------------------------|------------|
| | Ktons CO ₂ e | % |
| Purchased goods and services; capital goods (categories 1 and 2) | 1,005 | 83.4 |
| Use of sold products; downstream leased assets (categories 11 and 13) | 100 | 8.3 |
| Other material categories, total | 100 | 8.3 |
| Total | 1,205 | 100 |

1) Includes only Continuing operations.

During 2020, to further understand our total carbon footprint and to set science-based targets covering all scopes, we carried out a full value chain assessment using 2018 data. The Corporate Value Chain (Scope 3) Standard was applied to calculate all 15 categories of scope 3 emissions. The most relevant categories are:

- Purchased goods and services (category 1) – OPEX including purchased mobile devices
- Capital goods (category 2) – CAPEX including network equipment
- Use of sold products and downstream leased assets (categories 11 and 13) – GHG emissions related to the use of sold or leased products, e.g. phones and routers

“Other material categories” includes the remaining nine categories considered material.

In 2020, GHG emissions from business travel amounted to 2 (6) ktons CO₂e. These emissions were covered by carbon offsetting.

Refrigerants

In 2020, refrigerants were added to scope 1 emissions reporting. The total amount of refilled refrigerants was 1,350 kg of various types. Related emissions amounted to around 2 ktons CO₂e, 30 percent of scope 1 emissions.

Waste

Waste is a key environmental aspect and we are committed to reducing our total hazardous and non-hazardous waste footprint. Read more about recycling, re-use and take-back programs in the Board of Directors’ Report, section Sustainability, Environment.

Water

Water is not considered a key environmental aspect as consumption is limited to the use of “office water”. We do not use water cooling in our networks or data centers in a way that has a material impact on water quality.

Carbon enablement

The carbon enablement model was developed together with Carbon Trust. The starting points for the scope of our model are the GMSA Enablement Effect report and our B2B and IoT offerings. We have excluded categories where our products and services would create more indirect impacts, such as related to consumer use (e.g. accommodation sharing and online shopping) and basic connectivity. Read more about the methodology including underlying assumptions in the methodology paper available on [Telia Company's website](#). Regarding the results, please note:

- Calculations are generally based on assumptions from market reports or other studies, not Telia Company customer-specific data
- Source data may be incomplete or structured in such a way that it cannot be used for calculations, meaning that the actual enablement of the products and services we deliver is likely higher than reported
- Due to the limited scope of our model and the conditions in our markets (e.g. electricity grid emission factors), the results should not be considered directly comparable to the results based on other telcos’ similar models
- The calculations for carbon enablement of remote meetings is based on studies carried out before 2020 and therefore do not capture any potential effect on travel related to COVID-19

Reporting against the EU taxonomy

Telia Company monitors closely the development of the EU taxonomy. During the year, we have together with other European telcos gathered in an ETNO workstream with the purpose of improving the EU taxonomy technical screening criteria for the telecommunications sector as these are currently challenging or impossible to apply, or completely lacking for parts of our operations. ETNO’s [position paper](#) lays out the organization’s views on the criteria, highlighting in particular the need to develop criteria regarding “greening by” activities, i.e. products and services that help other industries reduce their environmental impact, as such criteria currently do not exist. Going forward, ETNO will continue to actively engage with relevant stakeholders in the EU institutions and groupings such as the High-level expert group on sustainable finance.

TCFD assessment

Telia Company sees climate change management as a vital factor for future business success and acknowledges the importance of providing investors and other stakeholders information about how we address both risks and opportunities. For these reasons, we see the TCFD recommendations not only as reporting recommendations but as useful guidance in structuring our work.

Governance

Board oversight and management's role

The Board of Directors has strategic oversight and ultimate responsibility for sustainability governance, including climate-related risks and opportunities. In 2019, the Board approved Telia Company's 2030 climate and circularity goals and receive regular updates on how the work is progressing.

The Group Head of Sustainability has operational responsibility and oversight of environmental matters, including climate-related risks and opportunities. The Group Head of Sustainability reports to the SVP, Chief External Affairs, Governance & Trust Officer who is a member of Group Executive Management (GEM). GEM is responsible for strategic business decisions, including goal setting. The Group Governance, Ethics & Compliance (GREC) forum receives regular updates about risk management, including climate-related risks when relevant.

Read more about sustainability governance in the Corporate Governance Statement, section Group-wide Governance Framework, Sustainability governance.

Strategy

Climate-related risks and opportunities identified

In 2019, we carried out a climate risk assessment using 2025 as timeframe – see table on the following page.

Regarding transition risks, during 2020 we saw significantly increased legislative activity and growing investor expectations to disclose climate-related information in line with the TCFD recommendations. Regarding physical risks, there were no significant changes.

We consider key risks to be market-related and policy and legal-related. We aim to revise the assessment on a regular basis and to continuously evaluate the effectiveness of the mitigation activities.

In 2021, we plan to carry out scenario analyses of both physical and transition risks.

Impact on strategy and financial planning

In January 2021, Telia Company launched a new business strategy including a new sustainability approach and framework. Sustainability is closely integrated in the strategy, and environment (climate and circularity) is selected as one out of three prioritized impact areas. The climate goal is to reach zero CO₂ throughout the value chain by 2030. The circularity goal of zero waste by 2030, has impact reaching beyond climate change but will also enable Telia Company to reduce GHG emissions when applying different circular business models such as extending the lifetime of devices and network equipment through re-use.

Both risks and opportunities have been factored into the new business strategy. Our 2020 stakeholder assess-

ment clearly shows that climate change is one of the most important topics across stakeholder groups. Opportunities are assessed as part of continuous business-related decision-making. In 2020, the carbon enablement effect for selected products and services that we offer was calculated for the first time, to enable business to better understand and communicate environmental benefits. We also see strong consumer interest with re-use and recycling being the number one topic that consumers in all our core markets care about when ranking the importance of various sustainability topics.

We have not yet carried out a specific resilience or sensitivity analysis of the strategy with regard to, or quantified in detail the financial impacts of climate-related risks and opportunities, but aim to do so to aid in decision-making.

Risk management

Processes for identifying and assessing climate-related risks, and integration in overall risk management

Climate risks are included in the overall Enterprise Risk Management (ERM) framework. As part of the framework, climate risks are continuously reviewed. Climate change is currently not considered a prioritized risk in the ERM framework as we consider it sufficiently mitigated. The Audit and Responsible Business Committee to the Board of Directors receives regular updates on risks, including climate-related risks when relevant.

Processes for managing climate-related risks

Transition risks are considered sufficiently mitigated through the company's comprehensive environmental program as well as already ongoing processes such as stakeholder engagement to understand expectations, public affairs activities to understand future legislation and more. Going forward, we see a continued need to actively engage in national and international industry organizations and platforms such as ETNO and GSMA, in particular related to future legislation and guidance such as the EU Taxonomy.

Following a forthcoming scenario analysis, physical risks will be managed as part of business continuity management (BCM) processes. Although the Nordic and Baltic countries share similar overall risks related to rising temperature, increasing precipitation and rising sea levels, some regions are expected to be more affected which may require certain local adaptations to the risk management approach.

Metrics and targets

Metrics used to assess climate-related risks and opportunities in line with strategy and risk management

Telia Company has set short, medium and long-term climate-related goals, including KPIs such as Science Based Targets. In addition, we use external assessments such as the Sustainable Brand Index and CDP to track how we are perceived by external stakeholders.

Scope 1, 2 and 3 GHG emissions

See previous pages in this Note.

Targets and performance

See Board of Directors' Report, section Sustainability, Environment.

Climate-related performance in remuneration

Climate-related performance is currently not part of performance-related remuneration.

Please note: GEM members do not have performance-based remuneration and are excluded from any variable pay schemes; therefore climate-related remuneration for GEM is not applicable.

