

TELIA LIETUVA, AB

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS' PERIOD ENDED 31 MARCH 2019
(UNAUDITED)**



Beginning of the financial year	1 January 2019
End of reporting period	31 March 2019
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
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E-mail address	info@telia.lt
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

First quarter of 2019:

- Total revenue amounted to EUR 89.1 million, down by 1.8 per cent over the revenue of EUR 90.8 million in Q1 2018.
- EBITDA, excluding non-recurring items, was EUR 31.8 million, an increase by 2.7 per cent over EBITDA, excluding non-recurring items, of EUR 31 million a year ago.
- Profit for the period was EUR 11.8 million, a decrease by 1.8 per cent over profit of EUR 12 million a year ago.
- Free cash flow amounted to EUR 18.8 million and was 3.5 times higher than in Q1 2018 when it amounted to 5.4 million.

Management comment:

The year 2019 we started with the new organisational structure of the Company. Customer focus, holistic approach to customer experience and digitization led to creation of a new Direct and Digital Channels unit that united all employees involved in direct customer care, creation of digital channels, sale support and service implementation.

On 1 January 2019, the Company outsourced some human resource management functions (People HUB) to Telia shared service center in Vilnius. 26 employees of the Company were transferred to Telia Global Services Lithuania, UAB, a subsidiary of Telia Company. Outsourcing of some functions to Telia shared service center will continue and together with ongoing business digitalisation program shall result in a reduction of personnel of the Company by 285 (not including 26 employees of People HUB) over the whole year 2019.

Aiming to increase the efficiency and simplify structure of Telia Lietuva Group, the Board proposed to the Annual General Meeting of Shareholders to approve the preparation of terms for merger of the Company's subsidiary Telia Customer Service LT, a Contact Center that solely takes care of the Company's customers, into Telia Lietuva.

In the first quarter of 2019, the Company changed treatment of active mobile service users and took off 114 thousand of mobile subscriptions from the total number of post-paid subscriptions. As a result, despite an intake of 13 thousand of new post-paid service users during January-March of 2019, the number of post-paid service users, compared with the same period a year ago, went down by 6.2 per cent to 1,025 thousand at the end of March 2019.

During the first three months of 2019, a record number of 9 thousand customers took advantage of our converged "Telia One" offer. Over the year the number of:

- IPTV users increased by 9.9 per cent up to 234 thousand,
- FTTH Internet customers rose by 5.2 per cent up to 282 thousand.

The Company focuses on profitable business and deliberately lowers volumes of the less profitable voice transit business. Compared with the first quarter of 2018, revenue from voice transit services for the first quarter of 2019 were more than 2 times lower and had a negative effect on the total revenue. The total revenue excluding revenue from voice transit in the first quarter of 2019 were 3.4 per cent higher than total revenue excluding revenue from voice transit a year ago.

During the first quarter of 2019 the strongest growth was in revenue from TV services supported by revenue growth from equipment sales and mobile communication services. Compared with the first quarter of 2018,

- revenue from TV services increased by 15.5 per cent,
- revenue from equipment sale was up by 9.8 per cent,
- revenue from mobile services grew by 7.3 per cent.

From 1 January 2019, the Company implemented a new International Financial Reporting Standard (IFRS) 16 "Leases". Following the standard, the Company's agreements regarding the lease of premises, network capacity, mobile base stations and other are treated as assets thus reducing the Company's operating expenses but increasing depreciation and amortisation charges and interest expenses. During the first quarter of 2019, due to introduction of IFRS 16 operating expenses of the Company were EUR 1.5 million lower, while depreciation and amortisation charges and interest expenses were 1.5 million higher.

Good Company's performance in 2018 led to the Board's proposal to pay a record high dividend of EUR 0.08 per share for the year 2018 and to increase the total dividend pay-out to the shareholders from EUR 40.8 million a year ago to EUR 46.6 million.

By the 1 April 2019, more than a thousand of Telia Lietuva employees has settled in a new headquarters of the Company in Vilnius, at Saltonišky str. 7A.

