

TELIA LIETUVA, AB

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



Beginning of the financial year	1 January 2021
End of reporting period	31 December 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
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E-mail address	info@telia.lt
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Main activities	Integrated telecommunication, IT and TV services to residential and business customers in Lithuania

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MANAGEMENT REPORT

Fourth quarter of 2021:

- Total revenue amounted to EUR 113.3 million, an increase by 4.3 per cent over the revenue of EUR 108.6 million in the fourth quarter of 2020.
- Adjusted EBITDA, excluding non-recurring items, amounted to EUR 33.9 million and was 1.5 per cent lower than EBITDA, excluding non-recurring items, of EUR 34.4 million for the fourth quarter of 2020.
- EBITDA amounted to EUR 33 million and was 3.1 per cent lower than EBITDA of EUR 34.1 million a year ago.
- Profit for the period was EUR 16.2 million, down by 3.9 per cent over the profit of EUR 16.9 million a year ago.

Twelve months of 2021:

- Total revenue amounted to EUR 420.8 million, an increase by 5.7 per cent over the revenue of EUR 398.1 million for the twelve months of 2020.
- Adjusted EBITDA, excluding non-recurring items, was EUR 139.9 million and grew by 2.7 per cent over EBITDA, excluding non-recurring items, of EUR 136.2 million for January-December of 2020.
- EBITDA was EUR 139.4 million, an increase by 3.4 per cent over EBITDA of EUR 134.9 million a year ago.
- Profit for the period was EUR 57.6 million, up by 3.2 per cent over the profit of EUR 55.9 million a year ago.
- Free cash flow amounted to EUR 85.7 million and was 0.9 per cent higher than free cash flow of EUR 84.9 million a year ago.

Management comment:

Our investments and financial results for the year 2021 are a literal reflection of an importance and relevance of our services on Lithuanian market. The last quarter of 2021 was marked with the surge in capital investments. In total EUR 41.9 million invested into areas that became extremely important during the pandemic and generate a double digit growth – connectivity and cloud computing. By the year end in response to ever growing demand for IT services, modernisation and expansion of two major data centers was completed, and capacity of data servers quadrupled.

Accelerating upgrade of mobile network will ensure smooth transition into 5G era. By the end of 2021, more than 450 base stations supporting 2G, 3G, 4G and 5G connection were upgraded with Ericsson equipment. During the last quarter of the year two important connectivity milestone were reached: from October every second call in the Company's mobile network is made using Voice over LTE (VoLTE) technology while mobile data download speed in Telia Lietuva network exceeded 100 Mbps and at the end of December amounted to 104.5 Mbps.

The Company's leadership in quality of connectivity allowed to attract new customer. During the fourth quarter of 2021 net intake of mobile communication customers alone was 69 thousand. The growth was recorded in other segments, too, and over the last twelve months:

- number of mobile service subscriptions grew by 8.6 per cent up to 1,518 thousand,
- number of fiber-optic Internet connections went up by 2.7 per cent up to 305 thousand,
- number of TV service users increased by 0.8 per cent up to 255 thousand.

Double digit growth in revenue from mobile communication, broadband Internet and IT services continued to push total revenue up. Over the year, comparing January-December of 2021 with the same period a year ago:

- revenue from IT services grew by 24.3 per cent,
- revenue from broadband Internet services went up by 11.2 per cent,
- revenue from billed mobile services increased by 10.4 per cent,
- revenue from TV services was up by 8.5 per cent.

At the end of 2021 more than 4 times rocketed tariffs for electricity and higher marketing spending had a negative impact on quarterly EBITDA. Nevertheless, EBITDA for the twelve months of 2021 was the highest in the Company's history as well as the amount of capital investments. During 2021, in total EUR 93.9 million (or more than a fifth of revenue) was invested into upgrade and expansion of the Company's fixed and mobile networks, IT infrastructure and business transformation program. Strong cash flows allowed the Company to reduce its banks' loan by a half to EUR 30 million.

The two-years project for renovation of 30 largest customer care shops was finished by the end of 2021. In total, EUR 2.5 million was invested into making retail shops more comfortable and cosy. In November, Telia Lietuva for the second year in a row was recognized for the best customer care quality provided by telecommunication company in Lithuania. The survey was conducted by mystery shoppers and Dive Lithuania. At the end of 2021, Telia Lietuva was among the enterprises that were recognised as the most transparent in Lithuania by Transparency International Lithuanian unit.

