

TELIA LIETUVA, AB

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS' PERIOD ENDED 31 MARCH 2021
(UNAUDITED)**



Beginning of the financial year	1 January 2021
End of reporting period	31 March 2021
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

First quarter of 2021:

- Total revenue amounted to EUR 99.7 million, an increase by 8.2 per cent over the revenue of EUR 92.1 million for the first quarter of 2020.
- EBITDA was EUR 34.8 million, an increase by 6.1 per cent over EBITDA of EUR 32.8 million a year ago.
- Adjusted EBITDA (excluding non-recurring items) amounted to EUR 34 million and was 2.9 per cent higher than adjusted EBITDA of EUR 33 million during the first three months of 2020.
- Profit for the period was EUR 13.1 million, up by 4.4 per cent over the profit of EUR 12.5 million a year ago.
- Free cash flow amounted to EUR 22.4 million and was 3.8 per cent lower than for the first quarter of 2020 when it amounted to 23.3 million.

Management comment:

During the first three months of 2021 we continued to operate under second COVID-19 quarantine imposed in Lithuania since November 2020 with our retail outlets partially closed and providing only vital services that could not be offered online. Online sale and remote customer care became extremely important during the pandemic. Closed shops effected sale of mobile devices and cross-border travelling restrictions have a negative impact on revenue from roaming services.

Majority of the Company's employees continue to work from home nevertheless we are preparing for the post-pandemic way of working by introducing the workcation – a possibility to work from any EU country up to one month per year.

The Bank of Lithuania forecasts that the country's GDP during 2021 will increase by 2.9 per cent and during 2022 – by 5.1 per cent, while inflation in 2021 will amount to 1.6 per cent and in 2022 – to 1.9 per cent.

The pandemic revealed the importance of connectivity quality and speed. Our continuous investments into upgrade and expansion of both fixed and mobile networks reflects in growing number of customers and the highest average speed of mobile Internet in the country – 93.5 Mbps. In response to increased demand for IT services and solutions we expanded and modernised one of our data centre in Vilnius. EUR 2 million was allocated for this project.

Also we have started a strategic project to upgrade our mobile network with Ericsson equipment throughout Lithuania. About 2,000 base stations will be installed over the next three years, making Telia Lietuva network more sustainable, secure and ready for commercial 5G deployment in the future. This will be one of the biggest investment projects ever.

In February, we've launched eSIM services using the most advanced VoLTE technology. We kicked-off with Samsung smartphones and watches, but soon eSIM service will be available with devices of other vendors.

By the end of March we already had 80 thousand of households appreciating benefits of unique on the market converged service offer, Telia1. Over the last twelve months:

- number of mobile service subscriptions increase by 2.7 per cent up to 1,385,
- number of IPTV users grew by 2.8 per cent up to 253 thousand,
- number of FTTH Internet customers was up by 1.5 per cent up to 299 thousand.

Intake of new customers in combination with the persisting demand for quality connectivity and content as well as IT solutions drives revenue up. Compared with first quarter of 2020 over the year:

- revenue from IT services surged by 26.5 per cent,
- revenue from TV services grew by 11.6 per cent,
- revenue from broadband Internet services increased by 8.7 per cent,
- revenue from billed mobile communication services went up by 5.2 per cent.

Higher revenue and control of operating expenses resulted in higher earnings in 2021 than a year ago. Also, during the first quarter of 2021 we sold our office building in Kaunas and recorded a EUR 1.2 million gain from this sale.

We remain committed to our sustainability agenda. Together with the colleagues from Estonia we are the first in Telia Company Group to reach parity of male and female employed and equal number of male and female managers. Our efforts were recognised during National Responsible Business Awards – Telia Lietuva was named as the Best Employer in 2020 among the large corporations. We are also number one operator in Lithuania according to Sustainable Brand Index rating. As a proof, in March we offered refurbished phones – used but tested smartphones for affordable price.

The Company's Board proposed to the Annual General Meeting of Shareholders that will be held on 27 April 2021 to allocate a record amount of EUR 58.3 million for payment of dividend for the year 2020 (EUR 0.10 dividend per share).