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

KEY FIGURES OF THE GROUP

Financial figures	January–March		Change (%)
	2019	2018	
Revenue	89,086	90,762	(1.8)
EBITDA excluding non-recurring items	31,823	30,985	2.7
EBITDA margin excluding non-recurring items (%)	35.7	34.1	
EBITDA	31,601	30,882	2.3
EBITDA margin (%)	35.5	34.0	
Operating profit (EBIT) excluding non-recurring items	14,527	15,269	(4.9)
EBIT margin excluding non-recurring items (%)	16.3	16.8	
Operating profit (EBIT)	14,305	15,166	(5.7)
EBIT margin (%)	16.1	16.7	
Profit before income tax	13,571	14,987	(9.4)
Profit before income tax margin (%)	15.2	16.5	
Profit for the period	11,755	11,967	(1.8)
Profit for the period margin (%)	13.1	13.2	
Earnings per share (EUR)	0.020	0.021	
Number of shares (thousand)	582,613	582,613	-
Share price at the end of period (EUR)	1.15	1.14	0.9
Market capitalisation at the end of period	670,005	664,179	0.9
Cash flow from operations	36,058	22,522	60.1
Operating free cash flow	18,827	5,436	246.3
Operating figures	31-03-2019	31-03-2018	Change (%)
Mobile service subscriptions, in total (thousand)	1,278	1,363	(6.2)
- Post-paid (thousand)	1,025	1,093	(6.2)
- Pre-paid (thousand)	253	270	(6.3)
Broadband Internet connections (excl. Wi-Fi), in total (thousand)	410	410	-
- Fiber-optic (FTTH/B) (thousand)	282	268	5.2
- Copper (DSL) (thousand)	128	142	(9.9)
Fixed telephone lines in service (thousand)	334	401	(16.7)
IPTV services customers (thousand)	234	213	9.9
Number of personnel (head-counts)	2,642	2,980	(11.3)
Number of full-time employees	2,410	2,715	(11.2)
Financial ratios*	31-03-2019	31-03-2018	
Return on capital employed (%)	13.5	12.6	
Return on average assets (%)	10.9	10.4	
Return on shareholders' equity (%)	17.5	17.6	
Operating cash flow to sales (%)	32.1	30.3	
Capex to sales (%)	16.9	17.2	
Net debt to EBITDA ratio	0.86	1.08	
Gearing ratio (%)	33.3	42.0	
Debt to equity ratio (%)	46.2	48.5	
Current ratio (%)	136.1	169.7	
Rate of turnover of assets (%)	66.0	67.8	
Equity to assets ratio (%)	55.1	57.2	
Price to earnings (P/E) ratio	12.3	12.7	

Note. *Description of financial ratios and their calculation is provided at <https://www.telia.lt/eng/investors/financial-results>

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

Breakdown of revenue by services	January-March		Change (%)
	2019	2018	
Fixed services	40,789	46,131	(11.6)
Voice telephony services	10,782	16,642	(35.2)
Internet services	14,073	14,487	(2.9)
Data communication and network capacity	4,736	4,690	1.0
TV services	7,303	6,321	15.5
IT services	2,587	2,610	(0.9)
Other services	1,308	1,381	(5.3)
Mobile services	30,463	28,394	7.3
Billed services	25,458	23,589	7.9
Other mobile service	5,005	4,805	4.2
Equipment	17,834	16,237	9.8
Total	89,086	90,762	(1.8)

REVENUE

The **total revenue** of the Company in January-March of 2019 was EUR 89.1 million, a decrease by 1.8 per cent over the total revenue of EUR 90.8 million for the first three months of 2018 mainly due to lower revenue from voice transit services. The total revenue excluding revenue from voice transit in the first quarter of 2019 were 3.4 per cent higher than total revenue excluding revenue from voice transit a year ago.

Share of revenue from fixed and mobile communication services amounted to 45.8 and 34.2 per cent, respectively, from the total revenue for January-March of 2019. Share of revenue from equipment sales was 20 per cent.

During the three months of 2019, revenue from services provided to residential customers (B2C) amounted to 60.2 per cent, to business customers (B2B) – 39 per cent and others – 0.8 per cent of the total revenue.

During January-March of 2019, the number of customers that took advantage of the converged “Telia One” offer, which gives more value – higher speed, more data and more TV content – to those who have both fixed and mobile services, increased by 9 thousand and reached 42 thousand by the end of March 2019.

In the first quarter of 2019, the Company changed treatment of active **mobile** service user and took off 114 thousand of mobile subscriptions from the total number of post-paid mobile service users. As a result, during first three months of 2019 the number of post-paid mobile communication service users despite intake of a new customer (13 thousand) went down by 101 thousand, while the number of pre-paid service users eased by 10 thousand. Over the last twelve months, the number of post-paid service users went down by 68 thousand and the number of pre-paid service users contracted by 17 thousand. Over the year, the total number of active mobile subscriptions dropped by 85 thousand.

The growth in billed revenue from mobile services was driven by ongoing growth of mobile data usage. During January-March of 2019, the amount of data used by mobile devices was by 1.5 times higher than a year ago.

Revenue from **other mobile services** include revenue from the Company's mobile network interconnections as well as roaming charges to country visitors and other network services. Over the year, revenue from roaming charges to country visitors alone increased by 15.2 per cent. After elimination of roaming charges in the EU from 15 June 2017 the Company has observed an increasing data usage by Lithuania's visitors from more than 110 countries that use Telia Lietuva mobile network for Internet access.

During the first quarter of 2019, revenue from network interconnection services contracted by 55 per cent due to lower voice transit traffic, and in combination with decrease of 15.2 per cent in revenue from retail fixed voice telephony services led to a total 35.2 per cent drop in revenue from fixed **voice telephony**.

During January-March of 2019, the number of fixed telephone lines in service contracted by 20 thousand, while over the last twelve months it went down by 67 thousand. Over the year the total retail fixed voice telephony traffic decreased by 13.6 per cent.