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

KEY FIGURES OF THE GROUP

Financial figures	January-December		Change (%)
	2021	2020	
Revenue	420,794	398,083	5.7
Adjusted EBITDA excluding non-recurring items	139,906	136,236	2.7
Adjusted EBITDA margin excluding non-recurring items (%)	33.2	34.2	
EBITDA	139,442	134,915	3.4
EBITDA margin (%)	33.1	33.9	
Operating profit (EBIT) excluding non-recurring items	62,233	66,167	(5.9)
EBIT margin excluding non-recurring items (%)	14.8	16.6	
Operating profit (EBIT)	61,769	64,846	(4.7)
EBIT margin (%)	14.7	16.3	
Profit before income tax	59,684	62,255	(4.1)
Profit before income tax margin (%)	14.2	15.6	
Profit for the period	57,647	55,866	3.2
Profit for the period margin (%)	13.7	14.0	
Earnings per share (EUR)	0.099	0.096	
Number of shares (thousand)	582,613	582,613	-
Share price at the end of period (EUR)	2.040	1.825	11.8
Market capitalisation at the end of period	1,188,531	1,062,727	11.8
Cash flow from operations	134,126	132,427	1.3
Operating free cash flow	85,675	84,869	0.9
Operating figures	31-12-2021	31-12-2020	Change (%)
Mobile service subscriptions, in total (thousand)	1,518	1,398	8.6
- Post-paid (thousand)	1,236	1,104	12.0
- Pre-paid (thousand)	282	294	(4.1)
Broadband Internet connections (excl. Wi-Fi), in total (thousand)	421	417	1.0
- Fiber-optic (FTTH/B) (thousand)	305	297	2.7
- Copper (DSL) (thousand)	116	120	(3.3)
TV service customers (thousand)	255	253	0.8
Fixed telephone lines in service (thousand)	230	261	(11.9)
Number of personnel (head-counts)	2,095	2,161	(3.1)
Number of full-time employees	1,939	2,001	(3.1)
Financial ratios*	31-12-2021	31-12-2020	
Return on capital employed (%)	13.5	15.1	
Return on average assets (%)	10.0	11.0	
Return on shareholders' equity (%)	17.9	17.4	
Operating cash flow to sales (%)	31.9	33.3	
Capex to sales (%)	22.3	13.5	
Net debt to EBITDA ratio	0.66	0.50	
Gearing ratio (%)	28.0	20.3	
Debt to equity ratio (%)	46.6	37.1	
Current ratio (%)	78.0	110.2	
Rate of turnover of assets (%)	68.1	67.6	
Equity to assets ratio (%)	51.5	54.5	
Price to earnings (P/E) ratio	20.6	19.0	

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	October-December		Change (%)	January-December		Change (%)
	2021	2020		2021	2020	
Fixed services	47,651	44,718	6.6	187,064	177,708	5.3
Voice telephony services	10,407	9,463	10.0	41,503	44,400	(6.5)
Internet services	16,713	15,023	11.2	64,411	57,914	11.2
Datacom and network capacity services	4,348	4,463	(2.6)	17,455	17,964	(2.8)
TV services	9,850	10,055	(2.0)	39,043	35,987	8.5
IT services	4,688	3,909	19.9	17,652	14,200	24.3
Other services	1,645	1,805	(8.9)	7,000	7,243	(3.4)
Mobile services	35,183	33,637	4.6	136,299	128,548	6.0
Billed services	30,760	27,521	11.8	117,521	106,457	10.4
Other mobile service	4,423	6,116	(27.7)	18,778	22,091	(15.0)
Equipment	30,456	30,248	0.7	97,431	91,827	6.1
Total	113,290	108,603	4.3	420,794	398,083	5.7

Share of revenue from fixed and mobile communication services amounted to 44.5 and 32.4 per cent, respectively, from the total revenue for the twelve months of 2021. Share of revenue from equipment sales reached 23.1 per cent. Revenue from services provided to residential customers (B2C) amounted to 62.4 per cent and to business customers (B2B) – 37.6 per cent of the total revenue for January-December of 2021.

By the end of December 2021, the number of households that took advantage of converged fixed and mobile services value offer, Telia1, was 80.5 thousand (almost 75 thousand a year ago). From September 2021 in addition to higher Internet speed and more TV content, Telia1 offers a doubled amount of gigabytes.