CLIMATE RISK ASSESSMENT

| | Most material risks and potential impacts | Mitigating activities - Ongoing (O) and Planned (P) |
|-------------------------|--|---|
| Transition risks | | |
| Policy and legal | Higher taxes and fees on high carbon intensity products and services – may lead to increased costs | Continuous implementation of energy efficiency and GHG emissions reduction measures (O) |
| | Unclear EU Taxonomy technical screening criteria – may lead to difficulties in meeting reporting requirements | Proactive engagement in industry organizations such as ETNO to ensure development of better technical screening criteria (O) |
| Technology | Energy efficiency and renewable energy requirements – may require technology replacement of e.g. back-up power | Energy efficiency and GHG emissions included as criteria in significant investment and procurement evaluations (O) |
| Market | Increasing overall demand of renewable energy – may lead to increasing costs of purchasing Guarantees of Origin | Energy core team created to facilitate strategic decisions and measures related to energy across markets (O) |
| | Increasing customer expectations and demands to provide low-carbon products and services, and products and services to reduce customers’ own emissions – may lead to loss of current business or potential revenue streams | Continuous market research and customer engagement (O) Innovation, research and development of products and services with a clear environmental benefit (O) |
| Reputation | Increasing stakeholder expectations and demands on reducing own GHG emissions – may lead to weaker brand perception, loss of business or reduced access to capital | Climate neutrality reached in 2020 through ongoing emissions reductions, using only renewable electricity and offsetting remaining emissions in own operations (O) Implementation of Science Based Targets (O) |
| | Increasing stakeholder expectations and demands on reducing supply/value chain GHG emissions – may lead to weaker brand perception, loss of business or loss of investment | Supplier engagement and requirements to develop GHG emissions reductions action plans, including for their suppliers (O) Implementation of Science Based Targets (O) |
| | Incorrect information or perception of the ICT industry’s actual energy and GHG emissions footprint - may lead to unfavorable views of ICT’s actual environmental footprint and “greening of” potential | Participation in academic and industry research, proactive engagement with key stakeholders such as policy makers (O) |
| Physical risks | | |
| Short-term/acute | Extreme weather – heat waves | Implemented in BCM processes (P) |
| | Extreme weather – storms and precipitation | Implemented in BCM processes (P) |
| Long-term/chronic | Increasing average temperature | Implemented in BCM processes (P) |
| | Increasing average precipitation | Implemented in BCM processes (P) |

References:

| |
|--|
| GRI 201-2 Financial implications and other risks and opportunities due to climate change |
| GRI 302 Energy |
| GRI 303 Water |
| GRI 305 Emissions |
| GRI 306 Effluents and waste |
| Global Compact principle 7: Support a precautionary approach to environmental challenges |
| Global Compact principle 8: Undertake initiatives to promote greater environmental responsibility |
| Global Compact principle 9: Encourage the development and diffusion of environmentally friendly technologies |
| Recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) |
| EU Non-Financial Reporting Directive: Environmental matters |

S6 FREEDOM OF EXPRESSION AND SURVEILLANCE PRIVACY

See Board of Directors' Report, section Sustainability, Freedom of expression and surveillance privacy for more information. Definitions of the authority request categories are available in the Sustainability Reporting Framework.

AUTHORITY REQUESTS 2020 (2019)

| Country | Lawful interception | Historical data | Subscription data | Challenged or rejected requests |
|---------------------|--|---------------------|----------------------------------|---------------------------------|
| Denmark | 5,871 (8,457) | 1,947 (2,229) | 8,924 (12,895) | 0 (0) |
| Estonia | Direct access – no statistics ¹ | 19,269 (16,827) | 1,078,670 (851,301) ² | 24 (19) ³ |
| Finland | 5,218 (4,767) | 3,230 (2,951) | 10,647 (10,950) | 88 (71) |
| Lithuania | No permission to publish ⁴ | 43,649 ⁵ | 55,780 ⁵ | 22 ⁵ |
| Norway ⁶ | 1,603 (1,239) | 6,282 (5,051) | 9,496 (10,426) | 31 (37) ⁷ |
| Sweden | 3,695 (3,658) | 7,137 (5,308) | 2,599 (1,736) | 212 (361) |

- 1) In Estonia an electronical access system ('direct access') is in use in accordance with legislation. Until 2018 Telia Estonia had full visibility into the number of requests. Since 2019, due to a technology change, Telia Estonia has no visibility on the data regarding Lawful interception.
- 2) Includes all requests for Subscription data. For other countries the corresponding figure covers only requests that are handled by authorized personnel, and automated requests that refer to a criminal case.
- 3) In 2019, the reporting changed so that requests regarding subscribers belonging to other operators are no longer included in this figure.
- 4) Telia Company and Telia Lietuva have not been granted permission to compile and publish our own statistics regarding how many lawful interception requests we have received in Lithuania. See page 10 in the [full LEDR report](#) for further information.
- 5) Statistics cover only the second half of 2020.
- 6) Telia Norway acquired the operator Get in 2018. Get is integrated into the statistics since July 2020.
- 7) Invalid requests due to administrative form errors.

Requests made to Telia Carrier in an above market, if any, have been forwarded to the local Telia Company operator and therefore handled by the local Telia Company operator and included in the statistics.

Law enforcement disclosure reporting

As to conventional requests, several factors make it difficult to compare statistics between countries. To facilitate comparison over time, previous year's figures have been included. Telia Company has different market shares in different countries, which likely is reflected in the figures. Telia Company does not have knowledge of the authorities' working methods and priorities in different countries, but the methods are likely to differ. Within the group, there are different internal methods of collecting data in different local operations, causing some discrepancy of completeness and accuracy of reported data. It should be noted that the figures show the number of requests from authorities, not the number of individuals concerned. Not even we as the operator and provider of the information

to the authorities have this knowledge. Most likely, in the category of lawful interception, the number of requests is larger than the number of individuals concerned. However, pertaining to requests for cell tower dumps (i.e. requests that oblige the local operator to disclose data about the identity, activity and location of any device that connects to targeted cell towers over a set span of time), the number of affected individuals will naturally be larger than the number of requests. Depending on the scope of such a request, Telia Company is required to hand out varying amounts of customer data. The amount depends on the timeframe of the request as well as where the cells within the scope of the request are situated. In urban areas, the amount of disclosed data is naturally higher.

References:

- GRI 412 Human rights assessment
- Global Compact principle 1: Support and respect the protection of internationally proclaimed human rights
- Global Compact principle 2: Non-complicity in human rights abuses

S7 SAFEGUARDING CUSTOMER INFORMATION

See Board of Directors' Report, section Sustainability, Safeguarding customer information for more information. As some subsidiaries' (TV4, CMore and MTV Oy) processes

differ from Group processes regarding e.g. Right of Access requests and personal data breaches, such reported statistics do not include cases from these companies.

References:

- GRI 418 Customer privacy
- Global Compact principle 1: Support and respect the protection of internationally proclaimed human rights
- Global Compact principle 2: Non-complicity in human rights abuses

S8 CHILDREN'S RIGHTS

See Board of Directors' Report, section Sustainability, Children's rights for more information. For more information about our work to abolish child labor, see note S16.

References:

- Global Compact principle 1: Support and respect the protection of internationally proclaimed human rights
- Global Compact principle 2: Non-complicity in human rights abuses

S9 DIVERSITY, EQUAL OPPORTUNITY AND NON-DISCRIMINATION

See Board of Directors' Report, section Sustainability, Diversity, equal opportunity and non-discrimination for more information. Data on gender balance is available in the Board of Directors' Report, section People.

References:

- GRI 102-8 Information on employees and other workers
- GRI 102-22 Composition of the highest governance body and its committees
- GRI 405 Diversity and equal opportunity
- GRI 406 Non-discrimination
- EU Non-Financial Reporting Directive: Social and employee matters

S10 HEALTH AND WELL-BEING

See Board of Directors' Report, Sustainability, section Health and well-being for more information. Please note:

- As a result of a different HR systems in use, comparable sickness absence figures are not available for Lithuania and LMT in Latvia.

For more information on calculation methods and definitions, see the Sustainability Reporting Framework.

Sickness absence

| Sickness absence rate (%) | 2020 | 2019 |
|--|------------|------------|
| Denmark | 2.6 | 2.6 |
| Estonia | 1.4 | 1.4 |
| Finland | 2.1 | 2.1 |
| Norway | 4.2 | 3.8 |
| Sweden | 2.6 | 3.0 |
| Other countries ¹ | 0.9 | 1.4 |
| Weighted average, all countries | 2.5 | 2.7 |

1) Telia Carrier operations outside the above countries.

Lost-time injuries

| Lost-time injury frequency | 2020 | 2019 |
|--|-------------|-------------|
| Denmark | 0.00 | 0.00 |
| Estonia | 0.27 | 0.26 |
| Finland | 0.00 | 0.00 |
| Latvia | 0.00 | 0.47 |
| Lithuania | 0.60 | 0.39 |
| Norway | 0.97 | 0.47 |
| Sweden | 0.06 | 0.24 |
| Other countries ¹ | 0.00 | 0.00 |
| Weighted average, all countries | 0.21 | 0.26 |

1) Telia Carrier operations outside the above countries.

There have been no fatal injuries involving Telia Company employees in 2018-2020. During 2020, there were no major injuries or fatalities in suppliers' operations when working for Telia Company.

References:

- GRI 403 Occupational health and safety
- EU Non-Financial Reporting Directive: Social and employee matters

S11 RESPONSIBLE SOURCING

See Board of Directors' Report, section Sustainability, Responsible sourcing for more information. For more information about our work to abolish child, forced and compulsory labor in the supply chain, see Note S16. The process of integrating former Bonnier Broadcasting com-

panies' suppliers into Telia Company's sourcing processes was ongoing during 2020. For reasons related to supplier classification, it is challenging to report on relative performance such as share of active suppliers who underwent risk assessment during the year.