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

During the first quarter of 2019, the number of fixed **broadband Internet** access users over fiber-optic network using FTTH/B technologies increased by 5 thousand, while the number of broadband Internet service users over the copper DSL connections eased by 9 thousand. The total net decrease in the number of broadband Internet access users was 4 thousand.

As a result, over the last twelve months the total number of broadband Internet access (excluding Wi-Fi) users remained flat. The number of FTTH/B connections increased by 14 thousand and reached 282 thousand at the end of March 2019, while the number of copper DSL connections decreased by 14 thousand to 128 thousand. By the end of March 2019, the number of Internet connections over the fiber-optic access network amounted to 67.6 per cent of all 410 thousand broadband Internet (excluding Wi-Fi) connections.

In January 2018, the Company introduced "Super VDSL" (S-VDSL) technology, which depending on the length of the copper line connecting the Company's exchange and end equipment provides up to 250 Mbps Internet speed. By the end of March 2019, almost 18 thousand of Internet connections over the copper line migrated from traditional DSL to S-VDSL technology and more than 35 thousand could be potentially migrated in the nearest future.

Compared with the same periods in 2018, revenue from **data communication** services alone during the first quarter of 2019 decreased by 2.2 per cent, while revenue from **network capacity** services alone increased by 5.8 per cent.

During January-March of 2019, the number of smart **television** (IPTV) service users increased by 4 thousand, while over the last twelve month it rose by 21 thousand and by the end of March 2019 amounted to 234 thousand.

In September 2018, the Company terminated the provision of digital terrestrial television (DVB-T). For several years, the Company was encouraging its DVB-T users to migrate to the more advanced IPTV platform. At the end March 2018 there were 30 thousand of digital terrestrial television users. Majority of them migrated to IPTV over the cable or IPTV over LTE service. IPTV over LTE 4G network as a substitute to outdated DVB-T service in remote or rural areas where cable network is not accessible was launched in June 2018.

Since August 2018, the Company's IPTV service users can exclusively enjoy world class TV series, movies and documentaries from HBO. Telia Lietuva smart TV video-on-demand service also features the best movies presented at the yearly spring cinema festival "Kino pavasaris".

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

Revenue from **other services** consists of the non-telecommunication services such as Directory Inquiry service 118 provided to external customers, lease of premises, discount refunds and other.

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)**. During the first quarter of 2018, the non-recurring gain from sales of property amounted to EUR 424 thousand.

MARKET INFORMATION

According to the latest Report of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue increased by 1.3 per cent in the fourth quarter of 2018 compared with the fourth quarter of 2017 and amounted to EUR 174 million. Market revenue for the year 2018, compared with the year 2017, increased by 1.9 per cent, and amounted to EUR 693 million.

	The market shares in terms of customers (%)		The market shares in terms of revenue (%)	
	Q4 2018	Change (p.p.) (y-o-y)	Q4 2018	Change (p.p.) (y-o-y)
Fixed voice telephony services	82.9	(2.5)	89.8	(1.5)
Mobile voice telephony services	29.3	1.4	27.3	(0.1)
Fixed Internet access	52.0	0.6	60.3	(1.4)
Mobile Internet access	29.6	(1.7)	28.9	(3.7)
Pay-TV services	34.1	0.3	39.4	(1.3)
Data communication services	n/a	n/a	65.5	(3.0)

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Telia Lietuva remains the largest telecommunications' service provider in Lithuania with the market share (in term of revenue) of 38.7 per cent for the fourth quarter of 2018, a decrease of 3.5 percentage point compared with the fourth quarter of 2017.

According to the Report of the CRA, on 31 December 2018, broadband Internet penetration per 100 residents of Lithuania was 47.3 per cent (41.7 per cent a year ago) and pay-TV penetration per 100 households was 50.3 per cent (56.8 per cent a year ago). The penetration of active mobile communication users per 100 residents was 135.2 per cent (133 per cent a year ago) and penetration of fixed voice telephony lines per 100 households – 30.7 per cent (37.8 per cent a year ago).

OPERATING EXPENSES

During January-March of 2019, **cost of goods and services** decreased by 11.8 per cent over the cost of goods and services for the same period a year ago, mainly due to lower voice transit traffic and positive impact of introduction of IFRS 16 "Leases" from 1 January 2019 on cost of goods and services.

Operating expenses (excluding cost of goods and services, and non-recurring items) for the first quarter of 2019 were 6.8 per cent higher than operating expenses in January-March of 2018.

Employee-related expenses (excluding one-time redundancy pay-outs) for the first three months of 2019 decreased by 2.7 per cent over employee-related expenses (excluding one-time redundancy pay-outs) for the first three months of 2018. During the first quarter of 2019, the Company had non-recurring redundancy charge that amounted to EUR 222 thousand, while a year ago it amounted to EUR 527 thousand.