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

KEY FIGURES OF THE GROUP

Financial figures	January-March		Change (%)
	2021	2020	
Revenue	99,655	92,138	8.2
EBITDA excluding non-recurring items	33,956	32,999	2.9
EBITDA margin excluding non-recurring items (%)	34.1	35.8	
EBITDA	34,776	32,765	6.1
EBITDA margin (%)	34.9	35.6	
Operating profit (EBIT) excluding non-recurring items	14,342	15,140	(5.3)
EBIT margin excluding non-recurring items (%)	14.4	16.4	
Operating profit (EBIT)	15,162	14,906	1.7
EBIT margin (%)	15.2	16.2	
Profit before income tax	14,712	14,049	4.7
Profit before income tax margin (%)	14.8	15.2	
Profit for the period	13,070	12,516	4.4
Profit for the period margin (%)	13.1	13.6	
Earnings per share (EUR)	0.022	0.021	
Number of shares (thousand)	582,613	582,613	-
Share price at the end of period (EUR)	2.04	1.23	65.9
Market capitalisation at the end of period	1,188,530	716,614	65.9
Cash flow from operations	32,049	34,241	(6.4)
Operating free cash flow	22,420	23,315	(3.8)
Operating figures	31-03-2021	31-03-2020	Change (%)
Mobile service subscriptions, in total (thousand)	1,385	1,349	2.7
- Post-paid (thousand)	1,117	1,081	3.3
- Pre-paid (thousand)	268	268	-
Broadband Internet connections, in total (thousand)	418	412	1.5
- Fiber-optic (FTTH/B) (thousand)	299	290	3.1
- Copper (DSL) (thousand)	119	122	(2.5)
Fixed telephone lines in service (thousand)	253	286	(11.5)
IPTV service customers (thousand)	253	246	2.8
Number of personnel (head-counts)	2,136	2,241	(4.7)
Number of full-time employees	1,984	2,050	(3.2)
Financial ratios*	31-03-2021	31-03-2020	
Return on capital employed (%)	15.1	13.7	
Return on average assets (%)	11.0	10.1	
Return on shareholders' equity (%)	17.5	17.4	
Operating cash flow to sales (%)	32.1	34.8	
Capex to sales (%)	13.7	12.2	
Net debt to EBITDA ratio	0.34	0.55	
Gearing ratio (%)	13.6	20.9	
Debt to equity ratio (%)	36.2	37.1	
Current ratio (%)	127.2	127.6	
Rate of turnover of assets (%)	68.6	65.4	
Equity to assets ratio (%)	55.8	56.1	
Price to earnings (P/E) ratio	21.1	12.9	

Notes: * 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 (%)
	2021	2020	
Fixed services	45,529	44,195	3.0
Voice telephony services	10,134	11,622	(12.8)
Internet services	15,457	14,218	8.7
TV services	9,748	8,732	11.6
Data communication and network capacity	4,363	4,520	(3.5)
IT services	3,944	3,117	26.5
Other services	1,883	1,986	(5.2)
Mobile services	32,152	31,143	3.2
Billed services	27,703	26,336	5.2
Other mobile service	4,449	4,807	(7.4)
Equipment	21,974	16,800	30.8
Total	99,655	92,138	8.2

REVENUE

Continuous growth in revenue from mobile communication, broadband Internet, TV and IT services fully offset decline from legacy services – fixed voice telephony and fixed data communication. Travel restrictions due to COVID-19 pandemic have a further negative effect on revenue from roaming services, while equipment is on high demand.

Share of revenue from fixed and mobile communication services amounted to 45.7 and 32.3 per cent, respectively, from the **total revenue** for January-March of 2021. Share of revenue from equipment sales reached 22 per cent. Revenue from services provided to residential customers (B2C) amounted to 61 per cent, to business customers (B2B) – 37.9 per cent and others – 1.1 per cent of the total revenue.

Over the last twelve months, the number of converged service offer, Telia1, users in terms of households increased from 67 to 80 thousand. Telia1 gives more value – higher speed, more data and more TV content – to those who have both fixed and mobile services of Telia Lietuva.

During first three months of 2021 the number of post-paid **mobile** communication service users increased by 13 thousand, while the number of pre-paid service users went down by 26 thousand mainly due to seasonality. Over the last twelve months, the total number of active mobile subscriptions went up by 36 thousand. Higher number of customers, increasing usage of mobile data resulted in growth of revenue from billed mobile services.

Revenue from **other mobile services** for the first quarter of 2021 compared with the same period a year ago were lower mainly due to continuous restrictions on cross-border commuting, that were imposed in March of 2020, and impact network interconnection and roaming services.

