

TELIA LIETUVA, AB

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS' PERIOD ENDED 31 DECEMBER 2019
(UNAUDITED)**



Beginning of the financial year	1 January 2019
End of reporting period	31 December 2019
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
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Main activities	Integrated telecommunication, IT and TV services to residential and business customers in Lithuania

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MANAGEMENT REPORT

Fourth quarter of 2019*:

- Total revenue amounted to EUR 107 million, an increase by 10.5 per cent over the revenue of EUR 96.8 million in the fourth quarter of 2018.
- EBITDA, excluding non-recurring items, was EUR 34.6 million, an increase by 4.5 per cent over EBITDA, excluding non-recurring items, of EUR 33.1 million in the fourth quarter of 2018. Excluding the positive impact from IFRS 16, comparable EBITDA, excluding non-recurring items, fell 1.8 per cent.
- Profit for the period was EUR 17 million, up by 25.6 per cent over the profit of EUR 13.5 million a year ago.

Twelve months of 2019*:

- Total revenue amounted to EUR 388.3 million, an increase by 3.1 per cent over the revenue of EUR 376.5 million for the twelve months of 2018.
- EBITDA, excluding non-recurring items, was EUR 131 million, an increase by 1.8 per cent over EBITDA, excluding non-recurring items, of EUR 128.7 million for January-December of 2018. Excluding the positive impact from IFRS 16, comparable EBITDA, excluding non-recurring items, fell 4.2 per cent.
- Profit for the period was almost the same as a year ago and amounted to EUR 54.7 million.
- Free cash flow amounted to EUR 59.9 million, an increase by 19.3 per cent over free cash flow of EUR 50.2 million a year ago.

Management comment:

The Company finished the year 2019 at high note: the fourth quarter revenue exceeded EUR 100 million for a second quarter in a row. Higher volumes of voice transit in combination with continuously growing revenue from mobile communication, television, IT and equipment sales, contributed to the increase in total revenue during the fourth quarter of 2019. On the other hand, we have a natural decline in traditional fixed voice telephony and for a second year are observing decline in revenue for fixed Internet service due to contracting ARPU despite intake of new Internet users.

The boost in revenue from smart TV service is primarily attributed to quality of service and exclusive content provided by HBO and TVPlay Premium. From December, with the launch of Telia Play, a TV on the go service developed in cooperation with Telia Group, our smart TV became available on any device, anytime and anywhere.

Our ongoing investments, that in 2019 amounted to EUR 52.7 million, ensure that we meet the growing demand for mobile data and provide the highest mobile data transmission speed in the country up to 76.22 Mbps.

Despite fierce competition and saturation of some market segments, during January-December of 2019:

- number of FTTH Internet customers grew by 6.5 per cent up to 295 thousand,
- number of IPTV users increased by 6.1 per cent up to 244 thousand,
- number converged offer "Telia One" users almost doubled up to 60 thousand.

Successful fourth quarter of 2019 strongly contributed that for the full year of 2019 compared with the year 2018:

- revenue from TV services grew by 18.1 per cent,
- revenue from equipment sales went up by 13.5 per cent,
- revenue from IT services increased by 11 per cent,
- revenue from billed mobile services was up by 5.7 per cent.

Even though EBITDA in absolute numbers went up, increasing costs put pressure on profitability margins and that requires additional efficiency improvement measures. Profitability margins in 2019 were slightly lower than in 2018.

Pursuing our strategic Excellence in Digitalisation goal in November we employed artificial intelligence and launched a chatbot, an assistant robot which automatically provides responses to customer inquiries at our website. Our robot called Aita (Artificial Intelligent Telia Assistant) is a pioneer in AI use for customer care in Lithuanian telco industry. Also, for better customer experience and convenience we have started an upgrade of our customer service outlets.

From 1 January 2020, Telia Lietuva established a new Digitalization and Analytics Unit and together with Telia teams in Estonia, Denmark and Norway embraced the New Operating Model, which will provide companies of Telia Company Group with more synergy and efficiency.

*Note: * Introduction of IFRS 16 "Leases" from 1 January 2019 influenced the financial statements for 2019. Comparative information for 2018 has not been restated. See Note 1.*

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

KEY FIGURES OF THE GROUP

Financial figures	January-December		Change (%)
	2019*	2018	
Revenue	388,299	376,494	3.1
EBITDA excluding non-recurring items	130,992	128,730	1.8
EBITDA margin excluding non-recurring items (%)	33.7	34.2	
EBITDA	128,868	127,437	1.1
EBITDA margin (%)	33.2	33.8	
Operating profit (EBIT) excluding non-recurring items	61,905	64,208	(3.6)
EBIT margin excluding non-recurring items (%)	15.9	17.1	
Operating profit (EBIT)	59,781	62,915	(5.0)
EBIT margin (%)	15.4	16.7	
Profit before income tax	56,855	63,234	(10.1)
Profit before income tax margin (%)	14.6	16.8	
Profit for the period	54,726	54,700	-
Profit for the period margin (%)	14.1	14.5	
Earnings per share (EUR)	0.094	0.094	
Number of shares (thousand)	582,613	582,613	-
Share price at the end of period (EUR)	1.275	1.105	15.4
Market capitalisation at the end of period	742,832	643,787	15.4
Cash flow from operations	110,709	106,767	3.7
Operating free cash flow	59,918	50,235	19.3
Operating figures	31-12-2019	31-12-2018	Change (%)
Mobile service subscriptions, in total (thousand)	1,347	1,389	(3.0)
- Post-paid (thousand)	1,069	1,126	(5.1)
- Pre-paid (thousand)	278	263	5.7
Broadband Internet connections (excl. Wi-Fi), in total (thousand)	419	409	2.4
- Fiber-optic (FTTH/B) (thousand)	295	277	6.5
- Copper (DSL) (thousand)	124	132	(6.1)
Fixed telephone lines in service (thousand)	296	354	(16.4)
IPTV service customers, in total (thousand)	244	230	6.1
Number of personnel (head-counts)	2,336	2,733	(14.5)
Number of full-time employees	2,127	2,482	(14.3)
Financial ratios**	31-12-2019*	31-12-2018	
Return on capital employed (%)	13.3	13.8	
Return on average assets (%)	10.0	11.3	
Return on shareholders' equity (%)	17.3	17.7	
Operating cash flow to sales (%)	32.4	28.4	
Capex to sales (%)	13.6	16.4	
Net debt to EBITDA ratio	0.72	1.02	
Gearing ratio (%)	28.4	40.5	
Debt to equity ratio (%)	43.7	49.4	
Current ratio (%)	115.5	133.8	
Rate of turnover of assets (%)	65.0	67.6	
Equity to assets ratio (%)	53.4	56.7	
Price to earnings (P/E) ratio	13.6	11.8	

Notes: * Introduction of IFRS 16 "Leases" from 1 January 2019 influenced the financial statements for 2019. Comparative information for 2018 has not been restated. See Note 1.

