

BRINGING THE WORLD CLOSER

ANNUAL AND SUSTAINABILITY
REPORT 2019



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The audited annual and consolidated accounts comprise pages 16-210 and 226. The corporate governance statement examined by the auditors comprises pages 70-85.

The sustainability information (which also constitutes the statutory sustainability report) reviewed by the auditors comprises pages 41-61 and 211-225.



OUR VALUES

DARE CARE SIMPLIFY



Telia Company AB (publ)

Mailing address: 169 94 Solna, Sweden

Visiting address: Stjärntorget 1, Solna

Corporate Reg. No.: 556103-4249 Registered office: Stockholm

Telephone: +46 (0)8 504 550 00 www.teliacompany.com

Production: Telia Company AB in cooperation with Narva

Photo of the Board of Directors and Group Executive Management: Telia Company

OUR COMPANY

Telia Company in one minute

TELIA COMPANY IN ONE MINUTE

WHAT WE DO

We connect businesses, individuals, families and communities via fixed and mobile communication solutions. Our services have a positive effect on social, economic and environmental development and pave the way for an inclusive society. People can stay in touch even when the geographical distance is far. We work with an ecosystem of new start-ups and major service providers. Together we provide the infrastructure for creativity, growth and change.

WHO WE ARE

We are Telia Company, the new generation telco. We provide communication services helping millions of people to be connected and communicate, do business and be entertained.

20,800

Employees

86.0

SEK billion in net sales

WE PROVIDE



MOBILE VOICE
AND DATA



IP CAPACITY



FIXED VOICE
AND DATA



ICT SERVICES



TV AND
MEDIA



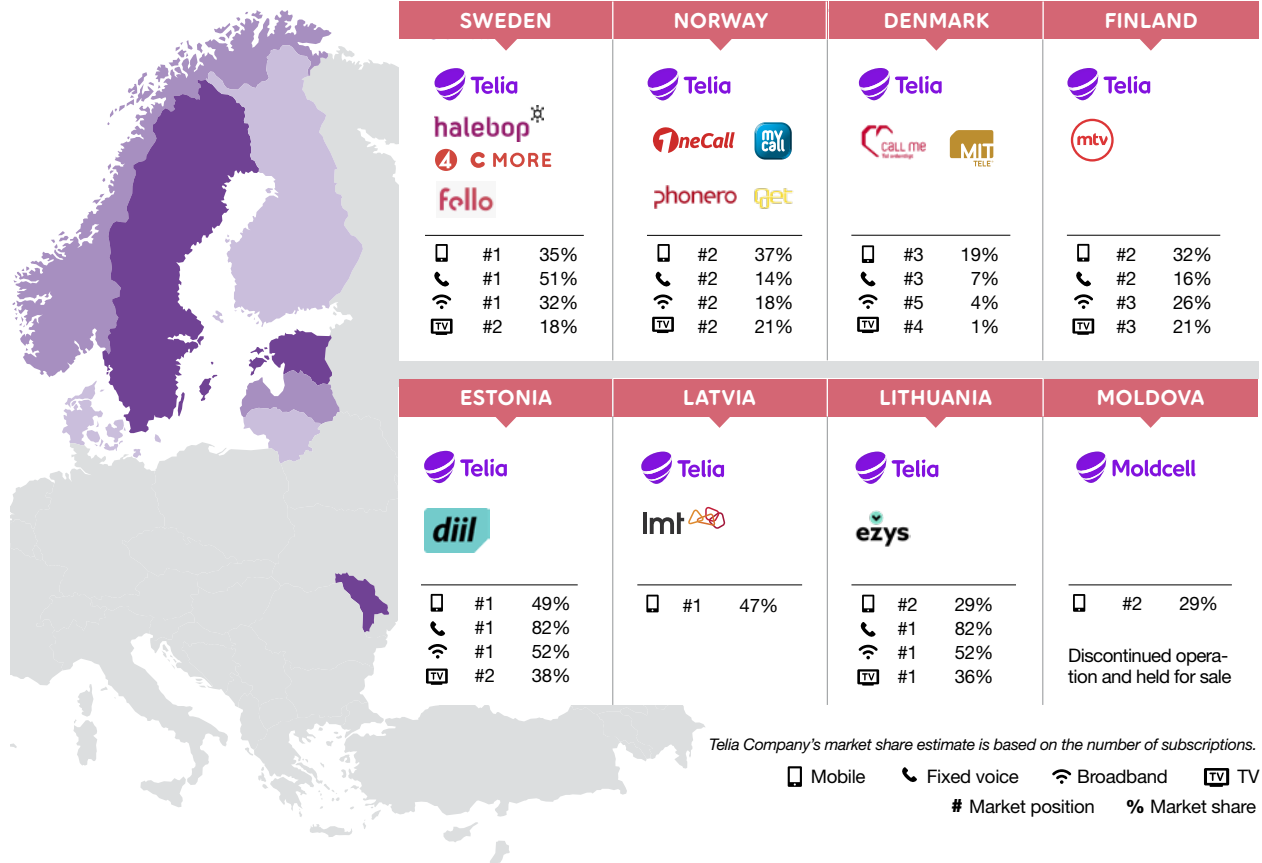
DEVICES



FINANCING

WHERE WE OPERATE

We stand firmly in the Nordics and Baltics and our fiber backbone stretches around the globe. All our mobile operations in Eurasia are divested, except for Moldcell in Moldova for which an agreement to divest was signed in February 2020.



Ownership – Subsidiaries

Country	Main trademarks	Ownership ¹ , %	Consolidated share, %
Sweden	Telia, halebop, Fello, TV4, C More	100	100
Finland	Telia, MTV	100	100
Norway	Telia, MyCall, OneCall, Phonero, get	100	100
Denmark	Telia, Call me, Mit tele	100	100
Estonia	Telia, Diil	100	100
Latvia	Telia, Lmt	60.3 ²	60.3 ²
Lithuania	Telia, Ezys	88.2	88.2
Moldova	Moldcell	100	100

Ownership – Associated companies

Country	Main trademarks	Ownership ¹ , %	Consolidated share, %
Latvia	Tet	49.0	49.0
Turkey	Turkcell	24.0	24.2

1) Ownership is defined as direct and indirect ownership, i.e. effective ownership.
 2) Telia Company directly owns 49 percent of LMT and controls the company through shareholder agreements. In addition, Telia Company indirectly holds an 11.3 percent share of the company.

THE #1 GLOBAL INTERNET BACKBONE

Across 65,000 km of optical fiber, Telia Carrier's global network footprint connects more than 300 points of presence in 35 countries.

2019 IN BRIEF

OUR DARING GOALS – ZERO CO₂ & ZERO WASTE BY 2030

With the ambition of becoming the greenest telco on the planet, two daring environmental goals were launched. We aim for zero CO₂ emissions in the value chain, and a circular approach to zero waste in our own operations. Read more about our daring goals in Sustainability.



SUSTAINABILITY

- ➔ In October 2019, a green bond framework was released. The framework supports Telia Company’s ambition to be considered a leader in sustainable financial management and is an important part of realizing the daring environmental goals by supporting investments in energy efficiency and green digital solutions.
- ➔ Telia Company maintained its strong ESG profile, confirmed by several external rating agencies.
 - AAA rating in MSCI ESG
 - Inclusion in FTSE4Good
 - “Gold supplier” in EcoVadis

OPERATIONAL FREE CASH FLOW

Outlook: Operational free cash flow is expected to grow to between SEK 12.0 and 12.5 billion from the 2018 level (SEK 10.8 billion).

Outcome (SEK billion):

12.6

CONTINUING OPERATIONS

SERVICE REVENUES

73,455

SEK million (69,553)

ADJUSTED EBITDA

31,017

SEK million (26,540)

NET INCOME

7,601

SEK million (9,523)

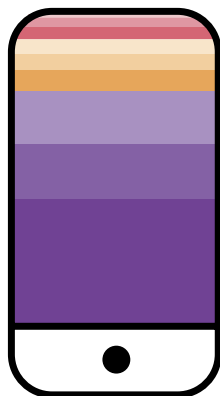
DIVIDEND

2.45

Proposed dividend per share, SEK (2.36)

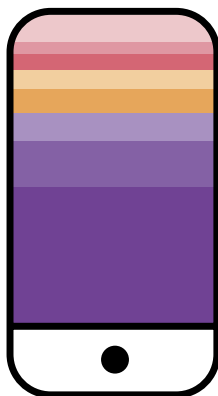
NET SALES

Per country



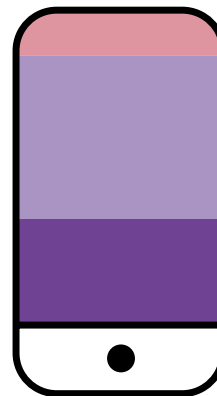
Sweden, 41%	Lithuania, 5%
Finland, 18%	Estonia, 4%
Norway, 17%	Latvia, 3%
Denmark, 6%	TV and Media, 1%
Telia Carrier, 5%	

Per service



Mobile, 44%	TV, 6%
Equipment, 15%	Telia Carrier, 5%
Fixed broadband, 9%	Fixed telephony, 4%
Business solutions, 8%	Other, 9%

Per segment



B2B, 33%
B2C, 53%
Wholesale and Other, 14%

OPERATIONAL DATA



16.7

Mobile subscriptions, million



2.4

M2M subscriptions, million



1.5

Fixed voice subscriptions, million



2.9

Fixed broadband subscriptions, million

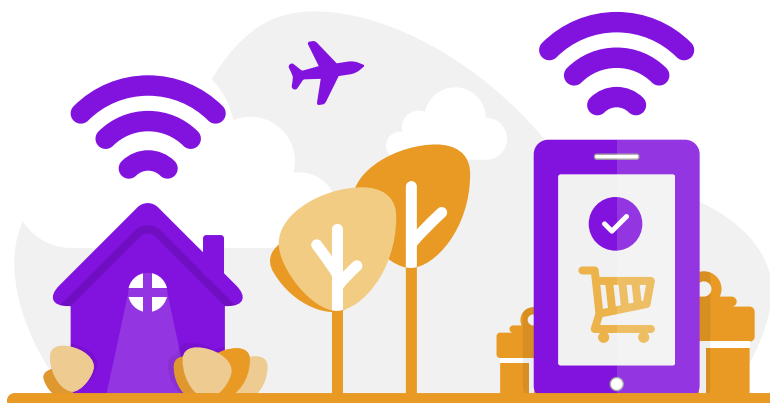


3.1

TV subscriptions, million

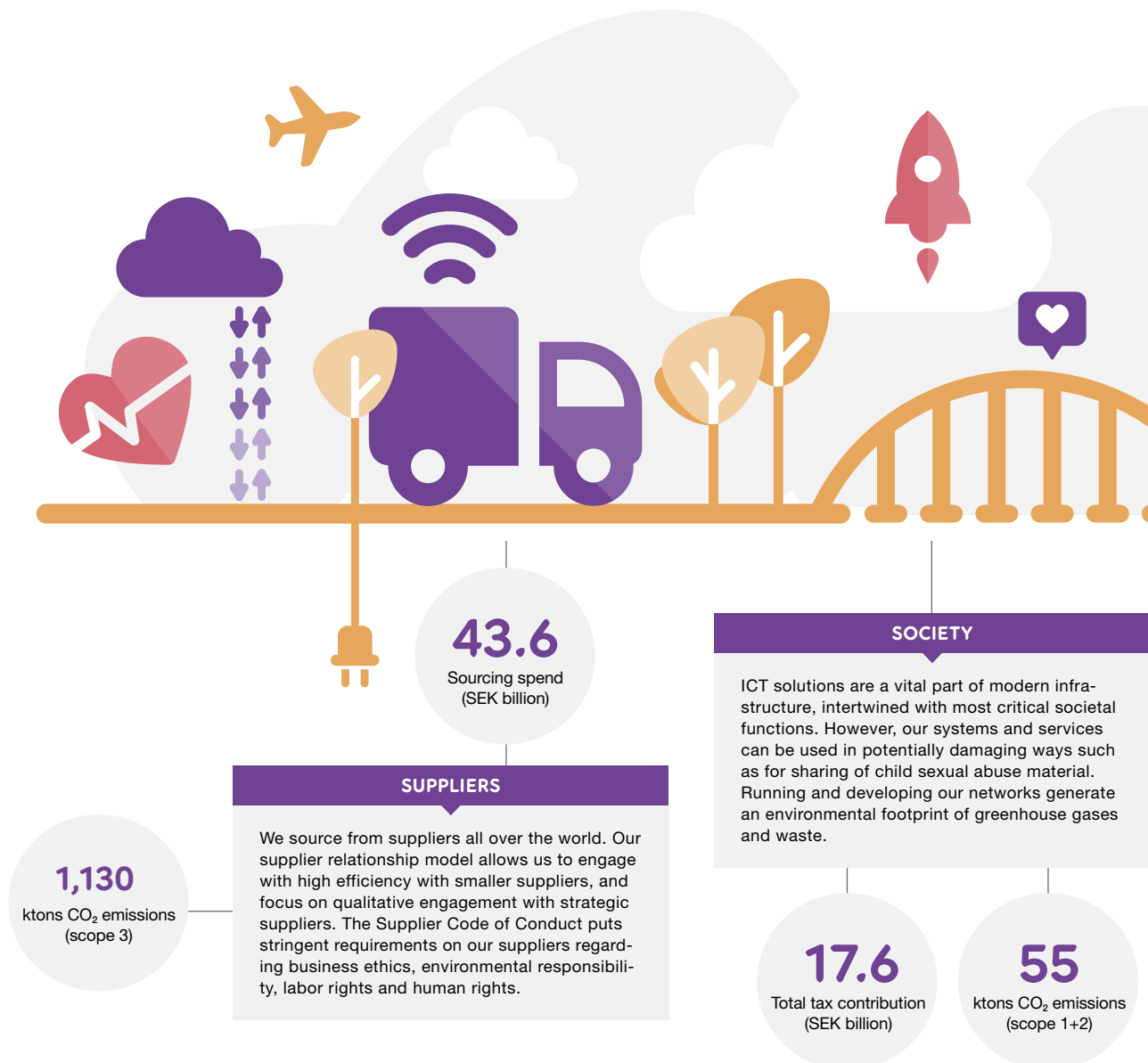
HIGHLIGHTS

- **We established a new segment – TV and Media** following the acquisition of Bonnier Broadcasting. By that Telia Company secured the leader position in the Nordic media arena by quality content and diversified its revenue streams.
- **We maintained the best network leader position in the Nordics.** In Finland Telia launched 5G in October and in Norway Telia took the first steps to upgrade its existing network including rolling-out 5G over the coming four years. In Sweden Telia again was awarded for having the best mobile network according to the independent network test “P3”.
- **We delivered on the cost target** to reduce operating expenses on group level by around 2 percent for the full year thanks to strong performance in the second half of the year, mainly driven by Sweden, Denmark and common functions.



CREATING STAKEHOLDER VALUE

Each day, Telia Company helps shape the transition towards a truly digitalized Nordic and Baltic region. Our products and services play a vital role in tackling current and future societal and environmental challenges, but also bring risks and negative impacts. A stakeholder-based approach helps us understand and manage both opportunities and risks, to ensure sustainable profitability and growth.



EMPLOYEES

Telia Company employs around 20,800 people and at the core of our people approach are the values dare, care and simplify. Managing a diverse and flexible workforce with the right competences is vital to ensuring quality, innovation and growth.

0.95

Female manager to female employee-ratio



Most attractive employer in Estonia and Lithuania

INVESTORS

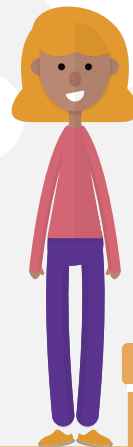
Telia Company's shareholder base is mainly Nordic, with the Swedish State as the largest owner. Our shareholders expect growth, a stable dividend, cost management, and strong environmental, social and governance (ESG) performance.

9.9

Dividend (SEK billion)

AAA

MSCI ESG AAA rating



#1

Telia Carrier has the #1 IP backbone

#1

Telia has the most happy business customers in Sweden

BUSINESS CUSTOMERS

Our business customers range from small enterprises to multi-national companies, from municipalities to national authorities. A broad customer base means vastly different expectations and requirements to manage, creating the need for flexible offerings and business models. Collaboration and co-innovation are vital in order to capture the opportunities in areas like 5G and Internet of Things (IoT).

CONSUMERS

Across our markets, we increasingly tailor our offerings towards what we call "The Forwards" – individuals who are interested in and curious about technology and how it can make their lives easier, but who are also wary of privacy and sustainable consumption. They want a personal experience and seamless connection between devices and services.



Halebop has the most satisfied mobile customers in Sweden¹

>99%

4G population coverage in the Nordics

¹) According to Svenskt Kvalitetsindex (SKI)

COMMENTS FROM THE CEO

IMPORTANT STEPS TAKEN IN EXECUTING ON OUR STRATEGY

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

Digitalization and sustainability

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

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

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

Commercial agenda adding value to customers

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

Delivering on financial targets

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

"DIGITALIZATION HAS A PROFOUND IMPACT ON SOCIETY"

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

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

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

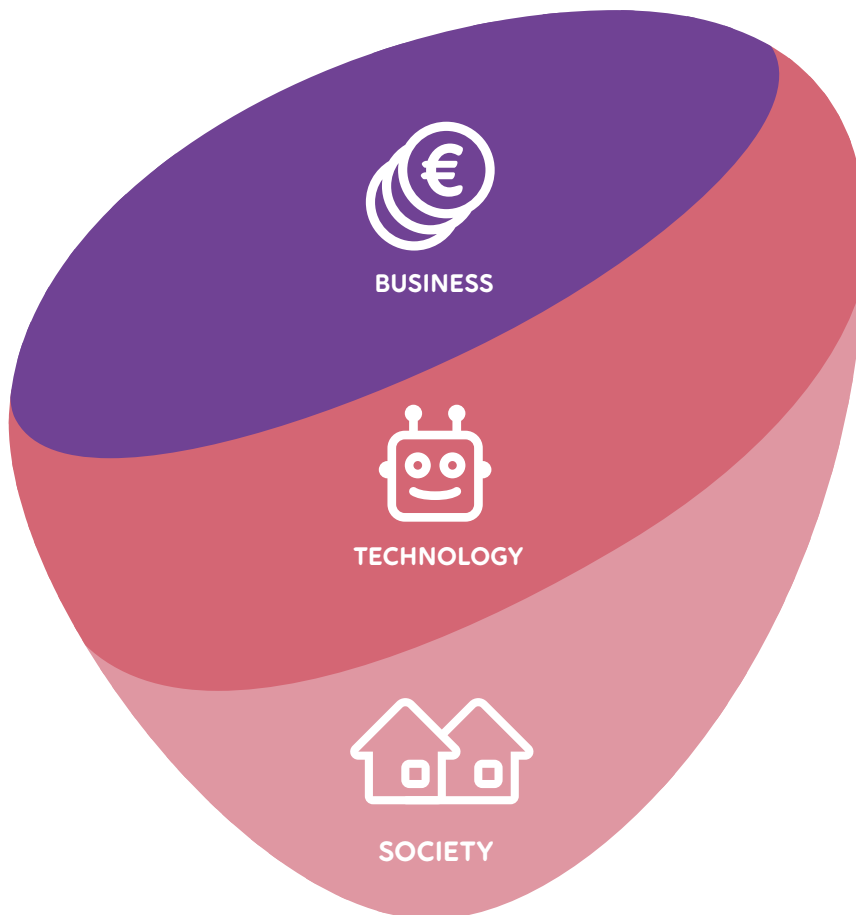
Stockholm, March 11, 2020

Christian Luiga
Acting President and CEO



ENABLING DIGITALIZATION

Technology, society and businesses are under transformation. Cutting across this transformation is a constantly growing connectivity need. The Nordic and Baltic region is leading the way globally in digitalization, changing and improving the ways our customers live, work and run their businesses. At the same time, there are societal and environmental challenges such as climate change and resource scarcity that require us to fundamentally rethink the way we become an enabler of digitalization for good.



BUSINESS

The impact of digitalization

Business models and processes are under rapid transformation driven in part by IT enablers including IoT. Many companies face the challenge of adapting their business to the demands of the digitalized world. In this world of rapidly evolving technologies, most companies want to buy services to enable digitalization.

Digitalization and an increasingly connected online population create new competitive landscapes. New kinds of players with new business models are entering all industries and companies must adapt to new and increasing customer demands and expectations to survive. Customers expect an increasing variety of purchasing choices including ways to purchase in the most convenient manner to them.

Data enables new business model

To stay ahead, products and services must gather information about how they are used. This drives companies to connect their products to the internet. The pay-per-use model grows as products are turned into services. The core areas of value creation will stay in the companies but the enablers and supporting services are more likely to be bought from someone else as a service.

Value-driven branding

As an employer, it will be harder to attract new talent if your business and values are not aligned with sustainability, diversity and work-life balance.

TECHNOLOGY

Softwarization

Key drivers of change are softwarization – replacing hardware with software – and servicefication – everything as a service. Softwarization creates extreme scale and flexibility advantages which benefits industry leaders in the cloud world, in turn changing the competitive landscape into one, where old operational models and business models are challenged by global ecosystem players.

AI and automation

Artificial intelligence and the internet of things (IoT) combined enable rapid growth of intelligent automa-

tion. This creates new demands on customer privacy and ethics in data management.

Augmented and virtual reality

The rise of amplified experiences through augmented and virtual realities, and their integration into our daily lives, bring new possibilities for how we sense and explore the world. Augmented and virtual reality are already coming into play beyond the consumer area and enable new ways to collaborate in companies, for example in remote conferencing.

SOCIETY

Always connected

The digital and physical worlds are converging and distinguishing between the two is becoming less and less meaningful. The paradigm of “always connected” is changing how our societies and customers spend their time and resources. Customer behavior has changed rapidly with focus on instant and personal. Customers are increasingly technology agnostic, taking connectivity for given and seeing it as an essential enabler of their daily lives. With better connection and easier solutions for working remotely, flexibility increases, but the lines between work and leisure become blurred. Despite positive overall economic growth, the financial pressure on businesses that comes from the expectation to get more for less will continue.

Sustainability in focus

Consumers and policy-makers are putting increasingly higher expectations and demands on companies to

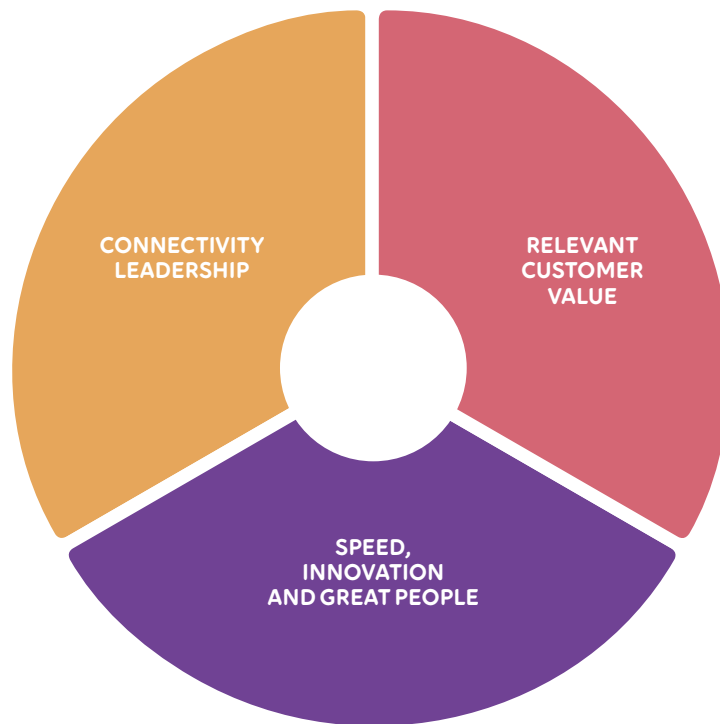
be transparent and to contribute positively to societal and environmental development. Security, privacy and ethical data use as well as reducing greenhouse gas emissions and waste are critical issues to manage. The sharing economy grows and having access to it becomes more important than owning physical assets.

Changing demographic

A growing aging population will drive an increased health-care need and pressure on the public sector but also create a market with active and affluent elderly who will look for an ability for self-actualization and quality of life. An increased capability for managing increasing gaps between young and old, digital natives and laggards and more will be required from the public sector in all areas. As many jobs will disappear to be replaced by new technology the need for re-training and innovation grows.

OUR STRATEGY

Our strategy is based on continuous development of our core business combined with focused bets in areas that strengthen the core but also build new businesses in growing areas.



AMBITIONS



LOYAL CUSTOMERS

The most loyal and satisfied customers in our markets



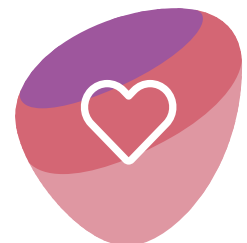
TOP SHAREHOLDER RETURN

Total shareholder return on par with the top relevant European peers



DIGITAL IMPACT

Industry leader in delivering digital impact in accordance with the United Nations' Sustainable Development Goals



ENGAGED EMPLOYEES

The most engaged employees

CONNECTIVITY LEADERSHIP

Best network experience across platforms

We offer customers a seamless experience independent of which networks they are moving between, combined with an excellent customer experience that creates customer loyalty. As mobile and the fixed networks are converging, we optimize the transportation of data to secure both the experience and the production of data. Our leadership will be maintained in fiber and 4G into 5G.

We see opportunity in providing our distributed cloud capabilities to business customers. Security and end-to-end Quality of Service are crucial to ensure the best network experience. Telia Carrier will continue to be our way to secure global connectivity, key for multinational customers and for an excellent cloud experience. We add services on top of our connectivity to increase the relevance of our best network.

RELEVANT CUSTOMER VALUE

Hub to digital experiences in homes and offices

Our value proposition to win the home is based on our customers' need for convenience and safety. Our brand is strong and trusted to deliver home services. Media is a key pillar in our mass-market approach, where we provide unique offerings with exciting content delivered everywhere. For small companies there is a need for easy to use services ranging from connectivity to "Office in a box" and we will continue to deliver relevance in this mass-market area.

Digitalization partner of choice

For the enterprise segment we are the digitalization partner of choice, providing advice and offer solutions to help companies digitalize their business.

Our portfolio is geared towards meeting the following customer needs:

- Internal efficiency and mobile working
- Customer interaction
- Supporting building a connected business through IoT

Enabling partners with new business models

As an ecosystem player and enabler, we actively lead and participate in ecosystems and thereby enable partners to develop new business models, using combinations of different assets and platforms from us and other partners. By making selected bets, today exemplified by crowd analytics, smart cities, smart transport and broadening our IoT business – we are creating the foundation for future growth as our customers will benefit from the network effects that we provide. Through partnerships is how we can achieve the greatest positive societal impact.

SPEED, INNOVATION AND GREAT PEOPLE

Speed, innovation and great people form the basis of our strategy execution

In addition to a strong governance framework with best in class ethics and compliance, our values dare, care and simplify drive our people behavior with self-leadership, customer passion and cost ownership as cornerstones.

To enable our strategy, we:

- Make a significant bet on analytics and insights driven go-to-market and customer interaction. Our aim is

to significantly increase the relevance of every single interaction to drive value for our customers.

- Accelerate building a software-based, modular product portfolio and migrating from old to new products, to increase agility in production and provisioning.
- Capture synergies across the group through a stronger focus on developing and operating products and services on common platforms, as well as automation, robotization and strong internal analytics.

BOARD OF DIRECTORS' REPORT

Telia Company's operating model is based on geographical areas except for the in December established 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 and the operations in Latvia and Telia Company's shareholding in Turkcell (24 percent) as well as Group functions. Group functions include CEO Office, Communications, Corporate Affairs (including M&A), Finance (includ-

ing Sourcing and Real Estate), Common Products & Services, and People & Brand.

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. All operations are divested except for Moldcell in Moldova for which an agreement to divest was signed in February 2020. 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 2018, unless otherwise stated.

GROUP DEVELOPMENT IN 2019

FINANCIAL HIGHLIGHTS

SEK in millions, except key ratios, per share data and changes	Jan–Dec 2019	Jan–Dec 2018 ⁵	Change (%)
Net sales	85,965	83,559	2.9
<i>Change (%) like for like¹</i>	-3.5		
<i>of which service revenues (external)^{1,4}</i>	73,455	69,553	5.6
<i>change (%) like for like</i>	-1.8		
Adjusted ² EBITDA ¹	31,017	26,540	16.9
<i>Change (%) like for like</i>	9.5		
Margin (%)	36.1	31.8	
Adjusted ² operating income ¹	13,452	14,146	-4.9
Operating income	12,293	13,238	-7.1
Income after financial items	9,354	11,019	-15.1
Net income from continuing operations	7,601	9,523	-20.2
Net income from discontinued operations ³	-341	-6,399	
Total net income	7,261	3,124	132.4
<i>of which attributable to owners of the parent</i>	7,093	3,213	120.8
EPS total (SEK)	1.70	0.75	127.9
EPS from continuing operations (SEK)	1.77	2.17	-18.4
Free cash flow ¹	12,369	11,902	3.9
<i>of which operational free cash flow, continuing operations¹</i>	12,571	10,816	16.2
CAPEX ¹ excluding fees for licenses, spectrum and right-of-use assets	14,113	14,984	-5.8

1) See sections Alternative performance measures and Definitions.

2) See section Adjustment items.

3) For discontinued operations, see Note C35.

4) See Note C6.

5) Restated, see Note C1.

NET SALES

Net sales in reported currency increased 2.9 percent to SEK 85,965 million (83,559). The effect from exchange rate fluctuations was positive by 1.4 percent and the effect from acquisitions and disposals was positive by 5.0 percent, mainly related to the acquisition of Get and TDC Norway in October 2018 and to some extent Bonnier Broadcasting consolidated from December 2, 2019.

Like for like regarding exchange rates, acquisitions and disposals, net sales decreased 3.5 percent driven mainly

by lower equipment sales in all Nordic markets, pressure on fixed telephony revenues in almost all markets and loss of low margin transit revenues in Telia Carrier.

Service revenues like for like regarding exchange rates, acquisitions and disposals, decreased 1.8 percent due to pressure on fixed telephony revenues and lower revenues in Telia Carrier as well as lower mobile service revenues in the Nordics and fiber installation revenues in Sweden.

Net sales SEK in millions	Jan-Dec 2019	Jan-Dec 2018	Change (SEK million)	Change (%)
Sweden	34,905	36,677	-1,773	-4.8
Finland	15,969	15,512	457	2.9
Norway	14,666	11,898	2,768	23.3
Denmark	5,675	6,167	-492	-8.0
Lithuania	4,045	3,849	197	5.1
Estonia	3,333	3,077	256	8.3
TV and Media	751	-	751	
Other operations	8,889	8,743	146	1.7
<i>of which Telia Carrier</i>	5,388	5,542	-154	-2.8
<i>of which Latvia</i>	2,408	2,200	208	9.5
Eliminations & other	-2,268	-2,364	96	-4.1
Total, continuing operations	85,965	83,559	2,406	2.9

OPERATING EXPENSES

Cost of services and goods sold was SEK 30,366 million (32,798) equal to a 7.4 percent decrease compared to 2018. The decrease was mainly driven by impact from IFRS 16 and lower equipment costs, given the decrease in equipment sales, partly offset by an increase due to the acquisition of Get and TDC in Norway.

Personnel expenses increased 7.9 percent compared to 2018, mainly driven by acquisitions in Finland, Norway and TV and Media, partly offset by increased operational efficiency in Sweden.

Like for like regarding exchange rates, acquisitions and disposals, and excluding IFRS 16 effects, operational expenses excluding adjustment items was down by 2 percent driven by efficiencies realized in Sweden, Denmark and common functions.

Amortization, depreciation and impairment losses increased 39.8 percent to SEK 18,861 million (13,494) mainly driven by effects from IFRS 16 implementation.

Operating expenses SEK in millions	Jan-Dec 2019	Jan-Dec 2018
Goods and sub-contracting services purchased and change in inventories ¹	-22,269	-22,406
Interconnect and roaming expenses	-5,728	-6,311
Other network expenses	-2,369	-4,081
Personnel expenses	-13,753	-12,745
Marketing expenses	-3,262	-3,256
Other expenses	-8,017	-8,430
Amortization depreciation and impairment losses ¹	-18,861	-13,494
Subtotal	-74,260	-70,724
Other operating expenses	-1,117	-1,299
Total, continuing operations	-75,375	-71,987

1) Restated, see Note C1.

SUBSCRIPTION GROWTH

The total number of subscriptions in continuing operations increased by 0.3 million to 24.2 million driven by the acquisition of Bonnier Broadcasting which added 0.6 million TV subscriptions and more than compensated for a continued loss of fixed telephony subscriptions.

ADJUSTMENT ITEMS

Adjustment items affecting operating income totaled SEK -1,159 million (-908) and were mainly related to restructuring charges within the Swedish operations, integration costs related to the acquisition of Get and TDC Norway and a write-down of SEK -129 million of capitalized development expenses within Other operations following a management decision regarding a cancellation of a development project for a new IT system. For definition of adjustment items see section Definitions.

Adjustment items SEK in millions	Jan–Dec 2019	Jan–Dec 2018
Within EBITDA	-1,000	-607
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:		
Sweden	-255	-181
Finland	-168	-63
Norway	-227	-205
Denmark	-41	-41
Lithuania	-22	-19
Estonia	-5	-6
TV and Media	-86	-
Other operations	-211	-148
Capital gains/losses	15	56
Within Depreciation, amortization and impairment losses	-151	-266
Within Income from associated companies and joint ventures	-8	-35
Total adjustment items within operating income, continuing operations	-1,159	-908

Adjusted EBITDA ² SEK in millions	Jan–Dec 2019	Jan–Dec 2018	Change (SEK million)	Change (%)
Sweden	13,932	13,162	770	5.9
Finland ¹	4,900	4,647	253	5.4
Norway	6,394	4,492	1,902	42.3
Denmark	1,056	751	306	40.7
Lithuania	1,430	1,350	80	5.9
Estonia	1,146	1,001	146	14.5
TV and Media	108	-	108	
Other operations	2,051	1,137	914	80.4
<i>of which Telia Carrier</i>	888	512	376	73.3
<i>of which Latvia</i>	799	694	105	15.2
Eliminations	-0	-0	-0	0.0
Total, continuing operations¹	31,017	26,540	4,477	16.9

1) Restated, see Note C1.

2) See sections Alternative performance measures and Definitions.

Adjusted Operating income ¹ SEK in millions	Jan–Dec 2019	Jan–Dec 2018	Change (SEK million)	Change (%)
Sweden	7,600	7,765	-165	-2.1
Finland	1,657	2,108	-452	-21.4
Norway	2,184	2,343	-159	-6.8
Denmark	-4	-116	112	
Lithuania	744	697	47	6.7
Estonia	502	444	58	13.0
TV and Media	42	-	42	
Other operations	726	905	-178	-19.7
Eliminations	0	-1	0	0.0
Total, continuing operations	13,452	14,146	-694	-4.9

1) See sections Alternative performance measures and Definitions.

EARNINGS

In continuing operations, adjusted EBITDA increased 16.9 percent to SEK 31,017 million (26,540).

Like for like regarding exchange rates, acquisitions and disposals, adjusted EBITDA increased 9.5 percent. Adjusted EBITDA excluding the positive impact from IFRS 16, like for like regarding exchange rates, acquisitions and disposals, fell by 1 percent. In the largest markets adjusted EBITDA, like for like regarding exchange rates, acquisitions and disposals, and excluding the positive impact from IFRS 16, developed as follows. In Sweden adjusted EBITDA fell 1 percent as lower costs could not fully compensate for pressure on revenues. In Finland adjusted EBITDA fell 7 percent from a combination of increased costs and lower revenues. In Norway adjusted EBITDA grew 2 percent mainly due to realization of synergies related to the acquisition of Get and TDC Norway.

In continuing operations, adjusted operating income decreased 4.9 percent to SEK 13,452 million (14,146), mainly driven by a decline in Finland.

FINANCIAL ITEMS, TAXES AND NET INCOME

Financial items totaled SEK -2,938 million (-2,219) of which SEK -2,778 million (-2,122) related to net interest expenses. Net interest expenses were affected by net interest expenses related to leases of SEK -341 million (69).

Income taxes amounted to SEK -1,753 million (-1,496). The effective tax rate was 18.7 percent (13.6). The effective tax rate was mainly impacted by deferred tax expenses related to undistributed earnings in Estonia and Latvia, increased share of earnings from associated companies while comparable figures were mainly impacted by revaluation of deferred tax assets/liabilities due to reduced enacted tax rates in Sweden.

Total net income rose to SEK 7,261 million (3,124) of which SEK 7,601 million (9,523) from continuing operations and SEK -341 million (-6,399) from discontinued operations. 2018 was negatively impacted by impairments mainly related to Ucell and capital losses from the disposals of Ucell, Azercell and Geocell, partly offset by the contribution from the during 2018 divested Eurasian operations.

DISCONTINUED OPERATIONS

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. Consequently, information on region Eurasia is presented on an aggregated level. During 2018 Azercell, Geocell, Ucell and Kcell were divested. After the divestments the only remaining operation is Moldcell in Moldova for which an agreement to divest was signed in February 2020. For additional information on discontinued operations, see Note C35.

Net sales fell 91.0 percent to SEK 603 million (6,687) due to the divestments in Eurasia which also impacted the adjusted EBITDA which fell 93.3 percent to SEK 157 million (2,341). Net income improved to SEK -341 million (-6,399) as last year was negatively impacted by impairments mainly related to Ucell and capital losses from the disposals of Ucell, Azercell and Geocell, partly offset by the contribution from the during 2018 divested Eurasian operations. See Note C35 for further information.

Discontinued operations SEK in millions, except margins, operational data and changes	Jan–Dec 2019	Jan–Dec 2018	Change (%)
Net sales (external)	603	6,687	-91.0
Adjusted EBITDA ¹	157	2,341	-93.3
Margin (%) ¹	26	35	
Net income	-341	-6,399	
CAPEX ¹	91	861	-89.5
CAPEX excluding fees for licenses, spectrum and right-of-use assets ¹	75	823	-90.9

1) See sections Alternative performance measures and Definitions.

FINANCIAL POSITION, CAPITAL RESOURCES AND LIQUIDITY

Financial position

Goodwill increased to SEK 75.7 billion (71.5), mainly due to the acquisition of Bonnier Broadcasting affecting in total SEK 2.6 billion, and also positively impacted by foreign exchange rate effects. Other intangible assets totaled SEK 26.2 billion (20.3), positively impacted by the acquisition of Bonnier Broadcasting affecting in total SEK 6.6 billion and CAPEX (investments) of SEK 6.7 billion, but negatively impacted by amortization.

Property, plant and equipment amounted to SEK 78.2 billion (78.2). Property, plant and equipment remained flat as investments and increased asset retirement obligations were offset by depreciations and a reclassification to right-of-use assets in connection with the implementation of IFRS 16.

Film and program rights, non-current and current, increased to SEK 1.1 billion (–) and SEK 2.0 billion (0.1) respectively, mainly due to the acquisition of Bonnier Broadcasting.

Right-of-use assets increased to SEK 15.6 billion (–) due to the implementation of IFRS 16, where all leases are being recognized as right-of-use assets.

Long-term interest-bearing receivables decreased to SEK 10.9 billion (12.8), mainly due to reduced net investments in investment bonds, partly offset by increased market value of derivatives.

Short-term interest-bearing receivables increased to SEK 12.3 billion (4.5), mainly due to net investments in investment bonds.

Cash and cash equivalents decreased to SEK 6.1 billion (18.8). Cash flow from operating activities, new long- and

short-term financing and an intra-group dividend resulting in re-allocation of cash from discontinued to continuing operations as well as foreign exchange rate effects had a positive impact. These effects were offset by investments in intangible assets and property plant and equipment, dividend paid, the acquisition of Bonnier Broadcasting and net change in long- and short-term investments. Cash and cash equivalents were also negatively impacted by repurchase of treasury shares and matured debt, the acquisition of Turkcell's 41.45 percent holding in Fintur, repayment of a short-term bridge financing related to the exit from region Eurasia and repayments of lease liabilities under IFRS 16.

Assets classified as held for sale decreased to SEK 0.9 billion (4.8) mainly due to an intra-group dividend resulting in re-allocation of cash from discontinued to continuing operations.

Total equity decreased to SEK 92.5 billion (102.4), negatively impacted by dividends paid, acquisitions of treasury shares and acquisition of Turkcell's 41.45 percent holding in Fintur, while total comprehensive income impacted positively.

Long-term borrowings and short-term borrowings increased to SEK 99.9 billion (87.0), and SEK 19.8 billion (9.6), respectively, mainly due to the implementation of IFRS 16 where all leases are recognized as financial liabilities, as well as issue of bonds and utilization of revolving credit facility, foreign exchange rate effects and revaluations, partly offset by repayment of a short-term bridge financing related to the exit from region Eurasia and matured debt.

Provisions for pensions and other long-term provisions increased to SEK 8.4 billion (6.7), mainly due to remeasurements on pension obligations and increased provisions for asset retirement obligations.

Trade payables and other current liabilities, current tax payables and short-term provisions increased to SEK 29.9 billion (28.7) mainly due to the acquisition of Bonnier Broadcasting, partly offset by decreased short-term provisions following the payment of the remaining part of the settlement amount regarding the investigations in Uzbekistan.

See Consolidated statements of financial position, 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, 2019	Dec 31, 2018 ¹ (SEK in millions)	Change (SEK in millions)	Change (%)
Goodwill and other intangible assets	101,938	91,856	10,082	11.0
Property plant and equipment	78,163	78,220	-57	-0.1
Film and program rights, non current	1,063	-	1,063	
Right-of-use assets	15,640	-	15,640	
Investments in associated companies and joint ventures, pension obligation assets and other non-current assets	14,567	14,346	221	1.5
Deferred tax assets	1,849	2,670	-821	-30.7
Long-term interest-bearing receivables	10,869	12,768	-1,899	-14.9
Total non-current assets	224,088	199,860	24,228	12.1
Film and program rights, current	1,990	110	1,880	
Inventories	1,966	1,854	112	6.0
Trade and other receivables and current tax receivables	16,738	17,624	-886	-5.0
Short-term interest-bearing receivables	12,300	4,529	7,771	171.6
Cash and cash equivalents	6,116	18,765	-12,649	-67.4
Assets classified as held for sale	875	4,799	-3,924	-81.8
Total current assets	39,984	47,681	-7,697	-16.1
Total assets	264,072	247,541	16,531	6.7
Total equity	92,455	102,438	-9,983	-9.7
Long-term borrowings	99,899	86,990	12,909	14.8
Deferred tax liabilities	11,647	11,382	265	2.3
Provisions for pensions and other long-term provisions	8,407	6,715	1,692	25.2
Other long-term liabilities	1,377	1,164	213	18.3
Total non-current liabilities	121,330	106,250	15,080	14.2
Short-term borrowings	19,779	9,552	10,227	107.1
Trade payables and other current liabilities, current tax payables and short-term provisions	29,904	28,742	1,162	4.0
Liabilities directly associated with assets classified as held for sale	604	560	44	7.9
Total current liabilities	50,287	38,853	11,434	29.4
Total equity and liabilities	264,072	247,541	16,531	6.7

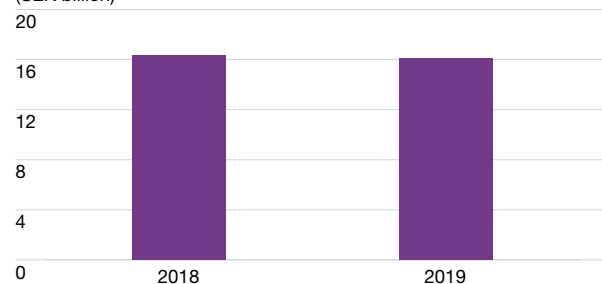
1) Restated, see Note C1.

CAPEX

In continuing operations, capital expenditures (CAPEX) fell to SEK 16,076 million (16,361). CAPEX excluding right-of-use assets fell to SEK 14,355 million (16,361). CAPEX, excluding fees for licenses, spectrum and right-of-use assets in continuing operations fell to SEK 14,113 million (14,984) primarily as last year included SEK 1.2 billion in CAPEX associated with the Telia Helsinki Data Center.

Main CAPEX components were related to the mobile networks, customer cases as well as fiber roll-out. Further, telecom licenses and spectrum permits were acquired in Norway.

CAPEX
(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. In continuing operations, 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 20.1 billion (26.5) 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 8.9 billion (16.8).

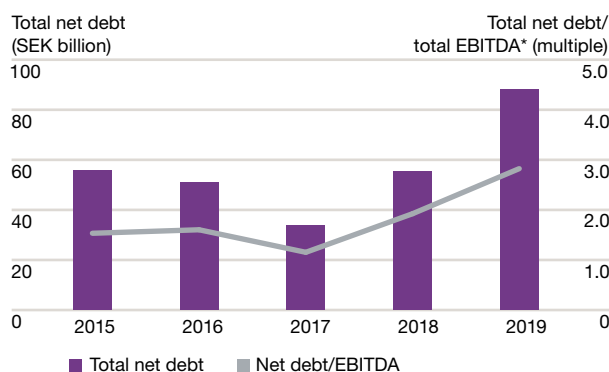
Telia Company shall target a solid investment grade long-term credit rating, defined as A- to BBB+. The credit rating of Telia Company remained unchanged during 2019. Moody's credit rating of Telia Company for long-term borrowings is Baa1 and P-2 for short-term borrowings, both with a stable outlook. Standard & Poor long-term credit rating is BBB+ and the short-term rating is A-2, both with a stable outlook.

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.

As part of its commitment to sustainability Telia Company AB announced a Green Bond Framework in the fourth quarter of 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. 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.

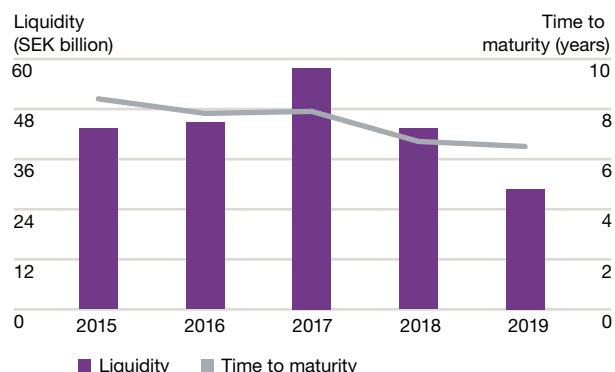
In 2019 Telia Company issued bonds at three occasions with a total amount equal to SEK 6.7 billion. All issues were made under the existing EUR 12 billion EMTN (Euro Medium Term Note) program. On December 2, 2019, a short-term financing was made under the revolving credit facility signed with a group of thirteen banks. The financing amount to MEUR 750 and was used to finance the acquisition of Bonnier Broadcasting. The intention is to replace the short-term financing with long-term financing during 2020. Issued debt at an amount of SEK 4.5 billion matured during the year and the short-term bridge financing of USD 400 million (SEK 3,703 million) related to the exit from region Eurasia was repaid in April when the acquisition of Turkcell's share in Fintur Holdings B.V. was completed.

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



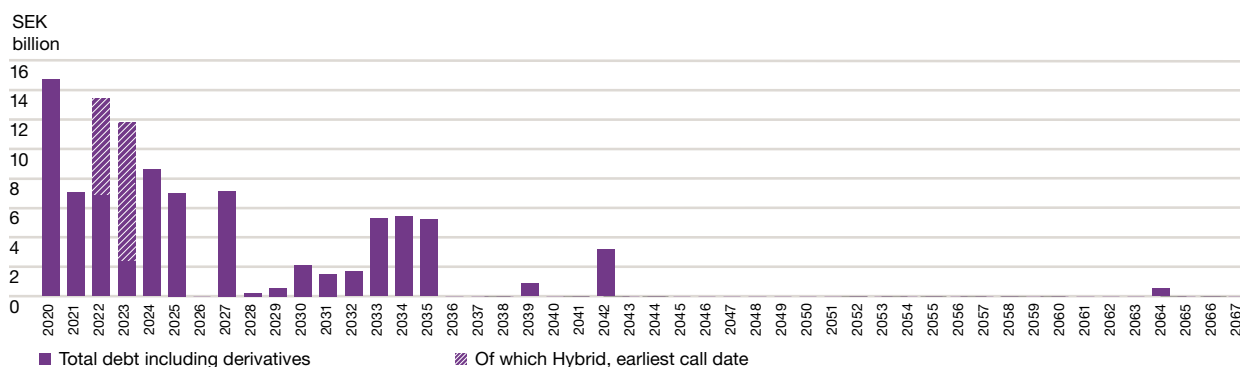
- 1) Excluding adjustment items.
- 2) Total Telia Company group including both continuing and discontinued operations.
- 3) 2018 restated for comparability, see Note C1.
- 4) 2014-2016 not restated for IFRS 15.
- 5) The increase 2019 is related to the implementation of IFRS 16.

LIQUIDITY AND TIME TO MATURITY¹



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

DEBT PORTFOLIO MATURITY SCHEDULE – 2020 AND ONWARDS



At year-end, the average time to maturity of Telia Company's overall debt portfolio was approximately 6.5 years (6.7).

At the end of 2018 and 2019, no Commercial Papers were outstanding.

Cash flow, continuing and discontinued operations

Cash flow from operating activities, from continuing and discontinued operations, increased to SEK 27,594 million (26,696), impacted by increased EBITDA as a result of the Get and TDC Norway acquisition, partly offset by decreased contribution from working capital mainly as a result of the payment of the remaining part of the settlement amount regarding the investigations in Uzbekistan and no contribution from the divested entities in region Eurasia. Further, cash flow from operating activities previous year was negatively impacted by payments of leases under IAS 17 while in 2019 repayments of lease liabilities were recognized within financing activities under IFRS 16.

Free cash flow, from continuing and discontinued operations, increased to SEK 12,369 million (11,902) positively impacted by cash flow from operating activities offset by increased cash CAPEX mainly related to spectrum fees in Sweden.

Operational free cash flow, from continuing operations, increased to SEK 12,571 million (10,816) as increased EBITDA and increased pension refunds more than compensated for higher interest paid and higher cash CAPEX.

Cash flow from investing activities, from continuing and discontinued operations amounted to SEK -30,543 million (-14,041). 2019 was mainly impacted by net investments in short-term investments, the acquisition of Bonnier Broadcasting and increased cash CAPEX related to spectrum fees in Sweden. 2018 was mainly impacted by the acquisi-

tions of Get and TDC Norway and Inmics partly offset by the disposals of the holdings in Spotify and Azercell, Geocell, Kcell and Ucell, respectively.

Cash flow from financing activities, from continuing and discontinued operations, amounted to SEK -14,712 million (-12,446). 2019 was mainly impacted by the acquisition of Turkcell's 41.45 percent holding in Fintur, repayment of a short-term bridge financing related to the exit from region Eurasia, repayments of lease liabilities under IFRS 16, and the share buy-back program affecting the full twelve-month period, partly offset by bond issuance and increased short-term financing related to the acquisition of Bonnier Broadcasting.

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

ASSOCIATED COMPANIES

On September 12, 2019, Turkcell's Ordinary General Assembly was convened and a dividend of 1,010 million Turkish lira was declared. The payment of dividend was made on October 31, to the shareholders.

At the same Ordinary General Assembly, two new members were elected as new members of the board of directors. Ingrid Stenmark, Senior Vice President and Head of CEO Office at Telia Company continues to serve as Turkcell board member. The Turkcell Board of Directors consisted of seven members.

For information regarding certain disputes related to shares in Turkcell Holding, see Note C30 to the consolidated financial statements. For more information on acquired and disposed associated companies 2019, see Note C15.

Cash flow SEK in millions	Jan-Dec 2019	Jan-Dec 2018 ¹	Change (SEK million)
Cash flow from operating activities	27,594	26,696	897
Cash CAPEX	-15,224	-14,794	-430
Free cash flow	12,369	11,902	467
<i>of which operational free cash flow, continuing operations²</i>	<i>12,571</i>	<i>10,816</i>	<i>1,755</i>
Cash flow from other investing activities	-15,319	753	-16,072
Cash flow from investing activities	-30,543	-14,041	-16,502
Cash flow from financing activities	-14,712	-12,446	-2,266
Cash and cash equivalents, opening balance	22,591	20,984	1,607
Cash flow for the period	-17,662	209	-17,871
<i>of which continuing operations</i>	<i>-12,103</i>	<i>-1,368</i>	<i>-10,735</i>
Exchange rate differences	1,280	1,398	-118
Cash and cash equivalents, closing balance	6,210	22,591	-16,381
<i>of which continuing operations</i>	<i>6,116</i>	<i>18,765</i>	<i>-12,649</i>

1) Restated, see Note C1.

