

TELIA LIETUVA, AB

**INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS' PERIOD ENDED 31 MARCH 2022
(UNAUDITED)**

Beginning of the financial year	1 January 2022
End of reporting period	31 March 2022
Name of the company	Telia Lietuva, AB (hereinafter – “Telia Lietuva” or “the Company”)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Code of enterprise	121215434
LEI code	5299007A0LO7C2YYI075
Name of Register of Legal Entities	State Enterprise Centre of Registers
Registered office	Saltoniškių str. 7A, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 1511
Fax number	+370 5 212 6665
E-mail address	info@telia.lt
Internet address	www.telia.lt
Main activities	Integrated telecommunication, IT and TV services to residential and business customers in Lithuania

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MANAGEMENT REPORT

First quarter of 2022 (compared with the same period a year ago):

- Revenue increased by 4.6 per cent and amounted to EUR 104.2 million (EUR 99.7 million).
- Adjusted EBITDA (excl. non-recurring items) went up by 4.8 per cent to EUR 35.6 million (EUR 34 million).
- EBITDA increased by 2.6 per cent and amounted to EUR 35.7 million (EUR 34.8 million).
- Profit for the period went down by 6.8 per cent to EUR 12.2 million (EUR 13.1 million).
- Free cash flow decreased by 21.6 per cent and amounted to EUR 17.6 million (EUR 22.4 million).

Management comment:

The year 2022 started with the hope that COVID-19 caused pandemic is retreating and we will return to business as usual. In the beginning of February we modestly celebrated the fifth anniversary of the merge of mobile and fixed communication business under one Telia brand, but the end of February brought unimaginable thing – war in Ukraine.

Reacting to the Russian Federation's military invasion into Ukraine, from 24 February till the end of March we provided free and unlimited calls and SMS to and from Ukraine. Starting from April calls and SMS from Lithuania to Ukraine are provided with 80 per cent discounts (i.e. at cost) and customers of Telia Lietuva within Ukraine during the whole April could call, text and browse the Internet free of charge. We also offered an unlimited number of prepaid mobile communication SIM cards with communication services to Ukrainian war refugees arriving to Lithuania. For Ukrainian businesses considering or preparing to relocate to Lithuania, the Company has prepared a special support package including broadband Internet, voice telephony and mobile connection as well as IT services. Following the sanctions imposed by European Union and the United States of America, and orders of the Radio and Television Commission of Lithuania, we suspended rebroadcasting of Russian TV channels. Moreover, we made 12 international TV news and information channels available to all Telia TV service users free of charge.

As provider of telecommunication and IT services, we have a limited exposure to telecommunication operators and some customers, users of webhosting and cloud services provided by the Company, from the Russian Federation and the Republic of Belarus. The Company is reconsidering continuation of those relationship due to imposed sanctions and possible settlements disruption in order to mitigate accumulation of overdue or bad debts. The Management of the Company has considered the possible impact of sanctions imposed by EU and the U.S.A. to certain legal and natural entities of the Russian Federation and the Republic of Belarus, and has determined that they do not create a material uncertainty that casts significant doubt regarding the Company's ability to continue as a going concern. The possible negative impact of currently imposed sanctions in case they will be valid through the whole year 2022 are estimated to be below 1 per cent of the Company's annual revenue and below 2 per cent of the Company's annual EBITDA.

During the first three months of 2022 we continue preparations for 5G communication era: more than 200 base stations were upgraded with Ericsson equipment supporting 2G, 3G, 4G and 5G connectivity in addition to more than 450 already modernised base stations. In January, we were the first in Lithuania to activate the currently for 4G connection used 2,100 MHz frequencies for 5G network in 20 base stations in Vilnius. The next-generation technology runs in Dynamic Spectrum Sharing mode, which allows the same frequency band to be used in parallel for both 4G and 5G connection. More than EUR 4.2 million out of total EUR 13.3 million investments were allocated to modernisation of the Company's mobile network during the first quarter of 2022. Quarterly investments were by almost the tenth higher than a year ago.

During January- March of 2022, the number of mobile service users increased by 14 thousand, number of broadband Internet users went up by 1 thousand, while number of TV service users eased by 1 thousand mainly due to switch off of Russian TV channels. Over the last twelve months:

- number of mobile service subscriptions grew by 10.6 per cent up to 1,532 thousand,
- number of fiber-optic Internet connections went up by 2.3 per cent up to 306 thousand,
- number of TV service users increased by 0.4 per cent up to 254 thousand.

Double digit growth of revenue from mobile communication and IT services continues, while revenue from TV services slightly went down due to customers' churn. In spite of 80 per cent higher than a year ago expenses for electricity and continuously increasing employee related expenses, we managed to ensure an EBITDA growth. Higher than in 2021 depreciation and amortisation charges as well as higher income tax had a negative impact on the profit for the period.

