

Telia Lietuva, AB

**Interim financial statements
for the 12 months' period ended 31 December 2022
(unaudited)**

Beginning of the financial year	1 January 2022
End of reporting period	31 December 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
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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

Table of content

Management report.....	4
Statement of comprehensive income.....	15
Statement of financial position	16
Statement of changes in equity	17
Statement of cash flow.....	18
Notes to the interim financial statements.....	19
Accounting policies.....	19
Property, plant and equipment, intangible assets and right of use assets.....	19
Investments in subsidiaries and associates	20
Share capital	20
Provisions	20
Income tax.....	21
Earnings per share.....	21
Dividends per share	21
Related party transactions.....	22
Management confirmation of the interim financial statements	22

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

Management report

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

- Revenue increased by 2.8 per cent and amounted to EUR 116.4 million (EUR 113.3 million).
- EBITDA (excl. non-recurring items) went up by 10.5 per cent to EUR 36.5 million (EUR 33 million).
- EBITDA increased by 12.7 per cent and amounted to EUR 36.2 million (EUR 32.1 million).
- Profit for the period went down by 4.1 per cent to EUR 14.7 million (EUR 15.4 million).

12 months of 2022 (compared with the same period a year ago):

- Revenue grew by 5.7 per cent and amounted to EUR 444.6 million (EUR 420.8 million).
- EBITDA (excl. non-recurring items) went up by 6.5 per cent to EUR 148.1 million (EUR 139.1 million).
- EBITDA increased by 6.4 per cent and amounted to EUR 147.5 million (EUR 138.6 million).
- Profit for the period was down by 0.7 per cent to EUR 56.4 million (EUR 56.8 million).
- Free cash flow decreased by 56 per cent and amounted to EUR 34.6 million (EUR 78.8 million).

Management comment:

By the year end we have closed an important chapter in the history of Lithuanian telecommunications – 3G communication network was finally shut down and frequencies used by this technology in 900 and 2100 MHz frequencies bands will be used for development of 4G and 5G networks as well as implementation of LTE-M Internet of Things (IoT) technology. The preparation for 3G sunset has started three years ago.

Four years of preparation for 5G launch and more than EUR 100 million invested into upgrade of the Company's network has paid off. Over the night Lithuania from 5G communication outsiders jumped into champions' league when Telia Lietuva for commercial use launched its 5G network that reaches more than half of the Lithuania's territory and 80 per cent of its population. Recent measurements of Communication Regulatory Authorities revealed that we have 3,213 5G points and average mobile data download speed in our network jumped to 159.9 Mbps - way ahead of the other two operators in Lithuania.

To satisfy continuously growing demand for Internet data the Company has expanded its international Internet connections bandwidth up to a record high of 1 Tbps. The Company's international connections with Stockholm, Riga and Warsaw ensure more than half of all Lithuania's international Internet data traffic.

In the fourth quarter of 2022 number of Telia TV users has returned to the path of growth. After cutting off rebroadcasting of some Russian TV channel due to outbreak of war in Ukraine in spring of 2022, number of TV service users had temporary declined. Nevertheless, during January-December of 2022:

- number of mobile service subscriptions grew by 5.7 per cent up to 1,604 thousand,
- number of FTTH Internet customers went up by 2.6 per cent up to 313 thousand,
- number of TV service users increased by 0.8 per cent up to 257 thousand.

The fourth quarter of 2022 was exceptional in terms of revenue growth and high profitability despite high electricity prices. During the 12 months of 2022, compared with the same period a year ago:

- revenue from IT services increased by 19.7 per cent,
- revenue from billed mobile services grew by 16.6 per cent,
- revenue from broadband Internet services went up by 9.1 per cent.

Our commitment to customer experience worth sharing for the second year in a row was confirmed to be the best in the Baltics following secret shoppers' valuation of customer care at mobile communication service providers' customers care centres. Telia Lietuva was also recognised the best in providing customer care by phone among Lithuanian telecommunication operators by "Shopper Quality" research.

At the end of 2022, the Company prepared the first shipment of used mobile base station's equipment for restoration of the damage by war mobile communication networks in Ukraine. Together with the other largest European telecommunication operators it was agreed to prolong provision of mobile communication services between Ukraine and Lithuania at reduce tariffs at least till end of March 2023.

