

TELIA LIETUVA, AB

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS' PERIOD ENDED 30 SEPTEMBER 2020
(UNAUDITED)**



Beginning of the financial year	1 January 2020
End of reporting period	30 September 2020
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	Saltoniškių str. 7A, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 1511
Fax number	+370 5 212 6665
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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MANAGEMENT REPORT

Third quarter of 2020:

- Total revenue amounted to EUR 100.2 million and was the same as a year ago. Comparable (like for like) revenue grew by 0.9 per cent.
- EBITDA, excluding non-recurring items, was EUR 35.5 million, an increase by 6.3 per cent over EBITDA, excluding non-recurring items, of EUR 33.4 million in the third quarter of 2019.
- Profit for the period was EUR 15.1 million, up by 14.9 per cent over the profit of EUR 13.2 million a year ago.

Nine months of 2020:

- Total revenue amounted to EUR 289.5 million, an increase by 2.9 per cent over the revenue of EUR 281.3 million for the nine months of 2019. Comparable (like for like) revenue grew by 3.8 per cent.
- EBITDA, excluding non-recurring items, was EUR 101.8 million and grew by 5.6 per cent over EBITDA, excluding non-recurring items, of EUR 96.4 million for January-September of 2019.
- Profit for the period was EUR 39 million, up by 3.3 per cent over the profit of EUR 37.8 million a year ago.
- Free cash flow amounted to EUR 63.9 million, an increase by 34.6 per cent over free cash flow of EUR 47.5 million a year ago.

Management comment:

We could call the third quarter of 2020 as back to new normal where retail outlets are opened, employees returned to the office and during quarantine suspended services are reordered. The Bank of Lithuania forecasts that this year Lithuania's GDP will shrink by just 2 per cent and will recover next year with a 3.1 per cent growth in GDP.

On the other hand, we still have cross border travelling restrictions that affect our roaming services. The pandemic has also changed pattern of customers' behaviour and purchase preferences. We observe an ongoing demand for connection speed and capacity, cloud and data center solutions for businesses, laptops and TV sets for home.

Intake of new customers continued during July-September 2020. The number of upgraded prepaid mobile service subscriptions increased by 19 thousand and post-paid – by 10 thousand, while number of broadband Internet and TV service customers increased by 2 thousand each.

Over the last twelve months:

- number of mobile service subscriptions grew by 3.4 per cent up to 1,384 thousand,
- number of TV service users increased by 4.6 per cent up to 251 thousand,
- number of FTTH Internet connections went up by 1.7 per cent up to 295 thousand.

Revenue for the third quarter of 2020 – similar as a year ago – exceeded EUR 100 million. Decline in roaming business was compensated with new mobile customers' intake and increased ARPU. New contracts for IT solutions led to a double digit growth in revenue from IT services. New customers and increased ARPU generated higher revenue from Internet services, while lack of live sports' broadcastings slightly slowed down the growth in revenue from TV services.

Over the year, comparing the nine months' period of 2020 with the same period in 2019:

- revenue from IT services grew by 21.8 per cent,
- revenue from TV services increased by 15.4 per cent,
- comparable (like for like) revenue from billed mobile services was up by 4.7 per cent.

Increased operations efficiency led to a record high quarterly EBITDA (excluding non-recurring expenses) standing at a 35.4 per cent margin. Improved EBITDA in combination with positive changes in working capital generated strong cash flows. This year capital expenditure is lower than in 2019. For the nine months of 2020, capital investment amounted to EUR 37.3 million, 12.2 per cent less than during the same period a year ago.

The quarantine proved that digitalisation of our customers' experience is the right strategy and it should be accelerated while not losing the quality and customer focus. The recent secret buyer's test performed by independent researchers showed that our customer care at retail shops compared with the other operators in Lithuania is the best in class.

The Chair of the Board, Emil Nilsson, following his departure from Telia Company has submitted his resignation letter to the Board of the Company. The last day of him in office will be 21 October 2020. He chaired the Board of Telia Lietuva for almost two years.