References:

- GRI 204 Procurement practices
- GRI 308 Supplier environmental assessment
- GRI 414 Supplier social assessment

S12 ANTI-BRIBERY AND CORRUPTION

See Board of Directors' Report, section Sustainability, Anti-bribery and corruption for more information.

References:

| |
|--|
| GRI 205 Anti-corruption |
| GRI 415 Public policy |
| Global Compact principle 10: Work against corruption in all its forms, including extortion and bribery |
| EU Non-Financial Reporting Directive: Anti-corruption and bribery matters |

S13 DIGITAL INCLUSION

See Board of Directors' Report, section Sustainability, Human rights for more information.

Digital inclusion has not been a Group-wide focus area in the past years. However, work related to **access to reliable connectivity** and **the right digital skills** has been ongoing for many years in our markets. In the new business strategy for 2021-2023, digital inclusion will be a prioritized impact area, since digitalization is expected to impact all facets of our lives and our societies the years to come.

In early 2021 we communicated our goal to reach one million individuals through digital inclusion initiatives by 2025. More information about the strategy for this work will be presented in the next Annual and Sustainability Report.

Ensuring access

The countries we operate in are highly digitalized, with high demands on network quality. Being "digitally included" is therefore less about having access to basic digital services and devices and more about the quality of connectivity provided (e.g. differences between urban and rural areas) and having the right digital skills.

Regarding access to connectivity, we provide 4G coverage to over 99 percent of the population in all markets.

During 2020, we launched commercial 5G services in all markets and by year end, 5G coverage was highest in Finland and Sweden at around 25 percent of the population. The aim is to reach over 90 percent 5G population coverage in all markets except Estonia by 2023.

As part of the legacy shutdown, we are investing in transformation from copper-based to fiber access. In total, we have passed 4,500,000 homes across all markets with fiber. In areas where fiber access is not viable, we are increasingly rolling out Fixed Wireless Access (FWA) using the 4G and 5G networks. At year end, 250,000 homes were connected through FWA.

Building digital skills

Initiatives across all markets during the year to build digital skills reached close to 120,000 individuals. By "reach" we mean the number of individuals participating in workshops or similar activities, as well as unique visitors to dedicated websites, programs etcetera.

References:

| |
|---|
| Global Compact principle 1: Support and respect the protection of internationally proclaimed human rights |
|---|

S14 LEGAL COMPLIANCE

For information about legal cases and proceedings, see Note C30 to the Consolidated financial statements. This includes significant legal cases and proceedings relating

also to for example business ethics, environmental and socio-economic compliance if such cases exist.

References:

GRI 307 Environmental compliance

GRI 419 Socio-economic compliance

S15 LABOR RELATIONS

For more information, see Board of Directors' Report, section People.

References:

GRI 102-41 Collective bargaining agreements

GRI 402 Labor/management relations

GRI 407 Freedom of association and collective bargaining

Global Compact principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining

Global Compact principle 6: Uphold the elimination of discrimination in respect of employment and occupation

EU Non-Financial Reporting Directive: Social and employee matters

S16 CHILD, FORCED AND COMPULSORY LABOR

Independent human rights impact assessments carried out in one of our operations in the Nordics (Telia Sweden) and one in the Baltics (Telia Lithuania) in 2017 included assessment of the likelihood of child, forced and compulsory labor, and concluded such as highly unlikely.

Supplier requirements regarding child, forced and compulsory labor are included in the Supplier Code of Conduct and a mandatory part of the supplier risk assessment process. Suppliers are expected to enforce and verify compliance with Telia Company's requirements within its own operations and through its supply chain. Continuous supplier risk assessments carried out by Telia Company indicate these issues as very rare.

Child and forced labor are also covered by Joint Audit Cooperation (JAC) audits which are conducted by independent third party audit firms. During the year, a small

share of the findings identified during JAC audits were related to child and forced labor issues. Such issues are most strongly related to geography and lower supplier tiers. The respective JAC members sponsoring the audits are responsible for following up and closing such non-conformities.

Pending the closing of the divestment of Telia Carrier, Telia Company has operational presence in the UK through a Telia Carrier subsidiary. A general statement with regard to the UK Modern Slavery Act is available at [Telia Company's website](#).

This statement is not part of the sustainability report and has not been subject to limited assurance.

References:

| |
|---|
| GRI 408 Child labor |
| GRI 409 Forced or compulsory labor |
| GRI 412 Human rights assessment |
| GRI 414 Supplier social assessment |
| Global Compact principle 4: The elimination of all forms of forced and compulsory labor |
| Global Compact principle 5: The effective abolition of child labor |

S17 RESPONSIBLE TAX PRACTICES

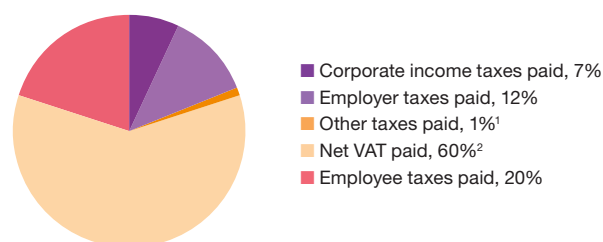
Tax is an important sustainability topic, with high expectations from stakeholders. Telia Company is a responsible tax payer, promoting the importance of transparency and fair, ethical tax practices. In compliance with our Group tax instruction, Telia Company pays the amount of taxes legally due in any territory, in accordance with local legislation and internationally accepted principles.

In addition to corporate income tax payments, Telia Company generates billions of SEK in other tax payments throughout its footprint. The total tax contribution in 2020, including both taxes borne and taxes collected, amounted to SEK 19.1 billion (17.6).

| Corporate income taxes paid SEK million | 2020 | 2019 | 2018 |
|--|--------------|------------|--------------|
| Denmark | 2 | -15 | -7 |
| Estonia | 67 | 79 | 117 |
| Finland | 15 | 23 | 37 |
| Latvia | 1 | 1 | -33 |
| Lithuania | 62 | 79 | 65 |
| Norway | 496 | 250 | 382 |
| Russia | 5 | 4 | 4 |
| Sweden | 743 | 415 | 416 |
| Turkey | 1 | 10 | 41 |
| Other countries | -18 | 28 | 33 |
| Total, continuing operations | 1,374 | 875 | 1,054 |
| Azerbaijan ¹ | - | - | 17 |
| Kazakhstan ¹ | - | - | 52 |
| Uzbekistan ¹ | - | - | 27 |
| Other countries | 0 | 36 | 91 |
| Total, discontinued operations | 0 | 36 | 188 |
| Total | 1,374 | 911 | 1,242 |

1) Operations divested in 2018.

Total tax contribution



1) Includes for example environmental taxes, property taxes and telecommunication taxes. Other taxes paid, or the total tax contribution as such, does not include customs duties and licenses.

2) If a Telia Company entity was in a recovery position regarding VAT, this has reduced the total amount of net VAT paid. The net VAT paid, or the total tax contribution as such, does not capture our irrecoverable VAT.

References:

GRI 203 Indirect economic impacts

S18 ELECTROMAGNETIC FIELDS (EMF)

When we build our mobile networks, the health and safety of our customers, employees and contractors comes first. Our work is governed by the *Group policy - Electromagnetic fields (EMF)*. We adhere to local norms issued by authorities and the World Health Organization (WHO), and follow the guidelines of the International Commission on Non-Ionizing Radiation Protection (ICNIRP) when constructing radio networks and for the mobile devices we sell.

In the current 5G deployment across the Nordics and Baltics, we follow the ICNIRP guidelines which were updated in 2020 to also include 5G frequencies, also called 5G spectrum. 5G technology is to a large extent built on the same infrastructure as previous generations of mobile

networks such as 3G and 4G, and the equipment used adheres to the same strict EMF requirements and exposure limits. During network planning, we ensure that equipment is placed in such a way that we meet applicable regulations on exposure limits. If needed, we carry out on-site measurements to verify that regulations are met.

We continuously engage with key stakeholders such as local and national authorities, on our own and through industry organizations, to help answer concerns or questions from the general public and make sure authorities have relevant information about how we build our networks according to EMF guidelines. More information on EMF is provided on local websites and *Telia Company's website*.

References:

| |
|------------------------------------|
| GRI 413 Local communities |
| GRI 416 Customer health and safety |

S19 SPONSORSHIPS, DONATIONS AND DISASTER RELIEF

Sponsorships

Telia Company has implemented a brand alliance framework consisting of several partnership categories with the common purpose of building and enhancing the perception of the Telia brand. One of these categories – Sponsorships – also has a direct impact on Telia Company’s contribution to society.

Sponsorships and donations are governed by the *Group Instruction – Sponsorships and donations*. As sponsorships and donations can be used to facilitate corrupt practices, the Instruction includes strict requirements regarding due diligence and documentation. Sponsorships and donations must be documented to reflect their purpose, and recipients undergo documented due diligence. Political donations are strictly forbidden.