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

Financial figures	January-December		Change (%)
	2022	2021	
Revenue	444,623	420,794	5.7
EBITDA excluding non-recurring items	148,137	139,063	6.5
EBITDA margin excluding non-recurring items (%)	33.3	33.0	
EBITDA	147,537	138,599	6.4
EBITDA margin (%)	33.2	32.9	
Operating profit (EBIT) excluding non-recurring items	64,054	61,394	4.3
EBIT margin excluding non-recurring items (%)	14.4	14.6	
Operating profit (EBIT)	63,454	60,930	4.1
EBIT margin (%)	14.3	14.5	
Profit before income tax	60,819	58,845	3.4
Profit before income tax margin (%)	13.7	14.0	
Profit for the period	56,398	56,808	(0.7)
Profit for the period margin (%)	12.7	13.5	
Earnings per share (EUR)	0.097	0.098	(0.7)
Number of shares (thousand)	582,613	582,613	-
Share price at the end of period (EUR)	1.985	2.040	(2.7)
Market capitalisation at the end of period	1,156,487	1,188,531	(2.7)
Cash flow from operations	140,805	126,373	11.4
Operating free cash flow	34,637	78,764	(56.0)

Operating figures	31-12-2022	31-12-2021	Change (%)
Mobile service subscriptions, in total (thousand)	1,604	1,518	5.7
- Post-paid (thousand)	1,278	1,236	3.4
- Pre-paid (thousand)	326	282	15.6
Broadband Internet connections, in total (thousand)	427	421	1.4
- Fiber-optic (FTTH/B) (thousand)	313	305	2.6
- Copper (DSL) (thousand)	114	116	(1.7)
TV service customers (thousand)	257	255	0.8
Fixed telephone lines in service (thousand)	200	230	(13.0)
Number of personnel (headcounts)	2,051	2,095	(2.1)
Number of full-time employees	1,925	1,939	(0.7)

Financial ratios*	31-12-2022	31-12-2021
Return on capital employed (%)	14.0	13.4
Return on average assets (%)	10.2	9.9
Return on shareholders' equity (%)	17.6	17.6
Operating cash flow to sales (%)	31.7	30.0
Capex (excl. mobile licenses) to sales (%)	18.2	22.3
Net debt to EBITDA ratio	0.72	0.67
Gearing ratio (%)	32.4	28.0
Debt to equity ratio (%)	34.6	46.7
Current ratio (%)	62.0	77.7
Rate of turnover of assets (%)	71.2	68.1
Equity to assets ratio (%)	53.7	51.5
Price to earnings (P/E) ratio	20.4	20.9

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

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Revenue

	October-December		Change (%)	January-December		Change (%)
	2022	2021		2022	2021	
Fixed services	49,804	47,651	4.5	193,412	187,064	3.4
Voice telephony services	9,237	10,407	(11.2)	39,164	41,503	(5.6)
Internet services	18,258	16,713	9.2	70,302	64,411	9.1
Datacom and network capacity services	4,587	4,348	5.5	17,963	17,455	2.9
TV services	9,272	9,850	(5.9)	37,555	39,043	(3.8)
IT services	6,442	4,688	37.4	21,132	17,652	19.7
Other services	2,008	1,645	22.1	7,296	7,000	4.2
Mobile services	38,221	35,183	8.6	152,125	136,299	11.6
Billed services	35,804	30,760	16.4	136,980	117,521	16.6
Other mobile service	2,417	4,423	(45.4)	15,145	18,778	(19.3)
Equipment	28,413	30,456	(6.7)	99,086	97,431	1.7
Total	116,438	113,290	2.8	444,623	420,794	5.7

Share of revenue from fixed and mobile communication services amounted to 43.5 and 34.2 per cent, respectively, from the **total revenue** for the 12 months of 2022. Share of revenue from equipment sales was 22.3 per cent. Revenue from services provided to residential customers (B2C) amounted to 63.9 per cent, to business customers (B2B) and others – 36.1 per cent of the total revenue.

By the end of 2022, almost 76 thousand of households were enjoying the advantages of converged fixed and mobile services offer, Telia1, that provides higher Internet speed, more gigabytes, and more TV content.

During October-December of 2022 the number of post-paid **mobile** communication service users increased by 8 thousand, while the number of pre-paid service users decreased by 5 thousand. Over the 12 months of 2022, the total number of active mobile subscriptions went up by 86 thousand whereof 42 thousand were post-paid and 44 thousand – pre-paid service users. The stable double-digit growth in revenue from billed mobile services was achieved by increase of customers' base and higher average revenue per user (ARPU).

In 2022, subscribers of prepaid mobile communication service were offered voice and mobile Internet roaming service in EU countries. That has contributed to intake of new prepaid subscription users.

