

# TELIA LIETUVA, AB

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS' PERIOD ENDED 31 MARCH 2020  
(UNAUDITED)**



Beginning of the financial year	1 January 2020
End of reporting period	31 March 2020
Name of the company	<b>Telia Lietuva, AB</b> (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

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## MANAGEMENT REPORT

### First quarter of 2020:

- Total revenue amounted to EUR 92.1 million, up by 3.4 per cent over the revenue of EUR 89.1 million in Q1 2019.
- EBITDA, excluding non-recurring items, was EUR 33 million, an increase by 3.7 per cent over EBITDA, excluding non-recurring items, of EUR 31.8 million a year ago.
- Profit for the period was EUR 12.5 million, an increase by 6.5 per cent over profit of EUR 11.8 million a year ago.
- Free cash flow amounted to EUR 23.3 million and was 16.3 per cent higher than in Q1 2019 when it amounted to 20 million.

### Management comment:

While in February we have celebrated the third anniversary of our combined mobile and broadband operations under one Telia brand that brought number of unique on the market converged offers and much better experience to our customers, in March we and the whole world have faced unprecedented challenge due to COVID-19 spread to the way we live, work and communicate. Almost over the night we had to adjust to a new reality and swiftly move forward as importance of our usual activities – keeping the people and business connected – increased dramatically.

It is a proof test to our network that we have been building for number of years allocating large amounts of investments. From the very first day of coronavirus-imposed quarantine in Lithuania volumes of calls in our network jumped by 70 per cent, international Internet traffic surged by more than 40 per cent and mobile data volumes increased by more than 15 per cent. We are proud that our combined mobile and broadband network is constructed in a way that it could withstand sudden increase in usage, malfunction of equipment, physical breach of infrastructure or cyber-attacks. In addition, according to the latest measurements of CRA mobile data speed in our network has reached 87.27 Mbps.

As our customer service outlets are closed all over the country from mid-March, all customers are continuously served online or by phone, and sale of equipment completely moved to our online shop. It goes without saying that we put our employees and customers' health at a highest priority, therefore most of the Company's employees work remotely, while engineering teams that are installing new services and involved in fault eliminating observe extreme safety requirements.

The country's lockdown – staying and working from home – changed the way our customers use the services. We observe a great demand for connectivity speed increase, VPN and other IT solutions for remote work, mobile signature as well as premium TV content and video-on-demand for entertainment. During the quarantine sales of PC and TV sets more than doubled while demand for mobile handsets and tablets declined. To ensure remote learning from home, we will supply 10 thousand tablets to National Education Agency and provide 20 thousand of unlimited data usage SIM cards to pupils for a symbolic one-euro fee per card for the first two months.

Being a devoted member of our society, we contributed to the purchase of vital protective equipment for medical specialists, donating EUR 50 thousand to the COVID-19 Relief Fund established by the Ministry of Finance, and to support socially disadvantage family that could not ensure remote learning for their kids, we donated almost 500 new tablets and SIM cards with 50 GB mobile data per month to the project "School at Home". Also, we initiated social media campaign #SUSIJUNGIAM (Let's connect) for sharing experience and advises how stay purposely connected at home.

It is still difficult to predict what impact on the Company's financial results will have the current situation. The Bank of Lithuania has prepared three economic development scenarios which entail: 1) a sudden recession followed by a longer recovery period (GDP to contract by 11.4 per cent in 2020), 2) a protracted recession and recovery (GDP to decrease by 20.8 per cent) and 3) an abrupt recession followed by a rapid recovery (GDP to decline by 3.4 per cent). The Ministry of Finance calculates that unemployment might reached 8.1 per cent, inflation would amount to 2 per cent, growth rate of household spending should decline from 3.2 per cent in 2019 to 1 per cent in 2020.

