

TELIA LIETUVA, AB

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017
(UNAUDITED)**



Beginning of the financial year	1 January 2017
End of reporting period	31 March 2017
Name of the company	Telia Lietuva, AB (hereinafter – “Telia Lietuva” or “the Company”)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Code of enterprise	121215434
LEI code	5299007A0LO7C2YYI075
Name of Register of Legal Entities	State Enterprise Centre of Registers
Registered office	Lvovo str. 25, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 1511
Fax number	+370 5 212 6665
Internet address	www.telia.lt
Main activities	Integrated telecommunication, IT and TV services to residential and business customers in Lithuania

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(All tabular amounts are in EUR '000 unless otherwise stated)

MANAGEMENT REPORT

The first quarter of Telia Lietuva

First quarter of 2017:

- Total revenue amounted to EUR 85.3 million, up by 3.3 per cent over the revenue of EUR 82.5 million in Q1 2016.
- EBITDA, excluding non-recurring items, was almost the same as a year ago (just 0.1 per cent lower) and amounted to EUR 29.2 million.
- Free cash flow amounted to EUR 2.4 million (a year ago, it was negative and amounted to EUR 385 thousand).

Management comment:

Following the merger of Omnitel and Baltic Data Center into the Company on 1 February 2017 and the Company name change, Telia Lietuva started to operate as one legal entity offering a wide spectrum of fixed and mobile communications services with IT expertise from a single point.

The start was marked with new offers to our residential customers: the increase of broadband internet speed over fiber-optic connections of up to 1 Gbps and a unique hybrid-type Internet service integrating copper access with the fastest 4G mobile Internet.

For business customers "Telia Cloud" service was launched, one of the first OpenStack-based cloud computing services in the Nordic region.

Investments into development of 4G and fiber-optic access network continued and the total investments during the first quarter of 2017 amounted to EUR 12.9 million (EUR 10.7 million a year ago).

According to the latest data of CRA, Telia Lietuva 4G connectivity has covered 99 per cent of the populated territory of Lithuania and remains the fastest in the country in terms of average speed.

Positive intake of a new customers over the year continued:

- Number of IPTV users increased by 13.8 per cent up to 195 thousand,
- Number of FTTH Internet customers grew by 8.6 per cent up to 251 thousand,
- Number of post-paid service users rose by 7.1 per cent up to 1,055 thousand.

The growing number of customers and high demand for equipment (sales were up by 18.5 per cent) led to growth in total revenue by 3.3 per cent, whereof:

- Revenue from TV services increased by 13.6 per cent,
- Revenue from billed mobile services was up by 6.5 per cent,
- Revenue from broadband Internet services grew by 4.1 per cent.

Compared with Q1 2016, higher total revenue in spite of higher total operating expenses due to rebranding resulted in the same EBITDA, excluding non-recurring items, for Q1 2017, while EBITDA, including non-recurring items, for Q1 2017 was 2.2 per cent higher than a year ago. In total, operating expenses related to rebranding of the Company during Q1 2017 amounted to EUR 1.5 million.

The Company's Contact Center Lintel changed its name to Telia Customer Service LT and ceased servicing external customers in order to concentrate on servicing Telia Lietuva customers.

During Q1 2017, the Company repaid the first tranche (EUR 30 million) of the long-term loan of EUR 150 million that was taken by the Company to finance the acquisition of Omnitel.

The Board of the Company set a target to maintain the Company's net debt to EBITDA ratio not higher than 1.5 and to pay out up to 80 per cent of free cash flow as dividend. Having that in mind it proposes to the Annual General Meeting of Shareholders, which will be held on 27 April 2017, to increase the dividend pay-out. The Board proposes to pay EUR 0.03 dividend per share for the year 2016, while for the year 2015 the dividend per share amounted to EUR 0.01.

(All tabular amounts are in EUR '000 unless otherwise stated)

KEY FIGURES OF THE GROUP

Financial figures	January-March		Change (%)
	2017	2016 (restated)*	
Revenue	85,293	82,548	3.3
EBITDA excluding non-recurring items	29,191	29,223	(0.1)
EBITDA margin excluding non-recurring items (%)	34.2	35.4	
EBITDA	28,240	27,636	2.2
EBITDA margin (%)	33.1	33.5	
Operating profit (EBIT) excluding non-recurring items	12,718	14,367	(11.5)
EBIT margin excluding non-recurring items (%)	14.9	17.2	
Operating profit (EBIT)	11,767	12,780	(7.9)
EBIT margin (%)	13.8	15.5	
Profit before income tax	11,528	12,467	(7.5)
Profit before income tax margin (%)	13.5	15.1	
Profit for the period	10,119	10,820	(6.5)
Profit for the period margin (%)	11.9	13.1	
Earnings per share (EUR)	0.017	0.019	
Number of shares (thousand)	582,613	582,613	-
Cash flow from operations	23,440	18,052	29.8
Operating free cash flow	2,392	(385)	

Operating figures	31-03-2017	31-03-2016	Change (%)
Post-paid mobile service subscriptions (thousand)	1,055	986	7.1
Pre-paid mobile service subscriptions (thousand)	291	332	(12.2)
Fixed telephone lines in service (thousand)	454	492	(7.8)
Broadband Internet connections (thousand)	405	395	2.4
TV services customers (thousand)	232	217	6.7
Number of personnel (head-counts)	3,173	3,100	2.4
Number of full-time employees	2,846	2,747	3.6