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

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Breakdown of revenue by services	October–December		Change (%)	January–December		Change (%)
	2019	2018		2019	2018	
Fixed services	46,096	41,512	11.0	172,997	177,642	(2.6)
Voice telephony services	13,955	11,744	18.8	49,673	59,076	(15.9)
Internet services	14,236	14,307	(0.5)	56,616	57,839	(2.1)
Data communication and network capacity services	4,616	4,828	(4.4)	18,654	19,125	(2.5)
TV services	8,281	6,621	25.1	30,783	26,076	18.1
IT services	3,022	2,687	12.5	11,330	10,204	11.0
Other services	1,986	1,325	49.9	5,941	5,322	11.6
Mobile services	32,151	31,340	2.6	127,080	121,120	4.9
Billed services	26,986	25,520	5.7	104,896	99,206	5.7
Other mobile service	5,165	5,820	(11.3)	22,184	21,914	1.2
Equipment	28,740	23,935	20.1	88,222	77,732	13.5
Total	106,987	96,787	10.5	388,299	376,494	3.1

REVENUE

The **total consolidated revenue** during the fourth quarter of 2019 amounted to EUR 107 million and was 10.5 per cent higher than revenue of EUR 96.8 million a year ago. In addition to continuously growing revenue from mobile communication, television, IT and equipment sales, higher volumes of voice transit contributed to the increase in total revenue during the fourth quarter of 2019.

The total revenue for the twelve months of 2019 increased by 3.1 per cent over the total revenue of EUR 376.5 million a year ago and amounted to EUR 388.3 million with a double-digit growth in revenue from TV and IT services, and equipment sales.

Share of revenue from fixed and mobile communication services amounted to 44.6 and 32.7 per cent, respectively, from the total revenue for the twelve months of 2019. Share of revenue from equipment sales was 22.7 per cent.

Revenue from services provided to residential customers amounted to 59.2 per cent, to business customers – 39.4 per cent and others – 1.4 per cent of the total revenue for the twelve months of 2019.

Over the year, the number of “Telia One”, a converged offer that gives more value – higher speed, more data and more TV content – to those who have both fixed and mobile services of Telia Lietuva, customers increased 1.8 times and by the end of December 2019 reached 60 thousand (33 thousand a year ago).

During the fourth quarter of 2019, the number of post-paid **mobile** service users increased by 10 thousand, while the number of pre-paid service users decreased by 2 thousand. At the beginning of 2019, the Company changed treatment of active mobile service user and took off 114 thousand of post-paid mobile service users from the total number of mobile subscriptions. As a result, during January–December 2019, despite intake of a new customer (57 thousand), the number of post-paid mobile communication service users decreased by 57 thousand, while the number of pre-paid service users increased by 15 thousand. Over the year, the total number of active mobile subscriptions decreased by 42 thousand.

Nevertheless, the growing usage of mobile data per user pushed the billed revenue from mobile services up by 5.7 per cent for both the fourth quarter and twelve months of 2019 over the same periods a year ago.

In 2016, Telia Lietuva was the first and so far, the only in Lithuania to implement VoLTE technology in 4G network. The VoLTE (Voice over LTE) technology helps to ensure up to three times faster connection of phone calls, HD voice quality, and most importantly, the possibility to surf the Internet during a phone call. Since December 2019, VoLTE technology is available to iPhone owners in Telia Lietuva network. Before that only owners of Huawei, Samsung, Sony and Xiaomi handset were able to make VoLTE calls using the Company's network.

Revenue from **other mobile services** include revenue from the Company's mobile network interconnections as well as roaming charges to country's visitors and other network services. Compared with the previous year, revenue from

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roaming charges to country's visitors alone during the fourth quarter of 2019 went down and for the twelve months of 2019 was 3 per cent lower in 2018. Elimination of roaming charges in the EU from 15 June 2017 has triggered an increase in data usage by Lithuania's visitors from more than 110 countries that use Telia Lietuva mobile network for Internet access.

On 15 May 2019, European Electronic Communications Code (EERC) came into force and laid down new regulatory rules for European telecommunications companies. This Code establishes that the maximum price for calls and SMS between EU countries may not exceed 19 cents per call minute and 6 cents per SMS (excluding VAT), which means that tariffs for those, who call and text SMS to other EU and EEA countries, decreased by as much as 80 per cent.

During the fourth quarter of 2019, the number of fixed telephone lines in service eased by 13 thousand and over the last twelve months – by 58 thousand. Over the year, the total retail fixed voice telephony traffic decreased by 14.8 per cent and as a result, revenue from retail **voice telephony** services for the twelve months of 2019 went down by 16.8 per cent. Revenue from low margin voice transit service for January-December of 2019 was 14.6 per cent lower than a year ago and pushed the total revenue from fixed voice telephony services down by 15.9 per cent.

During October-December of 2019, revenue from retail fixed voice telephony services decreased by 17.4 per cent, while revenue from voice transit services went up by 86.5 per cent and resulted in 18.8 per cent increase in total revenue from fixed voice telephony services for the fourth quarter of 2019, compared with the same quarter a year ago.

During the fourth quarter of 2019, the number of fixed **broadband Internet access** users over fiber-optic network using FTTH/B technologies increased by 5 thousand, while number of broadband Internet service users over the copper DSL connections eased by 1 thousand. The total net increase in number of retail broadband Internet (excluding Wi-Fi and wholesales) access users was 4 thousand.

Over the last twelve months, the total number of retail broadband Internet (excluding Wi-Fi and wholesales) access users increased by 10 thousand. The number of Internet connections over the fiber-optic network increased by 18 thousand and reached 295 thousand at the end of December 2019, while the number of copper DSL connections eased by 8 thousand to 124 thousand. By the end of 2019, the number of Internet connections over the fiber-optic access network amounted to 70 per cent of all 419 thousand retail broadband Internet (excluding Wi-Fi and wholesales) connections.

The second birth to copper lines used for Internet provision came with introduction of "Super VDSL" (S-VDSL) technology back in 2018. 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. By the end of 2019, more than 20 thousand of Internet connections over the copper line were already migrated from traditional DSL to S-VDSL technology and more than 48 thousand could be potentially migrated.