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

KEY FIGURES OF THE GROUP

Financial figures	January-September		Change (%)
	2020	2019	
Revenue	289,480	281,312	2.9
EBITDA excluding non-recurring items	101,837	96,434	5.6
EBITDA margin excluding non-recurring items (%)	35.2	34.3	
EBITDA	100,863	94,918	6.3
EBITDA margin (%)	34.8	33.7	
Operating profit (EBIT) excluding non-recurring items	48,973	45,140	8.5
EBIT margin excluding non-recurring items (%)	16.9	16.0	
Operating profit (EBIT)	47,999	43,624	10.0
EBIT margin (%)	16.6	15.5	
Profit before income tax	46,105	41,781	10.3
Profit before income tax margin (%)	15.9	14.9	
Profit for the period	39,014	37,762	3.3
Profit for the period margin (%)	13.5	13.4	
Earnings per share (EUR)	0.067	0.065	3.3
Number of shares (thousand)	582,613	582,613	-
Share price at the end of period (EUR)	1.555	1.170	32.9
Market capitalisation at the end of period	905,963	681,657	32.9
Cash flow from operations	99,676	88,791	12.3
Operating free cash flow	63,924	47,507	34.6
Operating figures	30-09-2020	30-09-2019	Change (%)
Mobile service subscriptions, in total (thousand)	1,384	1,339	3.4
- Post-paid (thousand)	1,098	1,059	3.7
- Pre-paid (thousand)	286	280	2.1
Broadband Internet connections (excl. Wi-Fi), in total (thousand)	416	415	0.2
- Fiber-optic (FTTH/B) (thousand)	295	290	1.7
- Copper (DSL) (thousand)	121	125	(3.2)
Fixed telephone lines in service (thousand)	270	309	(12.6)
TV service customers, in total (thousand)	251	240	4.6
Number of personnel (head-counts)	2,186	2,386	(8.4)
Number of full-time employees	2,014	2,176	(7.4)
Financial ratios*	30-09-2020	30-09-2019	
Return on capital employed (%)	14.8	13.1	
Return on average assets (%)	10.8	10.1	
Return on shareholders' equity (%)	17.6	16.3	
Operating cash flow to sales (%)	37.9	31.3	
Capex to sales (%)	12.0	14.5	
Net debt to EBITDA ratio	0.64	1.03	
Gearing ratio (%)	27.5	42.5	
Debt to equity ratio (%)	38.0	48.4	
Current ratio (%)	108.2	108.4	
Rate of turnover of assets (%)	67.0	64.7	
Equity to assets ratio (%)	54.7	52.0	
Price to earnings (P/E) ratio	16.2	13.3	

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

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REVENUE

Breakdown of revenue by services	July-September		Change (%)	January-September		Change (%)
	2020	2019		2020	2019	
Fixed services	44,322	44,514	(0.4)	132,990	127,197	4.6
Voice telephony services	11,268	13,484	(16.4)	34,937	35,716	(2.2)
Internet services	14,478	14,153	2.3	42,891	42,405	1.1
Datacom and network capacity services	4,502	4,656	(3.3)	13,501	14,038	(3.8)
TV services	8,571	7,803	9.8	25,932	22,478	15.4
IT services	3,618	3,016	20.0	10,291	8,446	21.8
Other services	1,885	1,402	34.5	5,438	4,114	32.2
Mobile services*	32,140	33,288	(3.4)	94,911	94,865	0.0
Billed services*	27,054	26,713	1.3	78,936	77,911	1.3
Other mobile service	5,086	6,575	(22.6)	15,975	16,954	(5.8)
Equipment	23,735	22,393	6.0	61,579	59,250	3.9
Total	100,197	100,195	0.0	289,480	281,312	2.9

Note. *Starting from 2020, customers' contributions for insurance of mobile devices are recorded at net value (excluding costs) while earlier it was recorded at gross value (including costs), thus comparable revenue from billed mobile communication services for the third quarter of 2019 and the nine months of 2019 were EUR 25,843 thousand and EUR 75,411 thousand, respectively. Accordingly, comparable revenue from billed services for the third quarter of 2020 increased by 4.7 per cent and for the nine months of 2020 – by 4.7 per cent over the same period a year ago. Total comparable revenue from mobile services over the year for third quarter of 2020 decrease by 0.9 per cent while for the nine months of 2020 increased by 2.8 per cent.

Intake of new customers and new contracts during the third quarter of 2020 drove the revenue from Internet, TV, IT and billed mobile services up, while loss of roaming revenue stream due to limited travelling and lower volumes of voice transit resulted in flat **total revenue**.

Total revenue for nine months of 2020 was less affected by lower revenue from roaming and voice transit services. Share of revenue from fixed and mobile communication services amounted to 45.9 and 32.8 per cent, respectively, from the total revenue for the nine months of 2020. Share of revenue from equipment sales was 21.3 per cent. Revenue from services provided to residential customers (B2C) amounted to 60.3 per cent, to business customers (B2B) – 38.9 per cent and others – 0.8 per cent of the total revenue for January-September of 2020.

The number of households that took advantage of a converged fixed and mobile services value offer Telia1 exceeded 70 thousand. Telia1 means higher speed, more data and more TV content.