2) From 2019 the definition for operational free cash flow was changed to include payments of lease liabilities.

SIGNIFICANT EVENTS IN 2019

On January 18, 2019, Telia Company announced that Susanna Campbell had left Telia Company's Board of Directors effective immediately.

On January 25, 2019, Telia Company announced that Peter Borsos, Senior Vice President, Head of Group Communications and Chair of Division X, should take on a new role in Telia Company's Group Executive Management and become Head of Telia Global as of February 1, 2019.

Åsa Jamal, Head of Communications, Telia Sweden, was appointed Head of Group Communications and became a member of the Group Executive Management as of February 1, 2019.

On February 12, 2019, Telia Company issued a bond of EUR 500 million in a 15-year deal maturing in February 2034 under its existing EUR 12 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 2.153 percent per annum equivalent to Midswaps +113 basis points.

On March 19, 2019, Telia Company paid USD 208.5 million (SEK 1,920 million) to the Dutch Public Prosecution Service (Openbaar Ministerie, OM), which was the last remaining part of the disgorgement amount, pursuant to the global settlements announced on September 21, 2017, that Telia Company reached with the U.S. Department of Justice (DOJ), Securities and Exchange Commission (SEC) and the OM relating to previously disclosed investigations regarding historical transactions in Uzbekistan.

On March 26, 2019, Telia Company held a Capital Markets Day where the Group Executive Management presented updates on strategic direction, financial priorities and announced new sustainability targets.

On April 10, 2019, Telia Company held its Annual General Meeting and announced that the ordinary members of the Board Marie Ehrling, Olli-Pekka Kallasvuori, Nina Linander, Jimmy Maymann, Anna Settman, Olaf Swantee and Martin Tivéus were re-elected members to the Board. As new member of the board Rickard Gustafson was elected. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuori was elected Vice-Chair of the Board.

The Annual General Meeting decided upon a dividend to shareholders of SEK 2.36 per share and that the payment should be distributed in two equal tranches of SEK 1.18 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 the treasury shares acquired from April 2018 to March 2019 and a corresponding increase of the share capital by way of bonus issue.

On April 16, 2019, Telia Company announced the continuation of the three-year share buy-back program. The ambition was to buy back shares for a total value of SEK 5 billion between April 16, 2019, and February 28, 2020. This is in line with the share buy-back mandate that was given by the Annual General Meeting on April 10, 2019.

On May 31, 2019, Telia Company announced that it had cancelled 120,544,406 repurchased treasury shares in accordance with the resolution at the Annual General Meeting on April 10, 2019. In conjunction with the cancellation, a bonus issue was executed.

On June 5, 2019, Telia Company announced that it had secured access to 2x10 MHz in the 700 MHz band in Norway. The price for the new frequencies was approximately NOK 218 million (SEK 236 million). The frequencies are connected to a roll-out commitment for certain railway sections.

On August 4, 2019, Telia Company announced that Johan Dennelind, President and CEO of Telia Company, had informed the Board of Directors that he would leave his position in the company during 2020.

On September 11, 2019, Telia Company announced that Christian Luiga had been appointed acting President and CEO and Douglas Lubbe appointed acting CFO.

On September 12, 2019, the General Assembly Meeting in Turkcell adopted resolutions to distribute dividends for the fiscal year 2018 in line with the proposal from its board of directors. Telia Company's share corresponded to approximately SEK 410 million pre tax.

On October 8, 2019, Telia Company announced that Telia Norway had entered a partnership with Ericsson to modernize the network and by that paving the way for future 5G coverage.

On October 9, 2019, Telia Finland launched the first 5G devices and subscriptions to the Finnish market.

On October 17, 2019, Telia Company announced that the Board of Directors had decided not to execute on the remaining SEK 5 billion of the three-year share buy-back program ambition.

On October 24, 2019, Telia Company announced that the Board of Telia Company had appointed Allison Kirkby as President and CEO of Telia Company.

On October 31, 2019, Telia Company announced that it together with Capman Infra should increase the fiber penetration in Finland.

On November 26, 2019, at an extraordinary general meeting, Lars-Johan Jarnheimer was elected Chair of the Board of Telia Company.

On December 2, 2019, Telia Company announced that Stein-Erik Vellan, Senior Vice President and previously Head of Telia Finland was appointed Head of Telia Norway as Abraham Foss former Head of Telia Norway, since 2015, left the company.

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

ACQUISITIONS AND DISPOSALS

Telia Company's acquisitions and disposals of subsidiaries and associated companies during 2019 are summarized in

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

Closing date	Country	Comments
January 3, 2019	Sweden	• Telia Company acquired all shares in Dalbo Net AB.
April 2, 2019	Netherlands	• Telia Company completed the acquisition of Turkcell's 41.45 percent share in Fintur. As a result of the transaction, Telia Company became the sole owner of Fintur Holdings B.V. and Moldcell in Moldova.
July 1, 2019	Sweden	• Telia Company acquired all shares in the Swedish mobile operator Fello AB.
December 2, 2019	Sweden/Finland	• Telia Company acquired all shares in Bonnier Broadcasting including the brands TV4, C More and Finnish MTV.

OUTLOOK FOR 2020

Operational free cash flow is expected to be between SEK 10.5 and 11.5 billion (SEK 12.6 billion).

From 2019 we have changed our operational free cash flow definition and include payments of lease liabilities, implying that the new accounting standard for leases, IFRS 16, will not have any material impact on this cash flow measure.

Adjusted EBITDA based on group structure at year-end 2019 and at stable currencies, is expected to grow 2-5 percent compared to 2019.

outside Sweden and Finland was unchanged at 30 percent. Telia Company had 471,959 shareholders at year-end, of which one shareholder held more than 10 percent of the shares: the Swedish State with 38.4 percent. No other shareholder held more than 5 percent of the shares and votes.

As of December 31, 2019, Telia Company's issued share capital totaled SEK 13,856,271,299.20 distributed among 4,209,540,375 shares with a quotient value of SEK 3.29 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

DIVIDEND POLICY

Telia Company intends to distribute a minimum of 80 percent of operational free cash flow from continuing operations including dividends from associated companies, net of taxes. The dividend should be split and distributed in two tranches.

CREDIT RATING TARGET

The company shall continue to target a solid investment grade long-term credit rating (A- to BBB+).

TELIA COMPANY SHARE

The Telia Company share is listed on Nasdaq Stockholm and Helsinki. In 2019 the share price in Stockholm declined 4.1 percent and closed at year-end 2019, at SEK 40.25 (41.98). During the same period, the OMX Stockholm 30 Index rose 26 percent and the STOXX 600 Telecommunications Index was flat.

At year-end 2019, Telia Company's market capitalization was SEK 169.4 billion. Besides Nasdaq Stockholm and Helsinki, the share was traded at other platforms with the major trading volumes on Chi-X and BATS. Holdings

MAJOR SHAREHOLDERS, DECEMBER 31, 2019

Shareholder	Total number of shares	Percent of total shares	Percent of outstanding shares
Swedish State	1,614,513,748	38.4	39.3
Black Rock	136,403,360	3.2	3.3
Telia Company ¹	96,859,759	2.3	–
Swedbank Robur Funds	88,167,852	2.1	2.1
Vanguard	77,640,901	1.8	1.9
SEB Funds	52,832,845	1.3	1.3
XACT Funds	46,278,023	1.1	1.1
Bank of Norway	42,204,027	1.0	1.0
AMF Insurance and Funds	42,104,097	1.0	1.0
AFA Insurance	37,764,535	0.9	0.9
Other shareholders	1,974,771,228	46.9	48.0
Total number of shares	4,209,540,375	100.0	100.0

1) As of December 31, 2019, Telia Company held 96,859,759 treasury shares, all acquired during 2019, whereof 1,135,259 shares held in a bank deposit, representing 2.3 percent of the share capital. The total price for the repurchased shares during the twelve-month period was SEK 4,930 million and transaction costs net of tax amounted to SEK 3 million. For further information, see section Significant events in 2019.

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, 2019, Telia Company's Finnish pension fund held 366,802 shares and its Finnish personnel fund 743,249 shares in the company, respectively, in total representing 0.03 percent of the outstanding shares.

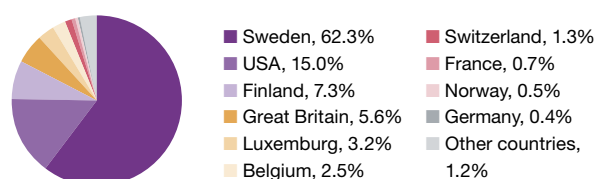
There are no regulations in either the Swedish legislation or in Telia Company AB's Articles of Association that would limit the possibility to transfer Telia Company shares. Telia Company is not aware of any agreements between major shareholders of the company regarding the Telia Company shares.

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 2020. 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 2, 2020, 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 2021. 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 2019, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.45 (2.36), totaling SEK 10.0 billion (9.9). The dividend should be split and distributed into two tranches of SEK 1.22 per share, in April 2020 and one of SEK 1.23 per share in October 2020. The proposed dividend is based on the total number of shares as of December 31, 2019, which amounted to 4,209,540,375, reduced by the 96,859,759 shares that the company held as treasury shares not entitled to dividend. As the Company continuously is repurchasing its own shares, the number of treasury shares will be marginally higher, and the total amount for the dividend will be marginally lower, at the annual general meeting. See also section Proposed appropriation of earnings.

**SHAREHOLDINGS PER COUNTRY, DECEMBER 31, 2019
(% OF TOTAL NUMBER OF SHARES)**

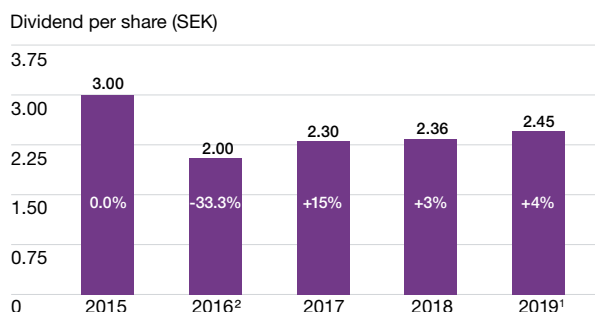


Quarterly updated shareholder information is available at: www.teliacompany.com/Shareholdings
(Information on the Telia Company website does not form part of this Report)

Share data	2019	2018
Paid year-end (SEK)	40.25	41.98
Highest paid during the year (SEK)	44.70	43.95
Lowest paid during the year (SEK)	38.97	36.66
Total number of shares at year-end (millions)	4,209.5	4,330.1
Number of shareholders at year-end	471,959	483,356
Earnings per share, total (SEK)	1.70	0.74
Earnings per share, continuing operations (SEK)	1.77	2.17
Dividend per share (SEK) ¹	2.45	2.36
Pay-out ratio (%) ²	80	85
Equity per share (SEK) ³	22.14	23.02

1) For 2019 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.
3) Restated, see Note C1.
Sources: Euroclear Sweden and Modular Finance.

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



1) For 2019 as proposed by the Board of Directors.
2) The dividend 2016 was reduced to reflect the return from continuing operations.

CUSTOMER INSIGHT

Insight framework

To create customer value, we need to understand and be able to predict customer's expectations and requirements. All their interactions with Telia Company impact their opinion of, and confidence in, us. To ensure that we continuously understand and act on customer requirements and experiences, we have implemented a holistic insight framework which captures everything from brand perception to the actual customer experience.

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

Some important elements of the holistic insight framework are that we continuously measure the perception of how our brand is perceived. This enables us to monitor our market position and brand development but also alignment with the brand strategy.

Segmentation model

We have a segmentation model based on insights about customers' varying demands and needs, to ensure that we meet and improve the customer experience.

Actual customer satisfaction is continuously monitored and followed up for several interaction points. We use Net Promoter Score (NPS) to measure and quantify customer loyalty and to monitor specific customer experience areas.

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.

Exploration, emerging bets and commercialization

The way innovation is executed and drive business can be divided into three categories: Exploration, Emerging bets and Commercialization. All innovation efforts are prioritized in tight collaboration with operating units, outlining which innovation capabilities should be addressed to maximize impact. The strategy is straightforward: apply an insight-driven approach to customers and stakeholders' spoken or unspoken unmet needs and work from there.

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 2019 can be seen as follows.

Customer driven innovation

Telia has innovated using 5G with customers, such as AI application at ABB Drives factory or facial payments with OP Banken. To show how 5G can help to preserve environment, Telia together with Nokia, Vaisala and Syke experimented using drones for sea condition monitoring.

Together with Ericsson and Volvo Construction Equipment Telia has leveraged an industry 5G network, connecting remote controlled vehicles and autonomous solutions.

Furthermore Nobina and Telia have developed an IoT solution controlling temperature in buses, initially 2,000, enhancing comfort and saving energy corresponding to power produced by two wind plant units.

CATCHING THE NEXT WAVE DEPENDS ON MANAGING EMERGING BUSINESS DIFFERENTLY

		EXPLORATION Long-term horizon	EMERGING BETS Medium-term horizon	COMMERCIALIZATION Now
INCOMING PIPELINE OF INTERNAL AND EXTERNAL IDEAS	WHAT	<ul style="list-style-type: none"> • Create viable new business options 	<ul style="list-style-type: none"> • Immature business in fast growing markets 	<ul style="list-style-type: none"> • Mature business
	HOW	<ul style="list-style-type: none"> • Research, test, explore business models, capabilities • Needs visionaries and champions • Most will not succeed • A few become viable bets 	<ul style="list-style-type: none"> • Invest to grow • Detailed business plans for new ventures • Freedom to act and build • Significant profit 4–5 years away • Should complement or replace core business in a few years 	<ul style="list-style-type: none"> • Protect and defend • Optimize to increase profitability • Line and market extension • Execution discipline • Annual planning and forecasting • Detailed planning to grow through adjacencies
	KPI	<ul style="list-style-type: none"> • Project milestones • Conversion rate to emerging bets • # Prio initiatives 23 	<ul style="list-style-type: none"> • Customer acquisitions • Revenue growth • Market share gain • # Prio initiatives 18 	<ul style="list-style-type: none"> • Profitability • Return on capital employed • Productivity and efficiency • # Prio initiatives 21

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 2019, Crowd Insights was made available in the Danish and Norwegian markets with active customer cases in the area of public transport, traffic analysis, commercial real estate and urban planning.

Connected water mixers

FM Mattsson's digital water taps allow their customers to gain full insight of water consumption, temperature and prevent diseases. The digital water taps also reduce energy consumption which helps customers to decrease their CO₂ footprint and contribute to their sustainability goals.

Increase power grid capacity and prioritize green energy

Wind and solar power fluctuate with the weather. But the power grid was designed for constant power. To make the most of the green energy available, Heimdall Power has developed a solution to digitize the grid using Telia Narrow Band-IoT. It lets grid owners prioritize green energy ahead of fossil fuel sources – and increase grid capacity by 25 percent.

Patents and R&D expenses

As of December 31, 2019, Telia Company had 287 patent “families” and 1,451 patents or patent applications, with no significant changes compared to the previous year.

In 2019, Telia Company continued to modernize the patent portfolio by focusing on emerging technologies.

Telia Company incurred R&D expenses of SEK 152 million (164) in continuing operations in 2019.

PEOPLE

Our transformation journey

Telia Company is on a transformation journey of becoming a purpose driven and value-oriented company. The foundations to succeed are common values, processes and an operating model that gives flexibility and scalability to deliver value for our customers and stakeholders.

“Home to your next big opportunity” is our promise to current and potential new employees. We know that our employees want the responsibility to pursue their own path towards their next big opportunity, to grow professionally and personally, to be part of a workplace where they feel a strong sense of belonging, and have access to people, tools and technology that create opportunities to impact the societies in which we operate. Supporting employee engagement is the Younite employee volunteering platform. Read more in Note S19 to the Sustainability Notes.

YouFirst

YouFirst is our group-common approach to employee performance and development. It is a key component in ensuring that “What” and “How” are equally recognized and rewarded,

that expectations and priorities are connected to the strategy, setting challenging goals and creating personal accountability for results. YouFirst is integrated in daily work through continuous leader-employee conversations which include coaching and feedback and covers all full-time employees.

YouFirst has proven to be an important tool to drive transformation. Results from the 2019 Purple Voice employee engagement survey showed that employees that have frequent dialogues with their leaders are better aligned with goals and perceive Telia Company as an innovative company that stands for continuous improvement. Read more in Note S3 to the Sustainability Notes.

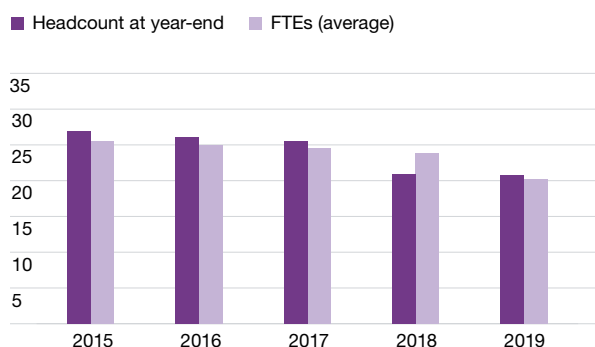
A sustainable workforce

The talent market is getting more competitive and to be successful we focus on attracting and retaining the right people today and in the future. During 2019, we intensified the work to build a future-proof workforce. All markets conducted strategic workforce planning based on our analysis of talent market trends, to ensure that we have the competence and capabilities we will need in place. We also conducted employer branding and recruitment initiatives towards specific target groups resulting in recruitment of key competencies. We also strengthened our diversity work by introducing a new diversity and gender equality framework. Read more in Note S15 to the Sustainability Notes.

Learning and development platform

The cultural change is enabled by supporting employees to develop into self-leaders. During the year, we made a large effort to further establish our learning and development platform with fit for purpose programs aiming to strengthen self-leadership and leadership skills, as well as develop high-performing teams. Since launch 2017, more than 8,000 employees have participated in our “purpose and values” workshops. Leaders and teams, 4,700 employees in total, have participated in specific in-depth development training.

EMPLOYEES, TOTAL (THOUSANDS)



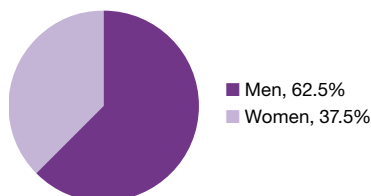
During 2019, the number of employees in continuing operations increased to 20,845 at year-end, from 20,439 at year-end 2018. The number of employees in discontinued operations decreased to 387 at year-end, from 397 at year-end 2018.

The total average number of full-time employees (FTE) in 2019 was 20,215 (23,814), of which in continuing opera-

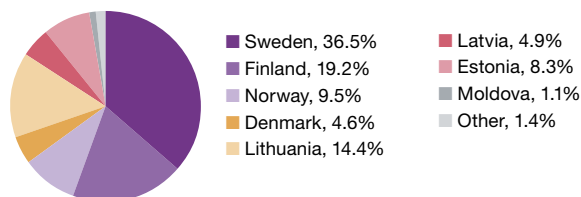
tions 19,984 (20,137). In total, operations were conducted in 23 countries (27), of which continuing operations in 21 countries (21) during 2019.

EMPLOYEES, TOTAL (FTES, %)

BY GENDER



BY COUNTRY



The gender balance at year-end was as follows.

- The total workforce consisted of 38 percent women (40)
- Group Executive Management consisted of 25 percent women (25)
- The Board of Directors consisted of 27 percent women (45)
- The extended leadership team, which consists of Group Executive Management members and other senior executives (approximately 130 persons) consisted of 41 percent women (34)

For more information on workforce, labor relations and diversity, see Note C32 to the Consolidated financial statements and notes S12 and S15 to the Sustainability Notes.

REMUNERATION TO EXECUTIVE MANAGEMENT

Proposed remuneration principles for Group Executive Management 2020

The Board of Directors proposes that the Annual General Meeting on April 2, 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 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 and 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 2019 remuneration policy is reproduced in Note C32.

Long-term incentive program 2019/2022

The Annual General Meeting held on April 10, 2019, 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 amortization (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 2010-2018. 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.

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 500 million (417), of which SEK 500 million (413) was billed to subsidiaries.

Operating income increased to SEK 1,252 million (-1,060). On March 19, 2019, Telia Company AB's subsidiary in the Netherlands, Sonera Holding B.V., paid the remaining part of the settlement amount regarding the Uzbekistan investigations to the Dutch Public Prosecution Service (Openbaar Ministerie, OM). As a consequence of the payment, Telia Company AB reversed the short-term provision, resulting in a positive effect on other operating income of SEK 1,931 million in 2019.

Financial income and expenses, net, amounted to SEK 6,147 million (16,996) positively impacted by dividends from subsidiaries with SEK 33,027 million (21,912) offset by impairments of Telia Finland Oyj and TeliaSonera Kazakhstan Holding B.V. amounting to SEK 22,837 million (-) and SEK 1,180 million (-), respectively.

Income before taxes decreased to SEK 12,794 million (23,220) and net income decreased to SEK 12,243 million (22,657).

Non-current assets increased to SEK 199,830 million (176,064) mainly impacted by increased long-interest bearing intra-group receivables, investments in subsidiaries, mainly related to the acquisition of Bonnier Broadcasting Holding AB, as well as contributed shareholder contributions to subsidiaries. These effects were partly offset by impairments of the subsidiaries Telia Finland Oyj and TeliaSonera Kazakhstan Holding B.V..

Shareholders' equity decreased to SEK 92,612 million (95,189) mainly due to dividend to the shareholders and repurchased treasury shares related to the share buy-back program, partly offset by positive net income.

The equity/assets ratio was 36.0 percent (40.5).

The average number of full-time employees was 271 (268).

SIGNIFICANT EVENTS AFTER YEAR-END 2019

On February 14, 2020, Telia Company signed an agreement to divest its holding in Moldcell in Moldova to CG Cell Technologies DAC, for a transaction price of USD 31.5 million. The transaction is not subject to any conditions to close, and Telia Company expects to complete the divestment during the first quarter of 2020.

PROPOSED APPROPRIATION OF EARNINGS

Proposed Appropriation of earnings:

	SEK
Non-restricted equity excluding net income	64,656,377,954
Net income	12,243,287,577
Total	76,899,665,531

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.45 per share ordinary dividend to the shareholders ¹	10,076,067,509
To be carried forward	66,823,598,022
Total	76,899,665,531

¹) Based on outstanding shares as per December 31, 2019.

The dividend should be split and distributed into two tranches of SEK 1.22 per share in April 2020 and SEK 1.23 per share in October 2020.

The Board of Directors has, according to Chapter 18 Section 4 of the Swedish Companies Act, assessed whether the proposed dividend is justified. The Board of Directors assesses that:

The parent company's restricted equity and the group's total equity attributable to the shareholders of the parent company, after the distribution of profits in accordance with the proposal, will be sufficient in relation to the scope of the parent company's and the group's business.

The proposed dividend does not jeopardize the parent company's or the group's ability to make the investments that are considered necessary. The proposal is consistent with the established cash flow forecast under which the parent company and the group are expected to manage unexpected events and temporary variations in cash flows to a reasonable extent.

The full statement by the Board of Directors on the same will be included in the AGM documents.

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 2019

SWEDEN

During the year work around realizing efficiencies, having the best network as well as the best customer experience continued and resulted in a 4 percent reduction in operational expenses and Telia was again awarded the best network by P3, the largest independent network test in Sweden. Furthermore, Telia won the award for best digital TV service, according to the Swedish quality index (SKI), for the fifth consecutive year, and according to the same study Telia also had the most satisfied B2B customers as well as B2C customers via Halebop.

On the commercial side Telia successfully performed the branding campaign "Välkommen till folknätet" (English: "Welcome the network for the people") and launched a new and simpler mobile portfolio which included the possibility for customers to have unlimited data. The strong position in the market also facilitated for Telia to adjust prices on several products during the year including fixed fiber and copper-based broadband, TV and mobile via the new portfolio.

In the B2C segment mobile subscription revenues grew by 0.3 percent supported by a positive subscription base mix development and ARPU growing following the new mobile portfolio launched during the summer. The growth in mobile revenues was however not enough to fully compensate for a continued pressure on fixed telephony and fiber installation revenues. The B2B segment remained

challenging but a continued customer centric approach with emphasis on offering customers an unmatched product portfolio, resulted in a full year revenue decline of 1.4 percent compared to 2.8 percent in previous year.

Net sales decreased 4.8 percent to SEK 34,905 million (36,677) and like for like regarding acquisitions and disposals, net sales decreased 4.9 percent impacted mainly by a 19 percent drop in equipment sales but also by lower service revenues.

Service revenues, like for like regarding acquisitions and disposals, decreased 1.9 percent mainly due to a continued pressure on fixed telephony and fiber installation revenues. Also, mobile revenues declined driven by pressure within the B2B segment.

Adjusted EBITDA excluding the positive impact from IFRS 16, like for like regarding acquisitions and disposals, fell 1 percent as lower operational expenses could not fully compensate for the pressure on service revenues.

Like for like regarding acquisitions and disposals, adjusted EBITDA increased 5.8 percent. Adjusted EBITDA in reported currency increased 5.9 percent to SEK 13,932 million (13,162) and the adjusted EBITDA margin increased to 39.9 percent (35.9).

CAPEX in reported currency, excluding licenses, spectrum and right-of-use assets, decreased to SEK 3,548 million (4,285), mainly driven by less fiber and mobile access

SEK in millions, except margins, operational data and changes	Jan–Dec 2019	Jan–Dec 2018 ¹	Change (%)
Net sales	34,905	36,677	-4.8
Change (%) like for like	-4.9		
of which service revenues (external) ²	30,274	30,833	-1.8
change (%) like for like	-1.9		
Adjusted EBITDA ²	13,932	13,162	5.9
Margin (%) ²	39.9	35.9	
change (%) like for like	5.8		
Adjusted operating income ²	7,600	7,765	-2.1
CAPEX excluding fees for licenses, spectrum and right-of-use assets ^{1,2}	3,548	4,285	-17.2
Subscriptions, (thousands)			
Mobile	6,132	6,095	0.6
of which machine to machine (postpaid)	1,123	1,020	10.1
Fixed telephony	853	1,102	-22.6
Broadband	1,263	1,287	-1.9
TV	861	865	-0.5
Employees ¹	4,733	5,168	-8.4

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

network-related CAPEX. The main CAPEX components were mostly related to the B2C and B2B fiber roll-out, the mobile network, overall efficiency improvements as well as customer cases.

During the year, the number of mobile subscriptions increased by 37,000 as a net addition of 123,000 post-paid subscriptions more than compensated for the net

loss of 85,000 prepaid subscriptions. TV subscriptions fell by 4,000 and fixed broadband subscriptions fell by 24,000 driven by loss of copper based fixed broadband subscriptions.



FINLAND

In Finland focus during the year in the B2B segment was to work with finetuning the ICT delivery model and to further improve the already superior ICT proposition. Within the B2C segment Telia continued to strengthen its position in e-sports by launching its own e-sport series on MTV and also further expand the customer base and build convergence around the rights for the Finnish ice hockey league "Liiga".

Net sales in reported currency grew 2.9 percent to SEK 15,969 million (15,512) driven by a favorable exchange rate development. Net sales, like for like regarding exchange rates, acquisitions and disposals, decreased 1.5 percent driven by both lower equipment sales and lower service revenues.

Service revenues, like for like regarding exchange rates, acquisitions and disposals, decreased 1.0 percent as fixed revenues fell 1.4 percent and mobile revenues fell 0.7 percent. The latter as lower interconnect and other revenues together offset growth in subscription revenues.

Adjusted EBITDA excluding the positive impact from IFRS 16, like for like regarding exchange rates, acquisitions and disposals, fell 7 percent mainly driven by an increased cost base.

Like for like regarding exchange rates, acquisitions and disposals, adjusted EBITDA increased 2.6 percent. Adjusted EBITDA in reported currency increased 5.4 percent to SEK 4,900 million (4,647) and the adjusted EBITDA margin increased to 30.7 percent (30.0).

CAPEX in reported currency, excluding licenses, spectrum and right-of-use assets, fell to SEK 1,493 million (2,954) mainly due to SEK 1.2 billion in CAPEX associated with the Telia Helsinki Data Center previous year.

During the year, the number of TV subscriptions increased by 47,000 and fixed broadband subscriptions increased by 16,000. Mobile subscriptions fell by 93,000 during the year driven by a net loss of 104,000 postpaid subscriptions.



SEK in millions, except margins, operational data and changes	Jan–Dec 2019	Jan–Dec 2018 ¹	Change (%)
Net sales	15,969	15,512	2.9
Change (%) like for like	-1.5		
of which service revenues (external) ²	13,359	12,914	3.4
change (%) like for like	-1.0		
Adjusted EBITDA ^{1,2}	4,900	4,647	5.4
Margin (%) ²	30.7	30.0	
change (%) like for like	2.6		
Adjusted operating income ²	1,657	2,107	-21.4
CAPEX excluding fees for licenses, spectrum and right-of-use assets ^{1,2}	1,493	2,954	-49.5
Subscriptions, (thousands)			
Mobile	3,184	3,278	-2.8
of which machine to machine (postpaid)	270	268	0.6
Fixed telephony	23	38	-39.5
Broadband	473	457	3.5
TV	600	553	8.5
Employees ¹	2,926	2,980	-1.8

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

2) See sections Alternative performance measures and Definitions.

NORWAY

The Get and TDC Norway business acquired in October 2018 was legally integrated into Telia Norway in March 2019 which facilitated to reach EBITDA synergies at a run-rate of above NOK 200 million at the end of the year.

Net sales in reported currency increased 23.3 percent to SEK 14,666 million (11,898) driven by the acquisition of Get and TDC Norway in October 2018. Net sales, like for like regarding exchange rates, acquisitions and disposals, decreased 4.3 percent mainly driven by lower equipment sales but also a decline in service revenues.

Service revenues, like for like regarding exchange rates, acquisitions and disposals, decreased 1.6 percent partly due to lower fixed revenues but mostly due to lower mobile revenues that fell as a result of loss of subscriptions and lower interconnect revenues.

Adjusted EBITDA excluding the positive impact from IFRS 16, like for like regarding exchange rates, acquisitions and disposals, grew 2 percent as synergy realization more than mitigated for the pressure on service revenues.

Like for like regarding exchange rates, acquisitions and disposals, adjusted EBITDA increased 8.8 percent. Adjusted EBITDA in reported currency increased 42.3 percent to SEK 6,394 million (4,492) and the adjusted EBITDA margin increased to 43.6 percent (37.8).

CAPEX in reported currency, excluding licenses, spectrum and right-of-use assets, increased to SEK 2,883 million (1,484) due to the acquisition of Get and TDC Norway as well as an increased level of investments referring to mobile network capacity and coverage, and in processes improvements to increase efficiency.

In total, the number of mobile subscriptions decreased by 48,000 whereas fixed broadband subscriptions increased by 28,000 during the year. TV subscriptions decreased by 24,000 during the year.



SEK in millions, except margins, operational data and changes	Jan–Dec 2019	Jan–Dec 2018 ¹	Change (%)
Net sales	14,666	11,898	23.3
Change (%) like for like	-4.3		
of which service revenues (external) ^{1, 2}	12,884	9,716	32.6
change (%) like for like	-1.6		
Adjusted EBITDA ²	6,394	4,492	42.3
Margin (%) ²	43.6	37.8	
change (%) like for like	8.8		
Adjusted operating income ²	2,184	2,343	-6.8
CAPEX excluding fees for licenses, spectrum and right-of-use assets ²	2,883	1,484	94.2
Subscriptions, (thousands)			
Mobile	2,276	2,324	-2.1
of which machine to machine (postpaid)	85	71	20.0
Fixed telephony	49	59	-16.9
Broadband	445	417	6.7
TV	480	504	-4.8
Employees	1,874	2,033	-7.8

1) Restated, see Note C1.

2) See sections Alternative performance measures and Definitions.

DENMARK

Net sales in reported currency fell 8.0 percent to SEK 5,675 million (6,167) as service revenues and sales of equipment declined.

Service revenues, like for like regarding exchange rates, acquisitions and disposals, fell 5.5 percent to some extent attributable to pressure on TV and fixed broadband revenues, although mainly due to mobile revenues falling as a result of loss of subscriptions and ARPU pressure.

Adjusted EBITDA excluding the positive impact from IFRS 16, like for like regarding exchange rates, acquisitions and disposals, fell 2 percent as strong cost management was not enough to fully compensate for the decline in service revenues.

Like for like regarding exchange rates, acquisitions and disposals, adjusted EBITDA increased 36.6 percent. Adjusted EBITDA in reported currency increased 40.7 percent to SEK 1,056 million (751) and the adjusted EBITDA margin increased to 18.6 percent (12.2).

CAPEX in reported currency, excluding licenses, spectrum and right-of-use assets, fell to SEK 401 million (439).

The number of mobile subscriptions decreased by 16,000 and fixed broadband subscriptions fell by 23,000 during the year. TV subscriptions fell by 3,000 during the year.

SEK in millions, except margins, operational data and changes	Jan–Dec 2019	Jan–Dec 2018 ¹	Change (%)
Net sales	5,675	6,167	-8.0
<i>Change (%) like for like</i>	-10.7		
<i>of which service revenues (external)²</i>	4,262	4,377	-2.6
<i>change (%) like for like</i>	-5.5		
Adjusted EBITDA ²	1,056	751	40.7
Margin (%) ²	18.6	12.2	
<i>change (%) like for like</i>	36.6		
Adjusted operating income ²	-4	-116	
CAPEX excluding fees for licenses, spectrum and right-of-use assets ²	401	439	-8.7
Subscriptions, (thousands)			
Mobile	1,435	1,451	-1.1
<i>of which machine to machine (postpaid)</i>	82	69	19.0
Fixed telephony	72	78	-7.7
Broadband	81	104	-22.1
TV	21	24	-12.5
Employees ¹	794	864	-8.1

1) Restated, see Note C1.

2) See sections Alternative performance measures and Definitions.

LITHUANIA

Net sales in reported currency grew 5.1 percent to SEK 4,045 million (3,849) by growth in equipment sales as well as service revenues but mainly by a favorable exchange rate development.

Service revenues, like for like regarding exchange rates, acquisitions and disposals, increased 0.5 percent as a 4.9 percent growth in mobile service revenues more than compensated for a 2.4 percent drop in fixed service revenues. The decline in fixed revenues was mainly attributable to pressure on fixed telephony revenues and to some extent also lower revenues from fixed broadband and other fixed services, predominately transit revenues.

Adjusted EBITDA excluding the positive impact from IFRS 16, like for like regarding exchange rates, acquisitions and disposals, fell 3 percent as a slight growth in service revenues was not enough to offset increased operational expenses mainly related to resources and marketing.

Like for like regarding exchange rates, acquisitions and disposals, adjusted EBITDA increased 2.6 percent. Adjusted EBITDA in reported currency increased 5.9 percent to SEK 1,430 million (1,350) and the adjusted EBITDA margin increased to 35.4 percent (35.1).

CAPEX in reported currency, excluding licenses, spectrum and right-of-use assets, fell to SEK 526 million (575).

The number of mobile subscriptions fell by 42,000 due to a clean-out of around 110,000 inactive postpaid subscriptions. Fixed broadband subscriptions grew by 10,000 and TV subscriptions increased by 2,000 during the year.

SEK in millions, except margins, operational data and changes	Jan–Dec 2019	Jan–Dec 2018	Change (%)
Net sales	4,045	3,849	5.1
<i>Change (%) like for like</i>	1.9		
<i>of which service revenues (external)¹</i>	3,096	2,983	3.8
<i>change (%) like for like</i>	0.5		
Adjusted EBITDA ¹	1,430	1,350	5.9
Margin (%) ¹	35.4	35.1	
<i>change (%) like for like</i>	2.6		
Adjusted operating income ¹	744	697	
CAPEX excluding fees for licenses, spectrum and right-of-use assets ¹	526	575	-8.5
Subscriptions, (thousands)			
Mobile	1,347	1,389	-3.0
<i>of which machine to machine (postpaid)</i>	175	157	11.8
Fixed telephony	261	315	-17.1
Broadband	419	409	2.4
TV	244	242	0.8
Employees	1,959	2,306	-15.0

1) See sections Alternative performance measures and Definitions.

ESTONIA

Net sales in reported currency grew 8.3 percent to SEK 3,333 million (3,077) due to strong development in service revenues as well as a favorable exchange rate development.

Service revenues, like for like regarding exchange rates, acquisitions and disposals, rose 5.0 percent as mobile service revenues grew 4.7 percent due to subscription base and ARPU expansion, and fixed service revenues grew 6.1 percent supported by strong development in fixed broadband, TV and business solutions revenues.

Adjusted EBITDA excluding the positive impact from IFRS 16, like for like regarding exchange rates, acquisitions and disposals, rose 5 percent on the back of the strong service revenue development.

Like for like regarding exchange rates, acquisitions and disposals, adjusted EBITDA increased 11.0 percent. Adjusted EBITDA in reported currency increased 14.5 percent to SEK 1,146 million (1,001) and the adjusted EBITDA margin increased to 34.4 percent (32.5).

CAPEX in reported currency, excluding licenses, spectrum and right-of-use assets, fell to SEK 549 million (567).

The number of mobile subscriptions grew by 81,000 during the year mainly driven by a net addition of 73,000 postpaid subscriptions, of which 58,000 were related to SIM cards used for machine-to-machine services. TV subscriptions remained unchanged and fixed broadband subscriptions increased by 2,000 during the year.

SEK in millions, except margins, operational data and changes	Jan–Dec 2019	Jan–Dec 2018	Change (%)
Net sales	3,333	3,077	8.3
<i>Change (%) like for like</i>	5.0		
<i>of which service revenues (external)¹</i>	2,600	2,399	8.4
<i>change (%) like for like</i>	5.0		
Adjusted EBITDA ¹	1,146	1,001	14.5
Margin (%) ¹	34.4	32.5	
<i>change (%) like for like</i>	11.0		
Adjusted operating income ¹	502	444	
CAPEX excluding fees for licenses, spectrum and right-of-use assets ¹	549	567	-3.2
Subscriptions, (thousands)			
Mobile	1,068	986	8.3
<i>of which machine to machine (postpaid)</i>	305	248	23.3
Fixed telephony	245	263	-6.8
Broadband	244	242	0.8
TV	212	212	0.0
Employees	1,796	1,794	0.1

1) See sections Alternative performance measures and Definitions.

TV AND MEDIA

The acquisition of Bonnier Broadcasting announced in July 2018 was approved by the EU commission on November 12, 2019. Subsequently the Bonnier broadcasting business was after closing on December 2, 2019 consolidated in the newly established segment TV and Media. The segment comprises former Bonnier Broadcastings businesses of TV4 and C More in Sweden and MTV in Finland. See Note C34.

The new segment TV and Media will secure a foundation for Nordic quality content and create new revenue streams for Telia Company. The acquisition is expected to generate synergies as per 2020 with full run-rate of SEK 600 million in 2022.

Net sales in reported currency amounted to SEK 751 million.

Adjusted EBITDA in reported currency amounted to SEK 108 million and the adjusted EBITDA margin was 14.3 percent.

CAPEX excluding right-of-use assets amounted to SEK 13 million.

The number of direct subscriptions video-on-demand (SVOD) was 653,000 by the end of the year compared to 503,000 previous year.

SEK in millions, except margins, operational data and changes	Jan-Dec 2019	Jan-Dec 2018	Change (%)
Net sales	751	–	–
<i>Change (%) like for like</i>	–	–	–
<i>of which service revenues (external)¹</i>	711	–	–
Adjusted EBITDA ¹	108	–	–
Margin (%) ¹	14.3	–	–
Adjusted operating income ¹	42	–	–
Operating income ¹	-44	–	–
CAPEX excluding fees for licenses, spectrum and right-of-use assets ¹	13	–	–
Subscriptions, (thousands)			
TV	653	–	–
Employees	1,261	–	–

1) See sections Alternative performance measures and Definitions.

OTHER OPERATIONS

Other operations comprise Telia Carrier, Latvia, Telia Finance, Division X, Group functions as well as Telia Company's shareholding in the associated company Turkcell.

In reported currency, net sales increased 1.7 percent to SEK 8,889 million (8,743), as growth in Latvia, Telia Finance and Division X more than compensated for a decline in Telia Carrier.

Service revenues, like for like regarding exchange rates, acquisitions and disposals, fell 4.3 percent driven by lower service revenues in Telia Carrier due to a drop in low-margin voice transit revenues.

Adjusted EBITDA excluding the positive impact from IFRS 16, like for like regarding exchange rates, acquisitions and disposals, rose 8 percent mainly due to realization of efficiencies in central functions and partly also growth in Latvia, Telia Carrier and Telia Finance.

Like for like regarding exchange rates, acquisitions and disposals, adjusted EBITDA increased 75.0 percent. Adjusted EBITDA in reported currency increased 80.3 percent to SEK 2,051 million (1,138) and the adjusted EBITDA margin increased to 23.1 percent (13.0).

In Telia Carrier, net sales in reported currency fell 2.8 percent to SEK 5,388 million (5,542) following loss of voice transit revenues. Adjusted EBITDA excluding the positive

impact from IFRS 16, like for like regarding exchange rates, acquisitions and disposals, rose 2 percent mainly attributable to an improved revenue mix.

In Latvia, net sales in reported currency increased 9.5 percent to SEK 2,408 million (2,200) driven by a favorable exchange rate development as well as growth in equipment and mobile revenues.

Adjusted EBITDA excluding the positive impact from IFRS 16, like for like regarding exchange rates, acquisitions and disposals, rose 6 percent driven by the growth in equipment and mobile service revenues.

The number of mobile subscriptions grew by 18,000 during the year.

Income from associated companies increased to SEK 1,150 million (835) driven by Turkcell in Turkey.

CAPEX in reported currency, excluding fees for licenses, spectrum and right-of-use assets, increased to SEK 4,692 million (4,671) of which SEK 0.8 billion related to Telia Carrier and Latvia and SEK 3.1 billion to the common function Global Services and Operations and referred to items such as IT systems, core networks and product platforms managed on group level to benefit several countries.

SEK in millions, except margins, operational data and changes	Jan–Dec 2019	Jan–Dec 2018 ¹	Change (%)
Net sales	8,889	8,743	1.7
<i>Change (%) like for like</i>	-1.3		
<i>of which Telia Carrier</i>	5,388	5,542	-2.8
<i>of which Latvia</i>	2,408	2,200	9.5
Adjusted EBITDA ²	2,051	1,138	80.3
<i>of which Telia Carrier</i>	888	512	73.3
<i>of which Latvia</i>	799	694	15.2
Margin (%) ²	23.1	13.0	
Income from associated companies	1,150	835	37.8
<i>of which Russia</i>	0	0	
<i>of which Turkey</i>	990	685	44.6
<i>of which Latvia</i>	164	175	-6.2
Adjusted operating income ²	726	905	
CAPEX excluding fees for licenses, spectrum and right-of-use assets ^{1,2}	4,692	4,671	0.5
Subscriptions, (thousands)			
Mobile Latvia	1,299	1,281	1.4
<i>of which machine to machine (postpaid)</i>	325	313	3.6
Employees ¹	5,502	5,294	3.9

1) Restated, see Note C1.

2) See sections Alternative performance measures and Definitions.

SUSTAINABILITY

OUR APPROACH

Digitalization is a key factor for positive societal development and sustainable economic growth. But there are risks and legitimate concerns related to the negative impacts of digitalization. Telia Company has adopted a stakeholder-based approach to understand, manage and proactively communicate our positive and negative environmental and social impacts. We strive to be fully transparent and accountable, highlighting our successes but also when we are not meeting expectations.

At the core of our approach, illustrated below, are two strategic pillars:

- **Shared value creation** is about addressing societal and environmental challenges while creating business value
- **Responsible business** focuses on managing risk, minimizing negative impact and acting ethically and responsibly. These responsibilities extend through the value chain

Supporting the approach are three critical success factors:

- **Board and management commitment** – actively steering our sustainability agenda in order to create long-term sustainable stakeholder value
- **Employee engagement** – enabling all employees to contribute to positive digital impact
- **Ethics and compliance** – the foundation for ensuring responsible business practices

The following chapters of this Sustainability section cover our Responsible business focus areas as well as other relevant topics from a human rights and shared value creation perspective. Data such as greenhouse gas emissions, energy consumption and sickness absence as well as information on other material topics not covered in this Sustainability section can be found in the Sustainability Notes.



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



IMPACTS ON THE SDGs

Telecommunications and ICT services can make a positive contribution to the realization of all UN Sustainable Development Goals (SDGs), but there are also negative impacts and risks to manage. Telia Company aims to become an industry leader in contributing to the SDGs.

We approach the SDGs as either of three roles in relation to our actual or potential impacts: as driver, enabler or contributor. The categorization, illustrated below, represents both actual and potential, as well as current and future, impacts and relevance to business. The roles are strongly linked to the conditions in our core markets and our stakeholders' expectations. Read more in About the company, section Creating stakeholder value.

SDG 9: Industry, innovation and infrastructure

The most directly impactful SDG for our industry, as realization of the SDG directly 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) and data insight services help create smarter and more sustainable public transportation, and allow for real time monitoring of air quality, for example.

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

The climate crisis is the defining challenge for states, corporates and investors to address with the utmost urgency. 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.

SDG 16: Peace, justice and strong institutions

Telecommunications and the internet create unprecedented opportunities related to freedom of expression, access to information and learning. But there are risks and negative impacts: cyber attacks and spreading of child sexual abuse material online, for example. These need to be proactively managed and mitigated, supported by transparency.

SDG 17: Partnerships for the goals

Perhaps more than any other industry, the ICT industry relies on partnerships with a broad range of stakeholders using an eco-system approach to unlock the potential of digital solutions as drivers for sustainable development and in managing industry-common challenges.



SIGNIFICANT EVENTS

New environmental agenda – Daring goals

At the capital markets day in March, new environmental goals to be reached by 2030 were launched. The goals mark a radical shift in Telia Company's ambition level for addressing the climate crisis and unsustainable use of natural resources. Read more in Environment.

Green bond framework

In October, Telia Company launched a *green bond framework*. The framework is part of the work to implement a sustainable finance strategy and is closely tied to the new environmental goals. The framework is prepared in accordance with the Green Bond Principles and has received a *second party opinion* from the independent ESG research provider Sustainalytics. The framework includes four investment categories:

- Renewable energy
- Green digital solutions
- Energy efficiency
- Green buildings

At the launch, which was followed by meetings with Nordic and European investors, we highlighted that Green digital solutions and Energy efficiency are the likely main investment categories. Green digital solutions cover what is known as “greening of”: technologies such as IoT, 5G and cloud solutions that help customers reduce their environmental impact. Energy efficiency relates to “greening by”, meaning reducing our own footprint mainly by further investments to replace copper-based networks with much more energy-efficient fiber.

TCFD risk assessment

As part of the work to over time implement the Task Force for Climate-related Financial Disclosures (TCFD) recommendations, a first risk assessment was carried out using 2025 as the timeframe. Overall, we estimate financial impacts from both transition and physical risks as small. The largest company-specific risks, which we believe to be also the largest industry-specific risks, are market-related (the risk of not meeting customer or investor requirements) and reputation-related (continued wide-spread incorrect information regarding the energy and greenhouse gas emissions footprint of ICT companies). For more information about the results of the assessment including mitigating activities, see Note S7 to the Sustainability Notes.

Nordic CEOs for a Sustainable Future

Launched in 2018, the CEO coalition *Nordic CEOs for a Sustainable Future* (of which Telia Company is a founding member) is a joint initiative to speed up the realization of the SDGs. At year end, the coalition consisted of 14 of the largest Nordic companies representing more than €100 billion in revenue and 250,000 employees globally.

In August, the CEO coalition met the Nordic Prime Ministers during the Nordic Council of Ministers' session in Reykjavik, Iceland, with the purpose of finding a common roadmap for achieving the SDGs. The companies agreed to strengthen their efforts particularly within the areas of climate change (SDG 13), and diversity and inclusion focusing on female leadership (SDG 5). Efforts will include to exchange best practice and learnings on emissions reductions, diversity and inclusion. The initiative will regularly meet with governments to accelerate the change needed to reach the SDGs by 2030.

Sustainable Brand Index

In the annual Nordic consumer study Sustainability Brand Index, local Telia brands generally performed well. The Telia Brand placed first in its industry in Sweden and Denmark. Overall, our industry scored relatively poorly which can be attributed primarily to consumers' low understanding and connection between our work and sustainability.

Following the survey, we conducted an in-depth focus group study to better understand which environmental aspects consumers associate with telcos, and which products and services would be the most interesting as part of a mobile phone subscription or similar offering. Read more in Note S3 to the Sustainability Notes.

Strong Environmental, Social and Governance (ESG) performance

We retained our strong performance in various ESG ratings and indices, including:

- “AAA” in MSCI's ESG rating
- Above industry average performance in Sustainalytics' ESG risk assessment in key areas such as anti-corruption, data privacy and security
- “Gold supplier” in the EcoVadis supplier assessment portal
- Inclusion in FTSE4Good
- Inclusion in the 2019 and 2020 Bloomberg Gender Equality Index
- B- in the 2019 CDP climate change assessment, up from D in 2018
- Included in the top Leader category in Global Child Forum's corporate rating on implementation of the Children's Rights and Business Principles

*Read more about the Board of Directors' and Group Executive Management's long-term commitment to sustainable business practices as well as the international frameworks which Telia Company has committed to in Corporate Governance Statement, section Statement of materiality and significant audiences. For more information about sustainability governance, stakeholder engagement and materiality determination, see Notes S2 and S3 to the Sustainability Notes. For more information about scope, definitions and references to other reporting frameworks, see our *Sustainability Reporting Framework*.*

ENVIRONMENT

Ambitions:

- Zero CO₂ in the value chain and zero waste from our own and network operations by 2030, through 100 percent action
- A structured and science-based approach to assessing and managing the impacts of our operations



2022 GOALS	2019 STATUS	2020 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • Environmental management system implemented in all operations¹ • Environmental impact assessment integrated in project planning and investment evaluation • Climate neutrality in own operations (energy and business travel) • 100 percent renewable electricity use² • 5 percent lower energy consumption per subscription equivalent • Engage with all suppliers to have a plan in place by 2022 to reach zero CO₂ by 2030, including their suppliers • Significant increase in re-use of customer and network equipment • Comprehensive green offerings in all markets 	<ul style="list-style-type: none"> • New 2030 environmental agenda and revised 2022 goals • Complete scope 3 assessment carried out in Telia Finland • 98 (91) percent renewable electricity use in Nordic and Baltic operations, 90 (83) percent of group total electricity use • 31.0 (30.3) kWh per subscription equivalent (+2 percent) • 0.5 (1.0) kg CO₂e per subscription equivalent (-50 percent) • Buy-back programs in all markets, seven percent of sold or leased phones bought back • Refurbished mobile phones offered to consumers in three markets • ISO 14001 certification in Estonia, Finland, Lithuania and Sweden 	<ul style="list-style-type: none"> • Adopt a science-based target (SBT) • Strengthen coordination of energy management with focus on efficiency, cost and GHG emissions • Revise guiding documents on travel and company cars for the purpose of reducing GHG emissions • Continue implementation of new CO₂ supplier selection criteria • Develop a calculation tool designed to capture how we help customers reduce GHG emissions • Strengthen the work on re-use and green offerings

1) ISO 14001 or ISO 50001.
2) Wherever the market allows.

See Note S7 to the Sustainability Notes for data and more information on greenhouse gas (GHG) emissions, energy consumption and more.

Our approach

This area is governed by the *Group policy – Environment*. Environmental requirements on suppliers are outlined primarily in the *Supplier code of conduct*.

Telia Company's key environmental impacts from its own operations are energy, GHG emissions and waste, particularly electronic waste. The supply chain has a vastly larger environmental impact, particularly related to natural resource use, waste and GHG emissions related to manufacturing of consumer electronics such as mobile phones. Our customers and stakeholders expect us to act responsibly by minimizing our negative footprint and are increasingly interested in products and services that can help them reduce their own footprint, for example through

digital services like connected transportation and remote meetings.

To ensure continuous improvement, local companies are required to implement the ISO 14001 environmental management system (EMS) or ISO 50001 energy management system. Local companies are responsible for EMS implementation, with coordination by the group environmental manager who is responsible for overall goal setting, planning and reporting to a management steering group and the Board of Directors. Training, either specific or as part of the Code of responsible business conduct training, is carried out locally to meet EMS requirements.

Parts of or all operations in Estonia, Finland, Lithuania and Sweden are ISO 14001 certified. Additionally, Telia in Norway is certified according to the national standard "Miljöfyrtårn" (Eco-lighthouse). Telia Estonia's data center operations are certified according to ISO 50001.