Financial ratios	31-03-2017	31-03-2016*
Return on capital employed (%)	10.0	10.9
Return on average assets (%)	8.4	9.4
Return on shareholders' equity (%)	15.3	17.6
Operating cash flow to sales (%)	28.5	23.6
Gearing ratio (%)	59.9	84.9
Debt to equity ratio (%)	67.7	95.4
Current ratio (%)	89.0	75.8
Rate of turnover of assets (%)	62.2	60.6
Equity to assets ratio (%)	51.4	45.2

Note: In the fourth quarter of 2016, the Company completed Omnitel purchase price allocation. As a result, the Company booked an additional depreciation and amortisation charge of EUR 5.5 million. This additional depreciation and amortisation charge was allocated into respective quarters of 2016, and consequently had an effect on reported in 2016 operating profit (EBIT), profit before income tax, income tax and profit for the periods of the first, second and third quarter of 2016. Therefore, Consolidated Statements of Comprehensive Income, Financial Position, Changes in Equity and Cash Flow for the first quarter of 2016 presented in this report are restated.

(All tabular amounts are in EUR '000 unless otherwise stated)

Breakdown of revenue by services	January-March		Change (%)
	2017	2016	
Fixed services	47,016	47,087	(0.2)
Voice telephony services	17,677	18,310	(3.5)
Internet services	14,586	14,016	4.1
Data communication and network capacity	4,854	5,222	(7.1)
TV services	6,686	5,888	13.6
IT services	2,420	2,789	(13.2)
Other services	793	862	(8.1)
Mobile services	25,611	24,776	3.4
Billed services	21,135	19,849	6.5
Other mobile service	4,476	4,927	(9.2)
Equipment	12,666	10,685	18.5
Total	85,293	82,548	3.3

REVENUE

The **total consolidated revenue** of the Company in January-March of 2017 was EUR 85.3 million, an increase by 3.3 per cent over the total consolidated revenue of EUR 82.5 million in the first three months of 2016.

During the first three months of 2017 revenue from fixed broadband Internet, television and mobile communication services as well as revenue from equipment sales continued to grow.

The total **revenue from** fixed and mobile communication **services** during January-March 2017 was up by 1.1 per cent, compared with the same period a year ago, while revenue from equipment sales went up by 18.5 per cent.

Share of revenue from fixed and mobile communication services amounted to 55 and 30 per cent, respectively, from the total revenue. Share of revenue from equipment sales was 15 per cent.

Revenue from services provided to residential customers during the first quarter of 2017, compared with the respective period a year ago, increased by 7.4 per cent, while revenue from services provided to business customers contracted by 0.7 per cent.

Over the year, the total number of active **mobile** subscriptions increased by 2.2 per cent and as of 31 March 2017 amounted to 1,346 thousand, whereof 1,055 thousand were post-paid service users (an increase by 7.1 per cent over the year) and 291 thousand – pre-paid service users (decrease by 12.2 per cent over the year). The migration from pre-paid to post-paid service continues.

Net increase in the number of active mobile subscriptions and usage of mobile data, which was 70 per cent higher than a year ago, resulted in a 6.5 per cent higher billed revenue from mobile services for the first quarter of 2017.

Revenue from **other mobile services** include revenue from the Company's mobile network interconnections and other network services.

During the first quarter of 2017, revenue from retail fixed **voice telephony** services decreased by 10.1 per cent due to decreased number of fixed telephone lines in services, which declined by 38 thousand over the year, and accordingly due to the 13.4 per cent decline in total traffic. Revenue from fixed network interconnection (mainly voice transit) services was 5.9 per cent higher than a year ago, but could not offset decline in revenue from retail fixed voice telephony services.

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Over the last twelve months, the total number of fixed **broadband Internet** access users increased by 9.6 thousand. The number of Internet connections over the fiber-optic network using FTTH/B technologies increased by 8.6 per cent and reached 251 thousand at the end of March 2017, while the number of copper DSL connections eased by 6.2 per cent to 154 thousand. By the end of the first quarter of 2017, the number of Internet connections over the fiber-optic access network amounted to 62 per cent of all 405 thousand broadband Internet connections.

From February, the Company increased the speed of the fastest fiber-optic Internet payment plan for residential customers up to 1 Gbps. In March, the Company presented a unique hybrid-type Internet service that integrates copper access with the fastest 4G mobile Internet. This solution, which has no analogues in the region, in places where fiber-optic access is currently not yet available by combining xDSL connection with a router for unlimited 4G mobile Internet ensures the speed of up to 100 Mbps. For home users, this speed is sufficient for both smart TV (IPTV) and fast browsing on different devices, while for businesses it provides more speed and guarantees reliable operation of the Internet.

Compared with the first quarter of 2016, revenue from **data communication** services alone decreased by 8.7 per cent and revenue from **network capacity** services alone – by 4.9 per cent.

During January-March 2016, the number of IPTV (including “Interneto.tv”) service users increased by 4.3 thousand, while over the year it rose by 23.7 thousand and by the end of March 2017 amounted to 195 thousand. During the last twelve months the number of digital terrestrial television (DVB-T) users decreased by 9.2 thousand and amounted to 36 thousand. The Company is encouraging its DVB-T users to migrate to the more advanced IPTV platform. Over the year, the total number of **television** service customers went up by 14.5 thousand.

Revenue from **IT services** is generated from the data center, information system management and web-hosting services provided to local and multinational enterprises.