During January-March of 2019, the total **number of employees** (headcount) decreased by 91. On 1 June 2018, 196 employees of the Company, that were providing services to Telia Company Group, were moved to the Company's subsidiary, Telia Global Services Lithuania, UAB, which on the same day was acquired by Telia Company and became a shared services center of Telia Group based in Vilnius. On 1 January 2019, the Company transferred 26 employees of its Human Resource unit (People HUB) to Telia Global Services Lithuania, too. As a result, over the last twelve months the total number of Telia Lietuva Group employees decreased by 338 – from 2,980 to 2,642.

In terms of full-time employees (FTE), the total number of Telia Lietuva Group employees during January-March of 2019 decreased by 72 (whereof 26 were moved to Telia shared service center), while over the last twelve months the total number of FTE decreased by 305 (mainly due to transfer to Telia shared service center) from 2,715 to 2,410.

Other expenses for the first quarter of 2019 were 19.2 per cent higher than other expenses a year ago due to higher marketing expenses, increased electricity prices and IT costs.

EARNINGS

EBITDA excluding non-recurring items for the first quarter of 2019 amounted to EUR 31.8 million and was 2.7 per cent higher than EBITDA excluding non-recurring items of EUR 31 million a year ago. EBITDA excluding non-recurring items margin for the first quarter of 2019 was 35.7 per cent, while a year ago it was 34.1 per cent.

EBITDA in January-March of 2019 was EUR 31.6 million, an increase by 2.3 per cent over EBITDA of EUR 30.9 million a year ago. EBITDA margin in January-March of 2019 was 35.5 per cent (34 per cent a year ago).

Depreciation, amortisation and impairment charges for the first quarter of 2019 over the depreciation, amortisation and impairment charges for the same period a year ago increased by 10.1 per cent mainly due to introduction of IFRS 16, and in January-March of 2019 amounted to 19.4 per cent of the total revenue (17.3 per cent a year ago).

Operating profit (EBIT) excluding non-recurring items for the first three months of 2019 was 4.9 per cent lower than operating profit (EBIT) excluding non-recurring items for the same period in 2018, and the operating profit excluding non-recurring items margin amounted to 16.3 per cent (16.8 per cent in 2018).

Operating profit (EBIT) for the first quarter of 2019 decreased by 5.7 per cent over operating profit (EBIT) the first quarter of 2018. Operating profit margin stood at 16.1 per cent (16.7 per cent in 2018).

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Loss from investments represent result from activities of associated entity UAB Mobilieji Mokėjimai that provides instant payment service. **Net from finance and investment activities** for the first quarter of 2019 was negative and amounted to EUR 734 thousand. A year ago, it was also negative and amounted to EUR 179 thousand.

Profit before income tax for the first quarter of 2019 went down by 9.4 per cent and amounted to EUR 13.6 million (profit before income tax for the same period a year ago was EUR 15 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 was not applied during January-March of 2019 as well as a year ago. **Income tax expenses** for the first three months of 2019 were 1.7 times lower than income tax expenses a year ago.

Profit for the period in January-March of 2019 amounted to EUR 11.8 million, a decline by 1.8 per cent over profit of EUR 12 million for the same period in 2018. The profit margin stood at 13.1 per cent while profit margin a year ago was 13.2 per cent.

FINANCIAL POSITION AND CASH FLOW

Due to introduction of IFRS 16 “Leases” from 1 January 2019 the audited Statement of Financial Position as of 31 December 2018 was restated and starting from 1 January 2019 new items on the balance sheet such as “Right-of-use-asset”, “Finance lease receivables” and “Lease liabilities” were created. As a result, the restated total assets as of 1 January 2019 were by EUR 31.3 million higher than audited total assets as of 31 December 2018.

During January-March of 2019, restated **total assets** increased by 1.1 per cent mainly due to increase in cash and cash equivalents.

Total **non-current assets** shrunk by 0.9 per cent and amounted to 74.5 per cent of total assets. Total **current assets** increased by 7.2 per cent and amounted to 25.2 per cent of total assets, whereof cash alone represented 7.1 per cent of total assets.

During the first three months of 2019, **shareholders' equity** increased by 3.7 per cent and amounted to 55.1 per cent of total assets.

The Board of the Company proposed to the Annual General Meeting of Shareholders that will be held on 26 April 2019 to allocate from the Company's distributable profit of EUR 131.6 million an amount of EUR 46.6 million for the payment of **dividends** for the year 2018, i. e. EUR 0.08 dividend per share, and carry forward to the next financial year an amount of EUR 85 million 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.

During the first quarter of 2019, the Company repaid another instalment of EUR 7.5 million from the long-term loan of EUR 150 million and return EUR 10 million short-term loan provided by Telia Company. At the end of March 2019, the total amount of **borrowings** amounted to EUR 153.3 million, whereof EUR 120 million were loans from banks, EUR 30.2 million – obligation under vendor financing arrangements and EUR 3.1 million – financial lease agreements. As of 31 March 2019, Telia Lietuva had no borrowings from the largest shareholder of the Company, Telia Company.