Following EU regulations from 1 January 2022 reduced mobile interconnect prices resulted in 25.2 per cent decrease in revenue from mobile calls termination services and in combination with lower stream of revenue from incoming mobile roaming services led to decline in revenue from **other mobile services**.

During the fourth quarter of 2022, the number of fixed telephony lines in service eased by 7 thousand while during January-December of 2022 – by 30 thousand. Accordingly, during the 12 months of 2022 revenue from retail **voice telephony** services went down by 12 per cent, while revenue from voice transit service was almost the same as in 2021.

During October-December of 2022, the number of fixed **broadband Internet access** users over fiber-optic network using FTTH/B technologies increased by 2 thousand, while number of broadband Internet service users over the copper DSL connections eased by 1 thousand. Over the 12 months of 2022, the total number of broadband Internet access users increased by 6 thousand: number of fiber-optic connections went up by 8 thousand, while number of DSL connections went down by 2 thousand.

In 2022, completed upgrade of the Company's copper network used for provision of fixed broadband Internet and employment of "Super VDSL" (S-VDSL) technology slowed down the churn of DSL

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connections. “Super VDSL” technology depending on the length of the copper line connecting the Company’s exchange and end equipment could provide up to 250 Mbps Internet speed.

In 2022, Telia Lietuva was the first in Lithuania to offer fiber-optic Internet of up to 2 Gbps speed to business customers. Higher speed Internet is available to business customers in Vilnius, Kaunas, Panevėžys, Alytus and Palanga.

Some Russian TV channels’ cut off in spring 2022 and increased competition from local as well as international TV content streamers, resulted in temporary decrease of number of **television** service customers. During the fourth quarter of 2022, the number of Telia TV users went up by 1 thousand and over the 12 months – by 2 thousand. Nevertheless, revenue from TV services in 2022 had declined.

Double-digit growth in revenue from **IT services** provided to business customers was caused by ongoing demand for cloud computing, cyber security, and tailor-made IT solutions.

In 2022, the pattern of **equipment sale** returned to pre-pandemic times when sale of mobile phones was dominating.

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 will be 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)**. During the 12 months of 2022, the gain from sale of property amounted to EUR 817 thousand (EUR 1,337 thousand a year ago). In the beginning of 2021, the Company sold an office building in Kaunas and recorded EUR 1.2 million gain from sale of property.

Market information

According to the Reports of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue in the third quarter of 20.22 increased by 5.1 per cent compared with the third quarter of 2021, while compared with the second quarter of 2022 it was almost flat (an increase by 0.3 per cent) and amounted to EUR 202.8 million.

The total market revenue for the nine months of 2022 amounted to EUR 599.4 million, an increase by 5.7 per cent over the total market revenue of EUR 567.1 million for the nine months of 2021.

Telia Lietuva remains the largest telecommunications’ service provider in Lithuania with the market share (in term of revenue) of 38.7 per cent for the third quarter of 2022 (38.6 per cent a year ago).

	The market shares in terms of customers (%)		The market shares in terms of revenue (%)	
	Q3 2022	Change (p.p.) (y-o-y)	Q3 2022	Change (p.p.) (y-o-y)
Fixed voice telephony services	80.5	(0.3)	84.5	(0.6)
Mobile voice telephony services	28.8	0.3	26.4	(2.8)
Fixed Internet access	52.7	0.5	61.3	0.7
Mobile Internet access	28.4	0.3	28.5	2.4
Pay-TV services	40.1	1.8	47.7	0.1
Data communication services	n/a	n/a	52.9	(1.4)

According to the Report of the CRA, on 30 September 2022, broadband Internet penetration per 100 households of Lithuania was 56.9 per cent (56.5 per cent a year ago) and pay-TV penetration per 100

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households was 44.7 per cent (46.6 per cent). The penetration of active mobile voice communication users per 100 residents was 137.5 per cent (132.6 per cent a year ago) and penetration of fixed voice telephony lines per 100 households – 16.9 per cent (19.7 per cent).