In 2019, the Company upgraded customer-premises equipment (CPE) to those, whose equipment was replaced the longest time ago. Equipment was replaced to both DSL and fiber-optic Internet customers. The new modem ensures Wi-Fi connectivity on 2.4 GHz and 5 GHz frequency bands, thus Wi-Fi at home will be even faster and more stable, with less interference from surrounding Wi-Fi networks.

Despite growth in number of broadband Internet customers but due to lower ARPU, revenue from Internet services for the fourth quarter and the twelve months of 2019, compared with the same periods in 2018, eased by 0.5 and 2.1 per cent, respectively.

Compared with the same periods in 2018, revenue from **data communication** services alone during the both fourth quarter and the twelve months of 2019 decreased by 4 per cent. Revenue from **network capacity** services alone for October-December and the of twelve months' period of 2019 went down by 5 and 0.3 per cent, respectively.

During the fourth quarter of 2019, the number of smart **television** (IPTV) service users increased by 4 thousand, while over the year it grew by 14 thousand to 244 thousand. An exclusive content featured on Telia TV platform has a positive effect on both intake of new customers and revenue growth.

From May 2019, smart TV service users were provided with TVPlay Premium production – more than 13 thousand movies and series in Lithuanian and other languages for a monthly fee of EUR 6.90. World class TV series, movies and documentaries from HBO are exclusively available to the Telia TV service since August 2018. In 2019, Telia

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smart TV subscribers were able to enjoy the acclaimed HBO premiers – last episodes of Game of Thrones, miniseries Chernobyl and Catherine the Great – at the same time as the rest of the world.

In September 2019, TV channel created by the largest Lithuanian news portal, Delfi TV, and providing exclusively local content was launched on the Company's IPTV platform. Earlier Delfi TV was broadcasted only over the Internet.

Moreover, Telia smart TV that offers up to 30 TV channels, video-on-demand and exclusive HBO content became available on the customers phone, tablet or PC screen in Lithuania. The TV on the go service called Telia Play was launched in December 2019. Telia Play is one of the projects, which has been developed and supported in cooperation with the shared service centre, Telia Global Services Lithuania, operating in Lithuania. This is one of Telia first common products for all Baltic and Nordic countries. Telia Play is available to all the Telia TV subscribers free of charge when connected to fixed, mobile or Wi-Fi network of any Internet provider as long as they are within a EU state.

Revenue from **IT services** generated from the data center, information system management and web-hosting services provided to local and multinational enterprises showed a double-digit growth in 2019.

During the fourth quarter of 2019, Telia Lietuva and Lietuvos Geležinkeliai (Lithuanian Railways) have signed a three-year equipment rental agreement worth EUR 1.4 million according to which Telia Lietuva will modernise up to 1,000 portable computers with accessories and up to 500 external computer displays. IT equipment rental or the so-called Device as a Service (DaaS) agreement includes not only the cost of the equipment itself but also its insurance coverage, maintenance, recovery and other additional services.

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.

In September 2019, the Company signed an agreement with Kaunas Municipality for installation and maintenance of at least 234 video surveillance cameras in 31 location in Kaunas city for a total amount of EUR 700 thousand. In general, Telia Lietuva has implemented video surveillance systems in 15 Lithuanian cities. Currently, the Company ensures maintenance of 683 cameras in public places of Lithuania.

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)**. The non-recurring gain from sales of property amounting to EUR 481 thousand was recorded in 2018.

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 2019 increased by 3.6 per cent compared with the second quarter of 2019 or by 3.2 per cent compared with the third quarter of 2018 and amounted to EUR 182 million.

The total market revenue for the first nine months of 2019 amounted to EUR 531 million, an increase by 2.3 per cent over the total market revenue of EUR 519 million for the first nine months of 2018.

Telia Lietuva remains the largest telecommunications' service provider in Lithuania with the market share (in term of revenue) of 39.1 per cent for the third quarter of 2019, an increase by 0.74 percentage point over the market share for the second quarter of 2019.

	The market shares in terms of customers (%)		The market shares in terms of revenue (%)	
	Q3 2019	Change (p.p.) (y-o-y)	Q3 2019	Change (p.p.) (y-o-y)
Fixed voice telephony services	81.6	(2.4)	86.2	(3.9)
Mobile voice telephony services	27.8	(1.7)	27.6	0.6
Fixed Internet access	52.1	0.3	59.4	(1.2)
Mobile Internet access	28.5	0.1	27.0	(2.9)
Pay-TV services	35.7	2.7	43.7	4.7
Data communication services	n/a	n/a	63.7	(0.2)

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According to the Report of the CRA, on 30 September 2019, broadband Internet penetration per 100 residents of Lithuania was 50.1 per cent (46.3 per cent a year ago) and pay-TV penetration per 100 households was 51.1 per cent (50.4 per cent a year ago). The penetration of active mobile voice communication users per 100 residents was 132.7 per cent (135.3 per cent a year ago) and penetration of fixed voice telephony lines per 100 households – 27.6 per cent (32.7 per cent a year ago).

OPERATING EXPENSES

During October-December of 2019, **cost of goods and services** increased by 14.7 per cent over the cost of goods and services for the same period a year ago, mainly due to increased volumes of voice transit and higher equipment sales. Overall, cost of goods and services for the twelve months of 2019 were 2.3 per cent higher than a year ago.

Operating expenses (excluding cost of goods and services, and non-recurring items) for the fourth quarter of 2019 were 15.2 per cent higher than operating expenses for the same period in 2018, and operating expenses for the twelve months of 2019 were 7.3 per cent higher than a year ago due to higher both employee-related and other expenses in 2019.

Employee-related expenses (excluding one-time redundancy pay-outs) during October-December of 2019 increased by 3.9 per cent over employee-related expenses (excluding one-time redundancy pay-outs) for the fourth quarter of 2018. Employee-related expenses (excluding one-time redundancy pay-outs) for January-December of 2019 were also 3.9 per cent higher than a year ago. During the fourth quarter of 2019, the Company had non-recurring redundancy charge that amounted to EUR 0.6 million (EUR 0.2 million a year ago). For the twelve months of 2019 non-recurring redundancy charge amounted to EUR 2.1 million (EUR 1.8 million in 2018).

On 4 April 2019, the Company announced that to increase the efficiency and create a leaner structure of the Company the number of Telia Lietuva full-time employees during 2019 will be reduced by 285, while Telia Global Services Lithuania, a subsidiary of Telia Company operating in Vilnius, will expand with new job offerings and will reach 500 employees by the end of 2019. On 1 January 2019, the Company had already transferred 26 employees of its Human Resource unit (People HUB) to Telia Global Services Lithuania (TGSL) and 15 employees of Procurement unit were transferred to TGSL on 1 July 2019. In September 2019, 36 employees from Technology unit were outsourced to the third party.