As of 31 March 2019, the net debt amounted to EUR 110.6 million (EUR 133.4 million a year ago) and net debt to equity (Gearing) ratio was 33.3 per cent (42 per cent at the end of March 2018).

Net **cash flow from operating activities** during the first three months of 2019 was 60.1 per cent higher than cash flow for the same period in 2018 mainly due to implementation of vendor financing arrangement of EUR 30.2 million value at the end of March 2019. Therefore, **operating free cash flow** (operating cash flow excluding capital investments) in January-March of 2019 was 3.5 times higher than a year ago and amounted to EUR 18.8 million.

During the first quarter of 2019, the total **capital investments** amounted to EUR 15.2 million and were 11.8 per cent higher than capital expenditure of EUR 13.6 million a year ago. Most of capital investments (EUR 6.7 million or 44 per cent) went to upgrade of the core fixed network and development of fiber-optic access network. An amount of EUR

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3.3 million was invested into development of mobile network, EUR 3.4 million – into development of IT systems under ongoing business management systems transformation program and EUR 1.8 million were other investments.

During January-March of 2019, the Company installed and launched 45 new LTE 4G base stations and now has a network of 1,375 4G locations across Lithuania. According to the latest data of the Communications Regulatory Authority (CRA), 4G mobile telecommunications service of the Company is available in 99 per cent of populated areas in Lithuania and the current average 4G speed in the Telia Lietuva network amounts to 50.4 Mbps.

By the end of March 2019, the Company had 916 thousand households passed (893 thousand a year ago), or 64 per cent of the country's dwelling units, by the fiber-optic network.

Cash and cash equivalents during the first three months of 2019 increased by EUR 14 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 2019:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.110	1.160	1.095	1.150	1.135	964,031	1,094,391

The Company's **market capitalisation** as on 31 March 2019 was EUR 670 million, while a year ago it amounted to EUR 664 million.

The number of **shareholders** on the shareholders' registration day (2 November 2018) for the Extraordinary General Meeting of Shareholders, which was held on 9 November 2018, was 10,968.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 March 2019:

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 2 April 2019, the Board of the Company decided to convoke the Annual General Meeting of Shareholders on 26 April 2019. The Board proposed to the General Meeting to allocate from the Company's distributable profit of EUR 131,617 thousand an amount of EUR 46,609 thousand for the payment of dividends for the year 2018, i.e. EUR 0.08 dividend per share, and carry forward to the next financial year an amount of EUR 85,008 thousand as retained earnings (undistributed profit). For two independent members to the Board – Tomas Balžekas and Mindaugas Glodas – as tantiems (annual payment) for the year 2018 to allocate in total an amount of EUR 31,280, or EUR 15,640 each.

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

As from 1 April 2019 the Company has moved to a new headquarters at Saltoniškių str. 7A in Vilnius, the Board proposes to the General Meeting to change the registered office of the Company to Saltoniškių str. 7A, LT- 03501 Vilnius, Lithuania, accordingly.

To streamline Telia Lietuva Group structure, the Board proposes to the General Meeting to approve the preparation of reorganisation terms, under which Telia Customer Service LT, AB would be merged into Telia Lietuva, AB. The Contact Centers of Telia Customer Service LT, a subsidiary of Telia Lietuva, from 1 February 2017 are taking care of solely Telia Lietuva' customers and are not providing services to external customers except Directory Inquiry service 118.

In April 2019, Telia Customer Service LT, UAB changed its legal form from closed joint-stock company into joint-stock company. After change of legal form, the company operates as Telia Customer Service LT, AB. Telia Lietuva owns a 100 per cent stake in Telia Customer Service LT, AB.

On 4 April 2019, the Company announced that to increase the efficiency and create a leaner structure of the Company the number of Telia Lietuva employees during 2019 will be reduced by 285, while Telia Global Services Lithuania, a subsidiary of Telia Company operating in Vilnius, will expand with new job offerings and will reach 500 employees by the end of this year. These changes will contribute to the ongoing business digitalisation programme and the outsourcing of some functions.

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.

The two-year's term of the current Board terminates on 27 April 2019, thus Telia Company AB, as a shareholder of the Company holding 88.15 per cent of shares and votes, proposes to the Annual General Meeting, that will be held on 26 April 2019, to re-elect the current member of the Board for a new two-year's term of the Board.

Members of the Board:

Name, surname	Position in the Board	Employment	Ownership of the Company's shares
Emil Nilsson	Chair of the Board, Chair of the Remuneration Committee	Telia Company AB (Sweden), Senior Vice President & Head of LED (Lithuania, Estonia, Denmark) cluster and Region Eurasia	-
Agneta Wallmark	Member of the Board, Chair of the Audit Committee	Telia Company AB (Sweden), Vice President and Head of Treasury	-
Claes Nycander	Member of the Board, member of the Remuneration Committee	Telia Company AB (Sweden), Vice President and Head of Chief Operating Officer Office & LED (Lithuania, Estonia, Denmark) Management at Group Service Operations	-
Hannu-Matti Mäkinen	Member of the Board	Telia Company AB (Sweden), Vice President and Head of Legal Practice Group B2B & Carrier	-
Tomas Balžekas	Member of the Board, member of the Audit Committee	UAB Media Bitės (Lithuania), General Manager (CEO)	-
Mindaugas Glodas	Member of the Board, member of the Audit and Remuneration Committees	NRD Companies AS (Norway) and Norway Registers Development AS (Norway) General Manager, and Norway Registers Development AS Lithuanian branch, General Manager	-

All members of the Company's Board are non-executive members of the Board, and Tomas Balžekas and Mindaugas Glodas are regarded as independent members of the Board. Information about participation of the members of the Company's Board in activities of other entities is provided at the Company's webpage www.telia.lt.