Telia Lietuva was named the most environmentally friendly among the large companies by the National Responsible Business Awards. We were recognised for our sustainable business decisions and responsible supply chain design.

For the approval of the General Meeting of Shareholders, the Board proposed to allocate EUR 58.3 million or EUR 0.10 dividends per share for the year 2021, and to pay EUR 33 thousand as tantiems to two independent Board members.

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

KEY FIGURES

Financial figures	January-March		Change (%)
	2022	2021	
Revenue	104,212	99,655	4.6
Adjusted EBITDA excluding non-recurring items	35,582	33,956	4.8
Adjusted EBITDA margin excluding non-recurring items (%)	34.1	34.1	
EBITDA	35,687	34,776	2.6
EBITDA margin (%)	34.2	34.9	
Operating profit (EBIT) excluding non-recurring items	14,832	14,342	3.4
EBIT margin excluding non-recurring items (%)	14.2	14.4	
Operating profit (EBIT)	14,937	15,162	(1.5)
EBIT margin (%)	14.3	15.2	
Profit before income tax	14,264	14,712	(3.0)
Profit before income tax margin (%)	13.7	14.8	
Profit for the period	12,179	13,070	(6.8)
Profit for the period margin (%)	11.7	13.1	
Earnings per share (EUR)	0.021	0.022	
Number of shares (thousand)	582,613	582,613	-
Share price at the end of period (EUR)	1.99	2.04	(2.5)
Market capitalisation at the end of period	1,159,400	1,188,530	(2.5)
Cash flow from operations	34,226	32,049	6.8
Operating free cash flow	17,577	22,420	(21.6)
Operating figures	31-03-2022	31-03-2021	Change (%)
Mobile service subscriptions, in total (thousand)	1,532	1,385	10.6
- Post-paid (thousand)	1,245	1,117	11.5
- Pre-paid (thousand)	287	268	7.1
Broadband Internet connections, in total (thousand)	422	418	1.0
- Fiber-optic (FTTH/B) (thousand)	306	299	2.3
- Copper (DSL, VDSL) (thousand)	116	119	(2.5)
TV service customers (thousand)	254	253	0.4
Fixed telephone lines in service (thousand)	223	253	(11.9)
Number of personnel (head-counts)	2,101	2,136	(1.6)
Number of full-time employees	1,954	1,984	(1.5)
Financial ratios*	31-03-2022	31-03-2021	
Return on capital employed (%)	13.1	15.1	
Return on average assets (%)	9.7	11.0	
Return on shareholders' equity (%)	17.4	17.5	
Operating cash flow to sales (%)	30.2	32.1	
Capex to sales (%)	22.4	13.7	
Net debt to EBITDA ratio	0.56	0.34	
Gearing ratio (%)	22.7	13.6	
Debt to equity ratio (%)	46.0	36.2	
Current ratio (%)	87.8	127.2	
Rate of turnover of assets (%)	67.9	68.6	
Equity to assets ratio (%)	52.6	55.8	
Price to earnings (P/E) ratio	20.7	21.1	

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

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

REVENUE

Breakdown of revenue by services	January-March		Change (%)
	2022	2021	
Fixed services	46,961	45,529	3.1
Voice telephony services	9,772	10,134	(3.6)
Internet services	16,861	15,457	9.1
TV services	9,616	9,748	(1.4)
Data communication and network capacity	4,407	4,363	1.0
IT services	4,479	3,944	13.6
Other services	1,826	1,883	(3.0)
Mobile services	35,130	32,152	9.3
Billed services	31,371	27,703	13.2
Other mobile service	3,759	4,449	(15.5)
Equipment	22,121	21,974	0.7
Total	104,212	99,655	4.6

Share of revenue from fixed and mobile communication services amounted to 45.1 and 33.7 per cent, respectively, from the total revenue for the three months of 2022. Share of revenue from equipment sales reached 21.2 per cent. Revenue from services provided to residential customers (B2C) amounted to 63.7 per cent and to business customers (B2B) – 36.3 per cent of the total revenue for January-March of 2022.

During January-March of 2022, the number of post-paid **mobile** communication service subscriptions increased by 9 thousand and number of pre-paid service subscription went up by 5 thousand. Over the last twelve months, the total number of active mobile subscriptions went up by 147 thousand. More customers and continuously increasing usage of mobile data and ARPU resulted in growth of revenue from billed mobile services.

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

Eased restrictions on cross-border travelling resulted in recovery of revenue from roaming charges, but regulated networks' interconnection fees push down revenue from mobile network interconnection and caused the decline of revenue from **other mobile services**.