During October-December of 2021, the number of post-paid **mobile** communication service subscriptions increased by 72 thousand, while number of pre-paid service subscription went down by 3 thousand. The net intake of new mobile service users during the fourth quarter of 2021 was 69 thousand, while over the last twelve months – 120 thousand. Higher number of subscribers and increased average revenue per user (ARPU) ensured continuous growth in revenue from billed mobile services.

Eased restrictions on cross-border travelling led to recovery of revenue from roaming charges to the country's visitors during the second half of 2021, but for the whole year revenue from roaming charges were lower than in 2020 and in combination with lower revenue from mobile network interconnection led to decline of revenue from **other mobile services**.

During the fourth quarter of 2021, the number of fixed telephony lines eased by another 8 thousand, while over the last twelve months it went down by 31 thousand. Revenue from voice transit service during January-December of 2021 was almost on the same level as a year ago and that slowed decrease in total revenue from **voice telephony** services caused by lower number of fixed telephony customers.

During the fourth 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 declined by 1 thousand. Churn of DSL connections was slowed by customers' migration to "Super VDSL" (S-VDSL) technology that provides much higher Internet speed even using copper connection. Over the last twelve months, the number of Internet connections over the fiber-optic network increased by 8 thousand, but the number of copper DSL connections eased by 4 thousand. Over the year, the total net increase in number of broadband Internet users was 4 thousand.

During October-December of 2021, the number of smart **television** (IPTV) service went up by 1 thousand and over the year – by 2 thousand. New service users and additional quality content had a positive impact on revenue from TV services development.

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Revenue from **IT services** continues to show a double digit growth due to ongoing demand for various IT services ranging from virtual private network (VPN) and computerised workplace management to cloud computing and tailor-made IT solutions.

Wider selection of devices in retail shops and online, launch of smart watches and exclusive offers of new flagship smart phone resulted in higher than in 2020 revenue from **equipment sale**.

Revenue from **other services** consists of the non-telecommunication services such as Directory Inquiry service 118 provided to external customers till 1 March 2021, lease of premises, discount refunds and other. In 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 is provided by the phone number 118.

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 spring of 2021, the Company sold an office building in Kaunas and recorded EUR 1.2 million gain from sale of property. During 2021, the total gain from sale of property amounted to EUR 1.3 million.

MARKET INFORMATION

According to the Reports of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue in the third quarter of 2021 increased by 4.5 per cent compared with the third quarter of 2020 and amounted to EUR 193.1 million.

The total market revenue for the nine months of 2021 amounted to EUR 567.5 million, an increase by 4.3 per cent over the total market revenue of EUR 544.1 million for the nine months of 2020.

Telia Lietuva remains the largest telecommunications' service provider in Lithuania with the market share (in term of revenue) of 38.6 per cent for the third quarter of 2021, an increase by 0.42 percentage point over the market share a year ago.

	The market shares in terms of customers (%)		The market shares in terms of revenue (%)	
	Q3 2021	Change (p.p.) (y-o-y)	Q3 2021	Change (p.p.) (y-o-y)
Fixed voice telephony services	80.8	0.8	85.0	(0.6)
Mobile voice telephony services	28.5	0.0	30.0	3.2
Fixed Internet access	52.6	0.3	60.2	0.5
Mobile Internet access	28.1	(0.4)	25.7	(1.1)
Pay-TV services	38.2	1.2	47.6	0.3
Data communication services	n/a	n/a	54.3	(2.1)

According to the Report of the CRA, on 30 September 2021, broadband Internet penetration per 100 residents of Lithuania was 55.5 per cent (52.7 per cent a year ago) and pay-TV penetration per 100 households was 49.2 per cent (51.7 per cent a year ago). The penetration of active mobile voice communication users per 100 residents was 133.5 per cent (131.2 per cent a year ago) and penetration of fixed voice telephony lines per 100 households – 20.5 per cent (23.8 per cent a year ago).

EXPENSES

Cost of goods and services continued to grow mainly due to higher equipment sale in 2021, while costs of networks' interconnection and roaming charges went down. Higher employees' salaries and accruals for vacations pushed **employee related expenses** up compared with the previous year. During 2021 significantly increased electricity tariffs and higher marketing expenses resulted in growth of **other expenses**. **Non-recurring** redundancy pay-outs for the twelve months of 2021 amounted to EUR 858 thousand (EUR 1,321 thousand a year ago) and other non-recurring expenses amounted to EUR 943 (none a year ago).