During July-September of 2020, the number of upgraded pre-paid **mobile** communication service subscriptions increased by 19 thousand and post-paid service – by 10 thousand. In total, intake of new mobile service users during the third quarter of 2020 amounted to 29 thousand, while over the last twelve months it was 45 thousand (39 thousand of post-paid and 6 thousand of pre-paid).

The billed revenue from mobile services were up by 4.7 per cent for the third quarter of 2020 and by 4.7 per cent for the nine months of 2020 over the comparable (like for like) billed revenue from mobile services for the same periods a year ago. Starting from 2020, customers' contributions for mobile devices insurance are not included into billed revenue from mobile services.

Revenue from **other mobile services** that include revenue from mobile network interconnection, roaming charges to country's visitors and other network services was heavily effected by limited cross-border travelling. Revenue from roaming charges alone for the third quarter of 2020, compared with the same quarter a year ago, decreased by more than 50 per cent.

The pace of decline of fixed telephony lines in service slowed down. During the third quarter of 2020, the number of lines eased by 7 thousand, while over the last twelve months it went down by 39 thousand. Revenue from voice transit service during July-August of 2020 was by almost a fifth less than a year ago and dragged down the total revenue form **voice telephony** services. Revenue from retail voice telephony services went down by 13.8 per cent.

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Revenue from voice transit service alone for the nine months of 2020 was 14.6 per cent higher than in 2019, but revenue from retail voice telephony services was 13.9 per cent lower.

During the third quarter the number of fixed **broadband Internet** access users over fiber-optic network using FTTH/B technologies increased by 3 thousand, while number of broadband Internet service users over the copper DSL connections eased by 1 thousand. The total net increase in number of retail broadband Internet (excluding Wi-Fi and wholesales) access users was 2 thousand.

Over the last twelve months, the number of Internet connections over the fiber-optic network increased by 5 thousand, but the number of copper DSL connections eased by 4 thousand. By the end of September of 2020, the number of Internet connections over the FTTH/B network amounted to 71 per cent of all broadband Internet connections.

During July–September of 2020, the number of smart **television** (IPTV) service users increased by 2 thousand, while over the year it went up by 11 thousand. Covid-19 pandemic changed the world of sports and that had an effect on sports' broadcasting subscriptions and accordingly slowed down the growth in revenue from TV services.

New contracts for virtual private network (VPN) solutions, computerised workplace management and video surveillance systems installation and maintenance pushed the revenue from **IT services** up.

Equipment sales are higher than a year ago with exceptional increase in laptops and TV sets sales. Sales of mobile devices are returning back to pre-Covid volumes.

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)**.

MARKET INFORMATION

According to the Reports of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue in the second quarter of 2020 increased by 1.8 per cent compared with the second quarter of 2019 and amounted to EUR 179.2 million.

The total market revenue for the first half of 2020 amounted to EUR 358.2 million, an increase by 2.6 per cent over the total market revenue of EUR 349 million for the first half of 2019.

Telia Lietuva remains the largest telecommunications' service provider in Lithuania with the market share (in term of revenue) of 38.9 per cent for the second quarter of 2020, an increase by 0.54 percentage point over the market share for the second quarter of 2019.

	The market shares in terms of customers (%)		The market shares in terms of revenue (%)	
	Q2 2020	Change (p.p.) (y-o-y)	Q2 2020	Change (p.p.) (y-o-y)
Fixed voice telephony services	79.6	(2.4)	86.8	(0.7)
Mobile voice telephony services	28.3	0.7	28.0	0.9
Fixed Internet access	52.4	0.2	59.4	(0.4)
Mobile Internet access	28.6	0.5	25.9	(2.0)
Pay-TV services	36.6	1.3	44.8	2.4
Data communication services	n/a	n/a	58.6	(5.5)

According to the Report of the CRA, on 30 June 2020, broadband Internet penetration per 100 residents of Lithuania was 51.9 per cent (49.2 per cent a year ago) and pay-TV penetration per 100 households was 51.7 per cent (50.1 per cent a year ago). The penetration of active mobile voice communication users per 100 residents was 130.3 per cent (130.8 per cent a year ago) and penetration of fixed voice telephony lines per 100 households – 25.3 per cent (28.8 per cent a year ago).

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EXPENSES

Cost of goods and services for the third quarter of 2020 went down mainly due to lower than a year ago voice transit volumes. **Non-recurring expenses** in both 2019 and 2020 were related to one-off redundancy pay-outs.