The Telia Cloud service, which was presented to business customers in March, is one of the first OpenStack-based cloud computing services in the Nordic region. It allows businesses to manage their IT resources in a flexible manner and pay only as much as needed at a particular time. Telia Lietuva has developed its new Telia Cloud platform together with partners such as Huawei, Intel, Mirantis and Talligent.

Revenue from **other services** consists of the non-telecommunication services such as Contact Center services to external customers, lease of premises, discount refunds and other. During the first quarter of 2017, revenue from Contact Center services decreased by 60.2 per cent, as the Company’s subsidiary operating Contact Center ceased to provide services to external customers, except the Directory Inquiry service 118. Revenue from other non-core business services, compared with the same period a year ago, increased by 23.2 per cent.

Gain or loss from sale of property, plant and equipment, as well as gain or loss on currency exchange is recorded at net value as **other gain (loss)**.

MARKET INFORMATION

According to the Reports of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market increased by 4.8 per cent in terms of revenue during the 2016 to EUR 656 million, compared to EUR 626 million for the year 2015.

In 2016, the Group (including Omnitel) remained the largest telecommunication market player in Lithuania. Its total market share in terms of revenue from telecommunication services was stable and amounted to 42 per cent (42 per cent in 2015).

According to the Reports of CRA, on 31 December 2016, broadband Internet penetration per 100 residents of Lithuania was 44.7 per cent (41.1 per cent a year ago): penetration of broadband Internet

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using fixed connection was 30.1 per cent (28.8 per cent a year ago), while penetration of the Internet using mobile connection was 14.6 per cent (12.2 per cent a year ago). Pay-TV penetration per 100 households was 55.6 per cent, while in 2015 it was 56.7 per cent. The penetration of active mobile communication users per 100 residents was 147.6 per cent (144.8 per cent a year ago) and penetration of phone fixed voice telephony lines per 100 residents – 18.3 per cent (in 2015 – 19.1 per cent).

	The Group market share in terms of customers (%)		The Group market share in terms of revenue (%)	
	Q4 2016	Q4 2015	Q4 2016	Q4 2015
Fixed voice telephony services	87.7	89.0	91.7	94.1
Fixed Internet access services	46.9	46.7	56.8	55.8
Mobile Internet access services	46.5	52.4	40.1	49.3
Internet access services (total)	46.8	48.4	53.2	54.6
Pay-TV services	32.1	29.3	38.9	36.7
Mobile services	29.9	30.6	29.8	31.1
Network interconnection services	n/a	n/a	35.3	33.1
Data communication services	n/a	n/a	82.0	84.4
Leased line services	n/a	n/a	69.8	55.2

OPERATING EXPENSES

During January-March of 2017, **cost of goods and services** increased by 8.3 per cent over the cost of goods and services for the same period a year ago, mainly due to higher equipment sales and higher voice transit traffic.

Operating expenses (excluding cost of goods and services, and non-recurring items) for the first quarter of 2017 were 1.9 per cent higher than operating expenses in January-March 2016.

Employee-related expenses (excluding one-time redundancy pay-outs) for the first three months of 2017 increased by 1.1 per cent over employee-related expenses (excluding one-time redundancy pay-outs) for the first three months of 2016. During the first quarter of 2017, the Company had non-recurring redundancy charge that amounted to EUR 340 thousand (EUR 1.3 million a year ago).

During the first quarter of 2017, the total **number of employees** (headcount) increased by 27, because an additional number of consultants was employed in Contact Center due to rebranding. Over the last twelve months, the total number of employees increased by 73 – from 3,100 to 3,173.

In terms of full-time employees, the total number of employees during January-March of 2017 increased by 27, while over the last twelve months – by 99 from 2,747 to 2,846.

Other expenses (excluding non-recurring expenses) for the first quarter of 2017 were 3 per cent higher than a year ago due to higher expenses related to rebranding. The total expenses related to rebranding during January-March of 2017 amounted to EUR 1.5 million, whereof non-recurring expenses amounted to EUR 0.6 million (EUR 0.3 million a year ago).

EARNINGS

EBITDA (excluding non-recurring items) for the first three months of 2017 eased by 0.1 per cent, compared with EBITDA for the first three months of 2016, and amounted to EUR 29.2 million. EBITDA (excluding non-recurring items) margin amounted to 34.2 per cent, while a year ago it was 35.4 per cent.

EBITDA (including non-recurring items) in January-March of 2017 was EUR 28.2 million, an increase by 2.2 per cent over EBITDA (including non-recurring items) of EUR 27.6 million for the same period in 2016. EBITDA (including non-recurring items) margin in the first quarter of 2017 stood at 33.1 per cent (33.5 per cent a year ago).

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In the fourth quarter of 2016, the Company completed Omnitel purchase price allocation. As a result, the Company booked an additional depreciation and amortisation charge of EUR 5.5 million. This additional depreciation and amortisation charge was allocated into respective quarters of 2016 and had a negative effect on profitability reported in 2016. Therefore, Consolidated Statements of Comprehensive Income, Financial Position, Changes in Equity and Cash Flow for the first quarter of 2016 were restated.

Depreciation, amortisation and impairment charges for the first three months of 2017 over the restated depreciation, amortisation and impairment charges a year ago increased by 10.9 per cent, and in January-March of 2017 amounted to 19.3 per cent of the total revenue (18 per cent a year ago).