During the fourth quarter of 2019, the total **number of employees** (headcount) decreased by 50 (mainly in Technology and Sales units), and over the year, the total number of Telia Lietuva Group employees decreased by 397 – from 2,733 to 2,336. In terms of full-time employees (FTE), the total number of Telia Lietuva Group employees during October-December of 2019 contracted by 49, while over the last twelve months the total number of FTE decreased by 355 from 2,482 to 2,127.

Other expenses for the fourth quarter of 2019 were 28 per cent higher than other expenses a year ago, while other expenses for the twelve months of 2019 were 10.9 per cent higher than expenses in 2018 due to higher marketing expenses and increased volumes of services provided by Telia Company Group.

EARNINGS

EBITDA excluding non-recurring items for the fourth quarter of 2019 amounted to EUR 34.6 million, an increase by 4.5 per cent over EBITDA excluding non-recurring items for the same period in 2018 when it amounted to EUR 33.1 million. Non-recurring items for the fourth quarter of 2019 amounted to EUR 609 thousand (EUR 130 thousand in 2018) and consisted of one-time redundancy pay-outs. EBITDA excluding non-recurring items margin for the fourth quarter of 2019 was 32.3 per cent, while a year ago it was 34.2 per cent. Comparable EBITDA, excluding non-recurring items and positive impact from IFRS 16, over the year fell 1.8 per cent.

EBITDA excluding non-recurring items for the twelve months of 2019 amounted to EUR 131 million and was by 1.8 per cent higher than EBITDA excluding non-recurring items in 2018 when it amounted to EUR 128.7 million. Non-recurring items for the twelve months of 2019 amounted to EUR 2.1 million (EUR 1.3 million in 2018) and mainly consisted of one-time redundancy pay-outs. EBITDA excluding non-recurring items margin for the twelve months of 2019 stood at 33.7 per cent, while a year ago it amounted to 34.2 per cent. Comparable EBITDA, excluding non-recurring items and positive impact from IFRS 16, over the year fell 4.2 per cent.

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EBITDA including non-recurring items in October-December of 2019 was EUR 34 million and was 3.1 per cent higher than a year ago, when EBITDA including non-recurring items amounted to EUR 32.9 million. EBITDA including non-recurring items margin in October-December of 2019 was 31.7 per cent (34 per cent a year ago).

EBITDA including non-recurring items for the twelve months of 2019 was EUR 128.9 million, an increase by 1.1 per cent over EBITDA including non-recurring items of EUR 127.4 million for the same period in 2018. EBITDA including non-recurring items margin in January-December of 2019 amounted to 33.2 per cent (33.8 per cent a year ago).

Depreciation, amortisation and impairment charges for the fourth quarter of 2019 increased by 2.1 per cent over the depreciation, amortisation and impairment charges a year ago, and in October-December of 2019 amounted to 16.6 per cent of the total revenue (18 per cent a year ago). An increase in mainly due to introduction of IFRS 16 "Leases" from 1 January 2019.

Depreciation, amortisation and impairment charges for the twelve months of 2019 over the depreciation, amortisation and impairment charges a year ago went up by 7.1 per cent, and for the twelve months of 2019 amounted to 17.8 per cent of the total revenue (17.1 per cent a year ago).

Operating profit (EBIT) excluding non-recurring items for the fourth quarter of 2019 was 7.3 per cent higher than operating profit (EBIT) excluding non-recurring items for the same period in 2018, and the margin amounted to 15.7 per cent (16.1 per cent in 2018).

However, operating profit (EBIT) excluding non-recurring items for January-December of 2019 was 3.6 per cent lower than operating profit (EBIT) excluding non-recurring items for the same period in 2018, and the operating profit excluding non-recurring items margin was 15.9 per cent (17.1 per cent a year ago).

Operating profit (EBIT) including non-recurring items for October-December of 2019 increased by 4.3 per cent over operating profit (EBIT) including non-recurring items for the fourth quarter of 2018. Operating profit including non-recurring items margin stood at 15.1 per cent (16 per cent in 2018).

Operating profit (EBIT) including non-recurring items for the twelve months of 2019 decreased by 5 per cent over operating profit (EBIT) including non-recurring items for the twelve months of 2018. Operating profit including non-recurring items margin was 15.4 per cent (16.7 per cent a year ago).

Loss from investments during 2019 represent result from activities of associated entity, UAB Mobilieji Mokėjimai, established by three Lithuanian mobile operators – Bitė, Tele2 and Telia – for provision of instant payment service. The management of the Company analyses risks exposure related to Mobilieji Mokėjimai operations and reconsiders strategic alternatives regarding this undertaking. In addition, the decision was taken to impair the value of this investment to EUR 1 as of 31 December 2019.

In the fourth quarter of 2018, the Company recorded a gain from investment activities related to divestment of subsidiaries: on 1 June 2018, the Company sold its subsidiary Telia Global Services Lithuania, UAB, to Telia Company AB (Sweden), a largest shareholder of the Company, and on 26 October 2018 – subsidiary UAB Verslo Investicijos to a third party.

Net result from finance and investment activities in October-December of 2019 was negative and amounted to EUR 1.1 million, while a year ago it was positive and amounted to EUR 384 thousand. Net result from finance and investment activities for the twelve months of 2019 was negative and amounted to EUR 2.9 million (in 2018 it was positive and amounted to EUR 319 thousand).

Profit before income tax for the fourth quarter of 2019 was down by 5.1 per cent and amounted to EUR 15.1 million (profit before income tax for the same period a year ago was EUR 15.9 million), and profit before income tax for the twelve months of 2019 went down by 10.1 per cent and amounted to EUR 56.9 million (profit before income tax for the same period in 2018 was EUR 63.2 million).

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 twelve months of 2019 amounted to EUR 2.9 million (in 2018 – EUR 1.6 million). Thus, **income tax expenses** for the fourth quarter of 2019 was positive and income tax expenses for the twelve months of 2019 were 75.1 per cent lower than a year ago.

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As a result, **profit for the period** of October-December of 2019 amounted to EUR 17 million, an increase by 25.6 per cent over profit of EUR 13.5 million for the same period in 2018. The profit margin stood at 15.9 per cent while profit margin a year ago was 14 per cent.

Profit for the twelve months' period of 2019 amounted to EUR 54.7 million and was EUR 26 thousand higher than profit a year ago. The profit margin was 14.1 per cent while profit margin a year ago reached 14.5 per cent.