During the first quarter of 2022, the number of fixed telephony lines eased by 7 thousand, while over the last twelve months it went down by 30 thousand. Revenue from voice transit service during January-March of 2022 was almost 5 per cent higher than a year ago and partially compensated decline in revenue from retail **voice telephony** services caused by lower number of fixed telephony customers.

The Company has completed a project for upgrade of copper network used for the provision of DSL Internet. Over the four years EUR 10.5 million was invested into modernisation of almost 1,600 network nodes throughout the Lithuania. Employment of Super VDSL technology allowed to increase the broadband DSL Internet speeds more than 10 times: from a maximum download speed of up to 20 Mbps to 250 Mbps, given specific conditions. The real speed depends on the length and quality of the copper line connecting the Company's exchange and the back-end equipment. This slowed down the decline in number of DSL Internet users in the areas where fiber-optic access is not available.

During the first three months of 2022, the number of fixed **broadband Internet** access users over fiber-optic network using FTTH/B technologies increased by 1 thousand, while number of broadband Internet service users over the copper DSL connections remained flat. Over the last twelve months, the number of Internet connections over the fiber-optic network, that ensures Internet speeds of up to 1 Gbps, increased by 7 thousand, while the number of copper DSL connections eased by 3 thousand. Over the year, the total net increase in number of broadband Internet users was 4 thousand.

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

Due to turn off of Russian TV channels from the end of February, the number of smart **television** (IPTV) service users during the first quarter of 2022 went down by 1 thousand, while over the last twelve months it increased by 1 thousand.

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

In response to ever growing demand for IT services, the Company had purchased a 2-hectare land plot near Vilnius for erection of a new data center. The Company plans to invest EUR 10 million into construction of the largest data centre in the country.

In the beginning of 2022, the Company and Lithuanian Railways (LTG) have signed two agreements according to which Telia Lietuva will design and implement data transmission solutions in the LTG network. Both agreements might be worth up to EUR 7 million. It will be one of the largest projects on LTG network modernisation in Lithuania in the last decade. It will cover all levels – starting from replacement of network nodes, implementation of security and network management systems and finishing with cable installation and transfer of the existing services to the upgraded network.

Revenue from **other services** consists of the non-telecommunication services such as Directory Inquiry service 118 provided to external customers till 1 March 2021, lease of premises, discount refunds and other. In March 2021, the Company terminated provision of commercial information such as companies' contacts, transport timetables, business, leisure and other information by the Directory Inquiry service 118. Only obligatory information about publicly announced subscribers' phone numbers is provided by the phone number 118.

Gain or loss from sale of property, plant and equipment, as well as gain or loss on currency exchange is recorded at net value as **other gain (loss)**. In the beginning of 2021, the Company sold an office building in Kaunas and recorded EUR 1,167 thousand gain from sale of property. During the first quarter of 2022, the gain from sale of property amounted to EUR 247 thousand.

MARKET INFORMATION

According to the Report of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue for the year 2021 amounted to EUR 762.1 million, an increase by 4.1 per cent over the total market revenue of EUR 731.8 million for January-December of 2020, mainly due to growth in mobile and fixed Internet access segments.

Telia Lietuva remains the largest telecommunications' service provider in Lithuania with the market share (in term of revenue) of 38.4 per cent for the fourth quarter of 2021 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 2021	Change (p.p.) (y-o-y)	Q4 2021	Change (p.p.) (y-o-y)
Fixed voice telephony services	79.2	(2.0)	84.1	(1.3)
Mobile voice telephony services	28.6	(0.1)	27.8	0.6
Fixed Internet access	52.7	0.5	60.8	0.9
Mobile Internet access	28.2	(0.4)	26.6	(0.1)
Pay-TV services	38.7	1.6	47.9	1.2
Data communication services	n/a	n/a	53.6	(2.6)

According to the Report of the CRA, on 31 December 2021, broadband Internet penetration per 100 residents of Lithuania was 56 per cent (53.2 per cent a year ago) and pay-TV penetration per 100 households was 46.9 per cent (50.2 per cent a year ago). The penetration of active mobile voice communication users per 100 residents was 133.3 per cent (130.6 per cent a year ago) and penetration of fixed voice telephony lines per 100 households – 19.1 per cent (22.4 per cent a year ago).

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

EXPENSES

Cost of goods and services increased due to higher network, and other goods and services costs in 2022, while costs of networks' interconnection and roaming charges as well as costs of goods went slightly down. Higher employees' salaries and accruals for vacations continuously push **employee related expenses** up. Almost 80 per cent higher than a year ago energy expenses electricity tariffs and higher premises maintenance expenses resulted in growth of **other expenses**.