	July-September		Change (%)	January-September		Change (%)
	2020	2019		2020	2019	
Cost of goods and services	(39,467)	(42,504)	(7.1)	(110,625)	(109,423)	1.1
Operating expenses	(26,073)	(24,499)	6.4	(78,377)	(77,157)	1.6
Employee related	(13,390)	(12,464)	7.4	(40,605)	(39,878)	1.8
Other	(12,683)	(12,035)	5.4	(37,772)	(37,279)	1.3
<i>Non-recurring expenses</i>	546	177	208.5	974	1,516	(35.8)
Operating expenses (excl. non-recurring expenses)	(25,527)	(24,322)	5.0	(77,403)	(75,641)	2.3
Employee related	(12,844)	(12,287)	4.5	(39,631)	(38,362)	3.3
Other	(12,683)	(12,035)	5.4	(37,772)	(37,279)	1.3

On 1 July 2020, the Company's subsidiary Telia Customer Service LT, AB was merged into the Company and all **employees** of merged subsidiary became employees of Telia Lietuva, AB. In August 2020, 69 employees involved in maintenance of copper access network were outsourced to the third party. The number of employees (headcounts) during July-September of 2020 went down by 61 and number of full-time employees (FTE) – by 45.

	30-09-2020	30-09-2019	Change
Number of personnel (headcounts)	2,186	2,386	(200)
Number of full-time employees	2,014	2,176	(162)

Other expenses for the third quarter of 2020 were higher than a year ago mainly due to higher marketing expenses.

EARNINGS

Lower than a year ago cost of goods and services for the third quarter of 2020 had a positive impact on the quarterly earnings. Combination of higher revenue and costs control led to growth of earnings during July-September of 2020.

	July-September		Change (%)	January-September		Change (%)
	2020	2019		2020	2019	
EBITDA	34,954	33,204	5.3	100,863	94,918	6.3
Margin (%)	34.9	33.1		34.8	33.7	
Depreciation and amortisation	(17,240)	(17,373)	(0.8)	(52,864)	(51,294)	3.1
Operating profit (EBIT)	17,714	15,831	11.9	47,999	43,624	10.0
Margin (%)	17.7	15.8		16.6	15.5	
EBITDA excl. non-rec. items	35,500	33,381	6.3	101,837	96,434	5.6
Margin (%)	35.4	33.3		35.2	34.3	
EBIT excl. non-rec. items	18,260	16,008	14.1	48,973	45,140	8.5
Margin (%)	18.2	16.0		16.9	16.0	

Loss from investments represent result from activities of on 18 June 2020 disposed associated entity UAB Mobilieji Mokėjimai that until 18 May 2020 was providing instant payment service. As of 31 December 2019, the Company impaired the value of this investment to one euro. During 2020, the Company extended loans for the total amount of EUR 289.2 thousand to UAB Mobilieji Mokėjimai at an annual interest rate of 3.37 per cent. The Company's claim under not repaid loan and accumulated interest was used to cover losses of UAB Mobilieji Mokėjimai. An additional shareholders' contribution of EUR 26.7 thousand to cover losses of associate was made before divestment of a 33.3 per cent stake.

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	July-September		Change (%)	January-September		Change (%)
	2020	2019		2020	2019	
Profit before income tax	17,369	15,025	15.6	46,105	41,781	10.3
Margin (%)	17.3	15.0		15.9	14.9	
Income tax	(2,253)	(1,874)	20.2	(7,091)	(4,019)	76.4
Profit for the period	15,116	13,151	14.9	39,014	37,762	3.3
Margin (%)	15.1	13.1		13.5	13.4	

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 the **profit tax relief** for the nine months of 2020 amounted to EUR 7 million (in 2019 – EUR 1.4 million).

FINANCIAL POSITION AND CASH FLOW

During January-September of 2020, **total assets** decreased mainly due to decrease in cash and depreciation of the assets. As of 30 September 2020, the total non-current assets amounted to 78.4 per cent, the total current assets – to 21.4 per cent, whereof cash alone represented 5.8 per cent of total assets. **Shareholders' equity** eased due to dividend pay-out in May and at the end of the third quarter on 2020 amounted to 54.7 per cent of the total assets.

	30-09-2020	31-12-2019	Change (%)
Total assets	574,724	614,116	(6.4)
Non-current assets	450,842	462,595	(2.5)
Current assets	122,780	150,341	(18.3)
<i>whereof cash and cash equivalents</i>	33,104	50,157	(34.0)
Assets for sale	1,102	1,180	(6.6)
Shareholders' equity	314,655	328,076	(4.1)

On 28 April 2020, the Annual General Meeting of Shareholders allocated from the Company's distributable profit of EUR 140.1 million EUR 52.4 million for the payment of **dividends** for the year 2019, i.e. EUR 0.09 dividend per share, and carried forward to the next financial year an amount of EUR 87.6 million as retained earnings (undistributed profit). In May 2020, dividends for the year 2019 were paid to the shareholders of the Company.