In the long run, restrictions on people's movement between the countries will have a negative impact on roaming service, closure of retail outlets will impact equipment sales, delayed payments by customers and potential increase of bad debt is expected. We have already taken necessary actions to mitigate those risk and are closely monitoring the situation development. The Company generates strong free cash flows and has enough liquidity reserves and support from its main shareholder, Telia Company AB, to successfully continue operations and to ensure uninterrupted functioning of critical for the country telecommunications infrastructure and to fulfil all contractual obligations towards the customers, employees, suppliers and other stakeholders.

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

At the beginning of 2020, together with Telia teams in Estonia, Denmark and Norway we have embraced the New Operating Model, which will provide companies of Telia Company Group with more synergy and efficiency. Also, we have established a new Digitalization and Analytics Unit to put business insights and digital marketing to a higher level.

Good results of the first quarter of 2020 show that we are successfully improving our operations. We have growth in both revenue and profitability, while equipment sales are already affected by coronavirus-imposed quarantine from mid of March 2020. Capital investments during the first three months of 2020, compared with the same period a year ago, contracted by almost one third and amounted to EUR 10.3 million.

Intake of new customers continued during the first quarter of 2020 and over the last 12 months:

- number of mobile service subscriptions increase by 5.6 per cent up to 1,349,
- number of IPTV users grew by 5.1 per cent up to 246 thousand,
- number of FTTH Internet customers was up by 3.2 per cent up to 290 thousand,
- number converged offer "Telia One" users reached 62 thousand.

Compared with the first quarter of 2019:

- revenue from billed mobile services increased by 3.4 per cent
- revenue from TV services grew by 19.6 per cent,
- revenue from IT services surged by 20.5 per cent.

In the beginning of 2020, we were the first in Lithuania to introduce the narrowband Internet of Things (NB IoT) technology that will allow businesses and the public sector to develop next-generation services and improve the existing ones without making any significant investment.

In January 2020, Telia Lietuva was awarded as the Friendliest Workplace among the large corporates of Lithuania during the National Responsible Business Awards. Besides distance working possibility and flexible working hours, our employees depending on working experience are granted up to 5 extra vacation days to have a healthy work and rest balance.

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

In March, shareholders of loss generating associated entity, UAB Mobilieji Mokėjimai, (the Company hold 33.3 per cent of shares) decided to terminate provision of instant payment services from 18 May 2020.

Successful Company's performance in 2019 led to the Board's proposal to the Annual General Meeting of Shareholders to decide on payment of dividend of EUR 0.09 per share for the year 2019 (for the year 2018 was EUR 0.08).

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

## KEY FIGURES OF THE GROUP

Financial figures	January-March		Change (%)
	2020	2019	
Revenue	92,138	89,086	3.4
EBITDA excluding non-recurring items	32,999	31,823	3.7
EBITDA margin excluding non-recurring items (%)	35.8	35.7	
EBITDA	32,765	31,601	3.7
EBITDA margin (%)	35.6	35.5	
Operating profit (EBIT) excluding non-recurring items	15,140	14,527	4.2
EBIT margin excluding non-recurring items (%)	16.4	16.3	
Operating profit (EBIT)	14,906	14,305	4.2
EBIT margin (%)	16.2	16.1	
Profit before income tax	14,049	13,571	3.5
Profit before income tax margin (%)	15.2	15.2	
Profit for the period	12,516	11,755	6.5
Profit for the period margin (%)	13.6	13.1	
Earnings per share (EUR)	0.021	0.020	
Number of shares (thousand)	582,613	582,613	-
Share price at the end of period (EUR)	1.23	1.15	7.0
Market capitalisation at the end of period	716,614	670,005	7.0
Cash flow from operations	34,241	37,418	(8.5)
Operating free cash flow	23,315	20,047	16.3
<b>Operating figures</b>	<b>31-03-2020</b>	<b>31-03-2019</b>	<b>Change (%)</b>
Mobile service subscriptions, in total (thousand)	1,349	1,278	5.6
- Post-paid (thousand)	1,081	1,025	5.5
- Pre-paid (thousand)	268	253	5.9
Broadband Internet connections (excl. Wi-Fi), in total (thousand)	412	409	0.7
- Fiber-optic (FTTH/B) (thousand)	290	281	3.2
- Copper (DSL) (thousand)	122	128	(4.7)
Fixed telephone lines in service (thousand)	286	334	(14.4)
IPTV service customers, in total (thousand)	246	234	5.1
Number of personnel (head-counts)	2,241	2,642	(15.2)
Number of full-time employees	2,050	2,410	(14.9)
<b>Financial ratios*</b>	<b>31-03-2020</b>	<b>31-03-2019</b>	
Return on capital employed (%)	13.7	13.5	
Return on average assets (%)	10.1	10.9	
Return on shareholders' equity (%)	17.4	17.6	
Operating cash flow to sales (%)	34.8	32.5	
Capex to sales (%)	12.2	16.9	
Net debt to EBITDA ratio	0.55	0.86	
Gearing ratio (%)	20.9	33.3	
Debt to equity ratio (%)	37.1	46.2	
Current ratio (%)	127.6	136.1	
Rate of turnover of assets (%)	65.4	66.0	
Equity to assets ratio (%)	56.1	55.1	
Price to earnings (P/E) ratio	12.9	12.3	