Operating profit (EBIT) (excluding non-recurring items) for the first quarter of 2017 was 11.5 per cent lower than restated operating profit (EBIT) (excluding non-recurring items) for the same period in 2016, and the operating profit (excluding non-recurring items) margin was 14.9 per cent (restated margin of 17.4 per cent in 2016).

Operating profit (EBIT) (including non-recurring items) for the first three months of 2017 was 7.9 per cent lower than restated operating profit (EBIT) (including non-recurring items) for the same period a year ago. Operating profit (including non-recurring items) margin was 13.8 per cent (restated margin of 15.5 per cent a year ago).

Net financial income in January-March of 2017 was negative and amounted to EUR 239 thousand (net financial income a year ago was also negative and amounted to EUR 313 thousand).

Profit before income tax in the first three months of 2017 was down by 7.5 per cent and amounted to EUR 11.5 million (restated profit before income tax a year ago was EUR 12.5 million).

The profit tax rate in Lithuania is 15 per cent. Following the provisions of the Law on Corporate Profit Tax regarding tax relief for investments in new technologies, the profit tax relief for the first quarter of 2017 amounted to EUR 869 thousand (EUR 498 thousand in 2016). **Income tax expenses** for the first three months of 2017 were 14.5 per cent lower than restated income tax expenses a year ago.

Profit for the period in January-March 2017 amounted to EUR 10.1 million, a decrease by 6.5 per cent over restated profit of EUR 10.8 million for January-March 2016. The profit margin stood at 11.9 per cent while restated profit margin a year ago was at 13.1 per cent.

FINANCIAL POSITION AND CASH FLOW

During the first quarter of 2017, **total assets** of the Group decreased by 7.7 per cent mainly due to repayment of the loans.

Total **non-current assets** eased by 1.3 per cent and amounted to 77.6 per cent of total assets. Total **current assets** decreased by 24.6 per cent mainly due to decrease in cash and amounted to 22.4 per cent of total assets, whereof cash alone represented 4 per cent of total assets.

During the first three months of 2017, **shareholders' equity** increased by 3.7 per cent and amounted to 51.4 per cent of total assets.

The Board of the Company proposed to the Annual General Meeting of Shareholders that will be held on 27 April 2017 to allocate from the Company's distributable profit of EUR 68.1 million an amount of EUR 17.5 million for the payment of **dividends** for the year 2016, i. e. EUR 0.03 dividend per share, and carry forward to the next financial year an amount of EUR 50,578 thousand as retained earnings (undistributed profit).

Dividends paid to legal entities (residents and non-residents) will be subject to withholding Corporate income tax of 15 per cent and dividends paid to natural persons (residents and non-residents) will be subject to withholding Personal income tax of 15 per cent.

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During the first quarter of 2017, the Company repaid a first tranche of EUR 30 million from the total long-term loan of EUR 150 million that was taken in 2016 to finance acquisition of Omnitel.

At the end of March 2017, the total amount of **borrowings** amounted to EUR 190 million (EUR 235 million a year ago).

Net **cash flow from operating activities** in the first three months of 2017 was 29.8 per cent higher than restated cash flow for same period in 2016. **Operating free cash flow** (operating cash flow excluding capital investments) in January-March 2017 was EUR 2.4 million, while restated free cash flow a year ago was negative and amounted to EUR 385 thousand.

During the first three months of 2017, the total **capital investments** amounted to EUR 12.9 million (EUR 10.7 million a year ago). Equal amounts of EUR 4.1 million were invested into development of mobile and fixed networks of the Company. An amount of EUR 4 million was allocated for the development of IT systems and EUR 0.6 million – for other investments.

During January-March 2017, the Company installed and launched 145 new LTE 4G base stations and now has 1,657 4G base stations across the Lithuania. According to the latest data of CRA, Telia Lietuva 4G connectivity has covered 99 per cent of the populated territory of Lithuania and remains the fastest in the country.

By the end of March 2017, the Company had 873 thousand households passed (858 thousand a year ago), or 71 per cent of the country's households, by the fiber-optic network.

Cash and cash equivalents during the period of the first three months of 2017 decreased by EUR 34.6 million.

SHARE CAPITAL AND SHAREHOLDERS

The **authorised capital** of the Company amounts to 168,957,810.02 euro and consists of 582,613,138 ordinary registered shares with a nominal value of 0.29 euro each. The number of the Company's shares that provide voting rights during the General Meeting is 582,613,138.

582,613,138 ordinary registered shares of Telia Lietuva, AB (ISIN code LT0000123911) are listed on the Main List of Nasdaq Vilnius stock exchange (code: TEL1L). Nasdaq Vilnius stock exchange is a home market for the Company's shares.

From January 2011, the Company's shares are included into the trading lists of Berlin Stock Exchange (Berlin Open Market (Freiverkehr), Frankfurt Stock Exchange (Open Market (Freiverkehr), Munich Stock Exchange and Stuttgart Stock Exchange. Telia Lietuva share's symbol on German stock exchanges is ZWS.

Information about **trading in Telia Lietuva shares** on Nasdaq Vilnius stock exchange in January-March of 2017:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	0.933	0.979	0.923	0.949	0.942	2,346,421	2,211,501

The Company's market capitalisation as on 31 March 2017 was EUR 553 million while a year ago it amounted to EUR 600 million.

The number of **shareholders** on the shareholders' registration day (8 December 2016) for the Extraordinary General Meeting of Shareholders, which was held on 15 December 2016, was 11,396.