Work during the year

New environmental agenda for 2030

To forcefully address the climate crisis and the unsustainable use of natural resources, Telia Company adopted new ambitious environmental goals to be reached by 2030. The goals were presented at the capital markets day in March and consist of three parts: we aim to reach zero CO₂ and zero waste through 100 percent action.

The journey towards reaching the goals means working across our value chain to promote rapid transformation – becoming climate neutral within our own operations by 2022 at the latest while requesting our suppliers and enabling our customers to reduce their GHG emissions. Zero waste means moving towards a circular business model by focusing on our own operations and networks. We cannot achieve our goals alone. Therefore, we are committed to collaborate and co-create with our suppliers, customers and other partners and to be transparent about what we achieve and learn along the way.

The 2030 goals have been broken down into more specific 2022 goals, which were approved in January 2020. Below is more information of the work during the year to reach the goals.

Reducing our own emissions

We are committed to become climate neutral within our own operations by 2022, covering energy and business travel including our own car fleet. This will be achieved through further emission reductions and carbon offsetting. Using 100 percent renewable electricity wherever the market allows will be key to reaching the goal. In the Nordics and Baltics, we use “green contracts” or purchase Guarantees of Origin (GoO). In contracts where we are the tenant or co-host, we strive to influence the electricity contract owner to use renewable electricity. 1,002 (906) GWh, 98 (91) percent of total electricity use in these markets and 90 (83) percent of the Group's total electricity use, was renewable.

Addressing our supply chain

As the new 2030 goals were announced, Telia Company's CEO and CPO sent out a letter to several hundred suppliers informing them about what is needed from the supply chain in order to meet the goal of zero CO₂. The letter clarified the expectation that the suppliers should have a GHG emissions action plan in place by 2022. In order to reward the best ones, we tightened our supplier selection criteria and initiated dialogue with some strategic suppliers

to create joint visions going forward. We estimate that the 100 largest suppliers represent around 80 percent of total supply chain GHG emissions.

Scope 3 baseline calculation

To set science-based targets, we need to understand our value chain (scope 3) GHG emissions. Telia Finland conducted a pilot project to estimate GHG emissions for the entire value chain. The results showed that over 90 percent of total GHG emissions can be attributed to the supply chain. Based on the pilot we estimate the group scope 3 emissions to around 1,130 ktons CO₂e, compared to 63 ktons CO₂e for scopes 1 and 2 combined. For detailed information about scope 3 emissions in the most material categories, see Note S7 to the Sustainability Notes.

HIGHLIGHT

ICT'S POTENTIAL FOR GHG EMISSIONS REDUCTIONS

An increasing amount of research and real-life cases confirm that ICT solutions such as IoT, cloud and crowd insights services can have a substantial impact on reducing other industries' GHG emissions. A global GSMA study showed that the mobile sector can help reduce GHG emissions by up to ten times its own emissions, through a combination of IoT services and behavior change. The Exponential Climate Action Roadmap, released in September and developed with the help of data from research by Ericsson, the Swedish Royal Institute of Technology and Telia Company highlights the role of digitalization in the transition to a low-carbon economy.

Reducing waste

Moving towards a circular business model will be key in order to reduce our overall environmental footprint. Focus areas will include waste streams such as mobile phones, network equipment and construction waste from network development. We aim to significantly increase re-use of network and customer equipment and look further into green offerings. Studies show that re-use and other means of prolonging the lifetime of mobile phones is of high interest to consumers. Read more about a consumer study we conducted on the topic in Note S3 to the Sustainability Notes.

We approach e-waste management from the principle of reduce – re-use – recycle. We consider recycling only when equipment can no longer be used. Our buy-back programs help extend the time of products such as mobile phones, tablets and computers that are often in good working condition. All markets have buy-back programs in place and seven percent of phones sold or leased were bought back. The devices are sold to local partners who wipe the data and either resell them or send them to recycling. All our recycling partners are ISO 14001 certified. At year-end, we offered discounted refurbished phones to customers in Norway, Finland and Sweden.

An internal network equipment re-use/resell program helps reduce both waste and costs but also to generate revenue. Used network equipment is either re-allocated to other markets' network or sold to another company. In total, around 36 (42) tons of equipment were re-used internally or resold.

Employee engagement

All employees were invited to activities where they can actively contribute and learn more about various environmental topics and how Telia Company can contribute positively to our customers' environmental footprint. Results from the Group-wide employee engagement survey Purple Voice reflected the increased activities during the year. 75 percent of employees stated that their teams are taking concrete actions in line with Telia Company's sustainability direction, a ten percentage point increase from 2018.

Next steps

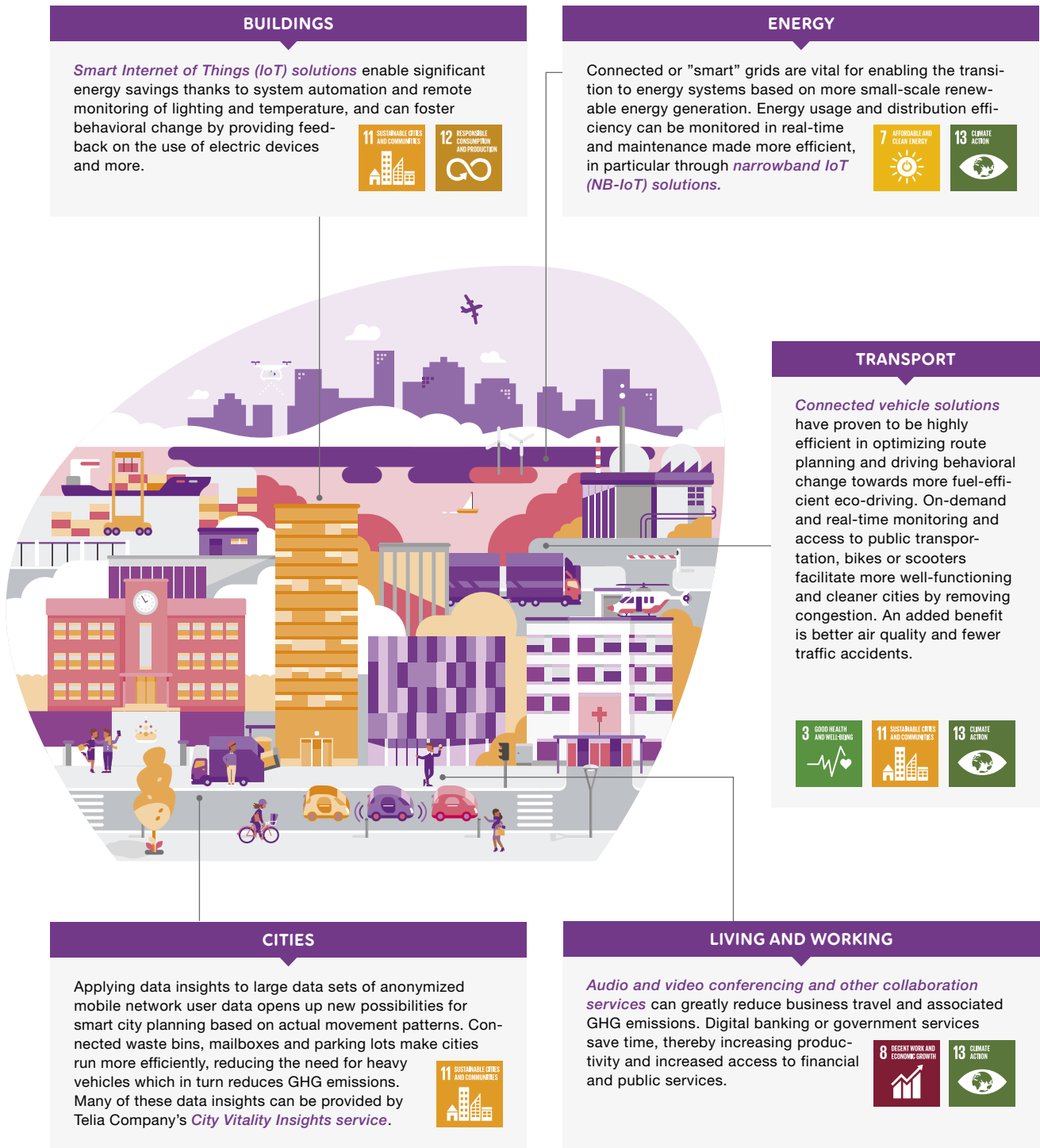
In December 2018, we committed to adopt science-based targets and aim to submit targets for approval in the coming year. Adopting science-based targets is key to make sure that our work is aligned with the GHG emissions reductions needed to limit global warming to 1.5 degrees.

We aim to develop a calculation tool allowing us to quantify how much we help our customers reduce their GHG emissions. We see this as increasingly important as we interact with our customers to illustrate also the environmental benefits of Telia Company's products and services.

Telia Company in Sweden does not conduct any operations subject to environmental permits from authorities according to the Swedish Environmental Code, Chapter 9.

ENABLING OUR CUSTOMERS TO REDUCE GHG EMISSIONS

The illustration below highlights some of the areas where Telia Company's products and services can reduce customers' GHG emissions.



HUMAN RIGHTS

Our responsibility and approach

Telia Company is committed to support and respect human rights throughout its operations. We engage proactively with business partners, governments and other stakeholders to uphold the highest standards of human rights throughout the value chain.

OUR APPROACH - KNOW, SHOW AND ACT

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

Show: By making assessments and other information public in corporate reporting and through other means of transparency.

Act: By using insights to respect and support the rights of individuals, and to prevent and address adverse human rights impacts.

In line with the UN Guiding Principles for Business and Human Rights, our work focuses on what we consider the most material human rights areas:

- Freedom of expression and surveillance privacy
- Safeguarding customer information
- Children's rights
- Labor rights in the context of health, safety and well-being
- Responsible sourcing

Moreover, there are additional areas with human rights implications such as corruption, environment, diversity, equal opportunity, non-discrimination and sanctions.

More information on the management of most of these areas is presented in the following chapters and in the Sustainability Notes. For more information on risk management, see Board of Directors' Report, section Risks and uncertainties.

All material areas are considered relevant for each of Telia Company's markets. For more information on human rights due diligence in acquisitions and divestments, see Note S18 to the Sustainability Notes.

Policy commitments

Our commitments are governed by the *Group policy – Human rights* which is approved by the Board of Directors. The policy references human rights-related commitments in other group policies, and also adds human rights-specific commitments to:

- Grievance and remedy
- Human rights due diligence
- Training on human rights issues
- Upholding human rights in the value chain
- Recognizing, respecting and supporting children's rights

Commitments related to human rights are further outlined in the Code of responsible business conduct. All employees are required to be familiar with the contents of the Code through regular training.

Our policy commitments apply to Telia Company, its subsidiaries and joint operations as their own binding policies/commitments. Telia Company works towards promoting and adopting the principles and objectives in other associated companies such as Turkcell.

Grievance and remedy

We strive to promote and ensure channels for transparent and open communication where all internal and external stakeholders can raise concerns without fear of retaliation or reprisal, and to provide fair investigation and grievance mechanisms. We will seek to provide for or cooperate in human rights remedy. Telia Company's grievance mechanism Speak-Up Line, available to both employees and external stakeholders, was updated in 2019 to better include human rights categories. For more information about the Speak-Up Line and cases during 2019, see Corporate Governance, section Group-wide governance framework and Note S13 to the Sustainability Notes.

Organization

Overall responsibility and oversight of human rights lies with the Board of Directors. On group level, work is coordinated by a cross-functional working group that facilitates e.g. policy coordination, shared learning and business integration. Human rights matters are regularly reported to the group Governance, Risk, Ethics and Compliance (GREC) forum and the Board of Directors.

Local companies are responsible for communicating, implementing and ensuring compliance with human rights-related policies. They are also responsible for ensuring that employees and relevant contractors, third parties and suppliers have sufficient training to adhere to the commitments and are aware of whistle-blowing mechanisms in place for reporting actual or suspected human rights risks and violations.

Human rights impact assessments

We have 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 on the rights of individuals. During 2015-2017 we carried out country-level HRIAs as part of a responsible exit from Eurasia, and to get better general understanding of impacts, risks and opportunities in the Nordics and Baltics. [Read more on our website.](#)

In 2019, we aligned our approach to HRIAs with our new profile in relation to new areas of business. Product development involving artificial intelligence (AI) brings opportunities for "human rights by design", taking human rights opportunities and risks into account already as part of business development. Telia Company's innovation unit Division X is a founding member of the [AI Sustainability Center in Stockholm](#), launched in January, to enable discussions on ethical as well as human rights issues in areas such as smart cities and data insights. Our collaboration supports their development of a flexible and scalable tool for comprehensive risk identification including ethics as well as human rights.

HIGHLIGHT

MEDIA OWNER COMMITMENTS

The acquisition of Bonnier Broadcasting was finalized in December. Media ownership brings new risks and opportunities related to human rights. Telia Company has defined and published commitments to promote and defend independent publishing with the responsible editorship as a cornerstone. Our media shall portray a multitude of voices and perspectives. Our commitments include:

- Promote and defend independent publishing and broadcasting with the responsible editorship as a cornerstone
- Guarantee the editorial freedom
- Hold editorial content free from ties to e.g. governments, public authorities, political parties, external financial power spheres and other organized social interests
- Adhere, in addition to applicable local legislation, to established codes of ethics for press, television and radio, and
- Respect the professional secrecy of mass media including the confidentiality of sources

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 conventional and unconventional requests

2022 GOALS	2019 STATUS	2020 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • Law enforcement disclosure reporting with regard to number of conventional authority requests, information on local surveillance legislation on direct access and on data retention • 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 	<ul style="list-style-type: none"> • Law enforcement disclosure reports published • Closed some ten unconventional requests during the year, of which in around two thirds we promoted freedom of expression and surveillance privacy in some way • External assessment of implementation of the GNI principles • Actively contributed to the work of the GNI • Established freedom of expression and surveillance privacy as a reporting category in the Speak-Up Line whistle-blowing tool 	<ul style="list-style-type: none"> • Define and codify media owner commitments as new owner of former Bonnier Broadcasting • Public reporting on the GNI assessment of Telia Company

The right to customer privacy is widely understood as fundamental to the right to freedom of expression. This means we have commitments both to surveillance privacy (when authorities mandate access to user data) and customer privacy (processing customer data for our own needs). Read more about customer privacy in Safeguarding customer information.

Our approach

This area is governed by the [Group policy – Freedom of expression and surveillance privacy](#).

Our networks and services enable access to information and the exchange of ideas in a way that supports openness and transparency. However, issues related to freedom of expression and surveillance privacy pose a high risk to users of ICT services globally. There is ongoing debate and diverging external pressure as policy makers seek to introduce additional surveillance measures to fight crime, terrorism, hate speech and more.

Our responsibility and commitment is to respect freedom of expression and privacy in the context of surveillance as outlined in the UN Guiding Principles for Business and Human Rights. Our objective is to limit potential harm to individuals by seeking active measures to support the rights of individuals where we assess that these might be at risk. Our work is guided by the Global Network Initiative (GNI) “Principles with Implementation Guidelines on freedom of expression and surveillance privacy” as well as recommendations and learnings from GNI’s external assessment process. Progress is regularly reported to the group Governance, Risk, Ethics and Compliance (GREC) forum and the Board of Directors.

Assessment 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 potentially serious impacts on the freedom of expression

and privacy in the context of limitations to the free flow of information or surveillance of individuals (“unconventional request”).

Guidance is provided in a form for assessments and escalation, *a tool that we have shared publicly* and is included in *GSMA's Mobile Policy Handbook*. Potentially unconventional requests are to be assessed by the local company and escalated within Telia Company for informed decision-making. This includes considerations from outside the often-complex and stressed specific local context on if, and if so how, to perform a “point of challenge”. This means adhering to local legislation while at the same time seeking to carry out measures to respect and support the rights of individuals. We aim to publicly share as much information as possible about requests.

Through legislation and decisions by authorities, states define the scope of surveillance of communications and limitations to the free flow of information. This means that while our point of challenge process is intended to identify and mitigate potential violations to individuals’ rights, the actual outcome depends heavily on local legislation and the safety and capabilities of local employees.

Work during the year

Global Network Initiative

We are an active member of the *Global Network Initiative* (GNI), a multi-stakeholder organization that brings together a growing number of 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 are at the core of its work. Telia Company serves on the Board and participates in various committees. During the year, substantial progress was made through sharing cases as part of the assessment process.

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 undergo an independent assessment of their implementation of the principles every two years, to determine their efforts in practice.

Using a GNI-specific assessment tool, we first performed a self-assessment that was provided to a GNI-accredited assessor. The assessor reviewed our processes, policies and governance model that we implement to safeguard freedom of expression and the right to privacy of our users in relation to government demands, including specific cases. Based on the assessor’s report to the GNI Board, the Board determined that Telia Company is making good faith efforts to implement the GNI principles with improvement over time. We aim to issue a public report in 2020 on related recommendations, following the release of *a formal GNI report* on the conclusions regarding GNI company members that were assessed in the same assessment cycle.

Law enforcement disclosure reporting

We believe that transparency on governments’ surveillance and limiting of the free flow of information contributes to stronger enforcement of freedom of expression and surveillance privacy. For this reason, we publish *Law Enforcement Disclosure Reports (LEDR)*.

The report released alongside this Annual and Sustainability Report includes our statistics on conventional (“day-to-day”) requests. Statistics regarding authorities’ conventional requests as well as unconventional requests are included in the limited assurance of this Annual and Sustainability Report. See Note S8 to the Sustainability Notes for the statistics as well as information on the scope and limitations.

The LEDR also includes links to national laws that provide governments with direct access to information about our customers and their communication, without having to request information from Telia Company. Regarding such governments’ real-time network access without requests, i.e. signals intelligence (intelligence gathering through analysis and processing of communication signals) and technical systems for more extensive monitoring of telecommunications, Telia Company has no insight or control into the extent (when, who and what) of such surveillance and cannot provide any statistics.

As a step towards broadening our scope of transparency, the number of blocking requests were added, starting with the March 2019 LEDR.

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*.

Unconventional requests

In addition to reporting statistics on conventional requests, we aim to publish information on unconventional requests or demands from governments. During 2019, we closed around ten such requests or demands across our operations. Requests included areas like new legislation, blocking, shut-down of networks and targeted surveillance. To ensure consistency, group-level experts facilitated local assessments and escalations. In around two thirds of the cases, Telia Company promoted freedom of expression and surveillance privacy in some way. Such measures were defined jointly by local companies and representatives of Group Executive Management.

There are several challenges related to transparency on unconventional requests. Local laws that sometimes lack full clarity determine what can be published. There may be confidentiality provisions and/or constraints based on our duty to protect the safety of our employees. Issues regarding direct access are closely related to national security and are therefore complex and challenging to communicate. Also, counting the number of unconventional requests can be difficult and subjective as they range from demands to block one or several websites or shutting down a network locally, to requests regarding direct access.

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 by design
- Create a culture of security awareness among employees and customers



2022 GOALS	2019 STATUS	2020 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • Ensure 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 	<ul style="list-style-type: none"> • Extended ISO 27001 certification to cover additional services and processes • Strengthened “security by design” by implementing automated controls for key processes • Internal security awareness campaign conducted 	<ul style="list-style-type: none"> • Increase the coverage of controls-based security by design • Implement common approach to managing increasing requirements related to national security • Expand ISO 27001 certification scope

Our approach

In 2019, the Customer privacy focus area which previously focused on privacy compliance was broadened to also cover information security (IS) and was renamed Safeguarding customer information. These areas are inherently connected and of the utmost importance for creating and maintaining stakeholder trust.

Information security

Information Security requirements are laid out in the [Group policy – Security](#). The requirements aim to control, facilitate and implement well balanced information security measures throughout the organization.

The risks associated with cyber attacks remain a challenge for our industry and society at large. To manage these risks, Telia Company has established and implemented an Information Security Management System (ISMS) certified according to the ISO 27001 information security standard. It covers the Group Information Security Governance and Enterprise Information Security Risk Management processes and their supporting systems, specifying requirements on IS and related risk management across all group functions and local organizations.

IS governance is coordinated by the Group security function and implemented throughout the organization by local security leads. The work is continuously followed-up as part of ISO 27001 certification management and reported

to the Governance, Risk, Ethics and Compliance (GREC) management forum and the Board of Directors.

Internal and external audits are conducted periodically to ensure that a proper security organization and measures are in place, and to ensure continuous improvement. We also carry out IS-specific audits of suppliers that manage our customer data. Read more about IS supplier requirements and audits in Responsible sourcing.

Our approach to cyber security includes both proactive and reactive measures. Proactive measures are included in our “security by design” work, which is described below. Regarding reactive measures, a Global Security Operations Centre (GSOC) monitors and handles cyber security 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 \(TF-CSIRT\)](#).

Transparent handling of personal data

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](#).

The main challenge is finding smart and interactive measures to help customers and employees understand how their data is processed without too much, too detailed or too technical information.

We have a proactive approach to privacy management, including follow-up on GDPR and E-privacy directive compliance. The Data Protection Officer (DPO) unit carries out verifications and tests of GDPR and e-privacy compliance. The results are planned to be regularly reported to Group Executive Management and the Board of Directors. The DPO unit is also responsible for handling data subject requests and interactions with authorities concerning all privacy matters (including giving advice about personal data breaches).

More information about how Telia Company handles data protection and data subjects' rights as well as how the DPO unit works is available on www.teliacompany.com/about-the-company/privacy/.

Work during the year

ISO 27001 certification

Expanding ISO 27001 certification and aligning current local certification with group-common processes is an important step in strengthening information security practices and meeting increasing customer demands. During the year, the scope was extended to include a number of common services and processes.

Security by design

Telia Company has implemented a "security by design" approach to ensure that potential cyber security risks are evaluated already in the product, process or system design phase. During the year, work focused on creating a more

agile and self-supporting approach to security compliance and risk management. Automated controls such as improved access control and information asset management were implemented.

New national security requirements

New legislation on national security covering in particular critical infrastructure was introduced in several markets. To ensure that we meet these new requirements, a program was launched to address the different national security legislative requirements using a group-common approach.

Training and awareness

The foundation of creating and maintaining a culture of security awareness is our IS e-learning course that is mandatory for all employees. In addition, we carry out in-depth face to face training for key functions and third parties.

During our security awareness month in October, employees at our head office had a chance to get hands-on experience of how Global Security Operations Centre (GSOC) handles cyber security incidents. In addition, there were local initiatives to increase awareness on topics such as phishing and security incident handling.

Privacy training is conducted via a mandatory onboarding e-learning course. When GDPR came into force all employees were required to undertake the training. There are also specific trainings for employees directly handling personal data and with direct customer contact, such as customer care and store staff as well as IT system owners.

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	2019 STATUS	2020 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • Continuously assess impacts on children's rights in relevant business activities • Block websites containing child sexual abuse material (CSAM) • Detect and report CSAM in own IT systems • Regularly engage with children through Children's advisory panel (CAP) • Provide tools for customers and employees to support children's rights • Actively contribute to relevant initiatives related to supporting children's rights 	<ul style="list-style-type: none"> • Work initiated to develop marketing and privacy guidelines with the perspective of children's rights • Held CAP on online gaming and e-sports • Contributed to Broadband Commission and GSMA mPower Youth Initiative reports • Engaged with more than 4,000 children on child safety online • Continued to detect and block CSAM • Launched e-learning course on children's rights 	<ul style="list-style-type: none"> • Engage with customers on responsible online gaming • Engage with children through CAP and school workshops • Participate in Global Child Forum's corporate advisory group on children's participation in business

Our approach

This area 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*. Read more about our work to abolish child labor in Note S17 to the Sustainability Notes.

Telia Company's commitment is to recognize, respect and support children's rights with a focus on participation, protection and well-being. Our biggest challenges relate to understanding and managing impacts and stakeholder expectations regarding the balance between protecting and empowering children online. In this work, we have adopted the Children's Rights and Business Principles framework. Most of the practical implementation of our commitments is carried out through local companies, with group-level oversight and coordination. Progress is regularly reported to the group Governance, Risk, Ethics and Compliance (GREC) forum and the Board of Directors.

Industry initiatives and partnerships

We are a signatory of several self-regulatory industry initiatives covering areas including child safeguarding services, child sexual abuse content, education and awareness.

These include:

- *GSMA Mobile Alliance Against Child Sexual Abuse Content*
- *ICT Coalition for Children Online*
- *Alliance to better protect minors online*

Telia Company is a co-founder of the World Childhood Foundation and has formed *country-level partnerships with several NGOs regarding child safety*. As part of GSMA's cooperation with *Child Helpline International*, we support national helplines with anonymous, free-of-charge phone services for children.

Work during the year

Integrating and promoting children's rights in business

To increase awareness of children's rights, the risks facing children online and the commitments we have made to protect and empower children, we launched an internal e-learning course. The course, which was developed in cooperation with the World Childhood Foundation, is available to all employees and contingent workers.

To better align Telia Company's business with the Children's Rights and Business Principles, we initiated the development of two internal guidelines:

- Guidelines on children's right to privacy, paying specific consideration to children as a vulnerable group
- Internal guidelines on responsible marketing and advertising with regard to children's rights, based on a marketing and advertising impact assessment in Telia Sweden

Through the employee engagement program Younite, we interacted with more than 4,000 children on online safety and respectful behavior through educational activities in schools and in Telia offices. Throughout the year, we shared our experiences of working with children and children's rights with various Swedish and international companies and organizations at sustainability conferences and round-table events.

In addition, we contributed to the *GSMA mPower Youth initiative* report by sharing information about our work as well as to the *Broadband Commission report on child online* safety by providing recommendations to the private sector based on our experience working with children's rights.

We continued to offer child safeguarding services that enable caregivers to set time restrictions for browsing and block websites and TV programs with inappropriate content.

Fighting child sexual abuse material (CSAM)

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

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.

Children's advisory panel

Each year, we hold 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 2019, the CAP collected insights from teenagers about their experiences with online gaming and e-sports. Read about the findings in the highlight below.

We also shared the findings of last year's CAP on healthy life online through e-mails to families, workshops and more. For more information about last year's CAP, see the 2018 Annual and sustainability report.

HIGHLIGHT

CAP ON ONLINE GAMING AND E-SPORTS

Online gaming is an increasingly important part of young people's lives. Around 82 percent of the 600 15-year-olds in the Nordics and Baltics who participated in the CAP play online games, with one in four playing several hours a day. Overall, young people feel gaming has a positive impact on their lives. Gaming also has important long-term benefits, with 64 percent of those who play online games believing that it helps them learn other skills such as English, strategic thinking and creativity. Despite the largely positive outlook on gaming, the CAP participants also cited risks and downsides. They also expressed frustration with the lack of understanding from parents, particularly related to screen time.

Based on the CAP results, together with Save the Children Finland we released a guide aiming to help parents and caregivers support children in gaming responsibly and engaging in discussions about online gaming and e-sports.

CHILDREN'S VIEWS ON ONLINE GAMING AND E-SPORTS

BEST ABOUT GAMING	WORST ABOUT GAMING	REASONS FOR NOT PLAYING	ROLE OF GAMING IN MY LIFE
<ul style="list-style-type: none"> • Making new friends and socializing • Dream and pursuit of becoming a professional 	<ul style="list-style-type: none"> • Excessive gaming may strain social relationships • Can trigger anger and frustration 	<ul style="list-style-type: none"> • Alienation and broken relationships • Other interests and priorities • Negative impact on health and well-being 	<ul style="list-style-type: none"> • Entertainment and comfort • Learning and growing • Potential source of conflict with parents

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	2019 STATUS	2020 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • 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 • 80 percent Health and well-being index score in employee engagement survey • Implemented processes for supplier reporting on occupational health and safety performance and related corrective actions 	<ul style="list-style-type: none"> • Health and well-being index in employee engagement survey: 77 percent (77) • Sickness absence rate: 2.7 (2.5) percent • Lost-time injury frequency: 0.22 (0.22) • No fatal accidents among employees • Expanded health and safety incident reporting in the whistle-blowing tool Speak-Up Line • Local companies in Finland and Norway ISO 45001 certified • Local companies in Estonia and Lithuania OHSAS 18001 certified • OHSAS 18001 implemented in local companies in Denmark and Sweden (no certification) 	<ul style="list-style-type: none"> • Continue aligning existing OHSAS 18001 management systems to ISO 45001 compliance • Implement standardized supplier incident reporting process

Our approach

This focus area is governed by the *Group policy – People*. Health and safety requirements of suppliers are laid out in the *Supplier code of conduct*.

We believe that a healthy and active work environment helps create employee engagement. Our group-wide approach to health and well-being focuses on:

- Promoting good health and safe work conditions
- Preventing occupational risks and ill health
- Rapidly reacting to injuries and unsafe conditions

Our employees generally work in offices and retail environments where health risks relate mainly to psycho-social well-being and ergonomics. Our biggest challenges relate to ensuring work-life balance and 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 construction, installation and maintenance agreements, promote open communication and report-

ing from suppliers and carry out on-site audits. Telia Company's whistle-blowing tool Speak-Up Line is available for third parties such as contractors in all markets to report incidents.

Local companies use a common health and well-being model that aims to create a safe workplace and promote work-life balance. Among other things, the model includes:

- A continuous and data-driven improvement approach to occupational health and safety through the use of OHSAS 18001 or ISO 45001 health and safety management system standards
- Preventive actions such as risk assessments and employee surveys
- Health and well-being as part of regular check-ins in YouFirst, the group-wide approach for employee performance and development

The work is coordinated by the Group Health and well-being manager and regularly reported to the Group Governance, Ethics, Risk and Compliance (GREC) forum and the Board of Directors. All local companies have one or several health and well-being coordinators who report to their local management team and the Group manager.

Work during the year***ISO 45001 certification***

Local companies in Finland and Norway revised their OHSAS 18001 management systems to ensure alignment with the newer ISO 45001 standard and subsequently received ISO 45001 certification. Local companies in Estonia and Lithuania maintained their OHSAS 18001 certifications. All local companies have implemented OHSAS 18001 and are revising their processes to comply with the new standard by 2022.

Measuring health and well-being

For the second year, the Health and well-being index was part of the annual employee engagement survey Purple Voice. The survey focuses on working conditions and recovery, work demands and work environment. The index score was 77 (77) percent. Local health and well-being coordinators support team leaders to identify and implement measures for improvement, particularly related to recovery between periods of high workload.

Incident reporting

During the year, the Speak-Up Line was expanded to include health and safety reporting. The reporting tool is available for employees and third parties such as contingent workers and contractors. It enables standardized reporting on health and safety incidents including accidents and near misses across all markets. Reports are assessed by local health and well-being experts who are responsible for making decisions on mitigation activities. The tool makes it possible to react more quickly to identified risks that may otherwise not be identified until local safety checks are carried out. Going forward, the aim is gradually make incident reporting mandatory for all contractors.

RESPONSIBLE SOURCING

Ambitions:

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



2022 GOALS	2019 STATUS	2020 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • All new (including renewed) supplier contracts screened according to due diligence process • Regular responsible sourcing training for sourcing managers • Actively participate in audit collaboration within the industry • Carry out at least 100 audits annually 	<ul style="list-style-type: none"> • Due diligence platform scope expanded • Group-wide roll-out of Supplier code e-learning for sourcing managers • Over 300 sourcing employees participated in training or “deep-dives” on the topic of responsible sourcing • Around 2,300 supplier risk assessments and 100 on-site audits carried out 	<ul style="list-style-type: none"> • Expand due diligence process scope to include business customers • Further develop supplier risk profile tools and risk-based audit planning • Develop and carry out training on supplier security requirements for sourcing managers

Our approach

This area is governed by the *Supplier code of conduct* which is mandatory for all contracts. In addition, “*black and grey lists*” which define substances that are prohibited or should be avoided and *Security Directives*, are applied to contracts covering certain products and services. The general principle is that all applicable requirements also apply to sub-suppliers.

Telia Company uses a model consisting of three pillars to guide the responsible sourcing work:

RESPONSIBLE SOURCING MODEL
<p>People Aim: Responsible sourcing as a mindset and behavior How: By raising awareness and building knowledge among key employees and suppliers</p>
<p>Processes Aim: Proactive approach to managing sourcing risks How: A common responsible sourcing process and requirements on suppliers to implement a structured management approach for material risks and impacts</p>
<p>Partnering Aim: Value-adding industry and supplier collaboration How: Cooperating in the industry, for example, through the industry collaboration Joint Audit Cooperation (JAC) and close dialogue with suppliers</p>

Work is coordinated by the Group sourcing function which is responsible for developing guiding documents and tools, training group and local sourcing teams, and coordinating and conducting supplier due diligence and audits. Critical non-conformities from the Supplier code or other guiding documents identified in due diligence assessments or on-site audits are reported weekly for decision-making on mitigating activities to the group sourcing management team. A dedicated steering group is responsible for coordination and impact analysis of new supplier requirements regarding sustainability, security etc. Progress is regularly reported to the group Governance, Risk, Ethics and Compliance (GREC) forum and the Board of Directors.

Responsible sourcing process

Creating and maintaining a sustainable supply chain requires a risk-based approach, where due diligence and audit resources are focused on the suppliers with the largest compliance risks. The biggest challenges are implementing processes that allow for easy or automated management of low-risk suppliers, and ensuring that all supplier categories as well as customers are included in the risk assessment process.

Before contracting or re-contracting, suppliers are subject to a general risk assessment. Based on for example spend, geography, privacy and security risk, each supplier is assigned a risk profile. If the risk is deemed as high, the supplier undergoes an in-depth due diligence assessment consisting of a self-assessment against the Supplier code

and other relevant requirements, as well as a database search related to for example ultimate beneficial ownership and sanctions carried out by Telia Company due diligence officers. Based on the results, contract-related mitigating activities such as the addition of certain security or privacy requirements may be required before contracting. Audits are required if critical non-conformities are identified, or if certain risk criteria such as potential serious violation of human rights or labor rights are met. The responsible sourcing process is continuous, meaning that each risk assessment is valid for a period based on the identified risks regardless of contract length.

Exceptions to the Supplier code requirements can be approved by the Group sourcing management team if a supplier has demonstrated that corresponding or stricter requirements are already in place.

Work during the year

Due diligence and on-site audits

Around 2,300 general risk assessments were carried out, which resulted in around 700 in-depth assessments. The most commonly identified “red flags” were non-conformities with the Supplier code requirements, refusal to provide ownership information, or ownership by a high ranking local public official.

Around 100 on-site audits were carried out, of which 36 were IT security audits. These were complemented by

around 120 on-site audits carried out by the *Joint Audit Cooperation* (JAC), an industry audit collaboration consisting of 18 telecommunications companies. Most audit non-conformities related to health and safety, environment and working hours.

Revised due diligence tool

The responsible sourcing process was strengthened through revisions to the due diligence tool. The tool was expanded with further checks related to trade sanctions and export control, security and privacy requirements. In 2020, the aim is to further develop the tool to allow for due diligence assessments of business customers.

Training and awareness

Regular employee trainings were performed to strengthen the responsible sourcing mindset. Trainings and “deep-dive” opportunities were attended by over 300 employees in the sourcing organization.

To support basic understanding of the Supplier code requirements, an *e-learning course available to all suppliers* was published on Telia Company’s website. As low understanding of the Supplier code requirements has been identified as an on-going challenge, increasing the number of suppliers taking the course is key to proactively managing sourcing risk.

ANTI-BRIBERY AND CORRUPTION

Ambitions:

- Conduct business with zero tolerance of corruption
- Employees and partners understand to enforce our anti-bribery and corruption (ABC) requirements and are confident in raising concerns



2022 GOALS	2019 STATUS	2020 PLANNED ACTIVITIES
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Re-alignment of the ABC program after divestments in region Eurasia • ABC maturity assessments and risk assessments regarding sales incentives were carried out in all markets • Around 500 employees underwent the ABC e-learning course or in-depth training 	<ul style="list-style-type: none"> • ABC maturity assessments carried out in all markets • Implement group sales incentive guidelines • Implement the ABC program in the new TV and Media business unit

Our approach

This area is governed by the *Group policy – Anti-bribery and corruption* and related *Group instruction on sponsorships and donations*.

The ABC program

The ABC program provides a systematic way of implementing the ABC policy and related instructions. It allows us to understand and improve control of risks and challenges, which are recognized by organizations like *Transparency International* as elevated for our industry and generally linked to geography. The ABC program is implemented using a risk-based approach through carrying out regular ABC risk and maturity assessments, implementing control mechanisms, ensuring internal awareness of ABC risks through extensive training and improving third-party management.

Ethics and compliance network

The ABC program is managed by the Group ethics and compliance office, which is responsible for program design and annual planning. The chief ethics and compliance officer oversees the progress and governance related to implementation of the program. Progress is regularly reported to the Group Governance, Risk, Ethics and Compliance (GREC) forum and the Board of Directors.

Operational implementation of the ABC program is carried out by the ethics and compliance network, which consists of group resources as well as local ethics and compliance officers. These local officers act as focal points for compliance activities including facilitating and coordinating local GREC meetings, at which ABC is always covered. The special investigations office (SIO) which is part of the Group ethics and compliance office handles special investigations related to potential corruption and/or fraud. Local ethics and compliance officers support SIO local investigations when deemed appropriate.

Work during the year

Realigning the ABC program

During the year, focus was on realigning the ABC program with the operations and risks associated with our Nordic and Baltic markets. This realignment is strongly connected to the work of implementing a risk-based approach to supplier due diligence, including focusing resources on high-risk suppliers by identifying low-risk vendors as well as expanding the scope to cover areas such as sanctions and customer due diligence. These areas are closely linked to challenges of implementing an ABC program, as such areas are considered of high importance from an ABC perspective. Telia Carrier and Moldcell in Moldova have implemented the ABC program using the same structure.

ABC risk assessments

ABC risk assessments focusing on sales incentive structures were conducted in all markets. Sales incentives are considered an area with elevated risk where we have identified historical cases of misuse of company resources and assets. Based on the findings, the key mitigation activity was development of group-wide sales incentive guidelines to be implemented in 2020.

ABC maturity assessments

Together with the enterprise risk management (ERM) function, the Group ethics and compliance office developed an ABC maturity assessment methodology. Subsequent maturity assessments were carried out in a number of markets and business units. The findings resulted in action plans relating in particular to increased resources for ABC program management, including better supporting compliance tools.

Telia Carrier

Following the ABC risk assessment carried out in 2018, Telia Carrier mitigated the identified gaps in several areas including third-party management. The status of the ABC risk mitigation work is monitored in quarterly GREC meetings.

Training

Around 500 employees in defined target groups completed ABC-specific in-class and e-learning courses.

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 and future growth through, for example, initiatives to increase competitiveness and reduce cost as well as to improve capacity and access. In order to attract new customers, Telia Company has previously engaged in start-up operations and may decide to do so also in the future, which would require additional investments and expenditure in the build-up phase. Further, Telia Company normally has to pay fees to acquire new telecom licenses and spectrum permits or to renew or maintain existing ones.</p> <p>Potential impact Success in business transformation and growth will depend on a variety of factors beyond Telia Company’s control: the cost of acquiring, renewing or maintaining telecom licenses and spectrum permits, the cost of new technology, availability of new and attractive services, the costs associated with providing these services, the timing of their introduction, the market demand and prices for such services, and competition. Failing to realize synergies from acquisitions and reach the targets set for business transformation, customer attraction and future growth may negatively impact the results of operations.</p>	<ul style="list-style-type: none"> • Cost savings and business transformation programs ensuring competitive cost levels as well as ensuring capabilities for future growth • Recent acquisition: Bonnier Broadcasting

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 in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal and Afghanistan. Telia Company had also made significant investments in Russia and Turkey. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in developed markets. The nature of these markets, including potential government intervention, combined with the fact that Telia Company's assets are not fully owned and there are undertakings and obligations in various shareholder agreements, reputational issues regarding the assets and fewer potential buyers than in more mature markets, makes the complexity of these disposals processes high.</p> <p>Potential impact The political situation in these emerging markets may remain or become increasingly unpredictable. Developments or weakening of the local economies or currencies may have a negative effect on Telia Company's results of operations. The nature of these markets with uncertainties and complexity may affect the sales process regarding both expected outcome and timing. The potential impact of this specific risk has decreased substantially as Telia Company in all material aspects has left the above described markets except for Moldova and Turkey. 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. For further information see risk Associated companies and joint operations.</p>	<ul style="list-style-type: none"> • A decision has been made to dispose our operations in Eurasia. The disposal process is ongoing and all markets have been exited except Moldova, for which an agreement to divest it was signed in February 2020. This has significantly reduced this risk • Companies disposed to date: Ncell, Tcell, Geocell, Azercell, Ucell and Kcell • In 2017 Telia Company disposed the Russian associated company Mega-Fon and reduced the ownership in the Turkish associated company Turkcell • Efforts to ensure tax, legal and regulatory compliance at local level, with compliance oversight at regional and group level

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, in which Telia Company does not have full ownership or controlling interest and are due to that not in full control but still have significant influence over the conduct of these businesses.</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 • Continuous work to solve the deadlock between the main shareholders of Turkcell

Financial risks		
Risk	Description	Mitigating activities
Impairment losses and restructuring charges	<p>Factors generally affecting the telecom markets as well as changes in the economic, regulatory, business or political 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 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 and price pressure. Transition to new business models in the ICT industry may lead to structural changes and different competitive dynamics.</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

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
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"> • Continuous investment in our cyber defence program including development of cyber security skills and improved technology and processes for scanning, monitoring and logging to identify intrusion and detect anomalous data traffic • Ensuring network resilience through a combination of sound risk management, business continuity planning and incident management • A group-wide crisis management organization handles unexpected and critical incidents negatively affecting operations • Continuous work to improve internal as well as outsourced operational processes to fulfil customer expectations • Customer satisfaction is continuously measured both to improve understanding of, and fulfil, customers' expectations
Customer privacy	<p>Ensuring the privacy 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 and 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 data network integrity, data security and customer privacy might lead to adverse impact on the privacy rights of users which may lead to an unfavorable perception of how Telia Company handles these matters, which in turn may impact business. Not meeting national and EU legislation may cause significant financial penalties.</p>	<ul style="list-style-type: none"> • Implementation of the EU General Data Protection Regulation (GDPR) • Mandatory training on data security and privacy awareness for all employees • Privacy officers appointed throughout the organization
Freedom of expression and surveillance privacy	<p>Freedom of expression and surveillance privacy of users pose significant challenges to be addressed by the whole telecom industry. Risks relate to how national laws and regulations on surveillance of communications or shutdown of networks can extend to such a degree that human rights may be violated. Furthermore, telecom companies risk becoming complicit in violations involving extensive and problematic government requests. Telia Company may be legally required to comply and, like other operators, only have limited possibility to investigate, challenge or reject such (often strictly confidential) requests.</p> <p>Potential impact Actual failure in respecting freedom of expression and privacy may first and foremost damage rights holders by limiting their freedom of expression and surveillance privacy. Actual or perceived failure may also damage the perception of Telia Company, leading to exclusion from procurement or institutional investment processes. Network shutdowns and blocking limits core business, which may negatively affect revenues.</p>	<ul style="list-style-type: none"> • Building leverage to influence national laws and regulations with peer companies and joining efforts with multi stakeholder Global Network Initiative (GNI) • Transparent reporting on statistics of day-to-day conventional authority requests (Law Enforcement Disclosure Reports) and of unconventional requests ("major events")

Operational and societal risks		
Risk	Description	Mitigating activities
Protection of children	<p>Children and young people are active users of Telia Company’s services. However, children are particularly vulnerable to online threats such as cyber bullying and inappropriate content. Telia Company’s services may also be used for distributing or accessing child sexual abuse material (CSAM).</p> <p>Potential impact Telia Company may indirectly be complicit in violating children’s rights if products and services as well as network filters are not properly assessed. Actual or perceived failure to create a safe online experience for children and young people may negatively affect brand perception, incurring loss of business.</p>	<ul style="list-style-type: none"> • Blocking CSAM and implementing systems for detecting and reporting CSAM in internal IT systems • Regular follow-up of our performance against a number of industry self-regulatory initiatives in the area of protection of children online • Understanding children’s perspectives on online life through a Children’s Advisory Panel (CAP) • Assessing impact on children’s rights in all relevant business activities
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 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 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
Corruption and unethical business practices	<p>Some of the countries in which Telia Company operates are ranked as having high levels of corruption. The telecommunications industry is particularly susceptible to a range of corrupt practices as it requires government approvals and necessitates large investments. Key areas where the threat of corruption is significant include the licensing process, market regulation and price setting, the supply chain, and third-party management and customer services.</p> <p>Potential impact Actual or perceived corruption or unethical business practices may damage the perception of Telia Company and result in financial penalties and debarment from procurement and institutional investment processes. Related fraud may significantly impact financial results. Ongoing disposal processes may in themselves pose risks of corruption, fraud and unethical business practices. Corruption is also linked to higher risks for human rights violations.</p>	<ul style="list-style-type: none"> • Anti-bribery and corruption (ABC) program, based on Telia Company’s assurance framework, implemented in all parts of the organization • “Responsible exit” plan for region Eurasia and handover containing actions to ensure continued third-party due care activities to prevent, detect and remedy ABC risks • Education and communication efforts on ABC to targeted audiences, specifically high-risk roles • Review standards and controls, and corruption risk assessments of acquiring cell tower sites

Operational and societal risks

Risk	Description	Mitigating activities
Responsible sourcing	<p>Telia Company relies on a vast number of suppliers and sub-suppliers, 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 onsite audits, suppliers and sub-suppliers may be in violation of Telia Company's supplier requirements and/or national and international laws, regulations and conventions.</p> <p>Potential impact Failure or perception of failure of Telia Company's suppliers to adhere to these rules and regulations may damage customers' or other stakeholders' perception of Telia Company. Violations of laws and regulations puts suppliers and sub-suppliers 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 may lead to Telia Company needing to seek new suppliers, which may negatively impact sourcing costs and delivery times.</p>	<ul style="list-style-type: none"> • A standardized risk-based supplier due diligence process implemented and performed prior to signing new or renewed contract • Supplier code of conduct, which stipulates our expectations on sustainable business practices, is included in new supplier contracts • Security directives are included in contracts where supplier handle customer data
Environment and climate change	<p>Telia Company's own operations and its value chain generate negative environmental impacts, particularly greenhouse gas emissions and electronic waste. There is increasing pressure from customers, policy-makers and others to manage these negative impacts through e.g. increased resource efficiency, using renewable energy and adopting circular business models. Climate change mitigation and adaption measures become increasingly important to implement as the world is not on a trajectory to sufficiently limit the activities that exacerbate climate change, and the effects of climate change such as more extreme weather becomes increasingly impactful. Natural resource scarcity increases industry competition particularly over rare minerals used in consumer and network hardware.</p> <p>Potential impact Natural resource scarcity may lead to increasing cost of network equipment and other hardware such as mobile devices. Increasing energy prices and greenhouse gas emissions taxation may lead to higher operational expenses. Climate change adaption and mitigation activities such as additional capacity and redundancy to ensure network quality because of more extreme weather may drive the need for additional investments.</p>	<ul style="list-style-type: none"> • Operational medium-term goals related to reducing e-waste and greenhouse gas emissions, and increase energy efficiency • ISO 14001 environmental management system implementation in the Nordic and Baltic markets • Programs for buy-back of consumer hardware and reuse/resale of network equipment • Requirements on suppliers to adopt a structured management approach to reducing negative environmental impact • Use of renewable electricity in the Nordic and Baltic markets

Legal and regulatory risks		
Risk	Description	Mitigating activities
<p>Regulation and licenses</p>	<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 or government policy affecting Telia Company’s business activities, as well as decisions by regulatory authorities or courts, including granting, amending or revoking of telecom licenses and spectrum permits, may adversely 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
<p>Historical transactions in Eurasia</p>	<p>On September 21, 2017, Telia Company announced that a global settlement had been reached with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan and fines and disgorgements in an aggregate amount of USD 965 million (SEK 7.7 billion at that point in time) was paid.</p>	<ul style="list-style-type: none"> • Telia Company has committed to continue to cooperate with the authorities in any other related investigations. Further, Telia Company has committed to during a three-year period report any potential corruption and to continue to enhance its compliance program and internal controls



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 11, 2020. 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 2019. 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: 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 CEO, assisted by Group Executive Management

SHAREHOLDERS

Telia Company is a Swedish public limited liability company and is bound by the Swedish Companies Act, applicable EU regulations, the Nasdaq Stockholm Rule Book for Issuers, the Swedish Corporate Governance Code and the company's Articles of Association. The General Meeting is the company's highest decision-making forum where the owners exercise their shareholder power.

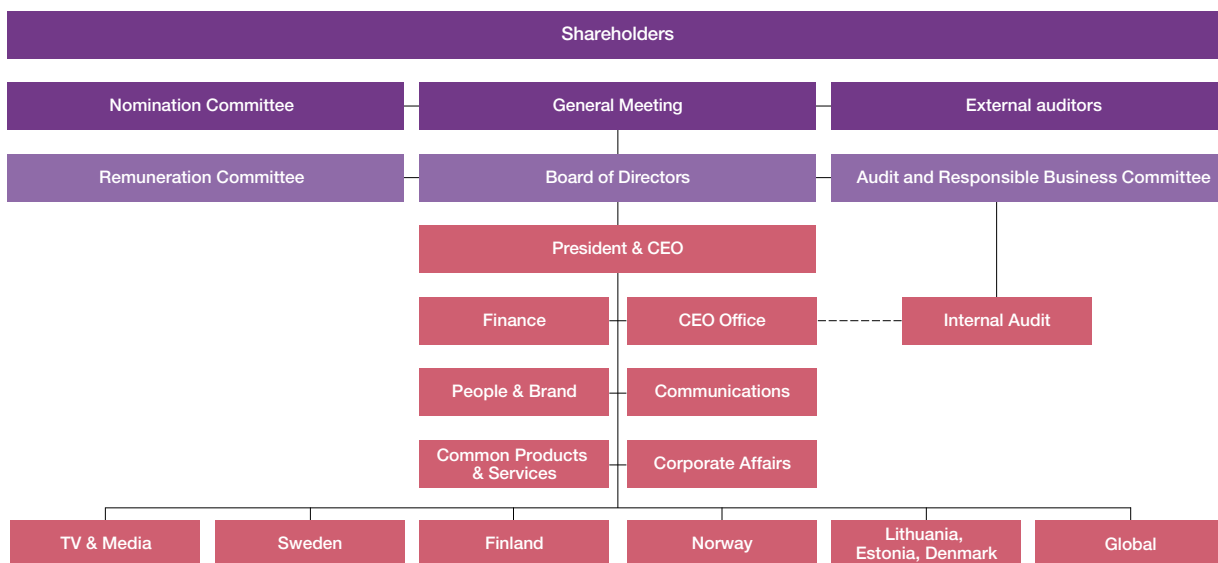
For further information see: Swedish Companies Act (2005:551), Annual Reports Act (1995:1554), Securities Market Act (2007:528) at www.riksdagen.se/en, www.government.se – Nasdaq Stockholm (issuer rules and surveillance) at www.nasdaq.com/solutions/rules-regulations-stockholm – Swedish Corporate Governance 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, 2019, Telia Company had 471,959 shareholders.

The Swedish State is the largest shareholder, owning 38.4 percent of the total shares at year-end 2019. 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



Annual General Meeting 2019

The Annual General Meeting 2019 was held in Stockholm on April 10, 2019, 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 policy 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
- Amendments to the Articles of Association (added the possibility to hold General Meetings in Solna, Sweden, and some other minor editorial adjustments)

Extraordinary General Meeting 2019

An Extraordinary General Meeting 2019 was held in Stockholm on November 26, 2019, and decided, among others, in accordance with the Nomination Committee's proposal, on the election of new board member and Chair of the Board.

Telia Company's Articles of Association are available at: 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 before the notice of the Annual General Meeting and who also wish to participate in the nomination process as well as the Chair of the Board.

The Nomination Committee presently consists of:

- Daniel Kristiansson, Chair (the Swedish State)
- Jan Andersson (Swedbank Robur Funds)
- Anders Oscarsson (AMF and AMF Funds)
- Javiera Ragnartz (SEB Funds)
- Lars-Johan Jarnheimer (Chair of the Board)

In accordance with its instruction, as adopted by the Annual General Meeting 2019, the Nomination Committee shall:

- 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 these 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 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 Committee has considered the importance of a well-functioning board composition characterized by diversity and breadth regarding the board member's 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. In the continued work of finding the most competent board members, the Nomination Committee will strive to achieve a more even gender distribution.