During January-March of 2021, the number of fixed telephony lines in service eased by 8 thousand and over the last twelve months went down by 33 thousand. As a result revenue from retail **voice telephony** services over the year went down by 16.6 per cent and revenue from voice transit service for the first quarter of 2021 was 9 per cent lower than a year ago.

Over the last twelve months, the number of fixed **broadband Internet** access users over fiber-optic network using FTTH/B technologies increased by 9 thousand, while the number of broadband Internet service users over the copper DSL connections eased by 3 thousand. The total net increase in the number of broadband Internet access users was 6 thousand. By the end of March 2021, the number of Internet connections over the fiber-optic access network amounted to 72 per cent of all retail broadband Internet connections.

During January-March of 2021, the number of smart **television** (IPTV) service users remained unchanged, while over the last twelve months it increased by 7 thousand.

Revenue from **IT services** generated from the data center, information system management and web-hosting services showed a double-digit growth due to pandemic caused ongoing demand for virtual private network (VPN),

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computerised workplace management and other IT solutions. Telia Lietuva was recognised as biggest Managed Services provider in the region by IBM.

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.

From 1 March 2021, the Company terminated provision of commercial information such as companies' contacts, transport timetables, business, leisure and other information by the Directory Inquiry service 118. Only obligatory information about publicly announced subscribers' phone numbers will be provided by the phone number 118.

COVID-19 pandemic caused remote working and learning, and partially closed retail outlets still has an impact on **equipment sale** pattern: demand for laptops and TV sets is still high, while sale of mobile devices is also recovering.

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)**. In the beginning of 2021, the Company sold an office building in Kaunas and recorded EUR 1.2 million gain from sale of property.

MARKET INFORMATION

According to the latest Report of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue for the year 2020 amounted to EUR 729.6 million, an increase by 2.2 per cent over the total market revenue of EUR 713.7 million for January-December of 2019, mainly due to growth in mobile and fixed Internet access as well as pay TV segments.

Telia Lietuva remains the largest telecommunications' service provider in Lithuania with the market share (in term of revenue) of 38.2 per cent in the fourth quarter of 2020 with leaders' position on fixed broadband Internet, pay TV and fixed voice telephony markets, while on mobile voice and mobile Internet markets the Company is the third.

	The market shares in terms of customers (%)		The market shares in terms of revenue (%)	
	Q4 2020	Change (p.p.) (y-o-y)	Q4 2020	Change (p.p.) (y-o-y)
Fixed voice telephony services	81.3	0.8	85.4	(2.0)
Mobile voice telephony services	28.6	0.6	27.2	(0.5)
Fixed Internet access	52.3	0.2	59.4	0.2
Mobile Internet access	28.6	(0.1)	26.7	0.3
Pay-TV services	37.1	1.2	45.4	1.0
Data communication services	n/a	n/a	57.8	(4.2)

According to the Report, on 31 December 2020, broadband Internet penetration per 100 residents of Lithuania was 53.6 per cent (50.9 per cent a year ago) and pay-TV penetration per 100 households was 50.2 per cent (51.7 per cent a year ago). The penetration of active mobile voice communication users per 100 residents was 131.4 per cent (132.6 per cent a year ago) and penetration of fixed voice telephony lines per 100 households – 22.6 per cent (26.8 per cent a year ago).

EXPENSES

	January-March		Change (%)
	2021	2020	
Cost of goods and services	(38,991)	(33,205)	17.4
Operating expenses:	(27,048)	(26,297)	2.9
Employee related	(14,127)	(13,474)	4.8
Other	(12,921)	(12,823)	0.8
<i>Non-recurring expenses</i>	(347)	(234)	
Operating expenses (excl. non-recurring expenses)	(26,701)	(26,063)	2.4
Employee related	(13,780)	(13,240)	4.1
Other	(12,921)	(12,823)	0.8

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

Cost of goods and services went up mainly due to higher equipment sale. **Employee related expenses** in spite of reduced number of employees were higher than in 2020 due to increased employees' salaries and higher accruals for vacations. **Other expenses** were higher mainly due to higher price for electricity. **Non-recurring expenses** in both 2021 and 2020 were related to one-off redundancy pay-outs.

	<u>31-03-2021</u>	<u>31-12-2020</u>	<u>Change</u>	<u>31-03-2021</u>	<u>31-03-2020</u>	<u>Change</u>
Number of employees:						
Headcounts	2,136	2,161	(25)	2,136	2,241	(105)
Full-time employees	1,984	2,001	(17)	1,984	2,050	(66)

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.