Expenses

	October-December		Change (%)	January-December		Change (%)
	2022	2021		2022	2021	
Cost of goods and services	(47,185)	(48,749)	(3.2)	(174,991)	(168,690)	3.7
Operating expenses	(33,590)	(32,425)	3.6	(123,189)	(114,919)	7.2
Employee related	(15,922)	(14,776)	7.8	(58,385)	(56,632)	3.1
Other	(17,668)	(17,649)	0.1	(64,804)	(58,287)	11.2
<i>Non-recurring expenses</i>	770	884	(12.9)	1,417	1,801	(21.3)
Operating expenses (excl. non-recurring expenses)	(32,820)	(31,541)	4.1	(121,772)	(113,118)	7.7
Employee related	(15,836)	(14,681)	7.9	(57,872)	(55,774)	3.8
Other	(16,984)	(16,860)	0.7	(63,900)	(57,344)	11.4

Strong equipment sale and higher network costs pushed **cost of goods and services** up in 2022 compared with the year 2021.

During the fourth quarter of 2022, the Company managed to fill in some vacant positions and **employee related expenses** went up. In general, employee related expenses in 2022 compared with the year 2021 were higher due to salaries' increase despite of lower number of employees.

Number of employees	31-12-2022	30-09-2022	Change	31-12-2022	31-12-2021	Change
Headcounts	2,051	2,024	27	2,051	2,095	(44)
Full-time employees	1,925	1,888	37	1,925	1,939	(14)

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/childcare leave.

During 2022, expenses for energy surged by 2.1 times and that was the main reason behind increase in **other expenses**.

Non-recurring redundancy pay-outs for the 12 months of 2022 amounted to EUR 513 thousand (EUR 858 thousand a year ago) and other non-recurring expenses related to business transformation program amounted to EUR 904 thousand (EUR 943 thousand a year ago).

Earnings

Despite of higher electricity prices but due revenue growth the Company had a positive profitability development. Higher depreciation and amortisation charges are caused by upgrade of the Company's mobile network.

	October-December		Change (%)	January-December		Change (%)
	2022	2021		2022	2021	
EBITDA	36,229	32,139	12.7	147,537	138,599	6.4
Margin (%)	31.1	28.4		33.2	32.9	
Depreciation and amortisation	(21,359)	(19,871)	7.5	(84,083)	(77,669)	8.3
Operating profit (EBIT)	14,870	12,268	21.2	63,454	60,930	4.1
Margin (%)	12.8	10.8		14.3	14.5	

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	October-December		Change (%)	January-December		Change (%)
	2022	2021		2022	2021	
Non-recurring expenses	770	884	(12.9)	1,417	1,801	(21.3)
Gain (loss) on sale of property	511	-		817	1,337	
EBITDA excl. non-recurring items	36,488	33,023	10.5	148,137	139,063	6.5
Margin (%)	31.3	29.1		33.3	33.0	
EBIT excl. non-rec. items	15,129	13,152	15.0	64,054	61,394	4.3
Margin (%)	13.0	11.6		14.4	14.6	

Non-recurring items for the 12 months of 2022 were comprised from one-off redundancy pay-outs of EUR 513 thousand (EUR 858 thousand for the 12 months of 2021), non-recurring other expenses of EUR 904 thousand (EUR 943 thousand) and gain of EUR 817 thousand (EUR 1.3 million) from sale of property.

	October-December		Change (%)	January-December		Change (%)
	2022	2021		2022	2021	
Profit before income tax	13,931	11,814	17.9	60,819	58,845	3.4
Margin (%)	12.0	10.4		13.7	14.0	
Income tax	789	3,541	(77.7)	(4,421)	(2,037)	117.0
Profit for the period	14,720	15,355	(4.1)	56,398	56,808	(0.7)
Margin (%)	12.6	13.6		12.7	13.5	

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 12 months of 2022 amounted to EUR 6.1 million (in 2021 – EUR 6.8 million).

Financial position and cash flow

As of 31 December 2022, the total **non-current assets** amounted to 83.7 per cent (75.3 per cent as of 31 December 2021), the total **current assets** – to 16.2 per cent (23.9 per cent), whereof cash alone represented 1.2 per cent (9.6 per cent) of total assets. **Shareholders' equity** at the end of December 2022 amounted to 53.7 per cent of the total assets (51.5 per cent at the end of December 2021).

	31-12-2022	31-12-2021	Change (%)
Total assets	611,047	641,469	(4.7)
Non-current assets	511,569	482,959	5.9
Current assets	98,884	153,200	(35.5)
<i>whereof cash and cash equivalents</i>	7,099	61,769	(88.5)
Assets for sale	594	5,310	(88.8)
Shareholders' equity	328,191	330,054	(0.6)

On 28 April 2022, the Annual General Meeting of Shareholders allocated 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 financial year 2022 an amount of EUR 85.9 million as retained earnings (undistributed profit). In May 2022, dividends for the year 2021 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 2022, **retained earnings** of the Company amounted to EUR 142.3 million.

