TELIA LIETUVA, AB

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS,
CONSOLIDATED ANNUAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Telia Lietuva, AB:

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Telia Lietuva, AB (the Company) and consolidated financial statements of Telia Lietuva, AB and subsidiaries (the Group), which comprise the statements of financial position of the Company and the Group as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, of the financial position of the Company and the Group as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to pages 23, 31 of the financial statements The Group's and the Company's net sales amounted to EUR 398,083 thousand and EUR 399,041 thousand, respectively for the year then ended 2020. The net sales encompass several revenue streams such as traffic charges, including interconnect and roaming, subscription fees, installation fees, other services and sale of equipment. Furthermore, all these services and products give rise to multiple customer offerings (bundle services) which are subject to price allocation among the services and related products, incentives and discounts. The Company and the Group uses multiple billing systems and other interrelated data applications to maintain the accurate and complete accounting records. IT systems differ across a range of products and lines of business. The Company and the Group is implementing SAP as the new core platform, as well as legacy systems run in parallel to ensure uninterrupted operations. IT environment is thus a critical part in the revenue processes.	Our audit procedures in this area included, among others: • assessing the application on the Company's and the Group's accounting policies with the respect to IFRS 15 to services and products delivered and the accounting implication of the new business models to verify that the Group accounting policies were appropriate for these models and were followed; • evaluating the design and implementation as well as testing for operating effectiveness key internal controls, including relevant IT systems, used for billing and monitoring of revenue recognition; • assessing based on sample of customer bills for accuracy for new products and tariffs introduced in the year; under multiple-element contractual arrangements (bundled product offers), on a sample evaluating the deliverables to determine whether they represent separate element and testing the value allocated to the undelivered elements based on their respective fair values;

Complex products and services and a combination of those requires significant management judgment about the timing and value of revenue to be recognized and impose the risk of accuracy of revenue related accounting records, as well as recognizing revenue in the correct accounting period. Due to this, we considered this to be a key audit matter.	• evaluating on a sample basis revenues allocated to undelivered elements (deferred and recognized over the estimated term of provision of these elements); • reconciling revenue accruals to actual data traffic available after month closing; • evaluating the adequacy of disclosures related to the various revenue streams; • assessing and testing general IT controls for relevant IT systems in the areas of access security (especially privileged access management), system change control, as well as management of data center and network operations.

Other Information

The other information comprises the information included in the Company's and the Group's annual report, including Corporate Governance statement, Remuneration Report and Corporate Social Responsibility Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's and the Group's annual report, including Corporate Governance statement and Remuneration Report, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether the Company's and the Group's annual report, including Corporate Governance statement and Remuneration Report, has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's and the Group's annual report, including Corporate Governance statement and Remuneration Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's and the Group's annual report, including Corporate Governance statement and Remuneration Report, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Group Undertakings of the Republic of Lithuania and the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the decision made by Shareholders on 28 April 2020 we have been chosen to carry out the audit of the Company's and the Group's separate and consolidated financial statements. Our appointment to carry out the audit of the Company's and the Group's separate and consolidated financial statements in accordance with the decision made by Shareholders has been for year 2020 and the period of total uninterrupted engagement is seven years.

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted to the Company and Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to services provided to the Company in the course of audit and disclosed in the annual report, we performed translation of the financial statements from English into Lithuanian language, as well as performed audit procedures related to the separation of payment service activities from other services and the internal controls applicable to the former activities.

The engagement partner on the audit resulting in this independent auditor's report is Mindaugas Jukna.

Deloitte Lietuva UAB
Audit Company License No 001275

Mindaugas Jukna
Lithuanian Certified Auditor
License No 000580

Vilnius, Republic of Lithuania
31 March 2021

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

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Approved by
the Annual General Meeting
of Shareholders, as at ___ April 2021

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2020	2019	2020	2019
Revenue	5	**398,083**	**388,299**	**399,041**	**389,292**
Cost of goods and services	6	(158,023)	(155,204)	(163,815)	(166,332)
Employee related expenses		(54,887)	(53,495)	(50,488)	(43,444)
Other operating expenses	8	(50,760)	(51,376)	(50,776)	(51,959)
Other income	7	-	-	330	495
Other gain / (loss) – net	9	502	644	502	636
Depreciation, amortisation and impairment of fixed assets and assets classified as held for sale	14	(70,069)	(69,087)	(69,952)	(68,817)
Operating profit		**64,846**	**59,781**	**64,842**	**59,871**
Gain/loss from investment activities		(318)	(1,860)	(318)	(1,860)
Finance income		2,320	2,859	2,320	2,859
Finance costs		(4,593)	(3,925)	(4,594)	(3,924)
Finance and investment activities – net	10	(2,591)	(2,926)	(2,592)	(2,925)
Profit before income tax		**62,255**	**56,855**	**62,250**	**56,946**
Income tax	11	(6,389)	(2,129)	(6,336)	(2,057)
Profit for the year		**55,866**	**54,726**	**55,914**	**54,889**
Other comprehensive income:					
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**55,866**	**54,726**	**55,914**	**54,889**
Profit and comprehensive income attributable to:					
Owners of the Parent		55,866	54,726	55,914	54,889
Non-controlling interests		-	-	-	-
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in EUR per share)	12	**0.096**	**0.094**	**0.096**	**0.094**

The notes on pages 11 to 53 form an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 6 to 53 have been approved for issue by the Board of Directors as at 30 March 2021 and signed on their behalf by the CEO and the Head of Finance:

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

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

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

Approved by
the Annual General Meeting
of Shareholders, as at ___ April 2021

		As at 31 December			
		GROUP		COMPANY	
	Notes	2020	2019	2020	2019
ASSETS					
Non-current assets					
Property, plant and equipment	14	256,923	263,794	256,923	259,899
Goodwill	15	26,769	26,769	26,769	26,769
Intangible assets	15	105,454	105,392	105,454	105,388
Right-of-use assets	16	47,217	47,900	47,217	47,819
Investment property	17	-	-	-	-
Investments in associates and subsidiaries	18	-	-	-	4,122
Costs to obtain contract	32	4,806	4,625	4,806	4,625
Contract asset	33	445	351	445	351
Trade and other receivables	21	15,543	9,728	15,543	9,728
Finance lease receivables	21	6,340	4,036	6,340	4,036
		463,497	**462,595**	**463,497**	**462,737**
Current assets					
Inventories	19	10,427	10,153	10,427	10,153
Contract asset	33	1,196	1,178	1,196	1,178
Trade and other receivables	21	71,623	84,314	71,623	84,337
Current income tax assets		114	1,708	114	1,601
Finance lease receivables	21	4,568	2,831	4,568	2,831
Cash and cash equivalents	22	55,941	50,157	55,941	48,282
		143,869	**150,341**	**143,869**	**148,382**
Assets classified as held for sale		1,082	1,180	1,082	700
Total assets		**608,448**	**614,116**	**608,448**	**611,819**
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Issued capital	23	168,958	168,958	168,958	168,958
Legal reserve	24	16,896	16,896	16,896	16,896
Retained earnings		145,653	142,222	145,653	140,080
Equity attributable to owners of the Company		331,507	328,076	331,507	325,934
Non-controlling interests		-	-	-	-
Total equity		**331,507**	**328,076**	**331,507**	**325,934**
LIABILITIES					
Non-current liabilities					
Borrowings	26	60,574	68,916	60,574	68,916
Lease liabilities	26	47,295	47,541	47,295	47,460
Deferred tax liabilities	27	18,880	19,829	18,880	19,196
Deferred revenue and accrued liabilities	25	7,815	8,376	7,815	8,376
Contract liability	33	-	-	-	-
Provisions	28	11,833	11,257	11,833	11,257
		146,397	**155,919**	**146,397**	**155,205**
Current liabilities					
Trade, other payables and accrued liabilities	25	55,158	48,737	55,158	49,296
Current income tax liabilities		-	-	-	-
Borrowings	26	62,569	74,536	62,569	74,536
Contract liability	33	1,610	501	1,610	501
Lease liabilities	26	11,207	6,347	11,207	6,347
Provisions	28	-	-	-	-
		130,544	**130,121**	**130,544**	**130,680**
Total liabilities		**276,941**	**286,040**	**276,941**	**285,885**
Total equity and liabilities		**608,448**	**614,116**	**608,448**	**611,819**

The notes on pages 11 to 53 form an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 6 to 53 have been approved for issue by the Board of Directors as at 30 March 2021 and signed on their behalf by the CEO and the Head of Finance:

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

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

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

Approved by
the Annual General Meeting
of Shareholders as at ___ April 2021

GROUP	Notes	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2019		**168,958**	**16,896**	**134,105**	**319,959**
Profit for the year		-	-	54,726	54,726
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**54,726**	**54,726**
Dividends paid for 2018	13	-	-	(46,609)	(46,609)
Balance at 31 December 2019		**168,958**	**16,896**	**142,222**	**328,076**
Profit for the year		-	-	55,866	55,866
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**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**

COMPANY	Notes	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2019		**168,958**	**16,896**	**131,800**	**317,654**
Profit for the year		-	-	54,889	54,889
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**54,889**	**54,889**
Dividends paid for 2018	13	-	-	(46,609)	(46,609)
Balance at 31 December 2019		**168,958**	**16,896**	**140,080**	**325,934**
Profit for the year		-	-	55,914	55,914
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**55,914**	**55,914**
Dividends paid for 2019	13	-	-	(52,435)	(52,435)
Result from legal merger	30	-	-	2,094	2,094
Balance at 31 December 2020		**168,958**	**16,896**	**145,653**	**331,507**

The notes on pages 11 to 53 form an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 6 to 53 have been approved for issue by the Board of Directors as at 30 March 2021 and signed on their behalf by the CEO and the Head of Finance:

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

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

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

Approved by
the Annual General Meeting
of Shareholders as at ___ April 2021

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2020	2019	2020	2019
Operating activities					
Profit for the year		55,866	54,726	55,914	54,889
Adjustments for:					
Income tax expenses recognized in profit or loss	11	6,389	2,129	6,336	2,057
Depreciation, amortisation and impairment charge	14, 8	72,144	65,306	72,027	65,036
Dividends received from subsidiaries	7	-	-	(330)	(495)
Other gain / (loss) – net	9	-	-	-	-
Write off of property, plant and equipment and intangible assets		388	375	388	367
Impairment of investments in subsidiaries	18, 10	318	591	318	591
Interest income	10	(2,153)	(2,797)	(2,153)	(2,797)
Interest expenses		4,275	3,446	4,275	3,446
Other non-cash transactions		-	339	-	339
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):					
Inventories / Assets held for sale		(176)	(618)	(246)	(617)
Trade and other receivables		5,807	18,301	5,867	18,457
Decrease/(increase) in contract assets	33	(112)	550	(112)	550
Decrease/(increase) in contract costs	32	(181)	353	(181)	353
Increase/(decrease) in finance lease receivables		-	-	-	-
Trade, other payables and accrued liabilities, deferred tax liability		(1,028)	6,451	(2,120)	6,559
Increase/(decrease) in contract liabilities	33	1,109	426	1,109	426
Increase/(decrease) in deferred income		(561)	272	(561)	272
Increase/(decrease) in provisions	28	(13)	(53)	(13)	(53)
Cash generated from operations		**142,072**	**149,797**	**140,518**	**149,380**
Interest paid		(4,226)	(3,199)	(4,226)	(3,199)
Interest received		382	100	382	100
Income taxes paid		(5,801)	(7,158)	(5,773)	(7,006)
Net cash generated by operating activities		**132,427**	**139,540**	**130,901**	**139,275**
Investing activities					
Purchase of property, plant and equipment (PPE) and intangible assets		(47,489)	(53,127)	(47,494)	(53,127)
Proceeds from disposal of PPE and intangible assets		249	2,296	249	2,304
Interest and finance lease income		-	655	-	655
Proceeds from finance sublease receivables		4,809	3,416	4,809	3,144
Acquisition of subsidiaries and investment in an associate	10, 18	(318)	(1,268)	(318)	(1,268)
Legal merger (cash acquired)	30	-	-	3,075	-
Dividends received	7	-	-	330	495
Net cash used in investing activities		**(42,749)**	**(48,028)**	**(39,349)**	**(47,797)**

(Continued in the next page)

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

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	Year ended 31 December			
		GROUP		COMPANY	
		2020	2019	2020	2019
Financing activities					
Repayment of borrowings	26	(81,176)	(67,950)	(81,176)	(67,950)
Proceeds from borrowings	26	61,715	54,141	61,715	54,141
Increase (decrease) in lease liabilities		(11,998)	(9,662)	(11,997)	(9,390)
Dividends paid to shareholders	13	(52,435)	(46,609)	(52,435)	(46,609)
Net cash received in financing activities		**(83,894)**	**(70,080)**	**(83,893)**	**(69,808)**
Increase (decrease) in cash and cash equivalents		**5,784**	**21,432**	**7,659**	**21,670**
Movement in cash and cash equivalents					
At the beginning of the financial year		**50,157**	**28,725**	**48,282**	**26,612**
Increase (decrease) in cash and cash equivalents		5,784	21,432	7,659	21,670
At the end of the financial year	22	**55,941**	**50,157**	**55,941**	**48,282**

(Concluded)

The notes on pages 11 to 53 form an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 6 to 53 have been approved for issue by the Board of Directors as at 30 March 2021 and signed on their behalf by the CEO and the Head of Finance:

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1 General information

Telia Lietuva, AB (hereinafter – the Company) is a public company (joint-stock company) incorporated on 6 February 1992. The Company is domiciled in Vilnius, the capital of the Republic of Lithuania. Address of its registered office is Saltoniškių str. 7A, LT-03501, Vilnius, Lithuania.

The Company's shares are traded on Nasdaq Vilnius stock exchange from 16 June 2000. 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 the Berlin Stock Exchange, the Frankfurt Stock Exchange, the Munich Stock Exchange and the Stuttgart Stock Exchange.

The shareholders' structure of the Company was as follows:

	31 December 2020		31 December 2019	
	Number of shares	**%**	**Number of shares**	**%**
Telia Company AB (Sweden)	513,594,774	88.15	513,594,774	88.15
Other shareholders	69,018,364	11.85	69,018,364	11.85
	582,613,138	**100.00**	**582,613,138**	**100.00**

The Company's principal activity is provision of telecommunications, TV and IT services to business and residential customers in the Republic of Lithuania.

The Communication Regulatory Authority (CRA) of Lithuania has designated the Company together with its related legal entities as an operator with significant market power (SMP) in 6 telecommunications markets. Following the provisions of the Law on Electronic Communications of the Republic of Lithuania the Company is obliged to provide access to other undertakings, to follow obligation of non-discrimination, obligation of transparency, obligations of price control and cost accounting, obligation of accounting separation. Also, to publish public offer regarding the access.

The Company has a limited activities electronic money institution license issued by the Bank of Lithuania. The license grants the right to issue electronic money and provide payment services as set out in Article 5 of the Payments Law of the Republic of Lithuania.

The number of full-time employees of the Group at the end of 2020 amounted to 2,001 (2019: 2,127). The number of full-time employees of the Company at the end of 2020 amounted to 2,001 (2019: 1,607).

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

Subsidiary / associate	Country of incorporation	Ownership interest in % 31 December 2020	Ownership interest in % 31 December 2019	Profile
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)

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these separate and consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The financial statements have been prepared under the going concern basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

Amendments to IFRS 3 “Business Combinations” – Definition of a Business – adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” – Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

Amendments to IFRS 16 “Leases” – Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020),

Amendments to References to the Conceptual Framework in IFRS Standards adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group and the Company financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

Amendments to IFRS 4 Insurance Contracts “Extension of the Temporary Exemption from Applying IFRS 9” adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),

Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases” – Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

2.1 Basis of preparation (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

A IFRS 17 “Insurance Contracts” including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),

Amendments to IAS 1 “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),

Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),

Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

Amendments to IAS 16 “Property, Plant and Equipment” – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),

Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),

Amendments to IFRS 3 “Business Combinations” – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

Amendments to various standards due to “Improvements to IFRSs (cycle 2018 - 2020)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

The Group and the Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group and the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Group’s and the Company’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: “Financial Instruments: Recognition and Measurement”** would not significantly impact the financial statements, if applied as at the balance sheet date.

2.2 Consolidated financial statements

Basis of consolidation
The consolidated financial statements comprise the parent company Telia Lietuva, AB and all entities over which Telia Lietuva, AB has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled or not. Telia Lietuva, AB is assumed to have control if the group owns the majority of shares and the shares have equal voting rights attached, and a proportionate entitlement to a share of the returns of the entity and decisions about relevant activities are determined by majority votes.

2.2 Consolidated financial statements (continued)

Subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

The excess of the consideration transferred over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net identifiable assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of profit or loss.

Inter-company transactions, balances, income and expenses on transaction between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates
Associates are all entities over which the Group has significant influence (the power to participate in the financial and operating policy decisions of the investee) but not control. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investments is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment. The Group’s investment in associates includes goodwill identified on acquisition.

When the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the equity, the Group does not recognize further losses.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent in statement of profit or loss.

Business combination
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition – date fair values of the assets transferred by the Group, liabilities incurred by Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition – related costs are generally recognised in profit or loss as incurred.

Though business combinations involving entities under common control are outside the scope of IFRS 3. If there is a commercial substance, the Group’s and the Company’s accounting policy for such business combinations is based on the requirements of IFRS 3. If there is no commercial substance, the Group’s and the Company’s accounting policy for such business combinations is based on a method similar to pooling of interest where carrying amounts from consolidated financial statements of the Group are used.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

2.3 Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group’s entities as well as the separate and consolidated financial statements are presented in Euro (EUR), which is the functional currency of the Company and all subsidiaries.

2.3 Foreign currency translation (continued)

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within “Finance income” or “Finance costs”. All other foreign exchange gains and losses are presented in the statement of profit or loss within “Other gain / (loss) – net”.

2.4 Property, plant and equipment

Property, plant and equipment are carried at its historical cost less any accumulated depreciation and any accumulated impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful life, as follows:

Buildings	10 – 50 years
Ducts and telecommunication equipment	3 – 30 years
Other tangible fixed assets	2 – 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Construction in progress is transferred to appropriate groups of fixed assets when it is completed and ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5 Intangible assets

Goodwill
Goodwill arises on the acquisition of business and represents the excess of the consideration transferred over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in ‘Intangible assets’. Goodwill on acquisitions of associates is included in ‘investments in associates and subsidiaries’. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets
Intangible assets expected to provide economic benefit to the Group and the Company in future periods have finite useful life and are measured at acquisition cost less any accumulated amortisation and any accumulated impairment losses.

2.5 Intangible assets (continued)

Amortisation is calculated on the straight-line method to allocate the cost of intangible asset over estimated benefit period as follows:

Licenses and software	3 – 20 years
Client base	15 years
Trademarks	5 years
Other intangible fixed assets	5 years

The assets’ useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group and the Company are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable cost that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are included within 'Other gain / (loss) – net' in the statement of profit or loss.

2.6 Investment property

Property that is held for undetermined use and that are not occupied by the entities in the consolidated Group, are classified as investment property. Investment property comprises construction in progress.

Recognition of investment property takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Group and the cost can be measured reliably. Subsequent expenditure is included in the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Investment properties of the Group are stated at cost less accumulated depreciation and any accumulated impairment losses. Transaction costs are included on initial recognition. The fair values of investment properties are disclosed in the Note 17.

2.7 Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group and the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2.7 Impairment of tangible and intangible assets excluding goodwill (continued)

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.8 Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group’s and the Company’s cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.9 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2.9.1 Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

2.9.1 Classification of financial assets (continued)

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

If collection is expected in one year or less, they are classified as current assets, if not, they are presented as non-current assets.

Interconnection receivables and payables to the same counterparty are stated net, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (Note 10).

2.9.2 Impairment of financial assets

The Group and the Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s and the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group’s and the Company’s understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

2.9.3 Derecognition of financial assets

The Group and the Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2.10 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group and the Company, are measured in accordance with the specific accounting policies set out below.

2.10.1 Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2.10.2 Derecognition of financial liabilities

The Group and the Company derecognises financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group and the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group and the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

2.11 Investments in subsidiaries and associates in the separate financial statements of the Company

Investments in subsidiaries that are included in the separate financial statements of the Company are accounted at cost less impairment.

Investments in associates that are included in the consolidated financial statements of the Company are accounted for using the equity method of accounting. Under the equity method, the investments is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received or receivable from associated are recognized as a reduction in the carrying amount of the investment. The Company's investment in associates includes goodwill identified on acquisition.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the equity, the Company does not recognize further losses.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group and the Company), transportation, handling and other costs directly attributable to the acquisition of inventories. Net realisable value is the estimate of the selling price in the ordinary course of business, less the applicable selling expenses. All inventories held by the Group and by the Company attribute to the materials and goods for resale categories.

2.13 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.14 Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. An asset held for sale is measured at the lower of its previous carrying value and fair value less costs to sell. One of the conditions that must be satisfied for an asset to be classified as held for sale is that the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. One criteria for the sale to qualify as highly probable is that the appropriate level of management must be committed to a plan to sell the assets or disposal group in its present condition. In the telecom industry acquisitions often require regulatory approval. If the buyer is a telecom operator in the same market parties often have to agree to a number of remedies to get the approval. If the buyer is expected to be a telecom operator in the same market and significant remedies are expected, a sale is usually not regarded as highly probable and consequently the assets are not classified as held for sale by the Group and the Company, until the remedies are agreed upon and accepted by management. The determination if and when non-current assets and disposal groups should be classified as held for sale requires management judgment considering all facts and circumstances relating to the transaction, the parties and the market and entities can come to different conclusions under IFRS.

2.15 Issued capital

Ordinary shares are classified as equity. Issued capital is considered by law order only registered issued capital. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the company.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. All borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Supplier financing arrangements
An entity may enter into arrangements under which a ‘factor’ (typically, a financial institution) pays a supplier on its behalf, with the entity (i.e. the purchaser) then reimbursing the factor. Such arrangements may be referred to as, for example, ‘supplier financing’, ‘reverse factoring’ or ‘structured payable arrangements’.

Borrowings are disclosed in the Note 26.

2.18 Accounting for leases – where the Group and the Company is the lessee

The Group and the Company recognises a right-of-use asset and a lease liability on the statements if financial position when the underlying asset is made available for the Group and the Company, i.e. at the commencement date. The Group and the Company applies the practical expedients to recognise payments associated with short-term leases and leases of low value as an expense in the profit or loss. The Group or the Company does not apply IFRS 16 to intangible assets.

The lease liability is initially measured at the present value of the lease payments during the estimated lease term that are not paid at the commencement date. Lease payments included in the measurement of the lease liability comprise of fixed lease payments including in-substance fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee and payment related to options that the Group and the Company is reasonably certain to exercise. In all asset classes, payments related to non-lease components are separated from the lease payments and expensed as incurred.

The estimated lease term includes the non-cancellable period of the lease together with both periods covered by extension options (if the Group and the Company is reasonable certain to exercise that option) and periods covered by termination options (if the Group and the Company is reasonable certain not to exercise that option).

The lease liability is re-measured if there are modifications to the lease contract or if there are changes in the cash flow based on the initial contract terms. Changes in cash flows based on initial term occurs when; the Group and the Company changes its initial estimation of whether extension and/or termination options will be exercised, there are changes in earlier estimates of whether a purchase option will be exercised, lease payments changes due to changes in index or rate, or if there is a change in estimates regarding amounts expected to be under a residual value guarantee.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s and the Company’s incremental borrowing rate. For the majority of all lease contracts the Group and the Company uses its incremental borrowing rate, as the interest rate implicit in the lease usually is not readily determinable.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date and any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the estimated lease term. Any re-measurement of the lease liability results in most cases in a corresponding adjustment of the right-of-use asset. If the carrying amount of the right-of-use asset has already been reduced to zero, the remaining re-measurement is recognised in the profit or loss. The right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

Right-of-use asset are presented as a separate line in the statement of financial position and lease liabilities as long-term and short-term borrowings in the statement of financial position.

In the profit or loss, depreciation charges of the right-of-use asset are presented in the different functions depending on the type of leased asset. The interest expense on the lease liability is presented as finance costs. Lease payments associated with leases of low value and short-term leases are presented in the different functions depending on the type of leased asset.

Repayment on the lease liability are presented as a cash flow from financing activities. Payments of interest as well as payments for short-term leases and leases of low value are presented as cash flow from operating activities.

2.19 Accounting for leases – where the Group and the Company is the lessor

In arrangements where the Group and the Company is a lessor, determination of whether each lease is a finance lease or an operating lease is made at lease inception. To classify each lease, an overall assessment is made of whether the lease transfers substantially all the risk and rewards incidental to the ownership of the underlying asset. If substantially all of the risk and rewards are transferred, then the lease is a finance lease. If not, it is an operating lease. If a contract includes both lease and non-lease components, the Group and the Company allocates the consideration to the components identified on the basis of relative stand-alone selling prices (see 2.22 section “Revenue recognition”).

In arrangements where the Group or the Company is an intermediate lessor the classification of the sublease is assessed with reference to the right-of-use asset arising from the head lease.

2.19 Accounting for leases – where the Group and the Company is the lessor (continued)

The Group and the Company as finance lessor
The Group and the Company owns assets that are leased to customers under finance lease agreements. Amounts due from lessees are recorded as receivables at the amount of the net investment in the leases, which equals the net present value. Initial direct costs are included in the initial measurement of the financial lease receivable and reduce the amount of income recognized over the lease term. Interest income is recognized over the lease term on an annuity basis.

The Group and the Company as operating lessor
Rental revenues from operating leases are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and are recognized on the same basis as the lease revenues.

2.20 Provisions

Provisions are recognised when the Group and the Company has a present obligation (legal or constructive) as a result of past event, it is probable that the Group and the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructurings
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Restoration provisions
Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the managements’ best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

2.21 Income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to item recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax is determined using tax rates (and legislation) that have been enacted or substantially enacted on the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Income tax expense is calculated and accrued for in the financial statements based on information available at the moment of the preparation of the financial statements.

2.21 Income tax (continued)

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets. The Group accounts for such allowances as tax credits, which means that the allowance reduce income tax payable and current tax expense.

According to Lithuanian legislation, tax losses accumulated as at 31 December 2020 are carried forward indefinitely except for tax loss arising from the transfer of securities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on the same taxable entity. Current tax assets and tax liabilities are offset where the same taxable entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.22 Revenue recognition

Revenue principally consist of mobile service revenues including subscription, interconnect and roaming and fixed service revenues including telephony, broadband, TV, installation fees and business solutions, as well as revenue from equipment sales and leases. There are both revenue from products and services sold separately and from products and services sold as a bundle.

Revenue is recognized based on a single principle based five-step model which is applied to all contracts with customers (IFRS 15). Revenue is allocated to performance obligations (equipment and services) in proportion to stand-alone selling prices of the individual items. Revenue is recognized when (at a point in time) or as (over a period of time) the performance obligations are satisfied, which is determined by the manner in which control passes to the customer. Revenue is measured based on the consideration specified in a contract with a customer and excludes amount collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both. For variable consideration accumulated experience is used to estimate and provide for the variable consideration, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Service revenues are recognized over time, in the period in which the service is performed, based on actual traffic or over the contract term, as applicable. Revenue from voice and data services is recognized when the services are used by the customer. Subscription fees are recognized as revenue over the subscription period. Sales relating to pre-paid phone cards, primarily mobile, are deferred as a contract liability and recognized as revenue based on the actual usage of the cards. Revenue from interconnect traffic with other telecom operators is recognized at the time of transit across the Group’s and the Company’s network.

Subscription fees are recognized as revenue over the subscription period. Sales relating to pre-paid phone cards, primarily mobile, are deferred and recognized as revenue based on the actual usage of the services cards.