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

Following the implementation of the new organizational structure of the Company as of 1 January 2019, whereby a new Direct and Digital Channels unit was formed, and Marketing and Communications functions were split, Birutė Eimontaitė was appointed as a Head of Communication from 1 January 2019 and Giedrė Kaminskaitė-Salters became a Head of Direct and Digital Channels from 8 January 2019. Previously Birutė Eimontaitė led a team of Integrated communication while Giedrė Kaminskaitė-Salters was a Head of Legal and Corporate Affairs unit.

A new unit of Direct and Digital Channels from 1 January 2019 unites specialists of direct customer care, digital channels and sales support from the Business to Consumers (B2C) and Business to Business (B2B) units as well as specialists of service implementation from the Technology unit. This will help to create a holistic approach to customer experience and facilitate digitisation.

On 24 January 2019, the Board appointed Daiva Kasperavičienė, Senior Counsel and Head of Privacy Office, as a new Head of Legal and Corporate Affairs unit of the Company.

On 8 March 2019, the Board appointed Arūnas Lingė as a new Head of Finance from 25 March 2019 to substitute Laimonas Devyžis, who after four-years of leading the Finance unit decided to leave the Company. His decision was communicated in December 2018.

On 21 March 2019, the Company announced that Mindaugas Ubartas, Head of Business to Business (B2B) and acting Head of Business to Consumer (B2C), decided to leave the Company from 12 April 2019. He was leading B2B unit from April 2017 and temporarily B2C unit – from October 2018. Till the new Heads of B2B and B2C units are appointed, Business to Business unit will be temporarily led by Daniel Karpovič, current Head of Segment and Product Management at B2B. Business to Consumers activities will be covered by Elina Dapkevičienė, Head of Offering and Pricing at B2C, and Vaida Jurkonienė, Head of Marketing.

Management Team:

Name, surname	Position in the Company	Involvement into activities of other entities	Ownership of the Company's shares
Dan Strömberg	CEO	Lattelecom SIA (Latvia), Deputy Chairman of the Supervisory Council	-
Mindaugas Ubartas (till 12 April 2019)	Head of B2B; acting Head of B2C	Association INFOBALT (Lithuania), member of the Board	-
Giedrė Kaminskaitė-Salters	Head of Direct and Digital Channels	LMT SIA (Latvia), member of the Supervisory Council; UAB Litexpo (Lithuania), Chair of the Board; UAB Mobilieji Mokėjimai (Lithuania), member of the Board; Association Lyderė (Lithuania), member of the Board	-
Andrius Šemeškevičius	Head of Technology	-	8,761 shares or 0.0015% of the total number of shares and votes
Arūnas Lingė	Head of Finance	-	-
Ramūnas Bagdonas	Head of Human Resources	Association of Personnel Management Professionals (Lithuania), member of the Board; State Enterprise Lithuanian Airports (Lithuania), member of the Board	-
Daiva Kasperavičienė	Head of Legal and Public Affairs	-	-
Birutė Eimontaitė	Head of Communication	-	-
Vytautas Bučinskas	Head of Business Assurance & Transformation	Member of the Cyber Security Council (Lithuania); Association INFOBALT (Lithuania), Deputy Chairman of Cybersecurity Group	-