The general principle is to sponsor or partner with organizations to support activities that are long-term, linked to digitalization and our geographical presence. Sponsorships are generally decided by local companies.

Donations

In rare cases, Telia Company provides financial or in-kind donations to support disaster relief or during other extraordinary circumstances. Substantial financial donations during the year included donations to Swedish children’s rights organizations Bris and World Childhood Foundation. Read more in Board of Directors’ Report, section Sustainability, Children’s rights.

Disaster relief

Telia Company and local companies are constantly prepared to support in disaster relief or crisis support, primarily through the use of our networks, products and services. Common measures are zero-rating traffic or supporting with additional network capacity to ensure working communications in disaster areas.

References:

| |
|---------------------------|
| GRI 413 Local communities |
| GRI 415 Public policy |

S20 WHISTLE-BLOWING CASES

For more information about the whistle-blowing process and the whistle-blowing channel Speak-Up Line, see Corporate Governance Statement, section Enterprise Risk Management (ERM) framework, Whistle-blowing and Speak-Up Line. For more information about human rights grievance, see Board of Directors' Report, section Sustainability, Human rights.

The TV and Media business unit uses a different provider for whistle-blowing reports. Reporting and investigations are carried out in line with Telia Company's defined whistleblowing process but Telia Company does not have any insight into the conducted investigations. All whistle-blowing reports from the TV and Media business unit are included in the below statistics.

96 (118) reports were recorded in the whistle-blowing channel Speak-Up Line, of which 55 (56) percent were filed non-anonymously. The most common issues reported related to poor leadership and fraud. Reports were received through the Speak-Up Line portal or e-mail address which are available to both employees and third parties, through direct contact with group or local ethics and compliance officers and through line managers.

Consolidated case reports were presented to the Audit and Responsible Business Committee throughout the year. The reports included allegations of certain significance, progress and the final results of the investigations.

During the year, a number of disciplinary decisions were taken. There were no terminations as a result of investigations handled by the Special Investigations Office. For more information about cases handled by Human resources, see Board of Directors Report, section Sustainability, Diversity, equal opportunity and non-discrimination.

| Number of whistle-blowing case reports | 2020 | 2019 |
|--|-----------|------------|
| Business ethics-related (e.g fraud, corruption), handled by the Special Investigations Office | 43 | 47 |
| Human resources-related (e.g harassment, poor leadership), handled by Group or local Human Resources investigators | 28 | 34 |
| Other or incorrectly reported (e.g. customer or supplier complaints), sent to be handled by the relevant function | 25 | 37 |
| Total | 96 | 118 |

| Reporting channel (%) | 2020 | 2019 |
|--|------|------|
| Speak-Up Line portal | 70 | 63 |
| Sent to the Speak-Up Line e-mail address | 16 | 25 |
| Direct contact with ethics and compliance officers at Group or local level | 12 | 11 |
| Line managers | 2 | 1 |

| Internal investigation KPI (%) | Target | 2020 | 2019 |
|---|--------|------|------|
| Whistle-blowing cases closed within eight weeks | 80 | 69 | 71 |

References:

GRI 102-17 Mechanisms for advice and concerns about ethics

S21 MERGERS & ACQUISITIONS

Mergers and acquisitions (M&A) are guided by the M&A handbook, which describes the M&A process in majority transactions, both acquisitions and divestments. The handbook includes general guidance on ethics and compliance related topics.

Responsible exit from region Eurasia

Starting in 2015, Telia Company has divested its assets in former business area Eurasia. As part of a commitment of carrying out a responsible divestment, we have carried out extensive “know your counterpart” (KYC) due diligence, including database checks, using both in-house and external expertise. Areas covered include:

- Implementation of a Code of Conduct and Supplier Code of Conduct
- Implementation of an anti-corruption program, including anti-money laundering checks
- Whether the counterpart or its affiliates were subject to international sanctions
- Shareholding structure and Ultimate Beneficiary Owners (UBO)
- Politically Exposed Persons (PEP) and other political affiliations

In addition, 2015-2017, ahead of divestments, external expertise carried out human rights impact assessments (HRIAs) of our local operations in Eurasia. Mitigation activities were identified and addressed as far as possible. In some cases, the divestment included a human rights statement of intent from the buyer and handover of knowledge about human rights impacts, risks, and opportunities to the buyer.

In 2020, Moldcell in Moldova was divested, marking the end of the divestment process from business area Eurasia. In addition, a number of other significant divestments took place during the year, all leading to Telia Company now having reduced its geographic footprint to the Nordics and Baltics.

In addition, Telia Company divested its minority interest in Roshan in Afghanistan to the majority owner Aga Khan Fund for Economic Development (AKFED) for an undisclosed but insignificant amount. As AKFED was the majority owner in Roshan as well as the buyer of Telia Company's stake in Tcell in Tajikistan in 2017 where ex-

tensive KYC due diligence was carried out, AKFED did not undergo additional due diligence.

Significant divestments during the year

Moldcell in Moldova – signed and announced, and closed 2020

Telia Company divested its 100 percent holding in Moldcell in Moldova to CG Cell Technologies DAC. Prior to signing the agreement, Telia Company completed strict buyer due diligence, also including use of external expertise, as certain risks are considered elevated in the region. Telia Company worked with external human rights expertise to define recommendations as to pre-sale due diligence, at sale conditions and activities post-sale. The buyer has committed to a handover meeting for Telia Company to share information on e.g. its ethics and compliance policies and processes as well as findings and recommendations from the HRIA, to take place in 2021 (delayed because of COVID-19 travel restrictions).

Telia Carrier - Signed and announced 2020, to be closed 2021

Telia Company divested its 100 percent ownership in Telia Carrier to Swedish Polhem Infra. Standard KYC due diligence was carried out, as risks were considered low. As part of a handover meeting with Polhem Infra, the new owner was provided an extensive briefing on Telia Company's policy framework and ongoing work related to for example third party due diligence and human rights-related projects. As Telia Company plans to use Telia Carrier as a supplier, it will be subject to the same supplier due diligence as other suppliers going forward.

Turkcell - Signed and announced, and closed 2020

Telia Company's indirect ownership was sold to the state-owned Turkey Wealth Fund. Considering the complex ownership situation, this was the only potential buyer. Telia Company completed compliance and buyer due diligence by in-house expertise, primarily with focus on UBO and sanctions.

During its ownership, Telia Company continuously shared information with Turkcell on its work to respect and promote freedom of expression and surveillance privacy and promoted good governance through its seat in Turkcell's Board of Directors.

References:

GRI 412 Human rights assessment

BOARD OF DIRECTORS' AND PRESIDENT'S CERTIFICATION

The Board of Directors and the President and CEO certify that the consolidated financial statements have been prepared in accordance with IFRSs as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Board of Directors' Report for the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 10, 2021

Lars-Johan Jarnheimer
Chair of the Board

Ingrid Bonde
Vice-Chair of the Board

Agneta Ahlström
Board member,
employee representative

Stefan Carlsson
Board member,
employee representative

Rickard Gustafson
Board member

Hans Gustavsson
Board member,
employee representative

Jeanette Jäger
Board Member

Nina Linander
Board member

Jimmy Maymann
Board member

Anna Setzman
Board member

Olaf Swantee
Board member

Martin Tivéus
Board member

Allison Kirkby
President and CEO

Our auditors' report was rendered on March 10, 2021

Deloitte AB

Jan Nilsson
Authorized Public Accountant

AUDITORS' REPORT

To the general meeting of the shareholders of Telia Company AB (publ.)
corporate identity number 556103-4249

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Telia Company AB (publ.) for the financial year 2020-01-01 - 2020-12-31 except for the corporate governance statement on pages 90-107 and the statutory sustainability report on pages 48-79 and 226-242. The annual accounts and consolidated accounts of the company are included on pages 20-225 and 243 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 90-107 or the statutory sustainability report on pages 48-79 and 226-242. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statements of comprehensive income and statements of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit

Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

Risk description

There is an inherent risk around the accuracy of revenue recorded given the complexity of the systems generating the revenue, the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.) and new revenue streams.

Telia Company's revenues comprise several different revenue streams such as traffic charges, subscription fees, installation fees, services and equipment sales. Telia Company may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets and as such revenue recognition requires significant judgments and estimates on behalf of management as to when, and to which amount revenues are recognized.

As from 2020 Telia Company's service offerings and revenues also include full year revenues from the TV and Media segment. Revenues from TV and Media mainly constitute of advertising revenues for which the performance obligation is satisfied when the advertising is actually shown, published or displayed.

Whilst the telecom sector in which Telia Company mainly operates in, is a sector that has not been severely affected by the Covid-19 outbreak, many of the industries they serve and support have been negatively impacted, including impacts on some Telia Company revenue streams such as roaming, advertising revenue and subscription revenues. These circumstances can have an impact on the accounting for revenue and financial assets, in particular an increased risk for expected credit losses on revenues related to these services.