	January-March		Change (%)
	2022	2021	
Cost of goods and services	(40,326)	(38,991)	3.4
Operating expenses:	(28,379)	(27,048)	4.9
Employee related	(14,597)	(14,127)	3.3
Other	(13,782)	(12,921)	6.7
<i>Non-recurring expenses</i>	(142)	(347)	
Operating expenses (excl. non-recurring expenses)	(28,237)	(26,701)	5.8
Employee related	(14,499)	(13,793)	5.1
Other	(13,737)	(12,908)	6.4

During the first three months of 2022 **non-recurring** redundancy pay-outs amounted to EUR 98 thousand (EUR 334 thousand a year ago) and other non-recurring expenses amounted to EUR 45 thousand (EUR 13 thousand in 2021).

Number of employees	31-03-2022	31-12-2021	Change	31-03-2022	31-03-2021	Change
	Headcounts	2,101	2,095	6	2,101	2,136
Full-time employees	1,954	1,939	15	1,954	1,984	(30)

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.

EARNINGS

In spite of higher cost of goods and services, and increase in operating expenses (especially electricity) EBITDA for the first quarter of 2022, compared with the same period a year ago, had increased. Higher capital investments and accelerated depreciation of Huawei equipment used in the mobile network and to be substituted with Ericsson equipment resulted in higher depreciation and amortisation charges in 2022, and that had a negative effect on Operating profit.

	January-March		Change (%)
	2022	2021	
EBITDA	35,687	34,776	2.6
Margin (%)	34.2	34.9	
Depreciation, amortisation and impairment charges	(20,750)	(19,614)	5.8
Operating profit (EBIT)	14,937	15,162	(1.5)
Margin (%)	14.3	15.2	
<i>Non-recurring expenses</i>	(142)	(347)	
<i>Gain on sale of property</i>	247	1,167	
EBITDA excluding non-recurring items	35,582	33,956	4.8
Margin (%)	34.1	34.1	
EBIT excluding non-recurring items	14,832	14,342	3.4
Margin (%)	14.2	14.4	

Non-recurring items for the three months of 2022 were comprised from one-off redundancy expenses of EUR 98 thousand (EUR 334 thousand a year ago), non-recurring other expenses of EUR 45 thousand (EUR 13 thousand) and gain of EUR 247 thousand (EUR 1,167 thousand) from sale of property.

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

	January-March		Change (%)
	2022	2021	
Profit before income tax	14,264	14,712	(3.0)
Margin (%)	13.7	14.8	
Income tax	(2,085)	(1,642)	27.0
Profit for the period	12,179	13,070	(6.8)
Margin (%)	11.7	13.1	

The profit tax rate in Lithuania is 15 per cent. Following the provisions of the Law on Corporate Profit Tax regarding tax relief for investments in new technologies, the profit tax relief the **profit tax relief** for the three months of 2022 amounted to EUR 0.8 million (in 2021 – EUR 0.5 million).

FINANCIAL POSITION AND CASH FLOW

As of 31 March 2022, the total **non-current assets** amounted to 73.3 per cent (73.6 per cent a year ago), the total **current assets** – to 26.3 per cent (26.2 per cent), whereof cash alone represented 12.3 per cent (12.6 per cent) of total assets. At the end of March 2022, **shareholders' equity** amounted to 52.6 per cent of the total assets (55.8 per cent a year ago).

	31-03-2022	31-03-2021	Change (%)
Total assets	650,444	617,716	5.3
Non-current assets	476,742	454,752	4.8
Current assets	170,999	161,982	5.6
<i>whereof cash and short term investments</i>	79,793	77,715	2.7
Assets for sale	2,703	982	175.3
Shareholders' equity	342,233	344,577	(0.7)

The Board of the Company proposed to the Annual General Meeting of Shareholders to be held on 28 April 2022 to allocate from the Company's distributable profit of EUR 144.2 million an amount of EUR 58.3 million for the payment of **dividends** for the year 2021, i.e. EUR 0.10 dividend per share, and carry forward to the next financial year an amount of EUR 85.9 million as retained earnings (undistributed profit).

Dividends paid to legal entities (residents and non-residents) will be subject to withholding Corporate income tax of 15 per cent and dividends paid to natural persons (residents and non-residents) will be subject to withholding Personal income tax of 15 per cent.

During the second half of 2021, in order to avoid negative interest rate charged for the Company's residuals at the banks and following the Board's approval the Company started to grant loans to the largest shareholder of the Company, Telia Company AB, for up to three months at a zero interest rate. The lent funds are available to the Company on demand within 2 business days. As of 31 March 2022, the total amount of lending to the Parent company amounted to EUR 65 million.