FINANCIAL POSITION AND CASH FLOW

Due to introduction of IFRS 16 "Leases" from 1 January 2019 the audited Statement of Financial Position as of 31 December 2018 was restated and starting from 1 January 2019 new items on the balance sheet such as "Right-of-use-asset", "Finance lease receivables" and "Lease liabilities" were created. As a result, the restated total assets as of 1 January 2019 were by EUR 31.3 million higher than audited total assets as of 31 December 2018.

During January-December of 2019, restated **total assets** increased by 3.2 per cent. Total **non-current assets** increased by 2.3 per cent and amounted to 75.3 per cent of total assets. Total **current assets** increased by 6.5 per cent and amounted to 24.5 per cent of total assets, whereof cash alone represented 8.2 per cent of total assets.

During the twelve months of 2019, **shareholders' equity** increased by 2.5 per cent and at the end of December 2019 amounted to 53.4 per cent of total assets.

On 26 April 2019, the Annual General Meeting of Shareholders allocated an amount of EUR 46.6 million for payment of **dividends** for the year 2018 from the Company's distributable profit of EUR 131.6 million, i. e. EUR 0.08 dividend per share, and carried forward to the next financial year an amount of EUR 85 million as retained earnings (undistributed profit). In May 2019, dividends for the year 2018 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 Parent company. As of 31 December 2019, **retained earnings** of the Parent company amounted to EUR 140.1 million, while consolidated retained earnings of Telia Lietuva Group amounted to EUR 142.2 million.

During 2019, the Company has repaid EUR 30 million from the EUR 150 million long-term bank loan. 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.

Also, in May 2019, the Company signed a new Revolver Loan Agreement with the largest shareholder of the Company, Telia Company AB, that provides a short-term credit facility for up to EUR 20 million. The Agreement is for two years.

At the end of December 2019, the total amount of **borrowings** amounted to EUR 143.5 million (EUR 158.1 million a year ago), whereof EUR 97.5 million were loans from banks, EUR 5 million was a short-term internal loan from Telia Company, EUR 38.7 million – obligations under vendor financing arrangements and EUR 2.2 million – obligation under financial lease agreements.

As of 31 December 2019, the net debt amounted to EUR 93.3 million (EUR 129.4 million a year ago) and net debt to equity (Gearing) ratio was 28.4 per cent (40.5 per cent at the end of December 2018).

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 80 per cent of free cash flow as dividend. As of 31 December 2019, the Company's net debt to EBITDA ratio was 0.72 (1.02 a year ago).

Net **cash flow from operating activities** for the twelve months of 2019 was 3.7 per cent higher than cash flow for same period in 2018. **Operating free cash flow** (operating cash flow excluding capital investments) in January-December of 2019 was 19.3 per cent higher than a year ago and amounted to EUR 59.9 million.

During January-December of 2019, the total **capital investments** amounted to EUR 52.7 million and were 14.8 per cent lower than capital investments of EUR 61.8 million a year ago. Most of capital investments (EUR 24.4 million or 46.3 per cent) went to upgrade of the core fixed network and development of fiber-optic access network. An amount of EUR 11.4 million was invested into development of mobile network, EUR 11.2 million – into development of IT systems under ongoing business transformation program (migration of customers, finance and business

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management systems into SAP) and EUR 5.7 million were other investments including investments into a new head-office.

Telia Lietuva together with other Telia countries started setting up new generation customer service outlets. The first cosy and modern Telia outlet of Scandinavian design that stand out for its simplicity and clarity was opened in Šiauliai in autumn of 2019. The development of outlets' concept focused on a refined, clear communication, and layout of goods and services, so that customers would be able to easily navigate and find what they are looking for right after entering the outlet.

By the end of 2019, the Company opened another new concept outlet in Marijampolė and a renovated outlet in Vilnius, in the shopping centre BIG. During 2019, investments in setting-up outlets of new generation amounted to around EUR 300 thousand. The upgrade of other outlets is planned gradually over the forthcoming years.

During 2019, the Company installed and launched 595 new LTE 4G base stations and now has a network of 3,407 4G base stations in 1,425 locations across Lithuania. According to the latest data of the Communications Regulatory Authority (CRA), 4G mobile telecommunications service of the Company is available in 99 per cent of populated areas in Lithuania and the current average 4G speed in the Telia Lietuva network amounts to 76.2 Mbps.

By the end of December 2019, the Company had 929 thousand households passed (914 thousand a year ago), or 70.5 per cent of the country's households, by the fiber-optic network.

Cash and cash equivalents during the twelve months of 2019 increased by EUR 21.4 million.

SHARE CAPITAL AND SHAREHOLDERS

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

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

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

Information about **trading in Telia Lietuva shares** on Nasdaq Vilnius stock exchange in January-December of 2019:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.110	1.290	1.095	1.275	1.170	4,665,175	5,460,065

The Company's **market capitalisation** as on 31 December 2019 was EUR 742.8 million, an increase by 15.4 per cent over the market capitalisation of EUR 643.8 million a year ago.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 December 2019:

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	-

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

The number of **shareholders** on the shareholders' registration day (18 April 2019) for the Annual General Meeting of Shareholders, which was held on 26 April 2019, was 10,968.

OTHER MATERIAL INFORMATION

On 26 April 2019, the Annual General Meeting decided to approve the audited annual consolidated and separate financial statements of the Company for the year 2018. The consolidated annual report of the Company for the year 2018, 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 131,617 thousand an amount of EUR 46,609 thousand for the payment of dividends for the year 2018, i.e. EUR 0.08 dividend per share, and carry forward to the next financial year an amount of EUR 85,008 thousand as retained earnings (undistributed profit).

As from 1 April 2019 the Company has moved to a new headquarters at Saltoniškių str. 7A in Vilnius, the General Meeting decided to change the registered office of the Company to Saltoniškių str. 7A, LT- 03501 Vilnius, Lithuania.

To streamline Telia Lietuva Group structure, the General Meeting approved the preparation of reorganisation terms, under which Telia Customer Service LT, AB would be merged into Telia Lietuva, AB. The terms of merger of Telia Lietuva, AB and Telia Customer Service LT, AB were prepared and on 6 November 2019 approved by the Boards of both companies. The Contact Centers of Telia Customer Service LT, a subsidiary of the Company, from 1 February 2017 are taking care of solely Telia Lietuva' customers and are not providing services to external customers except Directory Inquiry service 118. In April 2019, Telia Customer Service LT, UAB changed its legal form from closed joint-stock company into joint-stock company. After change of legal form, the company operates as Telia Customer Service LT, AB. Telia Lietuva owns a 100 per cent stake in Telia Customer Service LT, AB.