Revenue from equipment sales is recognized at the point in time when control is transferred to the customer, which normally is on delivery and when accepted by the customer. If the customer has the right to return the equipment, the amount of revenue recognized is adjusted for expected returns, estimated based on historical data.

Bundled services and products
The Group and the Company may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). The Group and the Company accounts for each individual product and service separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. When the transaction price is determined for bundles that includes services (e.g. a mobile subscription), the minimum non-cancellable contract term is considered. When applicable, the transaction price is adjusted for financing components and expected returns. There are usually no or few other variable components in the transaction price. The transaction price is allocated to each equipment and service accounted for as a separate performance obligation, based on their relative stand-alone price. For most performance obligations, the stand-alone selling prices are directly observable. If stand-alone selling prices are not directly observable, they are estimated based on expected cost plus margin. In some cases the offerings includes non-refundable upfront fees such as activation fees. Payments for such fees are included in the transaction price, and, if not related to the satisfaction of a performance obligation, allocated to other performance obligations identified in the contract.

2.22 Revenue recognition (continued)

Some bundled offerings include lease components, e.g. TV boxes, as well as non-lease components, e.g. subscription. In those arrangements, the transaction price is allocated to both the lease components and non-lease components identified as separate performance obligations. The lease components are then accounted for as either an operating lease or a finance lease depending on the lease classification. Revenue for the non-lease components are recognized when or as the performance obligations are satisfied. Equipment that can be used only in connection with services provided by the Group and the Company and that have no other significant function for the customer than delivering the service, e.g. routers, is not accounted for as a separate performance obligation. In such arrangements, the transaction price is allocated to the performance obligations identified, i.e. no part of the transaction price is allocated to the equipment. Any consideration received upfront, when the equipment is delivered, is recognized as a contract liability and recognized as revenue when or as the identified performance obligations are satisfied.

Principal versus agent
Sometimes a third party is engaged in delivering goods or services to the Group and the Company, e.g. the Group and the Company offers several value-added services (VAS) to the customers in bundled offers.

In arrangements where the Group and the Company acts as a principle, revenue is recognised on a gross basis. When the Group and the Company acts as an agent and arranges goods or services to be provided by another party, revenues are recognised as the net amount of consideration that the Group and the Company retains after paying that other party. When invoicing end-customers for third-party content services, amounts collected on behalf of the principle are excluded from revenues.

2.23 Interest income

Interest income is recognised on a time-proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Interest income on held-to-maturity investments, loans granted are classified as “Other income”, interest income on cash and cash equivalents are classified into ‘Finance income’.

2.24 Dividend income

Dividend income from investments is recognised when the right to receive payment has been established.

2.25 Employee benefits

Social security contributions
The Group and the Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group and the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date per mutual agreement or employers will. The Group and the Company recognise termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of mutual agreement. Benefits falling due more than 12 months after reporting date are discounted to present value.

Bonus plans
The Group and the Company recognise a liability and an expense for bonuses based on predefined targets. The Group and the Company recognise related liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Supplementary health insurance
The Company pays supplementary health insurance contributions to the insurance company on behalf of its employees. Supplementary health insurance for employees is the possibility to get health care and health improvement services in a selected health care institution. The supplementary health insurance contributions are recognized as expenses when incurred.

Contributions to Pension Fund
The Company is contributing to III pillar pension funds on behalf of its employees who decided to participate in pension fund’s program proposed by the Company with cooperation with “SEB Investicijų valdymas”. These contributions are recognized as expenses when incurred.

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

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Withholding tax on dividends paid to legal entities amounts to 15% (2019: 15%). According to statutory law, participation exemption (i.e. no withholding tax on dividends) could be applied when shareholder holds more than 10% of share capital and retains the holding for more than one year. There is also withholding tax exemption on dividends paid to pension and investment funds.

2.27 Segment information

Business customer segment (B2B) is responsible for services sales and customer care for big, medium and small business customer and operators including retail and wholesale telecommunication and IT services.

Private customer segment (B2C) is responsible for service and customer care for private customers.

Other segment includes technology division and support units financial performance.

The management assesses the performance of the segments based on measure of revenue and operational profit using the same accounting policies as used in preparation of these consolidated financial statements.

Segment revenue represents revenue generated from external customers. Management assess segment operating profit according to its responsibility defined in segment budget. Intersegment sales and expenses are not included into segment activities assessment.

Group's segment reporting 2019:

	January – December 2019			
	B2B	**B2C**	**Other**	**Total**
Revenue from external customers	**152,940**	**229,838**	**5,521**	**388,299**
Cost of goods and services, employee related expenses, other operating expenses	(78,659)	(95,241)	(86,175)	(260,075)
Operational result	**74,281**	**134,597**	**(80,654)**	**128,224**
Other income				-
Other gain/ (loss) – net				644
Depreciation, amortisation and impairment of fixed assets and assets classified as held for sale				(69,087)
Operating profit				**59,781**

Group's segment reporting 2020:

	January – December 2020			
	B2B	**B2C**	**Other**	**Total**
Revenue from external customers	**154,061**	**240,975**	**3,047**	**398,083**
Cost of goods and services, employee related expenses, other operating expenses, external	(81,124)	(99,505)	(83,041)	(263,670)
Operational result	**72,937**	**141,470**	**(79,994)**	**134,413**
Other income				-
Other gain / (loss) – net				502
Depreciation, amortisation and impairment of fixed assets and assets classified as held for sale				(70,069)
Operating profit				**64,846**

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

3 Financial risk management

3.1 Financial risk factors

The Group's and the Company's activities expose them to financial risks: market risk (including foreign exchange risk, and interest rate risk), credit risk, liquidity risk. The Group's Policy for Financial Management putting the main guidelines for financial risk management and seeks to minimise potential adverse effects of the financial performance of the Group.

Financial risk management is carried out by a Group Treasury under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

Market risk

Foreign exchange risk
The Group and the Company operates in euro zone and main stream of revenue and payments are in euro therefore its exposure to currency risk is not significant. Certain foreign exchange risk exposure arises from the Company's international activities with foreign telecommunication operators and suppliers from outside the euro zone and is primarily related to settlements in US Dollars (USD). Substantially all the Group's and the Company's trade payables and trade receivables in foreign currency are short-term and insignificant as compared to total cash pool in EUR. As the foreign exchange risk is insignificant, the sensitivity analysis of foreign exchange risk is not disclosed. The Group manages foreign exchange risk by minimising the net exposure to open foreign currency position. Further exposure to foreign exchange risk is disclosed in Notes 21, 22, 25, 26 and 28.

Cash flow and interest rate risk
The Company is exposed to interest rate risk through funding, financing and cash management activities.

At the reporting date the interest rate profile of the Company's interest-bearing financial assets and liabilities:

	2020	2019
Financial assets		
Accounts receivables with deferred payments	32,020	37,220
Financial liabilities		
Loans with variable interest rate	60,000	60,000
Provisions (ARO)	11,833	11,257
Pensions accruals	440	321
Accounts payables with deferred payment	7,409	7,997

A change in the interest rates at the reporting date would have increased (decreased) assets or liabilities and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Interest rate applied	Change in interest rate (-100 basis points)	Change in interest rate (+100 basis points)	Delta, EUR thousand
Financial assets				
Accounts receivables with deferred payments	5,21%	32,351	31,689	331
Financial liabilities				
Loans with variable interest rate	0,59%	60,383	57,965	383 / (2,035)
ARO	2,86%	12,981	11,105	1,148 / (728)
Pensions accruals	2,70%	472	413	32 / (27)
Accounts payables with deferred payment	2,21%	7,856	7,073	447 / (336)

3.1 Financial risk factors (continued)

Credit risk

The financial assets exposed to credit risk represent cash deposits and trade receivables. The Group and the Company did not have any held-to-maturity investments at the end of 2020.

All the new customers (corporate and private) are being investigated for creditworthiness before contract signing in both mobility and broadband parts. Customer bill payment control consists of a number of various reminders regarding bill payment term expiration and consequently services are limited after 3-6 days since the last reminder for all indebted customers, and after further 33-36 days provision of services is fully terminated and penalties are issued. Debts are transferred to credit bureau. After sending additional reminding letters bad debts are handed over to external bad debt collection agencies for debt recovery. There is possibility to sell B2C debts after unsuccessful recovery.

Impairment provision for trade receivables is calculated on a monthly basis according to the Group’s and the Company’s internal policy for trade receivable impairment. Estimation of impairment is based on expected loss of trade receivables categories and application of certain impairment rates to each category. The impairment rates and the Group’s and the Company’s internal policy for trade receivable impairment estimation are updated on a yearly basis.

Debtors of the Group and the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk relates to the availability of sufficient funds for debt service, capital expenditure and working capital requirement or dividend payment. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Accordingly, the Group’s management implemented formal procedures for liquidity risk management, where minimum required liquidity position (calculated as cash and cash equivalents plus undrawn committed credit facilities) should at any time exceed the level of 2 per cent of planned annual revenue.

The Group and the Company has internal control processes and contingency plans for managing liquidity risk. The short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from operations.

For the maturity analysis of the undiscounted cash flows of the Group’s and the Company’s borrowings, into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date see Note 26.

Operational transaction exposure sensitivity

In most cases, the Group and the Company customers are billed in local currency. Receivables from and payables to other operators for international fixed-line traffic and roaming are normally settled net through clearing-houses.

The sensitivity analysis based on the assumption that the operational transaction exposure is equivalent to that in 2020 did not reveal any significant interest rate or currency exchange risk, no hedging measures were taken.

Fair value estimation

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group’s market assumptions. This hierarchy requires the use of observable market data when available.

The objective of the fair value measurement, even in inactive markets, is to arrive at the price at which an orderly transaction would take place between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

3.1 Financial risk factors (continued)

In order to arrive at the fair value of a financial instrument different methods are used: quoted prices, valuation techniques incorporating observable data, and valuation techniques based on internal models. These valuation methods are divided according with the fair value hierarchy in Level 1, Level 2, and Level 3.

The level in the fair value hierarchy within which the fair value of a financial instrument is categorized, is determined on the basis of the lowest level input that is significant to the fair value in its entirety.

The classification of financial instruments in the fair value hierarchy is a two-step process:
1) Classifying each input used to determine the fair value into one of the three levels;
2) Classifying the entire financial instrument based on the lowest level input that is significant to the fair value in its entirety.

Quoted market prices – Level 1
Valuations in Level 1 are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions on an arm’s length basis.

Valuation techniques using observable inputs – Level 2
Valuation techniques in Level 2 are models where all significant inputs are observable for the asset or liability, either directly or indirectly. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as price) or indirectly (that is, derived from prices).

Valuation technique using significant unobservable inputs – Level 3
A valuation technique that incorporates significant inputs that are not based on observable market data (unobservable inputs) is classified in Level 3. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. Level 3 inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

<u>Assets and liabilities for which fair value is disclosed</u>

The carrying amount of liquid and short-term financial instruments (with maturity below 3 months), for example, cash and cash equivalents, short-term deposits, short-term trade payables and trade receivables, short-term bank borrowings corresponds to its fair value.

3.2 Capital management

The Group’s and the Company’s objectives when managing capital are to safeguard the Group’s and the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amounts of dividends paid to shareholders, return capital to shareholders and issue new shares.

The Group and the Company defines capital as equity which is disclosed in the statement of financial position.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a joint stock company must be not less than EUR 40,000, and the shareholders’ equity should not be lower than 50 per cent of the company’s registered share capital. As at 31 December 2020 and 2019, the Company complied with these requirements.

The Group’s and the Company’s operations are financed by the external parties as well as by the shareholders’ capital. The Group had finance lease and vendor financing liabilities plus outstanding EUR 67.5 million external loans with Lithuanian and foreign banks at the end of 2020. For more detailed borrowings related information see Note 26.

The Group and the Company is not subject to any externally imposed capital requirements.

3.3 Fair value estimation

The carrying value less impairment losses of trade receivables and carrying value of payables are assumed to approximate their fair value (as market rates are used).

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

3.4 Offsetting financial assets and financial liabilities

Financial assets

The following financial assets are subject to offsetting, according to criteria described in Note 2.9:

	GROUP		COMPANY	
	2020	2019	2020	2019
Trade and other receivable				
Gross amounts of recognized financial assets	98,872	95,134	98,872	95,157
Gross amounts of recognized financial liabilities set off in the statement of financial position	(3,281)	(3,287)	(3,281)	(3,287)
Net amounts of financial assets presented in the statement of financial position	**95,591**	**91,847**	**95,591**	**91,870**
Related amounts not set off in the statement of financial position	-	-	-	-
Net amount	**95,591**	**91,847**	**95,591**	**91,870**

Financial liabilities

The following financial liabilities are subject to offsetting, according to criteria described in Note 2.10:

	GROUP		COMPANY	
	2020	2019	2020	2019
Trade payables				
Gross amounts of recognized financial liabilities	167,493	184,255	167,493	183,881
Gross amounts of recognized financial assets set off in the statement of financial position	(3,281)	(3,287)	(3,281)	(3,287)
Net amounts of financial liabilities presented in the statement of financial position	**164,212**	**180,968**	**164,212**	**180,594**
Related amounts not set off in the statement of financial position	-	-	-	-
Net amount	**164,212**	**180,968**	**164,212**	**180,594**

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, which are described in Note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.5 and Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 15).

The purpose of impairment test is to ensure that assets are carried at no more than their recoverable amount. The recoverable amounts (that is, the higher of value in use and fair value less cost to sell) are normally determined on the basis of value in use, applying discounted cash flow calculations. In the recoverable amount calculations, management used assumptions that it believes are reasonable based on the best information available. The key assumptions in the value in use calculations were sales growth, EBITDA margin development, the weighted average return on assets (WARA), CAPEX-to-sales ratio, and the terminal growth rate of free cash flow.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

The value in use calculations were based on forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information. The forecasted cash flows were discounted at the weighted average return on assets (WARA). It represents a method of calculating a company's average cost of capital, in which each category of capital is weighted in accordance with the share of that particular category of capital in overall company's financing. WARA mirrors the Internal rate of return (IRR), which is the expected result of the purchase price allocation (PPA). Weighted average cost of capital (WACC) is lower than IRR as a rational and knowledgeable market investor does not invest in projects, which yield is below WACC. Therefore, WACC is usually below WARA and IRR.

Goodwill was tested for impairment at 31 December 2020 and 2019. Calculations were done using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Management determined budgeted profit after tax based on past performance, valued contracts with customers and its expectations of market development. For details of assumptions used in impairment valuation are presented in Note 15. Based on analysis performed, the management concluded no impairment loss.

Intangibles
Estimates concerning useful lives of intangibles are disclosed above and amortization charge for the year is disclosed in Note 15. Intangible assets with the estimated useful life and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. The estimations are done based on the entity's consideration of its own historical experience consistent with the highest and best use of the asset and with the expected use of the asset in future. Recognized intangible asset reflects the period over the asset will contribute. The estimation of the useful life for customer data basis was done based on the statistics of current number of customers and the disconnected amount of customers over the period.

Property, plant and equipment
Estimates concerning useful lives of property, plant and equipment due to constant technology advances – useful lives are disclosed above and depreciation charge for the year is disclosed in Note 14. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation charge. The useful lives of property, plant and equipment are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Furthermore, network infrastructure cannot be depreciated over a period that extends beyond the expiry of the associated license under which services are provided.

Impairment allowance for accounts receivable
Impairment allowance for accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgment. Judgment is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments. Current estimates of the Group and the Company could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

Allowance for doubtful receivables reflects estimated losses that result from the inability of customers to make required payments. Management determines the size of the allowance based on the likelihood of recoverability of accounts receivable taking into account actual losses in prior years and current collection trends.

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

5 Revenue

	GROUP		COMPANY	
	2020	2019	2020	2019
Mobile services*	128,548	126,888	129,159	127,300
Equipment sales revenue	91,827	88,211	91,786	88,211
Internet services	57,914	56,618	57,890	56,618
Voice telephony services	44,400	49,670	44,411	49,517
TV services	35,987	30,783	35,987	30,783
Data communication and network capacity services	17,964	18,654	17,964	18,656
IT services	14,200	11,330	14,428	11,630
Other services	7,243	6,145	7,416	6,577
Total	**398,083**	**388,299**	**399,041**	**389,292**

6 Cost of goods and services

	GROUP		COMPANY	
	2020	2019	2020	2019
Costs of goods and services purchased	99,430	99,637	105,222	110,765
Network's interconnection	48,490	45,911	48,490	45,911
Network capacity costs	10,103	9,656	10,103	9,656
Total	**158,023**	**155,204**	**163,815**	**166,332**

7 Other income

	GROUP		COMPANY	
	2020	2019	2020	2019
Income from dividends (Note 31)	-	-	330	495
Total	**-**	**-**	**330**	**495**

8 Other operating expenses

	GROUP		COMPANY	
	2020	2019	2020	2019
Marketing expenses	14,827	14,111	14,827	14,111
Consultations and other services from group	12,397	11,585	12,369	12,170
Energy, premises and transport costs	10,018	12,142	10,381	12,142
Maintenance and other services	6,001	6,072	5,990	6,072
Impairment of accounts receivable	2,075	2,449	2,075	2,449
Other expenses	5,442	5,017	5,134	5,015
Total	**50,760**	**51,376**	**50,776**	**51,959**

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

9 Other gain (loss)

	GROUP		COMPANY	
	2020	2019	2020	2019
Gain on sales of property, plant and equipment	514	395	514	387
Loss on sales of property, plant and equipment	(126)	(20)	(126)	(20)
Other gain (loss)	114	269	114	269
Total	**502**	**644**	**502**	**636**

10 Financial and investment activities

	GROUP		COMPANY	
	2020	2019	2020	2019
Gain/loss from investments in subsidiaries and associates	**(318)**	**(1,860)**	**(318)**	**(1,860)**
Interest income from instalments amortisation	1,823	2,697	1,823	2,697
Interest income on finance leases	274	-	274	-
Capital gains on sales of shares	115	-	115	-
Interest income on cash and cash equivalents	56	100	56	100
Foreign exchange gain (loss) on financing activities	26	15	26	15
Other finance income	26	47	26	47
Finance income	**2,320**	**2,859**	**2,320**	**2,859**
Interest expenses on borrowings	(1,391)	(1,482)	(1,391)	(1,482)
Interest expenses leases	(2,884)	(1,964)	(2,884)	(1,964)
Foreign exchange gain (loss) on financing activities	(275)	(398)	(275)	(398)
Other finance costs	(43)	(81)	(44)	(80)
Finance costs	**(4,593)**	**(3,925)**	**(4,594)**	**(3,924)**
Financial and investment activities – net	**(2,591)**	**(2,926)**	**(2,592)**	**(2,925)**

11 Income tax

	GROUP		COMPANY	
	2020	2019	2020	2019
Current tax expenses	7,338	3,381	7,261	3,285
Deferred tax change (Note 27)	(949)	(1,252)	(925)	(1,228)
Income tax expenses	**6,389**	**2,129**	**6,336**	**2,057**

As at 1 January 2009, amendments to Law on Corporate Profit Tax came into effect which provides tax relief for investments in new technologies. As a result, the Company's calculated profit tax relief amounts for 2020 to EUR 2.1 million (2019: EUR 4.8 million). Investments in new technologies are capitalised as property, plant and equipment, and their depreciation is deductible for tax purposes, therefore, the tax relief does not create any deferred tax liability.

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when tax declaration was submitted and may impose additional tax assessments with penalty interest and penalties.

The Group's and the Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

11 Income tax (continued)

The tax on the Group's and the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
Profit before income tax	**62,255**	**56,855**	**62,250**	**56,946**
Tax calculated at a tax rate of 15% (2019: 15%)	9,338	8,528	9,338	8,542
Non-taxable dividends received (tax effect)	-	-	(50)	(74)
Income not subject to tax (-) and expenses not deductible for tax purposes (+)	(291)	(1,550)	(291)	(1,529)
Tax relief	(2,106)	(4,792)	(2,106)	(4,827)
Other	(552)	(57)	(555)	(55)
Income tax expense recognized in profit or loss and other comprehensive income statement	**6,389**	**2,129**	**6,336**	**2,057**
Effective tax rate	10.26%	3.74%	10.18%	3.61%

12 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 and the Company 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 both reporting periods amounted to 582,613 thousand.

	GROUP		COMPANY	
	2020	2019	2020	2019
Net profit	**55,866**	**54,726**	**55,914**	**54,889**
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613	582,613	582,613
Basic earnings per share (EUR)	**0.096**	**0.094**	**0.096**	**0.094**

13 Dividends per share

The dividends per share declared in respect of 2019 and 2018 and paid in 2020 and 2019 were EUR 0.09 and EUR 0.08 respectively.

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

14 Property, plant and equipment

The depreciation, amortisation and impairment charge in the statement of profit or loss items:

	GROUP		COMPANY	
	2020	2019	2020	2019
Depreciation of property, plant and equipment	44,670	45,106	44,555	44,854
Impairment of property, plant and equipment	267	842	267	842
Amortisation of intangible assets (Note 15)	15,764	16,404	15,762	16,386
Impairment of intangible assets (Note 15)	-	-	-	-
Amortisation of Right-of-use-asset (Note 16)	9,368	6,735	9,368	6,735
Total	**70,069**	**69,087**	**69,952**	**68,817**
Impairment of assets classified as held for sale	-	-	-	-
Total	**70,069**	**69,087**	**69,952**	**68,817**

GROUP	**Land and buildings**	**Ducts and telecommu-nication equipment**	**Other tangible fixed assets**	**Construction in progress**	**Total**
Year ended 31 December 2019					
Opening net book amount	**16,192**	**238,447**	**5,909**	**15,989**	**276,537**
Additions	-	265	-	41,387	41,652
Reclassifications	1,969	(9,362)	7,358	(5,741)	(5,776)
Disposals and write-offs	(2,385)	(130)	(155)	(1)	(2,671)
Transfers from construction in progress	693	33,614	8,003	(42,310)	-
Depreciation charge	(1,402)	(39,434)	(4,270)	-	(45,106)
Impairment charge	(74)	(750)	(18)	-	(842)
Closing net book amount	**14,993**	**222,650**	**16,827**	**9,324**	**263,794**
At 31 December 2019					
Cost	41,124	815,755	67,649	9,324	933,852
Accumulated depreciation	(26,131)	(590,912)	(50,822)	-	(667,865)
Impairment Charge	-	(2,193)	-	-	(2,193)
Net book amount	**14,993**	**222,650**	**16,827**	**9,324**	**263,794**
Year ended 31 December 2020					
Opening net book amount	**14,993**	**222,650**	**16,827**	**9,324**	**263,794**
Additions	-	493	-	38,340	38,833
Reclassifications	41	(38)	(37)	(155)	(189)
Disposals and write-offs	(47)	(176)	(355)	-	(578)
Transfers from construction in progress	1,240	28,908	3,723	(33,871)	-
Depreciation charge	(1,399)	(38,910)	(4,361)	-	(44,670)
Impairment charge	-	(242)	(25)	-	(267)
Closing net book amount	**14,828**	**212,685**	**15,772**	**13,638**	**256,923**
At 31 December 2020					
Cost	43,775	789,416	58,965	13,638	905,794
Accumulated depreciation	(28,947)	(574,758)	(43,192)	-	(646,897)
Impairment Charge	-	(1,973)	(1)	-	(1,974)
Net book amount	**14,828**	**212,685**	**15,772**	**13,638**	**256,923**

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

14 Property, plant and equipment (continued)

COMPANY	Land and buildings	Ducts and telecommuni-cation equipment	Other tangible fixed assets	Construction in progress	Total
Year ended 31 December 2019					
Opening net book amount	**12,147**	**238,415**	**5,840**	**15,988**	**272,390**
Additions	-	265	-	41,387	41,652
Disposals and write-offs	1,969	(9,362)	7,358	(5,741)	(5,776)
Reclassifications	(2,385)	(130)	(156)	-	(2,671)
Transfers from construction in progress	693	33,614	8,003	(42,310)	-
Depreciation charge	(1,195)	(39,412)	(4,247)	-	(44,854)
Impairment charge	(74)	(750)	(18)	-	(842)
Closing net book amount	**11,155**	**222,640**	**16,780**	**9,324**	**259,899**
At 31 December 2019					
Cost	33,714	813,956	66,493	9,324	923,487
Accumulated depreciation	(22,559)	(589,123)	(49,713)	-	(661,395)
Impairment charge	-	(2,193)	-	-	(2,193)
Net book amount	**11,155**	**222,640**	**16,780**	**9,324**	**259,899**
Year ended 31 December 2020					
Opening net book amount	**11,155**	**222,640**	**16,780**	**9,324**	**259,899**
Legal merger (Note 30)	3,740	4	34	-	3,778
Additions	-	493	-	38,340	38,833
Reclassifications	36	(33)	(35)	(155)	(187)
Disposals and write-offs	(47)	(176)	(355)	-	(578)
Transfers from construction in progress	1,240	28,908	3,723	(33,871)	-
Depreciation charge	(1,296)	(38,909)	(4,350)	-	(44,555)
Impairment charge	-	(242)	(25)	-	(267)
Closing net book amount	**14,828**	**212,685**	**15,772**	**13,638**	**256,923**
At 31 December 2020					
Cost	43,775	789,416	58,965	13,638	905,794
Accumulated depreciation	(28,947)	(574,758)	(43,192)	-	(646,897)
Impairment charge	-	(1,973)	(1)	-	(1,974)
Net book amount	**14,828**	**212,685**	**15,772**	**13,638**	**256,923**

During 2020, the Company reviewed the write-off principles of fully depreciated assets based on economical benefits criteria as disclosed in the accounting policy. Based on a new criteria the Company has written-off fully depreciated assets for EUR 58,731 thousand of acquisition cost.

During 2020, the Company reviewed the accounted projects and has done the reclassification from tangible assets to intangible assets in amount of EUR 185 thousand (during 2019: EUR 5,743 thousand).

The Company still uses depreciated property, plant and equipment with acquisition cost as at 31 December 2020 amounting to EUR 352,803 thousand (2019: EUR 376,744 thousand), comprising buildings with acquisition cost as at 31 December 2020 amounting to EUR 10,560 thousand (2019: EUR 8,478 thousand), plant and machinery with acquisition cost of EUR 312,476 thousand (2019: EUR 330,932 thousand) and other fixtures, fitting, tools and equipment with acquisition cost of EUR 29,767 thousand (2019: EUR 37,334 thousand).

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

14 Property, plant and equipment (continued)

The category 'Ducts and telecommunication equipment' includes terminal equipment leased by the group to third parties under operating leases with the following carrying amounts:

	GROUP		COMPANY	
	2020	2019	2020	2019
Cost	59,254	55,698	59,254	55,698
Accumulated depreciation at 1 January	(35,746)	(31,469)	(35,746)	(31,469)
Depreciation charge for the year	(7,378)	(7,635)	(7,378)	(7,635)
Disposals and write-offs accumulated depreciation	3,355	3,358	3,355	3,358
Net book amount	**19,485**	**19,952**	**19,485**	**19,952**

15 Intangible assets

GROUP	Licenses and software	Goodwill	Other intangible assets*	Construction in progress**	Total
Year ended 31 December 2019					
Opening net book amount	**56,128**	**26,769**	**41,777**	**6,837**	**131,511**
Additions	-	-	-	11,311	11,311
Reclassifications	14,728	-	(30)	(8,955)	5,743
Amortisation charge	(12,826)	-	(3,578)	-	(16,404)
Closing net book amount	**58,030**	**26,769**	**38,169**	**9,193**	**132,161**
At 31 December 2019					
Cost	116,137	29,408	58,240	9,193	212,978
Accumulated amortisation	(58,107)	-	(16,487)	-	(74,594)
Impairment charge	-	(2,639)	(3,584)	-	(6,223)
Net book amount	**58,030**	**26,769**	**38,169**	**9,193**	**132,161**
Year ended 31 December 2020					
Opening net book amount	**58,030**	**26,769**	**38,169**	**9,193**	**132,161**
Additions	-	-	-	15,701	15,701
Reclassifications	9,360	-	(1)	(9,176)	184
Disposals and write-offs	(59)	-	-	-	(59)
Amortisation charge	(12,285)	-	(3,478)	-	(15,764)
Closing net book amount	**55,046**	**26,769**	**34,690**	**15,718**	**132,223**
At 31 December 2020					
Cost	117,579	29,408	58,087	15,718	220,792
Accumulated amortisation	(62,533)	-	(19,813)	-	(82,346)
Impairment charge	-	(2,639)	(3,584)	-	(6,223)
Net book amount	**55,046**	**26,769**	**34,690**	**15,718**	**132,223**

*Other intangible assets at 31 December 2020 consist of the client base and trademark (acquired while merging AB Omnitel) for an amount of EUR 34,691 thousand, the remaining amortisation period is 11 years.