EARNINGS

Higher revenue for the first quarter of 2021 in combination with control of operating expenses resulted in higher earnings in 2021 that a year ago.

	<u>January-March</u>		<u>Change</u>
	<u>2021</u>	<u>2020</u>	<u>(%)</u>
EBITDA	34,776	32,765	6.1
Margin (%)	34.9	35.6	
Depreciation, amortisation and impairment charges	(19,614)	(17,859)	9.8
Operating profit (EBIT)	15,162	14,906	1.7
Margin (%)	15.2	16.2	
<i>Non-recurring items, net</i>	820	(234)	
EBITDA excluding non-recurring items	33,956	32,999	2.9
Margin (%)	34.1	35.8	
EBIT excluding non-recurring items	14,342	15,140	(5.3)
Margin (%)	14.4	16.4	

Non-recurring items for the first quarter of 2021 were comprised from one-off redundancy pay-outs of EUR 347 thousand and gain of EUR 1.2 million from sale of office building in Kaunas. In January-March of 2020, there were only non-recurring expenses – one-off redundancy pay-outs of EUR 234 thousand.

Loss from investments during the first quarter of 2020 represent result from activities of associated entity UAB Mobilieji Mokėjimai that on 18 June 2020 was disposed. In March 2020, shareholders of Mobilieji Mokėjimai – three Lithuanian mobile operators: Bitė Lietuva, Tele2 and Telia Lietuva – decided to cease operations of this loss generating associate from 18 May 2020. As of 31 December 2019, the value of this investment was impaired to one euro. During the first quarter of 2020, the Company extended loan for the total amount of EUR 202 thousand to Mobilieji Mokėjimai at an annual interest rate of 3.37 per cent.

	<u>January-March</u>		<u>Change</u>
	<u>2021</u>	<u>2020</u>	<u>(%)</u>
Profit before income tax	14,712	14,049	4.7
Margin (%)	14.8	15.2	
Income tax	(1,642)	(1,533)	7.1
Profit for the period	13,070	12,516	4.4
Margin (%)	13.1	13.6	

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 during January-March of 2021 amounted to EUR 0.5 million (EUR 0.1 million in 2020).

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

FINANCIAL POSITION AND CASH FLOW

During the last twelve months **total assets** grew mainly due to increase in cash and cash equivalents. As of 31 March 2021, the total non-current assets amounted to 73.6 per cent (75.2 per cent a year ago), the total current assets – to 26.2 per cent (24.6 per cent), whereof cash alone represented 12.6 per cent (9.1 per cent) of total assets. Over the year **shareholders' equity** increased due to higher net profit for the first quarter of 2021 and at the end of March 2021 amounted to 55.8 per cent of the total assets (56.1 per cent a year ago).

	<u>31-03-2021</u>	<u>31-03-2020</u>	<u>Change (%)</u>
Total assets	617,716	607,248	1.7
Non-current assets	454,752	456,775	(0.4)
Current assets	161,982	149,301	8.5
<i>whereof cash and cash equivalents</i>	77,715	55,023	41.2
Assets for sale	982	1,172	(16.2)
Shareholders' equity	344,577	340,592	1.2

The Board of the Company proposed to the General Meeting to be held on 27 April 2021 to allocate from the Company's distributable profit of EUR 145.7 million an amount of EUR 58.3 million for the payment of **dividends** for the year 2020, i.e. EUR 0.10 dividend per share, and carry forward to the next financial year an amount of EUR 87.4 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.

On 4 January 2021, the Company repaid the last instalment (EUR 7.5 million) and completed repayment of EUR 150 million loan that was borrowed in January 2016 to finance acquisition of Omnitel shares.

	<u>31-03-2021</u>	<u>31-03-2020</u>
Loan from the banks	60,000	90,000
Liabilities under reverse factoring agreements	63,406	34,223
Liabilities under financial lease agreements	1,194	2,039
Borrowings	124,600	126,262
Cash and cash equivalents	77,715	55,023
Net debt	46,885	71,239
Net debt to equity (Gearing) ratio (%)	13.6	20.9

A syndicated bank loan of EUR 60 million granted in 2017 shall be repaid in full amount on May 2024.

The Company has a valid till May 2021 Revolver Loan Agreement with the largest shareholder of the Company, Telia Company AB, that provides the Company with possibility to borrow any amount for a tenor of 3- or 6- months up to the total amount of EUR 20 million. As of 31 March 2021, the Company had no borrowings from Telia Company.