The Annual General Meeting 2019 and the Extraordinary General Meeting 2019 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: forslagtill-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 eight members elected by the General Meeting, serving one-year terms, and three employee representatives (with three deputies) from the Swedish operations. Lars-Johan Jarnheimer is Chair of the Board, elected by the Extraordinary General Meeting 2019. Marie Ehrling was prior to that Chair of the Board. The other board members, elected by the Annual General Meeting 2019, are Olli-Pekka Kallasvuo (Vice-Chair), Rickard Gustafson, Nina Linander, Jimmy Maymann, Anna Settman, Olaf Swantee and Martin Tivéus.

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

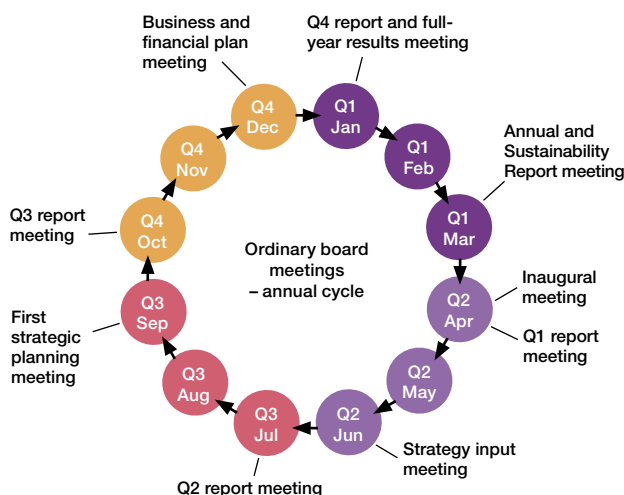
In accordance with the guidelines of the Swedish Corporate Governance Code, all board members elected by the General Meeting are considered independent in relation to the company, to the Group Executive Management of the company and to major shareholders.

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 upon the agenda.

Board meetings are normally held in Stockholm, 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.a. 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 2019

In 2019, the Board held ten (10) ordinary meetings (whereof two inaugural meetings) and five (5) extra meetings. In addition to following up on the day-to-day business of the group, the Board paid special attention to:

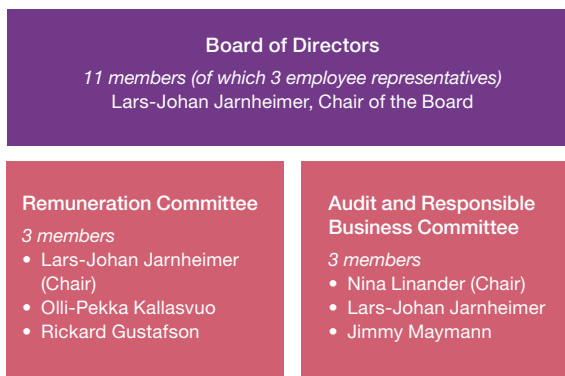
- Strategic options, with specific review of the changing business environment in the telecom industry
- Follow-up of major strategic initiatives within the business operations
- Operating model and organizational issues, including the enrollment of the new operating model
- Review of the overall sustainability risks for the group, including decision on new sustainability targets
- Monitoring of the court ruling related to corruption and money-laundering allegations against former employees and disgorgement claim against the company related to the investments in Uzbekistan as well as payment of remaining disgorgement amount to the Dutch authorities
- Monitoring of the global settlement agreement with the US Department of Justice
- Monitoring the EU Commission's approval process of Bonnier Broadcasting acquisition
- Acquisition of Fello and completion of the acquisitions of Fintur and Bonnier Broadcasting as well as other M&A activities
- 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
- Developments in Turkcell in Turkey
- Capital structure of the group, including the share buy-back program and issuing of a EUR 500 million bond
- Human resources related issues, in particular succession planning and performance management
- Recruitment process and the appointment of a new CEO

Further, the Board evaluated its internal work during 2019 by external assessment 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 of 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 2019

Lars-Johan Jarnheimer is, as of November 26, 2019, Chair of the Remuneration Committee. Marie Ehrling was Chair prior to that. In 2019, the Committee held six (6) meetings. Its work included, among other things:

- Guidelines for remuneration and evaluation of remuneration policies and programs
- 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 2019

Nina Linander is Chair of the Audit and Responsible Business Committee. Anna Settman was part of the Committee until April 2019, when she was replaced by Jimmy Maymann. Furthermore, Marie Ehrling was member of the Committee until November 26, 2019, when she was replaced by Lars-Johan Jarnheimer. In 2019, 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
- 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

As part of the Board's overall assessment, the Remuneration Committee and the Audit and Responsible Business Committee evaluated its internal work during 2019 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 CEO, CFO, General Counsel and Head of Corporate Affairs, Head of People and Brand, Head of Communications, Head of Common Products and Services, Head of CEO Office, Head of Telia Global, Head of Telia Sweden, Head of Telia Norway, Head of Telia Finland and Head of Lithuania, Estonia, Denmark and Moldova.

As of January 1, 2019, the separate steering committee for region Eurasia was dissolved, due to the divestments in Eurasia.

As of February 1, 2019, a new unit, Telia Global, was established with the aim to increase focus on multinational customers, partners and innovation comprising Division X, Telia Carrier, Global Business and Telia Ventures.

As of December 1, 2019, a new unit, TV and Media, was established following the acquisition of Bonnier Broadcasting.

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.

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." Further, the Board has adopted a 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

Sustainability in Telia Company covers how the company accounts for its long-term impact on society and the environment. The work is focused on ensuring ethical, responsible business practices and on creating shared value by contribution to business and the UN Sustainable Development Goals. Telia Company has adopted a stakeholder-based approach to identify and manage the most material business aspects, including related risks and opportunities, see Statement of materiality and significant audiences. Group Executive Management and the Governance, Risk, Ethics & Compliance (GREC) meetings are the primary decision-making forums for sustainability-related topics. The ultimate responsibility for sustainability oversight lies with the Board. For more information on Telia Company's sustainability work, see Board of Directors' Report, section Sustainability, and Sustainability Notes.

Code of Responsible Business Conduct

The Code of Responsible Business Conduct, issued by the Board, provides guidance on Telia Company's policy framework. It defines 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 group policies and group instructions and provide practical and instructional information with respect to its content. The Code applies to all Telia Company employees, directors and board members. All contractors and consultants working as part of Telia Company's operations must also follow the Code. The Code is available in nine languages in a printed newspaper format document and on a website, available for external and internal access.

The Code of Responsible Business Conduct is reviewed on an annual basis to establish if revisions are necessary. The review is led by the Group Ethics & Compliance Office and 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, value creation and efficiency purposes, the group is divided into countries and common group functions.

The country organizations and common group functions work seamlessly in close cooperation, across all core business processes in order to maintain high technical and commercial skills capabilities, ensure good management and regulatory compliance, use economies of scale, as well as achieve a business that is sustainable long-term. The country organization is primarily responsible for running the business operation within its geographical area with strong focus on customer segments. Common group functions are primarily responsible for product, network and IT development as well as service assurance and security to ensure efficiency and cross-border, cross-functional synergies.

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.

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.

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 fulfills 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 accounting and reporting	To describe our aim to follow relevant accounting standards, report financial information accurately and completely, and have appropriate internal controls and processes to ensure that accounting and financial reporting comply with legislation, regulations and listing requirements.
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.

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 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 in CEO Office 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

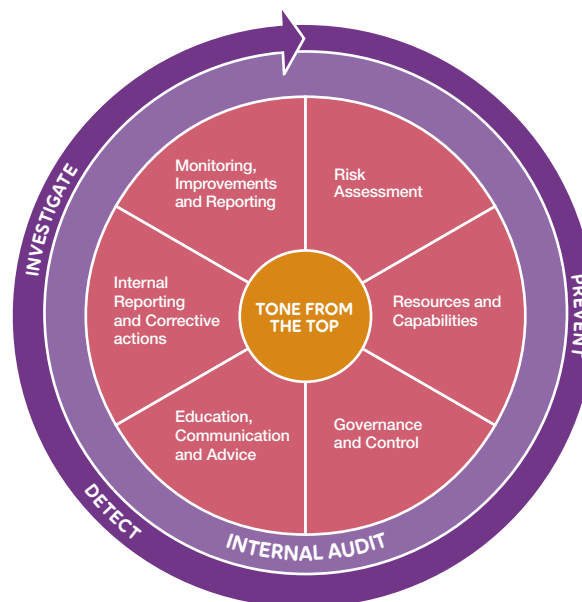
Telia Company has adopted a combined assurance way of working where the Enterprise Risk Management, Ethics & Compliance and Group Internal Audit communities align planning, executing and reporting assurance activities. Fundamental objectives of Combined Assurance are to ensure that risks are being managed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

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.

Quarterly risk reporting

A risk report is consolidated on a quarterly 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.

Group-level enterprise risk management (ERM) function

The Head of the ERM function, within group function CEO Office, 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 CRO 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 reasonably assurance that the company manages Ethics & Compliance risks in an appropriate way.

The Chief Ethics & Compliance Officer reports and escalates issues to the Head of CEO Office. To secure inde-

pendency, 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

2019 was the fifth year of operation of Telia Company's speak-up line, the whistle-blowing tool available in 12 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 2019, 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 func-

tions 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 2019, 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 administratively to the Head of CEO Office and functionally to the Audit and Responsible Business Committee. 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 assessment of adherence to 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 the audit, 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 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 2019, Deloitte AB was elected as auditor until the end of the Annual General Meeting 2020. 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 at an EGM on November 26, 2019. Mr. Jarnheimer serves as chair of the Boards of Ingka Holding B.V (IKEA), Egmont International Holding AS and Arvid Nordqvist HAB and is a board member of SAS AB, Point Properties AB and Elite Hotels. He has been CEO of Tele2, deputy 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: 10,097



Olli-Pekka Kallasvuo

Born 1953. Vice-Chair of the Board. Elected to the Board of Directors in 2012. Mr. Kallasvuo was CEO and board member of Nokia Oyj from 2006 to 2010. Previously, he held various executive positions at Nokia, including the positions of COO, CFO, Head of Mobile Phones Division and Head of Nokia Americas. Mr. Kallasvuo is Chair of Veikkaus Oy, Chair of Zenterio AB and Vice-Chair of SRV Group Plc., and he is also a board member of Entrada Oy and Limestone Platform AS. Mr. Kallasvuo holds a Master of Law and an honorary doctorate.

Shares in Telia Company: 35,896



Rickard Gustafson

Born 1964. Elected to the Board of Directors in 2019. Mr. 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. Rickard Gustafson is Chair of Aleris and board member of FAM AB. Rickard Gustafson holds a Master of Science degree.

Shares in Telia Company: 14,075



Nina Linander

Born 1959. Elected to the Board of Directors in 2013. Ms. Linander is former partner at Stanton Chase International between 2006 and 2012 and prior to that SVP and Head of Treasury at Electrolux AB during 2001–2005. Nina Linander is Chair of Awa Holding AB and a board member of AB Industrivärden, Castellum and Swedavia AB. 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. Mr. Maymann is a Danish entrepreneur and investor specializing in digital advertising, digital technology and new media strategy. He is Chair of the boards in TV2 Denmark, AirHelp Inc. and The Museum for the United Nations - UN Live Online. Mr. Maymann has served as Executive Vice President and President at AOL Content & Consumer Brands and as Chief Executive Officer of the Huffington Post. Mr. Maymann has an EMBA and a Master of Science.

Shares in Telia Company: 0



Anna Settman

Born 1970. Elected to the Board of Directors in 2016. Ms. Settman 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 experience from the media sector, mainly from Aftonbladet where she served as CEO. Ms. Settman 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. Mr. 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 a European MBA.

Shares in Telia Company: 0



Martin Tivés

Born 1970. Elected to the Board of Directors in 2018. Mr. Tivés 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. Tivés is board member at Danske Bank. Mr. Tivés holds a Bachelor of Science degree.

Shares in Telia Company: 2,550



Agneta Ahlström

Born 1960. Employee representative, appointed by the trade union to the Board of Directors in 2007. She 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. Employee representative, appointed by the trade union to the Board of Directors in 2009. He 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: 650



Hans Gustavsson

Born 1954. Employee representative, appointed by the trade union to the Board of Directors in 2019. Mr. 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 Kovin (born 1964), Unionen-Tele.
Shares in Telia Company: 0²
Rickard Wäst (born 1964), SEKO klubb Telia
Shares in Telia Company: 0²

REMUNERATION DURING 2019, 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 From November 26, 2019	2019	Chair of the Board and Chair of the Remuneration Committee	2/2		1/1	199	10,097
Marie Ehrling Until November 26, 2019	2013	Chair of the Board and Chair of the Remuneration Committee	13/13	6/6	6/6	1,827	30,000
Olli-Pekka Kallasvuo	2012	Vice-Chair of the Board	14/15	6/6		898	35,896
Susanna Campbell Left in January 2019	2016	Director				30	10,000
Rickard Gustafson	2019	Director	8/12	5/5		478	14,075
Nina Linander	2013	Director and Chair of the Audit and Responsible Business Committee	15/15		7/7	869	5,700
Jimmy Maymann	2018	Director	14/15		5/5	710	0
Anna Settman	2016	Director	15/15		2/3	642	0
Olaf Swantee	2016	Director	11/15		1/1	642	0
Martin Tivéus	2018	Director	12/15			601	2,550
Agneta Ahlström	2007	Employee representative	13/15			–	200
Stefan Carlsson	2009	Employee representative	11/15			–	650
Hans Gustavsson	2019	Employee representative	14/15			–	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



Christian Luiga

Born 1968. Appointed acting Present and Chief Executive Officer on September 12, 2019. He has been at Telia Company since 2009 and lately as Executive Vice President and Chief Financial Officer. Prior to that he was Head of Corporate Control. Before joining Telia Company Mr. Luiga was CFO of Teleca AB since 2004 and between 2002 and 2004 he served as CFO of Framfab AB. Mr. Luiga has his background as controller in several companies. Mr. Luiga holds a Bachelor of Science in Economics. Shares in Telia Company: 100,000



Casten Almquist

Born 1962. Senior Vice President and Head of TV & Media since December 2019. Before joining Telia Company Mr. Almquist was CEO of Bonnier Broadcasting since 2013 and CEO of TV4 since 2011. Prior to that he was CEO and President of business areas Bonnier Business Press and Bonnier Digital, respectively. In addition Mr. Almquist has extensive experience from various leading positions within the television industry. Mr. Almquist holds a degree in Journalism. Shares in Telia Company: 0



Jonas Bengtsson

Born 1970. Executive Vice President, Group General Counsel, Head of Corporate Affairs and acting Head of Telia Finland. He 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. Mr. Bengtsson 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: 20,500



Peter Borsos

Born 1969. Senior Vice President and Head of Telia Global. He has been at Telia Company since 2014 as Head of Group Communications and Chair of Advisory Board of Division X and Telia Ventures. As of February 2019, he assumed the new unit as Head of Telia Global. Previously Mr. Borsos was Executive Vice President and Director of Communications at Swedbank Group. Prior to that he held various managerial positions within Swedbank and Bank of Åland. He started his career at Nordiska Fondkommission AB. Mr. Borsos holds a Master of Science in Management and Economics degree. Shares in Telia Company: 41,000



Åsa Jamal

Born 1972. Senior Vice President, Head of Group Communications. She joined Telia Company in 2017 as head of Communications at Telia Sweden and was appointed Head of Group Communications as of February 2019. Previously she has held a position as Head of Communications and HR at Bonnier Broadcasting and within the TV4 group. She has extensive experience from strategic communication and change processes. She has been CEO and advisor at JKL. She is a member of the board of Kasthall AB. Ms. Jamal holds a Master of Science. Shares in Telia Company: 200



Douglas Lubbe

Born 1972. Mr. Lubbe has been at Telia Company since 2014 and was appointed acting CFO for Telia Company on September 12, 2019. Mr. Lubbe has been Chief Financial Officer for Telia Sweden in 2019, Vice President Corporate Control 2017-2018 and Chief Financial Officer and COO for region Eurasia 2014-2017. Prior to 2014, Mr. Lubbe was employed in Vodacom Group (South Africa) in various positions between 1997 and 2014. He also held the position of CFO Vodacom International (2011 and 2013). His last position at Vodacom Group was Managing Executive Business Development between 2013 and 2014. Mr. Lubbe is a Chartered Accountant (South Africa) and holds an MBA. Shares in Telia Company: 16,480



Cecilia Lundin

Born 1970. Executive Vice President and Head of People and Brand. She has been at Telia Company since 2014. Prior to joining Telia Company, Ms. Lundin 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



Emil Nilsson

Born 1971. Senior Vice President and Head of Lithuania, Estonia and Denmark. Mr. Nilsson joined Telia Company in 2015 and was appointed Head of region Eurasia. He was appointed Head of Lithuania, Estonia and Denmark in June 2018. Prior to joining Telia Company Mr. Nilsson held various senior management roles at Ericsson in Sweden, Brazil, the US and Austria. He has also been Executive Vice President and CFO of Sandvik Group in Sweden. Mr. Nilsson is a member of the board of the Swedish National Teams in European Handball. Mr. Nilsson holds a degree in Finance. Shares in Telia Company: 41,851



Anders Olsson

Born 1969. Executive Vice President, Head of Telia Sweden since June 2018. He has been at Telia Company since 2016 as COO and Head of Global Services & Operations. Prior to joining Telia Company, Mr. Olsson spent 19 years at Tele2 of which 14 years in the Group Executive Management. He had several managerial positions at Tele2 including Executive Vice President, 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: 140,000



Ingrid Stenmark

Born 1966. Senior Vice President, and Head of CEO Office. Ingrid Stenmark is responsible for Group Strategy, Risk Management, and also overseeing Internal Audit. Since joining Telia Company in 1994, Ingrid Stenmark has held a number of senior positions in the group, including Head of Group Regulatory affairs, acting General Counsel, and responsible for the associates Turkcell and MegaFon. Ms. Stenmark is a board member of Turkcell. Ms. Stenmark holds a Master of Law. Shares in Telia Company: 20,874



Stein-Erik Vellan

Born 1965. Senior Vice President. He has been at Telia Company since 2017 as Head of Telia Finland and from December 2019 as Head of Telia Norway. 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. He is Chair of Onsagers A/S. Mr. Vellan is marketing candidate. Shares in Telia Company: 0



Magnus Zetterberg

Born 1969. Senior Vice President, Head of Common Products and Services and COO. Mr. Zetterberg joined Telia Company in September 2018 and has more than 25 years' experience from the telecom industry. Amongst others he has been CTO at Telenor Norway and Sweden, respectively, CEO and CTO at 3G Infrastructure Services AB. Before joining the operator community he worked at Ericsson and Nokia in various positions. Mr. Zetterberg studied technical mechanicals. Shares in Telia Company: 0

REMUNERATION AND OTHER BENEFITS DURING 2019, CAPITAL VALUE OF PENSION COMMITMENTS

SEK thousand	Base salary	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
Christian Luiga, Acting 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 (11 individuals)	55,978	2,132	1,631	15,302	75,043	1,966

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 2019	Jan–Dec 2018 ¹
Continuing operations			
Net sales	C5, C6	85,965	83,559
Cost of sales	C7	-54,082	-52,162
Gross profit		31,884	31,398
Selling and marketing expenses	C7	-14,153	-13,274
Administrative expenses	C7	-5,873	-5,124
Research and development expenses	C7	-152	-164
Other operating income	C8	565	867
Other operating expenses	C8	-1,117	-1,299
Income from associated companies and joint ventures	C15	1,138	835
Operating income	C5	12,293	13,238
Finance income	C9	353	398
Finance costs	C9	-3,291	-2,617
Income after financial items		9,354	11,019
Income taxes	C10	-1,753	-1,496
Net income from continuing operations		7,601	9,523
Discontinued operations			
Net income from discontinued operations	C35	-341	-6,399
Total net income		7,261	3,124
Items that may be reclassified to net income:			
Foreign currency translation differences from continuing operations	C11	624	-63
Foreign currency translation differences from discontinued operations	C11, C35	146	7,692
Other comprehensive income from associated companies	C11, C15	382	-27
Cash flow hedges	C11	-93	-312
Cost of hedging		54	45
Debt instruments at fair value through OCI	C11	-28	-59
Income taxes relating to items that may be reclassified	C10, C11	361	569
Items that will not be reclassified to net income:			
Equity instruments at fair value through OCI	C11	47	554
Remeasurements of defined benefit pension plans	C11, C22	-323	-2,089
Income tax relating to items that will not be reclassified	C10, C11	64	432
Associates' remeasurements of defined benefit pension plans	C11, C15	4	-1
Other comprehensive income		1,237	6,740
Total comprehensive income		8,498	9,863
Net income attributable to:			
Owners of the parent		7,093	3,213
Non-controlling interests	C20	167	-89
Total comprehensive income attributable to:			
Owners of the parent		8,161	9,876
Non-controlling interests		337	-12
Earnings per share (SEK), basic and diluted, total	C20	1.70	0.75
Earnings per share (SEK), basic and diluted, continuing operations		1.77	2.17
Earnings per share (SEK), basic and diluted, discontinued operations	C35	-0.07	-1.42

1) Restated, see Note C1.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Dec 31, 2019	Dec 31, 2018 ¹	Jan 1, 2018 ¹
Assets				
Goodwill	C12	75,696	71,514	60,984
Other intangible assets	C12	26,242	20,343	14,451
Property, plant and equipment	C13	78,163	78,220	60,024
Film and program rights, non-current	C14	1,063	–	–
Right-of-use assets	C28	15,640	–	–
Investments in associated companies and joint ventures	C15	10,165	9,555	9,449
Deferred tax assets	C10	1,849	2,670	3,003
Pension obligation assets	C22	2,234	2,285	4,110
Long-term interest-bearing receivables	C16	10,869	12,768	18,674
Other non-current assets	C16	2,168	2,507	4,091
Total non-current assets		224,088	199,860	174,785
Film and program rights, current	C14	1,990	110	–
Inventories	C17	1,966	1,854	1,521
Trade and other current receivables and assets	C18	16,648	17,339	15,978
Current tax receivables		90	285	408
Interest-bearing receivables	C19	12,300	4,529	17,335
Cash and cash equivalents	C19	6,116	18,765	15,616
Assets classified as held for sale	C35	875	4,799	18,508
Total current assets		39,984	47,681	69,365
Total assets		264,072	247,541	244,150
Equity and liabilities				
Equity attributable to owners of the parent		91,047	97,387	101,237
<i>of which capital</i>		<i>26,881</i>	<i>31,438</i>	<i>35,549</i>
<i>of which reserves and retained earnings</i>		<i>64,166</i>	<i>65,949</i>	<i>65,688</i>
Equity attributable to non-controlling interests	C20	1,409	5,050	5,291
Total equity		92,455	102,438	106,528
Long-term borrowings	C21	99,899	86,990	87,813
Deferred tax liabilities	C10	11,647	11,382	8,973
Provisions for pensions and employment contracts	C22	3,334	2,519	2,377
Other long-term provisions	C23	5,073	4,196	5,833
Other long-term liabilities	C24	1,377	1,164	807
Total non-current liabilities		121,330	106,250	105,803
Short-term borrowings	C21	19,779	9,552	3,674
Short-term provisions	C23	658	2,412	470
Current tax payables		959	281	361
Trade payables and other current liabilities	C25	28,286	26,049	18,758
Liabilities directly associated with assets classified as held for sale	C35	604	560	8,556
Total current liabilities		50,287	38,853	31,819
Total equity and liabilities		264,072	247,541	244,150

1) Restated, see Note C1.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Note	Jan–Dec 2019	Jan–Dec 2018
Net income		7,261	3,090
Adjustments for:			
Amortization, depreciation and impairment losses		19,149	14,119
Amortization film and program right assets		541	–
Capital gains/losses on sales/disposals of non-current assets and operations		-93	6,466
Income from associated companies and joint ventures, net of dividends received	C15	-773	400
Pensions and other provisions		-715	-964
Compensation from the pension fund		1,247	678
Financial items		401	511
Income taxes		892	561
Miscellaneous non-cash items		0	-52
Cash flow before change in working capital		27,909	24,809
Increase (-)/Decrease (+) in film and program right assets		72	22
Increase (-)/Decrease (+) in film and program right liabilities		80	–
Increase (-)/Decrease (+) in operating receivables		2,646	-154
Increase (-)/Decrease (+) in inventories		-99	-316
Increase (+)/Decrease (-) in operating liabilities		-2,474	2,445
Change in working capital		225	1,996
Adjustment for amortization film and program rights		-541	-109
Cash flow from operating activities		27,594	26,696
<i>of which from discontinued operations</i>		<i>-1,983</i>	<i>1,367</i>
Intangible assets and property, plant and equipment acquired		-15,224	-14,794
Intangible assets and property, plant and equipment divested		89	101
Business combinations and other equity instruments acquired	C34	-9,274	-25,348
Operations and other equity instruments divested		6	8,654
Loans granted and other similar investments		-8,175	-5,751
Repayment of loans granted and other similar investments		9,214	8,450
Net change in short-term investments		-7,180	14,647
Cash flow from investing activities		-30,543	-14,041
<i>of which from discontinued operations</i>		<i>122</i>	<i>371</i>
Cash flow before financing activities		-2,949	12,655
Repurchased treasury shares including transaction costs		-5,013	-4,062
Acquisition of non-controlling interests		-3,684	–
Dividends paid to owners of the parent		-9,850	-9,881
Dividends paid to holders of non-controlling interests		-178	-254
Proceeds from borrowings		6,308	1,094
Repayment of borrowings		-7,429	-3,660
Net change in short-term borrowings		4,321	3,272
Settlement of derivative contracts for economic hedges and CSA		814	1,707
Cash received for repurchase agreements		9,910	12,037
Cash paid for repurchase agreements		-9,910	-12,700
Cash flow from financing activities		-14,712	-12,446
<i>of which from discontinued operations</i>		<i>-3,699</i>	<i>-160</i>
Net change in cash and cash equivalents		-17,661	209
<i>of which from discontinued operations</i>		<i>-5,559</i>	<i>1,577</i>
Cash and cash equivalents, opening balance		22,591	20,984
Net change in cash and cash equivalents for the year		-17,661	209
Exchange rate differences in cash and cash equivalents		1,280	1,398
Cash and cash equivalents, closing balance	C19	6,210	22,591
<i>of which from continuing operations</i>		<i>6,116</i>	<i>18,765</i>
<i>of which from discontinued operations</i>		<i>94</i>	<i>3,827</i>

For more information, 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, 2017		13,856	21,693	367	-	846	-14,860	266	3,099	-2,926	78,883	101,226	5,291	106,517
Change in accounting principles ^{1,2}	C1	-	-	-	-	-	-	-	-	-	-6	-6	-	-6
Change in accounting principles in associated companies ³		-	-	-	-	-	-	-	-	-	282	282	-	282
Adjusted opening balance, January 1, 2018²		13,856	21,693	367	-	846	-14,860	266	3,099	-2,926	79,159	101,500	5,291	106,791
Dividends	C20	-	-	-	-	-	-	-	-	-	-9,881	-9,881	-229	-10,110
Share-based payments	C32	-	36	-	-	-	-	-	-	-	-	36	-	36
Acquisition of treasury shares	C20	-	-4,147	-	-	-	-	-	-	-	-	-4,147	-	-4,147
<i>Total transactions with owners</i>		-	-4,111	-	-	-	-	-	-	-	-9,881	-13,992	-229	-14,221
Net income ²	C20	-	-	-	-	-	-	-	-	-	3,213	3,213	-89	3,124
Other comprehensive income	C11,C20	-	-	-550	35	509	8,327	-	-	-	-1,658	6,663	77	6,740
<i>Total comprehensive income²</i>		-	-	-550	35	509	8,327	-	-	-	1,555	9,876	-12	9,863
Effect of Turkcell's acquisition of treasury shares	C15	-	-	-	-	-	-	-	-	4	-	4	-	4
Closing balance, December 31, 2018²		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 ⁴	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

1) Transition effect of IFRS 9 SEK -16 million. 2) The change in accounting principles of film and program rights has adjusted the opening balance January 1, 2018, of SEK 10 million and the closing balance December 31, 2018, of SEK 33 million. 3) Transition effect of IFRS 15 and IFRS 9 for Turkcell. 4) Mainly relates to acquisition of Turkcell's 41.45 percent share in Fintur.

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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 11, 2020. 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 2, 2020.

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 market place 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.

Adjustment of handset swap offering in Norway ("Svitsj")

The accounting for the Norwegian handset lease contracts, which include a right for the Telia Company customer to swap to a new handset by returning the current handset and entering into a new lease contract, has been adjusted in order to account for all contracts as operating leases. Previously some of the contracts were accounted for as finance leases. The adjustment is made retrospectively and is only affecting 2019. The restatement impact on net income and equity for the nine months period January-September 2019 was SEK -12 million. The EBITDA effect for the same period was SEK 16 million. The effects for 2019 are presented in the restatement tables below.

Segments

Following the acquisition of Bonnier Broadcasting, Telia Company has established a new segment, TV and Media, where the Bonnier Broadcasting business is included.

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

Restatements of financial and operational data between segments

As a result of the implementation of the new operating model, employees and assets and liabilities have been transferred from Sweden to Common Products and Services within Other Operations. Therefore, segment assets and liabilities as of December 31, 2018, have been restated for comparability as follows:

- Segment assets and liabilities within Sweden have been restated by SEK -4,093 million and SEK -554 million, respectively.
- Segment assets and liabilities within Other operations have been restated by SEK 4,154 million and SEK 611 million, respectively.
- Unallocated segment assets and liabilities have been restated by SEK -61 million and SEK -58 million, respectively.

Further, CAPEX and employees have been transferred from Sweden to Common Products and Services within Other Operations and the segments have therefore been restated as follows:

- In Sweden, CAPEX excluding fees for license and spectrum for 2018, is restated by SEK -1,225 million and employees at the end of 2018 is restated by -909.
- In Other operations, CAPEX excluding fees for license and spectrum for 2018, is restated by SEK 1,225 million and employees at the end of 2018 is restated by 909.

Furthermore, the number of employees have been transferred from Sweden to Division X within Other operations. 2018 figures have therefore been restated for comparability as follows:

- Employees at the end of 2018 -3 in Sweden and +3 in Division X.

As of October 2019, Finland is part of the new operating model, and the financials have therefore been restated for comparability as follows:

- As of December 31, 2018, Segment assets and liabilities within Finland have been restated by SEK -1,303 million and SEK -54 million, respectively.
- Segment assets and liabilities within Other Operations have been restated by SEK 1,303 million and SEK 54 million, respectively.

Further, CAPEX and employees have been transferred from Finland to Common Products and Services within Other Operations and the segments have therefore been restated as follows:

- In Finland, CAPEX excluding fees for license and spectrum for 2018, is restated by SEK -351 million and employees at the end of 2018 are restated by -258.
- In Other operations, CAPEX excluding fees for license and spectrum for 2018, is restated by SEK 351 million and employees at the end of 2018 are restated by 258.

The number of employees in Sweden and Denmark has been restated for comparability in 2018 to reflect a common sourcing function with the following effects:

- Sweden -20, Denmark -13 and Head Office within Other operations +33.

For Norway, the disaggregation of revenues has been restated for comparability for 2018 (all amounts in SEK million). The effects were as follows:

- Service revenues increased by 1 while Equipment revenues decreased by 1.

The split within Service revenues were as follows:

- Mobile subscription revenues -1, Other mobile service revenues +6, Telephony -17, Broadband -108, TV +2, Business solutions +110, Other fixed service revenues +28, Other service revenues -19.

For Finland, the disaggregation of revenues for 2018 has been restated for comparability (all amounts in SEK million). The effects were as follows:

- Other service revenues decreased by 11, while TV revenues and Advertising revenues increased 7 and 3, respectively.

Change in accounting principles for film and program rights

Following the acquisition of Bonnier Broadcasting, Telia Company has changed the accounting principles for licensed film and program rights in order to align with the IFRS principles applied within the Media industry and thereby provide reliable and more relevant information.

Under previous accounting principles the Finnish Liiga program right asset and related liability for all seasons were recognized in the statement of financial position when the license period began. Film and program right assets were presented as part of "Other intangible assets" in the statement of financial position. The amortization was classified as part of "Amortization, depreciation and impairment" i.e. outside EBITDA and the cash flow was presented as cash CAPEX within investing activities.

In accordance with the new accounting principles, 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 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, see Notes C14 and C30.

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 now classified as operating expenses within EBITDA and cash flows are classified within operating activities. The retrospective change in film and program right accounting principles resulted in restatement of the accounting for the Finnish Liiga program rights in 2018. The effects for 2018 are presented in the restatement tables below.

Restatement effects on Consolidated statements of comprehensive income

SEK in millions	Jan-Dec 2018		
	Reported	Restatements Liiga	Restated
Continuing operations			
Net sales	83,559	–	83,559
Cost of sales	-52,162	–	-52,162
Gross profit	31,398	–	31,398
Selling, marketing, administrative, research and development expenses, other operating income and expenses, income from associated companies and joint ventures	-18,160	–	-18,160
Operating income	13,238	–	13,238
Finance income	398	–	398
Finance costs	-2,650	33	-2,617
Income after financial items	10,986	33	11,019
Income taxes	-1,496	–	-1,496
Net income from continuing operations	9,489	33	9,523
Net income from discontinued operations	-6,399	–	-6,399
Total net income	3,090	33	3,124
Total net income attributable to:			
Owners of the parent	3,179	33	3,213
Non-controlling interests	-89	–	-89
Total comprehensive income attributable to:			
Owners of the parent	9,842	33	9,876
Non-controlling interests	-13	–	-13
Earnings per share (SEK), basic and diluted	0.74	0.01	0.75
<i>of which from continuing operations, basic and diluted</i>	<i>2.17</i>	<i>0.01</i>	<i>2.17</i>
EBITDA from continuing operations	26,042	-109	25,933
Adjusted EBITDA from continuing operations	26,649	-109	26,540
Depreciation, amortization and impairment losses from continuing operations	-13,638	109	-13,530
Adjusted operating income from continuing operations	14,146	–	14,146

Restatement effects on the Consolidated statements of financial position

SEK in millions	Reported Dec 31, 2017	Restatements Liiga	Restated Jan 1, 2018	Reported Dec 31, 2018	Restatements Liiga	Restated Dec 31, 2018
Assets						
Other intangible assets	15,668	-1,217	14,451	21,504	-1,161	20,343
Other non-current assets	160,335	–	160,335	179,517	–	179,517
<i>Total non-current assets</i>	<i>176,003</i>	<i>-1,217</i>	<i>174,785</i>	<i>201,021</i>	<i>-1,161</i>	<i>199,860</i>
Film and program rights, current	–	–	–	–	110	110
Other current assets	69,365	–	69,365	47,570	–	47,570
<i>Total current assets</i>	<i>69,365</i>	<i>–</i>	<i>69,365</i>	<i>47,570</i>	<i>110</i>	<i>47,681</i>
Total assets	245,367	-1,217	244,150	248,592	-1,051	247,541
Equity and liabilities						
Total equity	106,517	10	106,528	102,394	44	102,438
Other long-term liabilities	1,950	-1,143	807	2,169	-1,004	1,164
Other non-current liabilities	104,996	–	104,996	105,086	–	105,086
<i>Total non-current liabilities</i>	<i>106,946</i>	<i>-1,143</i>	<i>105,803</i>	<i>107,254</i>	<i>-1,004</i>	<i>106,250</i>
Trade payables and other current liabilities	18,842	-84	18,758	26,139	-90	26,049
Other current liabilities	13,062	–	13,062	12,804	–	12,804
<i>Total current liabilities</i>	<i>31,904</i>	<i>-84</i>	<i>31,819</i>	<i>38,943</i>	<i>-90</i>	<i>38,853</i>
Total equity and liabilities	245,367	-1,217	244,150	248,592	-1,050	247,541

Restatement effects on Consolidated statements of cash flows

SEK in millions	Jan-Dec 2018		
	Reported	Restatements Liiga	Restated
Cash flow before change in working capital	24,809	-	24,809
Increase/decrease film and program right assets	-	22	22
Increase/decrease other operating receivables	2,358	86	2,444
Increase/decrease other operating receivables and inventory	-470	-	-470
Change in working capital	1,888	109	1,996
Amortization of film and program rights	-	-109	-109
Cash flow from operating activities	26,696	-	26,696
Cash CAPEX	-14,794	-	-14,794
Cash flow from other investing activities	753	-	753
Cash flow from investing activities	-14,041	-	-14,041
Cash flow from financing activities	-12,446	-	-12,446
Cash flow for the period	209	-	209

Restatement effects on Condensed consolidated statements of comprehensive income

SEK in millions	Jan-Mar 2019				Apr-Jun 2019			
	Re- ported	Re- state- ments Liiga	Re- state- ments Svitsj	Re- stated	Re- ported	Re- state- ments Liiga	Re- state- ments Svitsj	Re- stated
Continuing operations								
Net sales	20,847	-	-10	20,836	21,272	-	-82	21,190
Cost of sales	-13,011	-	10	-13,001	-13,288	-	76	-13,212
Gross profit	7,836	-	-1	7,836	7,984	-	-6	7,978
Selling, marketing, administrative, research and development expenses, other operating income and expenses, income from associated companies and joint ventures	-4,609	-	-	-4,609	-5,089	-	-	-5,089
Operating income	3,227	-	-1	3,226	2,895	-	-6	2,889
Finance costs and other financial items, net	-716	11	-	-705	-749	8	-	-741
Income after financial items	2,511	11	-1	2,522	2,146	8	-6	2,148
Income taxes	-470	-	-	-470	-439	-	-	-439
Net income from continuing operations	2,041	11	-1	2,052	1,707	8	-6	1,709
Net income from discontinued operations	-242	-	-	-242	-56	-	-	-56
Total net income	1,799	11	-1	1,810	1,651	8	-6	1,653
Total net income attributable to:								
Owners of the parent	1,793	11	-1	1,803	1,601	8	-6	1,602
Non-controlling interests	6	-	-	6	51	-	-	51
Total comprehensive income attributable to:								
Owners of the parent	4,546	11	-1	4,556	1,053	8	-6	1,055
Non-controlling interests	171	-	-	171	99	-	-	99
Earnings per share (SEK), basic and diluted	0.43	0.00	0.00	0.43	0.38	0.00	0.00	0.38
<i>of which from continuing operations, basic and diluted</i>	0.47	0.00	0.00	0.48	0.39	0.00	0.00	0.40
EBITDA from continuing operations	7,209	-55	0	7,154	7,398	-56	2	7,343
Adjusted EBITDA from continuing operations	7,468	-55	0	7,413	7,520	-56	2	7,465
Depreciation, amortization and impairment losses from continuing operations	-4,355	55	0	-4,300	-4,736	56	-8	-4,687
Adjusted operating income from continuing operations	3,486	-	-1	3,485	3,146	-	-6	3,140

Restatement effects on Condensed consolidated statements of comprehensive income, cont.

SEK in millions	Jan-Jun 2019				Jul-Sep 2019				Jan-Sep 2019			
	Re-ported	Re-state-ments Liiga	Re-state-ments Svitsj	Re-stated	Re-ported	Re-state-ments Liiga	Re-state-ments Svitsj	Re-stated	Re-ported	Re-state-ments Liiga	Re-state-ments Svitsj	Re-stated
Continuing operations												
Net sales	42,118	-	-92	42,026	21,180	-	-79	21,101	63,298	-	-171	63,127
Cost of sales	-26,299	-	85	-26,213	-12,946	-	74	-12,872	-39,244	-	160	-39,085
Gross profit	15,820	-	-7	15,813	8,234	-	-5	8,229	24,054	-	-12	24,042
Selling, marketing, administrative, research and development expenses, other operating income and expenses, income from associated companies and joint ventures	-9,698	-	-	-9,953	-4,651	-	-	-4,651	-14,350	-	-	-14,604
Operating income	6,122	-	-7	6,115	3,583	-	-5	3,578	9,704	-	-12	9,693
Finance costs and other financial items, net	-1,464	19	-	-1,446	-679	5	-	-674	-2,143	24	-	-2,120
Income after financial items	4,657	19	-7	4,669	2,904	5	-5	2,904	7,561	24	-12	7,573
Income taxes	-909	-	-	-909	-429	-	-	-429	-1,338	-	-	-1,338
Net income from continuing operations	3,748	19	-7	3,760	2,475	5	-5	2,475	6,223	24	-12	6,236
Net income from discontinued operations	-297	-	-	-298	-47	-	-	-47	-344	-	-	-344
Total net income	3,451	19	-7	3,463	2,428	5	-5	2,428	5,879	24	-12	5,891
Total net income attributable to:												
Owners of the parent	3,393	19	-7	3,406	2,375	5	-5	2,375	5,769	24	-12	5,781
Non-controlling interests	57	-	-	57	53	-	-	53	110	-	-	110
Total comprehensive income attributable to:												
Owners of the parent	5,599	19	-7	5,611	2,176	5	-5	2,176	7,775	24	-12	7,788
Non-controlling interests	270	-	-	270	68	-	-	68	338	-	-	338
Earnings per share (SEK), basic and diluted	0.81	0.00	0.00	0.81	0.57	0.00	0.00	0.57	1.38	0.00	0.00	1.38
<i>of which from continuing operations, basic and diluted</i>	0.87	0.00	0.00	0.87	0.58	0.00	0.00	0.58	1.45	0.01	0.00	1.45
EBITDA from continuing operations	14,607	-112	1	14,497	7,999	-57	14	7,957	22,606	-168	16	22,453
Adjusted EBITDA from continuing operations	14,988	-112	1	14,878	8,268	-57	14	8,226	23,256	-168	16	23,104
Depreciation, amortization and impairment losses from continuing operations	-9,091	112	-7	-8,987	-4,637	57	-20	-4,600	-13,728	168	-27	-13,586
Adjusted operating income from continuing operations	6,632	-	-7	6,625	3,852	-	-5	3,846	10,483	-	-12	10,471

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Restatement effects on Condensed consolidated statements of financial position

SEK in millions	Re- ported Mar 31, 2019	Re- state- ments Liiga	Re- state- ments Svitsj	Re- stated Mar 31, 2019	Re- ported Jun 30, 2019	Re- state- ments Liiga	Re- state- ments Svitsj	Re- stated Jun 30, 2019	Re- ported Sep 30, 2019	Re- state- ments Liiga	Re- state- ments Svitsj	Re- stated Sep 30, 2019
Assets												
Goodwill and other intangible assets	95,084	-1,125	-	93,959	95,950	-1,083	-	94,867	96,029	-1,030	-	94,999
Property, plant and equipment	77,666	-	10	77,676	78,448	-	86	78,534	78,350	-	189	78,539
Long-term interest-bearing receivables	12,032	-	-5	12,026	11,838	-	-46	11,791	12,491	-	-96	12,396
Other non-currents assets	33,364	-	-	33,364	31,646	-	-	31,646	31,519	-	-	31,519
Total non-current assets	218,146	-1,125	5	217,025	217,881	-1,083	40	216,838	218,389	-1,030	93	217,453
Film and program rights, current	-	56	-	56	-	-	-	-	-	158	-	158
Short-term interest-bearing receivables	8,306	-	-5	8,301	10,724	-	-46	10,677	17,928	-	-110	17,817
Other current assets	45,098	-	-	45,098	31,529	-	-	31,529	27,567	-	-	27,567
Total current assets	53,404	56	-5	53,454	42,253	-	-46	42,206	45,495	158	-110	45,542
Total assests	271,550	-1,069	-1	270,480	260,134	-1,083	-7	259,044	263,885	-872	-17	262,996
Total equity	106,214	54	-1	106,268	92,628	62	-7	92,683	93,535	66	-17	93,584
Other long-term liabilities	2,159	-940	-	1,219	2,297	-913	-	1,384	2,291	-889	-	1,402
Other non-current liabilities	119,034	-	-	119,034	119,335	-	-	119,335	122,247	-	-	122,247
Total non-current liabilities	121,193	-940	-	120,253	121,631	-913	-	120,718	124,538	-889	-	123,649
Trade payables and other current liabilities, current tax payables and short-term provisions	27,135	-183	-	26,952	31,796	-232	-	31,564	31,455	-48	-	31,406
Other current liabilities	17,006	-	-	17,006	14,079	-	-	14,079	14,358	-	-	14,358
Total current liabilities	44,142	-183	-	43,959	45,875	-232	-	45,643	45,813	-48	-	45,764
Total Equity & Liabilities	271,550	-1,069	-1	270,480	260,134	-1,083	-7	259,044	263,885	-872	-17	262,997

Restatement effects on Condensed consolidated statements of cash flows

SEK in millions	Jan-Mar 2019				Apr-Jun 2019			
	Re- ported	Re- state- ments Liiga	Re- state- ments Svitsj	Re- stated	Re- ported	Re- state- ments Liiga	Re- state- ments Svitsj	Re- stated
Cash flow before change in working capital	7,072	-	0	7,072	6,305	-	2	6,307
Increase/decrease Film and program rights assets and liabilities	-	-33	-	-33	-	11	-	11
Increase/decrease other operating receivables, liabilities and inventory	-688	88	10	-590	774	45	82	901
Change in working capital	-688	55	10	-623	774	56	82	912
Adjustment for amortization Film and Program rights	-	-55	-	-55	-	-56	-	-56
Cash flow from operating activities	6,384	-	10	6,394	7,079	-	83	7,162
Cash CAPEX	-4,327	-	-10	-4,338	-3,757	-	-83	-3,840
Cash flow from other investing activities	-2,733	-	-	-2,733	-2,046	-	-	-2,046
Cash flow from investing activities	-7,061	-	-10	-7,071	-5,803	-	-83	-5,887
Cash flow from financing activities	2,613	-	-	2,613	-14,232	-	-	-14,232
Cash flow for the period	1,936	-	-	1,936	-12,956	-	-	-12,956

SEK in millions	Jan-Jun 2019				Jul-Sep 2019				Jan-Sep 2019			
	Re-ported	Re-state-ments Liiga	Re-state-ments Svitsj	Re-stated	Re-ported	Re-state-ments Liiga	Re-state-ments Svitsj	Re-stated	Re-ported	Re-state-ments Liiga	Re-state-ments Svitsj	Re-stated
Cash flow before change in working capital	13,378	-	1	13,379	7,585	-	14	7,598	20,962	-	16	20,978
Increase/decrease Film and program rights assets and liabilities	-	-22	-	-22	-	12	-	12	-	-10	-	-10
Increase/decrease other operating receivables, liabilities and inventory	86	133	92	311	976	-138	79	917	1,061	-5	171	1,227
Change in working capital	86	112	92	289	976	-126	79	929	1,061	-14	171	1,218
Adjustment for amortization Film and Program rights	-	-112	-	-112	-	-57	-	-57	-	-168	-	-168
Cash flow from operating activities	13,463	-	94	13,557	8,559	-183	94	8,471	22,023	-183	187	22,027
Cash CAPEX	-8,084	-	-94	-8,178	-3,250	183	-94	-3,161	-11,334	183	-187	-11,339
Cash flow from other investing activities	-4,780	-	-	-4,780	-7,569	-	-	-7,569	-12,349	-	-	-12,349
Cash flow from investing activities	-12,864	-	-94	-12,958	-10,819	183	-94	-10,730	-23,683	183	-187	-23,688
Cash flow from financing activities	-11,619	-	-	-11,619	-1,374	-	-	-1,374	-12,993	-	-	-12,993
Cash flow for the period	-11,020	-	-	-11,020	-3,633	-	-	-3,633	-14,653	-	-	-14,653

Recently issued accounting standards

New and amended standards and interpretations effective in 2019

As of January 1, 2019, the following new or amended standards and interpretations became applicable:

- IFRS 16 "Leases"
- IFRIC 23 "Uncertainty over income tax treatments"
- Amendments to IFRS 9 "Prepayment features with negative compensation"
- Amendments to IAS 28 "Long-term interests in associates and joint ventures"
- Amendments to IAS 19 "Plan amendment, curtailment or settlement"
- Annual Improvements to IFRSs 2015-2017 cycle

IFRS 16 "Leases"

IFRS 16 replaces the previous IAS 17 "Leases" and its associated interpretative guidance. The new standard is effective as of January 1, 2019. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the lessee. The new standard removes the classification of leases as operating leases or finance leases, for lessees, as required by IAS 17 and, instead introduces a single accounting model. According to the new model, leases result in the lessee obtaining the right to use an asset during the estimated lease term and, if lease payments are made over time, also obtaining financing. All Telia Company's leases are now recognized as non-current assets and financial liabilities in the consolidated statement of financial position. Instead of operating lease expenses, Telia Company recognizes depreciation and interest expenses in the consolidated statement of comprehensive income. Lease payments are affecting cash flow from operating activities (e.g. interest, low value asset leases and short-term leases), and cash flow from financing activities (repayment of the lease liability) in the consolidated cash flow statement. The new standard does not include significant changes to the requirements for accounting by lessors.

Telia Company has applied the new standard using the modified retrospective approach, which means that comparative figures have not been restated. The cumulative effect of applying IFRS 16 has been recognized on January 1, 2019. The lease liabilities attributable to leases which have previously been classified as operating leases under IAS 17 have been measured at the present value of the remaining lease payments, discounted using the weighted incremental borrowing rate as of January 1, 2019, 2.99 percent. Telia Company has recognized a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to the lease, recognized as of December 31, 2018. Hence, the transition to IFRS 16 has had no material effect on group equity.

Telia Company has applied the following practical expedients at transition:

- Recognized payments associated with short-term leases and leases of low value assets, as an expense in the consolidated income statement.
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Derecognized provisions for onerous lease contracts against the right-of-use assets, as an alternative to performing an impairment review.
- Used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.
- Not applied IFRS 16 to intangible assets.
- Non-lease components have been expensed and excluded from the right-of-use-asset and the lease liability.
- Excluded initial direct costs from the measurement of the right-of-use assets.
- Reassessed whether a contract is or contains a lease.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability under IFRS 16 at January 1, 2019, equal the carrying amount of the lease asset and lease liability accounted for under IAS 17 immediately before transition to IFRS 16.

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The initial application of IFRS 16 had the following effects on the consolidated statement of financial position at the date of initial application January 1, 2019.

IFRS 16 Transition effects on Consolidated statements of financial position

SEK in millions	Jan 1, 2019 Opening balance	IFRS 16 effects	Jan 1, 2019 Adjusted opening balance
Assets			
Goodwill	71,514	-	71,514
Other intangible assets	21,504	-284	21,220
Property plant and equipment	78,220	-1,273	76,947
Right-of-use assets	-	16,547	16,547
Investments in associated companies and joint ventures	9,555	-	9,555
Deferred tax assets	2,670	89	2,759
Pension obligation assets	2,285	-	2,285
Long-term interest-bearing receivables	12,768	-425	12,343
Other non-current assets	2,507	-	2,507
Total non-current assets	201,021	14,654	215,675
Inventories	1,854	-	1,854
Trade and other current receivables and assets	17,339	-236	17,103
Current tax receivables	285	-	285
Interest-bearing receivables	4,529	-	4,529
Cash and cash equivalents	18,765	-	18,765
Assets classified as held for sale	4,799	148	4,947
Total current assets	47,570	-88	47,482
Total assets	248,592	14,566	263,157
Equity and liabilities			
Equity attributable to owners of the parent	97,344	-	97,344
Equity attributable to non-controlling interests	5,050	-	5,050
Total equity	102,394	-	102,394
Long-term borrowings	86,990	11,810	98,800
Deferred tax liabilities	11,382	89	11,471
Provisions for pensions and employment contracts	2,519	-	2,519
Other long-term provisions	4,196	-	4,196
Other long-term liabilities	2,169	-	2,169
Total non-current liabilities	107,254	11,899	119,155
Short-term borrowings	9,552	2,529	12,081
Short-term provisions	2,412	-	2,412
Current tax payables	281	-	281
Trade payables and other current liabilities	26,139	-11	26,128
Liabilities directly associated with assets classified as held for sale	560	148	708
Total current liabilities	38,943	2,666	41,610
Total equity and liabilities	248,592	14,566	263,157

In the table above, deferred tax assets and tax liabilities attributable to the right-of-use asset and lease liability, have been offset where there is a legal enforceable right to set off the deferred taxes. Telia Company has identified lease contracts relating to e.g. network equipment (e.g. copper, dark fiber, IRU and ducts), technical and non-technical

space, technical and non-technical equipment, stores, land and cars.