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

	31-03-2022	31-03-2021
Loans from banks	30,000	60,000
Liabilities under reverse factoring agreements	126,952	63,406
Liabilities under financial lease agreements	364	1,194
Borrowings	157,316	124,600
Cash and cash equivalents	79,793	77,715
Net debt	77,523	46,885
Net debt to equity (Gearing) ratio (%)	22.7	13.6

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

The Company participates in reverse factoring or Supplier Invoice Financing (SIF) program where suppliers' invoices are paid by the banks within 7 days for an agreed fee which is covered by supplier. The Company does not pay any credit fees and does not provide any additional collateral or guarantee to the banks. The Company pays to the banks full invoice amount in up to one-year period (actual term depends on few variables agreed between all three parties). As of 31 March 2022, there were 31 suppliers which participated in SIF program.

	January-March		Change (%)
	2022	2021	
Fixed network	3,669	3,814	(3.8)
Mobile network	4,237	2,685	57.8
IT systems and infrastructure	2,918	2,555	14.2
Transformation program	2,427	2,504	(3.1)
Other	29	565	(94.9)
Total capital investments	13,280	12,123	9.5
Capital investments to revenue ratio (%)	22.4	13.7	

In 2021, the Company has started a major upgrade of its **radio access network** (RAN) with Ericsson equipment thus phasing out Huawei equipment earlier used in Telia Lietuva mobile network. Over the next three years, the Company plans to upgrade around 2,000 sites in Lithuania. This will further improve the quality of 4G networks and ensure a fast upgrade to 5G, which will eventually be available throughout the country. As of 31 March 2022, more than 650 base stations that support 2G, 3G, 4G and 5G connection were already upgraded with Ericsson equipment.

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

According to the latest CRA measurement data, the average Internet download speed in the Company's mobile network in the eastern part of the country reached 131.4 Mbps. At the end of 2021, the average Internet download speed in the Company's mobile network was the highest in the whole country and amounted to 104.5 Mbps (85.1 Mbps at the end of 2020). The Company's 4G network is available in all open areas across the entire country.

By the end of March 2022, the Company had 955 thousand households passed (939 thousand a year ago), or almost 70 per cent of the country's households, by the fiber-optic network.

	January-March		Change (%)
	2022	2021	
Net cash from operating activities	34,226	32,049	6.8
Operating free cash flow	17,577	22,420	(21.6)

Operating free cash flow is operating cash flow excluding capital investments. During the first quarter of 2022 settlement for record high capital investment made during the fourth quarter of 2021 was made.

SHARE CAPITAL AND SHAREHOLDERS

The **authorised capital** of the Company amounts to 168,957,810.02 euro and consists of 582,613,138 ordinary registered shares with a nominal value of 0.29 euro each. The number of the Company's shares that provide voting rights during the General Meeting is 582,613,138.

582,613,138 ordinary registered shares of Telia Lietuva, AB (ISIN code LT0000123911) are listed on the Main List of Nasdaq Vilnius stock exchange (code: TEL1L). Nasdaq Vilnius stock exchange is a home market for the Company's shares.

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

From January 2011, the Company's shares are included into the trading lists of Berlin Stock Exchange (Berlin Open Market (Freiverkehr), Frankfurt Stock Exchange (Open Market (Freiverkehr), Munich Stock Exchange and Stuttgart Stock Exchange. Telia Lietuva share's symbol on German stock exchanges is ZWS.

Information on **trading in Telia Lietuva shares** on Nasdaq Vilnius stock exchange in January-March of 2022:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	2.05	2.10	1.79	1.99	1.97	2,545,572	5,020,909

The Company's **market capitalisation** as on 31 March 2022 was EUR 1,159 million, a 2.5 per cent lower than the market capitalisation of EUR 1,189 million a year ago.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 March 2022:

Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)	Number of ordinary registered shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)	Share of votes held together with persons acting in concert (%)
Telia Company AB, 169 94 Solna, Sweden, code 556103-4249	513,594,774	88.15	88.15	-
Other shareholders	69,018,364	11.85	11.85	-
Total	582,613,138	100.00	100.00	-

The number of **shareholders** on the shareholders' registration day (21 April 2022) for the Annual General Meeting of Shareholders, which was held on 28 April 2022, was 14,261.

OTHER MATERIAL INFORMATION

On 31 March 2022, the Board of the Company decided to convoke the Annual General Meeting of Shareholders on 28 April 2022. The Board proposed to the General Meeting to allocate an amount of EUR 58.3 million for the payment of dividends for the year 2021, i.e. EUR 0.10 dividend per share. For two independent members to the Board – Dovilė Grigienė and Mindaugas Glodas – as tantiems (annual payment) for the year 2021 to allocate in total an amount of EUR 33 thousand, or EUR 16.5 thousand each.