During the third quarter of 2020, the Company repaid EUR 7.5 million of the long-term EUR 150 million bank loan and EUR 8 million short-term loan extended by the largest shareholder of the Company, Telia Company AB.

	30-09-2020	30-09-2019
Bank loans	75,000	105,000
Telia Company loans	-	5,000
Reverse factoring agreements	42,947	37,939
Financial lease	1,622	2,529
Borrowings	119,569	150,468
Cash and cash equivalents	33,104	18,189
Net debt	86,465	132,279
Net debt to equity (Gearing) ratio (%)	27.5	42.5

Following the Revolver Loan Agreement signed in May 2019, the Company has a possibility to borrow from Telia Company any amount up to the total limit of EUR 20 million for a tenor of 3 or 6 months within 2 business days. This agreement is valid till May 2021.

During January-September of 2020, the total **capital investments** amounted to EUR 37.3 million and were 12.2 per cent lower than capital investments of EUR 42.5 million a year ago. Most of capital investments (EUR 18.5 million or 49.7 per cent) went to upgrade of fixed network and development of fiber-optic access network. An amount of EUR

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7.6 million was invested into development of mobile network, EUR 9.8 million – into development of IT systems under ongoing business transformation program and EUR 1.4 million were other investments.

In August 2020, the Company has assigned frequencies used for 3G mobile communication to more advanced 4G technology all over the country except Vilnius and Kaunas cities. As a result speed in 4G network increased and according to the latest data of the Communications Regulatory Authority (CRA), the current average 4G speed in the Telia Lietuva network amounts to 83.3 Mbps.

By the end of September 2020, the Company had 935 thousand households passed (924 thousand a year ago), or 71.3 per cent of the country's households, by the fiber-optic network.

Increase in EBITDA and positive changes in working capital generated strong cash flows:

	<u>July-September</u>		<u>Change</u> (%)	<u>January-September</u>		<u>Change</u> (%)
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	
Net cash from operating activities	29,683	27,414	8.3	99,676	88,791	12.3
Operating free cash flow	18,628	17,897	4.1	63,924	47,507	34.6

Operating free cash flow is operating cash flow excluding capital investments.

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-September of 2020:

<u>Currency</u>	<u>Opening price</u>	<u>Highest price</u>	<u>Lowest price</u>	<u>Last price</u>	<u>Average price</u>	<u>Turnover (units)</u>	<u>Turnover</u>
EUR	1.275	1.600	1.135	1.555	1.348	6,221,277	8,384,180

The Company's **market capitalisation** as on 30 September 2020 was EUR 906 million, an increase by 32.9 per cent over the market capitalisation of EUR 681.7 million a year ago.

The number of **shareholders** on the shareholders' registration day (21 April 2020) for the Annual General Meeting of Shareholders, which was held on 28 April 2020, was 11,521.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 September 2020:

<u>Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)</u>	<u>Number of ordinary registered shares owned by the shareholder</u>	<u>Share of the share capital (%)</u>	<u>Share of votes given by the shares owned by the right of ownership (%)</u>	<u>Share of votes held together with persons acting in concert (%)</u>
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	-

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

OTHER MATERIAL INFORMATION

In pursuit of a closer synergy with other companies of Telia Company Group and a higher performance efficiency, from 1 January 2020, Telia Lietuva has started to apply the New Operating Model, which brings together competences and capacities across Telia Company Group, aiming to avoid duplication of tasks, to standardize processes, to create a common operating architecture, to plan investments and to make data and analytics-based decisions. Telia teams in Estonia, Denmark and Norway have also embraced the New Operating Model together with Lithuania. This model is already applied in Sweden and Finland.

In March 2020, the shareholders of UAB Mobilieji Mokėjimai decided to cease provision of payment services and activities of mobile application MoQ from 18 May 2020. On 18 June 2020, the Company together with other shareholders – UAB Bitė Lietuva and UAB Tele 2 – sold all shares of UAB Mobilieji Mokėjimai to the third party, SEPExpress FS, UAB.

From 16 March till 27 April 2020, all Company's retail outlets were closed due to coronavirus-imposed quarantine regime in the Republic of Lithuania. Customers were served only online or by phone. During the quarantine (till 17 June 2020) most of the Company's units worked remotely, while engineering teams acted in observance of extreme care requirements when installing new services and troubleshooting.