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	October-December		Change (%)	January-December		Change (%)
	2021	2020		2021	2020	
Cost of goods and services	(48,749)	(47,398)	2.9	(168,690)	(158,023)	6.8
Operating expenses	(31,582)	(27,270)	15.8	(114,076)	(105,647)	8.0
Employee related	(14,700)	(14,282)	2.9	(56,556)	(54,887)	3.0
Other	(16,882)	(12,988)	30.0	(57,520)	(50,760)	13.3
<i>Non-recurring expenses</i>	884	347	154.8	1,801	1,321	36.4
Operating expenses (excl. non-recurring expenses)	(30,698)	(26,923)	14.0	(112,275)	(104,326)	7.6
Employee related	(14,605)	(13,935)	4.8	(55,698)	(53,566)	4.0
Other	(16,093)	(12,988)	23.9	(56,577)	(50,760)	11.5

In September 2021, the Company handed over fiber-optic access network maintenance function and 19 employees to the third party.

Number of employees	31-12-2021	30-09-2021	Change	31-12-2021	31-12-2020	Change
Headcounts	2,095	2,116	(21)	2,095	2,161	(66)
Full-time employees	1,939	1,964	(25)	1,939	2,001	(62)

EARNINGS

Higher cost of goods and services, and increase in operating expenses (especially electricity) during the fourth quarter of 2021 in spite of revenue growth resulted in lower than a year ago quarterly EBITDA. Nevertheless, EBITDA for the twelve months of 2021 was higher than for January-December of 2020. Higher capital investments during 2021 resulted in increase in depreciation and amortisation charges and that had a negative effect on Operating profit.

	October-December		Change (%)	January-December		Change (%)
	2021	2020		2021	2020	
EBITDA	32,982	34,052	(3.1)	139,442	134,915	3.4
Margin (%)	29.1	31.4		33.1	33.9	
Depreciation and amortisation	(19,875)	(17,205)	15.5	(77,673)	(70,069)	10.9
Operating profit (EBIT)	13,107	16,847	(22.2)	61,769	64,846	(4.7)
Margin (%)	11.6	15.5		14.7	16.3	
<i>Non-recurring expenses</i>	884	347	154.8	1,801	1,321	36.4
<i>Gain on sale of property</i>	-	-		1,337	-	
EBITDA excl. non-rec. items	33,866	34,399	(1.5)	139,906	136,236	2.7
Margin (%)	29.9	31.7		33.2	34.2	
EBIT excl. non-rec. items	13,991	17,194	(18.6)	62,233	66,167	(5.9)
Margin (%)	12.3	15.8		14.8	16.6	

Non-recurring items for the twelve months of 2021 were comprised from one-off redundancy pay-outs of EUR 858 thousand, non-recurring other expenses of EUR 943 thousand and gain of EUR 1.3 million from sale of office building in Kaunas and other property. During January-December of 2020, the Company had only non-recurring redundancy expenses of EUR 1.3 million.

Loss from investments for the year 2020 represents result from activities of on 18 June 2020 disposed associated entity UAB Mobilieji Mokėjimai. 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. As of 31 December 2019, the value of this investment was already impaired to one euro. During 2020, the Company extended loans for the total amount of EUR 289.2 thousand to associate at an annual interest rate of 3.37 per cent.

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The Company's claim under not repaid loan and accumulated interest was used to cover losses of this entity. An additional shareholders' contribution of EUR 26.7 thousand to cover losses was made before divestment of shares in June 2020.

	October-December		Change (%)	January-December		Change (%)
	2021	2020		2021	2020	
Profit before income tax	12,653	16,150	(21.7)	59,684	62,255	(4.1)
Margin (%)	11.2	14.9		14.2	15.6	
Income tax	3,541	702	404.4	(2,037)	(6,389)	(68.1)
Profit for the period	16,194	16,852	(3.9)	57,647	55,866	3.2
Margin (%)	14.3	15.5		13.7	14.0	

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 twelve months of 2021 amounted to EUR 6.8 million (in 2020 – EUR 2.1 million).