(All tabular amounts are in EUR '000 unless otherwise stated)

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 March 2017:

Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)	Number of ordinary registered shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)	Share of votes held together with persons acting in concert (%)
Telia Company AB, 169 94 Solna, Sweden, code 556103-4249	513,594,774	88.15	88.15	-
Other shareholders	69,018,364	11.85	11.85	-
TOTAL:	582,613,138	100.00	100.00	-

OTHER MATERIAL INFORMATION

On 1 February 2017, the Company's subsidiaries AB Omnitel and AB Baltic Data Center were merged into the Company and the Company changed its name into Telia Lietuva, AB. On 1 February 2017, the Company subsidiary UAB Lintel changed its name into Telia Customer Service LT, UAB.

On 15 February 2017, the Company signed a long-term construction and lease agreement regarding the new head-office of the Company in Vilnius at Saltoniškių str. 7. At the beginning of 2019, about 1,200 employees of the Company will settle in a six-storey and more than 15 thousand sq. m building in the block of modern offices developed by M.M.M. Project Group. Currently the Company's employees in Vilnius are spread out in six different locations.

In March 2017, the Company and Lithuanian Radio and Television Center (Telecentras) settled the disputes that started in mid-2013 regarding the tariffs for the storage of digital terrestrial television (DVB-T) transmitters. According to the Company and Telecentras' peace agreement, which was confirmed by the Court, the Company will pay to Telecentras additionally EUR 1.01 million for the period from 1 August 2013 until 31 January 2017. The companies agreed on volumes of transmitters stored as well as contractual terms, and continue their cooperation on mutually beneficial conditions. From now on the Company will pay to Telecentras according to the valid standard service tariffs, gradually reducing number of transmitters.

On 3 April 2017, the Board of the Company decided to convoke the Annual General Meeting of Shareholders on 27 April 2017. The Board proposed to the General Meeting to allocate from the Company's distributable profit of EUR 68,057 thousand EUR 17,478 thousand for the payment of dividends for the year 2016, i.e. EUR 0.03 dividend per share, and carry forward to the next financial year an amount of EUR 50,578 thousand as retained earnings (undistributed profit). For two independent members to the Board – Inga Skisaker and Rolandas Viršilas – to allocate in total an amount of EUR 31,280, or EUR 15,640 each, as tantiems (annual payment) for the year 2016. In addition, the Board proposed to elect UAB Deloitte Lietuva as the Company's audit enterprise to perform the audit of the annual consolidated and separate financial statements of the Company for the year 2017 and to assess the consolidated annual report of the Company for the year 2017.

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MEMBERS OF THE MANAGING BODIES

According to the By-laws of Telia Lietuva, the managing bodies of the Company are General Meeting, Board and General Manager. The Company does not have a Supervisory Council.

Members of the Board as of 31 March 2017:

Name, surname	Position in the Board	Employment	Ownership of the Company's shares
Robert Andersson	Chairman of the Board, member of the Remuneration Committee	Telia Company AB (Sweden), Senior Vice President and Head of Corporate Holdings	-
Stefan Block	Member of the Board, Chairman of the Audit Committee	Telia Company AB (Sweden), Chief Financial Officer of LED (Lithuania, Estonia, Denmark) cluster	-
Claes Nycander	Member of the Board, member of the Remuneration Committee	Telia Company AB (Sweden), Vice President and Head of Special Projects & LED (Lithuania, Estonia, Denmark) Management at Group Service Operations	-
Hannu-Matti Mäkinen	Member of the Board, member of the Audit Committee	Telia Company AB (Sweden), Vice President and Head of Legal at Corporate Holdings	-
Inga Skisaker	Member of the Board, member of the Audit Committee	Nordea Bank AB Lithuania Branch (Sweden), General Manager and Head of Banking Baltic Countries	-
Rolandas Viršilas	Member of the Board, member of the Remuneration Committee	UAB Švyturys-Utenos Alus (Lithuania), CEO; Carlsberg Baltic countries, CEO	75,000 shares or 0.0129% of the total number of shares and votes

Following provisions of The Governance Code for the Companies Listed on Nasdaq Vilnius stock exchange, all members of the Board are regarded as non-executive members of the Board, and Inga Skisaker and Rolandas Viršilas are regarded as independent members of the Board. Information about other Board assignments of the members of the Company's Board is provided at the Company's webpage www.telia.lt.

Upon termination of the current term of the Board on 29 April 2017, Telia Company, as a shareholder of the Company holding 88.15 per cent of the Company's shares and votes, proposed to the Annual General Meeting of Shareholders, which will be held on 27 April 2017, to re-elect Stefan Block, Claes Nycander, Inga Skisaker and Rolandas Viršilas (the last two as independent member of the Board) for a new two-years term of the Board, and instead of Robert Andersson and Hannu-Matti Mäkinen to elect Henriette Wendt and Ole Stenkil. Henriette Wendt is Head of LED (Lithuania, Estonia, Denmark) cluster at Telia Company, and Ole Stenkil is Head of Legal for LED (Lithuania, Estonia and Denmark) cluster at Telia Company and Vice President and General Counsel for Telia Danmark (Denmark).