The difference between Telia Company's future minimum leasing fees under operating lease agreements in accordance with IAS 17 and the lease liability which was recognized as of January 1, 2019, in accordance with IFRS 16 was as follows:

Operating lease commitments disclosed at December 31, 2018, SEK in millions	5,332
Lease commitment with commencement date 2019	-434
Discounted using the group's incremental borrowing rate	-579
Finance lease liabilities recognized as at December 31, 2018	1,409
Low value leases recognized as expenses	-77
Reassessed contracts	3,586
Adjustments as a result of a different treatment of extension options	6,508
Lease liabilities recognized at January 1, 2019	15,745

The main judgements made at transition to IFRS 16 are related to determining the lease terms and whether a contract is or contains a lease. Regarding lease terms, a majority of the lease contracts in the group includes options for Telia Company either to extend or to terminate the contract. The periods covered by extension and termination options are included in the lease term and thereby the lease liability if Telia Company is reasonable certain to exercise the extension option or not exercise the termination option. Telia Company has concluded that some agreements that were assessed to be a service contract under IAS 17, meet the definition of a lease and are in scope of IFRS 16. The reassessed contracts are mainly contracts within the asset classes technical space and technical equipment and are often related to the use of a portion of a larger asset. IFRS 16 provides more detailed guidance on the definition of leases and specified assets and Telia Company has therefore reassessed whether a contract is or contains a lease at transition to IFRS 16. For more information on judgements and uncertainties related to leases, see Note C2.

IFRIC 23 "Uncertainty over income tax treatments"

The interpretation explains how to recognize, and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The interpretation has not had a material impact on Telia Company's consolidated financial statements.

Other than stated above, the new and 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, 2020

Telia Company has not pre-adopted any of the new or revised/amended standards effective on or after January 1, 2020, except for Amendments to IFRS 9, IAS 39 and IFRS 7 - "Interest Rate Benchmark reform".

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments

are effective from January 1, 2020, and have been early adopted by Telia Company in 2019. The amendments were endorsed by EU on January 15, 2020. The amendment did not have any impact on the financial statements.

IFRS 17 "Insurance contracts", a new accounting standard covering recognition and measurement, presentation and disclosure, replaces IFRS 4 and is effective January 1, 2021. Early application is permitted as long as IFRS 9 and IFRS 15 also are applied. 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 contract 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 3 "Business combinations", effective January 1, 2020
- Amendments to References to the Conceptual framework in IFRS standards, effective January 1, 2020
- Amendment to IAS 1 and IAS 8: "Definition of material", effective January 1, 2020
- Amendments to IAS 1 "Classification of liabilities as current or non current", effective January 1, 2022

Other issued amendments are deemed not applicable for Telia Company.

EU endorsement status

As of the beginning of March 2020, all standards, amendments to standards and interpretations mentioned above had been adopted by the EU, except for IFRS 17, amendments to IFRS 3 "Business combinations", and amendments to IAS 1 "Classification of liabilities as current or non current".

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 2019 and 2018, amortization, depreciation and impairment losses for intangible assets, property, plant and equipment and right of use assets totaled SEK 18,863 million and SEK 13,530 million, respectively. Amortization and impairment losses for film and program rights and cost to obtain a contract were SEK 541 million (109) and SEK 1,266 million (1,291), 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.

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 the key assumptions on sales growth and EBITDA margin development in the forecasts are deviating from historical trends. For the forecast period Telia Company has clear and committed plans for sales initiatives, cost reductions and working capital improvements. Despite firm business plans, there is a risk that forecasted performance for Denmark could be impacted by operational factors as well as external factors like WACC increase or unexpected market development affecting forecasted revenue which could result in an impairment loss.

For additional information on goodwill and its carrying value as of the end of the reporting period, see Note C12.

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

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 expected annual adjustments to pensions, 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.

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. As of December 31, 2019 all parts have been divested, except Moldcell in Moldova where an agreement to divest was signed in February 2020. See Note C35 and "Risks and uncertainties" for more information on discontinued operations and risks.

Fair value estimates – discontinued operations

In accordance with IFRS 5, the discontinued operations are measured at the lower of carrying value and estimated fair value less costs to sell. Fair value is the price that would be received to sell the discontinued operations in an orderly transaction between market participants at the measurement date under current market conditions. There is no directly observable price for Telia Company's discontinued operations and fair value has therefore been estimated using other valuation techniques which require the use of judgment. For Moldcell in Moldova the estimated fair value as of December 31, 2019 was based on a bid received. The bid corresponds to the transaction price in the divestment agreement signed in February 2020. See Note C35 and "Risks and uncertainties" for more information on discontinued operations and risks.

Accounts payables under vendor financing arrangements

Telia Company has arrangements with several banks under which 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. 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 5,923 million per December 31, 2019 (5,133). See Note C25.

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 state-

ments 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 as well as Group functions are combined into Other operations. The former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015, and is 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 service revenues are recognized over time in the period in which the service is performed.

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 long-term functional service agreements for total telecom services, which may include switchboard services, fixed telephony, mobile telephony, data communication and other customized services. There are generally no options for the customer to acquire the equipment at the end of the service contract period. For functional service agreements which represents one single performance obligation, revenues are recognized over the service period.

Service and construction contract revenues are recognized using the percentage of completion method and revenues are recognized over time. The stage of completion is estimated using measures based on the nature and terms of the contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately expensed.

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.

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. subscription. 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 granted 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, restructur-

ing 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 identified 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 is 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 on-going 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

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

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.

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. Unquoted 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 measured at fair value through other comprehensive income measured at fair value (quoted market prices) with unrealized 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 payables are recognized at the amounts expected to be billable.

Trade payables are initially recognized at fair value, nor-

mally 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 operating 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 com-

prehensive 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.

For comparative accounting principles in accordance with IAS 17 Leases, see Annual and Sustainability Report 2018.

C4 CHANGES IN GROUP COMPOSITION AND EVENTS AFTER THE REPORTING PERIOD

Group composition

Subsidiaries

Telia Company's principal operating subsidiaries as of December 31, 2019, are disclosed in "Where we operate." Ownership in addition to shares held directly or indirectly by Telia Company takes into account shares held by associated companies. Consolidated share also includes commitments to acquire shares from holders of non-controlling interests. Subsidiaries in continuing operations with material non-controlling interests are disclosed in Note C20. Subsidiaries in discontinued operations with material non-controlling interests are described in Note C35.

Business combinations

In 2019, Telia Company acquired Bonnier Broadcasting and Fello AB. See Note C34 for information on these acquisitions and on other minor business combinations in 2019.

Associated companies

Material associated companies are disclosed in 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 February 14, 2020, Telia Company signed an agreement to divest its holding in Moldcell in Moldova to CG Cell Technologies DAC, for a transaction price of USD 31.5 million. The transaction is not subject to any conditions to close, and Telia Company expects to complete the divestment during the first quarter of 2020. See Note C35.

C5 SEGMENT INFORMATION

Telia Company's operating model is based on geographical areas with the exception of the new 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 is classified as held for sale and discontinued operations since December 31, 2015, and is 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.
- Other operations include mainly the operations in Latvia, the international carrier operations, customer financing operations, Telia Company's shareholdings in the Turkish associated company Turkcell as well as Common Products and Services and Group functions.

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 intangible assets with indefinite useful lives by reportable segments, see Note C12.

January-December 2019 or December 31, 2019

SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	TV and Media	Other operations and assets held for sale	Discontinued operations and liabilities held for sale	Eliminations 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	48,689	54,307	59,523	8,974	7,713	6,031	13,671	26,328	-	-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	12,403	4,808	4,867	1,769	1,120	878	2,716	8,847	-	-2,441	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 operations	5,881	2,141	3,331	439	811	616	10,929	5,058	-	8	29,214
of which CAPEX excluding fees for licenses, spectrum and right-of-use assets, continuing operations	3,548	1,493	2,883	401	526	549	13	4,692	-	8	14,113
Number of employees	4,733	2,926	1,874	794	1,959	1,796	1,261	5,502	387	-	21,232

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January-December 2018 or December 31, 2018											
SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	TV and Media	Other operations	Discontinued operations and assets held for sale	Eliminations and other	Group
Net sales	36,677	15,512	11,898	6,167	3,849	3,077	-	8,743	-	-2,364	83,559
External net sales	36,346	15,341	11,881	6,075	3,788	2,982	-	7,147	-	-	83,559
Adjusted EBITDA ¹	13,162	4,647	4,492	751	1,350	1,001	-	1,137	-	-	26,540
Adjustment items	-181	-63	-205	-7	-13	-3	-	-135	-	-	-607
Amortization, depreciation and impairment losses ¹	-5,663	-2,540	-2,149	-867	-647	-563	-	-1,102	-	-	-13,530
of which impairment losses	-38	-1	-6	-6	-36	-	-	-	-	-	-87
Income from associated companies and joint ventures	0	0	0	0	-6	6	-	835	-	-	835
Operating income	7,319	2,045	2,139	-123	684	440	-	734	-	-	13,238
Financial items, net ¹											-2,219
Income taxes											-1,496
Net income from continuing operations¹											9,523
Investments in associated companies and joint ventures	4	0	27	3	9	27	-	9,485	-	-	9,555
Other operating segment assets ¹	45,210	51,302	57,407	8,369	7,316	5,513	-	22,952	-	-2,161	195,909
Current and deferred tax assets											2,955
Other unallocated assets ¹											34,323
Assets classified as held for sale									4,799	-	4,799
Total assets¹											247,541
Operating segment liabilities ¹	13,204	4,601	4,324	1,707	810	778	-	10,516	-	-2,164	33,776
Current and deferred tax liabilities											11,663
Other unallocated liabilities ¹											99,105
Liabilities directly associated with assets classified as held for sale									560	-	560
Total non-current and current liabilities¹											145,103
Investments, continuing operations ¹	5,456	4,332	30,423	428	577	567	-	4,755	-	8	46,547
of which CAPEX excluding fees for licenses, spectrum and right-of-use assets, continuing operations ¹	4,285	2,954	1,484	439	575	567	-	4,671	-	8	14,984
Number of employees ¹	5 168	2 980	2 033	864	2 306	1 794	-	5 294	397	-	20,836

1) Restated, 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 2019 and 2018, respectively. Fixed services mainly include telephony, broadband, data and TV services. Disaggregation of revenue has been based on Telia Company's reportable segments. Following the acquisition of Bonnier Broadcasting on December 2, 2019, Telia Company has established a new segment, TV and Media, where the Bonnier Broadcasting business is included.

2019										
SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	TV and Media	Other operations	Eliminations	Total
Mobile subscription revenues	13,008	6,647	7,222	2,887	1,110	947	-	1,294	-	33,117
Interconnect	646	403	485	201	157	72	-	126	-	2,090
Other mobile service revenues	601	771	1,007	322	42	18	-	51	-	2,813
Total mobile service revenues	14,256	7,821	8,715	3,410	1,309	1,038	-	1,471	-	38,020
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	4,032	1,438	132	62	407	341	-	4,400	-	10,813
Total fixed service revenues	15,554	5,507	4,095	818	1,786	1,534	230	4,474	-	33,999
Advertising revenues	-	4	-	-	-	-	473	-	-	477
Other service revenues	464	26	74	34	-	28	8	324	-	959
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

2018										
SEK in millions	Sweden	Finland ²	Norway ²	Denmark	Lithuania	Estonia	TV and Media	Other operations	Eliminations	Total ²
Mobile subscription revenues	13,115	6,309	7,212	2,936	1,018	871	-	1,200	-	32,662
Interconnect	636	481	535	230	147	71	-	133	-	2,234
Other mobile service revenues	634	779	988	335	44	18	-	48	-	2,845
Total mobile service revenues	14,386	7,569	8,735	3,500	1,209	960	-	1,382	-	37,741
Telephony	2,614	224	148	178	313	132	-	-	-	3,610
Broadband	4,537	713	261	263	570	531	-	0	-	6,874
TV	1,838	563	418	165	268	222	-	-	-	3,473
Business solutions	2,770	2,275	114	177	203	200	-	65	-	5,804
Other fixed service revenues	4,317	1,558	28	66	420	316	-	4,559	-	11,264
Total fixed service revenues	16,075	5,332	968	850	1,774	1,401	-	4,624	-	31,026
Advertising revenues	-	3	-	-	-	-	-	-	-	3
Other service revenues	371	10	12	28	-	38	-	324	-	783
Total service revenues¹	30,833	12,914	9,716	4,377	2,983	2,399	-	6,330	-	69,553
Total equipment revenues¹	5,513	2,426	2,165	1,698	804	582	-	817	-	14,006
Total external net sales	36,346	15,341	11,881	6,075	3,788	2,982	-	7,147	-	83,559
Internal net sales	332	171	17	92	61	95	-	1,596	-2,364	-
Total net sales	36,677	15,512	11,898	6,167	3,849	3,077	-	8,743	-2,364	83,559

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 assets², respectively, were distributed among individually material countries as follows.

	Dec 31, 2019		Dec 31, 2018		Dec 31, 2019		Dec 31, 2018 ¹	
	Net sales				Non-current assets ²			
	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
Sweden	37,034	43.1	38,141	45.6	61,693	31.1	43,107	25.1
Finland	15,998	18.6	15,440	18.5	53,892	27.2	48,436	28.2
Norway	14,672	17.1	11,893	14.2	57,476	29.0	54,654	31.8
Denmark	5,604	6.5	6,092	7.3	7,084	3.6	6,352	3.7
Lithuania	3,981	4.6	3,788	4.5	6,899	3.5	6,295	3.7
Estonia	3,263	3.8	2,989	3.6	5,273	2.7	4,816	2.8
All other countries	5,413	6.3	5,215	6.2	6,029	3.0	8,128	4.7
Total	85,965	100.0	83,559	100.0	198,345	100.0	171,788	100.0

1) Finland is restated, see Note C1.

2) 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, 2019	Dec 31, 2018
European Economic Area (EEA)	83,311	80,795
<i>of which European Union (EU) member states</i>	68,606	69,189
Rest of Europe	533	599
North-American Free Trade Agreement (NAFTA)	1,116	982
Rest of world	1,005	1,183
Total	85,965	83,559

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 1,446 million (1,445). Amortization in 2019 amounted to SEK 1,266 million (1,291). Other changes during the year were mainly due to new contracts of SEK 1,254 million (1,227). 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 485 million (586) of which SEK 96 million (157) are included in Other non-current assets and SEK 389 million (429) 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 4,402 million (4,157), of which SEK 9 million (6) are included in Other long-term liabilities and SEK 4,393 million (4,151) are included in Trade payables and other current liabilities. The increase during the year was mainly due to the acquisition of Bonnier Broadcasting. 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, 2019.

SEK in millions, Expected revenue recognition of unsatisfied performance obligations	2020	2021	2022	2023 and onwards	Total
Total unsatisfied performance obligations	11,998	5,377	1,585	960	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 2019	Jan-Dec 2018
Goods and sub-contracting services purchased and change in inventories ¹	-22,269	-22,406
<i>whereof amortization of film and program rights</i>	-541	-109
Interconnect and roaming expenses	-5,728	-6,311
Other network expenses	-2,369	-4,081
Personnel expenses (see also Note C32)	-13,753	-12,745
Marketing expenses	-3,262	-3,256
<i>whereof amortization of cost to obtain a contract</i>	-1,266	-1,291
Other expenses	-8,017	-8,430
Amortization, depreciation and impairment losses ^{1,2}	-18,861	-13,494
Total	-74,260	-70,724

1) Restated, see Note C1.

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 2019	Jan-Dec 2018
Cost of sales ¹	-15,802	-11,577
Selling and marketing expenses	-1,835	-1,465
Administrative expenses	-1,106	-376
Research and development expenses	-118	-76
Total functions	-18,861	-13,494
Other operating expenses	-1	-36
Total	-18,862	-13,530

1) Restated, see Note C1.

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 2019	Jan-Dec 2018
Other operating income		
Capital gains	31	132
Exchange rate gains	288	340
Commissions, license and patent fees, etc.	92	62
Grants	11	12
Gains/losses business combinations	1	8
Recovered accounts receivable	115	30
Court-settled fees with other operators	0	202
Damages received	28	82
Total other operating income	565	867
Other operating expenses		
Capital losses	-56	-106
Transaction costs in business combinations	-98	-267
Provisions for onerous contracts	-9	-7
Exchange rate losses	-304	-380
Restructuring costs	-584	-385
Impairment losses	-1	-36
Court-settled fees with other operators	-56	-100
Damages paid	-9	-18
Total other operating expenses	-1,117	-1,299
Net effect on income	-551	-432
<i>of which net exchange rate losses on derivative instruments measured at fair value through income statement</i>	3	0

Restructuring costs mainly comprised staff redundancy costs.

C9 FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs were distributed as follows.

SEK in millions	Jan-Dec 2019	Jan-Dec 2018
Finance income		
Interest income	162	160
Interest income on finance leases	95	87
Net interest on the net defined benefit liability (asset)	10	73
Other finance income	4	2
Unwinding of discounts, receivables	82	76
Total finance income	353	398
Finance costs		
Interest expenses	-2,738	-2,560
Interest expenses on lease liabilities ¹	-436	-18
Unwinding of provision discount ²	-57	-25
Capitalized interest	128	136
Net exchange rate losses	-104	-61
Capital losses on other financial investments	-84	-89
Total finance costs	-3,291	-2,617
Net effect on income	-2,938	-2,219

1) For 2018 reported interest expenses on lease liabilities of SEK -18 million refers to finance leases under IAS17.

2) Restated, see Note C1.

Net interest expenses were affected by net interest expenses related to leases of SEK -341 million (69).

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.

	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
SEK in millions	Interest expenses		Net exchange rate gains and losses		Interest income	
Fair value hedge derivatives	488	813	-	-0	-	-
Cash flow hedge derivatives	-334	-53	535	-5	-	-
Derivatives at fair value through income statement	132	-59	-420	1,493	-	-
Financial assets at amortized cost	-	-	-358	-829	65	58
Borrowings in fair value hedge relationships	-2,842	-2,592	-865	-2,519	-	-
Borrowings and other financial liabilities at amortized cost	-230	-631	1,006	1,799	-	-
Interest on lease liabilities ¹	-436	-18	-	-	95	87
Other	176	98	-2	-0	108	175
Total	-3,046	-2,442	-104	-61	268	320

1) For 2018 reported interest on lease liabilities refers to finance leases under IAS17.

Borrowings at amortized cost include items in cash flow 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 2019	Jan-Dec 2018
Tax items recognized in net income		
Current tax	-1,861	-1,519
Adjustment of current tax related to prior years	31	-4
Deferred tax	84	-716
Adjustment of deferred tax related to prior years	-7	225
Effect on deferred tax from changes in tax rates	0	518
Total tax expense recognized in net income	-1,753	-1,496
Tax items recognized in other comprehensive income		
Current tax	338	509
Deferred tax	72	493
Total tax recognized in other comprehensive income	410	1,002
Tax items recognized directly in equity		
Deferred tax	-	0
Total tax recognized directly in equity	-	0

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Income before taxes was SEK 9,354 million in 2019 and SEK 11,019 million (restated, see Note C1) in 2018. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan-Dec 2019	Jan-Dec 2018
Swedish income tax rate	21.4	22.0
Effect of higher or lower tax rates in subsidiaries	-0.8	-1.1
Withholding tax on earnings in subsidiaries and associated companies	0.7	0.3
Prior year adjustment of current tax expense	-0.3	0.0
Prior year adjustment of deferred taxes	0.1	-2.1
Effect on deferred tax expense from changes in tax rates ¹	-0.1	-4.7
Income from associated companies	-2.6	-1.7
Current year losses and change in temporary difference for which no deferred tax asset was recognized	-0.1	0.0
Non-deductible expenses	1.5	1.7
Tax-exempt income	-0.9	-0.9
Effective tax rate in net income	18.7	13.6
<i>Effective tax rate excluding effects from associated companies</i>	<i>20.5</i>	<i>14.5</i>

1) Effect on deferred tax expense from changes in tax rate in 2018 is impacted by revaluation of deferred tax assets and liabilities as a consequence of reduced corporate income tax rates for Sweden and Norway enacted during 2018. In 2019 the impact relates to changed assessment compared to 2018 of timing for release/settlement of deferred tax assets/liabilities in Sweden. 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.

Deferred tax assets and liabilities

Movement in deferred tax assets and liabilities were as follows.

SEK in millions	Dec 31, 2019	Dec 31, 2018
Deferred tax assets		
Opening balance	2,670	3,003
Change in accounting principles ¹	89	-
Adjusted opening balance	2,759	-
Change recognized in comprehensive income	-34	-700
Operations acquired	230	413
Offset tax liabilities/assets, other reclassifications	-1,141	-124
Change in tax rate ²	0	-47
Exchange rate differences	35	124
Deferred tax assets, closing balance	1,849	2,670
Deferred tax liabilities		
Opening balance	11,382	8,973
Change in accounting principles ¹	89	-
Adjusted opening balance	11,471	-
Change recognized in comprehensive income	-183	-702
Operations acquired	1,302	3,674
Offset tax liabilities/assets, other reclassifications	-1,141	-15
Change in tax rate ²	0	-565
Exchange rate differences	199	17
Deferred tax liabilities, closing balance	11,647	11,382

1) See Note C1.

2) The effect of change in tax rate Dec 31, 2018, is related to reduced corporate income tax rates in Norway and Sweden enacted during 2018.

The decrease of deferred tax assets in 2019 is mainly related to additional netting of deferred tax assets and liabilities in Sweden, Finland and Norway in accordance with IAS 12. The increase of deferred tax liabilities in 2019 is mainly related to the acquisition of Bonnier Broadcasting. However, the increase is partly offset by the additional netting of deferred tax assets and liabilities in Sweden, Finland and Norway.

Deferred tax assets and liabilities are allocated to the following temporary differences and tax loss carry-forward.

SEK in millions	2019								
	Opening balance	Change in accounting principles ¹	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 ²	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) See Note C1.

2) Including deferred tax liability related to undistributed earnings in Estonia and Latvia.

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SEK in millions	2018						
	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	2,845	-120	-	46	94	-	2,864
Provisions	1,047	-111	-22	87	15	-	1,016
Accounts receivables and other current assets	25	22	-	4	2	-	53
Interest expense carry-forward	158	-9	-	13	7	-	169
Tax loss carry-forward	2,169	-1,061	-	284	98	-	1,490
Subtotal	6,244	-1,280	-22	434	215	-	5,592
Valuation allowance							
Non-current assets	-39	6	-	-	-2	-	-33
Accounts receivables and other current assets	-2	0	-	-	0	-	-3
Tax loss carry-forward	-2,045	942	-	-21	-89	-	-1,214
Subtotal	-2,086	947	-	-21	-91	-	-1,250
Offset deferred tax assets/liabilities	-1,155	-393	-	-	-	-124	-1,672
Total deferred tax assets	3,003	-725	-22	413	124	-124	2,670
Deferred tax liabilities							
Withholding taxes subsidiaries and associates	199	-13	-	-	-41	-	144
Non-current assets	6,774	-178	-	3,674	58	-	10,328
Provisions	1,169	154	-515	-	-1	-	807
Accounts receivables and other current assets	214	41	-	-	0	-	256
Profit equalization reserves	1,772	-254	-	-	0	-	1,519
Subtotal	10,128	-249	-515	3,674	17	-	13,054
Offset deferred tax assets/liabilities	-1,155	-503	-	-	-	-15	-1,672
Total deferred tax liabilities	8,973	-752	-515	3,674	17	-15	11,382
Net deferred tax assets (+)/ liabilities (-)	-5,970	27	493	-3,261	107	-109	-8,712

Unrecognized deferred tax

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2019, were expected to expire as follows.

Expected expiry, SEK in millions	2020	2021	2022	2023	2024	2025-2029	Unlimited	Total
Unrecognized deferred tax assets	1	0	0	0	0	389	883	1,273

As of December 31, 2019 and 2018, unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated income tax that is levied on dividends paid, totaled SEK 4 million and SEK 98 million, respectively. The decrease in 2019 is explained by the recognition of deferred tax liability related to undistributed earnings in subsidiaries in Estonia and Latvia.

Tax loss carry-forward

Deferred tax assets originating from tax loss carry-forward relate mainly to international carrier operations. Tax loss carry-forward in the international carrier operations refers mainly to impairment losses on plant and machinery incurred in 2002. Telia Company's accumulated tax loss carry-forward was SEK 6,451 million as of December 31, 2019 (5,716).

Tax loss carry-forward as of December 31, 2019, is expected to expire as follows.

Expected expiry, SEK in millions	2020	2021	2022	2023	2024	2025-2037	Unlimited	Total
Tax loss carry-forward	34	42	40	52	44	2,140	4,099	6,451

C11 OTHER COMPREHENSIVE INCOME

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan-Dec 2019	Jan-Dec 2018
Other comprehensive income that may be reclassified to net income			
Foreign currency translation differences			
Translation of foreign operations, continuing operations	Foreign currency translation reserve	2,142	-5,729
Translation of foreign operations, discontinued operations	Foreign currency translation reserve	82	7,658
Translation of foreign non-controlling interests, continuing operations	Non-controlling interests	32	43
Translation of foreign non-controlling interests, discontinued operations	Non-controlling interests	137	34
Transferred to net income on disposal of operations	Foreign currency translation reserve	-	7,872
Hedging of foreign operations, continuing operations	Foreign currency translation reserve	-1,551	-2,250
Hedging of foreign operations, discontinued operations	Foreign currency translation reserve	-73	-
Income tax effect, continuing operations	Foreign currency translation reserve	332	495
Income tax effect, discontinued operations	Foreign currency translation reserve	16	-
Total foreign currency translation differences		1,117	8,123
<i>of which attributable to non-controlling interests</i>		<i>169</i>	<i>77</i>
Other comprehensive income from associated companies			
Cash flow hedges	Hedging reserve	82	-307
Cost of hedging	Cost of hedging reserve	45	-
Translation of foreign operations	Foreign currency translation reserve	255	280
Total other comprehensive income from associated companies		382	-27
Cash flow hedges			
Net changes in fair value	Hedging reserve	-99	-336
Transferred to financial items in net income	Hedging reserve	6	24
Income tax effect	Hedging reserve	19	69
Total cash flow hedges		-74	-243
Cost of hedging			
Changes in fair value	Cost of hedging reserve	54	45
Income tax effect	Cost of hedging reserve	-11	-9
Total cost of hedging		43	35
Debt instruments at fair value through OCI			
Net changes in fair value	Fair value reserve	-28	-59
Income tax effect	Fair value reserve	6	14
Total debt instruments at fair value through OCI		-22	-45
Total other comprehensive income that may be reclassified to net income			
<i>of which total income tax effects (see also Note C10)</i>		<i>361</i>	<i>569</i>
<i>of which attributable to non-controlling interests</i>		<i>169</i>	<i>77</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	47	554
Income tax effect	Fair value reserve	-	-
Total equity instruments at fair value through OCI		47	554
Remeasurements of defined benefit pension plans			
Remeasurements	Retained earnings	-323	-2,089
Income tax effect	Retained earnings	64	432
Total remeasurements of defined benefit pension plans		-260	-1,657
Associates' remeasurements of defined benefit pension plans	Retained earnings	4	-1
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>64</i>	<i>432</i>
Total other comprehensive income		1,237	6,740
<i>of which attributable to non-controlling interests, continuing operations</i>		<i>32</i>	<i>43</i>
<i>of which attributable to non-controlling interests, discontinued operations</i>		<i>137</i>	<i>34</i>

Other comprehensive income decreased to SEK 1,237 million (6,740). 2018 was impacted by reclassified exchange effects mainly from the disposals of Azercell, Geocell, Rodnik, Kcell and Ucell within discontinued operations

(see Note C35), partly offset by negative effects from remeasurements on pension obligations. 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 -74 million as of December 31, 2019, and SEK -243 million as of December

31, 2018. Future gains or losses will affect net income in 2020, 2021, 2022 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, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018 ²
	Goodwill		Other intangible assets	
Accumulated cost	85,111	80,744	61,622	53,790
Accumulated amortization	-	-	-33,627	-31,638
Accumulated impairment losses	-9,415	-9,231	-1,753	-1,810
Carrying value	75,696	71,514	26,242	20,343
<i>of which work in progress</i>	-	-	1,764	2,039
Carrying value, opening balance	71,514	60,984	20,343	14,451
Change in accounting principles ¹	-	-	-284	-
Adjusted opening balance	71,514	60,984	20,059	14,451
Investments	-	-	3,124	4,342
<i>of which capitalized interest</i>	-	-	37	40
Sales and disposals	-	-	-	0
Operations acquired	2,655	8,631	6,649	4,812
Reclassifications	-	-	487	94
Amortization for the year	-	-	-4 283	-3 276
Impairment losses for the year	-	-	-130	-47
Exchange rate differences	1,526	1,899	338	-33
Carrying value, closing balance	75,696	71,514	26,242	20,343

1) Reclassification in connection with the implementation of IFRS 16, see Note C1.

2) 2018 is restated, see Note C1.

In 2019 and 2018, investments in telecom licenses and spectrum permits amounted to SEK 242 million and SEK 1,378 million, respectively.

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. See Note C34 for further information.

Operations acquired in 2018 were mainly related to the acquisition of Get and TDC in Norway and Inmics, Cloud Solutions and AinaCom in Finland. Other intangible assets from acquired operations were mainly related to customer relationships from the acquisition of Get and TDC in Norway. The carrying value for intangible assets with indefinite useful lives was SEK 2,160 million (-) 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 established 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 2019. 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 2019 relate to a write-down of capitalized development expenses within Other operations following a management decision regarding a cancellation of a development project for a new IT system. 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, 2019	Dec 31, 2018
Sweden	1,209	1,149
Finland	34,929	34,282
Norway	27,731	27,017
Denmark	2,307	2,265
Estonia	2,675	2,626
Lithuania	2,943	2,888
Other operations	1,307	1,287
of which Latvia	1,068	1,048
of which Other	240	239
Unallocated (Bonnier Broadcasting)	2,595	–
Total goodwill	75,696	71,514

The initial accounting of the acquisition of Bonnier Broadcasting has been determined provisionally and goodwill of SEK 2,595 million and trade names with indefinite useful lives of SEK 2,160 million were not allocated to cash generated units per Dec 31, 2019.

The total carrying value of other intangible assets was distributed by asset type as follows.

SEK in millions	Dec 31, 2019	Dec 31, 2018 ²
Trade names	2,292	174
Telecom licenses and spectrum permits	6,097	6,221
Customer and vendor relationships, interconnect and roaming agreements	10,170	7,292
Capitalized development expenses ¹	5,824	4,172
Patents, etc.	–	38
Leaseholds, etc. ³	95	407
Work in progress, advances ¹	1,765	2,040
Total other intangible assets	26,242	20,343

1) Capitalized development expenses and Work in progress, advances mainly refer to IT systems, supporting the selling and marketing, and administrative functions.

2) 2018 is restated, see Note C1.

3) Leaseholds of SEK 284 million have been reclassified to right-of-use-assets at transition to IFRS 16, see Note C1.

Impairment testing, continuing operations

The impairment testing for continuing operations is described below. For information regarding measurement of discontinued operations, see Note C35.

Goodwill is, for impairment testing purposes, allocated to cash generating units in accordance with Telia Company's business organization. Each country and Telia Carrier constitutes a separate cash-generating unit (CGU). Carrying values (for impairment testing purposes 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) of all cash-generating units are annually tested for impairment. After the transition to IFRS 16 segment operating capital includes Right of use assets, but excludes lease liabilities. Before transition to IFRS 16 segment operating capital excluded both finance lease receivables and finance 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.

In 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. Due to the implementation of IFRS 16 EBITDA excludes lease expenses and CAPEX for Right-of-use assets has also 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, 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, cost reductions and working capital improvements in Denmark, some of which have been evidenced in 2018 and 2019.

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

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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	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

Years/Percent	2018							
	Sweden	Finland	Norway	Denmark	Lithuania	Latvia	Estonia	Telia Carrier
Forecast period (years)	5	5	5	5	5	5	5	5
Post-tax WACC rate (%)	4.6	4.7	5.8	4.2	5.3	5.1	5.1	5.2
Pre-tax WACC rate (%)	6.0	5.9	7.5	5.2	6.3	7.0	6.1	6.6
Terminal growth rate of free cash flow (%)	2.0	2.0	2.0	2.0	2.5	2.3	2.1	2.0

Sensitivity analysis

The estimated recoverable amounts for Finland, Norway and Denmark were in proximity of the carrying values as of December 31, 2019. As of December 31, 2018, the estimated recoverable amounts for Finland 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	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

5-year period/Percent	2018		
	Finland	Norway	Denmark
Sales growth, lowest in period (%)	1.7	1.0	-10.7
Sales growth, highest in period (%)	4.7	2.7	0.3
EBITDA margin, lowest in period (%)	30.2	40.1	14.3
EBITDA margin, highest in period (%)	30.7	43.5	17.9
CAPEX-to-sales, lowest in period (%)	13.2	12.7	9.8
CAPEX-to-sales, highest in period (%)	14.0	17.8	14.8

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 billion 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. The decrease in headroom between the recoverable amount and carrying value in Norway to SEK 1.9 billion (8.9) is primarily driven by lower EBITDA in the projection period in combination with somewhat higher CAPEX, which is expected to be needed in order to drive revenue growth.

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

Percentage points, SEK in billions	2018		
	Finland	Norway	Denmark
Sales growth each year in the 5-year period (%)	-0.8	-2.5	-0.5
EBITDA margin each year in the 5-year period and beyond (%)	-0.6	-2.9	-0.1
CAPEX-to-sales ratio each year in the 5-year period and beyond (%)	0.6	2.8	0.1
Terminal growth rate (%)	-0.2	-0.9	-0.1
Post-tax WACC rate (%)	0.2	1.0	0.1
Effect of a one percentage-point upward shift in WACC (SEK in billions)	-8.8	-8.9	-1.3
Change in the recoverable value to equal the carrying value (SEK in billions)	-2.8	-8.9	-0.3

C13 PROPERTY, PLANT AND EQUIPMENT

The carrying value was distributed and changed as follows.

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	3,361
<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 and restoration	-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, see Note C1.

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).

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SEK in millions	December 31, 2018			
	Property	Plant and machinery	Equipment, tools and installations	Total
Accumulated cost	9,462	223,107	8,887	241,456
Accumulated depreciation	-4,965	-140,246	-5,947	-151,158
Accumulated impairment losses	-504	-11,333	-245	-12,082
Advances	-	4	-	4
Carrying value	3,993	71,532	2,695	78,220
<i>of which assets under construction</i>	-	8,086	-	8,086
Carrying value, opening balance	3,245	54,143	2,636	60,024
Investments	891	10,244	884	12,019
<i>of which capitalized interest</i>	-	96	-	96
Sales and disposals	-32	-4	-38	-74
Dismantling and restoration	-4	15	30	41
Operations acquired	45	16,369	30	16,444
Operations divested	-51	-1	-	-52
Grants received	-	-5	-	-5
Reclassifications	66	-427	266	-95
Depreciation for the year	-283	-8,739	-1,180	-10,202
Impairment losses for the year	-6	0	-1	-4
Advances	-	-	-	-
Exchange rate differences	119	-63	68	124
Carrying value, closing balance	3,993	71,532	2,695	78,220

No general changes of useful lives were made in 2019. 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 9,700 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, 2019	Dec 31, 2018
Depreciable property (buildings, etc.)	2,710	3,505
Non-depreciable property (land)	485	488
Total property	3,196	3,993

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, 2019	Dec 31, 2018 ¹
	Film and program rights	
Accumulated cost	7,510	221
Accumulated amortization	-5,610	-111
Advances (Prepaid)	1,153	-
Carrying value	3,053	110
<i>of which non-current</i>	1,063	-
<i>of which current</i>	1,990	110
Carrying value, opening balance	110	-
Additions	465	221
Sales and disposals	-	-
Operations acquired	3,006	-
Amortization for the year (included in EBITDA)	-541	-109
Exchange rate differences	13	-2
Carrying value, closing balance	3,053	110

1) Restated, see Note C1.

Amortization of film and program rights is included within the function Cost of sales and is classified as operating expenses within EBITDA, see Note C7. Contractual obligations regarding future acquisitions (or

equivalent) of film and program rights which are not included in the consolidated statements of financial position represented the following expected maturities.

SEK in millions	Dec 31, 2019	Dec 31, 2018 ¹
	Film and program rights commitments	
Within 1-3 years	6,116	551
Within 4-10 years	1,643	643
Total	7,760	1,194

1) Restated, see Note C1.

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, 2019	Dec 31, 2018
Interests in associated companies	10,133	9,522
Interests in joint ventures	33	33
Total carrying value	10,165	9,555

Items recognized in net income and in total comprehensive income were distributed as follows.

SEK in millions	January–December	
	2019	2018
Share of income from associated companies	1,135	870
Gains/losses net from disposals of shares in associated companies	3	-35
Income from joint ventures	0	0
Recognized in net income	1,138	835
Other comprehensive income from associated companies	386	-27
Recognized in total comprehensive income	1,524	808

Details of material associated companies

Telia Company has one material associated company, Turkcell İletişim Hizmetleri A.S., in which Telia Company's ownership and voting power as well as consolidated share is 24 percent (24 percent). Turkcell operates in Turkey, Ukraine and Belarus as a mobile operator. Turkcell, reported in Telia Company's financial statements using the equity method, is a publicly listed company and therefore included with a

one-quarter lag with adjustments made for the effects of significant transactions or events that occur between Telia Company's closing date and the date of the respective company's financial statements. For more information, see Risks and uncertainties, section "Associated companies and joint operations." Market value of Telia Company's holding at year-end were as follows.

SEK in millions	Dec 31, 2019	Dec 31, 2018
Turkcell İletişim Hizmetleri A.S., Turkey	11,399	10,886

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, 2019	Dec 31, 2018
Turkcell		
Non-current assets	39,782	40,852
Current assets	31,535	35,542
Non-current provisions and liabilities	23,487	28,849
Current provisions and liabilities	20,605	22,808
Net assets (100 percent)	27,224	24,736
Non-controlling interests	85	149
Net assets excluding non-controlling interests	27,309	24,885
Adjustment for differences in accounting principles	-58	-131
Adjustment for acquisition of treasury shares	-26	-19
Net assets after adjustments	27,225	24,736
Group's share	6,586	5,984
Adjustment, fair values	2,607	2,613
Carrying value of interests in Turkcell	9,192	8,596
Carrying value of other associated companies not individually material (group's share)	940	925
Carrying value of joint ventures (group's share)	33	33
Total carrying value of interests in associated companies and joint ventures	10,165	9,555

Statements of comprehensive income, SEK in millions	Jan-Dec 2019	Jan- Dec 2018
Turkcell		
Net sales	39,901	41,822
Net income	5,357	2,839
Other comprehensive income	1,595	-112
Total comprehensive income (100 percent)	6,952	2,728
Total comprehensive income (group's share)	1,682	660
Turkcell gain of sales of Fintur, reclassified to acquisition of non-controlling interest	-310	-
Adjustment net income due to changed ownership during the year	-	-2
Total comprehensive income after adjustments, group's share in Turkcell	1,372	658
Other associated companies not individually material		
Net sales (100 percent)	2,699	2,524
Net income (group's share)	149	186
Total comprehensive income from other associated companies	149	186
Gains/losses from sale of shares in other associates	3	-35
Joint ventures not individually material		
Net income (group's share)	0	0
Total comprehensive income joint ventures (group's share)	0	0
Group's share of total comprehensive income in associated companies and joint ventures	1,524	808
Dividends received from Turkcell	198	764
Dividends received from other associated companies	168	204
Total dividends received from associated companies and joint ventures	365	968

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The carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2019	Dec 31, 2018
Goodwill and fair value adjustments	1,286	1,387
Share of equity	8,880	8,168
Carrying value	10,165	9,555
Carrying value, opening balance	9,555	9,449
Share of net income for the year	1,138	885
Share of other comprehensive income for the year, pensions	4	-1
Share of other comprehensive income for the year, cash flow hedge	82	-307
Share of other comprehensive income for the year, cost of hedging	45	-
Share of other comprehensive income for the year, exchange rate differences	255	280
Amortization and write-downs of fair value adjustments	-8	-27
Dividends received	-368	-1,055
Acquisitions and operations acquired	5	6
Divestments and operations divested	3	-65
Transactions in equity	-20	4
Release Turkcell part of Fintur equity ¹	-	2,056
Acquisition of non-controlling interest in Fintur ¹	164	-
Reclassifications	20	83
Changes in accounting principles	-	282
Exchange rate differences	-709	-2,035
Carrying value, closing balance	10,165	9,555

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	Participation (%)	Number of shares	Equity participation in consolidated accounts		Carrying value in the parent company	
			2019	2018	2019	2018
SEK in millions						
Parent company holdings						
Swedish companies						
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	3	4	1	1
Solidtango AB, 556671-5586, Stockholm	25	3,333	16	18	20	20
Non-Swedish companies						
Kivra Oy, 2918721-9, Helsinki	27	300,000	7	5	12	6
Other operating, dormant and divested companies			0	23	0	0
Total parent company					33	27
Subsidiaries' holdings						
Swedish companies						
Mediamätning i Skandinavien MMS AB, 556353-3032, Stockholm	24	5,100	6	-		
Other operating, dormant and divested companies			0	0		
Non-Swedish companies						
SK ID Solutions AS, 10747013, Tallinn	50	32	28	27		
SIA Tet, 000305278, Riga	49	71,581,000	876	838		
Turkcell Holding A.S., 430991, Istanbul	47	214,871,670	9,192	8,595		
4T af 1. oktober 2012 ApS, 32348882, Copenhagen	25	-	6	7		
Suomen Numerot NUMPAC Oy, 1829232-0, Helsinki	25	3,000	2	2		
Strex AS, 985867569, Oslo	49	49,001	26	26		
UAB Mobilieji mokėjimai, 304431143, Vilnius	29	77,678	-	9		
Other operating, dormant and divested companies			2	0		
Total group			10,165	9,555		

Turkcell Holding A.S. owns 51 percent of the shares in Turkcell İletişim Hizmetleri A.S..

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, 2019	Dec 31, 2018
Equity instruments at fair value through OCI ^{1, 2}	319	272
Equity instruments at fair value through income statement	13	13
Bonds at fair value through OCI	5,450	7,267
Interest rate and cross-currency interest rate swaps at fair value	3,335	2,380
<i>of which designated as fair value hedges</i>	1,205	985
<i>of which at fair value through income statement³</i>	66	59
<i>of which designated as cash flow hedges³</i>	2,064	1,336
Subtotal (see Fair value hierarchy levels – Note C26)	9,117	9,932
Loans and receivables at amortized cost	1,834	2,807
Subtotal (see Categories – Note C26)	10,952	12,739
Finance lease receivables	483	508
Subtotal (see Credit risk – Note C27)	11,435	13,247
Cost to obtain a contract	1,446	1,445
Contract assets	96	157
Deferred expenses ²	62	425
Total other non-current assets	13,037	15,275
<i>of which interest-bearing</i>	10,869	12,768
<i>of which non-interest-bearing</i>	2,168	2,507

1) For more information regarding Equity instruments measured at fair value through OCI, see Note C26.

2) For 2018, carrying value have been restated by increasing Equity instruments at fair value through OCI by SEK 49 million, also affecting Deferred expenses.

3) For 2018, carrying value of SEK 546 million has been reclassified from Interest rate and cross-currency interest rate swaps at fair value, of which at fair value through income statement to Interest rate and cross-currency interest rate swaps at fair value, of which designated as cash flow hedges.

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, 2019, contractual cash flows for Loans and receivables represented the following expected maturities.

Expected maturity, SEK in millions	2021	2022	2023	2024	Later years	Total
Loans and receivables	1,346	418	51	0	18	1,834

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, 2019	Dec 31, 2018
Goods for resale	1,910	1,822
Other inventories and expense incurred on construction contracts	55	33
Total	1,966	1,854

Other inventories include purchased supplies that are mainly intended for use in constructing Telia Company's own installations and for repair and maintenance. Inventories carried at net realizable value totaled SEK 19 million as of December 31, 2019 (19).

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, 2019	Dec 31, 2018
Currency swaps, forward exchange contracts and currency options measured at fair value through income statement	105	256
Subtotal (see Fair value hierarchy levels – Note C26)	105	256
Accounts receivable at amortized cost	10,405	10,321
Loans and receivables at amortized cost	3,370	3,078
Subtotal (see Categories – Note C26 and Credit risk – Note C27)	13,880	13,655
Other current receivables	953	1,145
Current contract assets	389	429
Deferred expenses	1,426	2,110
Total trade and other current receivables and assets	16,648	17,399

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, 2019	Dec 31, 2018
Geographical area		
Nordic countries	10,363	10,329
Baltic countries	1,867	1,896
Other countries	1,545	1,174
Total carrying value	13,775	13,399
Customer segment		
Consumers	5,067	4,256
Business customers	7,450	6,830
Other operators	1,113	2,081
Distributors	136	232
Total carrying value	13,775	13,399

Contract assets are mainly related to the Nordic countries and the consumer 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 operators

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.

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, 2019	Dec 31, 2018
Accounts receivable invoiced	11,450	11,316
Allowance for expected credit losses for accounts receivable	-1,045	-995
Total accounts receivable	10,405	10,321
Accounts receivable not due, net of allowance for expected credit losses	5,756	7,032
Accounts receivable past due, net of allowance for expected credit losses	4,649	3,289
<i>of which less than 30 days</i>	3,065	2,166
<i>of which 30–180 days</i>	1,078	900
<i>of which more than 180 days</i>	506	223
Total accounts receivable	10,405	10,321

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, 2019	Dec 31, 2018
Loans and receivables not due, net of allowance for expected credit losses	2,756	2,830
Loans and receivables past due but not impaired, net of allowance for expected credit losses	614	248
<i>of which less than 30 days</i>	565	247
<i>of which 30–180 days</i>	49	1
<i>of which more than 180 days</i>	0	–
Total loans and receivables	3,370	3,078

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 608 million in 2019, excluding assets classified as held for sale, and SEK 681 million in 2018. Recovered accounts receivable were SEK 115 million in 2019, excluding assets classified as held for sale, and SEK 29 million in 2018. 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, 2019	Dec 31, 2018
Opening balance	995	796
Net of charges for expected credit losses in the period and receivables written-off	262	125
Operations acquired and divested	-133	12
Unused allowances reversed	-95	36
Exchange rate differences	15	26
Closing balance	1,045	995

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, 2019	Dec 31, 2018
Interest rate swaps and cross-currency interest rate swaps at fair value	382	543
<i>of which designated as fair value hedges</i>	77	81
<i>of which designated as cash flow hedges</i>	305	–
<i>of which at fair value through income statement</i>	–	462
Subtotal (see Fair value hierarchy levels – Note C26)	382	543
Short-term investments with maturities over 3 months	8,426	513
<i>of which bonds at fair value through OCI</i>	8,426	513
Loans and receivables at amortized cost	3,043	3,069
Subtotal (see Categories – Note C26)	11,851	4,125
Finance lease receivables	448	404
Total (see Credit risk – Note C27)	12,300	4,529

Short-term investments with maturities over 3 months have increased during 2019, mainly due to decrease of investment in cash equivalents with maturities up to and including 3 months. Carrying values for items measured at amortized cost and finance lease receivables 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 exposed 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, 2019	Dec 31, 2018
Short-term investments with maturities up to and including 3 months	806	6,154
<i>of which bonds at fair value through OCI</i>	800	–
<i>of which bank deposits at amortized cost</i>	6	6,154
Cash and bank	5,310	12,610
Total (see Categories – Note C26 and Credit risk – Note C27)	6,116	18,765

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

Treasury shares

On April 20, 2018 the Board of Directors decided on a share buy-back program. The intention was to buy back shares for an annual amount of SEK 5 billion over the coming three-year period, totalling SEK 15 billion, subject to the annual general meeting approving necessary mandates for such buy-backs in 2019 and 2020.

At the date for the annual general meeting held on April 10, 2019, Telia Company held 120,544,406 treasury shares. The annual general meeting approved a reduction of the share capital of SEK -386 million by way of cancellation of all treasury shares held at that date and a corresponding increase of the share capital of SEK 386 million by way of bonus issue, which were executed on May 3, 2019. In addition, the annual general meeting authorized the Board of Directors to continue to buy back shares. The authorization could be exercised on one or more occasions before the annual general meeting 2020. On October 17, 2019, Telia Company announced that the Board of Directors had decided not to execute on the remaining SEK 5 billion of the three-year share buy-back program ambition. The total price for the repurchased shares under the share buy-back program during 2019 was SEK 4,930 million (4,126) and transaction costs, net of tax, amounted to SEK 3 million (2).

During May 2019 Telia Company transferred 1,002,363 shares to the participants in the "Long Term Incentive program 2016/2019" (LTI program), via a share-swap agreement with an external party, at an average price of SEK 40.5568 per share. The total cost for the transferred shares was SEK 41 million and transaction costs, net of tax, amounted to SEK 0 million. On May 3, 2018 Telia Company acquired 445,891 shares at an average price of SEK 42,9698 to cover commitments under the LTI program 2015/2018. The total price paid in cash for the repurchased shares was SEK 19 million. During the second quarter 2018 these shares were distributed to the incentive program participants.

The total 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 4,974 million (SEK 4,147 million).

As of December 31, 2019, Telia Company held 96,859,759 (99,277,963) treasury shares and the total number of issued and outstanding shares was 4,209,540,375 (4,330,084,781) and 4,112,680,616 (4,230,806,818), 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.

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. For information regarding subsidiaries in discontinued operations with material non-controlling interests, see Note C35 "Discontinued operations and assets classified as held for sale."

Dividends paid to NCIs are disclosed in Note C31 "Cash flow information."

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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			

December 31, 2018 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	4,378	1,811			
Current assets	1,443	591			
<i>Liabilities</i>					
Non-current liabilities	-1,335	-633			
Current liabilities	-1,070	-749			
Net assets	3,416	1,020			
NCI percentage	11.8	39.7			
Carrying amount of NCI	405	405	310	3,930	5,050
Net sales	3,976	1,409			
Net income	582	130			
Net income allocated to NCI	69	51	76	-285	-89
Cash flows from operating activities	1,341	472			
Free cash flow	673	170			

Earnings per share and dividends

	Jan-Dec 2019	Jan-Dec 2018 ¹
Net income attributable to owners of the parent (SEK million)	7,093	3,213
Average number of outstanding shares, basic and diluted (thousands)	4,172,356	4,292,680
Earnings per outstanding share, basic and diluted (SEK)	1.70	0.75
Ordinary cash dividend (for 2019 as proposed by the Board of Directors)		
– Per share (SEK)	2.45	2.36
– Total (SEK million)	10,076	9,985

1) 2018 is restated, see Note C1.

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, 2019				Dec 31, 2018			
			Limit	Utilized	Interest rate type		Average maturity (years)	Limit	Utilized	
					Floating	Fixed				
			(in millions)				(in millions)			
Telia Company AB	Euro Medium Term Note (EMTN)	Uncommitted, International, Long-term	EUR	12,000	6,767	153	6,613	7.82	12,000	6,552
Telia Company AB	Euro Commercial Paper (ECP)	Uncommitted, international, Short-term	EUR	-	-	-	-	-	1,000	-
Telia Company AB	Flexible Term Note (FTN)	Uncommitted, Swedish domestic, Short-term and long-term	SEK	8,000	-	-	-	-	8,000	-

Borrowings

Long-term and short-term borrowings were distributed as follows.

SEK in millions	Dec 31, 2019		Dec 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing borrowings in fair value hedge relationships	50,945	55,574	49,963	55,014
Interest rate swaps at fair value	230	230	162	162
<i>of which designated as hedging instruments</i>	230	230	162	162
<i>of which at fair value through Income Statement</i>	-	-	-	-
Cross-currency interest rate swaps at fair value	2,694	2,694	1,792	1,792
<i>of which hedging net investments</i>	1,892	1,892	1,527	1,527
<i>of which designated as hedging instruments</i>	647	647	265	265
<i>of which at fair value through income statement</i>	155	155	-	-
Subtotal (see Fair value hierarchy levels – Note C26)	53,870	58,498	51,917	56,968
Open-market financing borrowings at amortized cost	32,475	42,255	32,267	39,767
<i>of which hedging net investments</i>	11,833	15,740	20,747	25,660
Other borrowings at amortized cost	1,508	1,420	1,443	1,443
Subtotal (see Categories – Note C26)	87,852	102,173	85,626	98,177
Other long-term liabilities				
Lease liabilities ¹	12,046	-	1,363	1,363
Total long-term borrowings	99,899		86,990	99,541
Short-term borrowings				
Open-market financing borrowings in fair value hedge relationships	6,807	6,841	3,018	3,019
Interest rate swaps designated as hedging instruments	22	22	45	45
Cross-currency interest rate swaps designated as hedging instruments	-	-	-	-
Cross-currency interest rate swaps at fair value through income statement	-	-	292	292
Subtotal (see Fair value hierarchy levels – Note C26)	6,828	6,863	3,355	3,357
Utilized bank overdraft and short-term credit facilities at amortized cost	7,838	7,846	-	-
Open-market financing borrowings at amortized cost	1,422	1,431	1,771	1,776
<i>of which hedging net investments</i>	-	-	-	-
Repurchase agreement liabilities	-	-	-	-
Other borrowings at amortized cost	723	783	4,378	4,378
Subtotal (see Categories – Note C26)	16,811	16,923	9,505	9,512
Other short-term liabilities				
Lease liabilities ¹	2,968	-	46	46
Total short-term borrowings	19,779		9,552	9,558

1) For 2018 lease liabilities relate to finance lease agreements under IAS 17 leases. There is no requirement to disclose fair value of lease liabilities under IFRS 16.