**Construction in progress comprise intangible assets developed for internal use and provision of services, are expected to be completed within 2021.

At the end of 2020, the carrying value of client base was EUR 34.3 million and goodwill – EUR 26.8 million. Management measured their recoverable amounts using discounted cash flow method. Management determined budgeted profit after tax based on past performance, valued contracts with customers and its expectations of market development. Carrying amount of goodwill was allocated to the mobility business as cash generating unit (CGU), working capital and capital investments were allocated to CGU as a proportion of sales. Cash flows beyond the five-year period are extrapolated using the estimated rates as follows: for client base – growth rate perpetuity: 2%, discount rate: 13.6%; for goodwill: growth rate perpetuity: 1%, discount rate: 3.9%. The discount rates used are post-tax and reflect specific risks relating to the relevant cash generating units. Based on analysis performed, the management concluded no impairment loss. If the discount rate is increased by 2 p. p. client base or goodwill would not be impaired.

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

15 Intangible assets (continued)

COMPANY	Licenses and software	Goodwill	Other intangible assets	Construction in progress	Total
Year ended 31 December 2019					
Opening net book amount	**56,110**	**26,769**	**41,774**	**6,837**	**131,490**
Additions	-	-	-	11,311	11,311
Reclassifications	14,729	-	(32)	(8,955)	5,742
Amortisation charge	(12,811)	-	(3,575)	-	(16,386)
Closing net book amount	**58,028**	**26,769**	**38,167**	**9,193**	**132,157**
At 31 December 2019					
Cost	114,113	29,408	58,090	9,193	210,804
Accumulated amortisation	(56,085)	-	(16,339)	-	(72,424)
Impairment charge	-	(2,639)	(3,584)	-	(6,223)
Net book amount	**58,028**	**26,769**	**38,167**	**9,193**	**132,157**
Year ended 31 December 2020					
Opening net book amount	**58,028**	**26,769**	**38,167**	**9,193**	**132,157**
Legal merger (Note 30)	1	-	-	-	1
Additions	-	-	-	15,701	15,701
Reclassifications	9,361	-	-	(9,176)	185
Disposals and write-offs	(59)	-	-	-	(59)
Amortisation charge	(12,285)	-	(3,477)	-	(15,762)
Closing net book amount	**55,046**	**26,769**	**34,690**	**15,718**	**132,223**
At 31 December 2020					
Cost	117,579	29,408	58,087	15,718	220,792
Accumulated amortisation	(62,533)	-	(19,813)	-	(82,346)
Impairment charge	-	(2,639)	(3,584)	-	(6,223)
Net book amount	**55,046**	**26,769**	**34,690**	**15,718**	**132,223**

Provision of fixed, long distance and international telecommunication services (including transmission) is not a subject to licensing in Lithuania.

During 2020, the Company reviewed the accounted projects and has done the reclassification from tangible assets to intangible assets in amount of EUR 184 thousand (during 2019: EUR 5,743 thousand).

The Company still uses amortized software and licenses with acquisition cost as at 31 December 2020 amounting to EUR 25,812 thousand (2019: EUR 28,745 thousand).

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

16 Right-of-use-asset

GROUP	Land and premises	Dark fibre	Equipment rent	Other	Total
Year ended 31 December 2019					
Opening net book amount	**21,962**	**6,592**	**-**	**445**	**28,999**
Additions	23,978	1,577	7,968	171	33,694
Disposals and retirements	(270)	-	(7,968)	-	(8,238)
Termination of the lease contract	180	-	-	-	180
Amortisation charge	(5,387)	(1,146)	-	(202)	(6,735)
Closing net book amount	**40,463**	**7,023**	**-**	**414**	**47,900**
As at 31 December 2019					
Cost	45,850	8,169	-	616	54,635
Amortisation charge	(5,387)	(1,146)	-	(202)	(6,735)
Net book amount	**40,463**	**7,023**	**-**	**414**	**47,900**
Year ended 31 December 2020					
Opening net book amount	**40,463**	**7,023**	**-**	**414**	**47,900**
Additions	5,675	2,469	7,079	541	15,764
Disposals and retirements	-	-	(7,079)	-	(7,079)
Amortisation charge	(7,929)	(1,173)	-	(266)	(9,368)
Closing net book amount	**38,209**	**8,319**	**-**	**689**	**47,217**
As at 31 December 2020					
Cost	51,525	10,638	-	1,157	63,320
Amortisation charge	(13,316)	(2,319)	-	(468)	(16,103)
Net book amount	**38,209**	**8,319**	**-**	**689**	**47,217**

COMPANY	Land and premises	Dark fibre	Equipment rent	Other	Total
Year ended 31 December 2019					
Opening net book amount	**21,608**	**6,592**	-	**445**	**28,645**
Additions	23,978	1,580	7,968	171	33,697
Disposals and retirements	-	-	(7,968)	-	(7,968)
Termination of the lease contract	180	-	-	-	180
Amortisation charge	(5,387)	(1,146)	-	(202)	(6,735)
Closing net book amount	**40,379**	**7,026**	**-**	**414**	**47,819**
As at 31 December 2019					
Cost	45,766	8,172	-	616	54,554
Amortisation charge	(5,387)	(1,146)	-	(202)	(6,735)
Net book amount	**40,379**	**7,026**	**-**	**414**	**47,819**
Year ended 31 December 2020					
Opening net book amount	**40,379**	**7,026**	**-**	**414**	**47,819**
Result from legal merger	81	-	-	-	81
Additions	5,675	2,469	7,079	541	15,764
Disposals and retirements	-	-	(7,079)	-	(7,079)
Amortisation charge	(7,929)	(1,173)	-	(266)	(9,368)
Closing net book amount	**38,206**	**8,322**	**-**	**689**	**47,217**
As at 31 December 2020					
Cost	51,522	10,641	-	1,157	63,320
Amortisation charge	(13,316)	(2,319)	-	(468)	(16,103)
Net book amount	**38,206**	**8,322**	**-**	**689**	**47,217**

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

17 Investment property

As at 31 December 2020 and 2019, the Company did not have any investment property.

18 Investments in associates and subsidiaries

The movement in Investments in associates and subsidiaries during the period is as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
At the beginning of year	**-**	**-**	**4,122**	**4,122**
Acquisition / increase of share capital of associates[1]	-	-	-	-
Divestment/ reclass of subsidiaries and associates[1]	-	-	-	-
Legal merger	-	-	(4,122)	-
At end of year	**-**	**-**	**-**	**4,122**

[1]In December 2017, the Company together with other two largest Lithuanian mobile operators – UAB Bitė Lietuva and UAB Tele2 – each acquired a 33.3 per cent stake in UAB Mobilieji Mokėjimai. Till 18 May 2020, Mobilieji Mokėjimai was providing mobile payment services under MoQ brand following the limited activity electronic money institution license granted by the Bank of Lithuania in May 2017. On 18 June 2020, the Company together with the other shareholders – UAB Bitė Lietuva and UAB Tele 2 – sold all shares of UAB Mobilieji Mokėjimai to the third party, SEPAxpress FS, UAB. On 31 December 2019, the Company impaired the value of this investment to one euro. The authorized capital of the associate as at 31 December 2019 amounted to EUR 7.8 million. During 2020, the Company in several instalments extended loan to associate UAB Mobilieji Mokėjimai for the total amount of EUR 289.3 thousand. On 31 May 2020, the loan including accumulated interests was used to cover the losses of UAB Mobilieji Mokėjimai and additional cash contribution of EUR 26.7 thousand to cover losses was made on 16 June 2020. The Company stake of 33.3 per cent in UAB Mobilieji Mokėjimai was disposed to the third party on 18 June 2020.

On 1 July 2020, the fully owned subsidiary of the Company, Telia Customer Service LT, following the Terms of Merger approved on 6 November 2019 and decisions of the shareholders was merged into the Company pursuing to Part 3 of Article 2.97 of the Civil Code of the Republic of Lithuania.

19 Inventories

	GROUP		COMPANY	
	2020	2019	2020	2019
Goods for resale	10,321	9,568	10,321	9,568
Supplies and consumables	415	952	415	952
	10,736	10,520	10,736	10,520
Less: allowance for obsolete inventory	(309)	(367)	(309)	(367)
Total	**10,427**	**10,153**	**10,427**	**10,153**

20 Financial instruments by category

The accounting policies for the financial instruments have been applied to the line item below:

	GROUP		COMPANY	
	2020	2019	2020	2019
Assets as per statement of financial position				
Trade and other receivables	95,591	91,847	95,591	91,870
Cash and cash equivalents	55,941	50,157	55,941	48,282
Total	**151,532**	**142,004**	**151,532**	**140,152**

All financial liabilities of the Group amounting to EUR 164,212 thousand (2019: EUR 190,698 thousand) and of the Company amounting to EUR 164,212 thousand (2019: EUR 190,324 thousand) fell under the category of other financial liabilities, there are no liabilities at fair value through profit and loss.

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

21 Trade and other receivables

	GROUP		COMPANY	
	2020	2019	2020	2019
Trade receivables from business customers and residents	79,675	85,595	79,675	85,571
Trade receivables from other operators	2,404	2,881	2,404	2,881
Total trade receivables	**82,079**	**88,476**	**82,079**	**88,452**
Less: provision for impairment of receivables	(3,673)	(5,749)	(3,673)	(5,749)
Trade receivables – net	**78,406**	**82,727**	**78,406**	**82,703**
Receivables from companies collecting payments for telecommunication services	260	205	260	205
Prepaid expenses and other receivables	2,532	2,980	2,532	2,902
Finance lease receivables	10,908	6,867	10,908	6,867
Receivables from related parties (Note 31)	5,968	8,130	5,968	8,255
	98,074	**100,909**	**98,074**	**100,932**
Less: non-current portion	(21,883)	(13,764)	(21,883)	(13,764)
Current portion	**76,191**	**87,145**	**76,191**	**87,168**

All non-current receivables are due within three years from the reporting date.

The fair values of trade and other receivables are approximate to their carrying values.

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above. The Group and the Company does not hold any collateral as security.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As at 31 December 2020, the Group's trade receivables of EUR 82,079 thousand (2019: EUR 88,476 thousand) and the Company's trade receivable of EUR 82,079 thousand (2019: EUR 88,452 thousand) were not impaired and provided for. The amount of the Group's provision was EUR 3,673 thousand as at 31 December 2020 (2019: EUR 5,749 thousand) and the amount of the Company's provision was EUR 3,673 thousand as at 31 December 2020 (2019: EUR 5,749 thousand). Impairment allowance by major part has been recognized on an issued invoices, based on the impairment rates assessed by management.

The Group and the Company started to account an expected credit losses on account receivables according to IFRS 9 requirements.

The main rules used in calculation of expected credit losses are as following:

- Historical data is used to estimate expected credit losses.
- A provision matrix specifies fixed provision rates depending on the number of days that account receivable is past due.
- The same provision rate is applied to all customer's account receivables (which may have different days past due) according to the oldest due date. Postponed payments for installments are also included in calculation of expected credit losses.
- Different provision rates are applied for different customer segments – Mobility B2C; Mobility B2B; Broadband B2C; Broadband B2B/B2O as historical credit loss experience shows different loss patterns for these segments. This means that in case customer has services in different systems (e.g. Broadband and Mobility) different provision rates will be applied for the same customer.

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

21 Trade and other receivables (continued)

The ageing of these receivables is as follows:

	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Trade receivable total	**82,079**	**88,476**	**82,079**	**88,452**
Of which not overdue	63,951	68,520	63,951	68,496
Overdue up to 3 months	13,668	13,746	13,668	13,746
4 to 6 months	687	418	687	418
7 to 12 months	690	348	690	348
Over 12 months	3,083	5,444	3,083	5,444

The age of past due but not impaired accounts receivable is as follows:

	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Total	**-**	**-**	**-**	**-**
Overdue up to 3 months	-	-	-	-
4 to 6 months	-	-	-	-
7 to 12 months	-	-	-	-
Over 12 months	-	-	-	-
	-	-	-	-

The age of fully and partially impairment accounts receivables is as follows:

	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Total	**82,079**	**88,476**	**82,079**	**88,452**
Of which not overdue	63,951	68,520	63,951	68,496
Overdue up to 3 months	13,668	13,746	13,668	13,746
4 to 6 months	687	418	687	418
7 to 12 months	690	348	690	348
Over 12 months	3,083	5,444	3,083	5,444

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Currency				
EUR	95,393	100,459	95,393	100,482
Other currency	2,681	450	2,681	450
Total	**98,074**	**100,909**	**98,074**	**100,932**

Movements of impairment for trade receivables are as follows:

	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
At the beginning of year	**5,749**	**9,194**	**5,749**	**9,194**
Receivables written off during the year as uncollectible	(3,339)	(4,519)	(3,339)	(4,519)
Provision for receivables impairment / Unused amount reversed (-)	1,263	1,074	1,263	1,074
At the end of year	**3,673**	**5,749**	**3,673**	**5,749**

The recognition and release of provision for impaired receivables have been included in 'Other operating expenses' in the profit or loss (Note 8).

The other classes within trade and other receivables do not contain impaired assets.

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

22 Cash and cash equivalents

	GROUP		COMPANY	
	2020	2019	2020	2019
Cash in hand and at bank	55,941	50,157	55,941	48,282
Total	**55,941**	**50,157**	**55,941**	**48,282**

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	GROUP		COMPANY	
	2020	2019	2020	2019
Currency				
EUR	55,883	50,115	55,883	48,240
USD	58	42	58	42
Total	**55,941**	**50,157**	**55,941**	**48,282**

The credit quality of cash in hand and at bank can be assessed by reference to Standard & Poor's long-term credit ratings (or equivalent by Moody's):

	GROUP		COMPANY	
	2020	2019	2020	2019
AA-	-	41,425	-	41,425
A+	54,421	4,599	54,421	2,724
A	-	134	-	134
A3 (Moody's)	204	2,904	204	2,904
Other	1,316	1,095	1,316	1,095
Total	**55,941**	**50,157**	**55,941**	**48,282**

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents classified as other cash and cash equivalents.

23 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.

24 Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of 5% of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, is compulsory until the reserve including share premium reaches 10% of the share capital. The legal reserve can be used to cover the accumulated losses. The amount of the legal reserve surplus which exceeds the size of legal reserve required by the legislation can be added to retaining earnings for the profit distributing purpose.

At the end of year 2020 and 2019 legal reserve – EUR 16.9 million.

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

25 Trade, other payables and accrued liabilities

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Trade payables	25,298	20,273	25,298	20,254
Taxes, salaries and social security payable	10,192	8,652	10,192	8,052
Trade payables to operators	4,177	3,182	4,177	3,182
Accrued liabilities	4,007	4,310	4,007	4,287
Amounts payable to related parties (Note 31)	3,990	5,535	3,990	6,736
Accruals to operators	2,583	1,795	2,583	1,795
Other payables and deferred revenue	12,726	13,366	12,726	13,366
	62,973	**57,113**	**62,973**	**57,672**
Less non-current portion	(7,815)	(8,376)	(7,815)	(8,376)
Current portion	**55,158**	**48,737**	**55,158**	**49,296**

The carrying amounts of the trade and other payables are denominated in the following currencies:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Currency				
EUR	58,417	51,538	58,417	52,097
Other currency	4,556	5,575	4,556	5,575
Total	**62,973**	**57,113**	**62,973**	**57,672**

26 Borrowings and lease liabilities

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Current				
Borrowings	7,500	35,000	7,500	35,000
Reverse factoring	54,244	38,704	54,244	38,704
Lease liabilities	11,207	6,347	11,207	6,347
Finance lease liabilities	825	832	825	832
	73,776	**80,883**	**73,776**	**80,883**
Non-current (due between 2 and 5 years)				
Borrowings	60,000	67,500	60,000	67,500
Lease liabilities	47,295	47,541	47,295	47,460
Finance lease liabilities	574	1,416	574	1,416
	107,869	**116,457**	**107,869**	**116,376**
Total borrowings and lease liabilities	**181,645**	**197,340**	**181,645**	**197,259**

In 2017, the Company concluded five lease agreements with SEB bank AB. Company's finance leases concern company cars for employees, and other vehicles. There is subleasing. Cars lease agreements are for 5 years.

All the borrowings denominated in EUR.

Reverse factoring or Supplier Invoice Financing (SIF) is a program where invoices are paid by 3rd party banks in 7 days for the agreed fee which is covered by supplier. The Company does not pay any credit fees and does not provide any additional collateral or guarantee to the banks. Company pays banks full amount in approximately one-year period, no longer than that (actual term depends on few variables agreed between all 3 parties). There were 26 suppliers which participated in SIF program during 2020 (17 in 2019) and generated over EUR 15 million (EUR 20 million in 2019) cash flow.

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

26 Borrowings and lease liabilities (continued)

The Group’s and the Company’s minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Minimum lease payments at 31 December 2019	9,617	29,554	31,117	70,288
Less future finance charges	(2,438)	(6,609)	(5,186)	(14,233)
Present value of minimum lease payments at 31 December 2019	**7,179**	**22,945**	**25,931**	**56,055**
Minimum lease payments at 31 December 2020	14,379	37,938	18,270	70,587
Less future finance charges	(2,347)	(5,506)	(2,833)	(10,686)
Present value of minimum lease payments at 31 December 2020	**12,032**	**32,432**	**15,437**	**59,901**

27 Deferred income taxes

On 1 February 2017, AB Omnitel was merged into the Company therefore, a tax goodwill of EUR 71.2 million was calculated upon the merger. The Company was also potentially liable to recognise a deferred tax asset of approx. EUR 10 million due to potential additional tax amortisation of goodwill, however, due to the negative binding ruling received from the Tax Authorities, such deferred tax asset was not recognised by the Company. The negative binding ruling was appealed to the Supreme Administrative Court. As at 6 November 2019, the Supreme Administrative Court passed a negative ruling.

In 2020, the Company has renewed the discussions with Tax Authorities regarding tax goodwill recognition. As at 31 December 2020, the outcome of the discussions with Tax Authorities is not yet defined.

The net movement on the deferred tax liabilities and deferred tax assets is as follows:

	GROUP		COMPANY	
Deferred tax liabilities	**2020**	**2019**	**2020**	**2019**
At the beginning of year	**19,829**	**21,049**	**19,196**	**20,392**
Effect of change in accounting policy for initial application of IFRS 16	-	32	-	32
At the beginning of year restated	**19,829**	**21,081**	**19,196**	**20,424**
Result from legal merger	-	-	609	-
Charged/ (credited) to profit or loss (Note 11)	(949)	(1,252)	(925)	(1,228)
At the end of year	**18,880**	**19,829**	**18,880**	**19,196**

The analysis of deferred tax assets and deferred tax liabilities is as the follows:

	GROUP		COMPANY	
Deferred tax liabilities	**2020**	**2019**	**2020**	**2019**
Deferred tax asset to be recovered / liability settled after more than 12 months	18,671	19,591	18,671	18,958
Deferred tax asset to be recovered / liability settled within 12 months	209	238	209	238
	18,880	**19,829**	**18,880**	**19,196**

According to Lithuanian tax legislation, investments in subsidiaries of the Company qualify for participation exemption, therefore deferred income tax liabilities have not been established on the unremitted earnings of subsidiaries.

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

27 Deferred income taxes (continued)

The movement in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the period is as follows:

GROUP – deferred tax liabilities	Investment relief[1]	Difference in useful lives[2]	IFRS 16	Other	Total
At 31 December 2019	**2,337**	**17,458**	**8,203**	**1,717**	**29,715**
Charged / (credited) to profit or loss	(230)	(915)	516	729	100
At 31 December 2020	**2,107**	**16,543**	**8,719**	**2,446**	**29,815**

GROUP – deferred tax asset	Tax losses	Assets retirement obligation	IFRS 16	Other	Total
At 31 December 2019	**-**	**(1,689)**	**(8,071)**	**(114)**	**(9,874)**
Charged / (credited) to profit or loss	-	(86)	(704)	(271)	(1,061)
At 31 December 2020	**-**	**(1,775)**	**(8,775)**	**(385)**	**(10,935)**

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of insignificant amount of losses that can be carried forward without expiry against future taxable income.

The movement in deferred tax asset and liabilities of the Company (prior to offsetting of balances) during the period is as follows:

COMPANY – deferred tax liabilities	Investment relief[1]	Difference in useful lives[2]	IFRS 16	Other	Total
At 31 December 2019	**1,853**	**17,309**	**8,203**	**1,705**	**29,070**
Legal merger	-	633	-	-	633
Charged / (credited) to profit or loss	(230)	(917)	516	743	112
At 31 December 2020	**1,623**	**17,025**	**8,719**	**2,448**	**29,815**

COMPANY – deferred tax asset	Tax losses	Assets retirement obligation	IFRS 16	Other	Total
At 31 December 2019	**-**	**(1,689)**	**(8,071)**	**(114)**	**(9,874)**
Charged / (credited) to profit or loss	-	(86)	(704)	(271)	(1,061)
At 31 December 2020	**-**	**(1,775)**	**(8,775)**	**(385)**	**(10,935)**

[1] under investments relief applied till year 2001, value of assets invested was deducted for income tax purpose in the year of investment. Further depreciation expenses of these assets are not tax-deductible therefore deferred tax liability was created. It will be fully utilized during useful lives of these assets.

[2] when depreciation is prolonged for accounting purposes, as useful lives set by tax laws are shorter than normal wear-and-tear rates.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Deferred tax asset	(10,935)	(9,886)	(10,935)	(9,874)
Offset with deferred tax liabilities	10,935	9,886	10,935	9,874
Deferred tax asset as per statement of financial position	**-**	**-**	**-**	**-**
Deferred tax liabilities	29,815	29,715	29,815	29,070
Offset with deferred tax asset	(10,935)	(9,886)	(10,935)	(9,874)
Deferred tax liabilities as per statement of financial position	**18,880**	**19,829**	**18,880**	**19,196**

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

28 Provisions

The Group and the Company provisions movement during January-December 2020:

	Provision for restructuring	Assets retirement obligation	Total
Opening net book amount at 31 December 2019	**-**	**11,257**	**11,257**
Additions	-	589	589
Used provisions	-	(13)	(13)
Closing net book amount at 31 December 2020	**-**	**11,833**	**11,833**

The Group and 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 Group and 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 recognized. The Group and the Company expects that assets retirement obligation will be realized 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.

29 Contingent liabilities and contingent assets

Guarantees
As at 31 December 2020, the aggregate guarantees (obligations guaranteed under tender, agreement performance and advance payment arrangements) provided by AB SEB Bankas and AB Lietuvos Draudimas (Lithuanian Insurance) on behalf of the Group and the Company amounts to EUR 1,078 thousand (2019: EUR 614 thousand).

As at 31 December 2020, tender and performance guarantees represented the following expected maturities:

Expected maturity EUR in thousand	Jan-Mar 2021	Apr-Jun 2021	Jul-Sep 2021	Oct-Dec 2021	2022	2023	2024	2025 and later	Total
Guarantees	255	-	70	262	133	203	4	151	**1,078**

Minimum lease payments receivable
The future minimum lease payments to be received under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
Not later than 1 year	8,235	7,978	8,235	7,978
Later than 1 year but not later than 5 years	20,427	20,791	20,427	20,791
Total	**28,662**	**28,769**	**28,662**	**28,769**

Minimum lease payments recognized in the statement of profit or loss and other comprehensive income during 2020 were EUR 8,901 thousand (2019: EUR 8,482 thousand).

The future minimum lease payments to be received:

- not later than 1 year consist of EUR 3,696 thousand Telia Asset Finance (TAF) contracts <EUR 5,000 and 4,540 thousand other equipment;
- later than 1 year but not later than 5 years consist of EUR 4,039 thousand Telia Asset Finance (TAF) contracts <EUR 5,000 and 16,387 thousand other equipment.

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

29 Contingent liabilities and contingent assets (continued)

Capital commitments
Capital expenditure contracted for at the reporting date but not recognized in the financial statements is as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
Property, plant and equipment	1,999	2,824	1,999	2,824
Intangible assets	2,861	1,868	2,861	1,868
	4,860	**4,692**	**4,860**	**4,692**

Operating lease commitments – where the Group and the Company is the lessee (AP)
The Group and the Company lease passenger cars, IT equipment and premises under operating lease agreements.

The operating lease expenditure charged to the statement of profit or loss are as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
Minimum lease payments	15,276	15,436	15,276	15,788
	15,276	**15,436**	**15,276**	**15,788**

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
Not later than 1 year	9	3	9	3
Later than 1 year but not later than 5 years	7	8	7	8
Later than 5 years	23	173	23	173
Total	**39**	**184**	**39**	**184**

The Company’s operating lease agreements primarily concern office and server space, leased buildings, land, vehicles and IT equipment. Certain contracts include renewal options for various periods of time. Subleasing consists mainly of office and server premises.

Network Infrastructure Registration
New law on Special land use conditions entered into force on January 1, 2020.

The Law provides for the procedures and requirements to establish and register protection zones of various infrastructure objects (including electronic communications networks) as well as compensation for restrictions imposed on land owners due to protection zones. Existing networks must be registered by 2025 (transition period of 3 years is suggested):
- until 2023 provides possibility to register the cable network without the consent of the landowner;
- from 2023 registration requires the consent of the landowner.

From 2025 economic activity may be carried out if the network is established and registered in the Real Estate Register.

The Company has evaluated the impact of the new legislation and concluded that there is no obligation to account for a provision as at 31 December 2020. The Company expects the cost associated with implementation of this legislation for infrastructure currently in use will be accounted for as operating expenses. Estimated cost to complete the registration is approximately in between EUR 6 and EUR 16 million that will be recognized till 2025.

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

30 Legal merger

To streamline Telia Lietuva Group structure, in April 2019 shareholders of Telia Lietuva, AB and Telia Customer Service LT, AB have agreed to prepare 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. Telia Lietuva, AB authorised capital unchanged and is equal to EUR 168,958 thousand. The Company's shareholder proprietary and non-property rights remain unchanged.

	30 June 2020	**Less net investment**	**Carrying amounts merged**
Property, plant and equipment	3,778	-	3,778
Intangible assets	1	-	1
Right of use assets	81	-	81
Assets classified as held for sale	410	-	410
Trade and other receivables	117	-	117
Cash and cash equivalents	3,075	-	3,075
Equity	(6,216)	4,122	(2,094)
Deferred tax liability	(609)	-	(609)
Long term lease liability	(80)	-	(80)
Trade and other payables	(557)	-	(557)
Identifiable net assets:			
Amount settled in cash:			
Cash and cash equivalents			-
Net cash inflow arising from legal merger:			
Consideration received in cash and cash equivalents			3,075

31 Related party transactions

The Group is controlled by Telia Company AB (Sweden) which owns 88.15% of the Company's shares and votes. The largest shareholder of Telia Company AB is Government of Sweden.