FINANCIAL POSITION AND CASH FLOW

As of 31 December 2021, the total **non-current assets** amounted to 75.3 per cent (76.2 per cent a year ago), the total **current assets** – to 23.9 per cent (23.6 per cent), whereof cash alone represented 9.6 per cent (9.2 per cent) of total assets. **Shareholders' equity** at the end of 2021 amounted to 51.5 per cent of the total assets (54.5 per cent at the end of 2020).

	31-12-2021	31-12-2020	Change (%)
Total assets	642,308	608,448	5.6
Non-current assets	483,798	463,497	4.4
Current assets	153,200	143,869	6.5
<i>whereof cash and short term investments</i>	<i>61,769</i>	<i>55,941</i>	<i>10.4</i>
Assets for sale	5,310	1,082	390.8
Shareholders' equity	330,893	331,507	(0.2)

On 27 April 2021, the Annual General Meeting of Shareholders allocated 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 carried forward to the financial year 2021 an amount of EUR 87.4 million as retained earnings (undistributed profit). In May 2021, dividends for the year 2020 were paid to the shareholders of the Company.

According to the Law on Companies of the Republic of Lithuania, dividends should be paid from retained earnings of the Company. As of 31 December 2021, **retained earnings** of the Company amounted to EUR 145 million.

The Company's Dividend Policy that was approved by the Board in 2017 provides that the Company must maintain the net debt to EBITDA ratio not higher than 1.5 and to pay out up to 80 per cent of free cash flow as dividend. As of 31 December 2021, the Company's net debt to EBITDA ratio was 0.66 (0.50 a year ago).

During the second half of 2021, in order to avoid negative interest rate charged for the Company's residuals at the banks and following the Board's approval the Company started to grant loans to the largest shareholder of the Company, Telia Company AB, for up to three months at a zero interest rate. The lent funds are available to the Company on demand within 2 business days. As of 31 December 2021, the total amount of lending to the Parent company amounted to EUR 40 million.

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. In November 2021, the Company repaid a half (EUR 30 million) of a syndicated banks' loan of EUR 60 million granted in May 2017. The outstanding amount of EUR 30 million will be repaid in May 2024.

The Company participates in reverse factoring or Supplier Invoice Financing (SIF) program where suppliers' invoices are paid by the banks within 7 days for an agreed fee which is covered by supplier. The Company does not pay any

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credit fees and does not provide any additional collateral or guarantee to the banks. The Company pays to the banks full invoice amount in up to one-year period (actual term depends on few variables agreed between all three parties). As of 31 December 2021, there were 37 suppliers which participated in SIF program.

	<u>31-12-2021</u>	<u>31-12-2020</u>
Loans from banks	30,000	67,500
Liabilities under reverse factoring agreements	123,681	54,243
Liabilities under financial lease agreements	573	1,400
Borrowings	154,254	123,143
Cash and cash equivalents	61,769	55,941
Net debt	92,485	67,202
Net debt to equity (Gearing) ratio (%)	28.0	20.3

During the fourth quarter of 2021, the total **capital investments** amounted to EUR 42 million and were 2.5 times higher than capital expenditure during the same period a year ago.

	<u>January-December</u>		Change
	2021	2020	(%)
Fixed network	27,757	24,910	11.4
Mobile network	37,683	9,614	292.0
IT systems and infrastructure	13,381	10,843	23.4
Transformation program	13,056	6,488	101.2
Other	2,060	2,001	2.9
Total capital investments	93,937	53,856	74.4
Capital investments to revenue ratio (%)	22.3	13.5	

In 2021, the Company has started a major upgrade of its **radio access network** (RAN) with Ericsson equipment thus phasing out Huawei equipment 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. As of 31 December 2021, more than 450 base stations that support 2G, 3G, 4G and 5G connection were already upgraded with Ericsson equipment.

Since December 2018, the Company has been testing non-commercial 5G frequencies granted by the Lithuanian Communications Regulatory Authority (CRA) in Lithuania. Starting from November 2020, private and business customers were able to try 5G connectivity free of charge in Vilnius, Kaunas, Raseiniai and Klaipėda. In January 2022, the Company was the first one in Lithuania to activate the currently available 2100 MHz frequencies for 5G network in 20 base stations in Vilnius. The next-generation technology runs in Dynamic Spectrum Sharing mode, which allows the same frequency band to be used in parallel for both 4G and 5G connection.

During 2022, the Company plans gradually to switch off 3G mobile network. The frequencies used for 3G mobile communication are assigned to more advanced 4G technology. Every-second call in mobile network of the Company is already made using VoLTE (Voice over LTE) technology.