	<u>January-March</u>		<u>Change (%)</u>
	<u>2021</u>	<u>2020</u>	
Net cash from operating activities	32,049	34,241	(6.4)
Operating free cash flow	22,420	23,315	(3.8)

Operating free cash flow represents cash from operating activities after deduction of cash capital spending.

During the first quarter of 2021, the total **capital investments** were 17.8 per cent higher than capital expenditure of a year ago. An amount of EUR 2.6 million was invested into development of IT systems under ongoing business management systems transformation program.

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	31-03-2021	31-03-2020	Change (%)
Fixed network	3,814	6,564	(41.9)
Mobile network	2,685	1,684	59.4
IT systems and infrastructure	5,059	1,710	195.8
Other	565	330	71.2
Total capital investments	12,123	10,288	17.8
Capital investments to revenue ratio (%)	12.2	11.2	

The Company has started a major upgrade of its **radio access network (RAN)** with Ericsson equipment thus phasing out equipment from Huawei earlier used in Telia Lietuva mobile network. Over the next three years, the Company plans to upgrade around 2,000 sites in Lithuania. This will further improve the quality of 4G networks and ensure a fast upgrade to 5G, which will eventually be available throughout the country. Currently, Telia Lietuva provides non-commercial 5G connectivity in the city centers of Vilnius, Kaunas and Klaipėda. The commercial roll-out of 5G mobile communication services in Lithuania is subject to 5G frequency auction, which is expected to take place in 2021.

According to the latest Communication Regulatory Authorities measurement data, the average mobile Internet speed in Telia Lietuva 4G network remains the highest in the country amounting to 93.5 Mbps.

The Company invested EUR 2 million into expansion and modernization of its S2 **data centre** in Parko str., Vilnius. The upgraded Tier III-compliant data centre features the highest level of reliability and highly efficient technology. This data centre is equipped with 80 server stands with a total capacity of 400 kW. Just like other Telia Lietuva data centres, it uses 100 per cent green electricity. It also has energy-efficient modern cooling equipment. The services provided in the Company's data centers comply with the key IT service management and security standards ISO 27001 and ISO 20000, and the availability of services is as high as 99.985 per cent.

By the end of March 2021, the Company had 939 thousand households passed (932 thousand a year ago), or 70 per cent of the country's dwelling units, by the fiber-optic network.

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.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 March 2021:

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	-

The number of shareholders on the shareholders' registration day (16 November 2020) for the last General Meeting of Shareholders, which was held on 23 November 2020, was 11,703.

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Information about **trading in Telia Lietuva shares** on Nasdaq Vilnius stock exchange in January-March of 2021:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.83	2.10	1.83	2.04	2.02	2,136,208	4,320,911

The Company's **market capitalisation** as on 31 March 2021 was EUR 1,189 million, an increase by 65.9 per cent over the market capitalisation of EUR 717 million a year ago.

OTHER MATERIAL INFORMATION

On 30 March 2021, the Board of the Company decided to convoke the Annual General Meeting of Shareholders on 27 April 2021. The Board proposed to the General Meeting to allocate an amount of EUR 58.3 million for the payment of dividends for the year 2020, i.e. EUR 0.10 dividend per share. For two independent members to the Board – Tomas Balžekas and Mindaugas Glodas – as tantiems (annual payment) for the year 2020 to allocate in total an amount of EUR 31,280, or EUR 15,640 each.

The Board proposes to the shareholders to elect UAB Deloitte Lietuva as the Company's audit enterprise to perform the audit of the annual consolidated and separate financial statements of the Company for the year 2021 and 2022, and to make the assessment of the consolidated annual report of the Company for the year 2021 and 2022.

MEMBERS OF THE MANAGING BODIES

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

Members of the Board as of 31 March 2021:

Name, surname	Position in the Board	Employment	Ownership of the Company's shares
Douglas Lubbe	Chair of the Board, member of the Remuneration Committee	Telia Sverige AB (Sweden), Chief Financial Officer	-
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, Chair 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), General Manager; Norway Registers Development AS (Norway), General Manager; Norway Registers Development AS Lithuanian branch, General Manager; NRD Systems, UAB (Lithuania), General Manager	-

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.