(All tabular amounts are in EUR '000 unless otherwise stated)

Management Team as of 31 March 2017:

Name, surname	Position in the Company	Involvement into activities of other entities	Ownership of the Company's shares
Kęstutis Šliužas	CEO	Telia Company AB (Sweden), LED (Lithuania, Estonia, Denmark) cluster, member of the management team; Kaunas Technology University (Lithuania), member of the Business Council; Vilnius Tech Park (Lithuania), member of the Council; Association INFOBALT (Lithuania), member of the Board; Baltic Institute of Corporate Governance, member of the Board	-
Norbertas Žioba	Head of Business to Consumer	UAB BOK Laboratorija (Lithuania), an independent member of the Board	3,601 share or 0.0006% of the total number of shares and votes
Andrius Šemeškevičius	Head of Technology	-	8,761 share or 0.0015% of the total number of shares and votes
Laimonas Devyžis	Head of Finance	UAB LD Corporate Consulting (Lithuania), 100 per cent owner & Director	-
Ramūnas Bagdonas	Head of Human Resources	Telia Company AB (Sweden), LED (Lithuania, Estonia, Denmark) cluster, member of the management team responsible for Human Resources; Association of Personnel Management Professionals (Lithuania), Member of the Board	-
Giedrė Kaminskaitė-Salters	Head of Legal	-	-
Audronė Mažeikaitė	Head of Corporate Affairs	Human Rights Monitoring Institute (Lithuania), member of the Council	-
Mantas Goštautas	Head of Business Development	-	-
Andrius Byčkovas	Head of Competitive Customer Operations	-	-
Vytautas Bučinskas	Head of Risk	Member of the Cyber Security Council (Lithuania); Association INFOBALT (Lithuania), Deputy Chairman of Cybersecurity Committee; European Telecommunications Network Operator's (ETNO) Association, Deputy Chairman of Cybersecurity Committee	-

From 1 January 2017, Kęstutis Šliužas, CEO of the Company, was temporary leading a Unit of Business Customers until the appointment of a new Head of B2B, Mindaugas Ubartas, was announced on 11 April 2017. Mindaugas Ubartas currently is also a CEO of JSC Indigo Tajikistan (Tcell), a mobile operator owned by Telia Company in Tajikistan.

(All tabular amounts are in EUR '000 unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	January - March	
		2017	2016 restated*
Revenue		85,293	82,548
Cost of goods and services		(30,798)	(28,427)
Employee-related expenses		(15,011)	(15,829)
Other expenses		(11,268)	(10,621)
Other gain/ (loss) – net		24	(36)
Depreciation, amortisation and impairment of fixed assets	2	(16,473)	(14,855)
Operating profit		11,767	12,780
Finance income		323	220
Finance costs		(562)	(533)
Finance income/ costs – net		(239)	(313)
Profit before income tax		11,528	12,467
Income tax	6	(1,409)	(1,647)
Profit for the period		10,119	10,820
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		10,119	10,820
Profit and comprehensive income attributable to:			
Owners of the Parent		10,119	10,820
Minority interests		-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	7	0.017	0.019

Note: In the fourth quarter of 2016, the Company completed Omnitel purchase price allocation. As a result, the Company booked an additional depreciation and amortisation charge of EUR 5.5 million. This additional depreciation and amortisation charge was allocated into respective quarters of 2016, and consequently had an effect on reported in 2016 operating profit (EBIT), profit before income tax, income tax and profit for the periods of the first, second and third quarter of 2016. Therefore, Consolidated Statements of Comprehensive Income, Financial Position, Changes in Equity and Cash Flow for the first quarter of 2016 presented in this report are restated.

(All tabular amounts are in EUR '000 unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	2	289,886	291,818
Intangible assets	2	122,806	124,512
Investment property		1,277	1,277
Trade and other receivables		8,898	10,944
		422,867	428,551
Current assets			
Inventories		9,200	10,135
Trade and other receivables		90,875	94,661
Current income tax receivable		142	722
Cash and cash equivalents		22,042	56,650
		122,259	162,168
Total assets		545,126	590,719
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	4	168,958	168,958
Legal reserve		16,896	16,896
Retained earnings		94,591	84,472
Total equity		280,445	270,326
LIABILITIES			
Non-current liabilities			
Borrowings		90,000	97,500
Deferred tax liabilities		20,825	20,284
Deferred revenue and accrued liabilities		9,914	9,897
Provisions	5	6,627	6,627
		127,366	134,308
Current liabilities			
Trade, other payables and accrued liabilities		36,270	55,114
Current income tax liabilities		871	1,068
Borrowings		100,000	129,500
Provisions	5	174	403
		137,315	186,085
Total liabilities		264,681	320,393
Total equity and liabilities		545,126	590,719

(All tabular amounts are in EUR '000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2016	168,736	16,896	48,804	234,658
Net profit	-	-	10,820	10,820
Total comprehensive income for the period	-	-	10,820	10,820
Balance at 31 March 2016*	168,736	16,896	59,624	245,478
Balance at 1 January 2017	168,958	16,896	84,472	270,326
Net profit	-	-	10,119	10,119
Total comprehensive income for the period	-	-	10,119	10,119
Balance at 31 March 2017	168,958	16,896	94,591	280,445

Note: In the fourth quarter of 2016, the Company completed Omnitel purchase price allocation. As a result, the Company booked an additional depreciation and amortisation charge of EUR 5.5 million. This additional depreciation and amortisation charge was allocated into respective quarters of 2016, and consequently had an effect on reported in 2016 operating profit (EBIT), profit before income tax, income tax and profit for the periods of the first, second and third quarter of 2016. Therefore, Consolidated Statements of Comprehensive Income, Financial Position, Changes in Equity and Cash Flow for the first quarter of 2016 presented in this report are restated.