According to the latest CRA measurement data, the average Internet download speed in Telia Lietuva mobile network remains the highest in the country amounting to 104.5 Mbps (85.1 Mbps a year ago). The Company's 4G network is available in all open areas across the entire country.

By the end of December 2021, the Company had 947 thousand households passed (937 thousand a year ago), or 70.5 per cent of the country's households, by the fiber-optic network.

In December 2021, the Company purchased a 2-hectare land plot near Vilnius, where it will build a new data center. According to the plans, this will be the largest data centre in the country, and the Company will invest EUR 10 million in its construction. In 2021, the Company renovated its Žirmūnai data center for almost EUR 1 million and invested EUR 2 million into expansion and modernization of the Naujoji Vilnia data centre. Renovations and expansion of the existing data centers are also planned in 2022.

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

In 2021, under continuous business **transformation program** data of residential and business customers was migrated into SAP Customer Relationship Management (CRM) system and in November private customers having both fixed and mobile services received the single invoices instead of separate ones.

In 2021, the two-years project for upgrade of 30 largest customer care shops in the largest cities of Lithuania was completed. During 2021 alone, the Company invested more than EUR 1 million into renovation of shops, while the total value of shops' upgrade project amounted to EUR 2.5 million. Together with the partners Telia Lietuva operates a network of 52 customer care shops. The upgrade of smaller shops with continue in 2022.

	October-December		Change (%)	January-December		Change (%)
	2021	2020		2021	2020	
Net cash from operating activities	36,525	32,751	11.5	134,126	132,427	1.3
Operating free cash flow	22,906	20,945	9.4	85,675	84,869	0.9

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

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.83	2.15	1.83	2.04	2.04	8,574,018	17,527,017

The Company's **market capitalisation** as on 31 December 2021 was EUR 1,189 million, an increase by 11.8 per cent over the market capitalisation of EUR 1,063 million a year ago.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 December 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 (20 April 2021) for the Annual General Meeting of Shareholders, which was held on 27 April 2021, was 12,624.

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

OTHER MATERIAL INFORMATION

On 27 April 2021, the Annual General Meeting decided to approve the audited annual consolidated and separate financial statements of the Company for the year 2020. The consolidated annual report of the Company for the year 2020, 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 145,652 thousand to allocate an amount of EUR 58,261 thousand 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 87,391 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 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.

The two-year's term of the Board terminated on 26 April 2021, therefore Annual General Meeting held on 27 April 2021 decided to re-elect five members of the Board – Douglas Lubbe, Agneta Wallmark, Claes Nycander, Hannu-Matti Mäkinen and Mindaugas Glodas (an independent) – for a new two-year's term of the Board, and to elect a new independent member of the Board, Dovilė Grigienė, to replace Tomas Balžekas.

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 2020.

On 27 May 2021, the Board has re-elected Douglas Lubbe as a Chair of the Board and has appointed members of the Audit and Remuneration Committees.

Agneta Wallmark and Mindaugas Glodas, an independent member of the Board, were reappointed and new independent member of the Board, Dovilė Grigienė, was appointed to the Audit Committee for the two-years' term but in any case, not longer than their membership in the Board. Agneta Wallmark was re-elected as the Chair of the Audit Committee.

Douglas Lubbe, Claes Nycander and independent member of the Board, Mindaugas Glodas, were re-appointed to the Remuneration Committee for the two-years' term but in any case, not longer than their membership in the Board. Claes Nycander was re-elected as the Chair of the Remuneration Committee.

Members of the Board as at 31 December 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), Chief Legal Counsel, Telia Asset Management	-
Dovilė Grigienė	Member of the Board, member of the Audit Committee	-	-

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

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	-
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All members of the Board are regarded as non-executive members of the Board, and Dovilė Grigienė 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 27 April 2021, the Annual General Meeting approved the Company's Remuneration Report for the year 2020 following the Remuneration Policy for CEO and members of the Board of Telia Lietuva, AB that was approved by the shareholders in 2020. The Policy and the Report are provided at the Company's webpage www.telia.lt.