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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.

To avoid negative interest rate charged for the Company's residuals at the banks and following the Board's approval the Company till August 2022 was granting loans to the largest shareholder of the Company, Telia Company AB, for up to three months at a zero-interest rate. The lent funds were available to the Company on demand within 2 business days. As of 31 December 2022, there were no funds lent to the Parent company, while a year ago an amount of EUR 40 million was lent to the Parent company.

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.

	<u>31-12-2022</u>	<u>31-12-2021</u>
Loans from banks	30,000	30,000
Liabilities under reverse factoring agreements	83,548	123,681
Liabilities under financial lease agreements	-	573
Borrowings	113,548	154,254
Cash and cash equivalents	7,099	61,769
Net debt	106,449	92,485
Net debt to equity (Gearing) ratio (%)	32.4	28.0

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). In 2022, due to increase of Euribor interest rate the payment to the banks terms has drastically shortened and that had a negative impact on the Company's cash flow.

To ensure sufficient liquidity, in January 2023, the Company had signed an agreement regarding revolving credit facility with Telia Company AB that provides the Company with the possibility to borrow any amount up to total limit of EUR 50 million for 3 or 6 months within 2 business days.

During the fourth quarter of 2022, the total **capital investments** amounted to EUR 25.4 million (EUR 41.9 million a year ago).

	<u>January-December</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
				(%)
Fixed network	22,545	27,757		(18.8)
Mobile network excluding mobile licenses	28,963	37,683		(23.1)
IT systems and infrastructure	18,062	13,381		35.0
Transformation program	10,346	13,056		(20.8)
Other	1,019	2,060		(50.5)
Total capital investments	80,935	93,937		(13.8)
Capital investments to revenue ratio (%)	18.2	22.3		

In the beginning of August 2022, Telia Lietuva won the auction for **3.5 GHz radio frequency license** by offering the highest bid of EUR 7 million. The Company acquired the cleanest and least constrained 100 MHz radio frequency block from 3,400-3,700 MHz band. It is specifically the 3.5 GHz frequency, with 100 MHz bandwidths, that will enable the huge speeds of mobile Internet. This frequency with the permission of the Communications Regulatory Authorities (CRA) was already used by Telia Lietuva for non-commercial testing of 5G communications.

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At the end of August, the auction for **700 MHz radio frequency license** was over. Telia Lietuva for EUR 23 million acquired 2x10 MHz radio frequency block that covers the largest territory of the country in the 700 MHz band. It allows consumers to use a combined spectrum thus improving 4G speed and coverage, especially in low density areas.

In total, the Company will pay EUR 30 million over 20 years to the Lithuanian state budget for both 5G frequency bands. The initial 30 per cent payments for both licenses (in total EUR 9 million) are already made.

On 26 September 2022, when Telia Lietuva received permission from CRA to provide commercial fifth-generation mobile networks services, 5G was immediately operational with 1,100 base stations in the 700 MHz band and 110 base stations in the 3.5 GHz band. Telia Lietuva 5G network reached more than half of the country's territory and 80 percent of its population.

Preparing for 5G communication era, the Company in 2021 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. The plan is to upgrade around 2,000 sites in Lithuania till 2024. By the end of 2022, there were more than 1,300 base stations already upgraded with Ericsson equipment that support 2G, 3G, 4G and 5G connection.

According to the latest Communication Regulatory Authorities measurement data, the average mobile data download speed in Telia Lietuva network remains the highest in the country amounting to 159.9 Mbps (104.5 Mbps a year ago).

In 2022, Telia Lietuva has completed the upgrade of its **cooper network** used for the provision of DSL Internet. Over the four years, the Company has updated almost 1,600 network nodes throughout Lithuania. This allowed to increase the broadband DSL Internet speeds more than 10-fold: 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 Telia Lietuva exchange and the back-end equipment. The total investment into this project amounted to EUR 10.5 million.

Residential customers of Telia Lietuva fibre-optic Internet currently enjoy Internet speeds of up to 1 Gbps, while business customers in Vilnius, Kaunas, Panevėžys, Alytus and Palanga are offered fiber-optic Internet of up to 2 Gbps speed. The Company also plans to upgrade its fibre-optic network in the nearest future.

By the end of December 2022, the Company had 965 thousand households passed (947 thousand a year ago), or 68 per cent of the country's households, by the fiber-optic network.

The Company also continued its business **transformation program** by migrating customers, finance and business management from legacy systems into new SAP based ones.