MEMBERS OF THE MANAGING BODIES

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

Members of the Board as at 31 March 2022:

Name, surname	Position in the Board	Employment	Ownership of the Company's shares
Douglas Lubbe	Chair of the Board, member of the Remuneration Committee	Telia Sverige AB (Sweden), Chief Financial Officer	-
Agneta Wallmark	Member of the Board, Chair of the Audit Committee	Telia Company AB (Sweden), Vice President & Head of Group Treasury	-
Claes Nycander	Member of the Board, Chair of the Remuneration Committee	Telia Company AB (Sweden), Vice President & Head of Chief Operating Officer Office & LED (Lithuania, Estonia, Denmark) Management at Common Product and Services (CPS)	-
Hannu-Matti Mäkinen	Member of the Board	Telia Company AB (Sweden), Chief Legal Counsel, Telia Asset Management	-

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

Dovilė Grigienė	Member of the Board, member of the Audit Committee	-	-
Mindaugas Glodas	Member of the Board, member of the Audit and Remuneration Committees	NRD Companies AS (Norway), General Manager; Norway Registers Development AS (Norway), General Manager; Norway Registers Development AS Lithuanian branch, General Manager; NRD Systems, UAB (Lithuania), General Manager	-

All members of the Board are regarded as non-executive members of the Board, and Dovilė Grigienė and Mindaugas Glodas are regarded as independent members of the Board. Information about participation of the members of the Company's Board in activities of other entities is provided at the Company's webpage www.telia.lt. The current two-years' term of the Board terminates on 27 April 2023. The Company's Remuneration Report for the year 2021 is provided at the Company's webpage www.telia.lt.

Arūnas Lingė, Head of Finance, will leave the Company on 29 April 2022, and a new Head of Finance, Daina Večkytė, will step in from 4 July 2022. From 30 April 2022 till 3 July 2022, Polina Rys, Head of Business Control, will be interim Head of Finance of Telia Lietuva.

Management Team as at 31 March 2022:

Name, surname	Position in the Company	Involvement into activities of other entities	Ownership of the Company's shares
Dan Strömberg	CEO	Telia Company AB (Sweden), SVP & Head of cluster Lithuania, Estonia and Denmark (LED); Telia Eesti AS (Estonia), Chair of the Supervisory Council; Association Investors' Forum (Lithuania), member of the Board	-
Daniel Karpovič	Head of Enterprise	-	-
Nortautas Luopas	Head of Consumer, Head of Digitalization and Analytics	AB Utenos Trikotažas (Lithuania), an independent member of the Board	-
Giedrė Kaminskaitė-Salters	Head of Sales and Customer Care	Vilnius University Institute of International Relations and Political Science (Lithuania), member of the Board of Trustees; Telia Danmark A/S (Denmark), acting Head of Enterprise	-
Andrius Šemeškevičius	Head of Technology Infrastructure	SIA Telia Latvija (Latvia), Chair of the Supervisory Council	8,761 shares or 0.0015% of the total number of shares and votes
Arūnas Lingė	Head of Finance	-	-
Ramūnas Bagdonas	Head of People & Engagement	Association of Personnel Management Professionals (Lithuania), Chair of the Board	-
Daiva Kasperavičienė	Head of Legal and Corporate Affairs	-	-
Birutė Eimontaitė	Head of Communication	-	-
Vytautas Bučinskas	Head of Business Assurance & Transformation	Member of the Cyber Security Council (Lithuania); Association Infobalt (Lithuania), Deputy Chair of Cybersecurity Group	-

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

STATEMENT OF COMPREHENSIVE INCOME

	Note	January-March	
		2022	2021
Revenue		104,212	99,655
Cost of goods and services		(40,326)	(38,991)
Employee-related expenses		(14,597)	(14,127)
Other expenses		(13,782)	(12,921)
Other gain / (loss) – net		180	1,160
Depreciation, amortisation and impairment of fixed assets	2	(20,750)	(19,614)
Operating profit		14,937	15,162
Finance income		249	376
Finance costs		(922)	(826)
Finance activities – net		(673)	(450)
Profit before income tax		14,264	14,712
Income tax	6	(2,085)	(1,642)
Profit for the period		12,179	13,070
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		12,179	13,070
Profit and comprehensive income attributable to:			
Owners of the Parent		12,179	13,070
Minority interests		-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	7	0.021	0.022