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 0.10 percent and the share of total number of active insured in ITP 2 is 0.77 percent. Expected contribution to the ITP 2 plan for 2020 is SEK 30 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 plan members are approximately divided between the following groups; 20 percent active members, 43 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, 2019				Dec 31, 2018			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Present value of funded pension obligations	21,326	7,054	540	28,920	19,820	5,353	512	25,685
Fair value of plan assets	-23,648	-5,650	-417	-29,715	-22,259	-4,533	-385	-27,176
Surplus (-)/deficit (+) of funded plans	-2,322	1,404	124	-794	-2,439	820	128	-1,491
Present value of unfunded pension obligations	1,894	-	-	1,894	1,725	-	-	1,725
Net assets (-)/provisions (+) for pension obligations	-428	1,404	124	1,099	-714	820	128	234
<i>of which recognized as provisions</i>	<i>1,806</i>	<i>1,404</i>	<i>124</i>	<i>3,334</i>	<i>1,571</i>	<i>820</i>	<i>128</i>	<i>2,519</i>
<i>of which recognized as assets</i>	<i>-2,234</i>	<i>-</i>	<i>-</i>	<i>-2,234</i>	<i>-2,285</i>	<i>-</i>	<i>-</i>	<i>-2,285</i>

Total pension expenses were distributed as follows.

SEK in millions	Jan-Dec 2019				Jan-Dec 2018			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Current service cost	149	145	16	310	117	168	16	301
Past service cost	-27	-5	-16	-48	-8	-3	0	-11
Gain/loss on settlements ¹	7	140	-	147	4	-	-	4
Total pension expenses in operating income from defined benefit obligations	129	280	1	410	114	165	16	294
Interest expense	548	120	14	682	575	112	6	694
Interest income	-579	-103	-11	-692	-667	-95	-4	-766
Total net interest in financial items	-31	18	3	-10	-93	18	2	-73
Total pension expenses from defined benefit obligations	98	298	3	399	21	182	18	221
Pension expenses in operating income from defined contribution plans				965				1,007
Remeasurement gains (-)/losses (+)								
Gain/loss from change in financial assumptions	2,068	887	11	2,966	1,140	-584	2	558
Experience gains/losses	-63	4	-5	-64	411	21	-1	431
Gain/loss from change in demographic assumptions	-	-40	-	-40	-	-	-	-
Return on plan assets (excluding interest income)	-2,058	-491	10	-2,539	750	352	-1	1,100
Total gains/losses recorded in OCI, defined benefit pension plans	-52	360	16	323	2,300	-211	0	2,089

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	2019				2018			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Opening balance, present value of pension obligations	21,545	5,353	512	27,410	20,300	5,429	255	25,984
Current service cost	149	145	16	310	117	168	16	301
Interest expenses	548	120	14	682	575	112	6	694
Benefits paid	-1,007	-116	-8	-1,130	-995	-29	-4	-1,027
Plan transfer ¹	-	380	-	380	-	-	-	-
Settlements	7	140	-	147	4	-	-	4
Curtailed of pension obligations	-27	-5	-16	-48	-8	-3	-	-11
Operations acquired	-	105	0	105	-	3	231	234
Remeasurement gains (-)/losses (+)								
Gain/loss from change in financial assumptions	2,068	887	11	2,966	1,140	-584	2	558
Experience gains/losses	-63	4	-5	-64	411	21	-1	431
Gain/loss from change in demographic assumptions	-	-40	-	-40	-	-	-	-
Exchange rate differences	-	80	15	95	-	236	6	242
Closing balance, present value of pension obligations	23,220	7,054	540	30,813	21,545	5,353	512	27,410

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.

Movements in the fair value of plan assets were as follows.

SEK in millions	2019				2018			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Opening balance, fair value of plan assets	22,259	4,533	385	27,176	23,016	4,542	160	27,718
Interest income	579	103	11	692	667	95	4	766
Contribution to pension funds	–	87	29	116	–	80	19	99
Payment from pension funds	-1,247	–	–	-1,247	-675	–	–	-675
Benefits paid	–	-116	-8	-123	–	-29	-4	-33
Plan transfer ¹	–	380	–	380	–	–	–	–
Operations acquired	–	101	–	101	–	–	200	200
Remeasurement gains (-)/losses (+)								
Return on plan assets (excluding interest income)	2,058	491	-10	2,539	-750	-352	1	-1,101
Exchange rate differences	–	72	10	82	–	197	5	201
Closing balance, fair value of plan assets	23,648	5,650	416	29,715	22,259	4,533	385	27,176

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. The management of Telia Company then adjust

the difference between the long-term inflation target of the central bank and the actual market inflation at the end of the period. 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.

The expected annual adjustments and increased longevity have an impact on future pension payments and therefore the pension obligation. For Sweden, management has chosen to use the annual inflation target rate set by the national central banks. For Finland, the inflation assumption is derived from long-term inflation swaps. For Norway, the annual adjustment to pensions 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.

Percentages, except longevity	Dec 31, 2019				Dec 31, 2018			
	Sweden	Finland	Norway	Weighted average	Sweden	Finland	Norway	Weighted average
Discount rate	2.1	1.3	2.1	1.9	2.6	2.2	2.8	2.5
Annual adjustments to pensions	2.0	0.5	1.0	1.6	2.0	0.7	0.9	1.7
Longevity								
<i>life expectancy 65-year-old male (year)</i>	21	21	22	21	21	21	22	21
<i>life expectancy 65-year-old female (year)</i>	24	25	26	24	24	25	26	24

Sensitivity of the defined benefit obligations to changes in the assumptions was as follows.

SEK in millions	Dec 31, 2019				Dec 31, 2018			
	Impact on defined benefit obligation				Impact on defined benefit obligation			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Discount rate +0.5 p.p.	-2,085	-703	-50	-2,838	-1,833	-514	-49	-2,396
Discount rate -0.5 p.p.	2,354	820	58	3,232	2,029	590	56	2,675
Annual adjustments to pensions +0.5 p.p.	2,354	791	37	3,182	2,029	567	36	2,632
Annual adjustments to pensions -0.5 p.p.	-2,085	-710	-32	-2,827	-1,833	-518	-32	-2,384
Longevity +1 year	1,594	235	12	1,841	1,196	165	12	1,373

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 6.6 percent, since inception. As of December 31, 2019, 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 private equity. The actual allocation may deviate from the strategic allocation in a range up to a specified limit. Increased allocation to equity from fixed income in the portfolio improved the performance during 2019. The work to improve balance between risk and return continues.

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, 2019				December 31, 2018			
	Quoted	Unquoted	Total	Percent	Quoted	Unquoted	Total	Percent
Equity instruments	9,791	381	10,172	34	8,841	406	9,247	34
Debt instruments	13,290	580	13,870	47	12,460	427	12,886	47
Real estate	–	1,678	1,678	6	–	1,603	1,603	6
Cash and cash equivalents	153	494	647	2	248	207	455	2
Alternative investments	207	2,838	3,045	10	129	2,671	2,801	10
Other	–	303	303	1	–	185	185	1
Total	23,441	6,274	29,715	100	21,678	5,499	27,176	100
<i>of which shares in Telia Company</i>	<i>15</i>	<i>–</i>	<i>15</i>	<i>0.05</i>	<i>15</i>	<i>–</i>	<i>15</i>	<i>0.06</i>

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 2020.

C23 OTHER PROVISIONS

Changes in other provisions were as follows.

SEK in millions	December 31, 2019			
	Restructuring provisions	Asset retirement obligations	Other provisions	Total
Opening balance	184	2,845	3,578	6,608
Provisions for the period	590	954	169	1,712
Operations acquired	0	–	13	13
Utilized provisions	-431	-249	-2,092	-2,772
Reversals of provisions	-6	–	-5	-11
Reclassifications	-3	–	-2	-5
Timing and interest-rate effects	–	38	–	38
Exchange rate differences	2	20	115	136
Discount effects, net	–	–	11	11
Closing balance	336	3,608	1,787	5,731
<i>of which non-current portion</i>	<i>67</i>	<i>3,602</i>	<i>1,404</i>	<i>5,073</i>
<i>of which current portion</i>	<i>269</i>	<i>6</i>	<i>383</i>	<i>658</i>

The provision for the settlement with the US and Dutch authorities was included in Other provisions 2018. During 2019 the remaining part of the settlement amount was paid. See Note C35 for more information.

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 and other provisions

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. The provi-

sion for the period amounts to SEK 954 million, whereof SEK 728 million relates to changes in estimated prices for dismantling and restoration of network assets. Remaining provisions as of December 31, 2019, are expected to be fully utilized in the period 2020–2099, depending on factors such as any contractual renewal options for site leases and dismantling plans decided by management.

Other provisions include provisions for damages and court cases, future onerous and other loss-making contracts, insurance provisions, payroll taxes on future pension payments, customer loyalty programs, 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 2020–2054. 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, 2019	Dec 31, 2018
Danish license fee liabilities at amortized cost	151	183
Finnish license fee liabilities at amortized cost	163	259
Other liabilities at amortized cost	162	124
Financial liabilities at amortized cost (see Categories – Note C26)	476	566
Prepaid operating lease agreements	444	363
Other liabilities	458	235
Total other long-term liabilities¹	1,377	1,164

1) 2018 is restated, see Note C1.

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 finan-

cial instruments classified by category and to Note C27 on management of liquidity risk.

As of December 31, 2019, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	2021	2022	2023	2024	Later years	Total	Carrying value
Liabilities at amortized cost	188	46	49	39	153	475	476

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, 2019	Dec 31, 2018
Currency swaps, forward exchange contracts and currency options at fair value through income statement	377	99
Subtotal (see Fair value hierarchy levels – Note C26)	377	99
Accounts payable at amortized cost	12,697	11,146
<i>of which accounts payable under vendor financing arrangements</i>	5,923	5,133
Current liabilities at amortized cost	3,057	3,588
Subtotal (see Categories – Note C26)	16,131	14,833
Other current liabilities ¹	7,761	7,065
Contract liabilities (Deferred income)	4,393	4,151
Total trade payables and other current liabilities	28,286	26,049

1) Restated, see Note C1.

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, 2019, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2020	Apr–Jun 2020	Jul–Sep 2020	Oct–Dec 2020	Total
Liabilities at amortized cost	14,817	206	100	632	15,754

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. Excluded are financial instruments which are disclosed in Note C28.

SEK in millions	Note	Dec 31, 2019	Dec 31, 2018
Financial assets			
Derivatives designated as hedging instruments ¹	C16, C19	3,651	2,402
Financial assets at fair value through income statement ¹		184	790
<i>of which derivatives at fair value through income statement¹</i>	C16, C18, C19	170	777
<i>of which other investments at fair value through income statement</i>	C16	13	13
Financial assets at amortized cost	C16, C18, C19	23,968	38,039
Financial assets measured at fair value through OCI ²	C16, C19	14,995	8,052
Total financial assets by category		42,798	49,283
Financial liabilities			
Derivatives designated as hedging instruments	C21, C25	2,791	1,999
Derivatives measured at fair value through income statement	C21, C25	532	392
Financial liabilities measured at amortized cost ³	C21, C24, C25	96,060	108,140
Total financial liabilities by category		99,383	110,530

1) For 2018, carrying value of SEK 546 million has been reclassified from Financial assets at fair value through income statement, of which derivatives at fair value through income statement, to Derivatives designated as hedging instruments.

2) For 2018, Financial assets measured at fair value through OCI have been restated by SEK 49 million.

3) Restated, see Note C1.

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, 2019				December 31, 2018			
		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 ¹	C16	319	-	-	319	272	-	-	272
Equity instruments at fair value through income statement	C16	13	-	-	13	13	-	-	13
Long- and short-term bonds at fair value through OCI	C16, C19	14,677	12,667	2,010	-	7,780	7,780	-	-
Derivatives designated as hedging instruments ²	C16, C19	3,651	-	3,651	-	2,402	-	2,402	-
Derivatives at fair value through income statement ²	C16, C18, C19	170	-	170	-	777	-	777	-
Total financial assets at fair value by level		18,830	12,667	5,831	332	11,244	7,780	3,179	286
Financial liabilities at fair value									
Derivatives designated as hedging instruments	C21, C25	2,791	-	2,791	-	2,000	-	2,000	-
Derivatives at fair value through income statement	C21, C25	532	-	532	-	392	-	392	-
Contingent consideration liabilities		41	-	-	41	-	-	-	-
Total financial liabilities at fair value by level		3,365	-	3,323	41	2,392	-	2,392	-

1) For 2018, Equity instruments at fair value through OCI have been restated by SEK 49 million.

2) For 2018, carrying value of SEK 546 million has been reclassified from Derivatives at fair value through income statement to Derivatives designated as hedging instruments.

There were no transfers between Level 1, 2 or 3 in 2019 and 2018.

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.

In addition, the assessment of the fair value of material unlisted equity instruments is verified by applying other valuation models in the form of valuation multiples from listed comparable companies (peers) on relevant financial and operational metrics, such as revenue, gross profit and other relevant KPIs for the specific company. Comparable listed companies are determined based on industry, size, development stage, geographic area and strategy. The multiple is calculated by dividing the enterprise value of the comparable company by the relevant metric. The multiple

is then adjusted for discounts/premiums with regards to differences, advantages and disadvantages between Telia Company's investment and the comparable public companies based on company specific facts and circumstances.

Although Telia Company uses its best judgement, and cross-references results of the primary valuation model against other models in estimating the fair value of unlisted equity instruments, there are inherent limitations in any estimation techniques. The fair value estimates presented herein are not necessarily indicative of an amount that Telia Company could realize in a current transaction. Future confirming events will also affect the estimates of fair value.

The fair values for contingent consideration liabilities have been estimated using a Discounted cash flow method. The valuation model considers the present value of the expected future payments. Contingent consideration liabilities per December 31, 2019, are mainly related to the acquisition of Fello for which the maximum amounts are expected to be paid and the discount effect is deemed immaterial. See Note C34.

Other contingent considerations are not material.

The table below presents the movement in Level 3 instruments during the year. The change in fair value and the disposals of equity instruments 2018 relate mainly to the disposal of Telia Company's holding in Spotify.

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

SEK in millions	Assets, December 31, 2018		Liabilities, December 31, 2018	
	Equity instruments at fair value through OCI	Equity instruments at fair value through income statement	Total	Contingent considerations
Level 3, opening balance ¹	1,949	19	1,968	-
Changes in fair value	554	-	554	-
<i>of which recognized in other comprehensive income</i>	554	-	554	-
Purchases/capital contributions	39	0	39	-
Disposals	-2,269	-6	-2,275	-
Level 3, closing balance	272	13	286	-

1) For 2018, Equity instruments at fair value through OCI have been restated by SEK 49 million.

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 capital markets. The communicated funding strategy themes have been to 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.

Capital management

Telia Company's capital structure and dividend policy is decided by the Board of Directors. The ambition is to distribute at least 80 percent of operational free cash flow including dividends of associated companies net of tax. The proposed dividend of SEK 2.45 per share corresponds to 80 percent.

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.

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 and P-2 as short-term rating, both 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, 2019, Telia Company's capital amounted to SEK 100,402 million (110,255), whereof equity SEK 92,455 million (102,438) and 50 percent of hybrid bonds SEK 7,947 million (7,861).

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, 2019	Dec 31, 2018
Other non-current assets excluding Equity instruments at cost, Costs to obtain a contract, Contract assets and Deferred expenses	C16	11,435	13,198
Trade and other receivables and assets excluding Other current receivables, Current contract assets and Deferred expenses	C18	13,880	13,655
Short-term interest-bearing receivables	C19	12,300	4,529
Cash and cash equivalents	C19	6,116	18,765
Total		43,731	50,148

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 municipals, investment funds and securitized assets with AAA/Aaa rating. Expected credit losses for cash in bank 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. Expenses for credit losses in relation to consolidated net sales was approximately 0.7 percent in 2019 and 0.8 percent in 2018.

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)	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

SEK in millions Rating Category (S&P / Moody's)	2018			
	Cash and bank	Cash equivalents	Long and short-term investments	Counterparty exposures derivatives
AAA / Aaa	-	-	7,780	-
AA+ to AA- / Aa1 to Aa3	6,825	3,589	-	482
A+ to A- / A1 to A3	5,758	2,564	-	243
BBB+ to BBB- / Baa1 to Baa3	-	-	-	-
Non-investment grade	-	-	-	-
Total	12,610	6,154	7,780	725

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 2020, see table "Expected maturity") is managed with the liquidity reserve described below.

SEK in millions	Dec 31, 2019	Dec 31, 2018
Surplus liquidity		
Cash and bank	5,310	12,610
Cash equivalents ¹	806	6,154
Cash and cash equivalents (see also Note C19)	6,116	18,765
Short-term investments ² (see also Note C19)	8,426	513
Total	14,542	19,278
Long-term investments ³ (see also Note C16)	5,450	7,267
Total surplus liquidity	19,992	26,545
Committed credit facilities		
Revolving credit facilities (limit amount)	15,664	15,376
Bank overdraft and short-term credit facilities (limit amount)	1,036	1,415
Utilized credit facilities	7,838	238
Total unutilized committed credit facilities	8,862	16,753
Liquidity position	28,854	43,298

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	Group entity	Type	Characteristics	Final maturity	Currency	Dec 31, 2019	Dec 31, 2018
						Limit	Limit
	Telia Company AB	Revolving credit facility	Committed, syndicated	September 2023	EUR	15,664	15,376
	Telia Company AB and subsidiaries	Bank overdraft facility	Committed, bilateral	Extended yearly	(various)	1,036	1,415

As of December 31, 2019, 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 and 2078 for the 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 and in 2023

for the 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 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	2021	2022	2023	2024	Later years	Total
Utilized bank overdraft and short-term credit facilities		-7,838	-	-	-	-	-	-	-	-	-7,838
Open-market financing program borrowings		-7,691	-602	-434	-1,431	-9,760	-15,636	-13,540	-10,145	-49,241	-108,480
Other borrowings		-78	-903	-78	-78	-78	-	-	-626	-	-1,841
Cross-currency interest rate swaps and interest rate swaps											
Payables		-6,816	-320	-308	-934	-7,871	-7,463	-12,899	-10,101	-27,189	-73,901
Receivables		7,094	395	174	1,054	7,931	7,320	12,686	10,144	27,212	74,010
Currency swaps and forward exchange contracts											
Payables		-30,530	-1,451	-179	-158	-	-	-	-	-	-32,318
Receivables		30,271	1,421	179	158	-	-	-	-	-	32,029
Financial guarantees	C23	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	C24	-	-	-	-	-188	-46	-49	-39	-153	-475
Trade payables and Other current liabilities	C25	-14,817	-206	-100	-632	-	-	-	-	-	-15,754
Lease Liabilities	C28	-855	-738	-705	-854	-2,822	-2,474	-1,972	-1,487	-5,108	-17,014
Credit and performance guarantees	C30	-	-	-	-	-	-	-	-	-16	-16
Total		-31,260	2,404	-1,451	-2,875	-12,788	-18,299	-15,774	-12,254	-54,495	-151,600

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.

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Financial transaction exposure risk

As of December 31, 2019, 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 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	2021	2022	2023	2024	Later years	Total
AUD Interest bearing asset	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	-7	-	-7	-	-13	-13	-13	-13	-609	-675
Derivatives	7	-	7	-	13	13	13	13	609	675
Net	0	-	0	-	0	0	0	0	0	0
DKK Interest bearing asset	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-
Derivatives	-3,943	-	-	-	-	-	-	-	-	-3,943
Net	-3,943	-	-	-	-	-	-	-	-	-3,943
EUR Interest bearing asset	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	-15,416	-305	-368	-608	-9,177	-6,476	-10,893	-9,357	-38,524	-91,124
Derivatives	27,062	1,662	228	296	6,843	2,126	9,577	2,603	-3,073	47,324
Net	11,724	611	-62	-234	-2,256	-4,350	-1,316	-7,380	-42,380	-45,643
GBP Interest bearing asset	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	-	-	-	-132	-132	-132	-132	-132	-5,404	-6,064
Derivatives	-16	-	-	132	132	132	132	132	5,405	6,049
Net	-16	-	-	0	0	0	0	0	0	1
JPY Interest bearing asset	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	-8	-	-8	-	-17	-1,559	-9	-9	-991	-2,601
Derivatives	8	-	8	-	17	1,559	9	9	990	2,600
Net	0	-	0	-	0	0	0	0	-1	-1
NOK Interest bearing asset	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	-19	-42	-7	-49	-117	-647	-95	-95	-3,458	-4,529
Derivatives	-5,206	-66	-79	-155	-286	-286	-2,414	-6,750	31	-15,211
Net	-5,225	-108	-86	-204	-403	-933	-2,509	-6,845	-3,427	-19,740
USD Interest bearing asset	41	-	-	-	-	-	-	-	-	41
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-
Derivatives	-176	33	23	-	-	-	-	-	-	-120
Net	-135	33	23	-	-	-	-	-	-	-79
Other Interest bearing asset	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-
Derivatives	-188	-13	-5	-	-	-	-	-	-	-206
Net	-188	-13	-5	-	-	-	-	-	-	-206
Total, net	2,139	1,269	-208	-516	-2,737	-5,283	-3,825	-13,599	-45,024	-67,784

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 and NOK, 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 2019	Impact on Net income if currency rate depreciates by 10 percent 2018
EUR	1.0	-0.3
NOK	0.1	-0.1
DKK	-0.1	0.0
Other	2.6	1.5

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	2019			2018		
	Net investments	Hedged through borrowings or derivatives	Net	Net investments	Hedged through borrowings or derivatives	Net
DKK	3,218	–	3,218	3,281	–	3,281
EUR	56,935	-20,712	36,223	80,027	-45,083	34,944
GBP	107	–	107	96	–	96
NOK	32,748	–	32,748	33,714	-603	33,111
RUB	98	–	98	86	–	86
TRY	8,793	–	8,793	8,651	–	8,651
USD	357	–	357	4,486	-3,580	906
Other currencies	816	–	816	411	–	411
Total	103,072	-20,712	82,360	130,753	-49,266	81,487

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. The calculation is based on the exposure as of December 31, 2019, 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 2019 is mainly due to dividends in EUR from Finland and divestment of Eurasia (USD).

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, 2019 ¹	Dec 31, 2018 ¹
Long-term borrowings	2.61	2.81
Short-term borrowings	3.43	0.54

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, 2019 ¹	Dec 31, 2018 ¹
Duration (years)	4.1	3.4
Average maturity (years)	6.5	6.7
Short-term borrowings	16,811	9,505
Long-term borrowings	87,852	85,626
Interest rate adjustment <1year	83,731	66,029
Interest rate adjustment >1year	20,932	29,102

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, 2019, 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 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	2021	2022	2023	2024	Later years	Total
Fixed										
Interest bearing asset ¹	2,237	5,474	400	322	1,233	1,246	635	751	200	12,498
Interest bearing liabilities ¹	-14,391	-711	-	-	-7,544	-8,675	-10,599	-8,646	-40,539	-91,104
Derivatives	13,116	-	-	-	7,152	8,362	10,599	8,646	13,285	61,160
Net	962	4,763	400	322	841	933	635	751	-27,054	-17,446
Float										
Interest bearing asset ¹	1,248	-	-	-	-	-	-	-	-	1,248
Interest bearing liabilities ¹	-6,600	-627	-	-	-	-	-	-	-	-7,227
Derivatives	-56,961	-4,004	-	-	-	-	-	-	-	-60,965
Net	-62,313	-4,631	-	-	-	-	-	-	-	-66,944
Total, net	-61,351	132	400	322	841	933	635	751	-27,054	-84,390

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 2019, 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, 2019, Telia Company had interest-bearing debt of SEK 104.7 billion, carrying value, with duration of interest of approximately 4.1 years, including derivatives. The volume of loans exposed to changes in interest rates over the next 12-month period was at the same date approximately SEK 83.7 billion, carrying value, assuming that existing loans 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, 2020, at a one percentage point higher interest rate than the prevailing rate as per December 31, 2019, and remained at that new level during 12 months, the post-tax interest expense would increase by approximately SEK 606 million. At the same time the effect on equity would be a decrease of SEK 38 million due to cash flow hedges.

Fair value of the loan portfolio would change by approximately SEK 4.7 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 2019.

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, 2019, the average maturity of Telia Company's borrowings was 6.5 years and 23 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. The risks in the captive are in part 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.

		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

		December 31, 2018					
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	2,923	–	2,923	1,582	1,082	259
Currency swaps and forward exchange contracts	C16, C18	256	–	256	54	–	202
Other assets		28	-18	10	–	–	10
Total		3,207	-18	3,189	1,636	1,082	471

		December 31, 2018					
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	2,291	–	2,291	1,582	785	75
Currency swaps and forward exchange contracts	C24, C25	99	–	99	54	–	45
Other liabilities		38	-18	20	–	–	20
Total		2,428	-18	2,410	1,635	785	-10

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.

FINANCIAL STATEMENTS

Consolidated financial statements

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	–	–	–	18,861	19,210	-31,319
Foreign exchange risk	Derivatives	receivables/borrowings	–	–	–	1,892	1,892	474

Hedging instruments 2018

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	57,707	1,065	–	27,737	208	–
Cash flow hedges								
Foreign exchange risk	Derivatives	Long/Short-term receivables/borrowings	21,617	790	–	1,531	265	–
Net investment hedges								
Foreign exchange risk	Bonds	Long/Short-term receivables/borrowings	49,494	50,529	–	–	–	–
Foreign exchange risk	Derivatives		9,078	1,419	–	–	–	–

Hedged items 2019

SEK in millions	Liabilities					
	Fair value hedges, interest rate risk	Carrying amount	Accumulated value adjustment on the hedged item	Change in value on hedged item during the year	Accumulated value adjustment on closed hedge relations	Ineffectiveness recognized in profit or loss
Line item in balance sheet						
Long/Short-term borrowings		55,780	-1,969	-512	167	
Line item in income statement						
Finance net						16

Hedged items 2018

SEK in millions	Liabilities					
	Fair value hedges, interest rate risk	Carrying amount	Accumulated value adjustment on the hedged item	Change in value on hedged item during the year	Accumulated value adjustment on closed hedge relations	Ineffectiveness recognized in profit or loss
Line item in balance sheet						
Long/Short-term borrowings		51,370	-1,561	-373	152	
Line item in income statement						
Finance net						9

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 2018

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		-257	12			
Line item in income statement						
Finance net					-	24
Other comprehensive income	115			115		

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		

Hedged items 2018

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		3,302				
Line item in income statement						
Finance net					-	-
Other comprehensive income	2,250			2,250		

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 relates 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 30 years. The average useful life of the right-of-use assets 2019 range between 5 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, 2019	Dec 31, 2018
Right-of-use assets		
Technical space	7,419	–
Technical equipment	3,704	–
Non-technical space	3,416	–
Land	852	–
Other	248	–
Total	15,640	–

Additions to the right-of-use assets during 2019 amounted to SEK 1,719 million, mainly due to new contracts for technical space, technical equipment and non-technical space.

The carrying value of lease liabilities were distributed as follows.

SEK in millions	Dec 31, 2019	Dec 31, 2018 ²
Lease liabilities¹		
Non-current	12,046	1,363
Current	2,968	46
Total	15,015	1,409

1) Included in the line item long- and short-term borrowings in the consolidated statements of financial position.

2) For 2018 Lease liabilities relate to finance lease agreements under IAS 17 Leases.

As of December 31, 2019 cash flows for lease liabilities represented the following expected maturities.

Maturities of lease liabilities December 31, 2019 SEK in millions	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	6-10 years	+10 years	Total cash flows
Lease liabilities	3,152	2,822	2,474	1,972	1,487	3,235	1,872	17,014

Amounts recognized in the consolidated statements of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases.

SEK in millions, except for average useful life	Average useful life (years) 2019	Dec 31, 2019	Dec 31, 2018
Depreciation of right-of-use assets			
Technical space	7	1,298	–
Technical equipment	6	708	–
Non-technical space	5	737	–
Land	13	69	–
Other	5	125	–
Total depreciation		2,938	–
Interest expense (included in finance cost)		436	–
Expenses relating to short-term leases, low-value assets and variable lease payments ¹		62	–
Total expenses		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 2019.

Amounts recognized in the consolidated statements of cash flow

The total cash outflow for leases in 2019 amounted to SEK 3,144 million. 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.

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 2019 was 12 quarters. Of all contracts, 66 percent carry a fixed interest rate and 34 percent a floating interest rate. Most 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.

Telia Company as lessor

Finance leases

The lease portfolio of Telia Company's customer financing operations in Sweden, Finland, and Norway, comprise

SEK in millions	Dec 31, 2019
Selling profit	39
Finance income on the net investment in the lease	95
Total	134

Finance lease maturity analysis

Lease payments receivable have the following maturities.

SEK in millions	Dec 31, 2019	Dec 31, 2018
Less than 1 year	494	442
1-2 years	308	281
2-3 years	120	152
3-4 years	57	77
4-5 years	38	36
5 years+	7	5
Total undiscounted lease payments receivable	1,024	993
Unearned finance income	-93	-81
Net investment in the lease	931	912

As of December 31, 2019, 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 the 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 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 3 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, 2019
Lease income	2,341

There were no material variable lease payments related to operating leases during 2019.

Maturity analysis for operating lease payments

SEK in millions	Dec 31, 2019
Less than 1 year	2,207
1-2 years	1,302
2-3 years	1,022
3-4 years	728
4-5 years	551
5 years+	774
Total undiscounted lease payments receivable	6,585

For comparative disclosures in accordance with IAS 17 Leases, see Annual and Sustainability Report 2018.

C29 RELATED PARTY TRANSACTIONS

The Swedish State

At year-end, the Swedish State held 38.4 percent of total shares in Telia Company. The remaining 61.6 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 38 million in 2019 and SEK 39 million in 2018. 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 41 million in 2019 and SEK 47 million in 2018.

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.

Summarized information on transactions and balances with associated companies was as follows.

SEK in millions	January–December or December 31	
	2019	2018
Sales of goods and services		
Operators Clearing House	3	6
Turkcell	1	3
Tet (former Lattellecom)	3	3
Other	0	4
Total sales of goods and services	7	16
Purchases of goods and services		
Springworks	–	17
Mediamätning i Skandinavien	2	0
Turkcell	3	5
Tet (former Lattellecom)	3	3
Other	2	9
Total purchases of goods and services	9	34
Total trade and other receivables	1	10
Total trade and other payables	7	12

Pension and personnel funds

As of December 31, 2019, Telia Company's Finnish pension fund held 366,802 shares and its Finnish personnel fund 743,249 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 financial guarantees, continuing operations

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, 2019	Dec 31, 2018
Credit and performance guarantees, etc.	16	15
Subtotal (see Liquidity risk – Note C27)	16	15
Guarantees for pension obligations	294	289
Total financial guarantees	309	304

As of December 31, 2019, credit and performance guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2020	Apr–Jun 2020	Jul–Sep 2020	Oct–Dec 2020	2021	2022	2023	2024	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, continuing and discontinued operations

As of the end of the reporting period, collateral pledged for blocked funds in bank accounts was SEK 45 million (45).

Other unrecognized contractual obligations, continuing operations

As of December 31, 2019, 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 2020	Apr–Jun 2020	Jul–Sep 2020	Oct–Dec 2020	2021	2022	2023	2024	Later years	Total
Intangible assets	82	44	2	0	–	–	–	–	–	129
Property, plant and equipment	1,197	742	521	619	15	1	1	1	–	3,096
Leases	0	0	0	0	1	1	1	0	2	5
Total (see Liquidity risk – Note C27)	1,279	786	523	619	16	2	2	1	2	3,230

As of December 31, 2019, contractual obligations (continuing operations) totaled SEK 10,990 million (4,558 at the end of 2018, restated see Note 1), of which SEK 7,760 million (1,194 at the end of 2018, restated see Note 1) related to film and program rights. 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. In addition, there has been an ongoing disgorgement proceeding in Sweden, regarding Telia Company's operations in Uzbekistan and suspected irregularities related to those and to the market entry into Uzbekistan. The Stockholm District Court gave its final verdict in February 2019 and the forfeiture claim against Telia Company was dismissed and this case was then final against Telia Company, see Note C35 for further information.

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 agree-

ment 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 Holding shares as required under the share purchase agreement. Due to the refusal of Çukurova to honor the ICC award, Telia Company conducts legal action to pursue enforcement of the award. In parallel, Çukurova pursues legal actions against Telia Company with the aim to revert the ICC award or to refute its enforceability. Telia Company continues to vigorously pursue collection of the ICC award. Telia Company has not recorded any award amount receivable in the financial statements. Following an agreement with Alfa Telecom (now LetterOne) signed in November 2009, LetterOne is under certain circumstances entitled to receive part of the damages amount set out in the ICC award, if such funds will be successfully collected.

In September 2019, an arbitration proceeding was initiated against Telia Company under the Share Purchase Agreement related to the divestment of the subsidiary Kcell in Kazakhstan. The arbitration proceeding is in a very early stage and no monetary claim has yet been presented.

C31 CASH FLOW INFORMATION**Non-cash transactions, continuing and discontinued operations****Asset retirement obligations (AROs)**

In 2019 and 2018, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 954 million and SEK 45 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 112 million in 2019 and SEK 101 million in 2018.

Dividends, interest and income taxes, continuing and discontinued operations

SEK millions	Jan-Dec 2019	Jan-Dec 2018
Dividends received	366	970
Interest received	344	799
Interest paid	-2,841	-2,991
Income taxes paid	-911	-1,242

Dividends to holders of non-controlling interests, continuing and discontinued operations

SEK in millions	Jan-Dec 2019	Jan-Dec 2018
Subsidiaries		
AO Kcell	-	-74
Latvijas Mobilais Telefons SIA	-119	-131
Telia Lietuva, AB	-59	-50
Other subsidiaries	0	0
Total dividends to holders of non-controlling interests	-178	-254

Liabilities and cash flows arising from financing activities

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 see Note C1.

FINANCIAL STATEMENTS

Consolidated financial statements

SEK in millions	Dec 31, 2017	Cash flows	Non-cash changes				Dec 31, 2018
			Acquisitions/ Divestments	Foreign exchange changes	Fair value changes	Other changes ¹	
Long-term borrowings	87,813	196	1	3,483	258	-4,761	86,990
Long-term lease liabilities	171	-	-	-	-	1,192	1,363
Long-term borrowings less lease liabilities	87,643	196	1	3,483	258	-5,953	85,627
<i>of which derivatives hedging long-term borrowings</i>	<i>2,074</i>	<i>334</i>	<i>-</i>	<i>-454</i>	<i>-</i>	<i>-</i>	<i>1,954</i>
Short-term borrowings	3,674	989	1	-8	-36	4,930	9,552
Short-term lease liabilities	6	-	-	-	-	40	46
Short-term borrowings less lease liabilities	3,668	989	1	-8	-36	4,890	9,504
<i>of which derivatives hedging short-term borrowings³</i>	<i>110</i>	<i>-15</i>	<i>-</i>	<i>-50</i>	<i>-</i>	<i>-</i>	<i>45</i>
Borrowings discontinued operations	1,723	-86	-1,542	-	-	-95	-
<i>Long-term borrowings</i>	<i>295</i>	<i>74</i>	<i>-348</i>	<i>-</i>	<i>-</i>	<i>-21</i>	<i>-</i>
<i>Short-term borrowings</i>	<i>1,428</i>	<i>-160</i>	<i>-1,194</i>	<i>-</i>	<i>-</i>	<i>-74</i>	<i>-</i>
Total liabilities from financing activities	93,211	1,099	-1,540	3,475	222	74	96,541
Assets held to hedge borrowings²	-3,003	652	-	-662	114	-25	-2,923
<i>of which derivatives hedging long-term borrowings</i>	<i>-2,230</i>	<i>-75</i>	<i>-</i>	<i>-105</i>	<i>179</i>	<i>-89</i>	<i>-2,321</i>
<i>of which derivatives hedging short-term borrowings</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-19</i>	<i>-62</i>	<i>-81</i>
Tot liabilities from financing activities net of assets hedging borrowings²	90,208	1,750	-1,540	2,813	336	50	93,618

1) Other changes mainly refer to reclassification due to maturity from long- to short-term. Increase in long-term lease liabilities related to the Helsinki Data Center lease.

2) Assets held to hedge borrowings has been added to table to clarify that they are included in cash flow from financing activities.

3) For 2018 SEK 293 million has been reclassified from Short-term borrowings, of which derivatives hedging short-term borrowings, to Short-term borrowings, of which derivatives at fair value through income statement.

Business combinations, other acquisitions and disposals

The Telia Company group is continually restructured by acquiring and divesting equity instruments or operations.

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.

The total net cash outflow from business combinations and other equity instruments acquired in 2018 was SEK 25,348 million mainly related to the acquisitions of Get and

TDC in Norway and Inmics and AinaCom in Finland. For information on business combinations, see Note C34.

The total cash inflow from divested operations and other equity instruments in 2019 amounted to SEK 6 million. The total cash inflow from divested operations and other equity instruments in 2018 amounted to SEK 8,654 million and was mainly related to the divestments of the holdings in Spotify, Azercell, Geocell, Kcell and Ucell.

For more information on divested operations, see Note C35.

C32 HUMAN RESOURCES

Employees, salaries, and social security expenses

During 2019, the number of employees in continuing operations increased by 406 to 20,845 at year-end from 20,439

at year-end 2018. The number of employees in discontinued operations decreased by 10 to 387 from 397 at year-end 2018.

The average number of full-time employees by country was as follows.

Country	Jan-Dec 2019		Jan-Dec 2018	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	7,383	64.3	7,525	62.9
Finland	3,890	68.1	3,899	68.6
Norway	1,928	72.8	1,738	68.7
Denmark	930	67.1	1,052	67.5
Lithuania	2,903	53.5	2,972	53.7
Latvia	998	48.6	1,002	46.9
Estonia	1,675	54.0	1,683	52.0
Russian Federation	35	51.4	35	51.4
United Kingdom	53	62.3	53	62.3
Other countries	189	63.0	178	69.1
Total, continuing operations	19,984	62.7	20,137	61.7
Kazakhstan	–	–	1,922	45.6
Azerbaijan	–	–	122	58.2
Uzbekistan	–	–	1,236	66.5
Georgia	–	–	150	39.3
Moldova	224	39.3	225	37.3
Other countries	7	57.1	22	59.1
Total, discontinued operations	231	39.8	3,677	52.4
Total	20,215	62.5	23,814	60.3

In 2019 and 2018 operations were conducted in 23 and 27 countries, respectively, of which continuing operations were conducted in 21 countries for both 2019 and 2018.

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, 2019		Dec 31, 2018	
	Boards of directors	Other senior executives	Boards of directors	Other senior executives
Women	30.1	36.6	24.3	40.3
Men	69.9	63.4	75.7	59.7
Total, continuing operations	100.0	100.0	100.0	100.0
Women	0.0	77.8	0.0	75.0
Men	100.0	22.2	100.0	25.0
Total, discontinued operations	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 2019	Jan–Dec 2018
Salaries and other remuneration	11,034	9,918
Social security expenses		
Employer's social security contributions	2,080	2,134
Pension expenses	1,375	1,300
Total social security expenses	3,454	3,434
Capitalized work by employees	-1,060	-952
Other personnel expenses	324	346
Total personnel expenses recognized by nature, continuing operations	13,753	12,745
Total personnel expenses, discontinued operations	95	653

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 2019		Jan–Dec 2018	
	Senior executives (of which variable pay)	Other employees	Senior executives (of which variable pay)	Other employees
Salaries and other remuneration, continuing operations	139 (88)	10,895	176 (48)	9,742
Salaries and other remuneration, discontinued operations	11(1)	79	34 (24)	490

Pension expenses for all senior executives totaled SEK 39 million in 2019 and SEK 37 million in 2018.

In 2019 and 2018, employee profit-sharing costs in Telia Company's Finnish subsidiaries amounted to SEK 23 million and SEK 60 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 2019 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 2,370,400 (PSP 2016), 2,491,202 (PSP 2017), 2,413,597 (PSP 2018) and 2,194,830 (PSP 2019). Telia Company shares, corresponding to approximately 0.04 percent of the total number of outstanding shares for PSP 2016, 0.06 percent for PSP

2017, 0.06 percent for PSP 2018, and 0.05 percent for PSP 2019 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 2019

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 2016 vested during the spring 2019 and final rewards were distributed to 130 participants remaining in the program. 1 participant received cash payments equivalent to the value of 9,942 shares. During May 2019 Telia Company transferred 1,002,363 shares to the participants via a share swap agreement with an external party, at an average price of SEK 40.5568 per share. The total cost for the transferred shares was SEK 41 million and transaction costs, net of tax, amounted to SEK 0 million.

The summarized performance share program activity in 2019 was as follows.

Performance share program	2019/2022	2018/2021	2017/2020	2016/2019
Participants				
Number of participants, December 31, 2018	–	200	179	146
New participants in 2019	202	–	–	–
Terminated employments in 2019	-6	-27	-33	-16
Final allotments in 2019	–	–	–	-130
Number of participants, December 31, 2019¹	196	173	146	–
Allotted shares				
Preliminary allotments, December 31, 2018	–	1,414,693	1,083,663	1,152,639
Preliminary allotments in 2019	2,141,387	–	–	–
Forfeited shares	-2,053,430	-530,465	-550,585	–
Cancelled shares	-87,957	-140,828	-108,424	-140,334
Final allotments	–	–	–	-1,012,035
Number of allotted shares, December 31, 2019	0	743,400	424,654	–

1) One participant, in total for all performance share programs, is part of discontinued operations.

The estimated fair values at the date of allotment and the assumptions used when estimating the achievements of the performance conditions were as follows.

Performance share program	2019/2022	2018/2021	2017/2020	2016/2019
Fair value at the date of allotment (SEK in millions)	10	45	35	28
Assumptions used (percentages)				
Achievement of EBITDA-based performance condition	0	50	50	50
Achievement of TSR-based performance condition was based on				
Estimated volatility, Telia Company	18	20	21	20
Estimated volatility, peer group companies	14-28	16-26	17-28	17-31
Average reciprocal correlation between Telia Company and the peer group companies	41	54	49	43
Risk-free interest rate	-0.6	-0.5	-0.5	-0.4

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 2019	Jan–Dec 2018
Salaries and other remuneration	32	36
Social security expenses	8	9
Total personnel expenses, performance share programs	40	45

Remuneration to corporate officers

Board of Directors

As resolved by the 2019 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 (1,740,000) to the Chair, SEK 860,000 (820,000) to the Vice-Chair and SEK 610,000 (580,000) 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 (250,000) 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, 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 Kallasvuo, 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 Settman	601	41	–	642
Olaf Swantee	601	41	–	642
Martin Tivéus	601	–	–	601
Total	6,129	609	159	6,897

SEK in thousands	Board ¹	Audit and Responsible Business Committee	Remuneration Committee	Total remuneration
Board of Directors, AGM 2018				
Marie Ehrling, Chair	1,714	150	70	1,934
Olli-Pekka Kallasvuo, Vice-Chair	812	–	50	862
Susanna Campbell	574	–	50	624
Nina Linander	574	250	–	824
Jimmy Maymann	420	–	–	420
Anna Settman	574	150	–	724
Olaf Swantee	574	150	–	724
Martin Tivéus	420	–	–	420
Board members 2017–2018				
Mikko Kosonen	155	–	–	155
Martin Lorentzon	155	–	–	155
Total	5,973	700	170	6,843

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. Marie Ehrling, Olli-Pekka Kallasvuo, Nina Linander, Jimmy Maymann, Anna Settman and Olaf Swantee were re-elected at the AGM 2019. New board member is Rickard Gustafson. Lars-Johan Jarnheimer was elected as Chair of the Board of Directors at an Extraordinary General Meeting held November 26. 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 three EVPs, the seven SVPs and one other member directly reporting to the CEO, constituted the Telia Company Group Executive Management. On September 11, 2019, Telia Company announced that Christian Luiga had been appointed acting President and CEO.

The 2019 Annual General Meeting decided to approve the following guidelines for remuneration to the Group Executive Management.

Telia Company’s objective is to offer remuneration levels and other employment conditions required to attract, retain and motivate high caliber executives needed to maintain the success of the business. Remuneration should be built upon a total reward approach allowing for a market relevant – but not market leading – and cost effective executive remuneration based on the following compensation components: (1) base salary; (2) pension; and (3) other benefits.

The base salary should reflect the competence required in the position and the responsibility, complexity and the business contribution of the executive. The base salary should also reflect the performance of the executive and consequently be individual and differentiated. Pension and other retirement benefits should be based on the defined contribution method.

The termination period may be up to six (6) months (twelve (12) for the CEO) 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 up to twelve (12) months.

The severance payment is not included when calculating vacation pay or pension benefits. The severance payment will be reduced if the executive should receive income from either a new employer or conducting his/her own business. The executive may be entitled to a company car benefit, health care provisions, travel insurance etc. in accordance

with local labor market practice. The Board of Directors may deviate from the above principles if there in individual cases are special reasons for this.

Acting Group Executive Management members keep their previous terms regarding short-term and long-term variable pay, pension and benefits remain during the acting period. They also keep their existing notice periods.

Remuneration to the CEO and other permanent members of Group Executive Management consists of base salary, certain taxable benefits and pension benefits.

As per December 31, 2019, Telia Company does not operate any share-related incentive program in relation to the CEO, and other permanent members of Group Executive Management.

Applying the remuneration policy adopted at the AGM, the CEO's total remuneration package is decided by the Board of Directors based on the recommendation of its Remuneration Committee.

Total remuneration packages to other members of Group Executive Management are approved by the Remuneration Committee, based on the CEO's recommendation.

Remuneration and other benefits earned as member of Group Executive Management during the year, 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, 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

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, 2018						
Johan Dannelind, CEO	17,413	403	68	6,846	24,730	–
Other members of Group Executive Management (including 2 EVPs and 8 SVPs)	51,378	1,590	1,587	14,190	68,745	1,165
Total	68,791	1,993	1,656	21,036	93,476	1,165
Other former members of Group Executive Management						
Other former members of Group Executive Management (3 individuals) ⁵	14,578	2,837	315	3,614	21,343	2,057
Other former CEOs and EVPs (8 individuals)	–	–	–	–	–	166,756
Total	14,578	2,837	315	3,614	21,343	168,812
Grand total	83,369	4,830	1,971	24,649	114,819	169,977

1) Other remuneration for Johan Dannelind as CEO is holiday allowance of SEK 325,043 (SEK 402,986). 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 Christian Luiga and Johan Dannelind as CEO refer mainly to 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 2019).

5) Other former members of the Group Executive Management includes one member who left Telia Company 2018, the related provision recognized in 2018 have been reduced during 2019 due to the member having taking employment with a new company outside the Telia Company group. One member left Telia Company 2019 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 2018 can be found in the Annual and Sustainability Report 2018. 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. The reasons behind the change in the capital value of defined benefit pension commitments are due to changes in discount rate and retirement benefits paid to retirees.

CEO

The CEO is eligible to a defined contribution pension scheme with contributions corresponding to 4.5 percent of base salary up to 7.5 income base amounts and to 30 percent for such salary above 7.5 income base amounts. In addition, contributions of 10 percent of base salary is paid into the scheme. These contributions for Christian Luiga as CEO add up to a total pension contribution of SEK 1,714,459 (compared to a base salary of SEK 4,370,980 representing 39.2 percent). For Johan Denzelind the contributions add up to a total for 2019 of SEK 7,399,251 (representing 39.3 percent compared to a base salary of SEK 18,806,040). SEK 5,158,922 relates to his period as CEO.

The contributions into the scheme are vested immediately. The income base amount is determined annually by the Swedish Government and was SEK 64,400 for 2019.

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. 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 firms 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 audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Audit fees to other audit firms refer to subsidiaries not audited by the group auditors. Auditors

are elected by the Annual General Meeting.

Deloitte AB was re-elected at the Annual General Meeting on April 10, 2019, as Telia Company's independent auditor (group auditor) for a one-year term. The audit of the consolidated financial statements has been carried out throughout the year since the election. For review of interim financial statements, no separate remuneration has been debited.

SEK in millions	Jan-Dec 2019	Jan-Dec 2018
Remuneration, continuing and discontinued operations		
Deloitte		
Audits	35	38
Audit-related services	1	3
Tax services	2	1
All other services	0	7
Total Deloitte	38	49
EY		
Audits	0	0
Audit-related services	0	0
Tax services	3	1
All other services	10	23
Total EY	13	24
KPMG		
Audits	0	0
Audit-related services	0	1
Tax services	0	0
All other services	15	9
Total KPMG	15	10
PwC		
Audits	1	1
Audit-related services	0	0
Tax services	11	18
All other services	27	43
Total PwC	39	62
Other audit firms		
Audits, audit-related services	1	0
Tax services and all other services	1	0
Total other audit firms	2	0
Total remuneration	107	145

Within the provisions of Swedish legislation, the Audit and Responsible Business Committee of the Board of Directors of Telia Company is responsible, among other matters, for the oversight of Telia Company's independent auditors. The Board of Directors has adopted a policy regarding pre-approval of audit-related services and permissible non-audit services provided by audit firms.

C34 BUSINESS COMBINATIONS

Business combinations during the period**Fello AB**

On July 1, 2019, Telia Company acquired all shares in the Swedish mobile operator Fello AB. The acquisition will complement and extend Telia Company's product portfolio within a new segment.

Bonnier Broadcasting

On July 20, 2018, Telia Company announced that it had signed an agreement to acquire 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 consideration will be based on operational performance on revenues and EBITDA for the period July 1, 2018 to June 30, 2019. As per December 31, 2019 the additional amount has been estimated to SEK 800 million and is expected to be paid in the first quarter of 2020. The acquisition was approved by the European Commission on November 12, 2019, and the transaction was closed on December 2, 2019.

The purchase price of SEK 9.2 billion corresponds to an EV/EBIT multiple of 15.4x, based on the last 12-month pe-

riod as of March 31, 2018. Including full run-rate synergies, the EV/EBIT multiple is 7.7x.

The acquisition of TV4, C More and MTV is of strategic importance to Telia Company as it strengthens the company in the fast-growing area of video content consumption. With this acquisition, Telia Company has established a new segment, TV and Media, where the Bonnier Broadcasting business is included. Telia Company's existing TV business will be transferred to the new TV and Media segment in 2020.

Bonnier Broadcasting had revenues of SEK 7.5 billion in the last 12-month period as of March 31, 2018, and an EBIT of SEK 0.3 billion. The operational free cash flow amounted to SEK 0.3 billion. The transaction is expected to generate synergies as per 2020 with a full run-rate of SEK 0.6 billion in 2022. The integration costs are expected to amount to SEK 0.4 billion on an aggregated level in 2020 and 2021. The transaction is expected to contribute by SEK 0.5 billion to Telia Company's operational free cash flow 2020. The pro forma impact on net debt to EBITDA equals 0.2x.

The cost of the combinations, the preliminary fair values of net assets acquired and preliminary goodwill for the combinations are presented in the table below.

SEK in millions	Fello AB	Bonnier Broadcasting	Total
Cost of combination	100	10,670	10,770
of which cash consideration paid	60	9,870	
of which contingent consideration	40	–	
of which estimated deferred consideration	–	800	
Fair value of net assets acquired			
Intangible assets	70	6,568	
of which customer relationships	68	4,094	
of which brands	–	2,160	
Film and program rights, non-current	–	1,029	
Other non-current assets	3	753	
Non-current assets	73	8,350	8,423
Film and program rights, current	–	1,977	
Other current assets	–	1,109	
Cash and cash equivalents	–	715	
Current assets	6	3,802	3,808
Total assets acquired	79	12,151	12,230
Deferred tax liabilities	–	-1,287	
Other non-current liabilities	–	-349	
Non-current liabilities	-16	-1,636	-1,652
Current liabilities	-12	-2,440	-2,452
Total liabilities assumed	-28	-4,076	-4,104
Total fair value of net assets acquired	51	8,075	8,126
Goodwill	50	2,595	2,645

Fello AB

The net cash flow effect from the business combination was SEK 57 million (cash consideration SEK 60 million paid at closing less cash and cash equivalents SEK 3 million). Goodwill consists mainly of expected cost synergies. No part of goodwill is expected to be deductible for tax purposes. The fair values of assets and liabilities have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustments. Acquisition-related costs of SEK 1 million have been recognized as other operating expenses. From the acquisition date, revenues of SEK 33 million and net income of SEK 24 million are included in the condensed consolidated statements of comprehensive income. If Fello had been acquired at the beginning of 2019, there had been no material difference in revenues or total net income for Telia Company for 2019.