	<u>October-December</u>		<u>Change</u>	<u>January-December</u>		<u>Change</u>
	2022	2021	(%)	2022	2021	(%)
Net cash from operating activities	32,612	28,772	13.3	140,805	126,373	11.4
Operating free cash flow	<u>(5,425)</u>	<u>15,995</u>	<u>(133.9)</u>	<u>34,637</u>	<u>78,764</u>	<u>(56.0)</u>

Operating free cash flow represents cash from operating activities after deduction of cash capital spending. During the third quarter of 2022, the Company has made an initial payment of EUR 9 million for 5G licences.

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.

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

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

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

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	2.05	2.10	1.79	1.985	1.975	5,902,460	11,656,896

The Company's **market capitalisation** as on 31 December 2022 was EUR 1,156 million, a decline by 2.7 per cent over the market capitalisation of EUR 1,189 million a year ago.

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.

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

Other material information

On 28 April 2022, the Annual General Meeting approved the audited annual financial statements of the Company for the year 2021. The Annual report of the Company for the year 2021, prepared by the Company, assessed by the auditors and approved by the Board, was presented to the shareholders. The shareholders decided to allocate from the Company's distributable profit of EUR 144,200 thousand to allocate an amount of EUR 58,261 thousand 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 85,938 thousand as retained earnings (undistributed profit).

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.

On 30 September 2022, the Company received a resignation letter from Douglas Lubbe, the Chair of the Board and member of the Remuneration Committee of Telia Lietuva. He has resigned from the Board as of 14 October 2022.

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

On 18 October 2022, the Board elected member of the Board Claes Nycander as new Chair of the Board and elected member of the Board Hannu-Matti Mäkinen as new member and the Chair of the Remuneration Committee.

On 15 December 2022, the Company received a resignation letter from Dovilė Grigienė, an independent member of the Board and the Audit Committee.

Members of the Board as of 31 December 2022:

Name, surname	Position in the Board	Employment	Ownership of the Company's shares
Claes Nycander	Chairman of the Board, member of the Remuneration Committee	Telia Company AB (Sweden), Vice President & Head of Chief Operating Officer Office & LED (Lithuania, Estonia, Denmark) Management at Common Product and Services (CPS)	-
Agneta Wallmark	Member of the Board, Chair of the Audit Committee	Telia Company AB (Sweden), Vice President & Head of Group Treasury	-
Hannu-Matti Mäkinen	Member of the Board, Chair of the Remuneration Committee	Telia Company AB (Sweden), Chief Legal Counsel, Telia Asset Management	-
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 Mindaugas Glodas is regarded as independent member of the Board. The current two-years' term of the Board terminates on 27 April 2023. Information about participation of the members of the Company's Board in activities of other entities is provided at the Company's webpage www.telia.lt.

On 28 April 2022, the Annual General Meeting approved the Company's Remuneration Report for the year 2021 following the Remuneration Policy for CEO and members of the Board of Telia Lietuva, AB that was approved by the shareholders in 2020. The Policy and the Report are provided at the Company's webpage www.telia.lt.

Following the Policy, the shareholders decided to allocate for two the then independent members to the Board – Dovilė Grigienė and Mindaugas Glodas – the total amount of EUR 33,000, or EUR 16,500 each, as a tantiemes (annual payment) for the year 2021.

Arūnas Lingė, Head of Finance, has left the Company on 29 April 2022, and a new Head of Finance, Daina Večkytė, stepped in from 4 July 2022. From 30 April 2022 till 3 July 2022, Polina Rys, Head of Business Control, was an interim Head of Finance of Telia Lietuva.

Nortautas Luopas, Head of Consumer and Digital & Analytics at Telia Lietuva, has left the Company on 30 June 2022, and the Board has approved a new structure of the Company and appointed the heads of the Consumer, Marketing, and Digitisation & Analytics units from within the Company.

From 1 July 2022, Elina Dapkevičienė has become Head of Consumer of Telia Lietuva. Before that she was leading the Company's Home Services Segment team. From 1 July 2022, Marketing team was moved from Consumer unit into separate unit and is continuously headed by Vaida Jurkonienė.

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

Diana Gold is Head of Digitisation and Analytics unit from 1 September 2022, having previously been Head of IT at Common Products and Services.