By April 2019, the Company has moved its head-office in Vilnius from Lvovo str. 25 to Saltoniškių str. 7A. More than 1,000 employees of the Company settled in a six-story and more than 15 thousand sq. m building in a block of modern offices. Before that the Company's employees in Vilnius were spread out in six different locations. The new head-office is developed following the international BREEAM certificate requirement with the aim to minimise building's impact on environment. Telia Lietuva new office uses 40 per cent less energy, 52 per cent less water and emits 32 per cent less CO2 compared to typical office buildings. Besides, at least 10 per cent of the required energy is generated by solar panels installed on the roof. In addition, rainwater collected into special tanks is used in the sanitary units of the building. The Company invested EUR 5 million into improvement of employee's well-being.

On 4 April 2019, the Company announced that to increase the efficiency and create a leaner structure of the Company the number of Telia Lietuva employees during 2019 will be reduced by 285, while Telia Global Services Lithuania, a subsidiary of Telia Company operating in Vilnius, will expand with new job offerings and will reach 500 employees by the end of this year. These changes will contribute to the ongoing business digitalisation programme and the outsourcing of some functions.

On 1 July 2019, 15 employees of the Company working at Procurement unit were transferred to Telia Global Services Lithuania, UAB, a shared service center of Telia Company Group in Vilnius.

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 brings 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.

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.

As the two-year's term of the Board terminated on 27 April 2019, the Annual General Meeting, held on 26 April 2019, re-elect all members of the Board for a new two-year's term of the Board.

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

The shareholders also decided to allocate for two independent members of 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 2018.

On 5 June 2019, the Board has re-elected Emil Nilsson as a Chair of the Board and appointed members of the Audit and Remuneration Committees. Both independent members of the Board – Tomas Balžekas and Mindaugas Glodas, and member of the Board, Agneta Wallmark, were appointed to the Audit Committee for the two-years' term but in any case, not longer than their membership in the Board. Agneta Wallmark was elected as the Chair of the Audit Committee. Members of the Board – Emil Nilsson and Claes Nycander, and independent member of the Board, Mindaugas Glodas, were appointed to the Remuneration Committee for the two-years' term but in any case, not longer than their membership in the Board. Emil Nilsson was elected as the Chair of the Remuneration Committee.

Members of the Board as of 31 December 2019:

Name, surname	Position in the Board	Employment	Ownership of the Company's shares
Emil Nilsson	Chair of the Board, Chair of the Remuneration Committee	Telia Company AB (Sweden), Senior Vice President & Head of LED (Lithuania, Estonia, Denmark) cluster and Region Eurasia	-
Agneta Wallmark	Member of the Board, Chair of the Audit Committee	Telia Company AB (Sweden), Vice President and Head of Group Treasury	-
Claes Nycander	Member of the Board, member of the Remuneration Committee	Telia Company AB (Sweden), Vice President and Head of Chief Operating Officer Office & LED (Lithuania, Estonia, Denmark) Management at Group Service Operations	-
Hannu-Matti Mäkinen	Member of the Board	Telia Company AB (Sweden), Vice President and Head of Legal Practice Group B2B & Carrier	-
Tomas Balžekas	Member of the Board, member of the Audit Committee	UAB Media Bitės (Lithuania), General Manager (CEO)	-
Mindaugas Glodas	Member of the Board, member of the Audit and Remuneration Committees	NRD Companies AS (Norway) and Norway Registers Development AS (Norway) General Manager, and Norway Registers Development AS Lithuanian branch, General Manager	-

All members of the Board are regarded as non-executive members of the Board, and Tomas Balžekas and Mindaugas Glodas are regarded as independent members of the Board. Information about participation of the members of the Company's Board in activities of other entities is provided at the Company's webpage www.telia.lt.

Following the implementation of the new organizational structure of the Company as of 1 January 2019, whereby a new Direct and Digital Channels unit was formed, and Marketing and Communications functions were split, Birutė Eimontaitė was appointed as a Head of Communication from 1 January 2019 and Giedrė Kaminskaitė-Salters became a Head of Direct and Digital Channels from 8 January 2019. Previously Birutė Eimontaitė led a team of Integrated communication while Giedrė Kaminskaitė-Salters was a Head of Legal and Corporate Affairs unit.

A new unit of Direct and Digital Channels from 1 January 2019 unites specialists of direct customer care, digital channels and sales support from the Business to Consumers (B2C) and Business to Business (B2B) units as well as specialists of service implementation from the Technology unit. This helps to create a holistic approach to customer experience and facilitate digitisation.

On 24 January 2019, the Board appointed Daiva Kasperavičienė, Senior Counsel and Head of Privacy Office, as a new Head of Legal and Corporate Affairs unit of the Company.

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

On 8 March 2019, the Board appointed Arūnas Lingė as a new Head of Finance from 25 March 2019 to substitute Laimonas Devyžis, who after four-years of leading the Finance unit decided to leave the Company. His decision was communicated in December 2018.

On 21 March 2019, the Company announced that Mindaugas Ubartas, Head of Business to Business (B2B) and acting Head of Business to Consumer (B2C), decided to leave the Company from 12 April 2019. In June 2019, the Board appointed Daniel Karpovič, Head of Segment and Product Management, as a new Head of Business to Business (B2B) from 6 June 2019, and Nortautas Luopas as a new Head of Business to Consumers (B2C) from August 2019.

From 1 January 2020, the Company established a new Digitization and Analytics unit that took over the management of digital channels from the Direct and Digital Channels Unit and is merged with the Data and Business Insights Unit, which until then was a part of the Business to Consumer (B2C) Unit. Nortautas Luopas, the Head of Business to Consumer of the Company, will temporarily lead the new unit responsible for data mining, management, modelling as well as marketing automation and management. Also, from 1 January 2020, names of some units were changed.