On 1 July 2019, the Company transferred 15 employees of its Procurement unit and related assets and liabilities to Telia Global Services Lithuania, UAB for the remuneration of EUR 19 thousand.

The following transactions were carried out with related parties:

Sales of telecommunication and other services to:

	GROUP		**COMPANY**	
	2020	**2019**	**2020**	**2019**
Telia Company AB and its subsidiaries	11,187	8,115	11,187	8,115
Subsidiaries of the Company	-	-	998	1,238
Total sales of telecommunication and other services	**11,187**	**8,115**	**12,185**	**9,353**
Sales of assets to subsidiaries	-	-	-	-
Total sales of assets and services	**11,187**	**8,115**	**12,185**	**9,353**

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

31 Related party transactions (continued)

Purchases of assets and services:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Purchases of assets from:				
Telia Company AB and its subsidiaries	1,613	157	1,613	157
Subsidiaries of the Company	-	-	-	-
	1,613	**157**	**1,613**	**157**
Purchases of services from:				
Telia Company AB and its subsidiaries	24,142	22,047	24,142	22,047
Subsidiaries of the Company	-	-	6,086	11,713
	24,142	**22,047**	**30,228**	**33,760**
Total purchases of assets and services	**25,755**	**22,204**	**31,841**	**33,917**

Year-end balances arising from sales / purchases of assets / services:

Receivables and accrued revenue from related parties:

	GROUP		COMPANY	
Receivables from related parties:	**2020**	**2019**	**2020**	**2019**
Long term receivables:				
Telia Company AB and its subsidiaries	140	195	140	195
Subsidiaries of the Company	-	-	-	-
	140	**195**	**140**	**195**
Short-term receivables:				
Telia Company AB and its subsidiaries	4,798	6,822	4,798	6,822
Subsidiaries of the Company	-	-	-	125
	4,798	**6,822**	**4,798**	**6,947**
Accrued revenue from related parties:				
Telia Company AB and its subsidiaries	1,030	1,113	1,030	1,113
	1,030	**1,113**	**1,030**	**1,113**
Total receivables and accrued revenue from related parties	**5,968**	**8,130**	**5,968**	**8,255**

The receivables from related parties arise mainly from sale transactions and due one month after the date of sale. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties as at 31 December 2020 and 2019.

Payables and accrued expenses to related parties:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Payables to related parties:				
Telia Company AB and its subsidiaries	4,202	4,108	4,202	4,108
Subsidiaries of the Company	-	-	-	1,201
	4,202	**4,108**	**4,202**	**5,309**
Accrued expenses to related parties:				
Telia Company AB and its subsidiaries	(212)	1,427	(212)	1,427
	(212)	**1,427**	**(212)**	**1,427**
Total payables and accrued expenses to related parties	**3,990**	**5,535**	**3,990**	**6,736**

The payable to related parties arise mainly from purchase transactions and are due one month after date of purchase. The payables bear no interest.

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

31 Related party transactions (continued)

Borrowings from related parties:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Beginning of the year	**5,003**	**10,014**	**5,003**	**10,014**
Borrowings	8,000	15,000	8,000	15,000
Repayments of borrowings (in cash)	(13,000)	(20,000)	(13,000)	(20,000)
Interest charged (including VAT)	8	38	8	38
Interest paid (including VAT)	(11)	(49)	(11)	(49)
End of the year	**-**	**5,003**	**-**	**5,003**

The borrowings from related parties have the following terms and conditions:

Name of the related party	Date of agreement	Original currency of agreement	Amount borrowed	Maturity	Interest rate
Year ended 31 December 2020					
Telia Company AB	25 May 2020	EUR	8,000	25 August 2020	0.368%
Year ended 31 December 2019					
Telia Company AB	20 May 2019	EUR	10,000	22 August 2019	0.336%
Telia Company AB	03 July 2019	EUR	5,000	03 October 2019	0.304%
Telia Company AB	03 October 2019	EUR	5,000	03 January 2020	0.222%

As at 31 December 2020, the Company had no outstanding internal loans provided by Telia Company AB (2019: EUR 5 million) under the Revolver Loan Agreement signed on 20 May 2019.

During 2020, the Company extended loans for the total amount of EUR 289.2 thousand to UAB Mobilieji Mokėjimai, an associated entity where the Company till 18 June 2020 held 33.3 per cent stake. The Company's claim under not repaid loan and accumulated interest was used to cover losses of UAB Mobilieji Mokėjimai. As at 31 December 2020, the Company does not have any exposure in UAB Mobilieji Mokėjimai. An additional shareholders' contribution of EUR 26.7 thousand to cover losses was made before divestment of shares. During 2019, the loans extended by the Company to UAB Mobilieji Mokėjimai amounted to EUR 910 thousand. The loans including interests were converted into share capital of associate. In addition, EUR 350 thousand contribution to the share capital of UAB Mobilieji Mokėjimai was made in January 2019.

All transactions with related parties are carried out based on an arm's length principle.

In 2020, dividends paid out to Telia Company AB amounted to EUR 52,435 thousand (2019: EUR 46,609 thousand). Dividends received by the Company from subsidiary amounted to EUR 330 thousand (2019: EUR 495 thousand).

Remuneration of the Group's and the Company's key management

	2020	**2019**
Remuneration of key management personnel	5,108	4,657
Social security contributions on remuneration	71	82
Total remuneration	**5,179**	**4,739**

Key management includes CEO, Heads of Units directly reporting to CEO and Heads of the largest Units of the Company. The total number of top management personnel employed as at 31 December 2020 was 49 (as at 31 December 2019: 51).

According to the Law, the rate of social security contribution on remuneration paid by the Company is 1.77%. In 2020, social security contribution for remuneration exceeding 84 Average Salaries (i.e. EUR 104 thousand) is not calculated (in 2019: 120 Average Salaries).

The total amount of annual payments (tantiemes) assigned to two independent members of the Board of the Company for the year 2019 during 2020 amounted to EUR 31 thousand (2019: for two members amounted to EUR 31 thousand). All remuneration of the Group's and the Company's key management falls under short term employee benefits.

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

32 Costs to obtain a contract

Contract cost assets balance roll forward:

	GROUP / COMPANY	
	2020	2019
Contract cost assets at the beginning of the year	**4,625**	**5,175**
Increase of contract assets due to new contracts within the year	6,206	5,345
Amortization expense of costs to obtain contracts	(6,025)	(5,895)
Contract cost assets as at 31 December	**4,806**	**4,625**

Costs to obtain a contract are incremental costs incurred resulting in obtaining a contract with a customer, where the Company would not have incurred if the contract had not been obtained. These costs are typically external commissions paid or internal commission or bonus paid related to obtaining a new contract. The asset is amortized on a straight-line basis over the average customer life period, assessed at a portfolio level. If the Company pays a significant commission on contract renewal, the asset is amortized over the minimum contract term.

33 Contract assets and liabilities

Contract assets balance roll forward:

	GROUP / COMPANY	
	2020	2019
Current contract assets at 1 January	**1,178**	**1,352**
Increase in the balance due to new contract modification	1,913	1,614
Decrease in balance due to normal unwind or contract modification	(1,895)	(1,788)
Current contract assets as at 31 December	**1,196**	**1,178**

	GROUP / COMPANY	
	2020	2019
Non-current contract assets at 1 January	**351**	**530**
Increase in the balance due to new contracts	396	(137)
Decrease in balance due to normal unwind or contract modification	(302)	(42)
Non-current contract assets as at 31 December	**445**	**351**
Total contract assets as at 31 December	**1,641**	**1,529**

Contract liability balance rollforward:	GROUP / COMPANY	
	2020	2019
Current contract liabilities at 1 January	**501**	**75**
Increase in contract liability during the year	1,910	562
Derecognition of contract liability	(801)	(136)
Current contract liabilities as at 31 December	**1,610**	**501**

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

33 Contract assets and liabilities (continued)

	GROUP / COMPANY	
	2020	**2019**
Non-current contract liabilities at 1 January	**-**	**-**
Increase in the balance due to new contracts	-	-
Decrease in balance due to normal unwind or contract modification	-	-
Balance transfer from non-current to current contract liabilities	-	-
Non-current contract liabilities as at 31 December	**-**	**-**
Total contract liabilities as at 31 December	**1,610**	**501**

34 Events after the reporting period and going concern

An outstanding amount of fixed interest rate syndicated loan of EUR 150 million provided by SEB Bank and Danske Bank for acquisition of Omnitel back in 2016 as of 31 December 2020 was EUR 7.5 million and was fully repaid in January 2021.

On 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.

The Covid-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of Covid-19, such as safety and health measures for our people and customers.

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 first 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.

The second country's lockdown was imposed from 7 November 2020. The Company's shops remained open under very strict time and safety restrictions, with only vital services being provide within strict time limits and limited work hours. Majority of the Company's employees continue their activities at remote work mode.

The Covid-19 pandemic that has had a significant impact on how we live and work, the global economy and the global financial markets continues in 2021. In 2020, the Company's service revenue was negatively impacted by mainly lower revenue from roaming service. In total, the negative service revenue impact is estimated to be around EUR 2.5 million and the negative impact on EBITDA as well as on Operating Income is estimated to be around EUR 3.1 million.

On the other hand, numerous challenges and restrictions due to Covid-19 pandemic in 2020 were replaced by new opportunities, customers, partners and huge focus on ensuring critical services under lockdown. The drastic but necessary travel restrictions had a negative impact on the telecommunications business due to the decline in roaming services, but remote work, education and the tremendous breakthrough in business digitisation meant only one thing to us: even better quality, more data, IT services, TV content and equipment.

In accordance with our financial planning process impairment tests for all Cash Generating Units (CGU) have been performed during the fourth quarter. The assumptions and cash flow forecasts used to test for impairment were updated to reflect the potential impact of Covid-19. Based on analysis performed, the management concluded there is no impairment loss.

The Company's financial risk management is in all material aspects unchanged but with additional focus to maintain a continued strong liquidity position. Also, the debt capital market has rebounded and offers pre Covid-19 spread levels to the Company credit. The general credit risk increase has somewhat decreased and there has been no need for any significant increases in the Company's allowances for expected credit losses in 2020.

The uncertainty surrounding Covid-19 and how the resurgence of the pandemic develops implies a risk also going forward. For the full year 2021, management estimate the roaming revenues to sustain to a similar level as the roaming revenues in 2020.

34 Events after the reporting period and going concern (continued)

Key Covid-19 related mitigating activities:

- Strict travel and meeting restrictions implemented;
- Strengthened workplace safety procedures have been implemented including increased intensity of cleaning, social distancing, availability of hand sanitizer, etc.;
- Majority of staff working from home;
- Contingency plans for critical functions and services in place to handle a situation if the business has to be run with a minimal staffing;
- Risk assessment and preparation of contingency plans to ensure supply of goods and services from key suppliers;
- Increased follow-up of key business KPI’s to early mitigate the negative impact of financials;
- Adaptation and flexibility in ways of working in channels in lockdown period;
- Serving increased demand for faster connectivity, VPN solutions, m-signature and premium TV content as well as sales of PCs and TV sets;
- Organized and coordinated planning towards a gradual shift for returning to the offices in line with recommendations from local authorities.

Management has considered the consequences of Covid-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the Company’s ability to continue as a going concern.

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No 22 of the Law on Securities of the Republic of Lithuania and 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, Telia Lietuva, AB Consolidated and Separate Financial Statements as of and for the year ended 31 December 2020 as set out on above are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of the Group and the Company of undertakings.

Dan Strömberg	Arūnas Lingė
CEO	Head of Finance

Approved by the Board
as of 30 March 2021

CONSOLIDATED ANNUAL REPORT

GENERAL INFORMATION

REPORTING PERIOD

Year ended 31 December 2020

ISSUER AND ITS CONTACT DETAILS

Name of the Issuer	**Telia Lietuva, AB** (hereinafter – 'the Company')
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Name of Register of Legal Entities	State Enterprise Centre of Registers
Code of enterprise	1212 15434
LEI code	5299007A0LO7C2YYI075
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 OF THE GROUP

From 1 February 2017, **Telia Lietuva, AB** continues the activities of TEO LT, AB, AB Omnitel and AB Baltic Data Center. Following the reorganisation whereby AB Omnitel and AB Baltic Data Center were merged into TEO LT, AB, and TEO LT, AB on 1 February 2017 changed its name to Telia Lietuva, AB, the Company provides telecommunications, IT and TV services from a single source to residents and businesses in Lithuania.

The Company is a part of Telia Company Group, a telecommunication services provider in the Nordic and Baltic countries.

Our updated **purpose** – we reinvent better connected living. Our shared **values** are dare, care, simplify. We **dare** to innovate, to lead and speak up. We **care** for our customers, for each other and our world. We **simplify** execution, teamwork and our operations.

The Communication Regulatory Authority (CRA) of Lithuania has designated the Company together with its related legal entities as an **operator with significant market power** (SMP) in Lithuania on the following markets of:
- voice call termination on the mobile network;
- calls termination on individual public telephone networks provided at a fixed location;
- wholesale local access provided at a fixed location;
- wholesale central access for mass market products;
- wholesale high quality data transmission services via terminating segment;
- digital terrestrial television broadcasting transmission services provided by the Company in the territory of the Republic of Lithuania.

Following the provisions of the Law on Electronic Communications of the Republic of Lithuania the Company is obliged to provide access to other undertakings, to follow obligation of non-discrimination, obligation of transparency, obligations of price control and cost accounting, obligation of accounting separation. Also, to publish public offer regarding the access.

The Company has a limited activities electronic money institution licence issued by the Bank of Lithuania. The licence grants the right to issue electronic money and provide payment services as set out in Article 5 of the Payments Law of the Republic of Lithuania.

The Company is certificated for compliance with the following ISO standards: IT Management (ISO 20000), Information Security Management (ISO 27001), Quality Management (ISO 9001), Environmental Management (ISO 14001) and Occupational Health & Safety (ISO 45001).

As of 31 December 2020, the **Group** consisted of the parent company, Telia Lietuva, AB, (registered on 6 February 1992, code 1212 15434, name of the Register of Legal Entities: State Enterprise Center of Registers; address: Saltoniškių str. 7A, LT-03501 Vilnius tel.: +370 5 262 1511; fax. +370 5 212 6665; internet address: www.telia.lt) and its associate.

The following entity was **associate** of the Company as of 31 December 2020:

Name of the company	Date of registration, code, name of Register of Legal Entities	Contact details	The Company's share in the share capital of the entity (%)	The Company's share of votes (%)
VšĮ Numerio Perkėlimas	5 September 2014, code 3033 86211, State Enterprise Center of Registers	Jogailos str. 9, LT- 01116 Vilnius, Lithuania	-	50.00

VšĮ Numerio Perkėlimas, a joint not-for-profit organization, established together with Lithuanian telecommunication companies (UAB Bitė Lietuva and UAB Tele2 holding a 25 per cent stakes each), from 1 January 2016 in cooperation with UAB Mediafon administers the central database to ensure telephone number portability in Lithuania.

Telia Customer Service LT, AB (established on 27 July 1992, code 1104 01957, name of the Register of Legal Entities: State Enterprise Center of Registers, address: Vytenio str. 18, LT-03503 Vilnius, Lithuania), a 100 per cent owned subsidiary of the Company, that took care of the Company's customers and provided Directory Inquiry service 118 in Lithuania, and annually served more than 20 million contacts over the phone or e-channels, was merged into the Company on 1 July 2020. In May 2020, this subsidiary paid to the Company EUR 330 thousand in dividends for the year 2019.

To streamline Telia Lietuva Group structure, in April 2019 shareholders of Telia Lietuva and Telia Customer Service LT had approved the preparation of reorganisation terms, under which Telia Customer Service LT would be merged into Telia Lietuva. 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 terminated its activities as legal entity, and its activities are carried on by Telia Lietuva. The Company took over all assets, rights and obligations of Telia Customer Service LT.

On 18 June 2020, Telia Lietuva together with other shareholders – UAB Bitė Lietuva and UAB Tele 2 – sold all shares of **UAB Mobilieji Mokėjimai** to the third party, SEPAxpress FS, UAB. In December 2017, three Lithuanian mobile operators acquired shares of UAB Mobilieji Mokėjimai (registered on 12 December 2016, code 3044 31143, name of the Register of Legal Entities: State Enterprise Center of Registers, address: Žalgirio str. 92-701, LT- 09303 Vilnius, Lithuania) in equal stakes of 33.3 per cent. In May 2017, the Bank of Lithuania granted a limited activities electronic money institution license to UAB Mobilieji Mokėjimai required for activities related to instant payments.

In March 2020, following a divergence of opinions between the shareholders of UAB Mobilieji Mokėjimai as to the future development and prospects of the mobile payment platform MoQ, the shareholders of the undertaking decided to cease operations of UAB Mobilieji Mokėjimai. Prior to that, management of Telia Lietuva has taken a decision to impair the value of this investment to EUR 1 as of 31 December 2019. Provision of payment services and activities of mobile application MoQ was terminated from 18 May 2020.

The Company has no branches or representative offices.

AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

Since 1 December 2000, the Company and SEB Bankas AB (code 1120 21238), Gedimino ave. 12, LT-01103 Vilnius, have an agreement on accounting of the Company's securities and services related to the accounting of securities.

DATA ABOUT SECURITIES TRADED ON REGULATED MARKET

Nasdaq Vilnius stock exchange is a home market for the Company's shares. Since January 2011, the Company's ordinary shares are included into the trading lists of the Berlin Stock Exchange (Berlin Open Market called *Freiverkehr*), the Frankfurt Stock Exchange (Open Market (*Freiverkehr*)), the Munich Stock Exchange and the Stuttgart Stock Exchange. The Company's share symbol on German stock exchanges is ZWS.

The following securities of the Company are included into the Main List of Nasdaq Vilnius stock exchange (symbol: TEL1L) as of 31 December 2020:

Type of shares	Number of shares	Nominal value (in EUR)	Total nominal value (in EUR)	Issue Code
Ordinary registered shares	582,613,138	0.29	168,957,810.02	LT0000123911

Securities of the merged Company's subsidiary, Telia Customer Service LT, AB, were not traded publicly as the subsidiary was 100 per cent owned by the Company. Stakes in VšĮ Numerio Perkėlimas and UAB Mobilieji Mokėjimai are/were jointly owned together with UAB Bitė Lietuva and UAB Tele2, and are not for public trade.

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 brought 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.

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 first 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.

The second country's lockdown was imposed from 7 November 2020. The Company's shops remained open under very strict time and safety restrictions, with only vital services being provide within strict time limits and limited work hours. Majority of the Company's employees continue their activities at remote work mode.

In November, the Company has entered into a strategic partnership with Ericsson to modernize mobile network and rollout of 5G across the country. Ericsson will be the sole partner to deliver radio access network technology (RAN) in Lithuania.

On 10 November 2020, the Company launched next-generation 5G mobile network in Lithuania: 11 base stations of the new technology operating at the city centres of Vilnius, Kaunas and Klaipėda, while two more 5G stations were launched in the Klaipėda Free Economic Zone (FEZ) in December. Frequencies for testing the technology provided by the Communications Regulatory Authority (CRA) are used for non-commercial 5G communication service.

RECENT EVENTS

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 IMPACT

The COVID-19 pandemic that has had a significant impact on how we live and work, the global economy and the global financial markets continues in 2021. In 2020, the Company's service revenue was negatively impacted by mainly lower revenue from roaming service. In total, the negative service revenue impact is estimated to be around EUR 2.5 million and the negative impact on EBITDA as well as on Operating Income is estimated to be around EUR 3.1 million.

The uncertainty surrounding COVID-19 and how the resurgence of the pandemic develops implies a risk also going forward. For the full year 2021, we estimate the roaming revenue to sustain to a similar level as the roaming revenue in 2020.

The Company's financial risk management is in all material aspects unchanged but with additional focus to maintain a continued strong liquidity position. Also, the debt capital market has rebounded and offers pre COVID-19 spread levels to the Company credit. The general credit risk increase has somewhat decreased and there has been no need for any significant increases in the Company's allowances for expected credit losses in 2020.

The Company puts employees and customers health at highest priority, therefore most of the Company's employees work remotely except for staff in business-critical functions.

MANAGEMENT REPORT

Despite lockdowns the year 2020 ended with the best financial results in the five years since the acquisition of Omnitel. Being the first to offer the 5G connectivity experience to Lithuanian people and businesses, we received not only new customers, but also the historical attention of investors – the Company's market capitalisation exceeded 1 billion.

The year was extraordinary both globally and for Telia Lietuva – numerous challenges and restrictions due to COVID-19 pandemic in 2020 were replaced by new opportunities, customers, partners and huge focus on ensuring critical services under lockdown. The drastic but necessary travel restrictions had a negative impact on the telecommunications business due to the decline in roaming services, but remote work, education and the tremendous breakthrough in business digitisation meant only one thing to us: even better quality, more data, IT services, TV content and equipment.

Although our shops were closed during lockdowns, the vast majority of nearly two thousand employees of the Company worked remotely and the installation and maintenance of new services went on without interruption.

In addition, we have contributed to the fight against the consequences of coronavirus in Lithuania – the total value of our financial, service and equipment support exceeds EUR 400 thousand. The support was allocated to doctors fighting coronavirus, school computers and the development of an information robot for COVID-19 infected people. We have installed and still operate the main coronavirus hotline 1808.

Compared to 2019, our annual revenue went up by 2.5 per cent to EUR 398.1 million. The EBITDA increased by 4.7 per cent and reached EUR 134.9 million. The profit of the period augmented by 2.1 per cent to EUR 55.9 million over the year, while free cash flows were lower by 2.9 per cent and amounted to EUR 84.9 million.

From 1 January 2020, together with Telia teams in Estonia, Denmark and Norway we have embraced the New Operating Model, which provides companies of Telia Company Group with more synergy and efficiency. During 2020, we streamlined a structure of Telia Lietuva Group: in June together with other two shareholders we have divested stake in a loss generating associate, UAB Mobiieji Mokėjimai, and in July a fully owned subsidiary, Telia Customer Service LT, AB, was merged into the Company.

New contracts for IT solutions with private companies and public sector organizations increased revenue from IT services by 23.1 per cent over the year, while the doubling of TV viewing intensity also led to 16.9 per cent growth in revenue from the most popular in Lithuania smart TV service. The annual growth rate of comparable (like for like) revenue from mobile services was 5.6 per cent and of the equipment sales – 4.3 per cent.

During the second half of the year, the largest wave of new mobile service customers per year emerged – the number of pre-paid and post-paid customers increased by 29 thousand in the third quarter and by 14 thousand in the last quarter.

During January-December of 2020:

- number of mobile service subscriptions grew by 3.8 per cent up to 1,398 thousand,
- number of TV service users increased by 3.7 per cent up to 253 thousand,
- number of FTTH Internet connections went up by 0.7 per cent up to 297 thousand.

Being the only operator in Lithuania providing both mobile and fixed communication services, we continued our convergence journey. The number of households that took advantage of a converged fixed and mobile services value offer, Telia1, reached almost 75 thousand. Telia1 means higher speed, more data and more TV content.

Remote communication, work and education have led to almost a double increase in mobile data traffic in the Company's network during the year; the mobile calls' volume increased by 40 per cent and the share of calls using VoLTE technology increased almost twice to 44 per cent. According to the latest data of the Communications Regulatory Authorities (CRA), the average monthly amount of data used by one customer of the Company was almost 20 GB.

Capital investments during 2020 were 2.3 per cent higher than in 2019. Almost half of invested amount went to development of fixed network while one third – to upgrade of the Company's IT systems and infrastructure, and implementation of business transformation program. Mobile network development ensured our leadership in mobile Internet speed race with an average 85.1 Mbps speed in the Company's network according to the measurement of CRA.

In 2020, we continued creation of customer experience worth sharing – we speeded up refurbishing of our flagship shops in the largest shopping malls while they were closed during the quarantine. In total, 12 our retail outlets became more cosy and modern designed in Scandinavian style. The quarantine also 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 secret buyer's test performed in the mid of 2020 by independent researchers showed that our customer care at retail shops compared with the other operators in Lithuania is the best in class.

On 16 June 2020, it was 20th anniversary of the Company's listing on the Nasdaq Vilnius stock exchange. Through those years we persistently worked to create the value and ensure steady return to our shareholders. During the last 20 years, including the record high dividends of EUR 0.09 per share for the year 2019, the Company have paid-out in total EUR 754 million of dividends and in 2014 paid-out to the shareholders EUR 56.2 million due to capital reduction. During 2020, the price of the Company's shares rose by 43 per cent, and at the year-end the Company's market capitalisation exceeded EUR 1 billion for the first time in history.

For constant improvements, good capital management and decent growth figures Telia Lietuva was recognised as the best listed company in Baltics according to evaluation of Corporate Excellence Award Jury comprised of representative of Herens Quality Asset Management AG (Switzerland), Alphinox Quality AS (Latvia) and Riga Technical University.

In November 2020, a new Chair of the Board, Douglas Lubbe, a CFO of Telia Sverige, stepped in to replace Emil Nilsson, who led the Board of Telia Lietuva for almost 2 years and has resigned due his departure from Telia Company.

By the end of 2020, the Company together with the other Telia Company Group operating in Baltics and Nordics became a climate neutral undertaking. Since 2019, we use only green electricity, our mobile communication base stations operates under electricity saving program, we collect and reuse the customers' end equipment and 84 per cent of our transportation fleet is already compliant with Euro6 emission standard.

The year 2021 Telia Company Group is starting with the new purpose and updated strategy. From now on our purpose is *reinvent better connected living* through our digital connectivity, digital experiences and digital infrastructure by excelling at inspiring customers, connecting everyone, transforming to digital and delivering sustainable so that we have the most loyal customers, most engaged employees, most satisfied shareholder and most empowered societies.

FINANCIAL INFORMATION

The consolidated financial statements of the Group have been prepared according to the International Financial Reporting Standards as adopted by the European Union.