Management Team:

Name, surname	Position in the Company	Involvement into activities of other entities	Ownership of the Company's shares
Dan Strömberg	CEO	Telia Company AB (Sweden), Senior Vice President & Head of cluster Lithuania, Estonia and Denmark (LED); Telia Eesti AS (Estonia), Chair of the Supervisory Council, Association Investors' Forum (Lithuania), member of the Board	-
Daniel Karpovič	Head of Enterprise	-	-
Elina Dapkevičienė	Head of Consumer	-	-
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	-
Andrius Šemeškevičius	Head of Technology	-	8,761 shares or 0.0015% of the total number of shares and votes
Diana Gold	Head of Digital & Analytics	-	-
Daina Večkytė	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	-	-
Vaida Jurkonienė	Head of Marketing	-	-
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	October-December		January-December	
		2022	2021	2022	2021
Revenue		116,438	113,290	444,623	420,794
Cost of goods and services		(47,185)	(48,749)	(174,991)	(168,690)
Employee-related expenses		(15,922)	(14,776)	(58,385)	(56,632)
Other expenses		(17,668)	(17,649)	(64,804)	(58,287)
Other gain/ (loss) - net		566	23	1,094	1,414
Depreciation, amortisation and impairment of fixed assets	2	(21,359)	(19,871)	(84,083)	(77,669)
Operating profit		14,870	12,268	63,454	60,930
Finance income		444	392	1,263	1,463
Finance costs		(1,383)	(846)	(3,898)	(3,548)
Finance – net		(939)	(454)	(2,635)	(2,085)
Profit before income tax		13,931	11,814	60,819	58,845
Income tax	6	789	3,541	(4,421)	(2,037)
Profit for the period		14,720	15,355	56,398	56,808
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		14,720	15,355	56,398	56,808
Profit and comprehensive income attributable to:					
Owners of the Parent		14,720	15,355	56,398	56,808
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	7	0.025	0.026	0.097	0.098

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

Statement of financial position

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	2	269,653	267,034
Intangible assets	2	169,419	140,794
Right-of-use-asset	2	44,995	46,124
Cost to obtain a contract		5,498	4,837
Other contract assets		537	696
Trade and other receivables		17,440	16,789
Terminal financing receivables		4,027	6,685
		511,569	482,959
Current assets			
Inventories		14,461	12,711
Contract assets		1,266	1,102
Trade and other receivables		69,929	66,497
Current income tax receivable		-	5,201
Terminal financing receivables		6,129	5,920
Cash and cash equivalents		7,099	61,769
		98,884	153,200
Assets classified as held for sale		594	5,310
Total assets		611,047	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		142,337	144,200
Equity attributable to owners of the Company		328,191	330,054
Non-controlling interest		-	-
Total equity		328,191	330,054
LIABILITIES			
Non-current liabilities			
Borrowings		30,000	30,000
Lease liabilities		42,121	45,720
Deferred tax liabilities		17,874	19,604
Deferred revenue and accrued liabilities		20,261	6,645
Provisions	5	13,179	12,398
		123,435	114,367
Current liabilities			
Trade, other payables and accrued liabilities		59,600	57,416
Current income tax liabilities		261	-
Borrowings		83,548	124,254
Contract liabilities		2,389	2,054
Lease liabilities		13,623	13,324
Provisions	5	-	-
		159,421	197,048
Total liabilities		282,856	311,415
Total equity and liabilities		611,047	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 on 1 January 2021	168,958	16,896	145,653	331,507
Profit for the period	-	-	56,808	56,808
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	56,808	56,808
Dividends paid for 2020	-	-	(58,261)	(58,261)
Balance on 31 December 2021	168,958	16,896	144,200	330,054
Balance on 1 January 2022	168,958	16,896	144,200	330,054
Profit for the period	-	-	56,398	56,398
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	56,398	56,398
Dividends paid for 2021	-	-	(58,261)	(58,261)
Balance on 31 December 2022	168,958	16,896	142,337	328,191