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

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

Breakdown of revenue by services	January-March		Change (%)
	2020	2019	
<b>Fixed services</b>	<b>44,195</b>	<b>40,805</b>	<b>8.3</b>
Voice telephony services	11,622	10,779	7.8
Internet services	14,218	14,073	1.0
TV services	8,732	7,303	19.6
Data communication and network capacity	4,520	4,736	(4.6)
IT services	3,117	2,587	20.5
Other services	1,986	1,327	49.7
<b>Mobile services</b>	<b>31,143</b>	<b>30,447</b>	<b>2.3</b>
Billed services	26,336	25,458	3.4
Other mobile service	4,807	4,989	(3.6)
<b>Equipment</b>	<b>16,800</b>	<b>17,834</b>	<b>(5.8)</b>
<b>Total</b>	<b>92,138</b>	<b>89,086</b>	<b>3.4</b>

## REVENUE

The **total revenue** of the Company in January-March of 2020 was EUR 92.1 million, an increase by 3.4 per cent over the total revenue of EUR 89.1 million for the first three months of 2019 mainly due to continuously growing revenue from mobile communication, television and IT services. During the first quarter of 2020, revenue from voice transit service were higher, while revenue from equipment sale were lower that during the same period a year ago.

Share of revenue from fixed and mobile communication services amounted to 48 and 33.8 per cent, respectively, from the total revenue for January-March of 2020. Share of revenue from equipment sales was 18.2 per cent.

During the three months of 2020, revenue from services provided to residential customers (B2C) amounted to 59 per cent, to business customers (B2B) – 40.5 per cent and others – 0.5 per cent of the total revenue.

Over the last twelve months, 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 by 20 thousand and by the end of March 2020 reached 62 thousand (42 thousand a year ago).

During first three months of 2020 the number of post-paid **mobile** communication service users increased by 12 thousand, while the number of pre-paid service users eased by 10 thousand. Over the last twelve months, the number of post-paid service users went up by 56 thousand and the number of pre-paid service users grew by 15 thousand. Over the year, the total number of active mobile subscriptions was by 71 thousand and in combination with growing usage of mobile data led to increase in revenue from billed mobile services.

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

Since December 2019, VoLTE technology that ensure up to three times faster connection of mobile phone calls, HD voice quality and the possibility to surf the Internet during a phone call is available to iPhone owners in Telia Lietuva network. Before that only owners of Huawei, Samsung, Sony and Xiaomi handsets were able to make VoLTE calls using the Company's network.

During the first three months of 2020 revenue from **other mobile services** compared with the same period a year ago were lower due to decreased revenue from the Company's mobile network interconnection services and roaming charges to the country's visitors.