KEY FINANCIAL FIGURES

(in thousands of EUR unless otherwise stated)	**2020**	**2019**	**Change (%)**	**2018**
Revenue	398,083	388,299	2.5	376,494
EBITDA excluding non-recurring items	136,236	130,992	4.0	128,730
EBITDA margin excluding non-recurring items (%)	34.2	33.7		34.2
EBITDA	134,915	128,868	4.7	127,437
EBITDA margin (%)	33.9	33.2		33.8
Operating profit (EBIT) excluding non-recurring items	66,167	61,905	6.9	64,208
EBIT margin excluding non-recurring items (%)	16.6	15.9		17.1
Operating profit (EBIT)	64,846	59,781	8.5	62,915
EBIT margin (%)	16.3	15.4		16.7
Profit before income tax	62,255	56,855	9.5	63,234
Profit before income tax margin (%)	15.6	14.6		16.8
Profit for the period	55,866	54,726	2.1	54,700
Profit for the period margin (%)	14.0	14.1		14.5
Earnings per share (EUR)	0.096	0.094	2.1	0.094
Number of shares (thousand)	582,613	582,613	-	582,613
Share price (EUR)	1.825	1.275	43.1	1.105
Market capitalisation	1,063,269	742,832	43.1	643,787
Total assets	608,448	614,116	(0.9)	564,105
Shareholders' equity	331,507	328,076	1.0	319,776
Cash flow from operations	132,427	139,540	(5.1)	106,767
Operating free cash flow	84,869	87,441	(2.9)	50,235
Capital investments (Capex)	53,856	52,669	2.3	61,844
Net debt	67,202	93,295	(28.0)	129,393

OPERATING FIGURES	31-12-2020	31-12-2019	Change (%)	31-12-2018
Mobile service subscriptions, in total (thousand)	1,398	1,347	3.8	1,389
- Post-paid (thousand)	1,104	1,069	3.3	1,126
- Pre-paid (thousand)	294	278	5.8	263
Broadband Internet connections, in total (thousand)	417	419	(0.5)	409
- Fiber-optic (FTTH/B) (thousand)	297	295	0.7	277
- Copper (DSL, VDSL) (thousand)	120	124	(3.2)	132
Fixed telephone lines in service (thousand)	261	296	(11.8)	354
IPTV service customers (thousand)	253	244	3.7	230
Number of personnel (head-counts)	2,161	2,336	(7.5)	2,733
Number of full-time employees	2,001	2,127	(5.9)	2,482

FINANCIAL RATIOS*	31-12-2020	31-12-2019	31-12-2018
Return on average capital employed** (%)	15.1	13.3	13.8
Return on average assets** (%)	11.0	10.0	11.3
Return on average shareholders' equity** (%)	17.4	17.3	17.7
Operating cash flow to sales (%)	33.3	35.9	28.4
Capex to sales (%)	13.5	13.6	16.4
Net debt to EBITDA ratio	0.50	0.72	1.02
Gearing ratio (%)	20.3	28.4	40.5
Debt to equity ratio (%)	37.1	43.7	49.4
Current ratio (%)	110.2	115.5	133.8
Rate of turnover of average assets (%)**	67.6	65.0	67.6
Equity to assets ratio (%)	54.5	53.4	56.7
Price to earnings (P/E) ratio	19.0	13.6	11.8

*Notes: * Description of financial ratios and their calculation is provided at the Company's website* https://www.telia.lt/eng/investors/financial-results; *** Averages are calculated including quarterly data of respective year..*

REVENUE

The **total consolidated revenue** for the year 2020 amounted to EUR 398.1 million and was by 2.5 per cent higher than the total revenue of EUR 388.3 million a year ago. An increase was driven by a double digit growth in revenue from IT and TV services and supported by continuous development of revenue from mobile communication, broadband Internet services and equipment sale. Limited travelling had a negative effect on revenue from roaming services.

Share of revenue from fixed and mobile communication services amounted to 44.6 and 32.3 per cent, respectively of the total revenue for the year 2020. Share of revenue from equipment sales reached 23.1 per cent. Revenue from services provided to residential customers (B2C) amounted to 61.4 per cent, to business customers (B2B) – 37.8 per cent and others – 0.8 per cent of the total revenue for January-December of 2020.

The converged fixed and mobile services value offer, Telia1, which gives higher speed and more data, was improved with more TV content and as a result the number of households that took advantage of Telia1 reached almost 75 thousand.

From April 2020 employees of the corporations that use the Company's services could double the amount of mobile date used on their corporate mobile phone, double speed of their home fiber-optic Internet and enjoy more quality TV content without additional charge under converged Telia1 for Business offer.

During 2020, the number of **mobile service** subscriptions went up by 51 thousand (35 thousand of post-paid and 16 thousand of pre-paid). Higher number of subscriptions, higher APRU and during quarantine increased data usage pushed like for like revenue from billed mobile services up by 5.6 per cent to EUR 106.5 million for the year 2020 over like for like revenue of EUR 100.8 million a year ago. Starting from 2020, customers' contributions for mobile devices insurance are not included into billed revenue from mobile services.

From February 2020, for the convenience of post-paid mobile service customers not used during the month mobile data amount provided by the payment plan is transferred to the next months.

In 2020, 44 per cent of mobile calls in Telia Lietuva network were made using, VoLTE technology. This technology that ensure up to three times faster connection of mobile phone calls, HD voice quality and the possibility to surf the Internet during a phone call was introduced in 2016. Initially, VoLTE technology was available only to owners of Huawei, Samsung, Sony and Xiaomi handsets in Telia Lietuva network, but since December 2019 iPhone handsets owners could make VoLTE calls using the Company's network, too. Telia Lietuva is the only operator in Lithuania providing VoLTE calls.

Revenue from **other mobile services** that include revenue from mobile network interconnection, roaming charges to country's visitors and other network services was effected by limited cross-border travelling due to COVID-19 pandemic. Revenue from roaming charges alone during the year 2020 decreased by 13.5 per cent. Nevertheless, total revenue from other mobile services were 0.5 per cent higher than in 2019 and amounted to EUR 22.1 million (EUR 21 million in 2019).

The Company's total like for like revenue from mobile services for the year 2020 amounted to EUR 128.5 million, an increase of 4.7 per cent over the total like for like mobile revenue of EUR 122.8 million a year ago.

During 2020, the decline of fixed telephony lines in service slowed down. Over the year it went down by 35 thousand. Revenue from low margin voice transit service alone for the year 2020 was almost the same as a year ago (decline of 0.9 per cent), while revenue from retail **voice telephony** services was 18.7 per cent lower. As a result, the total revenue from fixed voice telephony services during 2020 decreased by 10.6 per cent to EUR 44.4 million (EUR 49.7 million in 2019).

COVID-19 pandemic caused remote working and distant learning change the **equipment sale** pattern: drastically increased demand for laptops and TV sets, while demand for mobile devices went down. To ensure remote learning from home, during the first quarantine the Company supplied 10 thousand tablets to National Education Agency and provided 20 thousand of unlimited data usage SIM cards to pupils for a symbolic one-euro fee per card for the first two months. Revenue from equipment sales, compared with the same revenue of EUR 88 million for the year 2019, went up by 4.3 per cent and for the year 2020 amounted to EUR 91.8 million.

Over the year, the number of **broadband Internet** connections over the fiber-optic network increased by 2 thousand, while the number of copper DSL connections eased by 4 thousand. By the end of December of 2020, the number of Internet connections over the FTTH/B network amounted to 71.2 per cent of all broadband Internet connections.

The churn of the number of DSL connections was successfully managed thanks to back in 2018 introduced "Super VDSL" (S-VDSL) technology. Depending on the length of the copper line connecting the Company's exchange and end equipment S-VDSL technology provides up to 250 Mbps Internet speed.

Revenue from broadband Internet services for the year 2020 amounted to EUR 57.9 million and was 2.3 per cent higher than revenue from Internet services of EUR 56.6 million a year ago.

During 2020, the number of smart **television** (IPTV) service users increased by 9 thousand. COVID-19 pandemic and free-to-air broadcasting of EuroLeague basketball games with Lithuanian team participation had a negative effect on sports' TV broadcasting subscriptions. Nevertheless, during the 2020 revenue from television services went up by 16.9 per cent and amounted to EUR 36 million, while a year ago it was EUR 30.8 million.

The total revenue from **data communication and network capacity** services for the year 2020 amounted to EUR 18 million and was 3.7 per cent lower than the same revenue of EUR 18.7 million a year ago.

During COVID-19 caused quarantine demand for virtual private network (VPN) solutions and computerised workplace management sky rocketed. Thus, revenue from **IT services** generated from the data center, information system management and web-hosting services provided to local and multinational enterprises for the year 2020 amounted to EUR 14.2 million, an increase of 23.1 per cent over the same revenue of EUR 11.5 million a year ago.

On 15 April 2020, the Company together with its partners – BAIP and Blue Bridge – signed a contract with Information Society Development Committee of the Republic of Lithuania on the implementation of a new national cloud computing services infrastructure. The Company installed the national cloud computing infrastructure, that contains data centres, over 70 physical servers and other hardware and software. The value of the contract is EUR 930 thousand. The architecture of the national cloud computing infrastructure was designed by the specialists of the Company back in 2019.

In October 2020, the Company has signed EUR 1 million equipment lease and data center services agreement with Vinted, the largest online marketplace in Europe dedicated to second-hand fashion. An additional investment is a continuation of the procurement held back in spring, when Vinted signed a contract with the Company for hardware lease worth EUR 1.5 million.

The Company operates two TIER 3-compliant data centers in Vilnius and several other smaller server rooms located throughout the country. Major online stores, supermarkets, banks and insurance companies operating in Lithuania and the Baltic markets use the data center services offered by Telia Lietuva.

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. Revenue from other services for the year 2020 amounted to EUR 7.2 million and was 17.9 per cent higher than the same revenue of EUR 6.1 million in 2019.

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 2020, the gain was mainly related to disposal of obsolete property.

MARKET INFORMATION

According to the 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 for the fourth quarter of 2020 with the leaders' position on fixed broadband Internet, pay TV and fixed voice telephony markets, while on mobile voice and mobile Internet markets the Company occupies the third place.

	The market shares in terms of customers (%)		**The market shares in terms of revenue (%)**	
	Q4 2020	**Change (p.p.) (y-o-y)**	**Q4 2019**	**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

Cost of goods and services for the year 2020 amounted to EUR 158 million, an increase of 1.8 per cent over the cost of goods and services of EUR 155.2 million a year ago, mainly due to higher volumes of equipment sales in 2020.

Total **operating expenses** (excluding cost of goods and services) for the year 2020 amounted to EUR 105.6 million and were just 0.7 per cent higher than total operating expenses of EUR 104.9 million in 2019 due to higher both employee-related expenses in 2020.

Employee-related expenses (excluding one-time redundancy pay-outs) for the year 2020 were 4.3 per cent higher than a year ago. During 2020 non-recurring redundancy charge amounted to EUR 1.3 million (EUR 2.1 million in 2019). Employee-related expenses (including one-time redundancy pay-outs) for the year 2020 amounted to EUR 54.9 million, an increase by 1.8 per cent over the same expense of EUR 53.5 million in 2019, due to increase in average salary.

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.

During 2020, the total **number of employees** (headcount) decreased by 175 (mainly in Technology unit) – from 2,336 to 2,161. In terms of full-time employees (FTE), the total number of Telia Lietuva Group employees during 2020 decreased by 126 – from 2,127 to 2,001.

Other operating expenses for the year 2020 amounted to EUR 50.8 million and were 1.2 per cent lower than operating expenses of EUR 51.4 million in 2019 in spite of higher marketing expenses in 2020. Due to corona pandemic savings in transportation and travelling expenses were recorded in 2020.

EARNINGS

Revenue growth and control of operating expenses led to higher earnings in 2020 that a year ago.

EBITDA excluding non-recurring items for the year 2020 amounted to EUR 136.2 million and was 4 per cent higher than EBITDA excluding non-recurring items in 2019 when it amounted to EUR 131 million. Non-recurring items for the year 2020 amounted to EUR 1.3 million (EUR 2.1 million in 2019) and consisted of one-time redundancy pay-outs. EBITDA excluding non-recurring items margin for 2020 stood at 34.2 per cent, while a year ago it was 33.7 per cent.

EBITDA including non-recurring items for the year 2020 was EUR 134.9 million, an increase by 4.7 per cent over EBITDA including non-recurring items of EUR 128.9 million for 2019. EBITDA including non-recurring items margin in 2020 amounted to 33.9 per cent (33.2 per cent a year ago).

Depreciation, amortisation and impairment charges in 2020 over the depreciation, amortisation and impairment charges a year ago went up by 1.4 per cent and amounted to 17.6 per cent of the total revenue (17.8 per cent in 2019).

Operating profit (EBIT) excluding non-recurring items for January-December of 2020 was 6.9 per cent higher than operating profit (EBIT) excluding non-recurring items for the year 2019, and the operating profit excluding non-recurring items margin was 16.6 per cent (15.9 per cent a year ago).

Operating profit (EBIT) including non-recurring items for the year 2020 increased by 8.5 per cent over operating profit (EBIT) including non-recurring items for the year 2019. Operating profit including non-recurring items margin was 16.3 per cent (15.4 per cent a year ago).

Loss from investments represents 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.

Net result from finance and investment activities for the year 2020 was negative and amounted to EUR 2.6 million (in 2019 it was also negative and amounted to EUR 2.9 million).

Profit before income tax for the year 2020 went up by 9.5 per cent and amounted to EUR 62.3 million (profit before income tax for the same period in 2019 was EUR 56.9 million). Profit before income tax margin in 2020 reached 15.6 per cent (a year ago it was 14.6 per cent).

The profit tax rate in Lithuania is 15 per cent. Following the provisions of the Law on Corporate Profit Tax regarding tax relief for investments in new technologies, the profit tax relief for the year 2020 amounted to EUR 2.1 million (in 2019 – EUR 2.9 million). **Income tax expenses** for the year 2020 were 3 times higher than a year ago.

Profit for the period of the twelve months of 2020 amounted to EUR 55.9 million and was 2.1 per cent higher than profit of EUR 54.7 million a year ago. The profit margin was 14 per cent while profit margin a year ago stood at 14.1 per cent.

STATEMENT OF FINANCIAL POSITION AND CASH FLOW

During January-December of 2020, **total assets** decreased by EUR 5.7 million. As of 31 December 2020, the total non-current assets amounted to 76.2 per cent, the total current assets – to 23.6 per cent, whereof cash alone represented 9.2 per cent of total assets. **Shareholders' equity** increased by 1 per cent and at the end of 2020 amounted to 54.5 per cent of the total assets.

On 28 April 2020, the Annual General Meeting of Shareholders allocated from the Company's distributable profit of EUR 140.1 million an amount of 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.

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 2020, **retained earnings** of the Company amounted to EUR 145.7 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 2020, the Company's net debt to EBITDA ratio was 0.50 (0.72 a year ago).

During 2020, the Company has repaid EUR 30 million of the EUR 150 million long-term bank **loan**. The last instalment of this loan was repaid in January 2021, thus the Company completed return of EUR 150 million that were borrowed in January 2016 to finance acquisition of Omnitel shares.

In May 2019, the Company used the option to extend the term of 5-years' syndicated bank loan of EUR 60 million granted in 2017 for an extra two years, i.e. till May 2024. The full amount of this loan shall be repaid on maturity.

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. In January 2020, the Company has repaid EUR 5 million loan borrowed for 6 months in August 2019, and in May 2020 borrowed EUR 8 million for 3 months. This short term loan was repaid in August 2020. As of 31 December 2020, the Company had no loans borrowed from Telia Company.

Information about the Company's **borrowings** (EUR thousand):

	31-12-2020	**31-12-2019**
Loans from the banks	67,500	97,500
Loans from Telia Company	-	5,000
Liabilities under reverse factoring agreements	54,243	38,704
Liabilities under financial lease agreements	1,400	2,248
Total borrowings	**123,143**	**143,452**
Cash and cash equivalents	55,941	50,157
Net debt	**67,202**	**93,295**
Net debt to equity (Gearing) ratio (%)	20.3	28.4

Net **cash flow from operating activities** for the year 2020 amounted to EUR 132.4 million and was 5.1 per cent lower than cash flow of EUR 139.5 million in 2019. **Operating free cash flow** (operating cash flow excluding capital investments) for 2020 amounted to EUR 84.9 million and was 2.9 per cent lower than a year ago (EUR 87.4 million).

Information about **capital investments** (EUR thousand):

	31-12-2020	**31-12-2019**	**Change (%)**
Fixed network	24,910	24,398	2.1
Mobile network	9,614	11,445	(16.0)
IT systems and infrastructure	17,330	11,159	55.3
Other	2,002	5,667	(64.7)
Total capital investments	**53,856**	**52,669**	**2.3**
Capital investments to revenue ratio (%)	13.5	13.6	

Almost a half capital investments during 2020, the same a year ago, went to upgrade of fixed network and development of fiber-optic access network. Investments into mobile network development were lower than in 2019. An amount of EUR 10.8 million was invested into upgrade and development of the Company's IT systems and infrastructure, and EUR 6.5 million was devoted for implementation of ongoing business transformation program (migration of customers and business management systems into SAP). Other investments in 2019 were higher due investment into a new head-office in Vilnius.

At the end of 2019, the Company started setting up new generation customer service outlets. The first cosy and modern outlet of Scandinavian design was opened in Šiauliai. During 2020, the Company has renovated 11 retail outlets under the new concept. In addition the first customer care center dedicated to small and medium size enterprises was opened in Kaunas in October 2020.

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, the average 4G speed in the Telia Lietuva network amounts to 85.1 Mbps (76.2 Mbps a year ago).

In two years the Company plans to turn off 3G connection completely. 80 per cent of 2,100 MHz frequency bandwidth used for 3G connectivity was assigned to 4G network in 2020, and by the end of 2022 the remaining 2,100 MHz and 900 MHz frequencies' bandwidth will be assigned to 4G connectivity. Currently, already 98 per cent of mobile data stream in Telia Lietuva network is transferred using 4G network.

By the end of December 2020, the Company had 937 thousand households passed (929 thousand a year ago), or 71.4 per cent of the country's households, by the fiber-optic network.

Cash and cash equivalents during 2020 increased by EUR 5.8 million.

During 2020, the Group paid EUR 79.8 million of **taxes and contributions**, not including taxes and contributions that were withheld and paid on behalf of other persons. An amount of EUR 13.3 million was contributed to the State Social Insurance Fund and a total of EUR 66.5 million was paid to the State Tax Inspectorate.

INFORMATION ABOUT RELATED PARTY TRANSACTIONS

Following the International Financial Reporting Standards as adopted by the EU, the parties related to the Company are the Company's subsidiaries, associates, companies that belong to Telia Company Group and management team of the Company. Transactions with related parties are carried out based on the arm's length principle.

Information about new related party transactions entered by the Company during 2020:

Related party	Transaction	Value
UAB Mobilieji Mokėjimai, code 304431143, Žalgirio str. 92-701, Vilnius, Lithuania, Register of Legal Entities	31-01-2020 loan provided by the Company at an annual interest rate of 3.37 per cent	EUR 90 thousand
	03-03-2020 loan amount increased by the Company at the same annual interest rate of 3.37 per cent	EUR 45 thousand
	06-03-2020 loan amount increased by the Company at the same annual interest rate of 3.37 per cent	EUR 67.3 thousand
	31-03-2020 loan amount increased by the Company at the same annual interest rate of 3.37 per cent	EUR 37.8 thousand
	08-05-2020 loan amount increased by the Company at the same annual interest rate of 3.37 per cent	EUR 49.1 thousand
	31-05-2020 the Company covered a part of Mobilieji Mokėjimai losses by offsetting contra claim under not repaid loan extended by the Company to Mobilieji Mokėjimai and accumulated interest.	EUR 291.9 thousand
	16-06-2020 the Company covered a part of Mobilieji Mokėjimai losses by additional shareholders contribution	EUR 26.7 thousand
Telia Company AB, code 556103-4249, 169 94 Solna, Sweden	25-05-2020 3 months loan provided to the Company at interest rate of 0.368 per cent	EUR 8 million
Telia Global Services Lithuania, UAB, code 134517169, Konstitucijos ave. 29-1, Vilnius, Lithuania, Register of Legal Entities	30-03-2020 multi-fold equipment sales-purchase agreement. The Company is a seller of equipment, Telia Global Services Lithuania – purchaser.	-

In 2020, the Company and its subsidiaries and associates were providing to each other telecommunications, Contact Center and other services based on earlier signed agreements. Stake in associated company, UAB Mobilieji Mokėjimai, was disposed in June 2020, and a fully owned subsidiary, Telia Customer Service LT, AB, was merged into the Company on 1 July 2020. As of 31 December 2020, the Company had only a 50 per cent stake in not-for-profit organization, VšĮ Numerio Perkėlimas, that administers the central database to ensure telephone number portability in Lithuania. The Company's subsidiaries and associates had/have no interest in the share capital of the Company. In May 2020, subsidiary Telia Customer Service LT, AB paid to the Company EUR 330 thousand in dividends for the year 2019. As of 31 December 2020, there were no loans extended by the Company to any related party.

During 2020, the Company in several instalments extended loan to associate UAB Mobilieji Mokėjimai for the total amount of EUR 289.3 thousand. On 31 May 2020, the loan including accumulated interests was used to cover the losses of UAB

Mobilieji Mokėjimai and additional cash contribution of EUR 26.7 thousand to cover losses was made on 16 June 2020. The Company stake of 33.3 per cent in UAB Mobilieji Mokėjimai was disposed to the third party on 18 June 2020.

The Company through its largest shareholder, Telia Company AB, that holds 88.15 per cent of the Company's share capital, is related to Telia Company Group that provides telecommunication services in Nordic and Baltic countries. The main buyers and providers of telecommunications and other services to the Company based on earlier signed agreements are Telia Company AB (Sweden), Telia Carrier AB (Sweden), Telia Eesti AS (Estonia), LMT (Latvia), Telia Finland Oyj (Finland), Telia Finance AB (Sweden) and Telia Global Services Lithuania, UAB (Lithuania). In 2020, the Company paid-out to Telia Company an amount of EUR 46.2 million as dividend for the year 2019.

As of 31 December 2020, the Company had no outstanding loans granted by Telia Company (EUR 5 million a year ago) under Revolver Loan Agreement signed Telia Company on 20 May 2019 regarding revolving credit facility for up to EUR 20 million at 0.65 per cent margin available to the Company. The agreement is valid till 20 May 2021. In January 2020, the Company has repaid EUR 5 million loan borrowed for 6 months in August 2019, and in May 2020 borrowed EUR 8 million for 3 months. This short term loan was repaid in August 2020.

Information about volumes of the Company's transactions with related parties during 2020 (in EUR thousand):

	Sales of telecommunication and other services	**Purchase of telecommunication and other services**
Telia Company AB and its subsidiaries:		
Telia Company AB (Sweden)	3	12,404
Telia Asset Finance AB (Sweden)	-	7,651
Telia Carrier AB (Sweden)	2,560	1,701
Telia Försäkring AB (Sweden)	3,007	36
Telia Sverige AB (Sweden)	723	(137)
Latvijas Mobilais Telefons SIA (Latvia)	1,132	942
SIA Telia Latvija (Latvia)	16	96
Telia Danmark A/S (Denmark)	407	184
Telia Eesti AS (Estonia)	494	506
Telia Finland Oyj (Finland)	574	638
Telia Norge AS (Norway)	725	128
Telia Global Services Lithuania, UAB	714	-
UAB Telia Carrier Lithuania (Lithuania)	826	-
Other	6	(7)
	11,187	**24,142**

Information about related party transactions is provided in Note 31 of the Company's Consolidated and Separate Financial Statements for the year ended 31 December 2020. Following the Law on Companies of the Republic of Lithuania requirements, information about related party transaction concluded starting from 1 January 2018 is placed on the Company's website.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2020, the Company continues to develop and improve existing services, digitalisation of the customer's experience as well as make preparation for 5G era.

In the beginning of 2020, we were the first in Lithuania to introduce the narrowband Internet of Things (NB IoT) technology that will allow businesses and the public sector to develop next-generation services and improve the existing ones without making any significant investment. NB IoT offers unique benefits and advantages over other Internet of Things technologies. For example, narrowband Internet equipment sends less data and does that less frequently, thus is more durable, making the production and maintenance of its devices cheaper. Some NB IoT sensors can operate for up to 10 years without maintenance and without recharging or replacing batteries.

In addition, only specifically designed devices can connect to the dedicated NB IoT technology, thus it is possible to serve a lot of devices at a time, without affecting other technologies or devices. The Company uses the Cloud IoT Device Connection Platform developed in partnership with Ericsson.

In 2018, Telia Lietuva was one of the first ones in Europe to test 5G technology in live network in Vilnius. On 10 November 2020, 5G connection made the second step in Lithuania – the Company launched 13 base stations. 11 base stations of the new technology are operating at the city centres of Vilnius, Kaunas and Klaipėda, while two more 5G stations were launched in the Klaipėda Free Economic Zone (FEZ) in early December. Frequencies for testing the technology provided by the Communications Regulatory Authority of Lithuania are used for non-commercial 5G communication service.

Launch of next-generation mobile network in Lithuania allows people and companies to evaluate the key advantages of 5G, and the impressive speed of mobile Internet first of all, for themselves at no extra cost. 5G network is available in designated areas to Telia Lietuva customers who have payment plans providing unlimited mobile data and Sony, OnePlus, Huawei or Xiaomi smartphones or routers that support 5G technology. Other smart device manufacturers should approve their phones for operation in 5G network in Lithuania in the nearest future.

In 2018, when the Company conducted the first 5G connection tests on a live network, basically there were no devices on the market that could use it. Now the situation has changed essentially, and today thousands of customers can acquire phones and routers that support 5G, and business can have yet another tool for innovation. Therefore, before acquiring commercial frequencies, it is very important to test the functioning of equipment under various conditions, also testing the network, telephone configuration, and data usage needs. The first tests have shown that real mobile data download speed in the Company's 5G network is up to 1.9 Gb/s, upload reaches up to 200 Mb/s, and latency is up to 10 milliseconds.

Telia Lietuva will start providing commercial 5G mobile communication services in Lithuania after CRA announces official terms and conditions therefore after the 5G frequency auction, which is expected to take place in 2021.

RISK MANAGEMENT

The Company's Risk management policy describes the risk as uncertainty, that might significantly influence the Company's goals and level of achievement of expected results. The Company distinguish the following risk: risk of business discontinuation, security risk, reputational risk, financial risk, regulatory risk, ethics and sustainability risk as well as operational risk.

The Company's risk management is based on requirements of ISO 31000 standard and COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management (ERM) system. The Company has a business oriented risk management process, by implement which potential threats to business are indicated and plans for prevention of business discontinuity and crises situation management are set. Risk management is fully integrated into business planning and control processes.

The risk management includes internal and external environment of the Company, distinguishing, but not limiting to, the following main risk management areas of internal environment: finance management, information management, information technologies, resources management, revenue assurance, services and customer care, personnel, processes management, strategy and network management, as well as external environment: ecology, economic conditions, competition, political, socio-cultural, technology, legal and regulatory, suppliers and customers.

By combining related areas, the Company has a set of rules and best practices for risk management in such areas as resource risk management, network risk management, revenue assurance risk management, services and customer care risk management, information risk management, business relations, reputation and market risk management, legal risk management and corruption risk management.

The Company's activities exposes it to the following financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, liquidity risk. The Financial Management Policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Company.

The Company's exposure to **foreign exchange risk** is not substantial as Telia Lietuva operates in euro zone and majority of services are provided to residents and businesses in Lithuania as well as majority of services and goods are purchased from local or euro zone suppliers. Certain foreign exchange risk exposure arises from the Company's international activities with foreign telecommunication operators and suppliers from outside the euro zone and is primarily related to settlements in US Dollars. The Company's trade payables and trade receivables in foreign currency are short-term and insignificant in comparison with settlements in euro. The Company manages foreign exchange risk by minimising the net exposure to open foreign currency position, therefore no foreign exchange hedging instruments is used.

The Company's income and operating cash flows are partially dependent of changes in market **interest rates**. An outstanding amount of fixed interest rate syndicated loan of EUR 150 million provided by SEB Bank and Danske Bank for acquisition of Omnitel back in 2016 as of 31 December 2020 was EUR 7.5 million and was fully repaid in January 2021. In 2019, the tenor of EUR 60 million loan provided by SEB Bank, Danske Bank and Nordea Bank in 2017 was extended till May 2024 and will be repaid in full on maturity. The interest rates of this syndicated loan are set semi-annually and are based on a 6 months EURIBOR interest rate. The Company does not use any interest rate hedging tools.

The Company's financial assets' exposure to **credit risk** is related to cash deposits and trade receivables. Credit risk of cash deposits is managed by limiting the cash exposure to financial institutions with lower than A (according to Fitch or equivalent by Standard & Poor's or Moody's) long-term credit ratings. As of 31 December 2020, majority (97.6 per cent) of the Group's cash deposits were held in AA-, A+ and A rated banks. The Company did not have any held-to-maturity investments at the end of 2020.

In November 2019, the Company entered into Participation Agreement with Skandinaviska Enskilda Banken (SEB) for customer receivables. Under agreement SEB acquired the rights to the cash flows for certain pools of the Company's receivables from the sales of handsets to residential customers. The objective of the agreement is to improve the Company's working capital by achieving derecognition of the receivables by transferring the risk related to the receivables to SEB with the use of the so called "pass-through" rules in IFRS 9 Financial instruments.