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

As the current two-year's term of the Board terminates on 26 April 2021, Telia Company AB, a shareholder holding 88.15 per cent of the Company shares and votes, proposed to the Annual General Meeting that will be held on 27 April 2021 to re-elect five member of the current Board – Douglas Lubbe, Agneta Wallmark, Claes Nycander, Hannu-Matti Mäkinen and Mindaugas Glodas (independent) – for a new two-year's term of the Board, and to elect Dovilė Grigienė as an independent member of the Board to replace an independent member of the Board, Tomas Balžekas.

Management Team as of 31 March 2021:

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; 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	January-March	
		2021	2020
Revenue		99,655	92,138
Cost of goods and services		(38,991)	(33,205)
Employee-related expenses		(14,127)	(13,474)
Other expenses		(12,921)	(12,823)
Other gain / (loss) – net		1,160	129
Depreciation, amortisation and impairment of fixed assets	2	(19,614)	(17,859)
Operating profit		15,162	14,906
Gain/loss from investments in subsidiaries		-	(203)
Finance income		376	683
Finance costs		(826)	(1,337)
Finance and investment activities – net		(450)	(857)
Profit before income tax		14,712	14,049
Income tax	6	(1,642)	(1,533)
Profit for the period		13,070	12,516
Other comprehensive income:		-	-
Other comprehensive income for the period		-	-
Total comprehensive income for the period		13,070	12,516
Profit and comprehensive income attributable to:			
Owners of the Parent		13,070	12,516
Minority interests		-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	7	0.022	0.021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	2	248,760	256,923
Intangible assets	2	132,909	132,223
Right-of-use-asset	2	46,294	47,217
Cost to obtain a contract (non-current)		4,831	4,806
Other contract assets (non-current)		358	445
Trade and other receivables		15,257	15,543
Finance lease receivables		6,343	6,340
		454,752	463,497
Current assets			
Inventories		10,916	10,427
Other current contract assets		875	1,196
Trade and other receivables		66,250	71,623
Current income tax receivable		-	114
Finance lease receivables		6,226	4,568
Cash and cash equivalents		77,715	55,941
		161,982	143,869
Assets held for sale		982	1,082
Total assets		617,716	608,448
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		158,723	145,653
Total equity		344,577	331,507
LIABILITIES			
Non-current liabilities			
Borrowings		60,367	60,574
Non-current lease liabilities		47,302	47,295
Deferred tax liabilities		18,580	18,880
Deferred revenue and accrued liabilities		7,716	7,815
Provisions	5	11,820	11,833
		145,785	146,397
Current liabilities			
Trade, other payables and accrued liabilities		48,796	55,158
Current income tax liabilities		771	-
Borrowings		64,233	62,569
Other current contract liabilities		1,567	1,610
Current lease liabilities		11,987	11,207
Provisions	5	-	-
		127,354	130,544
Total liabilities		273,139	276,941
Total equity and liabilities		617,716	608,448

(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 2020	168,958	16,896	142,222	328,076
Net profit	-	-	12,516	12,516
Total comprehensive income for the period	-	-	12,516	12,516
Dividends paid for 2019	-	-	-	-
Balance at 31 March 2020	168,958	16,896	154,738	340,592
Balance at 1 January 2021	168,958	16,896	145,653	331,507
Net profit	-	-	13,070	13,070
Total comprehensive income for the period	-	-	13,070	13,070
Dividends paid for 2020	-	-	-	-
Balance at 31 March 2021	168,958	16,896	158,723	344,577

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January-March	
	2021	2020
Operating activities		
Profit for the period	13,070	12,516
Income tax	1,642	1,533
Depreciation, amortisation and impairment charge	20,188	17,341
Other gains and losses	(1,192)	67
Interest income	(377)	(684)
Interest expenses	718	1,161
Changes in working capital:		
Inventories	(533)	(3,168)
Trade and other receivables	5,626	11,935
Trade, other payables and accrued liabilities	(5,220)	(3,920)
Cash generated from operations	33,922	36,781
Interest paid	(599)	(1,164)
Interest received	82	19
Tax paid	(1,356)	(1,395)
Net cash from operating activities	32,049	34,241
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(13,356)	(10,742)
Proceeds from disposal of PPE and intangible assets	3,727	(24)
Interest and finance lease income	-	64
Proceeds from finance sublease receivables (+ amount)	1,377	1,364
Acquisition/divestment of subsidiaries	-	(160)
Net cash used in investing activities	(8,252)	(9,498)
Financing activities		
Repayment of borrowings	(15,846)	(17,248)
Borrowings	17,509	158
Increase/decrease in lease liabilities	(3,686)	(2,787)
Net cash used in financing activities	(2,023)	(19,877)
Increase (decrease) in cash and cash equivalents	21,774	4,866
Movement in cash and cash equivalents		
At the beginning of the year	55,941	50,157
Increase (decrease) in cash and cash equivalents	21,774	4,866
At the end of the period	77,715	55,023

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

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The consolidated interim financial statements for the three months' period ending 31 March 2021 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 2020.