For further information, refer to notes C1 "Basis of preparation", C3 "Significant accounting policies", C6 "Net sales" and Not C18 "Trade and other current receivables and assets" of the consolidated accounts.

Audit procedures

Our audit procedures included, but were not limited to:

- assessing the application of the group's accounting policies with respect to delivery of services, products and advertising delivered and the accounting implications of new business models and revenue streams to verify that group accounting policies were appropriate for these models and were followed;
- evaluating the design and testing the implementation of relevant internal controls used for revenue recognition;
- with the support of our information technology specialists testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams;
- analytical and detailed substantive procedures on a sample basis for a selection of recognized revenue;
- audit of expected credit losses for financial assets including allowance for expected credit losses; and
- evaluating the adequacy of disclosures related to the various revenue streams and allowances for expected credit losses.

Carrying value of goodwill and other non-current assets**Risk description**

Telia Company's carrying values of goodwill and other non-current assets including film and program rights represent a significant part of Telia Company's total assets. Telia Company is required to test goodwill assets for impairment at least annually and all assets whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. The determination of recoverable amount, being the higher of fair value less costs of disposal and value in use, requires judgement on the part of management in both identifying and then valuing the relevant cash generating units ("CGU's"). Management normally determines recoverable amounts based on value in use. Calculations of value in use are based on management's view of variables such as sales growth, EBITDA margin development, weighted average cost of capital ("WACC"), CAPEX-to-sales ratio and terminal growth rate.

The long-term impact of Covid-19 remains uncertain, meaning that impact on future growth rates and discount factors are unknown and affects preparation of forecast cash flow estimates and WACCs used in the calculations of recoverable amounts.

For further information, refer to notes C2 "Judgments and key sources of estimation uncertainty" and C12 "Goodwill and other intangible assets" as well as C14 "Film and program rights" of the consolidated accounts.

Audit procedures

Our audit procedures included, but were not limited to:

- evaluating the appropriateness of management's identification of the Group's CGU's;
- with the support of our valuation specialists, benchmarking and challenging key assumptions in management's valuation models used to determine recoverable amount, including assumptions of sales growth, EBITDA margin

development, weighted average cost of capital, CAPEX-to-sales ratio and terminal growth rate;

- assess management's assessments of the impact of Covid-19 on estimated future cash-flows;
- comparing historical forecasting to actual results;
- testing of the mathematical accuracy of the cash flow models and challenged and agreed the key assumptions to the management approved long-term business plans;
- evaluating the adequacy of disclosures related to those assumptions and CGU's to which the outcome of the impairment tests are most sensitive; and
- evaluating the accounting principles for film and program rights related to acquisition value, timing of recognition in the balance sheet and amortization principles as well as assessing the need for impairment on individual film and program right assets.

Other information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for other information. The other information includes the Remuneration Report, and the pages 4-19, 48-79, 226-242 and 249-257 in this document but does not include the annual accounts and the consolidated accounts or our Auditors Report.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The

going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Telia Company AB (publ.) for the financial year 2020-01-01 - 2020-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance statement on pages 90-107 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 48-79 and 226-242. and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Deloitte AB, was appointed auditor of Telia Company AB by the general meeting of the shareholders on April 2, 2020 and has been the company's auditor since April 2, 2014.

Stockholm, March 10, 2021
Deloitte AB

Jan Nilsson
Authorized Public Accountant

AUDITOR'S LIMITED ASSURANCE REPORT

ON TELIA COMPANY AB'S (PUBL) SUSTAINABILITY REPORT

This is the translation of the auditor's report in Swedish.

To Telia Company AB (publ), corporate identity number 556103-4249

Introduction

We have been engaged by the Management of Telia Company AB (publ) to undertake a limited assurance engagement of the Telia Company's Sustainability Report for the year 2020. The Company has defined the scope of the Sustainability Report on page 48-79 and 226-242 in this report.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 227 in the Annual and Sustainability Report, and in the Telia Company Sustainability Reporting Framework 2020, available at www.teliacompany.com/sustainability/reporting, the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries,

primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Telia Company AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, March 10, 2021

Deloitte AB

Signatures on Swedish original

Jan Nilsson
Authorized Public Accountant

Lennart Nordqvist
Expert Member of FAR

FIVE-YEAR SUMMARY

| Telia Company group Financial data | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|----------------|----------------|----------------|----------------|----------------|
| Income statement (SEK in millions)^{1, 8} | | | | | |
| Net sales | 89,191 | 85,965 | 83,559 | 79,790 | 84,178 |
| Operating income | -17,747 | 12,293 | 13,238 | 13,768 | 21,090 |
| Adjusted EBITDA | 30,702 | 31,017 | 26,540 | 25,151 | 25,836 |
| EBITDA | 30,194 | 30,017 | 25,933 | 25,519 | 29,813 |
| Net income from continuing operations | -22,477 | 7,601 | 9,523 | 8,492 | 16,433 |
| Net income from discontinued operations | -279 | -341 | -6,399 | 1,751 | -9,937 |
| Total net income | -22,756 | 7,261 | 3,124 | 10,243 | 6,496 |
| Financial position (SEK in millions)^{2, 8} | | | | | |
| Non-current assets | 189,667 | 224,088 | 199,860 | 176,002 | 180,739 |
| Current assets | 37,014 | 39,984 | 47,681 | 69,365 | 74,071 |
| Total assets | 226,683 | 264,072 | 247,541 | 245,367 | 254,811 |
| Total equity | 63,954 | 92,455 | 102,438 | 106,517 | 96,059 |
| <i>of which attributable to owners of the parent</i> | <i>62,836</i> | <i>91,047</i> | <i>97,387</i> | <i>101,226</i> | <i>90,991</i> |
| Non-current liabilities | 122,627 | 121,330 | 106,250 | 106,946 | 101,920 |
| Current liabilities | 40,101 | 50,287 | 38,853 | 31,904 | 56,832 |
| Total equity and liabilities | 226,683 | 264,072 | 247,541 | 245,367 | 254,811 |
| Net debt, continuing and discontinued operations | 78,343 | 88,052 | 55,363 | 33,823 | 50,756 |
| Cash flows (SEK in millions)³ | | | | | |
| Cash flow from operating activities | 28,824 | 27,594 | 26,696 | 23,204 | 25,970 |
| Cash flow from investing activities | -3,466 | -30,543 | -14,041 | -9,750 | -7,428 |
| Cash flow from financing activities | -23,098 | -14,712 | -12,446 | -13,905 | -22,491 |
| Cash flow for the year | 2,259 | -17,661 | 209 | -451 | -3,949 |
| Free cash flow | 15,114 | 12,369 | 11,902 | 7,164 | 7,267 |
| <i>of which from discontinued operations</i> | <i>17</i> | <i>-2,047</i> | <i>347</i> | <i>-4,640</i> | <i>116</i> |
| Investments (SEK in millions)⁴ | | | | | |
| CAPEX | 18,355 | 16,076 | 16,361 | 15,307 | 15,625 |
| Acquisitions and other investments | 641 | 13,140 | 30,186 | 4,973 | 483 |
| Total investments | 18,996 | 29,214 | 46,547 | 22,066 | 16,108 |
| Key ratios^{5, 8} | | | | | |
| Return on equity (%) | neg. | 8.4 | 3.6 | 11.2 | 4.5 |
| Return on capital employed (%) | neg. | 6.6 | 4.8 | 9.2 | 7.7 |
| Equity/assets ratio (%) | 24.6 | 31.3 | 37.3 | 39.4 | 34.0 |
| Net debt/EBITDA rate excluding adjustment items | 2.55 | 2.82 | 2.08 | 1.15 | 1.69 |
| Owners' equity per share (SEK) | 15.4 | 22.1 | 23.0 | 23.4 | 20.8 |
| Share data | | | | | |
| Number of outstanding shares (millions) | | | | | |
| – at the end of the period | 4,089.6 | 4,112.7 | 4,230.8 | 4,330.1 | 4,330.1 |
| – average, basic and diluted | 4,090.4 | 4,172.4 | 4,292.7 | 4,330.1 | 4,330.1 |
| Basic and diluted total earnings per share (SEK) ⁵ | -5.60 | 1.70 | 0.75 | 2.22 | 0.86 |
| Cash dividend per share (SEK) ⁶ | 2.00 | 2.45 | 2.36 | 2.30 | 2.00 |
| Total cash dividend (SEK in millions) ⁶ | 8,179 | 10,020 | 9,985 | 9,959 | 8,660 |
| Pay-out ratio (%) ⁷ | 66 | 78 | 85 | 81 | 115 |

1) Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015, and is therefore presented in one line in the income statement 2020-2016. The above presented income statement line items for 2020-2016 refer to continuing operations if not otherwise stated.
 2) Assets and liabilities in former segment region Eurasia are presented separately in two line items in the consolidated statement of financial position as of December 31, 2019, 2018, 2017 and 2016. The Sergel companies (Sergel) was classified as assets held for sale starting June 30, 2016. Telia Carrier was classified as assets held for sale starting September 30, 2020. In the above presented balance sheet line items assets classified as held for sale and liabilities directly associated with assets classified as held for sale are included in current assets and current liabilities.
 3) Cash flow information is presented including discontinued operations.
 4) 2020-2016 including continuing operations only.
 5) Key ratios are based on the total Telia Company group including both continuing and discontinued operations for 2020-2016.
 6) For 2020 as proposed by the Board of Directors. For 2019 including dividend decided on an extra annual general meeting on December 2, 2020.
 7) Note that the dividend policy was changed during 2017.
 8) Only 2018 has been restated for changes in accounting principles for film and program rights during 2019.

| Telia Company group | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| Operational data | 2020 | 2019 | 2018 | 2017 | 2016 |
| Mobile services | | | | | |
| Total subscriptions (thousands) | 16,968 | 16,741 | 16,804 | 16,734 | 16,695 |
| <i>of which Sweden</i> | | | | | |
| Mobile telephony, total subscriptions (thousands) | 6,246 | 6,132 | 6,095 | 6,118 | 6,207 |
| Mobile telephony, blended churn (%) | 17 | 18 | 19 | 19 | 17 |
| Mobile telephony, ARPU (SEK) ⁴ | 215 | 214 | 213 | 213 | 209 |
| <i>of which Finland</i> | | | | | |
| Mobile telephony, subscriptions (thousands) ³ | 3,165 | 3,184 | 3,278 | 3,278 | 3,253 |
| Mobile telephony, blended churn (%) | 22 | 24 | 24 | 26 | 23 |
| Mobile telephony, ARPU (EUR) ⁴ | 19 | 18 | 18 | 18 | 17 |
| <i>of which Norway</i> | | | | | |
| Mobile telephony, subscriptions (thousands) | 2,247 | 2,276 | 2,324 | 2,345 | 2,211 |
| Mobile telephony, blended churn (%) | 24 | 27 | 31 | 32 | 33 |
| Mobile telephony, ARPU (NOK) ⁴ | 253 | 253 | 251 | 256 | 252 |
| <i>of which other countries</i> | | | | | |
| Mobile telephony, subscriptions, Denmark (thousands) | 1,494 | 1,435 | 1,451 | 1,479 | 1,606 |
| Mobile telephony, subscriptions, Lithuania (thousands) | 1,398 | 1,347 | 1,389 | 1,352 | 1,318 |
| Mobile telephony, subscriptions, Latvia (thousands) | 1,307 | 1,299 | 1,281 | 1,237 | 1,200 |
| Mobile telephony, subscriptions, Estonia (thousands) | 1,112 | 1,068 | 986 | 925 | 901 |
| Fixed services | | | | | |
| Broadband, total subscriptions (thousands) | 2,900 | 2,925 | 2,916 | 2,512 | 2,559 |
| <i>of which</i> | | | | | |
| Broadband, subscriptions, Sweden (thousands) | 1,242 | 1,263 | 1,287 | 1,286 | 1,299 |
| Broadband, subscriptions, Finland (thousands) | 462 | 473 | 457 | 464 | 497 |
| Broadband, subscriptions, Norway (thousands) | 469 | 445 | 417 | - | - |
| Broadband, subscriptions, Denmark (thousands) | 68 | 81 | 104 | 114 | 128 |
| Broadband, subscriptions, Lithuania (thousands) | 417 | 419 | 409 | 410 | 402 |
| Broadband, subscriptions, Estonia (thousands) | 242 | 244 | 242 | 238 | 233 |
| Fixed telephony, total subscriptions (thousands) ¹ | 1,247 | 1,503 | 1,855 | 2,182 | 2,565 |
| <i>of which</i> | | | | | |
| Fixed telephony, subscriptions, Sweden (thousands) | 665 | 853 | 1,102 | 1,381 | 1,675 |
| Fixed telephony, subscriptions, Finland (thousands) | 20 | 23 | 38 | 50 | 65 |
| Fixed telephony, subscriptions, Norway (thousands) | 40 | 49 | 59 | 11 | - |
| Fixed telephony, subscriptions, Denmark (thousands) | 66 | 72 | 78 | 90 | 101 |
| Fixed telephony, subscriptions, Lithuania (thousands) | 230 | 261 | 315 | 371 | 417 |
| Fixed telephony, subscriptions, Estonia (thousands) | 226 | 245 | 263 | 279 | 307 |
| TV, total subscriptions (thousands) | 3,235 | 3,071 | 2,400 | 1,778 | 1,688 |
| <i>of which</i> | | | | | |
| TV, subscriptions, Sweden (thousands) | 929 | 861 | 865 | 797 | 765 |
| TV, subscriptions, Finland (thousands) | 558 | 600 | 553 | 508 | 489 |
| TV, subscriptions, Norway (thousands) | 469 | 480 | 504 | - | - |
| TV, subscriptions, Denmark (thousands) | 29 | 21 | 24 | 31 | 28 |
| TV, subscriptions, Lithuania (thousands) | 253 | 244 | 242 | 242 | 229 |
| TV, subscriptions, Estonia (thousands) | 208 | 212 | 212 | 200 | 177 |
| TV, subscriptions, TV and Media (thousands) | 789 | 653 | - | - | - |
| Human Resources² | | | | | |
| Number of employees as of December 31 | 20,741 | 21,232 | 20,836 | 25,021 | 26,017 |
| Average number of full-time employees during the year | 20,505 | 20,215 | 23,814 | 24,468 | 24,898 |
| <i>of whom, in Sweden</i> | 7,654 | 7,337 | 7,525 | 7,955 | 8,109 |
| <i>of whom, in Finland</i> | 4,144 | 3,890 | 3,899 | 3,463 | 3,276 |
| <i>of whom, in other countries</i> | 8,707 | 8,988 | 12,390 | 13,050 | 13,513 |
| <i>of whom, women</i> | 7,607 | 7,581 | 9,461 | 9,990 | 10,227 |
| <i>of whom, men</i> | 12,898 | 12,634 | 14,353 | 14,478 | 14,670 |
| Salaries and remuneration (SEK in millions) | 12,077 | 11,034 | 9,918 | 9,661 | 9,534 |
| Employer's social security contributions (SEK in millions) | 2,291 | 2,080 | 2,134 | 2,144 | 2,056 |
| Salaries and employer's social security contributions as a percentage of operating costs | 16.5 | 17.3 | 14.5 | 15.5 | 13.2 |
| Net sales per employee (SEK in thousands) | 4,354 | 4,282 | 3,790 | 3,722 | 3,929 |
| Operating income per employee (SEK in thousands) | neg. | 594 | 323 | 907 | 518 |
| Net income per employee (SEK in thousands) | neg. | 359 | 131 | 419 | 261 |

1) Fixed telephony subscriptions include PSTN and VoIP.

2) HR data is based on the total Telia Company group including both continuing and discontinued operations.

3) As a result of a review in the first quarter of 2018, an additional number of machine-to-machine subscriptions in Finland have started to be included in the reporting. Only 2017 subscription base has been restated.

4) Revenues from invoicing fees have been restated for 2018 and 2019 affecting Mobile ARPU.

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures

In addition to financial performance measures prepared in accordance with IFRS, Telia Company presents non-IFRS financial performance measures, for example EBITDA, Adjusted EBITDA, Adjusted operating income, continuing operations, CAPEX, Cash CAPEX, Free cash flow, Operational free cash flow, Net debt, Net debt/Adjusted EBITDA ratio and Adjusted EBITDA margin. These alternative measures are considered to be important performance indicators for investors and other users of the Annual report. The alternative performance measures should be considered as

a complement to, but not a substitute for, the information prepared in accordance with IFRS. Telia Company's definitions of these non-IFRS measures are described here and in the Definitions. These terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

Service revenues

Starting 2021 Service revenues, in constant currency and excluding Telia Carrier is part of Telia Company's Outlook, see Outlook for 2021 in Director's report.

Continuing operations

| MSEK | Jan-dec 2020 |
|---|---------------|
| Total net sales | 89,191 |
| Excluded: equipment revenues | -11,848 |
| Total service revenues | 77,342 |
| Excluded: Telia Carrier external service revenues | -4,352 |
| Service revenues excluding Telia Carrier | 72,991 |

EBITDA and Adjusted EBITDA

Telia Company considers EBITDA as a relevant measure for investors to be able to understand profit generation before investments in tangible, intangible and right-of-use assets. To assist the understanding of Telia Company's underlying

financial performance we believe it is also useful to analyze Adjusted EBITDA. Adjustment items within EBITDA are specified in Board of Director's Report, section "Adjustment items". Starting 2021 Adjusted EBITDA, in constant currency and excluding Telia Carrier is part of Telia Company's Outlook, see Outlook for 2021 in Director's report.