The sellers have a right to additional compensation up to SEK 40 million (contingent consideration) dependent on Fello's customer growth and revenue per customer during the period July 1, 2019-June 30, 2020. As at the acquisition date July 1, 2019, and at December 31, 2019, the fair value of the contingent consideration has been estimated to SEK 40 million as the maximum amount is expected to be paid at the end of 2020. The discount effect is deemed immaterial. The contingent consideration is recognized as "Trade payables and other current liabilities". For more information see Note C26.

Bonnier Broadcasting

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).

The fair values of assets and liabilities have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustments. Acquisition-related costs of SEK 154 million have been recognized as other operating expenses, whereof SEK 86 million in 2019 (SEK 69 million 2018). From the acquisition date, revenues of SEK 711 million and net income of SEK 3 million are included in the consolidated statements of comprehensive income. If Bonnier Broadcasting had been acquired at the beginning of 2019, revenues and total net income for Telia Company for 2019 had been approximately SEK 94.4 billion and SEK 7.7 billion, respectively. Internal revenues and expenses between Telia Company and Bonnier Broadcasting for the period before closing (January - November 2019) have not been eliminated from these amounts as this information is not available.

Minor business combinations during the period

On January 3, 2019, Telia Company acquired all shares in Dalbo Net AB. The cost of the acquisition was SEK 13 million.

On April 1, 2019, Telia Company acquired operations from OÜ GoNetwork in Estonia. The cost of the acquisition was SEK 8 million.

On October 21, 2019, Telia Company acquired operations from Vincit Solutions in Finland. The cost of the acquisition was SEK 5 million.

C35 DISCOUNTED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE**Classification****Region Eurasia**

Former segment region Eurasia (including holding companies) is classified as held for sale and discontinued operations since December 31, 2015. The holding companies will be disposed or liquidated in connection with the transactions. Ncell in Nepal was disposed during 2016 and Tcell in Tajikistan was disposed in 2017. Azercell in Azerbaijan and Geocell in Georgia were disposed in March 2018. The associated company Rodnik in Kazakhstan was disposed in November 2018. Ucell in Uzbekistan and Kcell in Kazakhstan were disposed in December 2018.

As of December 31, 2019 Telia Company was still committed to the plan to dispose the remaining part of Eurasia, Moldcell in Moldova and a disposal was deemed highly probable within 2020. An agreement to dispose Moldcell was signed on February 14, 2020.

Presentation

Former segment region Eurasia (including holding companies), which is 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. Eurasia is classified as held for sale and the related assets and liabilities are therefore 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.

FINANCIAL STATEMENTS

Consolidated financial statements

Net income from discontinued operations (region Eurasia)

SEK in millions, except per share data	Jan-Dec 2019	Jan-Dec 2018
Net sales	603	6,687
Expenses and other operating income, net	-604	-4,720
Operating income	-1	1,967
Financial items, net	1	-139
Income after financial items	0	1,828
Income taxes	-50	-307
Net income before remeasurement and gain/loss on disposal	-51	1,522
Impairment loss on remeasurement to fair value less costs to sell ¹	-290	-1,105
Loss on disposal of Azercell in Azerbaijan (including cumulative Azercell exchange loss in equity reclassified to net income of SEK -2,944 million) ²	-	-3,065
<i>of which loss attributable to parent shareholders</i>	-	-3,024
<i>of which loss attributable to non-controlling interests</i>	-	-41
Loss on disposal of Geocell in Georgia (including cumulative Geocell exchange loss in equity reclassified to net income of SEK -101 million) ²	-	-241
<i>of which loss attributable to parent shareholders</i>	-	-190
<i>of which loss attributable to non-controlling interests</i>	-	-52
Loss on disposal of associated company Rodnik (including cumulative Rodnik exchange loss in equity reclassified to net income of SEK -259 million) ²	-	-271
Gain on disposal of Kcell in Kazakhstan (including cumulative Kcell exchange loss in equity reclassified to net income of SEK -668 million) ²	-	210
<i>of which gain attributable to parent shareholders</i>	-	509
<i>of which loss attributable to non-controlling interests</i>	-	-299
Loss on disposal of Ucell in Uzbekistan (including cumulative Ucell exchange loss in equity reclassified to net income of SEK -3,934 million) ²	-	-3,449
<i>of which loss attributable to parent shareholders</i>	-	-3,198
<i>of which loss attributable to non-controlling interests</i>	-	-251
Net income from discontinued operations	-341	-6,399
EPS from discontinued operations (SEK)	-0.07	-1.42
Adjusted EBITDA	157	2,341

1) Non-tax deductible. 2) Non-taxable gain/loss.

Assets and liabilities classified as held for sale

SEK in millions	Dec 31, 2019	Dec 31, 2018
Goodwill and other intangible assets	129	216
Property, plant and equipment	327	402
Right-of-use assets	95	-
Other non-current assets ¹	29	79
Short-term interest-bearing receivables	0	0
Other current assets	200	274
Cash and cash equivalents ¹	94	3,827
Assets classified as held for sale	875	4,799
Long-term borrowings	81	-
Long-term provisions	10	8
Other long-term liabilities	131	193
Short-term borrowings	43	-
Other current liabilities	338	359
Liabilities associated with assets classified as held for sale	604	560
Net assets classified as held for sale²	271	4,239

1) 2018 included the sales prices for minority owner Turkcell's share of Azercell, Geocell and Kcell, whereof SEK 2.6 billion was included in cash and cash equivalents. After the acquisition of Turkcell's non-controlling interest in Fintur during the second quarter of 2019, the balances do not include any amounts related to Turkcell. The sales prices for Telia Company's shares in Azercell, Geocell, Kcell and Ucell are included in continuing operations.

2) Represents 100 percent of external assets and liabilities, i.e. non-controlling interests' share of net assets are included.

Measurement

In accordance with IFRS 5, discontinued operations are measured at the lower of carrying value and estimated fair value less costs to sell. The valuation is based on an assessment of the input from the sales processes and the risks in the different countries. Fair value is the price that would be received to sell the discontinued operations in an orderly transaction between market participants at the measurement date under current market conditions. There are no directly observable (quoted) prices for Telia Company's discontinued operations and fair values have therefore been estimated using other valuation techniques which require the use of judgment. Non-current assets included in discontinued operations are not depreciated or amortized. Depreciation and amortization in discontinued operations of SEK 0.2 billion (1.2) have been reversed in 2019.

Moldova

Management's best estimate of the fair value less costs to sell for Moldcell in Moldova is based on a bid received and other input from the ongoing sales process. The estimated cash and debt free value for Moldcell per December 31, 2019, was SEK 0.4 billion (0.5). Due to increased carrying values and price adjustments, Moldcell was impaired by SEK 290 million in 2019. In 2018 Moldcell was impaired by SEK 85 million, due to increased carrying values. An agreement to dispose Moldcell was signed on February 14, 2020, see disposals below.

Disposals

Ncell in Nepal

On April 11, 2016, Telia Company completed the disposal of its holding in Ncell in Nepal. Provisions for transaction warranties are included in the statement of financial position for continuing operations. The final amounts relating to the Ncell disposal are still subject to deviations in transaction warranties and related foreign exchange rates.

Azercell in Azerbaijan

On March 5, 2018, Fintur Holdings B.V. (Fintur), jointly owned by Telia Company (58.55 percent) and Turkcell (41.45 percent) disposed its 51.3 percent holding in Azertel Telekomunikasyon Yatirim Dis Ticaret A.S. (Azertel) to Azerbaijan International Telecom LLC (Azintelecom), wholly-owned company by the Republic of Azerbaijan. Azertel was the sole shareholder of the leading Azeri mobile operator Azercell LLC (Azercell). The price for Fintur's 51.3 percent in Azertel was EUR 222 million (SEK 2.3 billion). The total price was received in cash as of March 31, 2018. The disposal resulted in a capital loss of SEK 3,065 million for the group in 2018, mainly due to accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 2,944 million. The reclassification of accumulated exchange losses had no effect on equity. The transaction had a positive cash flow effect for the group (relating to both parent shareholders and non-controlling interests) in 2018 of SEK 264 million

(price received less cash and cash equivalents in entities sold). Telia Company's share of the sales price of SEK 1.3 billion was classified within continuing operations in cash and cash equivalents. The minority owner Turkcell's share of the sales price of SEK 0.9 billion was included within discontinued operations and was classified as held for sale as per December 31, 2018. After the acquisition of Turkcell's non-controlling interest in Fintur in 2019 the balances in discontinued operations do not include any amounts related to Turkcell.

Geocell in Georgia

On March 20, 2018, Fintur's Turkish subsidiary Gürtel Telekomunikasyon Yatirim ve Dis Ticaret A.S. (Gürtel) disposed its 100 percent holding in Geocell LLC (Geocell) to the Georgian telecommunications company JSC Silknet. The price for Geocell was SEK 1.2 billion, whereof SEK 1.1 billion was received in cash in 2018. The disposal resulted in a capital loss of SEK 241 million for the group in 2018, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 101 million. The reclassification of accumulated exchange losses had no effect on equity. The transaction had a positive cash flow effect for the group (relating to both parent shareholders and non-controlling interests) in 2018 of SEK 1,100 million (price received less cash and cash equivalents in the entity sold). Telia Company's share of the sales price of SEK 0.7 billion was classified within continuing operations, whereof SEK 0.6 billion in cash and cash equivalents and SEK 0.1 billion as long-term interest-bearing receivables. The remaining part of the price was received in 2019. The minority owner Turkcell's share of the sales price of SEK 0.5 billion was included within discontinued operations and was classified as held for sale as per December 31, 2018. After the acquisition of Turkcell's non-controlling interest in Fintur in 2019 the balances in discontinued operations do not include any amounts related to Turkcell.

Rodnik and KazTransCom

On November 5, 2018, Telia Company completed the transfer of its holding in the associated company TOO Rodnik in Kazakhstan, which Telia Company consolidated to 50 percent, to Amun Services. Rodnik owned the listed company AO KazTransCom, a company which operated a fiber network and provided ICT services for the corporate segment in Kazakhstan. In addition, Telia Company entered into a settlement with Amun Services in respect of claims Amun Services and its affiliates had made or could direct against Telia Company and its affiliates. Telia Company also entered into a settlement with its former partner in Rodnik, Almaty Engineering Company, with respect to certain claims related to the historic management and investments in Rodnik. The transaction resulted in a capital loss in 2018 of SEK 271 million, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 259 million. The reclassification of accumulated exchange losses had no effect on equity.

Ucell in Uzbekistan

On December 5, 2018, Telia Company disposed its interest in Ucell in Uzbekistan to the State Committee of the Republic of Uzbekistan for Assistance to Privatized Enterprises and Development of Competition, a governmental authority of the sovereign state of Uzbekistan, for a price corresponding to USD 215 million (SEK 1.9 billion) on a debt free basis for 100 percent. The transaction resulted in a capital loss for the group in 2018 of SEK 3,449 million, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 3,934 million. The reclassification of accumulated exchange losses had no effect on equity. The transaction had a positive cash flow effect for the group in 2018 of SEK 1,154 million (price received less cash and cash equivalents in the entity sold).

Kcell in Kazakhstan

On December 21, 2018, Telia Company, together with Fintur Holdings B.V. (Fintur), jointly owned by Telia Company and Turkcell, disposed their 75 percent holding in the leading Kazakhi telecommunications operator Kcell JSC, to the telecom operator Kazakhtelecom JSC, a company controlled by the government of the Republic of Kazakhstan through the sovereign wealth fund Samruk-Kazyna. The price for Telia Company's and Fintur's 75 percent in Kcell was USD 445 million (SEK 4.0 billion). The transaction resulted in a capital gain of SEK 210 million for the group in 2018, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 668 million. The reclassification of accumulated exchange losses had no effect on equity. The transaction had a positive cash flow effect for the group (relating to both parent shareholders and non-controlling interests) in 2018 of SEK 3,716 million (price less cash and cash equivalents in the entity sold). Telia Company's share of the sales price of SEK 2.9 billion was classified within continuing operations within cash and cash equivalents. The minority owner Turkcell's share of the sales price of SEK 1.1 billion was included within discontinued operations and was classified as held for sale as per December 31, 2018. After the acquisition of Turkcell's non-controlling interest in Fintur in 2019 the balances in discontinued operations do not include any amounts related to Turkcell.

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 USD 31.5 million. The transaction is not subject to any conditions to close, and Telia Company expects to complete the divestment during the first quarter of 2020. The transaction price of USD 31.5 million is adjusted for a license liability and corresponds to a cash and debt free value of SEK 0.4 billion.

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 is the sole owner of Fintur Holdings B.V. (Fintur) and Moldcell in Moldova from April 2, 2019.

All effects related to the acquisition are recognized directly in equity, including Telia Company's 24 percent share of Turkcell's reported effects from the transaction, as the total transaction is 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 is recognized within financing activities.

Subsidiaries in discontinued operations with material non-controlling interests

AO Kcell and Azercell Telekom B.M. were held partly by intermediate holding companies where one was partly held by the associated company Turkcell. The non-controlling interest (NCI) in Kcell before the disposal was 41.0 percent. Based on a put option granted, the NCI in Azercell before the disposal was accounting-wise reduced to 35.9 percent.

Financial risk management

Telia Company's net investments in region Eurasia is although classified as discontinued operations, still exposed to fluctuations in foreign exchange rates and managed accordingly.

Transaction risk on proceeds of the disposals is dealt with as a part of the group's established foreign exchange risk management procedures following the group policy on financial management. The currency of the future sales proceeds will probably not be the same as the local currency of the disposed operations.

Conversion risk in discontinued operations relates to the net investments in foreign operations. The major currencies contributing to the remaining conversion risk are MDL, USD, EUR and TRY.

The surplus liquidity and liquidity position for the discontinued operations as of December 31, 2019, was SEK 94 million (3,827), which relates to cash and cash equivalents. Based on the current liquidity position and the expected disposal of the remaining Eurasian operations, Telia Company's liquidity risk relating to discontinued operations is considered limited.

Credit risk is dealt with as part of the group's established credit risk management procedures following the group policy, or where applicable, the subsidiary's policy on financial management.

Interest rate risk is the risk that a change in interest rates will negatively affect the group's net interest income or cash flows. As per December 31, 2019, there are no material interest-bearing borrowings remaining within discontinued operations. The interest rate risk relating to cash and cash equivalents and receivables is deemed limited.

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.

PARENT COMPANY INCOME STATEMENTS

SEK in millions	Note	Jan-Dec 2019	Jan-Dec 2018
Net sales	P2	500	417
Cost of sales		-	-
Gross income		500	417
Selling and marketing expenses	P3	-67	-74
Administrative expenses	P3	-994	-1,035
Other operating income	P4	1,943	30
Other operating expenses	P4	-131	-397
Operating loss/income		1,252	-1,060
Finance income	P5	34,926	22,662
Finance costs	P5	-28,780	-5,666
Income after financial items		7,399	15,936
Appropriations	P6	5,395	7,284
Income before taxes		12,794	23,220
Income taxes	P6	-551	-563
Net income		12,243	22,657

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions	Note	Jan–Dec 2019	Jan–Dec 2018
Net income		12,243	22,657
Items that may be reclassified to net income			
Cash flow hedges, net change in fair value		-99	-336
Cash flow hedges, transferred to finance costs in net income		6	24
Cost of hedging		54	45
Debt instruments at fair value through OCI		-28	-64
Income taxes relating to items that may be reclassified		14	74
Items that may not be reclassified to net income			
Equity instruments at fair value through OCI		47	554
Income taxes relating to items that will not be reclassified		-	-
Total other comprehensive income	P7	-6	298
Total comprehensive income		12,237	22,955

PARENT COMPANY BALANCE SHEETS

SEK in millions	Note	Dec 31, 2019	Dec 31, 2018
Assets			
Intangible assets	P8	4	6
Property, plant and equipment	P9	0	0
Deferred tax assets	P6	121	85
Other financial assets	P10	199,705	175,974
Total non-current assets		199,830	176,064
Trade and other receivables	P11	29,884	35,056
Current tax receivables		–	234
Short-term investments	P12	9,226	6,150
Cash and bank	P12	3,649	6,072
Total current assets		42,759	47,512
Total assets		242,589	223,577
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		1,500	1,506
Retained earnings		63,157	55,314
Net income		12,243	22,657
Total shareholders' equity		92,612	95,189
Untaxed reserves	P6	6,246	6,882
Provisions for pensions and employment contracts	P14	379	403
Deferred tax liabilities	P6	–	–
Other provisions	P15	196	131
Total provisions		575	534
<i>Interest-bearing liabilities</i>			
Long-term borrowings	P16	86,348	84,184
Short-term borrowings	P16	53,533	33,943
Current tax payables		19	–
<i>Non-interest-bearing liabilities</i>			
Long-term liabilities	P17	9	16
Short-term provisions, trade payables and other current liabilities	P15, P18	3,246	2,829
Total liabilities		143,155	120,972
Total shareholders' equity and liabilities		242,589	223,577

PARENT COMPANY CASH FLOW STATEMENTS

SEK in millions	Note	Jan–Dec 2019	Jan–Dec 2018
Net income		12,243	22,657
Adjustments for:			
Amortization, depreciation and impairment losses		24,098	555
Capital gains/losses on sales/disposals of non-current assets		5	16
Pensions and other provisions		-2,019	106
Financial items		1,696	2,596
Group contributions and appropriations		-5,395	-7,284
Income taxes		231	166
Cash flow before change in working capital		30,860	18,811
Increase (-)/Decrease (+) in operating receivables		-1,190	306
Increase (+)/Decrease (-) in operating liabilities		1,193	-304
Change in working capital		3	2
Cash flow from operating activities		30,863	18,813
Intangible and tangible non-current assets acquired		-	0
Repayment of capital in subsidiary		-	14
Equity instruments acquired		-20,138	-20,120
Equity instruments and operations divested		24,976	2,347
Net change in loans granted and other similar investments		-47,016	-18,406
Net change in interest-bearing current receivables		-7,180	15,309
Repayment of long-term loans		8,471	8,004
Cash flow from investing activities		-40,888	-12,851
Cash flow before financing activities		-10,025	5,963
Repurchased treasury shares including transaction costs		-5,013	-4,062
Dividend to shareholders		-9,850	-9,881
Group contributions net		6,137	6,243
Proceeds from borrowings		14,456	1,020
Repayment of borrowings		-4,412	-2,927
Settlement of derivative contracts for economic hedges and CSA		814	1,707
Cash received for repurchase agreements		9,910	12,037
Cash paid for repurchase agreements		-9,910	-12,700
Cash flow from financing activities		2,131	-8,564
Change in cash and cash equivalents		-7,894	-2,601
Cash and cash equivalents, opening balance		12,222	14,418
Change in cash and cash equivalents		-7,894	-2,601
Exchange rate differences in cash and cash equivalents		121	405
Cash and cash equivalents, closing balance	P12	4,449	12,222
Dividends received		33,027	21,913
Interest received		1,339	984
Interest paid		-2,429	-2,673
Income taxes paid		-319	-397

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, 2017		13,856	1,855	2	1,207	69,480	86,400
Change in accounting principle ¹		-	-	-	-	-150	-150
Adjusted opening balance, January 1, 2018		13,856	1,855	2	1,207	69,329	86,250
Dividend	P13	-	-	-	-	-9,881	-9,881
Share-based payments	P25	-	-	-	-	10	10
Treasury shares		-	-	-	-	-4,146	-4,146
Capitalized development expenses	P8	-	-	-1	-	1	-
Total comprehensive income		-	-	-	298	22,657	22,955
Closing balance, December 31, 2018		13,856	1,855	1	1,506	77,970	95,189
Dividend	P13	-	-	-	-	-9,850	-9,850
Share-based payments	P25	-	-	-	-	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

1) Transition effect IFRS 9, see Note P1.

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, P16	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, P10	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, P14	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	P21	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 2019	Jan-Dec 2018
Sweden	247	209
Finland	102	80
Norway	77	45
Denmark	35	30
Netherlands	-	15
Other countries	40	37
Total	500	417

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 2019	Jan-Dec 2018
Other network expenses	-18	-11
Personnel expenses (see also Note P25)	-798	-809
Rent and leasing fees	-26	-5
Consultants' services	-116	-182
IT expenses	-9	-17
Other expenses and net of intra-group invoicing	-92	-81
Amortization, depreciation and impairment losses	-2	-3
Total	-1,061	-1,109

Amortization, depreciation and impairment losses were distributed by function as follows.

SEK in millions	Jan-Dec 2019	Jan-Dec 2018
Administrative expenses	-2	-3
Total	-2	-3

P4 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses were distributed as follows.

SEK in millions	Jan-Dec 2019	Jan-Dec 2018
Other operating income		
Reversal of provisions ¹	1,931	-
Exchange rate gains	12	25
Other operating income	0	5
Total other operating income	1,943	30
Exchange rate losses	-41	-20
Capital losses	0	-
Unwinding of provision discount	-11	-44
Restructuring costs	-15	-7
Other operating expenses	-63	-327
Total other operating expenses	-131	-397
Net effect on income	1,812	-368

1) Adjustment of provision for the global settlement with the authorities regarding the Uzbekistan investigations 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 2019 and 2018 mainly relate to transaction costs in business combinations.

P5 FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs were distributed as follows.

SEK in millions	Jan–Dec 2019	Jan–Dec 2018
Finance income		
Dividends from subsidiaries	33,027	21,912
Capital gains from subsidiaries	–	1
Dividends from associated companies	–	1
Interest from subsidiaries	1,777	415
Other interest income	39	89
Exchange rate gains	84	241
Other financial revenues	1	2
Total finance income	34,926	22,662
Finance costs		
Impairment losses from subsidiaries	-24,251	-475
Capital losses from subsidiaries	-5	0
Impairment losses from other financial investments	-81	-125
Other interest expenses	-2,802	-2,228
Interest expenses related to subsidiaries	-33	-17
Interest component of pension expenses	-16	-16
Exchange rate losses	-1,533	-2,759
Other financial expenses	-61	-46
Total finance costs	-28,780	-5,666
Net effect on income	6,146	16,995

Impairment losses from subsidiaries include impairment charges amounting to SEK 235 million (32) in accordance with IFRS 9. For more information regarding Impairment losses from subsidiaries see Notes P10 and P11, respectively.

Details on other interest expenses, net exchange rate gains and losses and other interest income related to hedging activities, loan receivables, bonds and borrowings were as follows.

SEK in millions	Jan–Dec 2019	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
	Other interest expenses		Net exchange rate gains and losses		Other interest income	
Fair value hedge derivatives	488	813	–	–	–	–
Cash flow hedge derivatives	-334	-53	536	-27	–	–
Derivatives at fair value through income statement	132	-59	-420	1,493	–	–
Financial assets at amortized cost	–	–	-278	-607	2	15
Bonds at fair value through OCI	–	–	–	–	37	73
Borrowings in fair value hedge relationships	-2,842	-2,592	-865	-2,519	–	–
Borrowings and other financial liabilities at amortized cost	-246	-279	-421	-857	–	–
Other	–	-58	–	–	–	–
Total	-2,802	-2,228	-1,449	-2,518	39	89

P6 INCOME TAXES

Tax items recognized in comprehensive income

Tax items recognized in comprehensive income were distributed as follows.

SEK in millions	Jan–Dec 2019	Jan–Dec 2018
Tax items recognized in net income		
Current tax	-579	-551
Adjustment of current tax related to prior years	0	-2
Deferred tax	29	-2
Effect on deferred tax from changes in tax rates ¹	-1	-9
Total tax expense recognized in net income	-551	-563
Tax items recognized in other comprehensive income		
Current tax	6	14
Deferred tax	8	60
Total tax recognized in other comprehensive income	14	74
Tax items recognized directly in equity		
Deferred tax	-	-
Total tax recognized directly in equity	-	-

1) Effect on deferred tax expense from changes in tax rate in 2018 is impacted by revaluation of deferred tax assets and liabilities as a consequence of reduced corporate tax rate in Sweden enacted during 2018. In 2019 the impact relates to changed assessment compared to 2018 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 12,794 million in 2019 (23,220). The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan–Dec 2019	Jan–Dec 2018
Swedish income tax rate	21.4	22.0
Underprovided or overprovided current tax expense in prior years	0.0	0.0
Effect on deferred tax expense from changes in tax rates ¹	0.0	0.0
Non-deductible expenses	41.1	1.1
Tax-exempt income	-58.2	-20.8
Effective tax rate in net income	4.3	2.4

1) Effect on deferred tax expense from changes in tax rate in 2018 is impacted by revaluation of deferred tax assets and liabilities as a consequence of reduced corporate tax rate in Sweden enacted during 2018. In 2019 the impact relates to changed assessment compared to 2018 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 2019 was mainly affected by impairment write-downs of subsidiaries. Tax-exempt income in 2019 and 2018 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.

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SEK in millions	2019			Closing balance
	Opening balance	Recognized in income statement	Recognized in other comprehensive income	
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

SEK in millions	2018			Closing balance
	Opening balance	Recognized in income statement	Recognized in other comprehensive income	
Gross deferred tax assets				
Non-current assets	2	0	–	2
Provisions	134	-8	–	126
Subtotal	136	-8	–	128
Offset deferred tax liabilities/assets	-105	–	60	-44
Total deferred tax assets	32	-8	60	85
Deferred tax liabilities				
Fair value adjustments, cash flow hedges and financial assets at fair value through OCI	105	–	-60	45
Subtotal	105	–	-60	45
Offset deferred tax assets/liabilities	-105	–	60	-45
Total deferred tax liabilities	–	–	–	–
Net deferred tax assets (+)/liabilities (-)	32	-8	60	85

In 2019 and 2018, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. As of December 31, 2019, the unrecognized deferred tax liability in untaxed reserves amounted to SEK 1,337 million (1,514).

Untaxed reserves and appropriations

As of December 31, 2019 and 2018, untaxed reserves in the balance sheet consisted of profit equalization reserves totaling SEK 6,246 million and SEK 6,882 million, respectively.

SEK in millions	Jan–Dec 2019	Jan–Dec 2018
Change in profit equalization reserves	636	1,148
Group contributions received	5,444	6,485
Group contributions paid	-685	-348
Net effect on income	5,395	7,284

P7 OTHER COMPREHENSIVE INCOME

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan–Dec 2019	Jan–Dec 2018
Other comprehensive income that may be reclassified to net income			
Cash flow hedges			
Net changes in fair value	Hedging reserve	-99	-336
Transferred to financial items in net income	Hedging reserve	6	24
Income tax effect	Hedging reserve	19	69
Total cash flow hedges		-74	-243
Cost of hedging			
Changes in fair value	Cost of hedging reserve	54	45
Income tax effect	Cost of hedging reserve	-11	-9
Total cost of hedging		43	35
Debt instruments at fair value through OCI			
Net changes in fair value	Fair value reserve	-28	-64
Income tax effect	Fair value reserve	6	14
Total debt instruments at fair value through OCI		-22	-50
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	47	554
Income tax effect	Fair value reserve	–	–
Total equity instruments at fair value through OCI		47	554
Total other comprehensive income		-6	298
<i>of which total income tax effects (see also Note P6)</i>		<i>14</i>	<i>74</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, 2019	Dec 31, 2018
Accumulated costs	39	39
Accumulated amortization	-35	-33
Carrying value	4	6
<i>of which work in progress</i>	<i>0</i>	<i>0</i>
Carrying value opening balance	6	9
Investments	0	0
Disposals	0	0
Depreciation for the year	-2	-3
Carrying value, closing balance	4	6

As of December 31, 2019 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, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
	Plant and machinery		Equipment, tools and installations		Total	
Accumulated cost	6	6	17	17	23	23
Accumulated depreciation	-6	-6	-17	-17	-23	-23
Carrying value	-	-	0	0	0	0
Carrying value, opening balance	0	1	0	0	0	1
Depreciation for the year	0	-1	-	-	0	-1
Carrying value, closing balance	-	-	0	0	0	0

No general changes of useful lives were made in 2019. 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 OTHER FINANCIAL ASSETS

The total carrying value changed as follows.

SEK in millions	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
	Investments in associated companies and joint ventures	Investments in other equity instruments	Investments in subsidiaries and other non-current financial assets	Total				
Carrying value, opening balance	27	72	234	1,917	175,712	154,561	175,794	156,551
New share issues and shareholder contributions	8	6	–	3	11,549	92	11,556	101
Repayment of capital	–	–	–	-6	–	-14	–	-20
Additions	1	0	55	36	72,258	38,946	72,314	38,980
Disposals	–	-53	-28	-2,269	-30,087	-13,464	-30,114	-15,786
Impairment losses	–	-39	–	–	-24,066	-444	-24,066	-483
Reclassifications to short-term investments	–	41	–	–	-7,017	-3,964	-7,018	-3,923
Other reclassifications	-1	–	–	–	1	0	1	0
Changes in fair value	–	–	6	554	1,053	–	1,059	554
Carrying value, closing balance	35	27	267	234	199,403	175,712	199,705	175,974

For other financial assets, fair values equal carrying values. Impairment losses in 2019 were mainly related to Impairment losses of Telia Finland Oyj amounting to SEK 22,837 million and TeliaSonera Kazakhstan Holding B.V. amounting to SEK 1,180 million, respectively. Impairment losses in 2018 were mainly related to impairment losses of Skanova AB. 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, 2019	Dec 31, 2018
Investments in other equity instruments at fair value through OCI	253	220
Investments in other equity instruments at fair value through income statement	13	13
Bonds at fair value through OCI	4,849	7,267
Interest rate and cross-currency interest rate swaps at fair value	3,335	2,381
<i>of which designated as fair value hedges</i>	1,205	985
<i>of which at fair value through income statement¹</i>	66	60
<i>of which designated as cash flow hedges¹</i>	2,064	1,336
Subtotal (see Fair value hierarchy levels – Note P19)	8,451	9,881
Financial assets at amortized cost	19	46
Subtotal (see Categories – Note P19 and Credit risk – Note P20)	8,470	9,927
Investments in subsidiaries	126,573	154,484
Receivables from subsidiaries (see Note P22)	64,627	11,535
Investments in associated companies	35	27
Total other financial assets	199,705	175,974
<i>of which interest-bearing</i>	72,822	21,229
<i>of which non-interest-bearing</i>	126,882	154,745

1) For 2018, carrying value of SEK 546 million has been reclassified to interest rate- and cross-currency interest rate swaps at fair value, of which designated as cash flow hedges, from interest rate- and cross-currency interest rate swaps at fair value, of which at fair value through income statement.

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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 P19 and section "Credit risk management" in Note P20, 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, 2019	Dec 31, 2018
Swedish companies				
TV4 Media Holding AB, 556906-0824, Stockholm	100	50,000	9,415	–
Telia Sverige AB, 556430-0142, Stockholm	100	3,000,000	9,224	4,376
Telia Towers AB, 559196-5164, Stockholm	100	133,050,000	6,634	–
Telia Nättjänster Norden AB, 556459-3076, Stockholm	100	68,512	3,146	3,146
TeliaSonera Mobile Networks AB, 556025-7932, Stockholm	100	550,000	663	663
Cygate AB, 556549-8952, Solna	100	61,000	765	659
Telia Finance AB, 556404-6661, Solna	100	45,000	659	616
Telia Mobile Holding AB, 556855-9040, Stockholm	100	50,000	511	476
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
Fello AB, 556921-7648, Gothenburg	100	180,656	105	–
Rätt Internet Kapacitet i Sverige AB, 556669-1704, Umeå	100	8,500	31	31
Svenska Stadsnät AB, 556577-9195, Lund	100	100,000	23	70
Telia Asset Finance AB, 556599-4729, Solna	100	1,000	22	22
Axelerate Solutions AB, 556988-3076, Stockholm	100	1,000	16	17
Dalbo Net AB, 556848-4249, Mellerud	100	50,000	14	–
Styx004 AB, 556606-6055, Gothenburg	100	10,000	7	9
Telia Network Sales AB, 556458-0040, Stockholm	100	10,000	7	7
Styx005 AB, 556612-1686, Sala	100	40,000	7	43
Romelebygdens Kabel-TV AB, 556426-1716, Lund	100	1,000	5	36
Styx006 AB, 559028-4153, Stockholm	100	500	4	4
Styx003 AB, 556569-7314, Stockholm	100	62,161,368	3	69
Styx002 AB, 556628-1498, Gnesta	100	1,000	2	94
We Care and Repair Nordic AB, 556989-3679, Stockholm	100	500	2	2
Styx008 AB, 556663-4514, Växjö	100	1,000	1	1
Styx007 AB, 556419-9908, Löddeköpinge	100	1,000	1	21
Styx001 AB, 556672-3275, Stockholm	100	1,453	1	20
isMobile AB, 556575-0014, Luleå	67	8,255,975	1	–
Skanova AB, 556446-3734, Solna	100	1,000,000	–	18,233
Other operating, dormant and divested companies			0	0

Subsidiary, Corp. reg. no., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			Dec 31, 2019	Dec 31, 2018
Non-Swedish companies				
Telia Finland Oyj, 1475607-9, Helsinki	100	1,417,360,515	46,646	74,863
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 Communication Oy, 0962834-7, Hämeenlinna	100	2,700	195	194
Telia Carrier Finland Oy, 1649304-9, Helsinki	100	100	98	98
Assembly Organizing Oy, 2245136-3, Helsinki	80.1	750	23	23
Get AS, 919394056, Oslo	100	56,684	–	18,674
Telia Norge AS, 981929055, Oslo	100	30,000	32,675	15,139
Telia Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	172	172
Telia Company Danmark A/S, 18530740, Copenhagen	100	14,500	19	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	20,000	12	12
SIA Telia Latvija, 000305757, Riga	100	353,500	24	24
Telia Carrier Latvia SIA, 000325135, 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	5,690	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, Prague	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	1,000	54	54
Telia Carrier Poland Sp.z.o.o., KRS0000018616, Warsaw	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, Bukarest	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	50,620	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
Telia Carrier Bulgaria EOOD, 175215740, Sofia	100	29,210	0	0
TeliaSonera Kazakhstan Holding B.V., 6547289, Rotterdam	100	10	–	1,209
TeliaSonera Telekomunikasyon Hizmetleri A.S., 381395, Istanbul	99.0	79,193	10	10
TeliaSonera Assignments B.V., 24300363, Rotterdam	100	1,810,719,000	–	1
Other operating, dormant and divested companies			1	1
Total			126,573	154,484

In March 2019 the wholly-owned subsidiary Skanova AB was disposed to the wholly-owned subsidiary Telia Sverige AB. In 2019 the wholly-owned subsidiary TeliaSonera Kazakhstan Holding B.V. was disposed to a group company. Get AS was acquired during 2018 and merged into Telia Norge AS in 2019.

For information regarding acquisitions see Note C34. Telia Danmark 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 TeliaSonera Telekomunikasyon Hizmetleri A.S. is owned

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by Telia Finland Oyj which also indirectly controls Fintur Holdings 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.

P11 TRADE AND OTHER RECEIVABLES

The carrying value of trade and other receivables were distributed as follows.

SEK in millions	Dec 31, 2019	Dec 31, 2018
Interest rate and cross-currency interest rate swaps designated as fair value hedges	382	81
Currency- and interest rate swaps and forward exchange contracts at fair value through income statement	104	717
Subtotal (see Fair value hierarchy levels – Note P19)	487	798
Accounts receivable at amortized cost	32	32
Loans and receivables at amortized cost	2	2
Subtotal (see Categories – Note P19 and Credit risk – Note P20)	521	832
Receivables from subsidiaries (see Note P22)	29,197	34,074
<i>of which cash-pool balances and short-term deposits</i>	23,076	27,724
<i>of which trade and other receivables</i>	6,122	6,350
Other current receivables	145	67
Deferred expenses	21	85
Total trade and other receivables	29,884	35,056
<i>of which interest-bearing</i>	23,500	28,334
<i>of which non-interest-bearing</i>	6,385	6,724

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, 2019	Dec 31, 2018
Geographical area		
Sweden	11	13
Other countries	23	20
Total carrying value	34	34
Customer segment		
Other customers	34	34
Total carrying value	34	34

For more information on financial instruments by category/ fair value hierarchy level and exposed to credit risk, see Note P19 and section “Credit risk management” in Note

P20, 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, 2019	Dec 31, 2018
Accounts receivable invoiced	32	32
Allowance for expected credit losses, accounts receivable	–	–
Total accounts receivable	32	32
Accounts receivable not due	31	12
Accounts receivable past due but not impaired	1	20
<i>of which 30–180 days</i>	1	17
<i>of which more than 180 days</i>	0	3
Total accounts receivable	32	32

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, 2019	Dec 31, 2018
Loans and receivables not due	2	2
Total loans and receivables	2	2

There were no expenses for credit losses and no recovered accounts receivable in 2019 and in 2018.

P12 SHORT-TERM INVESTMENTS, CASH AND CASH EQUIVALENTS

Short-term investments, cash and cash equivalents were as follows.

SEK in millions	Dec 31, 2019	Dec 31, 2018
Short term investments with maturities longer than 3 months	8,426	–
<i>of which bonds at fair value through OCI</i>	8,426	–
Short-term investments with maturities up to and including 3 months	800	6,150
<i>of which bonds at fair value through OCI</i>	800	–
<i>of which bank deposits at amortized cost</i>	–	6,150
Total short-term investments	9,226	6,150
Cash and bank	3,649	6,072
Total (see Categories – Note P19 and Credit risk – Note P20)	12,875	12,222
<i>of which cash and cash equivalents</i>	4,449	12,222

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, 2019, 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 P19 and section "Credit risk management" in Note P20, respectively.

P13 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	64,656,377,954
Net income	12,243,287,577
Total	76,899,665,531

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.45 per share ordinary dividend to the shareholders ¹	10,076,067,509
To be carried forward	66,823,598,022
Total	76,899,665,531

1) Based on outstanding shares as per December 31, 2019.

The dividend should be split and distributed into two tranches, one of SEK 1.22 per share in April 2020 and one of SEK 1.23 per share in October 2020.

The Board of Directors has, according to Chapter 18 Section 4 of the Swedish Companies Act, assessed whether the proposed dividend is justified. The Board of Directors assesses that:

The parent company's restricted equity and the group's total equity attributable to the shareholders of the parent company, after the distribution of profits in accordance with the proposal, will be sufficient in relation to the scope of the parent company's and the group's business.

The proposed dividend does not jeopardize the parent company's or the group's ability to make the investments that are considered necessary. The proposal is consistent with the established cash flow forecast under which the parent company and the group are expected to manage unexpected events and temporary variations in cash flows to a reasonable extent.

The full statement by the Board of Directors on the same will be included in the AGM documentations.

P14 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, 2019	Dec 31, 2018
Opening balance, pension obligations covered by plan assets	1,551	1,547
Opening balance, pension obligations not covered by plan assets	403	417
Opening balance, total pension obligations	1,954	1,964
Current service cost	16	13
Interest cost, paid-up policy indexation	94	103
Benefits paid	-125	-129
Other changes in valuation of pension obligations	-3	4
Closing balance, pension obligations covered by plan assets	1,558	1,551
Closing balance, pension obligations not covered by plan assets	379	403
Closing balance, total pension obligations	1,937	1,954
<i>of which PRI Pensionsgaranti pensions</i>	<i>1,360</i>	<i>1,334</i>

The fair value of plan assets changed as follows.

SEK in millions, except return	Dec 31, 2019	Dec 31, 2018
Opening balance, plan assets	2,680	2,690
Actual return	325	-10
Closing balance, plan assets	3,005	2,680
<i>Actual return on plan assets (%)</i>	<i>12.1</i>	<i>-0.4</i>

Provisions for pension obligations were recognized in the balance sheet as follows.

SEK in millions	Dec 31, 2019	Dec 31, 2018
Present value of pension obligations	1,937	1,954
Fair value of plan assets	-3,005	-2,680
Surplus capital in pension fund	1,446	1,129
Provisions for pension obligations	379	403

Total pension expenses (+)/income (-) were distributed as follows.

SEK in millions	Dec 31, 2019	Dec 31, 2018
Current service cost	16	13
Interest cost, paid-up policy indexation	94	103
Less interest expenses recognized as financial expenses	-16	-16
Actual return on plan assets	-325	10
Divested operations, pension obligations	0	0
Other changes in valuation of pension obligations	-3	4
Termination benefits	1	-
Pension expenses (+)/income (-), defined benefit pension plans	-233	113
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	88	70
Pension-related social charges and taxes	46	52
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost	-1	-1
Pension expenses (+)/income (-)	134	121
Decrease (-)/Increase (+) of surplus capital in pension fund	318	-14
Recognized pension expenses (+)/income (-)	219	220
<i>of which pension premiums paid to the ITP pension plan</i>	8	5

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 3.4 percent in 2019 (3.0). Obligations were calculated based on the salary levels prevailing at December 31, 2019 and 2018, respectively.

Plan-asset allocation

At the end of the reporting period, plan assets were allocated as follows.

Asset category	Dec 31, 2019		Dec 31, 2018	
	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	1,411	47.0	1,353	50.5
Shares and other investments	1,594	53.0	1,326	49.5
Total	3,005	100.0	2,680	100.0

Future contributions and pension payments

As of December 31, 2019, the fair value of plan assets exceeded the present value of pension obligations. Unless the

fair value of plan assets during 2020 should fall short of the present value of pension obligations, Telia Company has no intention to make any contribution to the pension fund.

P15 OTHER PROVISIONS

Changes in other provisions were as follows.

SEK in millions	December 31, 2019					Total
	Payroll taxes on future pension payments	Restructuring provisions	Other provisions	Damages and court cases	Insurance provisions	
Opening balance	47	2	174	1,854	21	2,099
Provisions for the period	4	15	108	-	-4	123
Utilized provisions	-2	-10	-75	-	-	-87
Reversal of provisions	-	-	-2	-1,931	-	-1,933
Exchange rate differences	-	-	6	66	-	72
Discount effect, net	-	-	-	11	-	11
Closing balance	49	7	211	-	17	285
<i>of which non-current portion</i>	49	-	130	-	17	196
<i>of which current portion</i>	-	7	81	-	-	88

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. See Note P19 for more information on financial instruments classified by category.

Restructuring provisions mainly refer to staff redundancy costs related to cost saving programs. The remaining provision as of December 31, 2019, is expected to be fully utilized in 2020. Provisions for damages and court cases 2018 comprised of the provision for settlement amount with the US and Dutch authorities. During 2019 this provision was reversed as Telia Company AB's subsidiary in the Netherlands, Sonera Holding B.V., paid the remaining part of the settlement amount. For more information see Note

C35. Full utilization of payroll taxes on future pension payments and insurance provisions is expected in the period 2020-2054.

The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimates may vary mostly as a result of changes in actual pension payments, changes in the actual number of months an employee is staying in redeployment before leaving, changes in tax and other legislation and changes in the actual outcome of negotiations with lessors, sub-contractors and other external counterparts as well as the timing of such changes.

P16 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, 2019		Dec 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	50,945	55,574	49,963	55,014
Interest rate swaps at fair value	230	230	162	162
<i>of which designated as hedging instruments</i>	230	230	162	162
Cross-currency interest rate swaps at fair value	2,694	2,694	1,792	1,792
<i>of which hedging net investments</i>	1,892	1,892	1,527	1,527
<i>of which designated as hedging instruments</i>	647	647	265	265
<i>of which at fair value through income statement</i>	155	155	-	-
Subtotal (see Fair value hierarchy levels – Note P19)	53,870	58,498	51,917	56,968
Open-market financing program borrowings at amortized cost	32,475	42,255	32,267	39,767
Subtotal (see Categories – Note P19)	86,345	100,753	84,184	96,735
Total long-term borrowings	86,345	100,753	84,184	96,735
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	6,807	6,841	3,018	3,019
Interest rate swaps designated as hedging instruments	22	22	45	45
Cross-currency interest rate swaps as at fair value through income statement	-	-	292	292
Subtotal (see Fair value hierarchy levels – Note P19)	6,828	6,863	3,355	3,357
Utilized short term credit facilities	7,833	7,841	-	-
Open-market financing program borrowings at amortized cost	1,422	1,431	1,771	1,776
Subtotal (see Categories – Note P19)	16,083	16,134	5,127	5,133
Borrowings from subsidiaries (see Note P22)	37,450		28,816	
<i>of which cash pool balances</i>	35,447		28,660	
<i>of which other borrowings</i>	2,003		156	
Total short-term borrowings	53,533		33,943	

As of December 31, 2019, fully unutilized bank overdraft facilities had a total limit of SEK 1,036 million (1,416).

For additional information on financial instruments classified by category/fair value hierarchy level, see Note P19, and for information on maturities and liquidity risks, see section

“Liquidity risk management” in Note P20. 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.

P17 LONG-TERM LIABILITIES

The carrying value of long-term liabilities were SEK 9 million (16). For liabilities to subsidiaries, see Note P22. For the years 2019 and 2018, no long-term liabilities fell due more than 5 years after the end of the reporting period.

P18 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, 2019	Dec 31, 2018
Currency swaps, forward exchange contracts and currency options measured at fair value through profit or loss (income statement)	377	99
Subtotal (see Fair value hierarchy levels – Note P19)	377	99
Accounts payable at amortized cost	111	129
Current liabilities at amortized cost	13	15
Subtotal (see Categories – Note P19)	501	243
Liabilities to subsidiaries (see Note P22)	1,257	156
Other current liabilities and short-term provisions	1,489	2,430
Total short-term provisions, trade payables and other current liabilities	3,246	2,829

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 P19 and section “Liquidity risk management” in Note P20. As of December 31, 2019, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2020	Apr–Jun 2020	Jul–Sep 2020	Oct–Dec 2020	Total
Liabilities at amortized cost	124	0	0	0	124

Corresponding information for currency derivatives held-for-trading is presented in section “Liquidity risk management” to Note P20.

Conventional commercial terms apply for trading with subsidiaries.

P19 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 P14.

SEK in millions	Note	Dec 31, 2019	Dec 31, 2018
Financial assets			
Derivatives designated as hedging instruments ¹	P10, P11	3,651	2,402
Financial assets at fair value through income statement ¹		183	790
<i>of which derivatives measured at fair value through income statement¹</i>	<i>P10, P11</i>	<i>170</i>	<i>777</i>
<i>of which other investments at fair value through income statement</i>	<i>P10</i>	<i>13</i>	<i>13</i>
Long- and short-term bonds measured at fair value through OCI	P10, P12	14,075	7,267
Financial assets at amortized cost	P10, P11, P12	94,023	45,756
Financial assets measured at fair value through OCI	P10, P12	253	220
Total financial assets by category		112,185	56,435
Financial liabilities			
Derivatives designated as hedging instruments	P16	2,791	2,000
Derivatives measured at fair value through income statement	P16, P18	532	392
Financial liabilities measured at amortized cost	P16, P18	138,316	116,133
Total financial liabilities by category		141,639	118,525

1) For 2018, carrying value of SEK 546 million has been reclassified to interest rate- and cross-currency interest rate swaps at fair value, of which designated as cash flow hedges, from interest rate- and cross-currency interest rate swaps at fair value, of which at fair value through income statement.

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, 2019				December 31, 2018			
		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	P10	253	–	–	253	220	–	–	220
Equity instruments at fair value through income statement	P10	13	–	–	13	13	–	–	13
Long- and short-term bonds at fair value through OCI	P10, P12	14,075	12,066	2,010	–	7,267	7,267	–	–
Derivatives designated as hedging instruments ²	P10, P11	3,651	–	3,651	–	2,402	–	2,402	–
Derivatives at fair value through income statement ²	P10, P11	170	–	170	–	777	–	777	–
Total financial assets at fair value by level		18,163	12,066	5,831	266	10,679	7,267	3,179	234
Financial liabilities at fair value									
Derivatives designated as hedging instruments	P16	2,791	–	2,791	–	2,000	–	2,000	–
Derivatives at fair value through income statement	P16, P18	532	–	532	–	392	–	392	–
Contingent consideration liabilities		41	–	–	41	–	–	–	–
Total financial liabilities at fair value by level		3,365	–	3,323	41	2,392	–	2,392	–

1) For information on fair value hierarchy levels and fair value estimation, see Note C3.

2) For 2018, carrying value of SEK 546 million has been reclassified to interest rate- and cross-currency interest rate swaps at fair value, of which designated as cash flow hedges, from interest rate- and cross-currency interest rate swaps at fair value, of which at fair value through income statement.

There were no transfers between Level 1, 2 or 3 in 2019 and 2018.

Level 3 financial assets changed as follows.

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

SEK in millions	Assets, December 31, 2018			Total	Liabilities, December 31, 2018
	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	1,897	19	-	1,917	-
Changes in fair value	554	-	-	554	-
<i>of which recognized in other comprehensive income</i>	554	-	-	554	-
Purchases/capital contributions	39	0	-	39	-
Disposal	-2,269	-6	-	-2,275	-
Level 3, closing balance	220	13	-	234	-

The changes in fair value and the disposals of equity instruments relate mainly to Telia Company's holding in Aporeto Inc. in 2019 and Spotify in 2018. 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.

P20 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, 2019	Dec 31, 2018
Other financial assets excluding investments and receivables on subsidiaries and associated companies and investments in other equity instruments	P10	8,204	9,694
Trade and other receivables	P11	521	832
Short-term investments, cash and cash equivalents	P12	12,875	12,222
Total		21,600	22,748

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.

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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, 2019, 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 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	2021	2022	2023	2024	Later years	Total
Utilized bank overdraft and short-term credit facilities	-7,832	-	-	-	-	-	-	-	-	-7,832
Open-market financing program borrowings	-7,691	-602	-434	-1,431	-9,760	-15,636	-13,540	-10,145	-49,241	-108,480
Cross-currency interest rate swaps and interest rate swaps										
Payables	-6,816	-320	-308	-934	-7,871	-7,463	-12,899	-10,101	-27,189	-73,901
Receivables	7,094	395	174	1,054	7,931	7,320	12,686	10,144	27,212	74,010
Currency swaps and forward exchange contracts										
Payables	-30,530	-1,452	-179	-158	-	-	-	-	-	-32,319
Receivables	30,271	1,421	179	158	-	-	-	-	-	32,029
Total, net	-15,505	-558	-568	-1,311	-9,700	-15,779	-13,753	-10,102	-49,218	-116,493

Expected maturities for and additional information on non-interest-bearing liabilities, guarantees and other contractual obligations are presented in Notes P15, P18 and P23, respectively.

P21 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, 2019, that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	2021	2022	2023	2024	Later years	Total
Future minimum leasing fees	11	11	11	11	19	1	-	-	-	64

In 2019 total rent and leasing fees paid were SEK 36 million (35).

P22 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 2019 sales to subsidiaries totaled SEK 500 million (413), while purchases from subsidiaries totaled SEK 26 million (162). For information regarding receivables from and liabilities to subsidiaries see Notes P10, P11, P16, P17 and P18.

Commitments on behalf of related parties

Telia Company has made certain commitments on behalf of group companies and joint ventures. See Note P23 for further details.

Other transactions

For descriptions of certain other transactions with related parties, see Note C29.

P23 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, 2019	Dec 31, 2018
Guarantees on behalf of subsidiaries	6,424	3,461
Guarantees for pension obligations	38	38
Total financial guarantees	6,462	3,500

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

As of the end of the reporting period, collateral pledged was distributed as follows.

SEK in millions	Dec 31, 2019	Dec 31, 2018
<i>Investment bonds pledged under repurchase agreements</i>	–	156
Total collateral pledged	–	156

Other unrecognized contractual obligations

As of December 31, 2019, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2020	Apr–Jun 2020	Jul–Sep 2020	Oct–Dec 2020	2021	2022	2023	2024	Later years	Total
Other holdings	0	2	3	0	–	–	–	–	–	5
Total (see Liquidity risk – Note P20)	0	2	3	0	–	–	–	–	–	5

Legal and administrative proceedings

For additional information relevant to Telia Company, see Note C30.

P24 CASH FLOW INFORMATION

Non-cash transactions

No non-cash transactions were performed during 2019 or 2018.

Liabilities and cash flows arising 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 held to hedge 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 held to hedge short-term borrowings</i>	45	-	-	-7	-17	22
Change in 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 they are included in cash flow from financing activities.