To manage credit risk of trade receivables the Company checks the creditworthiness of all customers (business and residential) before signing any new contracts, except for low value contracts, e.g. additional TV packaged or other value added services (VAS). Customers' invoices payment control consists of a few various reminders starting with a notification before due date and then additional reminders after due date are sent. Services are limited after 20 days past due and contract is terminated and penalties issued after 50 days past due. Residential customers' bad debts after sending additional reminding letters are sold or handed over to external bad debt collection agencies for debt recovery.

Liquidity risk relates to the availability of sufficient funds for the Company debt service, capital expenditure, working capital requirement and dividend pay-out. Prudent liquidity risk management implies maintaining sufficient level of cash and cash equivalents. The goal of the Company's liquidity risk management is to ensure that minimum liquidity position (calculated as cash and cash equivalents plus undrawn committed credit facilities) should at any time exceed the level of 2 per cent of the annual revenue. During 2020, the Company's liquidity position on average amounted to 14.5 per cent of the annual revenue. The Company has a Revolver Loan Agreement with Telia Company under which could borrow up to EUR 20 million for 3- or 6-months' period within 2 business days. During 2020, the Company has borrowed EUR 8 million from Telia Company for 3 months in May and by the end of 2020 had no outstanding debt to Telia Company.

The Company is a part of reverse factoring or Supplier Invoice Financing (SIF) program where suppliers' invoices are paid by third party banks in 7 days for an agreed fee which is covered by supplier. The Company does not pay any credit fees and does not provide any additional collateral or guarantee to the banks. The Company pays banks full amount in up to one-year period (actual term depends on few variables agreed between all three parties). There were 24 suppliers which participated in SIF program during 2020 and generated over EUR 15 million cash flow.

At the end of December 2020, the total amount of borrowings amounted to EUR 123.1 million (EUR 143.5 million a year ago), whereof EUR 67.5 million were loans from banks, EUR 54.2 million – obligations under reverse factoring arrangement and EUR 1.4 million – obligation under financial lease agreements.

As of 31 December 2020, the net debt amounted to EUR 67.2 million (EUR 93.3 million a year ago) and net debt to equity (Gearing) ratio was 20.3 per cent (28.4 per cent at the end of December 2019). The Company's net debt to EBITDA ratio was 0.50 (0.72 a year ago).

The Company's financial risk management is carried out by employees of Finance unit of the Company under Telia Company Group policies in close co-operation with Telia Company Group. More information about the Company's financial risk management is provided in Note 3 of the Company's Consolidated and Separate Financial Statements for the year ended 31 December 2020.

Security and integrity are of highest priority to Telia Company Group including Telia Lietuva. As a part of that we constantly evaluate and assess all partners and suppliers. We always oversee the construction and operation of our networks and we are constantly focused on security and that applies to all suppliers. In 2020, Telia Lietuva has entered into a strategic partnership with Ericsson (Sweden) to modernize its mobile network and rollout of 5G across the country. Currently Telia Lietuva uses Huawei radio access network (RAN) equipment, which will be phased out starting 2021.

To mitigate the impact of COVID-19 pandemic in addition to measure ensuring safely of the Company's employees and customers, the Company:

- actuated contingency plans for critical functions and services to handle a situation if the business has to be run with a minimal staffing;
- assessed risk and prepared contingency plans to ensure the supply of goods and services from key suppliers;
- increased follow-up of key business KPI's to early mitigate the negative impact on financials.

PLANS AND FORECASTS

We are on a mission to create a better Telia and reinvent better connected living through our digital connectivity, our digital experiences, and our digital infrastructure.

Everything we do should reflect our **purpose** – reinventing better connected living. This means better connected customers empowered to live fuller lives, better connected businesses working smarter, better connected teams all working towards one goal, and a better connected society in which people and the planet prosper together.

We are building a *Better Telia* – our goal is to make Telia better for customers, better for our employees, better for our owners and better for the societies in the Nordics and the Baltics. Led by our purpose to 'Reinvent better connected living' we aim to grow our business and deliver sustainable value creation to our shareholders through four key **strategic** pillars:

- inspiring our customers with brands and experiences that go beyond connectivity,
- connect everyone through the most trusted, reliable and efficient modern network,
- transforming to digital to be simpler, faster, data driven and with lower cost,
- delivering sustainably through an accountable and empowered organization.

In Lithuania *better Telia* means:

- leadership in customer experience – seamless journeys across platforms, personalised experience, premium brand, convergence, best B2B partner, partner of choice for SOHO/SME;
- leadership in network – quality in network and services, 5G and IoT all over, modern and legacy light;
- excellence in digitalisation – modern IT, simple processes, real-time analytics, automated solutions;
- strengthened leadership – sustainable performance, strong learning culture, customer obsession and innovation, sustainable and responsible business.

Our business goals for the forthcoming years are winning back mobility and legacy reduction. Service convergence, the best Internet and attention to SOHO/SME segment should let us win back mobility. Also, we should mitigate reducing revenue streams from legacy business, and focus on digital agenda and long-term efficiency through business transformation.

Going into 2021, there are two things that we will focus on. Firstly, quality, and secondly, being present with our customers. When it comes to quality we are committed to take the leadership in network: we have launched 5G and in 2021 we will start the roll-out of our new radio access (mobile) network, one of the biggest investment that ever been done in Lithuania. When it comes to presents' with our customers it means to meet our customers no matter is it on our digital platform, in our online shop, in our retail outlet or face to face. To build the best network, the best customer experience worth sharing, we have the best people on board.

In November 2020, we have entered into a strategic partnership with Ericsson to modernize our mobile network and roll-out of 5G. Ericsson will be the sole partner to deliver radio access network technology (RAN) in Lithuania. Over the next three years, we are planning to upgrade around 2,000 sites in Lithuania, phasing out equipment from Huawei starting 2021. This will further improve the current quality of 4G networks and ensure a fast upgrade to 5G, which will eventually be available throughout Lithuania. We will start providing commercial next-generation 5G mobile communication services in Lithuania after CRA announces the 5G frequency auction, which is expected to take place in 2021.

CORPORATE GOVERNANCE

According to the By-Laws of the Company, the **governing bodies of the Company** are the General Shareholder's Meeting, the Board and the CEO. The Law of the Republic of Lithuania on Companies provides that Lithuanian companies at their discretion could have either two (Supervisory Council and Board) or only one collegial governing body. There is no Supervisory Council in the Company.

The decisions of the **General Meeting** made regarding the matters of competence of the General Meeting, are binding upon the Shareholders, the Board, the CEO and other officials of the Company. The Shareholders of the Company that at the end of the date of the record of the General Meeting are shareholders of the Company have the right to participate in the General Meeting. The date of record of the General Meeting of the Shareholders of the Company is the fifth business day prior to the General Meeting or the repeated General Meeting. The person, participating in the General Meeting and having the right to vote, must deliver his/her identification proving document. In case the person is not a shareholder he/she is to present a document, proving his/her right to vote at the General Meeting.

Following the By-laws, **the Board** of the Company consists of six members who are elected for the term of two years and jointly act as a managing body of the Company. The Board represents the shareholders, and performs supervision and control functions. The members of the Board are elected by the General Meeting in accordance with the procedure established by the Law on Companies of the Republic of Lithuania. The Chair of the Board is elected by the Board from its members for two years. The Board institutes two Committees: Audit and Remuneration. Three members of the Board comprise each committee.

The By-laws of the Company provides that the Board of Telia Lietuva:

- is responsible for the strategic direction of the Company;
- considers and approves the strategy of the Company, the annual and interim reports of the Company, the structure of the Company's governance and positions of the employees, the positions to which employees shall be hired through a contest, and nominees to such positions, nominees to the positions directly reporting to the CEO, remuneration and dismissal from the positions, regulations of branches and representative offices of the Company, general principles (procedure) of payment of bonuses to Company's employees;
- sets the information, which shall be held the commercial (industrial) secret and confidential information of the Company;
- analyses and assesses materials provided by the CEO concerning the strategy implementation, activities and financial status of the Company;
- adopts decisions to become incorporator or participant of other legal entities, acquisition or disposal by the Company of the shares of other companies, acquisition, transfer, lease of any assets or business, assumption of new debt obligations, when the amount of the transactions exceeds EUR 1.6 million (excl. VAT);
- adopts decisions concerning the annual financial statements of the Company and a draft of profit (loss) distribution that are proposed by the CEO and presents these drafts to the General Meeting;
- adopts decisions on transactions with related parties as prescribed by the Law and transactions that has a significant impact on the Company, its finances, assets, liabilities;
- is responsible for convocation of General Meetings in a timely manner.

The Board elects and recalls the **CEO** of the Company, sets his remuneration and other conditions of the employment agreement, approves his office regulations, induces and applies penalties to him. The CEO is the Head of the Company. The Head of the Company is a one-man management body of the Company and, within his scope of authority, organizes the day-to-day operation of the Company. An employment agreement with the CEO is signed by the Chair of the Board or other person, authorized by the Board. The remuneration of the CEO comprises a fixed salary and bonuses (premiums), payable contingent on the results of the Company's activities and performance of the CEO. The Work Regulations that are approved by CEO define the duties and authority of CEO and other officers of the Company in more details.

The By-laws of the Company provides that CEO of Telia Lietuva:

- supervises the day-to-day operation and ensure the implementation of the Company's Business Plan;
- prepares annual financial statements and annual report of the Company;
- prepares a draft decision on the allocation of dividends;
- reports on the current operations of the Company at each meeting of the Board;
- performs the functions delegated to him by the Board and implement decisions adopted by the General Meeting;
- represents or procures the representation of the Company before companies, authorities, organizations, courts, arbitration and in relations with any third party;
- opens or closes accounts with banking institutions and dispose of the funds therein;
- executes the Company's transactions pursuant to the By-laws, decisions of the General Meeting and the Board;
- issues authorizations to other persons to perform his functions within the scope of his authority;

- issues procurations;
- issues internal documents regulating the work of the administration, and other structural units;
- appoints and dismisses employees of the Company, signs, amends and terminates on behalf of the Company employment agreements with employees of the Company (except where, in cases provided in these By-laws, Board approval is required);
- determines employees' salaries and bonuses (except where, in cases provided in these By-laws, Board approval is required); presents the procedure for payment of bonuses to the Board for approval;
- ensures the protection and increases of the Company's assets, normal working conditions, and protection of commercial secrets;
- represents or gives another person a power of attorney to represent the Company in general meetings of shareholders of other companies in which the Company has invested;
- approves, amends and supplements the work regulations of the administration;
- provides reports to the Shareholders and the Board on major events that are relevant to the Company's activities;
- complies with legal requirements when concluding transactions with related parties;
- executes other functions, ascribed to the competence of the head of a Company in the valid legal acts.

The Company essentially follows a recommendatory **Corporate Governance Code** for the Companies Listed on Nasdaq Vilnius stock exchange (hereinafter 'the Governance Code') adopted in August 2006, amended in December 2009 and newly worded from January 2019. The Company does not have a Supervisory Council, but supervision functions set by the Law on Companies of the Republic of Lithuania are performed by the Board, which is a non-executive managing body of the Company and is comprised from four representatives of the largest shareholder, Telia Company, and two independent members of the Board. The Company does not have a Nomination Committee as its functions are performed by the Remuneration Committee.

The Company prepared the disclosure of compliance with the principles and recommendation set by the Governance Code in Telia Lietuva, AB Corporate governance reporting form for the year ended 31 December 2020, which is an annex to this Annual Report.

SHARE CAPITAL

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.

SHAREHOLDERS' RIGHTS

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. As of 31 December 2020, the number of the Company's shares that provide voting rights during the General Meeting of Shareholders amounted to 582,613,138. One ordinary registered share of the Company gives one vote in the General Meeting of Shareholders.

The Company is not aware of any agreements between the shareholders that could limit transfer of securities and/or their ability to exercise their voting rights.

SHAREHOLDERS

Shareholders, holding more than **5 per cent** of the share capital and votes, as on 31 December 2020:

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**	**-**

Breakdown of the Company's **shareholders by the countries** of residence as of 16 November 2020, a record day for the last General Meeting of shareholder held on 23 November 2020:

Country	Number of shareholders	Number of shares	Part of the share capital (%)
Sweden	9	513,602,523	88.15
Lithuania	10,675	50,547,260	8.68
Estonia	800	11,794,494	2.02
Latvia	48	2,106,573	0.36
Poland	3	1,385,201	0.24
Canada	3	1,146,797	0.20
U.S.A.	41	455,313	0.08
Germany	13	393,552	0.07
New Zealand	1	241,559	0.04
Ireland	6	206,189	0.04
Austria	2	191,758	0.03
Belgium	5	158,000	0.03
United Kingdom	34	132,563	0.02
Luxemburg	7	97,129	0.02
Other countries (21)	56	154,227	0.03
Total	**11,703**	**582,613,138**	**100.00**

Breakdown of the Company's **shareholders registered in Lithuania** as of 16 November 2020, a record day for the last General Meeting of shareholder held on 23 November 2020:

	Number of shareholders	Number of shares	Part of the share capital (%)
Private individuals	10,595	44,747,038	7.68
Financial institutions	18	3,663,447	0.63
Legal entities	62	2,136,775	0.37
Total	**10,675**	**50,547,260**	**8.68**

SHAREHOLDERS MEETINGS

The Annual General Meeting of shareholders, that was held on 28 April 2020, decided:

- to approve the Company's audited annual financial statements for the year 2019,
- to allocate the Company's profit for the year 2019,
- to elect UAB Deloitte Lietuva as the Company's auditor for the year 2020,
- to approve the reorganisation by way of merging Telia Customer Service LT, AB into Telia Lietuva, AB,
- to approve a new edition of the By-laws of the Company,
- to approve Remuneration Policy of the Company.

Due to COVID-19 in the Republic of Lithuania imposed and on the day of the Annual General Meeting valid quarantine there was no physical gathering of shareholders. All 20 shareholders that took part in the General Meeting and had 518,659,453 votes (89.02 per cent of the total number of the Company's vote-carrying shares) voted in writing in advance.

The Extraordinary General Meeting of shareholders, that was held on 23 November 2020, decided:

- to elect to the Board of the Company for the current term of the Board Douglas Lubbe.

Due to in the Republic of Lithuania imposed and on the day of the Extraordinary General Meeting valid quarantine there was no physical gathering of shareholders. All 11 shareholders that participated in the General Meeting and had 515,724,555 votes (88.52 per cent of the total number of the Company's vote-carrying shares) voted in writing in advance.

PROCEDURE FOR AMENDING THE COMPANY'S BY-LAWS

The Company's By-laws provide that the By-laws of the Company can be amended upon the initiative of the Board or Shareholders, whose shares grant them no less than 1/20 of the whole votes. The decision on amendment of the By-laws shall be taken by the 2/3 majority of the votes of participants of the General Meeting. In case the General Meeting takes the decision to amend the By-laws of the Company the whole text of the amended By-laws shall be drawn and signed by the person, authorized by the General Meeting.

INFORMATION ABOUT TRADING IN THE COMPANY'S SECURITIES

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.

During 2020, the Company's **share price** on Nasdaq Vilnius stock exchange increased by EUR 0.55 or 43.1 per cent. The shares' turnover, compared to the year 2019, went up by 63.7 per cent. The Company's **market capitalisation** as on 31 December 2020 was EUR 1,063 million, an increase by 43.1 per cent over the market capitalisation of EUR 743 million a year ago.

Information about trading in the Company's shares on Nasdaq Vilnius stock exchange in 2020:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.275	1.840	1.135	1.825	1.414	7,636,709	10,798,684

DIVIDENDS

In 2017, the Board of the Company approved dividend policy which 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. Each year the Company pays dividends although there was no officially approved dividend policy until 2017.

On 26 May 2020, the Company paid out to the shareholders an amount of EUR 52.4 million of dividends or EUR 0.09 per share for the year 2019. In accordance with the relevant legislation, dividends were paid to the shareholders who were on the Shareholders' List of the Company on the dividend record day, 13 May 2020, i.e. the tenth business day after the Annual General Meeting of Shareholders. Dividends to all shareholders were paid in cash.

Information about the Company's dividend pay-out during the last five years (in EUR thousand):

Year	Profit for the period	Earnings per share (EUR)	Dividends paid	Dividend per share (EUR)	Dividends to profit ratio (%)
2015	34,178	0.059	5,826	0.01	17.0
2016	41,494	0.071	17,478	0.03	42.1
2017	50,077	0.086	40,783	0.07	81.4
2018	54,700	0.094	46,609	0.08	85.2
2019	54,726	0.094	52,435	0.09	95.8

TREASURY STOCKS

The Company has no treasury stocks. The Company has never acquired any shares from the management of the Company.

THE BOARD ACTIVITIES

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

On 23 November 2020, the Extraordinary General Meeting of the Company's shareholders elected Douglas Lubbe to the Board of the Company. He was nominated by Telia Company AB, a shareholder of the Company holding 88.15 per cent of the Company's shares and votes, and is regarded as non-executive member of the Company's Board.

On 24 November 2020, the Board elected Douglas Lubbe as the Chair of the Board and appointed him to the Remuneration Committee of the Company. The Board also elected Claes Nycander, a member of the Board and member of the Remuneration Committee, as the Chair of the Remuneration Committee.

On 26 April 2019, upon termination of the two-years' term of the Board, the Annual General Meeting of Shareholders following the proposal of the largest shareholder of the Company, Telia Company AB, re-elected all members of the Board for a new two-years' term.

All current 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. The current two-year's term of the Board terminates on 26 April 2021.

On 28 April 2020, the shareholders resolved 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.

During 2020, eight ordinary **meetings of the Board** were held. Meetings were convened according to the preliminary approved schedule of the Board meetings. During all Board meetings there was quorum prescribed by legal acts. The Board also passed three written decisions without convocation of the meeting. Two written decisions were related to UAB Mobilieji Mokėjimai (approval of loans extension, additional shareholders' contributions and decision to divestment) and one – to management related decision.

Information about the Board members' attendance of the meetings in 2020 (number of attended/to be attended meetings):

		Meeting attendance			Tantiemes for 2019 paid-out in 2020 (EUR)
Name, surname	**Position**	**Board**	**Audit Committee**	**Remuneration Committee**	
Emil Nilsson	Chair of the Board, Chair of the Remuneration Committee till 21 October 2020	6/6		3/3	-
Douglas Lubbe	Chair of the Board, member of the Remuneration Committee from 24 November 2020	2/2		1/1	
Claes Nycander	Member of the Board, member of the Remuneration Committee	8/8		4/4	-
Agneta Wallmark	Member of the Board, Chair of the Audit Committee	8/8	5/5		-
Hannu-Matti Mäkinen	Member of the Board	8/8			-
Tomas Balžekas	Member of the Board, member of the Audit Committee	8/8	5/5		15,640
Mindaugas Glodas	Member of the Board, member of the Audit and Remuneration Committees	8/8	5/5	4/4	15,640

In 2020, the Board, besides the ongoing follow up of the Company's business plan implementation, supervision of transformation and other programs' development, approved:

- business plan for the year 2020,
- the Company's targets and KPIs for the year 2020,
- financial statements for the 12 months of 2019 and 3, 6 and 9 months of 2020,
- financial statements and the consolidated annual report for the year ended 31 December 2019,
- convocation of the Annual and Extraordinary General Meetings of Shareholders and agenda of the Meetings,
- proposal of profit allocation for the year 2019,
- payment of annual bonuses for the year 2019,
- updated Remuneration Policy, Variable Pay Instruction, Antibribery and Corruption Policy, Freedom of Expression & Surveillance Privacy Policy, Communication Policy and Environment Policy,
- Remuneration Policy for CEO and members of the Board,
- extension of loans, additional contributions to cover losses and divestment of UAB Mobilieji Mokėjimai,
- outsourcing of copper infrastructure maintenance to the third party,

- agreements that value exceeds a threshold of EUR 1.6 million,
- new Chair of the Board, new member and new Chair of the Remuneration Committee,
- appointment of Head of Digitization & Analytics,
- the preliminary budget for related parties transaction (Common Services purchase from Telia Company Group) for the year 2021,
- business plan for the year 2021.

The Board on a regular base considered reports of the Audit and Remuneration Committees as well as reports of the Company's management.

The **Remuneration Committee** of the Company shall make recommendations to the Board on how to create a competitive compensation structure that will help attract and retain key management talent, assure the integrity of the Company's compensation and benefit practices, tie compensation to performance and safeguard the interests of all shareholders. The Remuneration Committee reviews and establishes the general compensation goals and guidelines for the Company's employees and the criteria by which bonuses are determined, reviews and makes recommendation for compensation for executives and management, plans for executive development and succession, supports the Chair of the Board in the recruitment of CEO and supports CEO in recruitment of the managers directly reporting to CEO.

During 2020 four meetings of the Remuneration Committee were held. The following issues were considered during these meetings:
- evaluation of the Company's Management team members' performance and approval of variable pay amounts for Management team for the year 2019;
- evaluation of the CEO performance and approval of variable pay amount for the year 2019,
- draft of Remuneration Policy for CEO and members of the Board,
- draft of the Company's Remuneration Policy and Variable Pay Instruction,
- appointment of Head of Digitization & Analytics,
- revised due to COVID-19 internal targets (KPIs),
- salary review of members of the Management team,
- approval of CEO's contract change,
- people agenda updates.

All members of the Committee attended all meetings of the Committee. The first three meetings of the Committee were chaired by the then Chair of the Committee, Emil Nilsson, and the last one by newly elected Chair of the Committee, Claes Nycander.

The purpose of the **Audit Committee** is to assist the Board in fulfilling its oversight responsibilities. The Audit Committee reviews the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations and its internal orders.

During 2020, five meetings of the Audit Committee were held, during which the following issues were considered:
- report by external auditors regarding the financial statements for the year 2019,
- draft of audited financial statements and the Annual Report for the year 2019,
- draft of Profit allocation statements for the year 2019 (dividends and tantiemes),
- candidacy of audit enterprise for the audit of the Company's financial statements for the year 2020,
- internal audit plan for the year 2020,
- regular internal audit and risk management reports,
- reports of GREC (Governance, Risk, Ethics and Compliance) meetings,
- update on funding and liquidity, credit scoring and debt management,
- update on operators' data and voice transit business.

Following the requirements of the Law on Companies of the Republic of Lithuania, the Audit Committee produced written opinions regarding not typical to the Company's activities or high value related parties' transactions and submitted their opinions to the Board for the final approval of transactions. During 2020, the Audit Committee considered one related party transaction – preliminary budget for Common Services purchase from Telia Company Group for the year 2021.

All members of the Committee attended all meetings of the Committee. All meetings were chaired by Chair of the Committee, Agneta Wallmark.

During the first meeting of the Audit Committee in 2020 the external auditors from Deloitte Lietuva presented an audit plan for the year 2020, team of auditors and officially stated about their independence.

MEMBERS OF THE BOARD

Emil Nilsson (born in 1971) was Chair of the Board and Chair of the Remuneration Committee till his resignation as of 21 October 2020 due to his departure from Telia Company AB. As member of the Board of Telia Lietuva he was elected on 9 November 2018 and re-elected for the two-year terms on 26 April 2019 (nominated by Telia Company AB). He has Bachelor of Science in Finance degree from University of Stockholm (Sweden). Till August 2020 he was Senior Vice President & Head of cluster Lithuania, Estonia and Denmark (LED) at Telia Company AB, 169 94 Solna, Sweden, code 556103-4249. He was also Chair of the Supervisory Council of Telia Eesti AS, Mustamäe tee 3, 15033 Tallinn, Estonia, code 10234957, Chair of the Supervisory Council and Chair of the Remuneration Committee of Latvijas Mobilais Telefons (LMT) SIA, Ropažu iela 6, Rīga, LV-1039 Latvia, code 50003050931, and member of the Board of Svenska Handbollslandslaget AB, Arsenalsgatan 2, 111 47 Stockholm, Sweden, code 556768-4906. Emil Nilsson had no direct interest in the share capital of Telia Lietuva.

Douglas Lubbe (born in 1972) – Chair of the Board, member of the Board since 23 November 2020 (nominated by Telia Company AB), member of the Remuneration Committee. Education: University of Southern Queensland (Australia) Master of Business Administration; South African Institute of Chartered Accountants, Certificate of Membership; University of South Africa, Bachelor of Accounting Science; Potchefstroom University for Christian Higher Education (South Africa), Bachelor of Commerce. Employment – Telia Sverige AB, 169 94 Solna, Sweden, code 556430-0142, Chief Financial Officer. He is not involved in activities of other entities and has no direct interest in the share capital of Telia Lietuva.

Agneta Wallmark (born in 1960) – member of the Board since 25 April 2018, re-elected for the two-year terms on 26 April 2019 (nominated by Telia Company AB), Chair of the Audit Committee. Education: Stockholm School of Economics (Sweden), B. Sc. Econ with special focus on Accounting and Finance and Stockholm University (Sweden), LL M with special focus on Tax and Economics. Employment – Telia Company AB, 169 94 Solna, Sweden, code 556103-4249, Vice President, Head of Group Treasury. Current Board assignments:

- Telia Försäkring AB (Telia Insurance), 169 94 Solna, Sweden, code 516401-8490, Chair of the Board;
- Swedish Pension Fund of Telia, 169 94 Solna, Sweden, member of the Board;
- Telia Towers AB, 169 94 Solna, Sweden, code 559196-5164, member of the Board;
- Skandia Life Insurance (Mutual), Lindhagensgatan 86, 112 18 Stockholm, Sweden, code 516406-0948, Chair of Nomination Committee for Council elections.

Agneta Wallmark has no direct interest in the share capital of Telia Lietuva.

Claes Nycander (born in 1963) – member of the Board since 29 April 2014, re-elected for the two-year terms on 29 April 2015, 27 April 2017 and 26 April 2019 (nominated by Telia Company AB), Chair of the Remuneration Committee. Education: Uppsala University (Sweden), Master of Business and Administration; Stanford University Palo Alto (U.S.A.), Master of Science in Electrical Engineering; Institute of Technology at University of Linköping (Sweden), Master of Science in Electrical Engineering, and University of Linköping (Sweden), Bachelor of Science in Mathematics. Employment – Telia Company AB, 169 94 Solna, Sweden, code 556103-4249, Vice President & Head of Chief Operating Officer Office & LED (Lithuania, Estonia, Denmark) Management at Common Products and Services (CPS). Current Board Assignments:

- TT-Netværket P/S, Amager Strandvej 60, 2300 København S, Denmark, code 34230625, Chair of the Board;
- Telia Towers AB, 169 94 Solna, Sweden, code 559196-5164, Chair of the Board;
- Telia Company Danmark A/S, Holmbladsgade 139, 2300 København S, Denmark, code 18530740, Chair of the Board;
- Telia Mobile Holding AB, 169 94 Solna, Sweden, code 556855-9040, Chair of the Board
- Telia Nättjänster Norden AB, Mårbackagatan 11, 123 43 Farsta, Sweden, code 556459-3076, Chair of the Board;
- Systecon AB, Rehnsgatan 20, 113 57 Stockholm, Sweden, code 556536-6605, member of the Board;
- Systecon Group AB, Rehnsgatan 20, 113 57 Stockholm, Sweden, code 556710-8492, member of the Board;
- Systecon Software AB, Rehnsgatan 20, 113 57 Stockholm, Sweden, code 556714-5403, member of the Board;
- Systecon Konsult AB, Rehnsgatan 20, 113 57 Stockholm, Sweden, code 559282-5524, member of the Board;
- Svenska UMTS-Nät AB, Warfvinges Väg 45 4tr, 11251 Stockholm, Sweden, code 556606-7996, member of the Board;
- Svenska UMTS-licens AB, Warfinges Väg 45, 112 51 Stockholm, Sweden, code 556606-7772, member of the Board;
- Telia Eesti AS, Mustamäe tee 3, 15033 Tallinn, Estonia, code 10234957, member of the Supervisory Council, Latvijas Mobilais Telefons (LMT) SIA, Ropažu iela 6, Rīga, LV-1039 Latvia, code 50003050931, member of the Supervisory Council.