Continuing operations

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|---|----------------|---------------|
| Operating income | -17,747 | 12,293 |
| Income from associated companies and joint ventures | 20,080 | -1,138 |
| Total depreciation/amortization/write-down | 27,861 | 18,863 |
| EBITDA | 30,194 | 30,017 |
| Adjustment items within EBITDA | 508 | 1,000 |
| Adjusted EBITDA | 30,702 | 31,017 |
| Excluded: Telia Carrier adjusted EBITDA | -909 | |
| Adjusted EBITDA excluding Telia Carrier | 29,792 | |

Discontinued operations

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|--|--------------|--------------|
| Operating income | 16 | -1 |
| Income from associated companies and joint ventures | - | 0 |
| Total depreciation/amortization/write-down | - | -3 |
| Capital gain/loss on disposal | -193 | 0 |
| Loss from net changes in provisions for transaction warranties | -80 | - |
| EBITDA | -257 | -4 |
| Adjustment items within EBITDA | 287 | 161 |
| Adjusted EBITDA | 30 | 157 |

Adjusted operating income, continuing operations

Telia Company considers Adjusted operating income, continuing operations as a relevant measure to be able to understand the underlying financial performance of Telia Company. Adjustment items within operating income, continuing operations are specified in Board of Director's Report, section "Adjustment items."

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|---|----------------|---------------|
| Operating income | -17,747 | 12,293 |
| Adjustment items within operating income | 29,307 | 1,159 |
| Adjusted operating income, continuing operations | 11,560 | 13,452 |

CAPEX and Cash CAPEX

Telia Company considers CAPEX and Cash CAPEX measures below as relevant measures to understand the group's investments in intangible, tangible and right-of-use assets (excluding goodwill, assets acquired in business combinations and asset retirement obligations). Starting 2021

Cash CAPEX, excluding Telia Carrier and fees for license, spectrum and right-of-use assets, is part of Telia Company's Outlook and Cash CAPEX to net sales, excluding Telia Carrier and fees for license, spectrum and right-of-use assets, is part of Telia Company's Ambition 2021-2023, see Ambition for 2021-2023 in Director's report.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|--|---------------|---------------|
| Continuing operations | | |
| Investments in intangible assets | 2,911 | 3,124 |
| Investments in property, plant and equipment | 10,871 | 11,231 |
| CAPEX excluding right-of-use assets | 13,782 | 14,355 |
| Investments in right-of-use assets | 4,573 | 1,721 |
| CAPEX | 18,355 | 16,076 |
| Excluded: Right-of-use assets | -4,573 | -1,721 |
| Net of not paid investments and additional payments from previous periods ¹ | -77 | 805 |
| Cash CAPEX | 13,705 | 15,160 |
| CAPEX | 18,355 | 16,076 |
| Excluded: Investments in license and spectrum fees | -142 | -242 |
| CAPEX excluding license and spectrum fees | 18,213 | 15,834 |
| Excluded: Investments in right-of-use assets | -4,573 | -1,721 |
| CAPEX excluding fees for license, spectrum and right-of-use assets | 13,640 | 14,113 |

1) Full year 2019 relates mainly to spectrums in Sweden, which were acquired in 2018 and paid in beginning of 2019.

| MSEK | Jan–dec 2020 |
|--|---------------|
| Continuing operations | |
| Cash CAPEX | 13,705 |
| Excluded: Cash CAPEX for licenses and spectrum fees from continuing operations | -172 |
| Excluded: Telia Carrier Cash CAPEX | -493 |
| Cash CAPEX excluding fees for license, spectrum and right-of-use assets | 13,038 |
| Net sales | 89,191 |
| Excluded: Telia Carrier external net sales | -4,352 |
| Net sales excluding Telia Carrier | 84,839 |
| Cash CAPEX to net sales, excluding Telia Carrier and fees for license, spectrum and right-of-use assets | 15.4 |

Free cash flow

Telia Company considers free cash flow as a relevant measure to be able to understand the group's cash flow from operating activities and after CAPEX.

| SEK in millions | Jan–Dec 2020 | Jan–Dec 2019 |
|---|---------------|---------------|
| Cash flow from operating activities | 28,824 | 27,594 |
| Cash CAPEX (paid Intangible and tangible assets) | -13,710 | -15,224 |
| Free cash flow, continuing and discontinued operations | 15,114 | 12,369 |

Operational free cash flow

Telia Company considers Operational free cash flow as a relevant measure to be able to understand the cash flows that Telia Company is in control of. From the reported free cash flow from continuing operations dividends from associated companies are deducted as these are dependent on the approval of boards and the annual general meetings of the associated companies. Licenses and spectrum payments are excluded as they generally refer to a longer period than

just one year. Operational free cash flow in continuing operations represented earlier Telia Company's outlook and Telia Company intended to distribute a minimum of 80 percent of operational free cash flow including dividends from associated companies, net of taxes. Starting 2021 the dividend policy is updated, see Dividend policy in Director's report. Telia Company consider the structural part of Operational free cash flow to be Operational free cash flow less contribution from change in working capital.

| SEK in millions | Jan–Dec 2020 | Jan–Dec 2019 |
|--|---------------|---------------|
| Cash flow from operating activities from continuing operations | 28,802 | 29,576 |
| Cash CAPEX from continuing operations | -13,705 | -15,160 |
| Free cash flow, continuing operations | 15,097 | 14,415 |
| Excluded: Cash CAPEX for licenses and spectrum fees from continuing operations | 172 | 1,161 |
| Excluded: Dividends from associates from continuing operations | -218 | -365 |
| Excluded: Taxes paid on dividends from associates from continuing operations | – | 10 |
| Repayments of lease liabilities | -2,955 | -2,651 |
| Operational free cash flow | 12,095 | 12,571 |
| Dividends from associated companies, net of taxes | 218 | 355 |
| Operational free cash flow that forms the basis for dividend | 12,314 | 12,926 |

Net debt

Telia Company considers Net debt to be an important measure to be able to understand the group's indebtedness. Net debt presented below is based on the total Telia Company group for both continuing and discontinued operations.

| SEK in millions | Dec 31, 2020 ² | Dec 31, 2019 ² |
|--|---------------------------|---------------------------|
| Long-term borrowings | 100,655 | 99,980 |
| <i>of which lease liabilities, non-current</i> | 12,600 | 12,127 |
| Less 50 percent of hybrid capital ¹ | -10,267 | -7,947 |
| Short-term borrowings | 8,620 | 19,823 |
| <i>of which lease liabilities, current</i> | 2,946 | 3,012 |
| Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA) | -4,205 | -3,717 |
| Less long-term bonds at fair value through OCI | -5,297 | -5,450 |
| Less short-term investments | -2,832 | -8,426 |
| Less cash and cash equivalents | -8,332 | -6,210 |
| Net debt, continuing and discontinued operations | 78,343 | 88,052 |

1) 50 percent of hybrid capital is treated as equity, consistent with market practice for the type of instrument, and reduces net debt. 2) Net debt is based on the total Telia Company group including net debt related to discontinued operations and assets held for sale.

Derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA) are part of the balance sheet line items Long-term interest-bearing receivables and Short-term interest-bearing receivables. Hybrid capital is part of

the balance sheet line item Long-term borrowings. Long-term bonds at fair value through OCI are part of the balance sheet line item Long-term interest-bearing receivables. Short-term investments are part of the balance sheet line item Short-term interest-bearing receivables.

Net debt/Adjusted EBITDA ratio (multiple, rolling 12 months)

Telia Company considers net debt in relation to adjusted EBITDA as a relevant measure to be able to understand the group's financial position.

| SEK in millions, except for multiple | Jan-Dec 2020 | Jan-Dec 2019 |
|--|---------------|---------------|
| Net debt | 78,343 | 88,052 |
| Adjusted EBITDA continuing operations | 30,702 | 31,017 |
| Adjusted EBITDA discontinued operations | 30 | 157 |
| Less disposed operations | -30 | - |
| Adjusted EBITDA rolling 12 months excluding disposed operations | 30,702 | 31,174 |
| Net debt/adjusted EBITDA ratio (multiple) | 2.55x | 2.82x |

Adjusted EBITDA margin

Telia Company considers Adjusted EBITDA in relation to net sales as a relevant measure to be able to understand the group's profit generation and to be used as a comparative benchmark.

| SEK in millions | Jan-Dec 2020 | Jan-Dec 2019 |
|--|--------------|--------------|
| Net sales | 89,191 | 85,965 |
| Adjusted EBITDA | 30,702 | 31,017 |
| Adjusted EBITDA margin (%), continuing operations | 34.4 | 36.1 |

DEFINITIONS

CONCEPTS AND KEY RATIOS

Acquisitions and other investments

Investments in goodwill, intangible and tangible non-current assets acquired in business combinations, shares and participations, and asset retirement obligations.