SEK in millions	Dec 31, 2017	Cash flows	Non-cash changes			Dec 31, 2018
			Foreign exchange movements	Fair value changes	Other changes ¹	
Long-term borrowings	85,437	928	3,483	258	-5,922	84,184
Long-term borrowings (excluding borrowings from subsidiaries)	85,437	928	3,483	258	-5,922	84,184
<i>of which derivatives held to hedge long-term borrowings</i>	2,074	334	-454	-	-	1,954
Short-term borrowings	40,849	-2,444	-62	-36	-4,364	33,943
Short-term borrowings (excluding borrowings from subsidiaries)	3,056	-2,444	-62	-36	4,612	5,127
<i>of which derivatives held to hedge short-term borrowings³</i>	110	-15	-50	-	-	45
Change in borrowings from subsidiaries	37,793	-	-	-	-8,977	28,816
Total liabilities from financing activities	126,286	-1,515	3,421	222	-10,287	118,127
Assets held to hedge borrowings²	-3,003	652	-662	114	-25	-2,923
<i>of which derivatives hedging long-term borrowings</i>	-2,230	-75	-105	179	-89	-2,321
<i>of which derivatives hedging short-term borrowings</i>	-	-	-	-19	-62	-81
Total liabilities from financing activities net of assets held to hedge borrowings²	123,284	-864	2,759	336	-10,311	115,204

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 they are included in cash flow from financing activities.

3) For 2018 SEK 293 million has been reclassified from Short-term borrowings, of which derivatives hedging short-term borrowings, to Short-term borrowings, of which derivatives at fair value through income statement.

P25 HUMAN RESOURCES

The number of employees was 288 at December 31, 2019 (294)¹. The average number of full-time employees was as follows.

Country	Jan-Dec 2019		Jan-Dec 2018	
	Total (number)	of whom men (%)	Total (number) ¹	of whom men (%) ¹
Sweden	271	48	268	49
Total	271	48	268	49

1) Restated.

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 8 other members (7) of Group Executive Management employed by the parent company.

Percent	Dec 31, 2019		Dec 31, 2018	
	Board of Directors	Other Corporate Officers	Board of Directors	Other Corporate Officers
Women	27.3	33.3	45.5	25.0
Men	72.7	66.7	54.5	75.0
Total	100.0	100.0	100.0	100.0

Total personnel expenses were distributed by nature as follows.

SEK in millions	Jan-Dec 2019	Jan-Dec 2018
Salaries and other remuneration	410	422
<i>of which performance share programs</i>	10	10
Social security expenses		
Employer's social security contributions	126	136
<i>of which performance share programs</i>	3	3
Pension expenses	219	220
Total social security expenses	345	356
Other personnel expenses	43	32
Total personnel expenses recognized by nature	798	809

Salaries and other remuneration were divided between Corporate Officers and other employees as follows.

SEK in millions	Jan-Dec 2019		Jan-Dec 2018	
	Corporate Officers (of which variable pay)	Other employees	Corporate Officers (of which variable pay)	Other employees
Salaries and other remuneration	74 (-)	336	79 (-)	343

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 8 other members (7) 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,	
	2019	2018
Pension expenses	23	21
Outstanding pension commitments	168	167

For additional information, see sections "Performance share programs" and "Remuneration to corporate officers" in Note C32.

P26 REMUNERATION TO AUDIT FIRMS

Remuneration to audit firms was as follows. See additional information in Note C33.

SEK in millions	Jan-Dec 2019	Jan-Dec 2018
Remuneration		
Deloitte		
Audit	7	11
Audit-related services	1	1
Tax services	–	0
All other services	–	4
Total	8	15

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 (TCSRF). 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 the following for this sustainability report:

- To facilitate comparability, the Sustainability Notes include references to other common sustainability reporting frameworks. This sustainability report shall not be considered prepared strictly in accordance (etcetera) with any of these frameworks
- Scope of the information provided is generally Continuing operations unless otherwise specified. Continuing operations refers to Nordic and Baltic operations, Telia Carrier and LMT in Latvia

- Material omissions or limited scope of information are explained in the respective Note
- Where relevant, baseline for reported goals is 2018
- The adoption of TCSRF has in some cases led to a lack of comparable historical information. We aim to provide at least two years, and preferably three years, of comparable information
- During 2019, there were no organizational changes throughout the group that had a significant impact on the sustainability work or performance
- Former Bonnier Broadcasting operations are excluded from all reporting

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.

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

As laid out in the Statement of materiality, 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. See Corporate Governance Statement, section Statement of materiality and significant audiences for more information.

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, identified risks and uncertainties and mitigating activities can be found in 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 at www.teliacompany.com/en/about-the-company/public-policy.

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 industry initiatives. Read more in the respective chapters in Board of Directors' Report, section Sustainability.

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

For more information about how materiality is defined and applied, see TCSR. Some topics not considered material from an impact perspective are nevertheless included in the sustainability report, to meet information requests used for various ESG assessment purposes.

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. These material impacts guide how Telia Company operates and are reflected in our commitment to make a substantial contribution towards reaching the UN Sustainable Development Goals.

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).

Below are some stakeholder engagement activities during the year which have directly or indirectly impacted our view on materiality in management and in reporting. More information on topic-specific stakeholder engagement can be found throughout the Board of Directors's Report, section Sustainability.

Purple Voice

Purple Voice is the annual employee engagement survey, covering employees in Core markets. The results are compiled to produce an overall figure – the Purple Voice index – which indicates how employees perceive the organization's performance in four key areas:

- Employee engagement
- Organizational efficiency, capabilities and innovation
- Understanding of and alignment with goals and strategy
- Strategic success, including sustainability

In addition, we also measure leadership, health and well-being, discrimination and harassment.

The 2019 Purple Voice index score was 79 (78). The areas with the best results were team engagement, empowerment and accountability. We see improvement potential connected to improving collaboration between teams and functions, where we despite improvement still are slightly behind the external benchmark.

Since 2015, the score for the statement “I am proud of the way Telia Company contributes to a better society” has increased from 65 to 80. Connected to this, the largest improvement in the 2019 survey was seen for the statement “In my team, we take concrete action in line with Telia Company's sustainability direction”, which increased from 65 to 75.

Sustainable Brand Index

The Sustainable Brand Index consumer perception studies are carried out annually in all Nordic markets, covering the most well-known brands. Results and key insights for the telco industry from the 2019 studies include:

- The Telia brand achieved top ranking in the telecom industry in Sweden and Denmark
- Since 2017, The Telia brand show a significant increase in score in all markets
- In general, consumers have low awareness of telcos' sustainability work
- Consumers in all markets see data privacy and protecting children online as the industry's most important social topics, and providing “circular services” and reducing its climate impact as the most important environmental topics

To further understand how we can help consumers reduce their environmental impact related to telco services, we conducted an in-depth study in all Nordic markets. The findings showed that consumers are most interested in reducing their e-waste footprint by extending the life of mobile phones through for example better repair services and buy-back programs. The insight will be used in business development related to the environmental goals of increasing the scope of buy-back programs and “green offerings”.

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 during the year included the launch of the new 2030 environmental goals and the release of green bond framework.

Read more in the Board of Directors’ Report, section Sustainability.

We release *quarterly sustainability updates* alongside the regular financial reports, highlighting key achievements and events during the quarter.

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

S4 ANTI-BRIBERY AND CORRUPTION

See Board of Directors’ Report, section Sustainability, Anti-bribery and corruption for more information about this focus area.

Sponsorships and donations

As per the *Group instruction - Sponsorships and donations*, all sponsorships and donations must be documented to reflect their purpose, and recipients of sponsorships and donations must undergo documented due diligence. Making political donations is strictly forbidden.

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

S5 CHILDREN’S RIGHTS

See Board of Directors’ Report, section Sustainability, Children’s rights for more information about this focus area.

For more information about the work to abolish child labor, see note S17.

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

S6 SAFEGUARDING CUSTOMER INFORMATION

See Board of Directors' Report, section Sustainability, Safeguarding customer information for more information about this focus area.

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

S7 ENVIRONMENT

See Board of Directors' Report, section Sustainability, Environmental responsibility for more information about this focus area.

Please note the following:

- As a result of divestments, figures for discontinued operations are not historically comparable. This also has a material effect on the comparability of Group total energy consumption and GHG emissions
- Energy consumption and related GHG emissions for Telia Denmark have been calculated using 2018 data
- For reasons of lack of completeness and reliability of data, the scope of waste reporting is limited to operations in Finland and Sweden
- Electronic waste such as mobile phones, chargers and batteries which is collected in stores and which is covered by local producer responsibility legislation, is not included in the reported electronic waste figures

For more details on calculation methods including emission factors and more, see TCSRf.

Energy

ENERGY CONSUMPTION

Direct energy consumption (scope 1), GWh	2019	2018	2017
Continuing operations	28	27	27
Discontinued operations	2	56	79
Total	30	83	106

Indirect energy consumption (scope 2), GWh	2019	2018	2017
Continuing operations	1,144	1,122	1,063
Discontinued operations	20	297	375
Total	1,164	1,415	1,438

Greenhouse gas (GHG) emissions

DIRECT AND INDIRECT GHG EMISSIONS - SCOPES 1 AND 2

Direct GHG emissions (scope 1), ktons CO ₂ e	2019	2018	2017
Continuing operations	7	7	7
Discontinued operations	0	13	19
Total	7	20	26

Indirect GHG emissions (scope 2, market-based), ktons CO ₂ e	2019	2018	2017
Continuing operations	38	56	75
Discontinued operations	10	138	168
Total	48	194	243

Indirect GHG emissions (scope 2, location-based), ktons CO ₂ e	2019	2018	2017
Continuing operations	139	136	139
Discontinued operations	10	138	168
Total	149	274	307

OTHER INDIRECT GHG EMISSIONS - SCOPE 3

Other indirect GHG emissions (scope 3)	2018 ¹	
	Ktons CO ₂ e	%
Purchased goods and services (category 1)	688	61
Capital goods (category 2)	140	12
Use of sold products; downstream leased assets (categories 11, 13)	198	18
Other material categories, total	102	9
Total	1,128	100

1) Includes only Continuing operations

The above scope 3 emissions are based on 2018 spend data from Telia Finland which was multiplied based on Telia

Finland's share of net sales, to produce an estimate for Continuing operations.

The Corporate Value Chain (Scope 3) Standard was applied to calculate all 15 categories of scope 3 emissions. Emissions were calculated using either one or a combination of the following methods:

- Spend based method - combining sourcing spend data with emission factors for the products or activities
- Average data method - combining product and materials quantity data with associated emission factors

The most relevant categories have been reported separately. The most relevant categories include:

- Purchased goods and services (category 1) – OPEX including purchased mobile devices
- Capital goods (category 2) – CAPEX including network equipment
- Use of sold products, downstream leased assets (categories 11, 13) – GHG emissions related to the use of sold or leased products, such as mobile phones and customer premises equipment (CPE)

"Other material categories" includes the other seven categories considered material.

GHG emissions from business travel (category 6) have been tracked and reported for several years using actual data. In 2019, GHG emissions from business travel amounted to 6 (9) ktons CO₂e.

Waste

As stated in the group environmental policy, waste is a key environmental aspect and we are committed to reducing our total hazardous and non-hazardous waste footprint. We consider electronic waste to be the most material waste category. Approximately 580 (370) tons of electronic waste, which is considered hazardous waste, was reported. This waste is mainly decommissioned network equipment, all of which is recycled. The significant increase in 2019 is related to decommissioning work at several larger sites.

Water

Water is not considered a key environmental aspect. Our water consumption is limited to the use of "office water". We do not use water cooling in our mobile networks or data centers in a way that generates water consumption or has a material impact on water quality.

TCFD climate risk assessment

As part of the work to over time implement the Task Force for Climate-related Financial Disclosures (TCFD) recommendations, a climate risk assessment was carried out using 2025 as the timeframe. We aim to revise the assessment on a regular basis and to continuously evaluate the effectiveness of the mitigation activities.

	Most material risks	Ongoing (O) and planned (P) mitigation activities
Transition risks		
Policy and legal	Higher taxes and fees on high carbon intensity products and services	Continuous implementation of energy efficiency and GHG emissions reduction measures (O)
Technology	Energy efficiency and non-fossil requirements may force technology replacement (such as back-up power solutions)	Add energy efficiency and GHG emissions as criteria in significant investment evaluations (P)
Market	Increasing costs related to purchasing renewable energy	Develop and implement a comprehensive energy strategy (P) Evaluation of own renewable energy production (O)
	Increasing customer expectations and demands to provide low-carbon products and services, and products and services to reduce customers' own emissions	Continuous market research and customer engagement (O) Innovation, research and development of "greening by" services (O)
Reputation	Incorrect information or perception of the ICT industry's actual energy and GHG emissions footprint	Participation in academic and industry research (O)
	Increasing stakeholder expectations and demands on reducing own GHG emissions	Renewable electricity use and carbon offsetting to reach climate neutrality in own operations including business travel (O) Develop science-based targets (P)
	Increasing stakeholder expectations and demands on reducing supply/value chain GHG emissions	Supplier requirements and engagement to develop GHG emissions reductions action plans, including for their suppliers (O) Develop science-based targets (P)
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)

From an overall risk perspective, we estimate financial impacts from both transition and physical risks as limited. The largest company-specific risks, which we also believe to be the largest industry-specific risks, are market-related (the risk of not meeting customer or investor requirements) and reputation-related (continued wide-spread incorrect information exaggerating the energy and GHG emissions footprint of ICT companies). In general, most transition risks are considered sufficiently mitigated through already ongoing processes, stakeholder engagement, and actions to reduce GHG emissions such as purchasing renewable electricity. Read more in the Board of Directors' Report, section Sustainability, Environment.

Going forward, physical risks will over time be mitigated through business continuity management (BCM) processes and assessed on a country basis. 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.

Climate-related opportunities are assessed as part of our shared value creation agenda; read more in the Board of Directors' Report, section Environment.

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

S8 FREEDOM OF EXPRESSION AND SURVEILLANCE PRIVACY

See Board of Directors' Report, section Sustainability, Freedom of expression and surveillance privacy for more information about this focus area.

Law enforcement disclosure reporting

Several factors make it difficult to compare the 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 is probably reflected in the figures. Furthermore, Telia Company does not have knowledge of the authorities' working methods and priorities in different countries, but the methods are likely to differ. Also, within the group, there are different internal methods of collecting data in different countries, causing issues related to completeness and accuracy of reported data. Also note that the figures show

the number of requests from authorities, not the number of individuals that have been targeted. Not even we as the operator and provider of the statistics have this knowledge. Most likely, in the category of lawful interception, the number of requests is larger than the number of individuals that have been targeted. 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) however, the number of affected individuals will naturally become 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. This 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.

AUTHORITY REQUESTS 2019 (2018)

Country	Lawful interception	Historical data	Subscription data	Challenged or rejected requests
Denmark	8,457 (7,071)	2,229 (2,096)	12,895 (13,940)	0 (0)
Estonia	Direct access – no statistics (6,209) ¹	16,827 (1,568)	851,301 (582,487) ²	19 (126,545) ³
Finland	4,767 (4,626)	2,951 (2,787)	10,950 (8,432)	71 (11) ⁴
Lithuania ⁵	No permission to publish	No permission to publish	No permission to publish	No permission to publish
Moldova	Direct access – no statistics	7,395 (7,453)	2,383 (3,158)	126 (135)
Norway ⁶	1,239 (1,198)	5,051 (5,879)	10,426 (9,182)	37 (82) ⁷
Sweden	3,658 (3,659)	5,308 (4,235)	1,736 (1,651)	361 (355)

1) In Estonia a direct access system is used. Until 2018 Telia Estonia had full visibility into the number of requests. Since 2019, due to a technology change, Telia Estonia has no visibility to 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 in the way that requests regarding subscribers belonging to other operators are no longer included in this figure.

4) Telia Company has informed the Finnish police about the significant increase in this number, largely caused by Telia Finland requesting forms to be filled in correctly. Note that Challenged/rejected cases are in most cases related to erroneous target information from the police.

5) Telia Company and Telia Lithuania have not been granted permission to publish statistics regarding how many requests we have received in Lithuania. See the [full Law Enforcement Disclosure Report](#) published March 2020, page 24, for further information.

6) Telia Norway acquired the operator Get in 2018. Work to integrate Get into the statistics is not yet completed.

7) Invalid requests due to administrative form errors.

Requests made to Telia Carrier in an above market, if any, are forwarded to the local Telia Company operator and therefore handled by the local Telia Company operator and included in the statistics.

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

S9 HEALTH AND WELL-BEING

See Board of Directors' Report, Sustainability, section Health and well-being for more information about this focus area. Please note:

- As a result of a change of HR system in 2018 which was not implemented in all markets, comparable sickness

absence figures are not available for Lithuania, LMT in Latvia and Moldova.

See the TCSR for details on calculation methods and definitions.

Sickness absence

Sickness absence rate (%)	2019	2018
Denmark	2.6	2.3
Estonia	1.4	1.0
Finland	2.1	2.0
Norway	3.8	3.4
Sweden	3.0	3.0
Other countries ¹	1.4	0.7
Weighted average, all countries	2.7	2.5

1) Telia Carrier operations outside the above countries.

Lost-time injuries

Lost-time injury frequency	2019	2018
Denmark	0.00	0.00
Estonia	0.26	0.26
Finland	0.00	0.51
Latvia	0.47	0.47
Lithuania	0.39	0.77
Moldova	1.25	0.00
Norway	0.47	0.00
Sweden	0.24	0.00
Other countries ¹	0.00	0.00
Weighted average, all countries	0.26	0.23

1) Telia Carrier operations outside the above countries.

There have been no fatal injuries involving Telia Company employees in 2017-2019.

References:

GRI 403 Occupational health and safety
EU Non-Financial Reporting Directive: Social and employee matters

S10 RESPONSIBLE SOURCING

See Board of Directors' Report, section Sustainability, Responsible sourcing for more information about this focus area. See Note S17 about risks and our work to abolish child, forced and compulsory labor in the supply chain.

References:

GRI 204 Procurement practices
GRI 308 Supplier environmental assessment
GRI 414 Supplier social assessment

S11 HUMAN RIGHTS

See Board of Directors' Report, section Sustainability, Human rights for more information about our work.

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

S12 LABOR RELATIONS

According to the *Group policy - People*, all employees regardless of location or employment type have the right to choose whether 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 included in the *Supplier code of conduct*, meaning we expect all suppliers to also recognize these rights. At year end, 74 (80) percent of employees in Continuing operations 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. Telia Company together with employees in Core markets have established a European Works Council (EWC) which serves as an employee representatives' forum for information and consultation with the Group Executive Management on matters of a transnational nature. In addition, local companies in Core markets regularly engage with local trade unions.

During the year, there were no labor disputes resulting in strike or notice of strike. A number of reorganizations took place, which impacted on employees particularly in Sweden and Finland. In all such cases, local companies complied with applicable legal obligations with regards to union Information and consultation.

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

S13 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.

During the year, the Speak-Up Line was revised to simplify case management and reporting categories. Improvements were made to the possibilities of reporting on human rights matters, harassment and discrimination, and health and safety incidents.

118 (136) whistle-blowing reports were recorded, of which 56 (43) percent were filed non-anonymously. The most common issues reported related to poor leadership and fraud. Reports were received through the Speak-Up Line website or e-mail address which are available to both employees and third parties, or through direct contact with group or local ethics and compliance officers.

Consolidated case reports were presented to the Audit and Responsible Business Committee throughout the year. The reports included allegations of certain significance, progress of investigations and the final results of the investigations.

During the period, a number of disciplinary decisions were taken. Substantiated cases handled by the special investigations office resulted in two terminations. For more

information about cases handled by Human resources, see note S15.

Whistle-blowing case reports	2019	2018
Investigations opened by the Special Investigations Office (e.g. fraud or conflict of interest)	47	59
Reports handled by Human resources (e.g. poor leadership, harassment or discrimination)	34	42
Reports sent for information to other departments (e.g. customer or supplier complaints), or closed after an initial review and response to the whistle-blower concerned (e.g. in cases of ethical reproach)	37	35
Total	118	136

Reporting channel (%)	2019	2018
Speak-Up Line website	63	70
Sent to the Speak-Up Line e-mail address	25	20
Direct contact with ethics and compliance officers at group or local level	11	8
Group Executive Management	0	2
Line managers	1	0

Internal investigation KPI (%)	Target	2019	2018
Whistle-blowing cases closed within eight weeks	80	71	56

References:

GRI 102-17 Mechanisms for advice and concerns about ethics
--

S14 RESPONSIBLE TAX PRACTICES

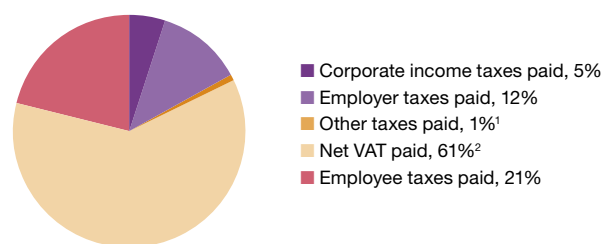
Tax is an important sustainability area, with high expectations from stakeholders. Telia Company is a responsible tax payer, paying the amount of taxes legally due in any territory, in accordance with local legislation and international accepted principles. We promote the importance of transparency and fair, ethical tax practices.

In addition to corporate income tax payments, Telia Company generates billions of SEK in other tax payments throughout its footprint. The total tax contribution, including both taxes borne and taxes collected, amounted to SEK 17.6 billion (18.3). This includes both continuing and discontinued operations, the first amounting to 99 (1) percent of the total tax contribution.

Corporate income taxes paid SEK in millions	2019	2018	2017
Denmark	-15	-7	-2
Estonia	79	117	-
Finland	23	37	31
Latvia	1	-33	30
Lithuania	79	65	28
Norway	250	382	27
Russia	4	4	41
Sweden	415	416	421
Turkey	10	41	138
Other countries	28	33	-4
Total, continuing operations	875	1,054	710
Azerbaijan ¹	-	17	515
Georgia ¹	-	0	0
Kazakhstan ¹	-	52	114
Moldova	-	-	-
Tajikistan ²	-	-	25
Uzbekistan ¹	-	27	-
Other countries	36	91	60
Total, discontinued operations	36	188	714
Total	911	1,242	1,424

1) Operations divested in 2018.
2) Operations divested in 2017.

Total tax contribution



1) Includes for example environmental taxes, property taxes and tele-communication 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

S15 DIVERSITY, EQUAL OPPORTUNITY AND NON-DISCRIMINATION

We see diversity as a critical asset in building a high-performing organization. To ensure that everyone feels safe, respected and fairly treated, we do not accept discrimination, victimization, harassment and bullying of any kind. As stated in the *Group Policy – People*, Telia Company promotes a culture of diversity 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 internal group instruction on recruitment states that all recruitment shall be based on competence, experience and performance. In all recruitments, the candidate shortlist shall include at least one male and female candidate.

- Our approach is built on three elements:
- Employee engagement: Increasing awareness through training and by supporting internal network groups
 - Processes: Eliminating bias and integrating diversity perspectives into key HR processes
 - Initiatives and partnerships: Actively engaging in local diversity charters and other organizations

- During the year, a group-wide gender equality framework was approved by Group Executive Management. It is based on three long-term ambitions:
- 100 percent equal opportunity
 - 50/50 gender balance on all career levels
 - 0 percent discrimination and harassment, including no pay gap

The framework reflects our commitment within the Nordic CEO Coalition of promoting gender equality, diversity and inclusion in the workplace. Going forward, we aim to report on these ambitions on a best effort basis.

Work is coordinated by a steering group which reports to Group Executive Management and the Board of Directors. The group diversity lead manages a network of country leads who coordinate the local work of training, partnerships and more.

Work during the year

External recognition

Telia Company remained a constituent of the Bloomberg Gender Equality Index and was included in the Equileap Gender Equality Ranking.

Training

An unconscious bias e-learning course available for all employees was launched, including a specific module for managers focusing on hiring and promotion. Face to face trainings in recruitment without bias and inclusive job advertising were conducted for all recruitment specialists throughout the group. When later asked, specialists acknowledged that they had become more aware of the risks of unconscious bias and that their recruitment practices had improved. In addition, diversity was included as part of recruitment training for managers.

Revised performance evaluation processes

Key HR processes such as recruitment, performance evaluation and compensation were revised to better support diversity and ensure equal opportunity. During team performance reviews at all levels throughout the group, managers were presented with data on the gender and age balance of their teams as well as questions aimed at identifying possible unconscious bias regarding gender in performance evaluation.

Initiative and partnerships

During the year, we engaged in a number of initiatives and partnerships. Local companies in the Nordics and Baltics are active members of local Diversity Charters, and Telia Company's group diversity lead is on the Board of Directors of Diversity Charter in Sweden. We actively partici-

pated in staking out the Nordic CEO coalition's roadmap on promoting diversity and inclusion in the workplace. Employees across the Nordic and Baltic markets participated in Pride activities, and Telia Lithuania became among the first private companies in Lithuania to actively support Baltic Pride which was hosted in Vilnius. Supporting employee engagement, local employee gender equality networks hosted workshops and networking events. As part of the Younite employee volunteering program and to support employer branding, a "female role model" day was carried out across all markets for the second year, inviting young female students to learn more about the possibilities of working in the telco and tech industry.

Discrimination and harassment

The annual employee engagement survey Purple Voice included two questions related to discrimination and harassment:

- Have you during the past year been badly treated or passed over because of your gender, age, or for other reasons?
- Do you know to whom or where to report these types of behaviors within the company?

The results were almost identical to 2017 and 2018 and showed that across all countries, 95 percent of employees perceived that they had not been badly treated or passed over because of gender, 93 percent because of age and 96 percent for other reasons. The share of respondents who claimed to know to whom or where to report increased to 81 percent, up from 80 percent in 2017.

During the year, substantiated cases handled by Human resources relating to discrimination and harassment resulted in four warnings and one termination.

Work also started on improving registration and investigations of potential discrimination and harassment cases, by managing these in the whistle-blowing tool Speak-Up Line database.

For gender-related workforce and management statistics, see Board of Directors' Report, section People. We aim to, over time, expand reporting to include more diversity parameters such as age.

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

S16 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 business ethics, environmental and socio-economic compliance et cetera, if such cases exist.

References:

GRI 307 Environmental compliance
GRI 419 Socio-economic compliance

S17 CHILD, FORCED AND COMPULSORY LABOR

Independent human rights impact assessments carried out on Telia Sweden and Telia Lithuania in 2017 included assessment of the likelihood of child, forced and compulsory labor in our operations in those markets, and concluded such as very 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. Continuous supplier risk assessments carried out by Telia Company indicate these issues as very rare.

On-site audits carried out by Telia Company and the Joint Audit Cooperation (JAC) have identified child and forced labor issues in a small share of audited suppli-

ers in other markets. Such issues are most strongly related to geography. The JAC member responsible for the audit is responsible for following up and closing such non-conformities.

Telia Company has operational presence in the UK through a Telia Carrier subsidiary. For this reason, we have prepared a UK Modern Slavery Act Statement, see www.teliacompany.com/sustainability/reporting/uk-modern-slavery-act-statement/.

The Modern Slavery Act 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

S18 DUE DILIGENCE IN M&A

The work is guided by the M&A handbook, which describes the M&A process and is used in majority transactions, both acquisitions and divestments. A questionnaire is provided to the target seller or buyer, which carries out a self-declaration. The questionnaire assesses the company's structure, policies and processes regarding e.g:

- General code of conduct and supplier code of conduct including training in these
- Anti-corruption program including anti-money laundering checks
- Whether the company or its affiliates are subject to international sanctions
- Shareholding structure and Ultimate Beneficiary Owners (UBO)
- Politically Exposed Persons (PEP) and other political affiliations
- Human rights due diligence including labor practices and whistle-blowing
- Environmental and occupational health and safety management systems
- IT security and privacy including GDPR compliance where relevant

The target company is required to provide supporting documentation. In addition, a database check is carried out by the group ethics and compliance office to verify the accuracy of the information provided by the company. The questionnaire is continuously revised to ensure alignment with updated group policies and other guiding documents.

The M&A handbook is not applied in non-majority transactions, but the questionnaire is applied and other relevant checks such as UBO checks are carried out to ensure sufficient due diligence.

Significant acquisitions

In April, Telia Company's acquisition of Turkcell's stake in Fintur Holdings was completed. As Telia Company already held a majority stake in Fintur Holdings as well as a minority stake and Board representation in Turkcell, no additional due diligence was carried out.

In December, the acquisition of Swedish media company Bonnier Broadcasting was finalized. In addition to completing the questionnaire, Bonnier Broadcasting underwent extensive due diligence including human rights due diligence and additional database screening. During the integration process, Telia Company's ethics and compliance integration guidelines will be implemented.

References:

GRI 412 Human rights assessment

S19 COMMUNITY ENGAGEMENT

Younite

Younite is the name of Telia Company's volunteering program. Employees are given the opportunity to use one day per year to engage in activities connected to digitalization and our contribution to the UN SDGs. During 2019, around 4,000 employees participated in Younite activities.

Each quarter, a group-wide event is arranged in conjunction with internationally recognized theme days such as the Safer Internet Day and the UN International Family Day. Local companies and teams also arrange community involvement activities with connection to local societal needs and challenges connected to Telia Company's sustainability agenda.

In 2019, the quarterly events were:

- "Together for a better internet", where employees' children and school classes were invited to Telia offices to take part in coding schools and animated film workshops, and internet safety webinars were hosted for Telia employees

- "Digital Clean-up week", with the purpose of increasing knowledge and use of new effective digital ways of working
- "Bringing the world closer", where employees helped update maps by adding almost 48 000 buildings in developing countries in [OpenStreetMap](#)
- "Bring your child to work", where employees brought children up to the age of twelve to participate in coding and learning more about ICT

The above activities contributed to a number of SDGs, including SDG 3: Health and wellbeing, SDG 4: Quality education and SDG 16: Peace, justice, and strong institutions.

Sponsorships and donations

Sponsorships and donations are governed by the [Group instruction – Sponsorships and donations](#). 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 and donations are generally decided by local companies. In rare circumstances we provide philanthropic donations or financial support related to disaster relief or humanitarian aid.

Substantial sponsorships and donations during the year included donations or partnership fees to *World Childhood Foundation*, *Friends* and *Generation Pep* in Sweden. Read more about some of these collaborations in Board of Directors' Report, section Sustainability, Children's rights. Sponsorships and donations can be used for corrupt

practices and therefore carry strict requirements regarding due diligence and documentation. Read more in Note S4.

Disaster relief

Telia Company and local companies stand ready to support in disaster relief or crisis support, primarily through the use of our networks, products and services. Common measures are zero-rating traffic to help people reach family and friends, or supporting with additional network capacity to ensure working communications in disaster areas.

References:

GRI 413 Local communities

S20 ELECTROMAGNETIC FIELDS (EMF)

Telia Company's 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. As per the internal EMF instruction, suppliers providing radio network base station equipment shall provide relevant EMF exposure documentation.

Regarding 5G and EMF, we support the industry's position as laid out in GSMA's factsheet "*Safety of 5G mobile networks*".

References:

GRI 416 Customer health and safety

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 11, 2020

Lars-Johan Jarnheimer
Chair of the Board

Olli-Pekka Kallasvuo
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

Nina Linander
Board member

Jimmy Maymann
Board member

Anna Settman
Board member

Olaf Swantee
Board member

Martin Tivéus
Board member

Christian Luiga
Acting President and CEO

Our auditors' report was rendered on March 11, 2020

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 2019-01-01 - 2019-12-31 except for the corporate governance statement on pages 70-85 and the statutory sustainability report on pages 41-61, and 211-225. The annual accounts and consolidated accounts of the company are included on pages 16-210 and 226 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 2019 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 2019 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 70-85 or the statutory sustainability report on pages 41-61 and 211-225. 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 and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.).

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.

Revenue recognition requires significant judgements and estimates on behalf of management as to when, and to which amount revenues are recognized.

For further information, refer to notes C1 "Basis of preparation", C3 "Significant accounting policies" and C6 "Net sales" 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 and products delivered and the accounting implications of new business models 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; and
- evaluating the adequacy of disclosures related to the various revenue streams.

Carrying value of goodwill and other intangible assets

Risk description

Telia Company's carrying values of goodwill and other intangible assets represent a significant part of Telia Company's total assets. Telia Company is required to test such assets for impairment annually or 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 on the basis of 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, CAPEX-to-sales ratio and terminal growth rate.

For further information, refer to notes C2 "Judgments and key sources of estimation uncertainty" and C12 "Goodwill and other intangible assets" 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;
- 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; and
- evaluating the adequacy of disclosures related to those assumptions and CGU's to which the outcome of the impairment tests are most sensitive.

IFRS 16 Leases

Risk description

As of 2019 Telia Company implemented the new accounting standard IFRS 16 "Leases" which introduces a single lease accounting model and requires a lessee to recognize assets and financial liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Telia Company recognizes right-of-use assets representing its right to use the underlying leased assets and lease liabilities representing its obligation to make lease payments. The right-of-use assets and lease liabilities amounts to significant amounts in the balance sheet of Telia Company.

In addition to implementing processes and controls to identify all relevant lease contracts within Telia Company, the accounting of the right-of-use assets and the lease liabilities requires significant judgements and estimations on behalf of management related to the definition of lease terms, prolongation of contracts and the discount rate used.

For further information, refer to notes C1, "Basis of preparation", C3 "Significant accounting principles" and C28 "Leases" of the consolidated accounts.

Audit procedures

Our audit procedures included, but were not limited to:

- with the support of our accounting specialists evaluating the group's adoption of IFRS 16;
- evaluating the accounting estimates and judgements such as definition of lease terms, prolongation of contracts and discounts rates used;
- with the support of our information technology specialists testing the IT systems set up by management for the administration and accounting for contracts and transactions in accordance with IFRS 16;
- evaluating the design and testing the implementation of relevant internal controls used for lease accounting;
- analytical and detailed substantive procedures on a sample basis for a selection of right-of-use assets and lease liabilities; and
- evaluating the adequacy of disclosures.

Business combinations

Risk description

During 2019 Telia Company acquired all the shares in Bonnier Broadcasting AB. Acquisitions are accounted for using the acquisition method which measures goodwill at the acquisition date as the fair value of the consideration transferred less the fair value of assets acquired and liabilities assumed. Valuation of assets and liabilities at fair value in accordance with IFRS is complex and requires management to make significant judgements and estimates.

For further information, refer to note C3 "Significant accounting policies" and C34 "Business combinations" of the consolidated accounts.

Audit procedures

Our audit procedures, for significant acquisitions, included, but were not limited to:

- reviewing management's purchase price allocation including calculation and accounting for contingent considerations;
- with the support of our valuation specialists, reviewing and challenging management's assessment of fair value of acquired assets and liabilities for significant acquisitions;
- limited review and other audit procedures to assure correct consolidation of material acquisitions as from the acquisition date; and
- assessing whether disclosures in the consolidated accounts meet the requirements under IFRS.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4-15, 41-61, 211-225 and 232-240. The Board of Directors and the Managing Director are responsible for this other information.

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 2019-01-01 - 2019-12-31 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 70-85 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 41-61 and 211-225 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 10, 2019 and has been the company's auditor since April 2, 2014.

Stockholm, March 11, 2020
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 2019. The Company has defined the scope of the Sustainability Report on page 41-61 and 211-225 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 214 in the Annual and Sustainability Report, and in the Telia Company Sustainability Reporting Framework 2019, 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 11, 2020

Deloitte AB

Signatures on Swedish original

Jan Nilsson
Authorized Public Accountant

Didrik Roos
Authorized Public Accountant

FIVE-YEAR SUMMARY

Telia Company group					
Financial data					
	2019	2018	2017	2016	2015
Income statement (SEK in millions)^{1, 8, 9}					
Net sales	85,965	83,559	79,790	84,178	86,569
Operating income	12,293	13,238	13,768	21,090	14,606
Adjusted EBITDA	31,017	26,540	25,151	25,836	25,281
EBITDA	30,017	25,933	25,519	29,813	23,992
Net income from continuing operations	7,601	9,523	8,492	16,433	9,532
Net income from discontinued operations	-341	-6,399	1,751	-9,937	673
Net income	7,261	3,124	10,243	6,496	10,205
Financial position (SEK in millions)^{2, 8, 9}					
Goodwill and other intangible assets	101,938	91,856	76,652	70,947	67,933
Property, plant and equipment	78,163	78,220	60,024	58,107	55,093
Other non-current assets	43,987	29,784	37,326	51,685	50,824
Current assets	39,983	47,681	69,365	74,071	80,167
Total assets	264,072	247,541	245,367	254,811	254,017
Total equity	92,455	102,438	106,517	96,059	102,202
<i>of which attributable to owners of the parent</i>	<i>91,047</i>	<i>97,387</i>	<i>101,226</i>	<i>90,991</i>	<i>97,884</i>
Non-current liabilities	121,330	106,250	106,946	101,920	109,175
Current liabilities	50,287	38,853	31,904	56,832	42,641
Total equity and liabilities	264,072	247,541	245,367	254,811	254,017
Net debt, continuing and discontinued operations	88,052	55,363	33,823	50,756	55,717
Cash flows (SEK in millions)³					
Cash flow from operating activities	27,594	26,696	23,204	25,970	35,249
Cash flow from investing activities	-30,543	-14,041	-9,750	-7,428	-28,985
Cash flow from financing activities	-14,712	-12,446	-13,905	-22,491	-9,628
<i>Cash flow for the year</i>	<i>-17,661</i>	<i>209</i>	<i>-451</i>	<i>-3,949</i>	<i>-3,363</i>
Free cash flow	12,369	11,902	7,164	7,267	16,550
<i>of which from discontinued operations</i>	<i>-2,047</i>	<i>347</i>	<i>-4,640</i>	<i>116</i>	<i>4,030</i>
Investments (SEK in millions)⁴					
CAPEX	16,074	16,361	15,307	15,625	14,595
Acquisitions and other investments	13,140	30,186	4,973	483	5,818
Total investments	29,214	46,547	22,066	16,108	20,413
Key ratios^{5, 9}					
Return on equity (%)	8.4	3.6	11.2	4.5	9.3
Return on capital employed (%)	6.6	4.8	9.2	7.7	8.9
Equity/assets ratio (%)	31.3	37.3	39.4	34.0	35.1
Net debt/EBITDA rate excluding adjustment items	2.82	2.08	1.15	1.69	1.53
Owners' equity per share (SEK)	22.1	23.0	23.4	20.8	22.6
Share data					
Number of outstanding shares (millions)					
– at the end of the period	4,112.7	4,230.8	4,330.1	4,330.1	4,330.1
– average, basic	4,172.4	4,292.7	4,330.1	4,330.1	4,330.1
– average, diluted	4,172.4	4,292.7	4,330.1	4,330.1	4,330.1
Basic and diluted total earnings per share (SEK) ⁹	1.70	0.75	2.22	0.86	1.97
Cash dividend per share (SEK) ⁶	2.45	2.36	2.30	2.00	3.00
Total cash dividend (SEK in millions) ⁵	10,076	9,985	9,959	8,660	12,990
Pay-out ratio (%) ⁷	80	85	81	115	152

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 2019-2015. The above presented income statement line items for 2019-2015 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, 2016 and 2015. The Sergel companies (Sergel) are included in continuing operations until the divestment as per June 30, 2017, but classified as assets held for sale since June 30, 2016. 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) 2019-2015 including continuing operations only.

5) Key ratios are based on the total Telia Company group including both continuing and discontinued operations for 2019-2015.

6) For 2019 as proposed by the Board of Directors.

7) For 2019, the Board of Directors proposes to the Annual General Meeting an ordinary dividend of SEK 2.45 per share, or 80 percent of operational free cash flow including dividends from associated companies, net of taxes, adjusted for fourth quarter 2019 pension refund. In 2016 the dividend policy and definition of pay-out ratio were updated. 2015 have not been recalculated.

8) Only 2016 and 2017 have been restated for IFRS 15.

9) Only 2018 has been restated for changes in accounting principles for film and program rights during 2019.

Telia Company group

Operational data	2019	2018	2017	2016	2015
Mobile services					
Total subscriptions (thousands)	16,741	16,804	16,734	16,695	20,033
<i>of which Sweden</i>					
Mobile telephony, total subscriptions (thousands)	6,132	6,095	6,118	6,207	6,119
Mobile telephony, blended churn (%)	18	19	19	17	19
Mobile telephony, ARPU (SEK)	219	219	213	209	206
<i>of which Finland</i>					
Mobile telephony, subscriptions (thousands) ³	3,184	3,278	3,278	3,253	3,306
Mobile telephony, blended churn (%)	24	24	26	23	21
Mobile telephony, ARPU (EUR)	19	18	18	17	16
<i>of which Norway</i>					
Mobile telephony, subscriptions (thousands)	2,276	2,324	2,345	2,211	2,311
Mobile telephony, blended churn (%)	27	31	32	33	35
Mobile telephony, ARPU (NOK)	258	257	256	252	259
<i>of which other countries</i>					
Mobile telephony, subscriptions, Denmark (thousands)	1,435	1,451	1,479	1,606	1,644
Mobile telephony, subscriptions, Lithuania (thousands)	1,347	1,389	1,352	1,318	1,327
Mobile telephony, subscriptions, Latvia (thousands)	1,299	1,281	1,237	1,200	1,119
Mobile telephony, subscriptions, Estonia (thousands)	1,068	986	925	901	863
Mobile telephony, subscriptions, Spain (thousands)	-	-	-	-	3,344
Fixed services					
Broadband, total subscriptions (thousands)	2,925	2,916	2,512	2,559	2,589
<i>of which</i>					
Broadband, subscriptions, Sweden (thousands)	1,263	1,287	1,286	1,299	1,306
Broadband, subscriptions, Finland (thousands)	473	457	464	497	527
Broadband, subscriptions, Norway (thousands)	445	417	-	-	-
Broadband, subscriptions, Denmark (thousands)	81	104	114	128	135
Broadband, subscriptions, Lithuania (thousands)	419	409	410	402	390
Broadband, subscriptions, Estonia (thousands)	244	242	238	233	231
Fixed telephony, total subscriptions (thousands) ¹	1,503	1,855	2,182	2,565	2,838
<i>of which</i>					
Fixed telephony, subscriptions, Sweden (thousands)	853	1,102	1,381	1,675	1,896
Fixed telephony, subscriptions, Finland (thousands)	23	38	50	65	80
Fixed telephony, subscriptions, Norway (thousands)	49	59	11	-	-
Fixed telephony, subscriptions, Denmark (thousands)	72	78	90	101	114
Fixed telephony, subscriptions, Lithuania (thousands)	261	315	371	417	447
Fixed telephony, subscriptions, Estonia (thousands)	245	263	279	307	301
TV, total subscriptions (thousands)	3,071	2,400	1,778	1,688	1,630
<i>of which</i>					
TV, subscriptions, Sweden (thousands)	861	865	797	765	730
TV, subscriptions, Finland (thousands)	600	553	508	489	486
TV, subscriptions, Norway (thousands)	480	504	-	-	-
TV, subscriptions, Denmark (thousands)	21	24	31	28	28
TV, subscriptions, Lithuania (thousands)	244	242	242	229	212
TV, subscriptions, Estonia (thousands)	212	212	200	177	174
TV, subscriptions, TV and Media (thousands)	653	-	-	-	-
Human Resources²					
Number of employees as of December 31	21,232	20,836	25,021	26,017	26,895
Average number of full-time employees during the year	20,215	23,814	24,468	24,898	25,450
<i>of whom, in Sweden</i>	7,383	7,525	7,955	8,109	8,172
<i>of whom, in Finland</i>	3,890	3,899	3,463	3,276	3,326
<i>of whom, in other countries</i>	8,942	12,390	13,050	13,513	13,953
<i>of whom, women</i>	7,581	9,461	9,990	10,227	10,777
<i>of whom, men</i>	12,634	14,353	14,478	14,670	14,673
Salaries and remuneration (SEK in millions)	11,034	9,918	9,661	9,534	9,408
Employer's social security contributions (SEK in millions)	2,080	2,134	2,144	2,056	1,992
Salaries and employer's social security contributions as a percentage of operating costs	17.3	14.5	15.5	13.2	12.6
Net sales per employee (SEK in thousands)	4,282	3,790	3,722	3,929	4,220
Operating income per employee (SEK in thousands)	594	323	907	518	639
Net income per employee (SEK in thousands)	359	131	419	261	401

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.

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, CAPEX excluding right-of-use assets, CAPEX excluding license and spectrum fees, 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.

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." Following the acquisition of Bonnier Broadcasting and in order to align with the change in accounting principles for Film and program rights, Telia Company has changed the definition for EBITDA and adjusted EBITDA to include amortization of Film and program rights.

Continuing operations

SEK in millions	Jan-Dec 2019	Jan-Dec 2018 ¹
Operating income	12,293	13,238
Income from associated companies and joint ventures	-1,138	-835
Total depreciation/amortization/write-down	18,863	13,530
EBITDA	30,017	25,933
Adjustment items within EBITDA	1,000	607
Adjusted EBITDA	31,017	26,540

1) Restated, see Note C1.

Discontinued operations

SEK in millions	Jan-Dec 2019	Jan-Dec 2018
Operating income	-1	1,967
Income from associated companies and joint ventures	0	-5
Total depreciation/amortization/write-down	-3	-217
Capital gain/loss on disposal	0	-6,545
EBITDA	-4	-4,800
Adjustment items within EBITDA	161	7,141
Adjusted EBITDA	157	2,341

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 2019	Jan-Dec 2018
Operating income	12,293	13,238
Adjustment items within operating income	1,159	908
Adjusted operating income, continuing operations	13,452	14,146

CAPEX, CAPEX excluding right-of-use assets, CAPEX excluding license and spectrum fees and Cash CAPEX

Telia Company considers CAPEX, CAPEX excluding right-of-use assets, CAPEX excluding license and spectrum fees and Cash CAPEX 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). Following the acquisition of Bonnier Broadcasting and in order to align with the change in accounting principles for Film and program rights, Telia Company has changed the definitions for all CAPEX measures to exclude acquisitions of Film and program rights.

SEK in millions	Jan-Dec 2019	Jan-Dec 2018
Continuing operations		
Investments in intangible assets	3,124	4,342
Investments in property, plant and equipment	11,231	12,019
CAPEX excluding right-of-use assets	14,355	16,361
Investments in right-of-use assets	1,721	-
CAPEX	16,076	16,361
Excluded: Right-of-use assets	-1,721	-
Net of not paid investments and additional payments from previous periods ¹	805	-2,587
Cash CAPEX	15,160	13,774
CAPEX	16,076	16,361
Excluded: Investments in license and spectrum fees	-242	-1,378
CAPEX excluding license and spectrum fees	15,834	14,984
Excluded: Investments in right-of-use assets	-1,721	-
CAPEX excluding fees for license, spectrum and right-of-use assets	14,113	14,984
Discontinued operations		
Investments in intangible assets	-	203
Investments in property, plant and equipment	75	658
CAPEX excluding right-of-use assets	75	861
Investments in right-of-use assets	16	-
CAPEX	91	861
Excluded: Right-of-use assets	-16	-
Net of not paid investments and additional payments from previous periods	-11	158
Cash CAPEX	64	1,020
CAPEX	91	861
Excluded: Investments in license and spectrum fees	-	-39
CAPEX excluding license and spectrum fees	91	823
Excluded: Investments in right-of-use assets	-16	-
CAPEX excluding fees for license, spectrum and right-of-use assets	75	823

1) 2018 was impacted by acquired spectrums in Sweden and the Telia Helsinki Data Center.

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 2019	Jan-Dec 2018
Cash flow from operating activities	27,594	26,696
Cash CAPEX (paid Intangible and tangible assets)	-15,224	-14,794
Free cash flow, continuing and discontinued operations	12,369	11,902

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. In connection to the implementation of IFRS 16 Telia Company changed its definition of operational free

cash flow. From January 1, 2019, repayments of lease liabilities are included, since these are considered to be part of Telia Company's normal daily operations. Telia Company has implemented IFRS 16 using the modified retrospective approach, and comparatives have therefore not been restated. The changed definition implies that IFRS 16 has no material impact on this cash flow measure. Operational free cash flow in continuing operations represents Telia Company's outlook. Telia Company intends to distribute a minimum of 80 percent of operational free cash flow including dividends from associated companies, net of taxes.

SEK in millions	Jan-Dec 2019	Jan-Dec 2018
Cash flow from operating activities from continuing operations	29,576	25,330
Cash CAPEX from continuing operations	-15,160	-13,774
Free cash flow, continuing operations	14,415	11,555
Excluded: Cash CAPEX for licenses and spectrum fees from continuing operations	1,161	188
Excluded: Dividends from associates from continuing operations	-365	-968
Excluded: Taxes paid on dividends from associates from continuing operations	10	41
Repayments of lease liabilities	-2,651	-
Operational free cash flow	12,571	10,816
Dividends from associated companies, net of taxes	355	927
Operational free cash flow that forms the basis for dividend	12,926	11,743

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, 2019	Dec 31, 2018
Long-term borrowings	99,980	86,990
<i>of which lease liabilities, non-current</i>	12,127	1,363
Less 50 percent of hybrid capital ¹⁾	-7,947	-7,861
Short-term borrowings	19,823	9,552
<i>of which lease liabilities, current</i>	3,012	46
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-3,717	-2,946
Less long-term bonds at fair value through OCI	-5,450	-7,267
Less short-term investments	-8,426	-513
Less cash and cash equivalents	-6,210	-22,591
Net debt, continuing and discontinued operations	88,052	55,363

1) 50 percent of hybrid capital is treated as equity, consistent with market practice for the type of instrument, and reduces net debt.

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 2019	Jan-Dec 2018 ¹
Net debt	88,052	55,363
Adjusted EBITDA continuing operations	31,017	26,540
Adjusted EBITDA discontinued operations	157	2,341
Less disposed operations	-	-2,259
Adjusted EBITDA rolling 12 months excluding disposed operations	31,174	26,622
Net debt/adjusted EBITDA ratio (multiple)	2.82x	2.08x

1) Restated, see Note C1.

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 2019	Jan-Dec 2018 ¹
Net sales	85,965	83,559
Adjusted EBITDA	31,017	26,540
Adjusted EBITDA margin (%), continuing operations	36.1	31.8

1) Restated, see Note C1.

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 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 but excluding goodwill, intangible and tangible non-current assets acquired in business combinations 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.

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. However, the newly established segment TV and Media comprising the, in December, acquired company Bonnier Broadcasting, is not included.

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 available for sale 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

For 2015 dividend per share divided by basic total earnings per share. For 2016-2019 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 2020

Telia Company's Annual General Meeting will be held on Thursday, April 2, 2020, at 14.00 CET at Lilla Cirkus, Cirkus, Stockholm. The complete notification was published on Telia Company's website, www.teliacompany.com at the end of February. The meeting will be interpreted into English.

RIGHT TO ATTEND

Shareholders who wish to attend the Annual General Meeting shall be entered into the transcription of the share register as of Friday, March 27, 2020, kept by Swedish central securities depository Euroclear Sweden AB and give notice of attendance to the Company no later than Friday, March 27, 2020.

NOTICE TO THE COMPANY

Notice of attendance can be made

- in writing to Telia Company AB, "Årsstämman" c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden,
- by telephone +46 (0)8 402 90 50 on weekdays between 09.00 CET and 16.00 CET, or
- via the company's website www.teliacompany.com (only private individuals).

When giving notice of attendance, please state name/company name, social security number/corporate registration number, address, telephone number (office hours) and number of accompanying persons.

SHAREHOLDING IN THE NAME OF A NOMINEE

Shareholders, whose shares are registered in the name of a nominee, including Finnish shareholders within the Finnish book-entry system at Euroclear Finland Oy, must request to be temporarily entered into the share register kept by Euroclear Sweden AB as of Friday March 27, 2020, in order to be entitled to participate in the meeting. Such shareholder is requested to inform the nominee to that effect well before that day.

NOMINEE

Shareholders who are represented by proxy shall issue a power of attorney for the representative. Forms for power of attorneys are available at the Company's website www.teliacompany.com. To a power of attorney issued by a legal entity a copy of the certificate of registration (and should such certificate not exist, a corresponding document of authority) of the legal entity shall be attached. The documents must not be older than one year. In order to facilitate the registration at the meeting, powers of attorney in original, certificates of registration and other documents of authority should be sent to the Company at the address above at the latest by Friday, March 27, 2020.

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 President 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 2.45 per share be distributed to the shareholders in two tranches of SEK 1.22 per share and 1.23 per share April 6, 2020, and October 23, 2020, respectively, be 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 April 9, 2020, and on October, 28, 2020, respectively.