Claes Nycander has no direct interest in the share capital of Telia Lietuva.

Hannu-Matti Mäkinen (born in 1970) – member of the Board since 25 April 2018, re-elected for the two-year terms on 26 April 2019 (nominated by Telia Company AB). Education: University of Arizona (U.S.A), College of Law, LL.M (Master of Laws) in International Trade Law, and University of Lapland (Finland), School of Law, LL. B (Bachelor of Laws) and

LL.M (Master of Laws) in Finnish and EU-Law. Employment – Telia Company AB, 169 94 Solna, Sweden, code 556103-4249, Vice President and Head of Legal Practice Group B2B & Carrier. Current Board Assignments:

- Telia Finland Oyj, PL 106, FI-0051 Sonera, Finland, code 1475607-9, member of the Board;
- Tilts Communications A/S, Holmbladsgade 139, 2300 København, Denmark, code 17260642, member of the Board;
- Tet SIA, Dzirnavu iela 105, Rīga, LV-1011 Latvia, code 40003052786, member of the Supervisory Council.

Hannu-Matti Mäkinen has no direct interest in the share capital of Telia Lietuva.

Tomas Balžekas (born in 1977) – member of the Board since 25 April 2018, re-elected for the two-year terms on 26 April 2019 (as independent member of the Board nominated by Telia Company AB), member of the Audit Committee. Education: Concordia University Wisconsin (U.S.A.), Master of Business Administration (MBA), Finance; Concordia University Wisconsin (U.S.A.), Bachelor of International Business, and Concordia International University Estonia, Bachelor of International Business. Employment: UAB Media Bitės, Kęstučio g. 25, LT-08121 Vilnius, Lithuania, code 304552458, General Manager (CEO). Involvement in activities of other entities:

- UAB Media Bitės, Kęstučio g. 25, LT-08121 Vilnius, Lithuania, code 304552458, shareholder (51 per cent);
- UAB Mano Daktaras, Kęstučio g. 25, LT-08120 Vilnius, Lithuania, code 303085208, a subsidiary of UAB Media Bitės, General Manager (CEO);
- UAB Balžeko Bitės, Aukštaičių g. 6, LT-11341 Vilnius, Lithuania, code 302833809, shareholder (100 per cent);
- UAB Merkinės Muilo Fabrikas, Viršupio g. 28, LT-10230 Vilnius, Lithuania, code 305211812, shareholder (33 per cent)
- UAB M7 Plius, Vlado Mirono g. 6D, LT-11311 Vilnius, Lithuania, code 305250719, shareholder (25 per cent);
- VšĮ M7 Sporto Grupė, Vlado Mirono g. 6D, LT-11311 Vilnius, Lithuania, code 305229956, owner (25 per cent);
- UAB GO Tennis, Karklų g. 36, Kunkių k., LT-92382 Klaipėda region, Lithuania, code 302454257, shareholder (12 per cent)
- VšĮ Lietuvos Nacionalinis Radijas ir Televizija (Lithuanian National Radio and Television), S. Konarskio g. 49, LT-03123 Vilnius, Lithuania, code 124241078, member of the Council, Chair of the Audit and Risk Commitee.

Tomas Balžekas has no direct interest in the share capital of Telia Lietuva.

Mindaugas Glodas (born in 1972) – member of the Board since 25 April 2018, re-elected for the two-year terms on 26 April 2019 (as independent member of the Board nominated by Telia Company AB), member of the Audit and Remuneration Committees. Education: University of Antwerp, Centre for Business Administration UFSIA (Belgium), Master of Business Administration (MBA), and Vilniaus University, Faculty of Economics (Lithuania), Bachelor of Business Administration (BBA). Employment:

- NRD Companies AS, Løkketangen 20 B, 1337 Sandvika, Norway, code 921985290, General Manager;
- Norway Registers Development AS, Løkketangen 20 B, 1337 Sandvika, Norway, code 985221405, General Manager;
- Norway Registers Development AS Lithuanian branch, Gynėjų g. 14, LT-01109 Vilnius, Lithuania, code 304897486, General Manager;
- NRD Systems, UAB, Gynėjų g. 14, LT-01109 Vilnius, Lithuania, code 111647812, General Manager.

Involvement in activities of other entities:

- Association Žinių Ekonomikos Forumas, Saulėtekio al. 15, LT-10221, Vilnius, Lithuania, code 225709520, member of the Council;
- Lithuanian National Committee for UNICEF, Aušros Vartų g. 3, LT- 01304 Vilnius, Lithuania, code 191588169, Chair of the Board;
- Association INFOBALT, A. Goštauto g. 8-313, LT-01108 Vilnius, Lithuania, code 122361495, Chair of the Board and President
- MB Vox Proxima, Perkūno g. 32, Gilužių k., LT-14195 Vilniaus r., Lithuania, code 303481474, member of partnership (50 per cent);

Mindaugas Glodas has no direct interest in the share capital of Telia Lietuva.

MANAGEMENT TEAM

Dan Strömberg (born in 1958) – CEO of the Company from 4 July 2018. Education: IHM/Stockholm University (Sweden), Finance and IHM Business School (Sweden), Marketing. Involvement in activities of other entities:

- Telia Company AB, 169 94 Solna, Sweden, code 556103-4249, Senior Vice President & Head of cluster Lithuania, Estonia and Denmark (LED);
- Tet SIA, Dzirnavu iela 105, Rīga, LV-1011 Latvia, code 40003052786, Deputy Chair of the Supervisory Council;
- Association Investors' Forum, Totorių str. 5-21, LT-01121 Vilnius, Lithuania, code 224996640, member of the Board.

Dan Strömberg has no direct interest in the share capital of Telia Lietuva.

Nortautas Luopas (born in 1979) – Head of Consumer (B2C) from 16 August 2019 and Head of Digitization & Analytics from 1 January 2020. Education: Klaipėda University (Lithuania), Bachelor's degree in Applied Mathematics and IT, and Baltic Management Institute (Lithuania), Executive MBA. He is not involved in activities of other entities. Nortautas Luopas has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 per cent of the share capital of any company.

Daniel Karpovič (born in 1982) – Head of Enterprise (B2B) from 6 June 2019. Education: Catholic University of Lublin in Poland, Master of Psychology and studies in Marketing. He is not involved in activities of other entities. Daniel Karpovič has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 per cent of the share capital of any company.

Giedrė Kaminskaitė-Salters (born in 1978) – Head of Sales and Customer Care from 8 January 2019. Education: Maastricht University (The Netherlands), Doctor of Law; BPP Law School, London (United Kingdom), law conversion studies, juris doctor equivalent; Oxford University (United Kingdom), MPhil in International Relations; London School of Economics (United Kingdom), Bachelor of Science in International Relations. Involvement in activities of other entities:

- UAB Litexpo, Laisvės pr. 5, LT-04215 Vilnius, Lithuania, code 120080713, Chair of the Board;
- Vilnius University Institute of International Relations and Political Science, Vokiečių g. 10-403, Vilnius, Lithuania, code 125745184, member of the Board of Trustees.

Giedrė Kaminskaitė-Salters has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 per cent of the share capital of any company.

Andrius Šemeškevičius (born in 1976) – Head of Technology Infrastructure from 18 August 2014. Education – Vilnius Gediminas Technical University (Lithuania), Bachelor's degree in Engineering Informatics and Master's degree in Engineering Informatics. Involved in activities of other entities:

- SIA Telia Latvija, Lielvārdes iela 8A, Rīga, LV-1006 Latvia, code 40003057571, Chair of the Supervisory Council.

Andrius Šemeškevičius has 8,761 shares of Telia Lietuva that accounts to 0.0015 per cent of the total number of the Company's shares and votes. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Arūnas Lingė (born in 1975) – Head of Finance from 25 March 2019. Education: Kaunas Technology University (Lithuania), Master of Management (1999), and ACCA (Association of Chartered and Certified Accountants) (UK) Member and Fellow (1999 – 2004). He is not involved in activities of other entities. Arūnas Lingė has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 per cent of the share capital of any company.

Ramūnas Bagdonas (born in 1974) – Head of People and Engagement from 1 June 2014. Education: Vytautas Magnus University (Lithuania), Master of Business Administration; Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration. Involvement in activities of other entities:

- Association of Personnel Management Professionals, Galvydžio g. 5, LT-08236 Vilnius, Lithuania, code 300563101, member of the Board.

Ramūnas Bagdonas has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 per cent of the share capital of any company.

Daiva Kasperavičienė (born in 1968) – Head of Legal and Corporate Affairs from 25 January 2019. Education – Vilnius University (Lithuania), Law Master's degree. She is not involved in activities of other entities. Daiva Kasperavičienė has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 percent of the share capital of any company.

Birutė Eimontaitė (born in 1983) – Head of Communication from 1 January 2019. Education: Vilnius University (Lithuania), Bachelor's degree in Communication and Information, and Vilnius University, Institute of International Relations and Political Science (Lithuania), Master's degree in Political Science. She is not involved in activities of other entities. Birutė Eimontaitė has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 per cent of the share capital of any company.

Vytautas Bučinskas (born in 1974) – Head of Business Assurance and Transformation from 15 December 2017. Education: Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration; Kaunas Technology University (Lithuania), Bachelor of Management of Production and Master of Marketing. Involvement in activities of other entities:

- Member of the Cyber Security Council (Lithuania)
- Association INFOBALT, A. Goštauto g. 8-313, LT-01108 Vilnius, Lithuania, code 122361495, Deputy Chair of Cybersecurity Committee.

Vytautas Bučinskas has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 per cent of the share capital of any company.

Information about remuneration of key management personnel is provided in Note 31 of the Company's Consolidated and Separate Financial Statements for the year ended 31 December 2020. Key management includes CEO, Heads of Units directly reporting to CEO and Heads of the largest Units of the Company. The total amount of the Company's dividends for the year 2019 paid in 2020 to key management personnel amounted to 1,013.49 euro.

During 2020, there were no loans, guarantees or sponsorship granted to the members of the Board or members of the Management Team by the Company as well as none of subsidiaries paid salaries or other payouts to the members of the Board or members of the Management Team of the Company for being members of their managing bodies.

The principle of employees' (including managers) equal opportunities based on competence, experience and performance, regardless of gender, race, ethnicity, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social background and/or other characteristics protected by applicable law, is set in the People Policy. Nevertheless, the Board introduced a soft target to increase the number of females in the management positions, as currently just one female out of six is member of the Board and three out of ten are members of Management Team.

INFORMATION ABOUT AGREEMENTS OF THE COMPANY AND THE MEMBERS OF ITS MANAGEMENT BODIES, OR THE EMPLOYEE PROVIDING FOR A COMPENSATION IN CASE OF THE RESIGNATION OR IN CASE THEY ARE DISMISSED WITHOUT DUE REASON OR THEIR EMPLOYMENT IS TERMINATED IN VIEW OF THE CHANGE OF THE CONTROL OF THE COMPANY

All the Company's employment agreements with the employees, including management, of the Company are concluded following requirements of the Labour Code of the Republic of Lithuania. Employees are employed and laid off following requirements of the Labour Code.

Members of the Company's Board are elected for a two-year term by the shareholders without any employment agreements as they represent shareholders and are not employees of the Company. The Annual General Meeting of Shareholders while adopting decision on profit allocation can also pass a decision on granting annual compensations (tantiemes) to members of the Board for their activities. Members of the Board have a right to resign from the Board prior to the termination of the term of the Board upon written notification to the Company submitted not later than 14 calendar days. The Rules of Procedure of the Board do not provide for any compensations or pay-outs in case any member of the Board resigns prior to the termination of the term of the Board.

The Board approves the main conditions of employment agreements of the members of the Company's Management Team. The said conditions stipulate that where a member of the Management Team has his/her employment agreement terminated due to his/her revocation from the office under the initiative of the Company without any fault on the part of the member of the Management Team, the Company must pay to him/her the compensation amounting up to 6 monthly salaries unless laws regulating labour relations provide otherwise.

There are no material agreements to which the Company is a party and which would come into effect, be amended or terminated in case of change in the Company's control.

THE MAIN FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group prepares its consolidated financial statements according to the International Financial Reporting Standards (IFRS) as adopted by the EU.

In collaboration with Telia Company AB, the Company had implemented a process of internal controls. It was implemented following the COSO (Committee of Sponsoring Organizations of the Treadway Commission) methodology.

The process of the Company's internal controls implies control of business processes related to provision of services and revenue assurance (customers' settlements and accounting, development and management of services, services provision), performance of IT systems (customer care and billing, infrastructure, network information, financial accounting, salary accounting, networks' interconnection) and the process of preparation of financial reports.

The Company's Process for Preparation of Financial Statements provides that financial statements will be prepared in a correct and timely manner. The Process for Preparation of Financial Statements describes potential risks, methods, types and frequencies of risks control, proves of control, employees responsible for and employees executing control related to preparation of financial statements.

AUDITORS

Auditors from UAB Deloitte Lietuva, a member of the Deloitte network, audited the consolidated and separate financial statements of the Company and its consolidated subsidiaries for the years ended 31 December 2014, 2015, 2016, 2017, 2018, 2019 and 2020 together with the related consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of financial position, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows and a summary of significant accounting policies and other explanatory notes for the years then ended.

On 28 April 2020, the shareholders of the Company decided 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 2020, and to assess the consolidated annual report of the Company for the year 2020, and to authorize the CEO of the Company to conclude the agreement for audit services, establishing the payment for services as agreed between the parties but in any case not more than EUR 124 thousand (VAT excluded) for the audit of the Company's annual consolidated and separate financial statements and the assessment of the consolidated annual report.

Deloitte is a globally connected network of member firms in more than 150 countries and territories providing audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. The criteria for selection of Deloitte as the Company's audit enterprise was decision of the Annual General Meeting of Telia Company AB shareholders on 2 April 2020 to elected Deloitte AB (Sweden) as the auditor of Telia Company. The aim is that consolidated subsidiaries of Telia Company be audited by the same highly reputable international audit enterprise, therefore the Company is audited by Lithuanian arm of Deloitte.

Following the Law of the Republic of Lithuania on Audit, UAB Deloitte Lietuva on 24 March 2020 at the meeting of the Audit Committee of the Company officially stated about UAB Deloitte Lietuva independence from the Company. During 2020, UAB Deloitte Lietuva did not provided any other than audit services to the Company and did not received any other remuneration from the Company except for the audit services provided for the total amount of EUR 127.4 thousand for the audit of financial statements for the year 2019.

PERSONNEL

Number of Telia Lietuva Group employees at the end of the year:

	2020	2019	Change (%)
Number of personnel (head-counts)	2,161	2,336	(7.5)
Number of full-time employees	2,001	2,127	(5.9)

While counting full-time employees, the number of part-time employees is recalculated into the number of full-time employees, and this number does not include employees on maternity/paternity leave.

The breakdown of the number of the Group employees (head-counts) by the companies:

Name of the company	31-12-2020	31-12-2019	Change
Telia Lietuva, AB	2,161	1,701	460
Telia Customer Service LT, AB	-	635	(635)
	2,161	**2,336**	**(175)**

On 1 July 2020, Telia Customer Service LT was merged into Telia Lietuva and all employees of Telia Customer Service LT became employees of Telia Lietuva. From 1 August 2020, 69 employees involved in maintenance of copper infrastructure were handed over to the third party.

PEOPLE POLICY

Telia Company's most valuable resource is our people. We strive to have the most engaged employees. Without our ability to identify, hire and retain the best people, we would lose some of our unique culture and competitive edge.

People Policy defines the Company's expectations of the employees as well as what expectations our employees shall have of each other and on the Company as their employer. The policy does not form part of any employee's contract of employment and may change from time to time at the discretion of the Company.

The Code of Responsible Business Conduct lays out basic expectations on employees. Telia Company Group is committed to several international principles and frameworks such as the UN Guiding Principles on Business and Human Rights, the ILO Core Conventions and the Children's Rights and Business Principles. Employees are, at all times, expected to respect these commitments.

The People Policy covers the following areas:

- **Addictive substances.** The Company does not accept any form of use or possession of illegal or unauthorized drugs in the workplace. It is forbidden to be at the workplace or perform work while under the influence of alcohol or drugs. To maintain a smoke-free work environment, smoking is allowed only in designated areas.
- **Child labor and forced labor**. Child labor is not accepted in any of Telia Company Group operations or at our suppliers or sub-suppliers. Under no circumstance will we employ anyone below the age of 15 (or the country's legal minimum age, if over 15). Forced labor is not accepted in any of Telia Company Group operations or at our suppliers or sub-suppliers. Employees are free to leave their employment after a notice period, as required by law and contract.
- **Disclosure of conflicting interests.** Employees shall not be involved in outside employment or business interests in potential or actual conflict with Telia Company Group business unless agreed between the employee and the company. Employees facing a potential or actual conflict of interest situation shall discontinue it.
- **Freedom of association and collective bargaining.** Employees have the right to form or join associations of their own choice concerning the relationship between the employer and the employees, and to collective bargaining. We do not accept any discrimination or disciplinary actions, which is based on an employee's choice to peacefully and lawfully organize or join an association.
- **Integrity.** Employees shall act in a manner, which is appropriate to their position in the organization. They shall not act in a manner, which could disrepute Telia Company. Employees shall personally not be engaged in any illegal or criminal activities (inside or outside working hours).
- **Non-discrimination, equal opportunity and diversity.** Telia Company promotes a culture of diversity and equal opportunity based on competence, experience and performance. All employees shall treat one another with respect, dignity and common courtesy. No employee shall be treated differently because of their gender, gender identity or expression, ethnicity, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social background and/or other characteristics protected by applicable law. As part of our commitment to a diverse and inclusive workplace, we have zero tolerance against discrimination, victimization, harassment and bullying.
- **Recruitment.** The right competence, diversity and equal opportunity are all equally important factors when we recruit, both internally and externally. Recruitments are based on business needs and we care for respect for the individual no matter of age, gender, marital or parental status, color, religion, race, ethnicity, nationality, handicap, sexual orientation or political opinion.
- **Terms of employment and working hours.** Telia Company provides working conditions, which comply with local statutory requirements and collective bargaining agreements. The Company follows national legislation and collective bargaining agreements on working hours. We respect the employees' right to leisure time and a work-life balance.
- **Total remuneration.** Remuneration is based on fairness and non-discrimination and regularly reviewed to ensure these principles. Employees are provided understandable information in written about their employment conditions regarding salaries before they enter employment. Employees are provided details of their salaries for the given pay period each time they are paid.
- **Travel.** Business travel shall be conducted in the most reasonable, safe, cost-effective and environmentally friendly manner.

Any Telia Company employee who suspects violations of the Code of Responsible Business Conduct or People Policy must speak up and raise the issue primarily to their line manager, and secondly to the Human Resources unit, to the Ethics and Compliance Office, or through the Speak-Up Line.

The breakdown of the Company's employees (head-counts) by gender and main units as of 31 December 2020:

	Total	Female	% of total	Male	% of total
Sales related units	1,294	773	59.7	521	40.3
Technology units	685	155	22.6	530	77.4
Support units	182	125	68.7	57	31.3
	2,161	**1,053**	**48.7**	**1,108**	**51.3**

The protection and improvement of the health, safety and well-being of everyone who works for or with the Company, is a guiding principle in all our operations. This definition includes our employees, contractors, suppliers and visitors. Our common approach is built on promoting good health, well-being and safe work conditions, preventing occupational risks and ill health, and rapidly reacting to injuries and unsafe conditions. This applies to both physical and psycho-social work aspects.

The Company's occupational health and safety (OHS) management system cover all requirements of ISO 45001 standard. The certificate of compliance with Occupational health and safety (ISO 45001) standard was obtained by the Company in October 2017.

REMUNERATION

The Company's objective is to maximize the effectiveness of remuneration programs to attract, retain and motivate high calibre staff needed to maintain and improve the success of the business and support the change journey of becoming a new generation telecom company. The aim of Remuneration Policy and the associated remuneration practices is to support the strategic direction and objectives of the Company.

The Remuneration Policy sets out the following principles:

- **Competitiveness and positioning**. The total remuneration should be market competitive without leading relative to the competition, and factor in the affordability for the business;
- **Job levelling.** Remuneration structure should take the competence required, responsibility, complexity and business contribution of the positions into consideration when identifying the relevant remuneration levels;
- **Compliance.** To ensure sustainability, all remuneration structures at Telia Company should comply with statutory requirements, collective bargaining agreements and internal policies and instructions.
- **Cost effectiveness and administrative efficiency.** Remuneration programs should be delivered to employees in an optimally effective manner, both in terms of cost effectiveness and administrative efficiency.
- **Performance orientation.** In identifying remuneration levels for individuals, corporate, team and individual performance should be taken into account. Performance is assessed in terms of total contribution once per year. Both "What" and "How" is assessed with clear links to outcomes not only remuneration but also development and promotions;
- **Equal opportunity.** Remuneration decisions should only be made based on the guidelines outlined in policies and instructions. Discrimination related to factors like race, gender, age, religious or ethnic affiliation are under no circumstances allowed.

The Company applies total remuneration approach, which means that making remuneration comparisons with market levels and in communicating the value of remuneration to stakeholders, the emphasis is placed on the total value of the remuneration, not on the individual components. The Company offers different remuneration components to its employees differentiated based on types of businesses, functions, roles and markets. The remuneration may consist of one or more of the following components:

- **Fixed base pay**, which reflects the competence required, responsibility, complexity and business contribution of the position, type of role, external market conditions, the performance and skills of the employee and consequently is individual and differentiates within acceptable ranges;
- **Short-term annual variable pay** may be offered to some of the employees and is based on the achievement of agreed both financial and non-financial objectives and manager's assessment of the employee's performance;
- **Functional variable pay** is a sales incentive component tied to sales performance in positions related to direct sales to customers;
- the Company may introduce **long-term incentive programs** (such as share-based) for some of its employees to create confidence in and commitment to the Group's long-term financial performance;
- other financial and non-financial **benefits** such as additional health insurance, pension plans, etc.

The remuneration of all employees is assessed once a year. In 2020, the remuneration was increased to 81 per cent (88 per cent in 2019) of the Company employees on average by 11 per cent and annual bonuses amounting to roughly one monthly salary on average were paid to all employee of the Company which in 2019 worked in the Company for more than 3 months and did not received sales incentive pays. According to the policy, the remuneration structure and levels for the members of the Company's Management Team are supervised and governed by the Remuneration Committee of the Company and are approved by the Board.

Information about the Company's employees' average salaries as of 31 December 2020:

Group of employees	**Number of employees**	**Average monthly salary (in EUR)**
Managers (excluding CEO)	43	7,441
Middle level managers	179	2,864
Specialists	1,938	1,648
	2,160	**1,864**

Remuneration Policy for CEO and members of the Board, which was approved by the Annual General Meeting of shareholders on 28 April 2020, establishes requirements and guidelines in determining the remuneration of CEO and members of the Board of the Company. The policy provides that the remuneration package of the CEO consists of: (i) the fixed salary, (ii) variable pay which are paid out taking into consideration the financial results of the Company and personal performance results of the CEO; and (ii) other benefits. No deferred payments mechanisms are applied to the remuneration of the CEO unless it is agreed otherwise by mutual agreement of the Company and CEO. The maximum amount of the variable pay to the CEO may amount to 50 percent of the CEO's annual salary. The Company may provide other benefits and programs in accordance with market practice which may change from time to time. The CEO may be entitled to a company car, health and care provisions, etc. Premiums and other costs relating to such benefits may amount to not more than 10 percent of the fixed annual cash salary.

The policy states that the General Meeting may decide to make payments for the members of the Board, according to the provisions of the Law on Companies of the Republic of Lithuania. Members of the Board who are employees of Telia Company AB get remuneration according to the signed employment contracts with their respective employers. No additional payments for their activities as Members of the Board (tantiemes) are made to them by the Company. The Company only remunerates independent members of the Board, who receive a fixed annual payment. The General Meeting decides on the exact amount of such a payment, while approving the distribution of profit. Such payments are not treated as employment related income, instead they are payments for the activities of the Member of the Board (tantiems). The payments to the independent Members of the Board are set by taking into account relevant information from comparable companies (market benchmark).

The information about remuneration of CEO of Telia Lietuva, AB during 2020 (in EUR):

Name	Fixed salary	Variable pay	Other benefits	Total remuneration	Employer's contribution	Daily allowance
Dan Strömberg	407,586	118,022	35,464	561,072	1,846	2,841

The variable pay (annual bonus) to CEO of the Company for the Company' financial results in 2019 was considered by the Remuneration Committee and approved by the Board of the Company in March 2020. Other benefits (income in kind) implies lease of apartment for CEO, who expatriated from his home country Sweden to work in Lithuania, transportation and other. Following the Law the employer's contribution to Social Insurance Fund in 2020 amounted to 1.77 per cent of the employee's salary for the salary up to 84 official average salaries, i.e. EUR 104,277.60. Above this threshold employer's contribution is not calculated.

Following the Policy that provides that members of the Board that are employed by Telia Company AB, a largest shareholder of the Company, are not entitled to any remuneration from the Company, only two independent members of the Board – Tomas Balžekas and Mindaugas Glodas – by decision of the Annual General Meeting received tantiemes (annual payment) for the year 2019: EUR 15,640 per person or EUR 31,280 in total. No other remuneration or pay-outs from the Company to the Board members was allocated.

The Company provides additional **health insurance** to all employees of the Company. During 2019, in total 2,209 employees of the Group had an additional health insurance. Employees also could insure their family members – spouses and children.

The Company has an agreement with SEB Investicijų Valdymas (SEB Investment Management) regarding the Company employees' **pension savings** at 3rd tier pension funds. The Company employees working for at least a year could participate in a program "Save with Telia". The essence of the program is that the funds allocated by employer are invested into one of the SEB Investicijų Valdymas' fund of the employee's choice. For all the Company's employees participating in the program the Company allocated EUR 8 every month, and if the employee was willing to contribute to the pension saving from his own finances by additionally allocating 0.78, 1.55 or more per cent of his/her salary, then the Company also transferred an amount equal to employee's contribution but not exceeding 1.55 per cent of employees basic salary. As of 31 December 2020, in total 867 employees of the Group were participating in a program.

COLLECTIVE BARGAINING AGREEMENT

Social dialogue and partnership with the employees' representatives, Trade Unions, is ongoing since nineties and Collective Bargaining Agreement in the Company exists for more than 20 years.

A new Collective Bargaining Agreement between the Company, as the employer, and united representation of Trade Unions was signed on 10 January 2020. Following the requirements of a new Labour Code in order to be valid for all employees of the Company (not only for members of Trade Union), 77 per cent of employees participated in voting and by 98 per cent majority approved the validity of a new Collective Bargaining Agreement to all employees of the Company from 1 February 2020.

The new Agreement grants more flexible working and rest time, support for professional development, transparent remuneration system and extra funding for social support of the Company's employees. The Agreement provides some better and more favourable than set by the Labour Code of the Republic of Lithuania labour, social and economic conditions to employees of the Company:

- 50 per cent higher pay for worked time if the working schedule is changed at the last minute,
- maximum amount of overtime increased from 180 to 230 hours per annum,
- 5 additional business days of vacations depending on the number of years worked at the Company,
- 3 calendar days of paid vacations on wedding occasion,
- 3 calendar days of paid vacations in case of a death of employee's father, mother, spouse, child (adopted child), brother or sister,
- 1 calendar day of unpaid vacations in case of a death of employee's grandparent, employee spouse's parent, brother or sister,
- upon employee's request a possibility to attend training at least once a year,
- paid vacations for studies,
- in case of employee group redundancy and upon request from Trade Union, to order and finance outplacement training for a group of least 5 employees who got the redundancy notice,
- if employee was fallen sick, for the first 2 days of illness to pay 70 per cent of the employee's average remuneration;
- employee could take 2 business days off a year due to not feeling well or sickness without a sick-list while getting remuneration,
- upon request employee who received the redundancy notice may be granted from 20 to 100 per cent of his work time for a new job search while getting remuneration,
- employee who worked in the Company for more than 10 years gets an additional redundancy pay-out of one average salary,
- remuneration review guidance after long-term absence,
- employees of the Company are insured against accidents all around the clock.