Management Team as of 1 January 2020:

Name, surname	Position in the Company	Involvement into activities of other entities	Ownership of the Company's shares
Dan Strömberg	CEO	Tet SIA (Latvia), Deputy Chair of the Supervisory Council; Association Investors' Forum (Lithuania), member of the Board	-
Daniel Karpovič	Head of Enterprise	-	-
Nortautas Luopas	Head of Consumer, acting Head of Digitalization and Analytics	-	-
Giedrė Kaminskaitė-Salters	Head of Sales and Customer Care	LMT SIA (Latvia), member of the Supervisory Council & Audit Committee; UAB Litexpo (Lithuania), Chair of the Board; UAB Mobilieji Mokėjimai (Lithuania), member of the Board; Association Lyderė (Lithuania), member of the Board	-
Andrius Šemeškevičius	Head of Technology Infrastructure	-	8,761 shares or 0.0015% of the total number of shares and votes
Arūnas Lingė	Head of Finance	-	-
Ramūnas Bagdonas	Head of People & Engagement	Association of Personnel Management Professionals (Lithuania), member of the Board; State Enterprise Lithuanian Airports (Lithuania), member of the Board	-
Daiva Kasperavičienė	Head of Legal and Corporate Affairs	-	-
Birutė Eimontaitė	Head of Communication	-	-
Vytautas Bučinskas	Head of Business Assurance & Transformation	Member of the Cyber Security Council (Lithuania); Association INFOBALT (Lithuania), Deputy Chairman of Cybersecurity Group	-

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	October-December		January-December	
		2019*	2018	2019*	2018
Revenue		106,987	96,787	388,299	376,494
Cost of goods and services		(45,781)	(39,930)	(155,204)	(151,682)
Employee-related expenses		(13,617)	(12,711)	(53,495)	(51,220)
Other expenses		(14,097)	(11,015)	(51,376)	(46,309)
Other gain/ (loss) - net		458	(206)	644	154
Depreciation, amortisation and impairment of fixed assets	2	(17,793)	(17,428)	(69,087)	(64,522)
Operating profit		16,157	15,497	59,781	62,915
Gain/loss from investments in subsidiaries		(831)	683	(1,860)	683
Finance income		690	349	2,859	2,009
Finance costs		(942)	(648)	(3,925)	(2,373)
Finance and investment activities – net		(1,083)	384	(2,926)	319
Profit before income tax		15,074	15,881	56,855	63,234
Income tax	6	1,890	(2,378)	(2,129)	(8,534)
Profit for the period		16,964	13,503	54,726	54,700
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		16,964	13,503	54,726	54,700
Profit and comprehensive income attributable to:					
Owners of the Parent		16,964	13,503	54,726	54,700
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	7	0.029	0.023	0.094	0.094

Note: * Introduction of IFRS 16 "Leases" from 1 January 2019 influenced the financial statements for 2019. Comparative information for 2018 has not been restated. See Note 1.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 December 2019	1 January 2019 (restated)*	31 December 2018
ASSETS				
Non-current assets				
Property, plant and equipment	2	263,794	276,537	276,537
Intangible assets	2	132,161	131,511	131,511
Right-of-use-asset	2	47,900	28,999	-
Cost to obtain a contract (non-current)		4,625	5,175	5,175
Other contract assets (non-current)		351	530	530
Trade and other receivables		9,728	8,704	8,704
Finance lease receivables		4,036	793	-
		462,595	452,249	422,457
Current assets				
Inventories		10,153	8,182	8,182
Other current contract assets		1,178	1,352	1,352
Trade and other receivables		84,442	101,566	101,566
Current income tax receivable		1,708	-	-
Finance lease receivables		2,831	1,523	-
Cash and cash equivalents		50,157	28,725	28,725
		150,469	141,348	139,825
Assets held for sale		1,180	1,823	1,823
Total assets		614,244	595,420	564,105
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	4	168,958	168,958	168,958
Legal reserve		16,896	16,896	16,896
Retained earnings		142,222	134,105	133,922
Total equity		328,076	319,959	319,776
LIABILITIES				
Non-current liabilities				
Borrowings		68,916	99,753	99,753
Non-current lease liabilities		47,542	22,950	-
Deferred tax liabilities		19,829	21,081	21,049
Deferred revenue and accrued liabilities		8,376	8,104	8,104
Provisions	5	11,257	10,934	10,934
		155,920	162,822	139,840
Current liabilities				
Trade, other payables and accrued liabilities		48,864	43,988	43,988
Current income tax liabilities		-	2,024	2,024
Borrowings		74,536	58,365	58,365
Other current contract liabilities		501	75	75
Current lease liabilities		6,347	8,150	-
Provisions	5	-	37	37
		130,248	112,639	104,489
Total liabilities		286,168	275,461	244,329
Total equity and liabilities		614,244	595,420	564,105

Note. * Due to IFRS 16 "Leases" effective for periods beginning on or after 1 January 2019, Financial Position for 1 January 2019 is restated in line with IFRS 16.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2018	168,958	16,896	120,005	305,859
Net profit	-	-	54,700	54,700
Total comprehensive income for the period	-	-	54,700	54,700
Dividends paid for 2017			(40,783)	(40,783)
Balance at 31 December 2018	168,958	16,896	133,922	319,776
Balance at 1 January 2019*	168,958	16,896	134,105	319,959
Net profit	-	-	54,726	54,726
Total comprehensive income for the period	-	-	54,726	54,726
Dividends paid for 2018			(46,609)	(46,609)
Balance at 31 December 2019	168,958	16,896	142,222	328,076

Note. * Due to IFRS 16 "Leases" effective for periods beginning on or after 1 January 2019, Financial Position for 1 January 2019 is restated in line with IFRS 16. As a result, retained earnings as of 1 January 2019 increased by EUR 183 thousand over retained earnings as of 31 December 2018.

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January-December	
	2019*	2018
Operating activities		
Profit for the period	54,726	54,700
Income tax	2,129	8,534
Depreciation, amortisation and impairment charge	69,087	66,329
Other gains and losses	(644)	-
Interest income	(2,258)	(467)
Interest expenses	3,372	1,782
Other non-cash transactions	(33,354)	617
Changes in working capital:		
Inventories	(1,328)	5,204
Trade and other receivables	19,169	(222)
Trade, other payables and accrued liabilities	8,024	(21,925)
Cash generated from operations	118,923	114,552
Interest paid	(3,438)	(1,766)
Interest received	2,258	467
Tax paid	(7,034)	(6,486)
Net cash from operating activities	110,709	106,767
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(53,129)	(57,267)
Proceeds from disposal of PPE and intangible assets	2,338	599
Acquisition/divestment of subsidiaries	-	136
Net cash used in investing activities	(50,791)	(56,532)
Financing activities		
Repayment of borrowings	(68,992)	(41,430)
Borrowings	54,326	37,537
Increase (decrease) in lease liabilities	22,789	-
Dividends paid to shareholders of the Company	(46,609)	(40,783)
Net cash used in financing activities	(38,486)	(44,676)
Increase (decrease) in cash and cash equivalents	21,432	5,559
Movement in cash and cash equivalents		
At the beginning of the year	28,725	23,166
Increase (decrease) in cash and cash equivalents	21,432	5,559
At the end of the period	50,157	28,725

Note: * Introduction of IFRS 16 "Leases" from 1 January 2019 influenced the financial statements for 2019. Comparative information for 2018 has not been restated. See Note 1.