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	January - March	
		2019	2018
Revenue		89,086	90,762
Cost of goods and services		(31,836)	(36,083)
Employee-related expenses		(13,389)	(14,060)
Other expenses		(12,260)	(10,285)
Other gain/ (loss) – net		-	548
Depreciation, amortisation and impairment of fixed assets	2	(17,296)	(15,716)
Operating profit		14,305	15,166
Gain/loss from investments in subsidiaries		(355)	-
Finance income		392	311
Finance costs		(771)	(490)
Finance and investment activities – net		(734)	(179)
Profit before income tax		13,571	14,987
Income tax	6	(1,816)	(3,020)
Profit for the period		11,755	11,967
Other comprehensive income:		-	-
Other comprehensive income for the period		-	-
Total comprehensive income for the period		11,755	11,967
Profit and comprehensive income attributable to:			
Owners of the Parent		11,755	11,967
Minority interests		-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	7	0.020	0.021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2019	1 January 2019 (restated)*	31 December 2018
ASSETS				
Non-current assets				
Property, plant and equipment	2	271,765	276,537	276,537
Intangible assets	2	134,975	131,511	131,511
Right-of-use-asset	2	27,977	28,999	-
Cost to obtain a contract (non-current)		4,826	5,175	5,175
Other contract assets (non-current)		519	530	530
Trade and other receivables		7,474	8,704	8,704
Finance lease receivables		793	793	-
		448,329	452,249	422,457
Current assets				
Inventories		10,502	8,182	8,182
Other current contract assets		1,273	1,352	1,352
Trade and other receivables		95,179	101,566	101,566
Finance lease receivables		1,860	1,523	-
Cash and cash equivalents		42,693	28,725	28,725
		151,507	141,348	139,825
Assets held for sale		1,837	1,823	1,823
Total assets		601,673	595,420	564,105
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	4	168,958	168,958	168,958
Legal reserve		16,896	16,896	16,896
Retained earnings		145,860	134,105	133,922
Total equity		331,714	319,959	319,776
LIABILITIES				
Non-current liabilities				
Borrowings		92,254	99,753	99,753
Non-current lease liabilities		26,061	22,950	-
Deferred tax liabilities		21,214	21,081	21,049
Deferred revenue and accrued liabilities		8,190	8,104	8,104
Provisions	5	10,930	10,934	10,934
		158,649	162,822	139,840
Current liabilities				
Trade, other payables and accrued liabilities		43,731	43,988	43,988
Current income tax liabilities		2,488	2,024	2,024
Borrowings		61,005	58,365	58,365
Other current contract liabilities		48	75	75
Current lease liabilities		4,038	8,150	-
Provisions	5	-	37	37
		111,310	112,639	104,489
Total liabilities		269,959	275,461	244,329
Total equity and liabilities		601,673	595,420	564,105

*Note. Due to IFRS 16 "Leases" effective for periods beginning on or after 1 January 2019, Financial Position for 1 January 2019 is restated in line with IFRS 16.

(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 2018	168,958	16,896	120,005	305,859
Net profit	-	-	11,967	11,967
Total comprehensive income for the period	-	-	11,967	11,967
Dividends paid for 2017			-	-
Balance at 31 March 2018	168,958	16,896	131,972	317,826
Balance at 1 January 2019*	168,958	16,896	134,105	319,959
Net profit	-	-	11,755	11,755
Total comprehensive income for the period	-	-	11,755	11,755
Dividends paid for 2018			-	-
Balance at 31 March 2019	168,958	16,896	145,860	331,714

*Note. Due to IFRS 16 "Leases" effective for periods beginning on or after 1 January 2019, Financial Position for 1 January 2019 is restated in line with IFRS 16. As a result, retained earnings as of 1 January 2019 increased by EUR 183 thousand over retained earnings as of 31 December 2018.

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January–March	
	2019	2018
Operating activities		
Profit for the period	11,755	11,967
Income tax	1,816	3,020
Depreciation, amortisation and impairment of fixed assets	17,296	15,716
Other gains and losses	-	(548)
Interest income	(127)	(119)
Interest expenses	771	418
Other non-cash transactions	-	-
Changes in working capital:		
Inventories	(1,875)	(75)
Trade and other receivables	7,734	7,538
Trade, other payables and accrued liabilities	487	(14,395)
Cash generated from operations	37,857	23,522
Interest paid	(684)	(318)
Interest received	238	119
Tax paid	(1,242)	(801)
Net cash from operating activities	36,058	22,522
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(17,231)	(17,883)
Proceeds from disposal of PPE and intangible assets	-	797
Acquisition/divestment of subsidiaries	-	-
Net cash used in investing activities	(17,231)	(17,086)
Financing activities		
Repayment of borrowings	(17,888)	(7,958)
Borrowings	13,029	-
Net cash used in financing activities	(4,859)	(7,958)
Increase (decrease) in cash and cash equivalents	13,968	(2,522)
Movement in cash and cash equivalents		
At the beginning of the year	28,725	23,166
Increase (decrease) in cash and cash equivalents	13,968	(2,522)
At the end of the period	42,693	20,644

(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 twelve months' period ending 31 March 2019 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 2018.

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 2019 are not audited. Financial statements for the year ended 31 December 2018 are audited by the external auditor UAB Deloitte Lietuva.

New IFRS 16 "Leases" effective as of January 1, 2019.

The Company apply the new standard using the modified retrospective approach, which means that comparative figures are not restated. The cumulative effect of applying IFRS 16 recognized at 1 January 2019. The lease liabilities attributable to leases which have previously been classified as operating leases under IAS 17 are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The Company recognize 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 31 December 2018. The Company's long-term operating leases are recognized as non-current assets and financial liabilities in the consolidated statement of financial position. Instead of operating lease expenses the Company recognize depreciation and interest expenses in the consolidated statement of comprehensive income. Lease payments affect 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 cash flow statement.