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

STATEMENT OF FINANCIAL POSITION

	Note	31 March 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	2	261,645	267,034
Intangible assets	2	141,125	140,794
Right-of-use assets	2	46,095	46,124
Costs to obtain contract		5,032	4,837
Contract assets		616	696
Trade and other receivables		16,323	16,789
Finance lease receivables		5,906	6,685
		476,742	482,959
Current assets			
Inventories		15,246	12,711
Contract assets		1,140	1,102
Trade and other receivables		64,628	66,497
Current income tax assets		4,404	5,201
Finance lease receivables		5,788	5,920
Cash and cash equivalents		79,793	61,769
		170,999	153,200
Assets classified as held for sale		2,703	5,310
Total assets		650,444	641,469
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Issued capital	4	168,958	168,958
Legal reserve		16,896	16,896
Retained earnings		156,379	144,200
Equity attributable to owners of the Company		342,233	330,054
Non-controlling interest		-	-
Total equity		342,233	330,054
LIABILITIES			
Non-current liabilities			
Borrowings		30,000	30,000
Lease liabilities		45,095	45,720
Deferred tax liabilities		19,320	19,604
Deferred revenue and accrued liabilities		6,639	6,645
Provisions	5	12,398	12,398
		113,452	114,367
Current liabilities			
Trade, other payables and accrued liabilities		51,980	57,416
Current income tax liabilities		-	-
Borrowings		127,316	124,254
Contract liabilities		1,967	2,054
Lease liabilities		13,496	13,324
Provisions	5	-	-
		194,759	197,048
Total liabilities		308,211	311,415
Total equity and liabilities		650,444	641,469

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2021	168,958	16,896	145,653	331,507
Profit for the period	-	-	13,070	13,070
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	13,070	13,070
Dividends paid for 2020	-	-	-	-
Balance at 31 March 2021	168,958	16,896	158,723	344,577
Balance at 1 January 2022	168,958	16,896	144,200	330,054
Profit for the period	-	-	12,179	12,179
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	12,179	12,179
Dividends paid for 2021	-	-	-	-
Balance at 31 March 2022	168,958	16,896	156,379	342,233

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

STATEMENT OF CASH FLOW

	January-March	
	2022	2021
Operating activities		
Profit for the period	12,179	13,070
Adjustments for:		
Income tax expenses recognized in profit or loss	2,085	1,642
Depreciation, amortisation and impairment charge	21,562	20,188
Gain on disposal of property, plant and equipment	(305)	(1,192)
Interest income	(249)	(377)
Interest expenses	899	718
Changes in working capital:		
Inventories / Assets held for sale	(2,581)	(533)
Trade and other receivables, decrease/(increase) in contract assets, contract costs	1,773	5,626
Trade, other payables and accrued liabilities, deferred tax liability, increase/(decrease) in contract liabilities, deferred revenue and accrued liabilities	1,232	(5,220)
Cash generated by operations	36,595	33,922
Interest paid	(842)	(599)
Interest received	46	82
Income tax paid	(1,573)	(1,356)
Net cash from operating activities	34,226	32,049
Investing activities		
Purchase of property, plant and equipment and intangible assets	(19,747)	(13,356)
Proceeds from disposal of property, plant and equipment and intangible assets	3,098	3,727
Proceeds from / repayments for finance sublease receivables	1,114	1,377
Net cash (used in)/from investing activities	(15,535)	(8,252)
Financing activities		
Repayment of borrowings	(19,179)	(15,846)
Proceed from borrowings	21,814	17,509
Increase (decrease) in lease liabilities	(3,302)	(3,686)
Net cash (used in)/from financing activities	(667)	(2,023)
Net increase/(decrease) in cash and cash equivalents	18,024	21,774
Movement in cash and cash equivalents		
At the beginning of the year	61,769	55,941
Increase (decrease) in cash and cash equivalents	18,024	21,774
At the end of the period	79,793	77,715

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

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The interim financial statements for the three months' period ending 31 March 2022 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2021.

The presentation currency is euro. The financial statements are presented in thousands of euro, unless indicated otherwise. The financial statements are prepared under the historical cost convention.

Financial statements for the period ended 31 March 2022 are not audited. Financial statements for the year ended 31 December 2021 are audited by the external auditor Deloitte Lietuva UAB.

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

	Property, plant and equipment	Intangible assets
Three months ended 31 March 2021		
Opening net book amount as at 31 December 2020	256,923	132,223
Additions	7,347	4,777
Disposals and retirements	(2,382)	(52)
Reclassification	4	(4)
Depreciation and amortisation charge	(13,132)	(4,035)
Closing net book amount as at 31 March 2021	248,760	132,909
Three months ended 31 March 2022		
Opening net book amount as at 31 December 2021	267,034	140,794
Additions	8,055	5,225
Disposals and retirements	(43)	(23)
Reclassification	(136)	(54)
Depreciation, amortisation and impairment charge	(13,265)	(4,817)
Closing net book amount as at 31 March 2022	261,645	141,125
Right-of-use-asset		
Three months ended 31 March 2021		
Opening net book amount as at 1 January 2021	47,217	
Additions	4,267	
Disposals and retirements	(2,743)	
Reclassification	-	
Depreciation and amortisation charge	(2,447)	
Closing net book amount as at 31 March 2021	46,294	