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

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The consolidated interim financial statements for the twelve months' period ending 31 December 2019 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 2018.

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

Financial statements for the period ended 31 December 2019 are not audited. Financial statements for the year ended 31 December 2018 are audited by the external auditor UAB Deloitte Lietuva.

New IFRS 16 "Leases" effective as of January 1, 2019

The Company applies the new standard using the modified retrospective approach, which means that comparative figures are not restated. The cumulative effect of applying IFRS 16 recognized at 1 January 2019. The lease liabilities attributable to leases which have previously been classified as operating leases under IAS 17 are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The Company recognize a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to the lease, recognized as of 31 December 2018. The Company's long-term operating leases are recognized as non-current assets and financial liabilities in the consolidated statement of financial position. Instead of operating lease expenses the Company recognize depreciation and interest expenses in the consolidated statement of comprehensive income. Lease payments affect cash flow from operating activities (e.g. interest, low value asset leases and short-term leases), and cash flow from financing activities (repayment of the lease liability) in the cash flow statement.

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

	Property, plant and equipment	Intangible assets
Twelve months ended 31 December 2018		
Opening net book amount as at 31 December 2017	290,435	122,401
Additions	39,242	22,722
Disposals and retirements	(1,526)	-
Reclassification	(713)	9
Depreciation and amortisation charge	(50,901)	(13,621)
Closing net book amount as at 31 December 2018	276,537	131,511
Twelve months ended 31 December 2019		
Opening net book amount as at 31 December 2018	276,537	131,511
Additions	41,652	11,313
Disposals and retirements	(2,704)	(1)
Reclassification	(5,742)	5,742
Depreciation and amortisation charge	(45,949)	(16,404)
Closing net book amount as at 31 December 2019	263,794	132,161

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

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

	<u>Right-of-use-asset</u>
Twelve months ended 31 December 2019*	
Opening net book amount as at 1 January 2019*	28,999
Additions	32,020
Disposals and retirements	(6,565)
Reclassification	180
Depreciation and amortisation charge	<u>(6,734)</u>
Closing net book amount as at 31 December 2019	<u>47,900</u>

Note. * Due to IFRS 16 "Leases" effective for periods beginning on or after 1 January 2019, Financial Position for 1 January 2019 is restated in line with IFRS 16.

3 Investments in subsidiaries and associates

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

Name	Country of incorporation	Ownership interest in %		Profile
		31 December 2019	31 December 2018	
Telia Customer Service LT, AB	Lithuania	100%	100%	The subsidiary provides Directory Inquiry Service 118 and customer care services to customers of the Company.
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%	33.3%	An associated company is equally owned by three Lithuanian telecommunications operators and is engaged in development of instant payment platform.

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.

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

5 Provisions

Provisions movement during January–December 2019:

	Provision for restructuring	Assets retirement obligation	Total
Opening net book amount at 31 December 2018	37	10,934	10,971
Additions	2,120	339	1,516
Used provisions	(2,157)	(16)	(1,564)
Closing net book amount at 31 December 2019	-	11,257	11,257

The restructuring provision comprises of compensation to employees due to the restructuring plan approved by the Company.

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 2019 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2018: 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 2019 amounted to EUR 2.9 million (in 2018 – EUR 1.6 million).

7 Earnings per share

Basic earnings per share are calculated by dividing the net profit (loss) for the period by the weighted average number of ordinary shares in issue during the period. The Group has no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share. The weighted average number of shares for the both reporting periods amounted to 582,613 thousand.

	January–December	
	2019	2018
Net profit	54,726	54,700
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
Earnings per share (euro)	0.094	0.094

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

8 Dividends per share

A dividend that relates to the period to 31 December 2018 was approved by the Annual General Meeting of Shareholders on 26 April 2019. The total amount of allocated dividend, that was paid off in May 2019 was EUR 46,609 thousand or EUR 0.08 per ordinary share.

9 Related party transactions

The Group is controlled by Telia Company AB, which as of 31 December 2019 owned 88.15 per cent (88.15 per cent a year ago) of the Company's shares. The following transactions were carried out with related parties:

Sales and purchases from Telia Company AB and its subsidiaries:

	January–December	
	2019	2018
Sales of telecommunication and other services	8,115	7,884
Sales of assets	-	983
Divestment of subsidiary	-	151
Total sales of telecommunication and other services	8,115	9,018
Purchases of services	22,047	14,159
Purchases of assets	157	2,176
Total purchases of services and assets:	22,204	16,335

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

	As at 31 December	
	2019	2018
Long-term receivables from related parties	195	195
Receivables from related parties	6,822	4,490
Accrued revenue from related parties	1,113	401
Total receivables and accrued revenue from related parties	8,130	5,086
Short-term borrowings from related parties	5,000	10,000
Payables to related parties	4,108	2,521
Accrued expenses to related parties	1,427	14
Total borrowings, payables and accrued expenses to related parties	10,535	12,535

As of 31 December 2019, the amount of EUR 15.6 thousand of tantiemes assigned for the year 2010, was not paid to one member of the Board.

On 1 June 2018, Telia Company AB for an amount of EUR 151 thousand acquired from the Company a 100 per cent stake in the Company's subsidiary, Telia Global Services Lithuania, UAB, which was chosen as the base for the establishment of Telia Company Group shared service centre. Prior that 196 employees of the Company providing services to Telia Company Group were transferred to Telia Global Services Lithuania.

On 1 January 2019, following the agreement of 21 December 2018, the Company transferred the part of its economic activities – People HUB (26 employees of Human Resource unit and related assets and liabilities) – to Telia Global Services Lithuania, a subsidiary of Telia Company AB. On 1 July 2019, 15 employees of the Company working at Procurement unit were also transferred to Telia Global Services Lithuania, UAB.

On 23 May 2019, following the decision of the Annual General Meeting of Shareholders, held on 26 April 2019, the Company paid-out to Telia Company an amount of EUR 41,088 thousand as dividends for the year 2018.

As of 31 December 2019, the Company had an outstanding short-term loan of EUR 5 million (EUR 10 million a year ago) provided by Telia Company AB.

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

MANAGEMENT CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Information Disclosure of the Bank of Lithuania, we, Dan Strömberg, CEO of Telia Lietuva, AB, and Arūnas Lingė, Head of Finance of Telia Lietuva, AB, hereby confirm that, to the best of our knowledge, the not audited Telia Lietuva, AB Interim Consolidated Financial Statements for the twelve months' period ended 31 December 2019, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit and cash flows of Telia Lietuva, AB and the Group of undertakings.

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

Vilnius, 28 January 2020