During January-March of 2020, revenue from voice transit services increased by 62.9 per cent and off-set a continuous decline in revenue from retail fixed **voice telephony** services of 17.6 per cent due contracting number of service users and calls traffic. During the first quarter of 2020, the number of fixed telephone lines in service contracted by 10 thousand, while over the last twelve months it went down by 48 thousand.

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

Over the last twelve months, the number of fixed **broadband Internet** access users over fiber-optic network using FTTH/B technologies increased by 9 thousand, while the number of broadband Internet service users over the copper DSL connections eased by 6 thousand. The total net increase in the number of broadband Internet (excluding Wi-Fi and wholesales) access users was 3 thousand. By the end of March 2020, the number of Internet connections over the fiber-optic access network amounted to 70 per cent of all retail broadband Internet connections.

An exclusive content featured on Telia TV platform has a positive effect on both intake of new customers and revenue growth. During January-March of 2020, the number of smart **television** (IPTV) service users increased by 2 thousand, while over the last twelve month it rose by 12 thousand and by the end of March 2020 amounted to 246 thousand.

An innovative TV on the go service called "Telia Play" was launched in December 2019. It offers more than 30 TV channels, video-on-demand and exclusive HBO content on the customers phone, tablet or PC screen in Lithuania. 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 if they are within an EU state.

Compared with the same periods in 2019, revenue from **data communication** services alone during the first quarter of 2020 decreased by 6 per cent and revenue from **network capacity** services alone went down by 2.5 per cent.

Revenue from **IT services** generated from the data center, information system management and web-hosting services provided to local and multinational enterprises show a double-digit growth due to demand for IT solutions and number of contacts for computerised workplace management and video surveillance systems installation and maintenance.

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.

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)**.

## MARKET INFORMATION

According to the latest Report of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue increased by 4.7 per cent in the fourth quarter of 2019 compared with the fourth quarter of 2018 and amounted to EUR 182.3 million. Market revenue for the year 2019, compared with the year 2018, increased by 2.9 per cent, and amounted to EUR 713.5 million.

Telia Lietuva remains the largest telecommunications' service provider in Lithuania with the market share (in term of revenue) of 39.2 per cent for the fourth quarter of 2019, an increase by 0.45 percentage point over the year.

	The market shares in terms of customers (%)		The market shares in terms of revenue (%)	
	Q4 2019	Change (p.p.) (y-o-y)	Q4 2019	Change (p.p.) (y-o-y)
Fixed voice telephony services	80.5	(2.4)	87.5	(2.2)
Mobile voice telephony services	28.0	(1.5)	27.7	0.4
Fixed Internet access	52.2	0.2	59.4	(1.0)
Mobile Internet access	28.5	0.1	26.4	(2.5)
Pay-TV services	36.0	1.9	44.4	4.9
Data communication services	n/a	n/a	61.9	(3.5)

According to the Report of the CRA, on 31 December 2019, broadband Internet penetration per 100 residents of Lithuania was 50.9 per cent (47.3 per cent a year ago) and pay-TV penetration per 100 households was 51.7 per cent (50.3 per cent a year ago). The penetration of active mobile voice communication users per 100 residents was 132.6 per cent (134.7 per cent a year ago) and penetration of fixed voice telephony lines per 100 households – 26.8 per cent (31.3 per cent a year ago).

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## OPERATING EXPENSES

During January-March of 2020, **cost of goods and services** increased by 4.3 per cent over the cost of goods and services for the same period a year ago, mainly due to higher volume of voice transit traffic.

**Operating expenses** (excluding cost of goods and services, and non-recurring items) for the first quarter of 2020 were 2.5 per cent higher than operating expenses in January-March of 2019.

**Employee-related expenses** (excluding one-time redundancy pay-outs) in spite of lower number of employees but due to increase in average salary during 2019 for the first three months of 2020 was 0.6 per cent higher than employee-related expenses (excluding one-time redundancy pay-outs) for the first three months of 2019. During the first quarter of 2020, the Company had non-recurring redundancy charge that amounted to EUR 234 thousand, while a year ago it amounted to EUR 222 thousand.