On 28 April 2020, the Annual General Meeting decided to approve the audited annual consolidated and separate financial statements of the Company for the year 2019. The consolidated annual report of the Company for the year 2019, prepared by the Company, assessed by the auditors and approved by the Board, was presented to the shareholders. The shareholders decided to allocate from the Company's distributable profit of EUR 140,080 thousand EUR 52,435 thousand for the payment of dividends for the year 2019, i.e. EUR 0.09 dividend per share, and carry forward to the next financial year an amount of EUR 87,645 thousand as retained earnings (undistributed profit).

The shareholders also 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 2020, and to make the assessment of the consolidated annual report of the Company for the year 2020.

To streamline Telia Lietuva Group structure, in April 2019 shareholders of Telia Lietuva, AB and Telia Customer Service LT, AB had approved the preparation of reorganisation terms, under which the Company's subsidiary, Telia Customer Service LT, AB, would be merged into Telia Lietuva, AB. The terms of merger were prepared and on 6 November 2019 approved by the Boards of both companies. On 28 April 2020, shareholders of both entities decided to reorganize Telia Lietuva, AB and Telia Customer Service LT, AB pursuant to Part 3 of Article 2.97 of the Civil Code of the Republic of Lithuania by way of merging.

On 1 July 2020, the Register of Legal Persons of the Republic of Lithuania registered a new wording of the By-laws of Telia Lietuva, AB that continues activities following the reorganization process whereby Telia Customer Service LT, AB was merged into Telia Lietuva, AB. Telia Customer Service LT, AB terminated its activities as legal entity, and its activities are carried on by Telia Lietuva, AB. The Company took over all assets, rights and obligations of Telia Customer Service LT, AB.

On 7 October 2020, the Company received a letter from Emil Nilsson, Chair of the Board, that as of 21 October 2020 he will resign from the position of the Company's member of the Board, Chair of the Board and Chair of the Remuneration Committee.

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

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 30 September 2020:

Name, surname	Position in the Board	Employment	Ownership of the Company's shares
Emil Nilsson	Chair of the Board, Chair of the Remuneration Committee till 21 October 2020	Telia Company AB (Sweden), Senior Vice President & Head of LED (Lithuania, Estonia, Denmark) cluster and Region Eurasia till 1 August 2020	-
Agneta Wallmark	Member of the Board, Chair of the Audit Committee	Telia Company AB (Sweden), Vice President & Head of Group Treasury	-
Claes Nycander	Member of the Board, member of the Remuneration Committee	Telia Company AB (Sweden), Vice President & Head of Chief Operating Officer Office & LED (Lithuania, Estonia, Denmark) Management at Common Product and Services (CPS)	-
Hannu-Matti Mäkinen	Member of the Board	Telia Company AB (Sweden), Vice President & Head of Legal Practice Group B2B and 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 Board were re-elected for the current two-year's term of the Board (i.e. till 26 April 2021) on 26 April 2019. All members of the Board are regarded as 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.

On 28 April 2020, the shareholders decided to allocate for two independent members to the Board – Tomas Balžekas and Mindaugas Glodas – the total amount of EUR 31,280, or EUR 15,640 each, as a tantiemes (annual payment) for the year 2019.

On 28 April 2020, the Annual General Meeting approved Remuneration Policy for CEO and members of the Board of Telia Lietuva, AB. The Policy that establishes requirements and guidelines in determining the remuneration of the Company's CEO and the Board members is provided at the Company's webpage www.telia.lt.

From 1 January 2020, the Company established a new Digitization and Analytics unit that took over the management of digital channels from the Direct and Digital Channels Unit and was merged with the Data and Business Insights unit, which until then was a part of the Business to Consumer (B2C). Nortautas Luopas, the Head of Business to Consumer of the Company, is leading the new unit responsible for data mining, management, modelling as well as marketing automation and management. Also, from 1 January 2020, names of some units were changed.

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

Management Team as of 30 September 2020:

Name, surname	Position in the Company	Involvement into activities of other entities	Ownership of the Company's shares
Dan Strömberg	CEO	Telia Company AB (Sweden), Senior Vice President & Head of cluster Lithuania, Estonia and Denmark (LED); Tet SIA (Latvia), Deputy Chair of the Supervisory Council; Association Investors' Forum (Lithuania), member of the Board	-
Daniel Karpovič	Head of Enterprise	-	-
Nortautas Luopas	Head of Consumer, Head of Digitalization and Analytics	-	-
Giedrė Kaminskaitė-Salters	Head of Sales and Customer Care	UAB Litexpo (Lithuania), Chair of the Board; Association Lyderė (Lithuania), member of the Board; Vilnius University Institute of International Relations and Political Science (Lithuania), member of the Board of Trustees	-
Andrius Šemeškevičius	Head of Technology Infrastructure	SIA Telia Latvija (Latvia), Chair of the Supervisory Council	8,761 shares or 0.0015% of the total number of shares and votes
Arūnas Lingė	Head of Finance	-	-
Ramūnas Bagdonas	Head of People & Engagement	Association of Personnel Management Professionals (Lithuania), member of the Board	-
Daiva Kasperavičienė	Head of Legal and Corporate 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	July-September		January-September	
		2020	2019	2020	2019
Revenue		100,197	100,195	289,480	281,312
Cost of goods and services		(39,467)	(42,504)	(110,625)	(109,423)
Employee-related expenses		(13,390)	(12,464)	(40,605)	(39,878)
Other expenses		(12,683)	(12,035)	(37,772)	(37,279)
Other gain/ (loss) - net		297	12	385	186
Depreciation, amortisation and impairment of fixed assets	2	(17,240)	(17,373)	(52,864)	(51,294)
Operating profit		17,714	15,831	47,999	43,624
Gain/loss from investments in subsidiaries		-	(329)	(319)	(1,029)
Finance income		647	797	1,772	2,169
Finance costs		(992)	(1,274)	(3,347)	(2,983)
Finance and investment activities – net		(345)	(806)	(1,894)	(1,843)
Profit before income tax		17,369	15,025	46,105	41,781
Income tax	6	(2,253)	(1,874)	(7,091)	(4,019)
Profit for the period		15,116	13,151	39,014	37,762
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		15,116	13,151	39,014	37,762
Profit and comprehensive income attributable to:					
Owners of the Parent		15,116	13,151	39,014	37,762
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	7	0.026	0.023	0.067	0.065

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	2	255,635	263,794
Intangible assets	2	130,867	132,161
Right-of-use-asset	2	45,996	47,900
Cost to obtain a contract (non-current)		4,842	4,625
Other contract assets (non-current)		49	351
Trade and other receivables		10,130	9,728
Finance lease receivables		3,323	4,036
		450,842	462,595
Current assets			
Inventories		11,101	10,153
Other current contract assets		1,680	1,178
Trade and other receivables		73,303	84,314
Current income tax receivable		36	1,708
Finance lease receivables		3,556	2,831
Cash and cash equivalents		33,104	50,157
		122,780	150,341
Assets held for sale		1,102	1,180
Total assets		574,724	614,116
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		128,801	142,222
Total equity		314,655	328,076
LIABILITIES			
Non-current liabilities			
Borrowings		60,787	68,916
Non-current lease liabilities		45,593	47,541
Deferred tax liabilities		20,860	19,829
Deferred revenue and accrued liabilities		8,074	8,376
Provisions	5	11,250	11,257
		146,564	155,919
Current liabilities			
Trade, other payables and accrued liabilities		45,742	48,737
Current income tax liabilities		-	-
Borrowings		58,782	74,536
Other current contract liabilities		1,519	501
Current lease liabilities		7,462	6,347
Provisions	5	-	-
		113,505	130,121
Total liabilities		260,069	286,040
Total equity and liabilities		574,724	614,116

(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 2019	168,958	16,896	134,105	319,959
Net profit	-	-	37,762	37,762
Total comprehensive income for the period	-	-	37,762	37,762
Dividends paid for 2018			(46,609)	(46,609)
Balance at 30 September 2019	168,958	16,896	125,258	311,112
Balance at 1 January 2020	168,958	16,896	142,222	328,076
Net profit	-	-	39,014	39,014
Total comprehensive income for the period	-	-	39,014	39,014
Dividends paid for 2019			(52,435)	(52,435)
Balance at 30 September 2020	168,958	16,896	128,801	314,655

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January-September	
	2020	2019
Operating activities		
Profit for the period	39,014	37,762
Income tax	7,091	4,019
Depreciation, amortisation and impairment charge	54,759	51,294
Other gains and losses	-	(186)
Write off of property, plant and equipment and intangible assets	288	-
Impairment of investments in subsidiaries	319	-
Interest income	(1,638)	(1,475)
Interest expenses	3,053	2,475
Other non-cash transactions	-	180
Changes in working capital:		
Inventories	(1,104)	(2,239)
Trade and other receivables	10,195	5,508
Trade, other payables and accrued liabilities	(5,179)	(273)
Cash generated from operations	106,798	97,065
Interest paid	(2,820)	(2,538)
Interest received	209	55
Tax paid	(4,511)	(5,791)
Net cash from operating activities	99,676	88,791
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets, right-of-use assets (RoU)	(35,703)	(49,524)
Proceeds from disposal of PPE and intangible assets, RoU	270	8,240
Interest and finance lease income	-	492
Proceeds from finance sublease receivables	1,417	1,352
Acquisition/divestment of subsidiaries	(319)	-
Net cash used in investing activities	(34,335)	(39,440)
Financing activities		
Repayment of borrowings	(40,567)	(45,904)
Borrowings	16,684	38,254
Proceeds from finance sublease receivables	(6,076)	(5,628)
Dividends paid to shareholders of the Company	(52,435)	(46,609)
Net cash used in financing activities	(82,394)	(59,887)
Increase (decrease) in cash and cash equivalents	(17,053)	(10,536)
Movement in cash and cash equivalents		
At the beginning of the year	50,157	28,725
Increase (decrease) in cash and cash equivalents	(17,053)	(10,536)
At the end of the period	33,104	18,189