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 2021 are not audited. Financial statements for the year ended 31 December 2020 are audited by the external auditor UAB Deloitte Lietuva.

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

	Property, plant and equipment	Intangible assets
Three months ended 31 March 2020		
Opening net book amount as at 31 December 2019	263,794	132,161
Additions	7,848	2,443
Disposals and retirements	(75)	-
Reclassification	-	-
Depreciation and amortisation charge	(11,383)	(4,133)
Closing net book amount as at 31 March 2020	260,184	130,471
Three months ended 31 March 2021		
Opening net book amount as at 31 December 2020	256,923	132,223
Additions	7,347	4,777
Disposals and retirements	(2,382)	(52)
Reclassification	4	(4)
Depreciation and amortisation charge	(13,132)	(4,035)
Closing net book amount as at 31 March 2021	248,760	132,909
	Right-of-use-asset	
Three months ended 31 March 2020		
Opening net book amount as at 1 January 2020	47,900	
Additions	4,804	
Disposals and retirements	(100)	
Reclassification	-	
Depreciation and amortisation charge	(2,343)	
Closing net book amount as at 31 March 2020	50,261	

(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 2021	
Opening net book amount as at 1 January 2021	47,217
Additions	4,267
Disposals and retirements	(2,743)
Reclassification	-
Depreciation and amortisation charge	<u>(2,447)</u>
Closing net book amount as at 31 March 2021	<u>46,294</u>

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 2021	31 December 2020	
VšĮ Numerio Perkėlimas	Lithuania	50%	50%	A non-profit organization established by Lithuanian telecommunications operators administers central database to ensure telephone number portability.

Till 18 June 2020, the Company had a 33.3% stake in UAB Mobilieji Mokėjimai, which until 18 May 2020 was providing mobile payment services.

On 1 July 2020, the Company fully owned subsidiary Telia Customer Service LT, AB was merged into the Company. The subsidiary was providing Directory Inquiry Service 118 and customer care services to customers of the Company.

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 2021:

	<u>Provision for restructuring</u>	<u>Assets retirement obligation</u>	<u>Total</u>
Opening net book amount at 31 December 2020	-	11,833	11,833
Additions	-	-	-
Used provisions	-	(13)	(13)
Closing net book amount at 31 March 2021	-	11,820	11,820

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

5 Provisions (continued)

The restructuring provision comprises of compensation to employees due to the restructuring plan (if any) approved by the Company. No restructuring provisions in 2021.

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 2021 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2020: 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 2021 amounted to EUR 0.5 million (in 2020 – EUR 0.1 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-March	
	2021	2020
Net profit	13,070	12,516
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
Earnings per share (euro)	0.022	0.021

8 Dividends per share

A dividend that relates to the period to 31 December 2020 to be approved by the Annual General Meeting of Shareholders on 27 April 2021. The total proposed amount of allocated dividend, that should be paid off in May 2021, is EUR 58,261 thousand or EUR 0.10 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 2021 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	
	2021	2020
Sales of telecommunication and other services	2,189	2,050
Sales of assets	-	-
Divestment of subsidiary	-	-
Total sales of telecommunication and other services	2,189	2,050
Purchases of services	5,714	5,613
Purchases of assets	-	157
Total purchases of services and assets:	5,714	5,770

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

	As at 31 March	
	2021	2020
Long-term receivables from related parties	140	168
Receivables from related parties	1,505	2,091
Accrued revenue from related parties	1,184	611
Total receivables and accrued revenue from related parties	2,829	2,870
Short-term borrowings from related parties	-	-
Payables to related parties	2,187	1,068
Accrued expenses to related parties	68	238
Total borrowings, payables and accrued expenses to related parties	2,255	1,306

As of 31 March 2021, the Company had no outstanding loans provided by Telia Company AB.

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 three months' period ended 31 March 2021, 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, 22 April 2021