The Company has established a Social Needs Fund. Its purpose is to improve the organisation's culture and to meet the social needs of the employees in accordance with the regulations of the Fund. The Fund is managed by the Committee of the Social Needs Fund formed of representatives of the Employer and Trade Unions.

The Fund is obliged to:

- finance initiative involving employee's children,
- pay bonus of 10 Basic Social Pay-outs (BSP) on occasion of 20, 30 and 40 years of uninterrupted work in the Company,
- pay allowance of 10 BSP in case of death of employee's father, mother, spouse or children (adopted children),
- pay allowance of 12 BSP and funeral expenses, excluding a funeral dinner, in case of employee's death,
- grant allowance due to difficult financial situation of the employee or his/her family or due to incurred substantial material loss.

The Funds also allocates funds to improve the employees' health: rent of sports premises and grounds, support of sports and culture events arranged on the Company level. In 2020, the Social Needs Fund allocated EUR 53.7 thousand for the above-mentioned purposes.

MITIGATION OF COVID-19 IMPACT

The Company puts employees and customers health at highest priority, therefore with outspread of COVID-19 virus in spring of 2020 and imposed quarantine in the Lithuania, Telia Lietuva took the following actions:

- implemented strict travel and meeting restrictions;
- ensured that majority of employees were able to work from home;
- ensured that engineering teams installing new services and involved in fault elimination observe extreme safety requirements;
- adopted flexible ways of working in sales channels during lockdown period;
- strengthened workplace safety procedures including increased intensity of cleaning, social distancing, availability of hand sanitizer, etc.;
- organized and coordinated planning towards a gradual shift for returning to the offices in line with recommendations from local authorities.

SUSTAINABILITY

Digitalization is a key factor for positive societal development and sustainable economic growth. But there are risks and legitimate concerns related to the negative impacts of digitalization. It is our firm belief that integrating sustainable and responsible business practices in all aspects of business and strategy is a prerequisite for sustainable growth and profitability, which in turn creates long-term value for shareholders and supports sustainable development. We strive to be fully transparent and accountable, highlighting our successes but also when we are not meeting expectations.

Being a part of Telia Company Group, we follow the principles of responsible business set by the Telia Company Group.

OUR APPROACH

At the core of our sustainability approach are two strategic pillars:
- Shared value creation is about addressing societal and environmental challenges while creating business value,
- Responsible business focuses on managing risk, minimizing negative impact and acting ethically and responsibly. These responsibilities extend through the value chain.

Supporting the approach are three critical success factors:
- Board and management commitment – actively steering our sustainability agenda in order to create long-term sustainable stakeholder value,
- Employee engagement – enabling all employees to contribute to positive digital impact,
- Ethics and compliance – the foundation for ensuring responsible business practices.

Doing business responsibly is a fundamental part of meeting stakeholder expectations on business ethics, managing risks and ensuring that we contribute to societal development where we operate.

Our **responsible business** work focuses on eight areas::
- Anti-bribery and corruption
- Children’s rights
- Diversity, equal opportunity and non-discrimination
- Environment
- Freedom of expression and surveillance privacy
- Health and well-being
- Responsible sourcing
- Safeguarding customer information.

The Code of Responsible Business Conduct defines the expectations and requirements how to conduct business responsibly and clarifies the importance of, and channels for, speaking up regarding actual or suspected unethical behaviour or violation of laws or the company’s guiding documents. The Code was launched in 2016 together with a mandatory e-learning course for all employees and subsequent new employees. A new e-learning course was launched in 2019 and provides in-depth practical guidance on how to apply the requirements of the various areas of the Code through set of realistic scenarios, with guidance on how to resolve them.

The Code of Responsible Business Conduct is a “compass” for our ethical behaviour at work. It reflects many situations of responsible performance of business, and applies to all employees. The Code of Responsible Business Conduct covers areas of gifts and business hospitality, relations with civil servants, personal data protection, responsible procurement procedures and many other relevant areas, and presents recommendations for proper behaviour in various situations.

Telia Company strives to provide and promote grievance mechanisms for raising concerns without fear of retaliation or reprisal. The whistle-blowing tool Speak-Up Line enables employees and others to anonymously report violations of proper accounting, reporting or internal controls, as well as non-compliance with local laws or breaches of the Code of Responsible Business Conduct, group policies and instructions. Telia Company has a group-wide standard for performing internal investigations. The guiding principle is to ensure that investigations are conducted objectively and impartially; are carried out in a way to swiftly establish the facts with minimum disruption to the business or the personal lives of employees; and to make sure that confidentiality and non-retaliation are respected at all times.

Telia Lietuva as a member of the United Nations Global Compact and a member of the Lithuanian Association of Responsible Business (LAVA) have undertaken in writing to respect the principles of responsible and ethical business.

Starting from the year 2006, once a year the Company along with the annual financial results prepares and publishes on-line unaudited **Sustainability Report** which presents non-financial corporate responsibility information to all its stakeholders: customers, shareholders, investors, employees, suppliers, business and social partners, and the public.

Preparation of the Company's Sustainability Report has been inspired by the Guidelines G4 of the Global Reporting Initiative (hereinafter - the GRI) of the United Nations, as well as the requirements applicable to telecommunications companies. G4 Guidelines are recommended internationally as one of the most advanced methodologies for non-financial reporting intended to measure and provide information to both internal and external stakeholders. Also, recommendations of the Lithuanian Association of Responsible Business (LAVA) on information to be presented by responsible business are considered when preparing the report.

ENVIRONMENT – OUR ROAD TO ZERRO

Ongoing climate change and unsustainable use of natural resources is putting both ecosystems and humanity at great risk. Digitalization can accelerate the transformation needed to change this course. That is why in 2019, Telia Company adopted two daring environmental goals: by 2030, our CO2 and waste footprints will be zero. The **zero CO2** ambition focuses on creating a climate-neutral value chain by 2030. The work on **zero waste** focuses on our own operations while enabling a circular economy through our offerings.

In 2020, Telia Company adopted Science Based Targets (SBTs) aligned with a 1.5° C pathway for the telecommunications sector. Science conclusively shows the importance of limiting the global average temperature increase to 1.5° C compared to pre-industrial levels – today temperatures have gone up to 1.2° C. By 2025, Telia Company will:

- halve emissions from its own operations,
- reduce the emissions related to use of sold and leased products by 29 per cent, and
- engage with suppliers so that 72 per cent of suppliers by emissions will have set science-based targets.

By the end of 2020, Telia Lietuva together with the other Telia Company Group operating in Baltics and Nordics became a climate neutral undertaking. Since 2019, we use only green electricity, our mobile communication base stations operates under electricity saving program, we collect and reuse the customers' end equipment and 84 per cent of our transportation fleet is already compliant with Euro6 emission standard.

In 2017, Telia Lietuva obtained ISO 14001 certificate as a prove of our structured environmental management system. Sustainable energy use, greenhouse gas emissions and hazardous and non-hazardous waste, particularly electronic waste, are the key environmental impacts to manage in our operations.

Buy-back programs, also known as take-back or upgrade programs, reduce the amount of electronic waste by extending the product usage of mobile devices that are often in good working condition. The devices are sold to local partners who either data wipe and resell them, or when unusable send them to recycle. During 2020, we collected 44.3 thousand (40.3 thousand in 2019) of re-usable mobile phones and other electronic equipment from our customers. We reduced number of paper invoices by 18 thousand and at the end of 2020 88 per cent of invoices to customers are provided electronically.

RESPONSIBLE BUSINESS

We are committed to **fighting corruption** in all of its forms and to do business with the highest sense of transparency and integrity. We do not accept bribery or corruption in any form.

Children and young people are active users of our services. Our commitment and responsibility is to respect and support children's and young people's rights to participation, protection and well-being. We work on our own and together with experienced partners to protect and empower children and young people online. We believe that the Internet enriches children's lives and provides them with opportunities to improve their digital skills as well as to socialize, play and learn. However, children are particularly vulnerable to online threats such as cyber bullying and inappropriate content. Keeping children safe online requires an integrated approach across the broader technology industry and the society. Telia works closely with other companies and organizations within and outside our industry to drive common approaches to safe browsing and app use, as well as respectful behaviour among children and young people.

At Telia Company, we stand up for diversity and respect every person's uniqueness regardless of gender, nationality, ethnicity, religion, age, sexual orientation, disability, personality. We are committed to offering a **diverse and inclusive** workplace where every employee can be themselves, with equal access to opportunities. It is not only part of our responsibility as a company towards our employees. We believe that more diverse teams and an inclusive environment boosts engagement, innovation and performance, enriching our business and our culture.

Telecommunications enable access to information and the exchange of ideas in a way that supports openness and transparency. We aim to respect **freedom of expression and surveillance privacy**. Issues related to freedom of expression and surveillance privacy pose a high risk to users of telecom services globally. Risks include mass surveillance, network shutdowns, localization of mobile devices and blocking or restriction of certain content. Respecting and promoting freedom of expression and surveillance privacy is becoming increasingly important as legislators seek additional surveillance measures to fight crime, terrorism, hate speech and more.

Our duty to respect and promote human rights is focused on the risks to our customers. We aim to limit potential harm to individuals by seeking active measures to support the rights of our customers where we believe that these are at risk. The Group Policy addresses our commitments in relation to requests or demands with potentially serious impacts on freedom of expression and surveillance privacy in telecommunications ("unconventional requests"). A Telia Company Group instruction sets out practical steps regarding assessments and escalation whenever a local company receives a potentially serious request or demand.

To create the right **health and well-being** culture, our approach consists of promoting good health, identifying and reducing or preventing risks and rapidly reacting to ill health. The major health and well-being risks – road safety, working at heights and electrical work – relate to network construction and maintenance, work that is generally carried out by contractors. Telia employees work mainly in offices or retail environments where risks relate mainly to psychosocial well-being and ergonomics. As suppliers face health and safety risks, our aim is to have the Supplier code of conduct, which includes health and safety requirements, included in all construction, installation and maintenance agreements. We adopt a structured management approach by implementing ISO 45001 occupational health and safety management system.

We expect our suppliers, sub-suppliers and distributors to implement sustainable business practices and to be transparent about their challenges. Choosing suppliers with good sustainability practices is a way for us to positively influence our supply chain. **Responsible sourcing** starts with setting the expectations for our suppliers, primarily through the Supplier's Code of Conduct. We use a risk-based process where suppliers are categorized based on, for example, the region where the company is registered, the type of product or service provided or how critical the supplier is to our operations. This categorization supports in designing appropriate risk mitigation activities such as further due diligence steps (supplier self-assessment, information research and risk analysis) before contracting, and in conducting on-site audits to evaluate whether a supplier's sustainability performance is sufficient.

Our aim is to know, show and manage our **human rights** impacts, risks and opportunities. With good faith efforts, our ambition is to improve over time and to be considered an industry leader in human rights. Issues related to human rights, such as customer privacy, freedom of expression and surveillance privacy can pose a risk to users of telecom services. As an international group of companies with sourcing from tens of thousands of local and international suppliers, we need to manage supply chain-specific human rights risks such as child and forced labour, labour rights and basic health and safety provisions.

We protect personal data and ensure the **privacy of a person**. We manage only such amount of personal data, which is necessary considering the set purposes of data management and in strict compliance with legislative requirements. The Company follows a strict policy on the assurance of personal data protection of its customers, thus when managing personal data of data subjects, the Company acts in observance of the Law on Legal Protection of Personal Data of the Republic of Lithuania, Law on Electronic Communications of the Republic of Lithuania and other directly applicable legal acts governing personal data protection, and it cooperates with other companies and state authorities in the procedure prescribed by laws. All employees of the Company take part in the mandatory personal data protection e-trainings and periodically renew their knowledge in this area.

In 2020, Telia Lietuva has contributed to the fight against the consequences of coronavirus in Lithuania – the total value of its financial, service and equipment support exceeds EUR 400 thousand. The support was allocated to doctors fighting coronavirus, school computers and the development of an information robot for COVID-19 infected people. Our specialist has installed and operates the main coronavirus hotline 1808.

RECOGNITIONS

Based on ISS Corporate ESG Performance Rating Telia Lietuva shares qualify for sustainable investments. Prime status with C+ rating was reiterated in February 2020.

SUSTAINABILITY REPORT

The Company's Sustainability Report for the year 2020 where more detailed information about the Company's activities in social responsibility area is available on the Company's website at https://www.telia.lt/eng/sustainability/reporting.

CONFIRMATION OF RESPONSIBLE PERSONS

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 Consolidated Annual Report of Telia Lietuva, AB, for the year 2020 includes a fair review of the development and performance of the business and the position of the Company and the Group of undertakings in relation to the description of the main risks and contingencies faced thereby.

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

CORPORATE GOVERNANCE REPORTING FORM
FOR THE YEAR ENDED 31 DECEMBER 2020

The public limited liability company **Telia Lietuva, AB** (hereinafter referred to as the “Company”), acting in compliance with Article 12 (3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

1. Summary of the Corporate Governance Reporting Form

According to the By-Laws of Telia Lietuva, AB, the governing bodies of the Company are the General Shareholder’s Meeting, the Board and CEO. The Company does not have a Supervisory Council, but supervision functions set by the Law on Companies of the Republic of Lithuania are performed by the Board, which is a non-executive managing body of the Company and is comprised from four representatives of the largest shareholder, Telia Company, and two independent members of the Board. Following the By-Laws of the Company the Board is elected for a term of two years. There are two committees in the Company: Audit and Remuneration. The Company does not have a Nomination Committee as its functions are performed by the Remuneration Committee. The Board elect members of both committees for a term of two years. Three members of the Board, whereof two are independent, comprise the Audit Committee, and three members of the Board, whereof one is independent, comprise the Remuneration Committee. The Board elects and recalls CEO of the Company, sets his/her remuneration and other conditions of the employment agreement.

From 24 November 2020, when ordinary member of the Board was elected as a Chair of the Remuneration Committee, the Company complies with the Code requirement that Chair of the Board should not serve as the Chair of committee. On 24 November 2020 elected new Chair of the Board is an ordinary member of the Remuneration Committee.

More information about the corporate governance, shareholders’ rights, activities of the Board and the Committees as well as members of the Board and Management Team, internal control and risk management systems are provided in the Consolidated Annual Report of Telia Lietuva, AB, for the year ended 31 December 2020.

2. Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders’ rights **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	The Company’s documents and information required by the legal acts are available on the Company’s webpage in both Lithuanian and English languages. All shareholders have the equal rights to participate in the General Meetings of Shareholders.
1.2. It is recommended that the company’s capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The share capital of the Company consists of 582,613,138 ordinary registered shares of EUR 0.29 nominal value each. Each share gives one vote during the shareholders meeting. All shares of the Company are given equal rights.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company’s By-Laws, stipulating all the rights of shareholders, are publicly available on the Company’s webpage.

1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes	The shareholders approve all the transactions that, following the Law on Companies and the By-Laws of the Company, should be approved by the shareholders.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The shareholders' meetings of the Company are convened at the head-quarters of the Company in Vilnius. The Annual General Meetings are usually held in the second half of April. Both in 2020 convoked General Meetings were held without physical gathering of shareholders but by voting in advance in writing by filling in the General Voting Ballots because of due to Covid-19 quarantine imposed gatherings restrictions. The notices of both General Meetings of Shareholders specified that draft decisions could be submitted at any time before or at the General Meeting of Shareholders in writing.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All the documents and information related to the General Meeting of Shareholders including notices of the meetings, draft decisions, decisions and minutes of the meetings are publicly announced in two languages – Lithuanian and English – simultaneously via regulatory news dissemination system and on the Company's website. Draft decisions for the Annual General Meeting, held on 28 April 2020, were announced in two languages on 6 April 2020, and draft decisions for the Extraordinary General Meeting, held on 23 November 2020, were announced in two languages on 23 October 2020.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders of the Company may exercise their right to vote in the General Meeting in person or through a representative upon issuance of proper proxy or having concluded an agreement on the transfer of their voting rights in the manner compliant with the legal regulations, also the shareholder may vote by completing the General Voting Ballot in the manner provided by the Law on Companies.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	Currently the Company could not provide possibility to the shareholders to participate at the General Meetings with means of electronic communication as secure means to guarantee text protection and possibilities to identify the signatures of voting persons are not yet fully available in Lithuania.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience	Yes	The nominees to the Board are publicly announced as soon as the Company receives nominations. Publicly announced and presented to the General Meeting CVs of the Board nominees contain information about their education, employment history and other competence. The amount of annual compensation (tantiemes) to the Board members is provided in the draft of the Profit

and other managerial positions held (or proposed) should be provided.		allocation statemen presented the General Meeting. The name of proposed audit company and proposed remuneration for the audit services are presented in advance as a draft decision for the General Meeting.
1.10. Members of the company's collegial management body, heads of the administration or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	In 2020, due to quarantine both General Meeting of Shareholders were held without physical gathering of shareholders but by voting in advance in writing by filling in the General Voting Ballots.

Principle 2: Supervisory board

2.1. Functions and liability of the supervisory board

The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	

2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	
2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Not applicable	
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Not applicable	
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Not applicable	
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Not applicable	
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Not applicable	
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation	Not applicable	

of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.		
Principle 3: Management Board **3.1. Functions and liability of the management board** **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	As there is no Supervisory Council in the Company, the Company's Board performs supervisory functions set by the Law on Companies of the Republic of Lithuania and approves the Company's strategy.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	The Company's approach towards employees, suppliers, customers and society are set up in respective Company's policies and Code of Responsible Business Conduct that are approved by the Board and are available on the Company's webpage.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	Internal policies of Telia Company Group are adopted by the Company's Board including the Code of Responsible Business Conduct, and their implementation in the Company is followed up at regular local Governance, Risk, Ethics and Compliance (GREC) meetings.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Company's Governance, Risk, Ethics and Compliance (GREC) meetings are held on a regular basis.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	The current CEO of the Company, appointed by the Board from 4 July 2018, has a vast managerial experience in telecommunication industry and used to work in Lithuania for a couple of years.

3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes, except gender diversity	Three members of the current Board have MBA degrees, two have degrees in Finance and Accounting, and one has Masters' of Law degree. Four out of six members of the Board are working in the telecommunications company; one – in media business and one in ICT sector. Currently only one out of six members of the Board is a female.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	CVs of the nominees to the Board (including information about candidate's participation in activities of other companies) are included into the draft decisions for the General Meeting of Shareholders and are available at the Company's website, and shareholders may be acquitted with such information in advance. Information about employment of the Board members as well as their participation in the activities of other companies is continuously monitored and collected, and each quarter updated information is presented at the Company's website as well as in the Company's annual and interim reports.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	Upon election, all members of the Board were acquainted with their duties and responsibilities set by Lithuanian legislation as well as the By-laws of the Company. Members of the Board on the regular basis are informed about the Company's performance and its development, as well as major changes in the Company's activities legal framework and other circumstances having effect on the Company during the Board meetings and individually upon the need and request by the Board members.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	Following the By-Laws of the Company, the Board members are elected for a two-year term, not limiting the number of terms. Thus, one member of the Board has been working in the Board since April 2014 and has been re-elected three times – in April 2015, April 2017 and April 2019. Another was elected in April 2016 and worked till April 2017, and once again was elected in April 2018 and re-elected in April 2019. Three members were elected in April 2018 and re-elected in April 2019. One member of the current Board was elected in November 2020 to substitute the resigned member of the Board, who was elected to the Board in November 2018 and re-elected in April 2019. The current two-year term of the Board ends in April 2021.

3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	Both current (from 24 November 2020) and until resignation as of 21 October 2020 served Chairs of the Board represent/represented the majority shareholder of the Company and neither is/was involved in any daily activities of the Company, nor have at any time been working in the Company. Former CEOs of the Company are neither working in the Company nor in any collegial body.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	Each member devotes sufficient time and attention to perform his duties as a member of the collegial body. During all Board meetings in 2020 there was the quorum prescribed by legal acts. Attendees of the meetings are registered in the minutes of the meetings and information about attendance of the meetings by each member of the Board is presented in the Consolidated Annual Report for the year 2020.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Yes	Two independent members of the Board – Tomas Balžekas and Mindaugas Glodas – were re-elected for a new term of the Board in April 2019. It was disclosed before the Annual General Meeting that those two nominees to the Board upon election will regarded as independent members of the Board.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	While approving the Profit allocation statement the Annual General Meeting of the Company's Shareholders sets the annual compensations (tantiemes) to the members of the Board. Starting from 2016, annual compensation of EUR 15.6 thousand per person is paid only to two independent members of the Board.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	According to the information possessed by the Company, all members of the Board that perform supervisory functions provided by the Law are acting in a good faith in respect of the Company, in the interest of the Company but not in the interest of their own or third parties, pursuing principles of honesty and rationality, following obligations of confidentiality and property separation, thus striving to maintain their independence in decisions making.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes	Information about the Board and its Committees' activities is disclosed in the Consolidated Annual Report for the year 2020. The Board members carried out an assessment of the Board's annual activities.

Principle 4: Rules of procedure of the supervisory board and the management board of the company

The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.

4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	The Company has the Board that represents the shareholders of the Company and is responsible for strategic management of the Company, supervision and control of activities of CEO of the Company. The management team of the Company on a regular basis informs the Board about the Company's performance.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	The Company's Board meetings are convoked according to the preliminary approved meetings schedule for the year. At least two ordinary meetings are held each quarter, while extraordinary meetings could be convoked upon the need.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	Following the Board Rules of Procedure, information about the meeting convocation, agenda and all materials related to the agenda issues should be provided to each Board member not later than seven days before the meeting. The meeting agenda should not be changed during the meeting, unless all members present at the meeting agree or absentees inform that they agree with the changed agenda.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Not applicable	There is no Supervisory Council in the Company, but dates and agenda of the Board meetings are coordinated with the CEO of the Company, and the CEO of the Company as well as other members of the management team, if necessary, participate in the Board meetings.

Principle 5: Nomination, remuneration and audit committees

5.1. Purpose and formation of committees

The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.

Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees.	Yes	There are two instituted by the Board Committees in the Company: Audit and Remuneration. The Nomination Committee is not instituted as its functions are performed by the Remuneration Committee. Three members of the Board comprise each committee.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.		
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Not applicable	
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes	Three members of the Board comprise each committee. Two independent members of the Board are member of the Audit Committee. All three members of the Audit committee have a financial background. One independent member of the Board is member of the Remuneration Committee. All three members of the Remuneration Committee have managerial experience. Current Chair of the Board (elected on 24 November 2020) is an ordinary member of the Remuneration Committee.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes	Responsibilities and work regulations of the committees are approved by the Board. In 2019, Rules of Procedure of both committees were revised and updated. The names of the Committee members are announced in the Company's periodic reports and on the webpage of the Company. Information about activities of the committees and attendance of the committees' meeting is provided in the Consolidated Annual Report for the year 2020.

5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	Employees of the Company who are responsible for the discussed area as well as external partners such as auditors participate in the Committees' meetings and provide all necessary information.
5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	Yes	In the Company, the function of the Nomination Committee is performed by the Remuneration Committee.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	Yes	
5.3. Remuneration committee		
5.3.1. The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;	Yes	Information about activities of the Remuneration committee is provided in the Consolidated Annual Report for the year 2020.

3) review, on a regular basis, the remuneration policy and its implementation.		
5.4. Audit committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee. 5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	Internal and external auditors present their activities plans and reports to the Audit Committee on a regular basis.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	Reports of the Company's Governance, Risk, Ethics and Compliance (GREC) meetings are presented to the Audit Committee on a regular basis.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	Reports of the Audit Committee are presented at the Board meetings on a regular basis.
Principle 6: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.**		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest,	Yes	

indicate the nature of interests and, where possible, their value.		
Principle 7: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The Annual General Meeting of Shareholders held on 28 April 2020 approved the Remuneration Policy for CEO and members of the Board of the Company. This Policy is placed on the Company's website.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	Only two independent members of the Board receive the annual compensations (tantiemes) approved by the Annual General Meeting. The amount of tantiemes is the same for a decade and amounts to EUR 15.6 thousand per person.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	The Company's Remuneration Policy for CEO and members of the Board stipulates that upon termination of the employment contract the CEO should be entitled to receive the statutory severance pay as specified in the Labour Code of the Republic of Lithuania or other laws, unless it was agreed with the Board on different severance pay in CEO's employment contract.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Not applicable	The Company does not have any share options scheme for employees' remuneration.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The Company prepared Report on implementation of the Remuneration Policy for CEO and members of the Board. The Report provides information on remuneration of CEO and members of the Board during 2020. The Report is publicly available on the Company's webpage.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a	Yes	Following the requirement of the Laws, the Annual General Meeting of Shareholders approves the Remuneration Policy for CEO and members of the Board and annual Report on

collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.		Policy's implementation. The Company does not apply any schemes for remuneration in shares, share options or any other rights to purchase shares or be remunerated based on share price movements.
Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Code of Responsible Business Conduct is approved by the Board and is available on the Company's webpage.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	The Company and trade unions that represent employees of the Company have signed a Collective Bargaining Agreement. In 1999, following the Company's privatization program, almost 5 per cent of the Company's shares were sold to its employees. The current and former employees of the Company participate in the shareholders meetings, show interest in the Company's performance and results. Every year the Company pays dividends to the shareholders. The Company has approved Support Policy and, on the basis of it, builds its relations with society and local communities.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company prepares the Sustainability Report, which discusses principles and practices in relation to the Company's cooperation with investors, employees, customers and local communities.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	There is a Speak-Up Line valid for the whole Telia Company Group.
Principle 9: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	Yes	The Company reports its operating and financial results quarterly.
9.1.2. objectives and non-financial information of the company;	Yes	The Company reports its operating and financial results quarterly.
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	The information is available on the Company's website and is presented in the interim and annual reports.

9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	The information is available on the Company's website and is presented in the interim and annual reports.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	The information about composition of the committees, number of meetings and attendance is presented in the semi-annual and annual reports.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	Information is presented in the semi-annual and annual reports.
9.1.7. the company's transactions with related parties;	Yes	The information is available on the Company's website and is presented in the interim and annual reports.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes	Information is presented in the semi-annual and annual reports.
9.1.9. structure and strategy of corporate governance;	Yes	The information is available on the Company's website and is presented in the interim and annual reports.
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	Information about investments is presented in the interim and annual reports. Information about social responsibility policy and anti-corruption fight is available on the Company's website and is presented in the Sustainability reports.
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	The Company prepares consolidated financial interim and annual reports.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	Information about remuneration of CEO and members of the Board is provided in the Report on implementation of the Remuneration Policy for CEO and members of the Board.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	All information is disseminated to the shareholders, investors and stock exchanges at the same time and in the same amount, in both Lithuanian and English, and all information is publicly available on the Company's webpage.

Principle 10: Selection of the company's audit firm The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	An independent audit firm carries out an audit of the annual consolidated financial statements of the Company prepared in accordance with the IFRS adopted by the EU. The auditors also review Consolidated Annual Reports for any inconsistencies with financial statements.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	The Board proposes the candidacy of an independent audit firm to the Annual General Meeting of Shareholders.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	Information about non-audit services provided to the Company by the audit firm (if any) is presented in the Consolidated Annual Report of the Company.