(All tabular amounts are in EUR '000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOW

	January - March	
	2017	2016 restated*
Operating activities		
Profit for the period	10,119	10,820
Income tax	1,409	1,647
Depreciation, amortisation and impairment of fixed assets	16,473	14,855
Other gains and losses	(24)	36
Interest income	(398)	(56)
Interest expenses	537	498
Other non-cash transactions	240	(1,283)
Changes in working capital:		
Inventories	936	(1,474)
Trade and other receivables	5,832	1,245
Trade, other payables and accrued liabilities	(10,835)	(6,817)
Cash generated from operations	24,289	19,471
Interest paid	(615)	(89)
Interest received	398	56
Tax paid	(632)	(1,386)
Net cash from operating activities	23,440	18,052
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(21,048)	(18,437)
Proceeds from disposal of PPE and intangible assets	-	53
Acquisition of subsidiaries	-	(129,618)
Net cash used in investing activities	(21,048)	(148,002)
Financing activities		
Repayment of borrowings	(37,000)	(7,030)
Borrowings	-	150,000
Net cash used in financing activities	(37,000)	142,970
Increase (decrease) in cash and cash equivalents	(34,608)	13,020
Movement in cash and cash equivalents		
At the beginning of the year	56,650	12,898
Increase (decrease) in cash and cash equivalents	(34,608)	13,020
At the end of the period	22,042	25,918

Note: In the fourth quarter of 2016, the Company completed Omnitel purchase price allocation. As a result, the Company booked an additional depreciation and amortisation charge of EUR 5.5 million. This additional depreciation and amortisation charge was allocated into respective quarters of 2016, and consequently had an effect on reported in 2016 operating profit (EBIT), profit before income tax, income tax and profit for the periods of the first, second and third quarter of 2016. Therefore, Consolidated Statements of Comprehensive Income, Financial Position, Changes in Equity and Cash Flow for the first quarter of 2016 presented in this report are restated.

(All tabular amounts are in EUR '000 unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The consolidated interim financial statements for the three months period ending 31 March 2017 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2016.

The presentation currency is euro. The financial statements are presented in thousands of euro, unless indicated otherwise. The financial statements are prepared under the historical cost convention.

Financial statements for the period ended 31 March 2017 are not audited. Financial statements for the year ended 31 December 2016 are audited by the external auditor UAB Deloitte Lietuva.

2 Property, plant and equipment and intangible assets

	Property, plant and equipment	Intangible assets
Three months ended 31 March 2016		
Opening net book amount as at 31 December 2015	214,882	12,370
Additions	9,056	15,954
Acquisition of subsidiaries	75,771	104,567
Disposals and retirements	(77)	-
Reclassification	5	(42)
Depreciation and amortisation charge	(12,180)	(2,675)
Closing net book amount as at 31 March 2016*	287,457	130,174
Three months ended 31 March 2017		
Opening net book amount as at 31 December 2016	291,818	124,512
Additions	11,175	1,726
Acquisition of subsidiaries	-	-
Disposals and retirements	(29)	-
Reclassification	(34)	(3)
Depreciation and amortisation charge	(13,044)	(3,429)
Closing net book amount as at 31 March 2017	289,886	122,806

Note: In the fourth quarter of 2016, the Company completed Omnitel purchase price allocation. As a result, the Company booked an additional depreciation and amortisation charge of EUR 5.5 million. This additional depreciation and amortisation charge was allocated into respective quarters of 2016, and consequently had an effect on reported in 2016 operating profit (EBIT), profit before income tax, income tax and profit for the periods of the first, second and third quarter of 2016. Therefore, Consolidated Statements of Comprehensive Income, Financial Position, Changes in Equity and Cash Flow for the first quarter of 2016 presented in this report are restated.

(All tabular amounts are in EUR '000 unless otherwise stated)

3 Investments in subsidiaries and associates

The subsidiaries and associates included in the Group's consolidated financial statements are indicated below:

Name	Country of incorporation	Ownership interest in %		Profile
		31 March 2017	31 December 2016	
AB Omnitel	Lithuania	-	100%	The subsidiary, a provider of mobile communications services, was acquired on 4 January 2016 and on 1 February 2017 was merged into the Company.
AB Baltic Data Center	Lithuania	-	100%	The subsidiary, a provider of information technology infrastructure services, on 1 February 2017 was merged into the Company.
Telia Customer Service LT, UAB	Lithuania	100%	100%	The subsidiary provides Directory Inquiry Service 118 and Contact Center services. On 1 February 2017 changed name from UAB Lintel to Telia Customer Service LT, UAB.
UAB Verslo Investicijos	Lithuania	100%	100%	The subsidiary is implementing investment project.
UAB Kompetencijos Ugdymo Centras	Lithuania	100%	100%	The dormant subsidiary of the Company.
VšĮ Numerio Perkėlimas	Lithuania	50%	50%	A non-profit organization established by four Lithuanian telecommunications operators (the Company and Omnitel initially owned a 25% stakes each) from 1 January 2016 started to administer central database to ensure telephone number portability.

4 Share capital

The authorised share capital comprises of 582,613,138 ordinary shares of EUR 0.29 nominal value each. All shares are fully paid up.