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

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

	<u>Right-of-use-asset</u>
Three months ended 31 March 2022	
Opening net book amount as at 1 January 2022	46,124
Additions	3,262
Disposals and retirements	(623)
Reclassification	-
Depreciation and amortisation charge	(2,668)
Closing net book amount as at 31 March 2022	46,095

3 Investments in subsidiaries and associates

The associate included in the financial statements is indicated below:

Name	Country of incorporation	Ownership interest in %		Profile
		31 March 2022	31 December 2021	
VšĮ Numerio Perkėlimas	Lithuania	50%	50%	A non-profit organization established by Lithuanian telecommunications operators administers central database to ensure telephone number portability.

4 Share capital

The authorised share capital comprises of 582,613,138 ordinary shares of EUR 0.29 nominal value each. All shares are fully paid up.

5 Provisions

Provisions movement during January - March 2022:

	<u>Provision for restructuring</u>	<u>Assets retirement obligation</u>	<u>Total</u>
Opening net book amount at 31 December 2021	-	12,398	12,398
Additions	-	-	-
Used provisions	-	-	-
Closing net book amount at 31 March 2022	-	12,398	12,398

The restructuring provision comprises of compensation to employees due to the restructuring plan (if any) approved by the Company. No restructuring provisions made in 2022.

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

5 Provisions (continued)

The Company leases land for the construction of mobile stations. Upon expiry of the lease term the mobile stations should be disassembled, and land restored so that it could be returned to the land owner in a condition it was before the lease. Similarly, the Company has telecommunication equipment installed in the premises or on the buildings leased from third parties. This equipment will have to be disassembled when the lease agreement expires. To cover these estimated future costs, assets retirement obligation has been recognised. The Company expects that assets retirement obligation will be realised later than after one year. Therefore, the whole amount of assets retirement obligation has been classified as non-current provision for other liabilities and charges.

6 Income tax

The tax expenses for the period comprise current and deferred tax.

Profit for 2022 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2021: 15 per cent).

According to the Law on Corporate Profit Tax which provides tax relief for investments in new technologies, the Company's calculated profit tax relief in 2022 amounted to EUR 0.8 million (in 2021: EUR 0.5 million).

7 Earnings per share

Basic earnings per share are calculated by dividing the net profit (loss) for the period by the weighted average number of ordinary shares in issue during the period. The 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 the both reporting periods amounted to 582,613 thousand.

	January-March	
	2022	2021
Net profit	12,179	13,070
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
Earnings per share (euro)	0.021	0.022

8 Dividends per share

A dividend that relates to the period to 31 December 2021 to be approved by the Annual General Meeting of Shareholders on 28 April 2022. The total proposed amount of allocated dividend, that should be paid off in May 2022, is EUR 58,261 thousand or EUR 0.10 per ordinary share.

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

9 Related party transactions

The Group is controlled by Telia Company AB, which as at 31 March 2022 owned 88.15 per cent (88.15 per cent a year ago) of the Company's shares. The following transactions were carried out with related parties:

Sales and purchases from Telia Company AB and its subsidiaries:

	January-March	
	2022	2021
Sales of telecommunication and other services	1,516	2,189
Total sales of telecommunication and other services	1,516	2,189
Purchases of services	4,816	5,714
Purchases of assets	-	-
Total purchases of services and assets:	4,816	5,714

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

	As at 31 March	
	2022	2021
Long-term receivables from related parties	112	140
Receivables from related parties	348	1,505
Accrued revenue from related parties	884	1,184
Total receivables and accrued revenue from related parties	1,344	2,829
Short term investments	65,000	-
Short term investments	65,000	-
Payables to related parties	2,437	2,187
Accrued expenses to related parties	11	68
Total borrowings, payables and accrued expenses to related parties	2,448	2,255

As at 31 March 2022, the Company had placed EUR 65 million with Telia Company as a short term investment.

MANAGEMENT CONFIRMATION OF THE FINANCIAL STATEMENTS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Information Disclosure of the Bank of Lithuania, we, Dan Strömberg, CEO of Telia Lietuva, AB, and Arūnas Lingė, Head of Finance of Telia Lietuva, AB, hereby confirm that, to the best of our knowledge, the not audited Telia Lietuva, AB Interim Financial Statements for the three months' period ended 31 March 2022, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit and cash flows of Telia Lietuva, AB.

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

Vilnius, 26 April 2022