Management Team as at 31 December 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); Telia Eesti AS (Estonia), 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	AB Utenos Trikotažas (Lithuania), an independent member of the Board	-
Giedrė Kaminskaitė-Salters	Head of Sales and Customer Care	Vilnius University Institute of International Relations and Political Science (Lithuania), member of the Board of Trustees; Vilnius Gediminas Technical University (VILNIUS TECH) (Lithuania), member of the Council; Telia Danmark A/S (Denmark), acting Head of Enterprise (from 5 October 2021)	-
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), Chair 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 Chair of Cybersecurity Group	-

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	October-December		January-December	
		2021	2020	2021	2020
Revenue		113,290	108,603	420,794	398,083
Cost of goods and services		(48,749)	(47,398)	(168,690)	(158,023)
Employee related expenses		(14,700)	(14,282)	(56,556)	(54,887)
Other operating expenses		(16,882)	(12,988)	(57,520)	(50,760)
Other gain/ (loss) – net		23	117	1,414	502
Depreciation, amortisation and impairment of fixed assets and assets classified as held for sale	2	(19,875)	(17,205)	(77,673)	(70,069)
Operating profit		13,107	16,847	61,769	64,846
Gain/loss from investment activities		-	1	-	(318)
Finance income		392	548	1,463	2,320
Finance costs		(846)	(1,246)	(3,548)	(4,593)
Finance and investment activities – net		(454)	(697)	(2,085)	(2,591)
Profit before income tax		12,653	16,150	59,684	62,255
Income tax	6	3,541	702	(2,037)	(6,389)
Profit for the period		16,194	16,852	57,647	55,866
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		16,194	16,852	57,647	55,866
Profit and comprehensive income attributable to:					
Owners of the Parent		16,194	16,852	57,647	55,866
Non-controlling interests		-	-	-	-
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in EUR per share)	7	0.028	0.029	0.099	0.096

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	2	267,033	256,923
Intangible assets	2	141,634	132,223
Right-of-use assets	2	46,124	47,217
Costs to obtain contract		4,837	4,806
Contract assets		696	445
Trade and other receivables		5,443	6,875
Terminal financing receivables		18,031	15,008
		483,798	463,497
Current assets			
Inventories		12,711	10,427
Contract assets		1,102	1,196
Trade and other receivables		58,767	68,126
Current income tax assets		5,201	114
Terminal financing receivables		13,650	8,065
Cash and cash equivalents		61,769	55,941
		153,200	143,869
Assets classified as held for sale		5,310	1,082
Total assets		642,308	608,448
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Issued capital	4	168,958	168,958
Legal reserve		16,896	16,896
Retained earnings		145,039	145,653
Total equity		330,893	331,507
LIABILITIES			
Non-current liabilities			
Borrowings		30,000	60,574
Lease liabilities		46,484	47,295
Deferred tax liabilities		19,604	18,880
Deferred revenue and accrued liabilities		6,645	7,815
Provisions	5	12,398	11,833
		115,131	146,397
Current liabilities			
Trade, other payables and accrued liabilities		57,416	55,158
Current income tax liabilities		-	-
Borrowings		124,254	62,569
Contract liabilities		2,054	1,610
Current lease liabilities		12,560	11,207
Provisions	5	-	-
		196,284	130,544
Total liabilities		311,415	276,941
Total equity and liabilities		642,308	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	-	-	55,866	55,866
Total comprehensive income for the period	-	-	55,866	55,866
Dividends paid for 2019	-	-	(52,435)	(52,435)
Balance at 31 December 2020	168,958	16,896	145,653	331,507
Balance at 1 January 2021	168,958	16,896	145,653	331,507
Net profit	-	-	57,647	57,647
Total comprehensive income for the period	-	-	57,647	57,647
Dividends paid for 2020	-	-	(58,261)	(58,261)
Balance at 31 December 2021	168,958	16,896	145,039	330,893