(All tabular amounts are in EUR '000 unless otherwise stated)

5 Provisions

Provisions movement during January-March 2017:

	Provision for restructuring	Assets retirement obligation	Total
Opening net book amount at 31 December 2016	403	6,627	7,030
Acquisition of subsidiaries	-	-	-
Additions	275	-	275
Used provisions	(505)	-	(505)
Closing net book amount at 31 March 2017	173	6,627	6,800

The restructuring provision comprises of compensation to employees as a result of the restructuring plan approved by the Company. Provisions for restructuring are expected to be fully utilized during the year 2017.

The Company leases land for the construction of mobile stations. Upon expiry of the lease term the mobile stations should be disassembled and land restored so that it could be returned to the land owner in a condition it was before the lease. Similarly, the Company has telecommunication equipment installed in the premises or on the buildings leased from third parties. This equipment will have to be disassembled when the lease agreement expires. To cover these estimated future costs, assets retirement obligation has been recognised. The Company expects that assets retirement obligation will be realised later than after one year. Therefore, the whole amount of assets retirement obligation has been classified as non-current provision for other liabilities and charges.

6 Income tax

The tax expenses for the period comprise current and deferred tax.

Profit for 2017 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2016: 15 per cent).

According to amendments to the Law on Corporate Profit Tax which provides tax relief for investments in new technologies, the Company's calculated profit tax relief in 2017 amounted to EUR 869 thousand (2016: EUR 498 thousand).

7 Earnings per share

Basic earnings per share are calculated by dividing the net profit (loss) for the period by the weighted average number of ordinary shares in issue during the period. The Group has no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share. The weighted average number of shares for the both reporting periods amounted to 582,613 thousand.

	January – March	
	2017	2016 restated
Net profit	10,119	10,820
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
Earnings per share (euro)	0.017	0.019

(All tabular amounts are in EUR '000 unless otherwise stated)

8 Dividends per share

A dividend that relates to the period to 31 December 2016 was proposed by the Board on 3 April 2017. The total proposed amount is EUR 17,478 thousand or EUR 0.03 per ordinary share.

9 Business combination

On 4 January 2016, the Company acquired a 100 per cent stake in Omnitel from Telia Company AB, which also owns 88.15 per cent of the Company's shares.

On 1 February 2017, the Company's subsidiaries AB Omnitel and AB Baltic Data Center were merged into the Company and the Company changed its name into Telia Lietuva, AB.

*Goodwill arising on acquisition**

Purchase consideration	148,407
Purchase consideration adjustment per agreement clause**	(4,300)
Purchase consideration	144,107
Fair value of net assets acquired	(117,564)
Goodwill	26,543

Goodwill arose in the acquisition because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

*Assets acquired and liabilities recognised at the date of acquisition**

	Acquirer's carrying amount	Fair value
Cash and cash equivalents	14,489	14,489
Property, plant and equipment	71,564	78,737
Intangible assets	16,453	73,623
Inventories	4,473	4,473
Trade and other receivables	59,331	59,331
Trade and other payables	(25,209)	(25,209)
Deferred tax liability	(1,228)	(10,880)
Borrowings	(77,000)	(77,000)
Net assets acquired	62,873	117,564

*Net cash outflow on acquisition of subsidiaries**

Purchase consideration settled in cash	144,107
Cash and cash equivalents in subsidiaries acquired	(14,489)
Cash outflow on acquisition	129,618

* till 1 February 2017

** Purchase consideration adjustment settled in cash was received from Telia Company AB on 5 April 2016 and was disclosed as adjustment of cash outflow on acquisition in later reporting periods.

(All tabular amounts are in EUR '000 unless otherwise stated)

10 Related party transactions

The Group is controlled by Telia Company AB, which as of 31 March 2017 owned 88.15 per cent (88.15 per cent a year ago) of the Company's shares. The following transactions were carried out with related parties:

Sales and purchases from Telia Company AB and its subsidiaries:

	January – March	
	2017	2016
Sales of telecommunication and other services	1,833	1,847
Total sales of telecommunication and other services	1,833	1,847
Purchases of services	3,507	2,100
Purchase of shares (Note 9)	-	144,107
Purchases of assets	394	291
Total purchases of services and assets:	3,901	146,498

Balances arising from sales/purchase of assets/services and other transaction to/from Telia Company AB and its subsidiaries:

	As at 31 March	
	2017	2016
Long-term receivables from related parties	251	279
Receivables from related parties	1,013	1,476
Receivables from related party due to purchase consideration adjustment (Note 9)	-	4,300
Accrued revenue from related parties	568	645
Total receivables and accrued revenue from related parties	1,832	6,700
Short-term borrowings from related parties	70,000	85,000
Payables to related parties	1,052	1,293
Accrued expenses to related parties	157	86
Total borrowings, payables and accrued expenses to related parties	71,209	86,379

As of 31 March 2017, the amount of EUR 15.6 thousand of tantiemes assigned for the year 2010, was not paid to one member of the Board.

(All tabular amounts are in EUR '000 unless otherwise stated)

MANAGEMENT CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Kęstutis Šliužas, CEO of Telia Lietuva, AB, and Laimonas Devyžis, Head of Finance of Telia Lietuva, AB, hereby confirm that, to the best of our knowledge, the not audited Telia Lietuva, AB Interim Consolidated Financial Statements for the three months period ended 31 March 2017, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit and cash flows of Telia Lietuva, AB and the Group of undertakings.

Kęstutis Šliužas
CEO

Laimonas Devyžis
Head of Finance

Vilnius, 25 April 2017