2 Property, plant and equipment, intangible assets and right-of-use-asset

	Property, plant and equipment	Intangible assets
Three months ended 31 March 2018		
Opening net book amount as at 31 December 2017	290,435	122,401
Additions	11,956	1,663
Disposals and retirements	(84)	-
Reclassification	(992)	-
Depreciation and amortisation charge	(12,629)	(3,087)
Closing net book amount as at 31 March 2018	288,686	120,977
Three months ended 31 March 2019		
Opening net book amount as at 31 December 2018	276,537	131,511
Additions	12,509	2,716
Disposals and retirements	(15)	-
Reclassification	(5,447)	4,987
Depreciation and amortisation charge	(11,819)	(4,239)
Closing net book amount as at 31 March 2019	271,765	134,975

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

2 Property, plant and equipment, intangible assets and right-of-use-asset (continued)

	<u>Right-of-use-asset</u>
Three months ended 31 March 2019*	
Opening net book amount as at 1 January 2019*	28,999
Additions	391
Disposals and retirements	(297)
Reclassification	121
Depreciation and amortisation charge	<u>(1,237)</u>
Closing net book amount as at 31 March 2019	<u>27,977</u>

*Note. Due to IFRS 16 "Leases" effective for periods beginning on or after 1 January 2019, Financial Position for 1 January 2019 is restated in line with IFRS 16.

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 2019	31 December 2018	
Telia Customer Service LT, AB	Lithuania	100%	100%	The subsidiary provides Directory Inquiry Service 118 and customer care services to customers of the Company.
VšĮ Numerio Perkėlimas	Lithuania	50%	50%	A non-profit organization established by Lithuanian telecommunications operators administers central database to ensure telephone number portability.
UAB Mobilieji Mokėjimai	Lithuania	33.3%	33.3%	An associated company is equally owned by three Lithuanian telecommunications operators and provides instant payment service.

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.

5 Provisions

Provisions movement during January-March of 2019:

	<u>Provision for restructuring</u>	<u>Assets retirement obligation</u>	<u>Total</u>
Opening net book amount at 31 December 2018	37	10,934	10,971
Additions	-	-	-
Used provisions	(37)	(4)	(41)
Closing net book amount at 31 March 2019	-	10,930	10,930

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

5 Provisions (continued)

The restructuring provision comprises of compensation to employees because of the restructuring plan approved by the Company. Provisions for restructuring increased during the year 2018.

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 2019 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2018: 15 per cent).

According to amendments to the Law on Corporate Profit Tax which provides tax relief for investments in new technologies, the Company does not apply tax relief in Q1 2019 (in Q1 2018 – EUR 0).

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	
	2019	2018
Net profit	11,755	11,967
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
Earnings per share (euro)	0.020	0.021

8 Dividends per share

A dividend that relates to the period to 31 December 2018 to be approved by the Annual General Meeting of Shareholders on 26 April 2019. The total proposed amount of allocated dividend, that should be paid off in May 2019, is EUR 46,609 thousand or EUR 0.08 per ordinary share.

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

9 Related party transactions

The Group is controlled by Telia Company AB, which as of 31 March 2019 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	
	2019	2018
Sales of telecommunication and other services	1,817	1,230
Sales of assets	-	-
Divestment of subsidiary	-	-
Total sales of services and assets:	1,817	1,230
Purchases of services	4,830	2,096
Purchases of assets	151	144
Total purchases of services and assets:	4,981	2,240

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

	As at 31 March	
	2019	2018
Long-term receivables from related parties	196	251
Receivables from related parties	2,274	629
Accrued revenue from related parties	4	315
Total receivables and accrued revenue from related parties	2,474	1,195
Short-term borrowings from related parties	-	-
Payables to related parties	434	254
Accrued expenses to related parties	1,331	18
Total borrowings, payables and accrued expenses to related parties	1,765	272

As of 31 March 2019, the amount of EUR 15.6 thousand of tantiemes assigned for the year 2010, was not paid to one member of the Board.

On 30 March 2018, the Company signed an agreement regarding EUR 150 thousand loan extension to associated entity UAB Mobilieji Mokėjimai at an annual interest rate of 3.35 per cent. In September 2018, this loan was converted into share capital of UAB Mobilieji Mokėjimai.

On 8 January 2019, the Company signed a Share subscription agreement regarding an increase of share capital of UAB Mobilieji Mokėjimai by contribution of EUR 350 thousand.

On 27 March 2019, the Company signed an agreement regarding EUR 150 thousand loan extension to associated entity UAB Mobilieji Mokėjimai at an annual interest rate of 3.33 per cent. The loan was extended in April 2019.

On 1 January 2019, following the agreement as of 21 December 2018 the Company transferred the part of its economic activities – People HUB (26 employees of Human Resource unit and related assets and liabilities) – to Telia Global Services Lithuania, UAB, a subsidiary of Telia Company AB.

(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 Information Disclosure of the Bank of Lithuania, we, Dan Strömberg, CEO of Telia Lietuva, AB, and Arūnas Lingė, 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 twelve months' period ended 31 March 2019, 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.

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

Vilnius, 24 April 2019