(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 nine months' period ending 30 September 2020 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 2019.

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 30 September 2020 are not audited. Financial statements for the year ended 31 December 2019 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 and intangible assets

	Property, plant and equipment	Intangible assets
Nine months ended 30 September 2019		
Opening net book amount as at 31 December 2018	276,537	131,511
Additions	34,452	8,039
Disposals and retirements	(2,577)	-
Reclassification	(5,807)	5,807
Depreciation and amortisation charge	(34,326)	(12,258)
Closing net book amount as at 30 September 2019	268,278	133,098
Nine months ended 30 September 2020		
Opening net book amount as at 31 December 2019	263,794	132,161
Additions	26,561	10,250
Disposals and retirements	(547)	(3)
Reclassification	(270)	273
Depreciation and amortisation charge	(33,903)	(11,814)
Closing net book amount as at 30 September 2020	255,635	130,867

(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>
Nine months ended 30 September 2019*	
Opening net book amount as at 1 January 2019*	28,999
Additions	30,431
Disposals and retirements	(6,293)
Reclassification	186
Depreciation and amortisation charge	(4,711)
Closing net book amount as at 30 September 2019	48,612
Nine months ended 30 September 2020	
Opening net book amount as at 1 January 2020	47,900
Additions	5,243
Disposals and retirements	-
Reclassification	-
Depreciation and amortisation charge	(7,147)
Closing net book amount as at 30 September 2020	45,996

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
		30 September 2020	31 December 2019	
Telia Customer Service LT, AB	Lithuania	-	100%	The subsidiary that provided Directory Inquiry Service 118 and customer care services to the Company's customers was merged into the Company on 1 July 2020.
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%	An associated company, that in equal parts was owned by three Lithuanian telecommunications operators and till 18 May 2020 was providing mobile payment services, was sold to the third party on 18 June 2020.

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

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–September 2020:

	Provision for restructuring	Assets retirement obligation	Total
Opening net book amount at 31 December 2019	-	11,257	11,257
Additions	-	-	-
Used provisions	-	(7)	(7)
Closing net book amount at 30 September 2020	-	11,250	11,250

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 2020 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2019: 15 per cent).

According to the Law on Corporate Profit Tax which provides tax relief for investments in new technologies, the Company's calculated profit tax relief in 2020 amounted to EUR 7 million (in 2019 – EUR 1.4 million).

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–September	
	2020	2019
Net profit	39,014	37,762
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
Earnings per share (euro)	0.067	0.065

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

8 Dividends per share

A dividend that relates to the period to 31 December 2019 was approved by the Annual General Meeting of Shareholders on 28 April 2020. The total amount of allocated dividend, that was paid off in May 2020 was EUR 52,435 thousand or EUR 0.09 per ordinary share.

9 Related party transactions

The Group is controlled by Telia Company AB, which as of 30 September 2020 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–September	
	2020	2019
Sales of telecommunication and other services	6,289	5,043
Total sales of telecommunication and other services	6,289	5,043
Purchases of services	16,992	15,023
Purchases of assets	-	157
Total purchases of services and assets:	16,992	15,180

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

	As at 30 September	
	2020	2019
Long-term receivables from related parties	168	195
Receivables from related parties	1,511	846
Accrued revenue from related parties	1,162	936
Total receivables and accrued revenue from related parties	2,841	1,977
Short-term borrowings from related parties	-	5,000
Payables to related parties	2,553	1,707
Accrued expenses to related parties	98	725
Total borrowings, payables and accrued expenses to related parties	2,651	7,432

On 26 May 2020, following the decision of the Annual General Meeting of Shareholders, held on 28 April 2020, the Company paid-out to Telia Company an amount of EUR 46,224 thousand as dividends for the year 2019.

As of 30 September 2020, the Company had no outstanding loans (EUR 5 million a year ago) provided by 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 nine months' period ended 30 September 2020, 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, 20 October 2020