Adjusted EBITDA

EBITDA adjusted for adjustment items within EBITDA.

Adjusted EBITDA margin

Adjusted EBITDA as a percentage to net sales.

Adjusted equity

Reported equity attributable to owners of the parent less the (proposed) dividend. For the parent company also including untaxed reserves net of tax.

Adjusted operating income

Operating income adjusted for adjustment items within operating income.

Adjustment items

Adjustment items comprise of capital gains and losses, impairment losses, restructuring programs (costs for phasing out operations and personnel redundancy costs) or other costs with the character of not being part of normal daily operations.

Advertising revenues

External net sales related to linear and digital/AVoD media, sponsorships and other types of advertising.

ARPU

Average monthly revenue per user.

Blended churn

The number of lost subscriptions (postpaid and prepaid) expressed as a percentage of the average number of subscriptions (postpaid and prepaid).

Broadband revenues

External net sales related to fixed broadband services.

Business solutions

External net sales related to fixed business networking and communication solutions.

CAPEX

An abbreviation of "Capital Expenditure". Investments in intangible and tangible non-current assets and right-of-use assets, but excluding goodwill, intangible and tangible non-current assets and right-of-use assets acquired in business combinations, film and program rights and asset retirement obligations.

CAPEX excluding license and spectrum fees

CAPEX deducted by license and spectrum fees.

CAPEX excluding right-of-use assets

CAPEX excluding right-of-use assets.

Capital employed

Total assets less non-interest-bearing liabilities and non-interest-bearing provisions, and (proposed) dividend.

Cash CAPEX

CAPEX with addition/deduction of net of paid investments and additional payments from previous periods.

Earnings and equity per share

Earnings per share are based on the weighted average number of shares before and after dilution with potential ordinary shares, while equity per share is based on the number of shares at the end of the period. Earnings equal net income attributable to owners of the parent and equity is equity attributable to owners of the parent.

EBITDA

An abbreviation of "Earnings before Interest, Tax, Depreciation and Amortization." Equals operating income before depreciation, amortization and impairment losses and before income from associated companies and joint ventures but including amortization and impairment of film and program rights

EBITDA margin

EBITDA expressed as a percentage of net sales.

Equity/assets ratio

Adjusted equity and equity attributable to non-controlling interests expressed as a percentage of total assets.

Free cash flow

The total of cash flow from operating activities and cash CAPEX.

Interconnect revenues

External net sales related to mobile termination.

Internal net sales

Group internal net sales.

Like for like (%)

Like for like (%): The change in net sales, external service revenues and adjusted EBITDA, excluding exchange rate effects and based on the current group structure, i.e. including the impact of any acquired companies and excluding the impact of any disposed companies, both in the current and in the comparable period.

Mobile subscription revenues

External net sales related to voice, messaging, data and content (including machine-to-machine related services).

Net debt

Interest-bearing liabilities less derivatives recognized as financial assets (and hedging long-term and short-term borrowings) and related credit support annex (CSA), less 50 percent of hybrid capital (which, consistent with market practice for the type of instrument, is treated as equity), less short-term investments, long-term bonds at fair value through OCI and cash/cash equivalents.

Net debt/adjusted EBITDA ratio (multiple)

Net debt divided by adjusted EBITDA rolling 12 months and excluding disposed operations.

Operating capital

Non-interest-bearing assets less non-interest-bearing liabilities, including (proposed) dividend, and non-interest-bearing provisions.

Operational free cash flow

Free cash flow from continuing operations excluding cash CAPEX for licenses and spectrum fees, dividends from associated companies net of taxes and including repayment of lease liabilities.

Other fixed service revenues

External net sales of fixed services including fiber installation, wholesale and other infrastructure services.

Other mobile service revenues

External net sales related to visitors' roaming, wholesale and other services.

Pay-out ratio

Proposed dividend divided by operational free cash including dividends from associated companies, net of taxes.

Return on capital employed

Operating income, including impairments and gains/losses on disposals, plus financial revenues excluding foreign exchange gains expressed as a percentage of average capital employed.

Return on equity

Net income attributable to owners of the parent expressed as a percentage of average adjusted equity.

Segment assets and liabilities (Segment operating capital)

As Operating capital, but assets and liabilities excluding items related to foreign currency derivatives and accrued interest as well as to deferred and current tax, respectively, and liabilities excluding (proposed) dividend.

Telephony revenues

External net sales related to fixed telephony services.

Total equipment revenues

External equipment net sales.

Total service revenues

External net sales excluding equipment sales.

TV revenues

External net sales related to TV services.

Total shareholder return

Share price development during the year and dividend, in relation to shareprice at the beginning of the year expressed as a percentage.

NOTATION CONVENTIONS

In conformity with international standards, this report applies the following currency notations:

| | | | |
|-----|----------------|-----|-----------------|
| SEK | Swedish krona | JPY | Japanese yen |
| DKK | Danish krone | NOK | Norwegian krone |
| EUR | European euro | TRY | Turkish lira |
| GBP | Pound sterling | USD | US dollar |

ANNUAL GENERAL MEETING 2021

Telia Company's Annual General Meeting will be held on Monday, April 12, 2021. The complete notification was published on Telia Company's website, www.teliacompany.com beginning of March 2021.

In order to reduce the spread of COVID-19, the Annual General Meeting will, in accordance with temporary legislation, be held by postal voting only. No meeting with the possibility to attend in person or to be represented by a proxy will take place.

Telia Company welcomes all shareholders to exercise their voting rights at the Annual General Meeting through postal voting. Information on the resolutions passed at the Annual General Meeting will be published on Monday, April 12, 2021, as soon as the result of the postal voting has been finally confirmed.

RIGHT TO ATTEND

Those wishing to participate in the Annual General Meeting, through postal voting, must be entered as shareholders in the share register kept by the Swedish central securities depository Euroclear Sweden AB on Wednesday, March 31, 2021, and notify its intention to participate by casting its postal vote in accordance with the instructions below, so that the postal voting form is received by Euroclear Sweden AB no later than on Friday, April 9, 2021.

SHAREHOLDING IN THE NAME OF A NOMINEE

To be entitled to participate in the Annual General Meeting, shareholders, whose shares are registered in the name of a nominee (including Finnish shareholders that are registered within the Finnish book-entry system at Euroclear Finland Oy) must re-register such shares in its own name so that the shareholder is entered into the share register as of the record date Wednesday, March 31, 2021. Such re-registration (so-called voting rights registration) may be temporary, and request for such voting rights registration shall be made to the nominee, in accordance with the nominee's routines, at such time in advance as decided by the nominee. Voting rights registration that has been requested by shareholders at such time that the registration has been completed by the nominee no later than Tuesday, April 6, 2021, will be taken into account in the preparation of the share register.

POSTAL VOTING

Shareholders may exercise their voting rights at the Annual General Meeting only by voting in advance, so-called postal voting, in accordance with Section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations.

A special form shall be used for postal voting. The form is available on Telia Company's website www.teliacompany.com. The postal voting form is considered as the notification of participation in the Annual General Meeting.

The completed and signed voting form must be received by Euroclear Sweden AB (administering the forms on behalf of Telia Company) no later than on Friday, April 9, 2021. The form may be submitted by e-mail to generalmeetingservices@euroclear.com or by post to Telia Company AB, "AGM 2021", c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden. Shareholders who are natural persons may also cast their postal votes electronically through BankID verification via Euroclear Sweden AB's website, <https://anmalan.vpc.se/euroclearproxy>.

Shareholders may not provide special instructions or conditions in the voting form. If so, the vote (i.e. the postal vote in its entirety) is invalid. Further instructions and conditions are included in the form for postal voting.

If the shareholder is a legal entity, a certificate of incorporation or a corresponding document shall be enclosed to the form. If a shareholder votes in postal by proxy, a power of attorney shall be enclosed to the form. Proxy forms are available at the Company's website www.teliacompany.com.

DECISIONS TO BE MADE BY THE ANNUAL GENERAL MEETING

The Annual General Meeting determines, among other matters, the appropriation of the Company's profits and whether to discharge the Board of Directors and CEO from liability. The Annual General Meeting also appoints the Board of Directors and makes decisions regarding remuneration to the Board. The Board of Directors proposes that a dividend of SEK 2.00 per share is distributed to the shareholders in two equal tranches of SEK 1.00 per share and that Wednesday, April 14, 2021, and Thursday, October 28, 2021, respectively, are set as the record dates for the dividend. If the Annual General Meeting adopts this proposal, it is estimated that disbursements from Euroclear Sweden AB will take place on Monday, April 19, 2021, and Tuesday, November 2, 2021, respectively.

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Photo of the Board of Directors and Group Executive Management: Telia Company