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January-December	
	2021	2020
Operating activities		
Profit for the period	57,647	55,866
Income tax expenses recognised in profit or loss	2,037	6,389
Depreciation, amortisation and impairment charge	79,768	72,144
Write off of property, plant and equipment and intangible assets	(1,451)	388
Impairment of investments in subsidiaries	-	318
Interest income	(1,463)	(2,153)
Interest expenses	3,383	4,275
Other non-cash transactions	-	-
Changes in working capital:		
Inventories / Assets held for sale	(3,528)	(176)
Trade and other receivables, decrease / (increase) in contract assets, contract costs	8,473	5,514
Trade, other payables and accrued liabilities, deferred tax liability, increase / (decrease) in contract liabilities, deferred income and provisions	(1,076)	(493)
Cash generated from operations	143,790	142,072
Interest paid	(3,367)	(4,226)
Interest received	414	382
Income taxes paid	(6,711)	(5,801)
Net cash generated by operating activities	134,126	132,427
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets, right-of-use assets (RoU)	(53,113)	(47,489)
Proceeds from disposal of PPE and intangible assets, RoU	4,662	249
Interest and finance lease income	-	-
Proceeds from finance sublease receivables	(4,815)	4,809
Acquisition/divestment of subsidiaries	-	(318)
Net cash used in investing activities	(53,266)	(42,749)
Financing activities		
Repayment of borrowings	(95,188)	(81,176)
Proceeds from borrowings	89,648	61,715
Increase (decrease) in lease liabilities	(11,231)	(11,998)
Dividends paid to shareholders	(58,261)	(52,435)
Net cash used in financing activities	(75,032)	(83,894)
Increase (decrease) in cash and cash equivalents	5,828	5,784
Movement in cash and cash equivalents		
At the beginning of the year	55,941	50,157
Increase (decrease) in cash and cash equivalents	5,828	5,784
At the end of the period	61,769	55,941

(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 December 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 December 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 and intangible assets

	Property, plant and equipment	Intangible assets
Twelve months ended 31 December 2020		
Opening net book amount as at 31 December 2019	263,794	132,161
Additions	38,833	15,700
Disposals and retirements	(577)	(59)
Reclassification	(188)	184
Depreciation and amortisation charge	(44,939)	(15,763)
Closing net book amount as at 31 December 2020	256,923	132,223
Twelve months ended 31 December 2021		
Opening net book amount as at 31 December 2020	256,923	132,223
Additions	68,275	26,197
Disposals and retirements	(2,674)	(53)
Reclassification	(4,001)	155
Depreciation and amortisation charge	(51,490)	(16,888)
Closing net book amount as at 31 December 2021	267,033	141,634
	<u>Right-of-use-asset</u>	
Twelve months ended 31 December 2020		
Opening net book amount as at 1 January 2020	47,900	
Additions	15,763	
Disposals and retirements	(7,079)	
Reclassification	-	
Depreciation and amortisation charge	(9,367)	
Closing net book amount as at 31 December 2020	47,217	

(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>
Twelve months ended 31 December 2021	
Opening net book amount as at 1 January 2021	47,217
Additions	10,946
Disposals and retirements	(2,744)
Reclassification	-
Depreciation and amortisation charge	(9,295)
Closing net book amount as at 31 December 2021	46,124

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 December 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 per cent stake in UAB Mobilieji Mokėjimai, which until 18 May 2020 was providing mobile payment services.

On 1 July 2020, the Company's 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–December 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	-	534	534
Discounting	-	80	80
Used provisions	-	(49)	(49)
Closing net book amount at 31 December 2021	-	12,398	12,398

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

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

5 Provisions (continued)

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 6.8 million (in 2020 – EUR 2.1 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–December	
	2021	2020
Net profit	57,647	55,866
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
Earnings per share (euro)	0.099	0.096

8 Dividends per share

A dividend that relates to the period to 31 December 2020 was approved by the Annual General Meeting of Shareholders on 27 April 2021. The total amount of allocated dividend, that was paid off in May 2021 was 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 at 31 December 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-December	
	2021	2020
Sales of telecommunication and other services	8,480	11,187
Total sales of telecommunication and other services	8,480	11,187
Purchases of services	23,712	24,142
Purchases of assets	630	-
Total purchases of services and assets:	24,342	24,142

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

	As at 31 December	
	2021	2020
Long-term receivables from related parties	140	140
Receivables from related parties	2,120	4,798
Accrued revenue from related parties	669	1,030
Total receivables and accrued revenue from related parties	2,929	5,968
Short term investments	40,000	-
Short term investments	40,000	-
Short-term borrowings from related parties	-	-
Payables to related parties	3,672	4,018
Accrued expenses to related parties	12	(212)
Total borrowings, payables and accrued expenses to related parties	3,684	3,806

As of 31 December 2021, the Company had placed with Telia Company as a short term investment of EUR 40 million. On 25 May 2021, following the decision of the General Meeting of Shareholders, held on 27 April 2021, the Company paid-out to Telia Company an amount of EUR 51,359 thousand as dividends for the year 2020.

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 December 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, 27 January 2022