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

Statement of cash flow

	January-December	
	2022	2021
Operating activities		
Profit for the period	56,398	56,808
Adjustments for:		
Income tax expenses recognized in profit or loss	4,421	2,037
Depreciation, amortisation and impairment charge	85,847	79,764
Gain on disposal of property, plant and equipment	(1,267)	(1,451)
Interest income	(1,263)	(1,463)
Interest expenses	3,824	3,382
Changes in working capital:		
Inventories / Assets held for sale	(1,935)	(3,528)
Trade and other receivables, decrease/(increase) in contract assets, contract costs	(860)	1,564
Trade, other payables and accrued liabilities, deferred tax liability, increase/(decrease) in contract liabilities, deferred revenue and accrued liabilities	3,341	(1,076)
Cash generated from operations	148,506	136,037
Interest paid	(3,512)	(3,367)
Interest received	238	414
Income taxes paid	(4,427)	(6,711)
Net cash from operating activities	140,805	126,373
Investing activities		
Purchase of property, plant and equipment and intangible assets	(111,982)	(52,270)
Proceeds from disposal of property, plant and equipment and intangible assets	5,814	4,661
Proceeds from / repayments for finance sublease receivables	3,475	(648)
Net cash used in investing activities	(102,693)	(48,257)
Financing activities		
Repayment of borrowings	(150,500)	(95,188)
Proceeds from borrowings	128,994	89,648
Increase (decrease) in lease liabilities	(13,015)	(8,487)
Dividends paid to shareholders	(58,261)	(58,261)
Net cash used in financing activities	(92,782)	(72,288)
Increase (decrease) in cash and cash equivalents	(54,670)	5,828
Movement in cash and cash equivalents		
At the beginning of the year	61,769	55,941
Increase (decrease) in cash and cash equivalents	(54,670)	5,828
At the end of the period	7,099	61,769

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

Notes to the interim financial statements

1 Accounting policies

The interim financial statements for the 12 months' period ending 31 December 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 euros, unless indicated otherwise. The financial statements are prepared under the historical cost convention.

Financial statements for the period ended 31 December 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 assets

	<u>Property, plant and equipment</u>	<u>Intangible assets</u>
12 months ended 31 December 2021		
Opening net book amount as of 31 December 2020	256,923	132,223
Additions	68,275	25,355
Disposals and retirements	(2,673)	(53)
Reclassification	(4,002)	154
Depreciation and amortisation charge	(51,489)	(16,885)
Closing net book amount as of 31 December 2021	267,034	140,794
12 months ended 31 December 2022		
Opening net book amount as of 31 December 2021	267,034	140,794
Additions	55,055	49,830
Disposals and retirements	(429)	(91)
Reclassification	850	(159)
Depreciation and amortisation charge	(52,857)	(20,955)
Closing net book amount as of 31 December 2022	269,653	169,419
	<u>Right-of-use-asset</u>	
12 months ended 31 December 2021		
Opening net book amount as of 1 January 2021	47,217	
Additions	14,642	
Disposals and retirements	(6,440)	
Reclassification	-	
Depreciation and amortisation charge	(9,295)	
Closing net book amount as of 31 December 2021	46,124	

(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>
12 months ended 31 December 2022	
Opening net book amount as of 1 January 2022	46,124
Additions	12,582
Disposals and retirements	(3,440)
Reclassification	-
Depreciation and amortisation charge	(10,271)
Closing net book amount as of 31 December 2022	44,995

3 Investments in subsidiaries and associates

The subsidiaries and associates included in the Company's financial statements are indicated below:

Name	Country of incorporation	Ownership interest in %		Profile
		31-12-2022	31-12-2021	
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-December 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	-	588	588
Discounting	-	221	221
Used provisions	-	(28)	(28)
Closing net book amount at 31 December 2022	-	13,179	13,179

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 landowner 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 6.1 million (in 2021 – EUR 6.8 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 both reporting periods amounted to 582,613 thousand.

	January-December	
	2022	2021
Net profit	56,398	56,808
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
Earnings per share (euro)	0.097	0.098

8 Dividends per share

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

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

9 Related party transactions

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

Sales and purchases from Telia Company AB and its subsidiaries:

	January-December	
	2022	2021
Sales of telecommunication and other services	9,966	8,480
Total sales of telecommunication and other services	9,966	8,480
Purchases of services	20,459	23,712
Purchases of assets	392	630
Total purchases of services and assets:	20,851	24,342

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

	As of 31 December,	
	2022	2021
Long-term receivables from related parties	-	140
Receivables from related parties	2,058	2,120
Accrued revenue from related parties	962	669
Total receivables and accrued revenue from related parties	3,020	2,929
Short term investments	-	40,000
Short term investments	-	40,000
Payables to related parties	4,539	3,672
Accrued expenses to related parties	18	12
Total payables and accrued expenses to related parties	4,557	3,684

On 26 May 2022, following the decision of the Annual General Meeting of Shareholders, held on 28 April 2022, the Company paid-out to Telia Company an amount of EUR 51,359 thousand as dividends for the year 2021.

Management confirmation of the interim 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 Daina Večkytė, 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 12 months' period ended 31 December 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

Daina Večkytė
Head of Finance

Vilnius, 25 January 2023