During January-March of 2020, the total **number of employees** (headcount) decreased by 95 (mainly in Sales and Technology units). Over the last twelve months, the total number of Telia Lietuva Group employees decreased by 401 – from 2,642 to 2,241 due to outsourcing of some functions to Telia Global Services Lithuania, a shared service center of Telia Company operating in Vilnius, and outsourcing of certain network infrastructure maintenance functions to the third parties as well as streamlining of the Company's structure, efficiency increase and digitalisation. In terms of full-time employees (FTE), the total number of Telia Lietuva Group employees during January-March of 2020 contracted by 77, while over the last twelve months the total number of FTE decreased by 360 from 2,410 to 2,050.

**Other expenses** for the first quarter of 2020 were 4.6 per cent higher than other expenses a year ago mainly due to higher marketing expenses.

## EARNINGS

**EBITDA excluding non-recurring items** for the first quarter of 2020 amounted to EUR 32 million and was 3.7 per cent higher than EBITDA excluding non-recurring items of EUR 31.8 million a year ago. Non-recurring items for January-March of 2020 amounted to EUR 234 thousand (EUR 222 thousand in 2019) and consisted of one-time redundancy pay-outs. EBITDA excluding non-recurring items margin for the first quarter of 2020 was 35.8 per cent, while a year ago it was 35.7 per cent.

**EBITDA** for the first three months of 2020 was EUR 32.8 million, an increase by 3.7 per cent over EBITDA of EUR 31.6 million a year ago. EBITDA margin in January-March of 2020 was 35.6 per cent (35.5 per cent a year ago).

**Depreciation, amortisation and impairment charges** for the first quarter of 2020 over the depreciation, amortisation and impairment charges for the same period a year ago increased by 3.3 per cent, and in January-March of 2020 amounted to 19.4 per cent of the total revenue (19.4 per cent a year ago).

**Operating profit (EBIT) excluding non-recurring items** for the first three months of 2020 was 4.2 per cent higher than operating profit (EBIT) excluding non-recurring items for the same period in 2019, and the operating profit excluding non-recurring items margin amounted to 16.4 per cent (16.3 per cent in 2019).

**Operating profit (EBIT)** for the first quarter of 2020 increased by 4.2 per cent over operating profit (EBIT) the first quarter of 2019. Operating profit margin stood at 16.2 per cent (16.1 per cent in 2019).

**Loss from investments** represent result from activities of associated entity UAB Mobilieji Mokėjimai that provides instant payment service. In March 2020, shareholders of Mobilieji Mokėjimai – three Lithuanian mobile operators: Bitė Lietuva, Tele2 and Telia Lietuva – decided to cease operations of this associate from 18 May 2020. As of 31 December 2019, the Company impaired the value of this investment to one euro. During the first quarter of 2020, the Company extended loan for the total amount of EUR 202 thousand to Mobilieji Mokėjimai at an annual interest rate of 3.37 per cent.

**Net from finance and investment activities** for the first quarter of 2020 was negative and amounted to EUR 857 thousand. A year ago, it was also negative and amounted to EUR 734 thousand.

**Profit before income tax** for the first quarter of 2020 went up by 3.5 per cent and amounted to EUR 14 million (profit before income tax for the same period a year ago was EUR 13.6 million).

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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 during January-March of 2020 amounted to EUR 0.1 million (none a year ago). **Income tax expenses** for the first three months of 2020 were 15.5 per cent lower than income tax expenses a year ago.

**Profit for the period** in January-March of 2020 amounted to EUR 12.5 million, an increase by 6.5 per cent over profit of EUR 11.8 million for the same period in 2019. The profit margin stood at 13.6 per cent while profit margin a year ago was 13.1 per cent.

## **FINANCIAL POSITION AND CASH FLOW**

During January-March of 2020, **total assets** decreased by 1.1 per cent mainly due to amortisation and depreciation of the assets.

Total **non-current assets** shrunk by 1.3 per cent and amounted to 75.2 per cent of total assets. Total **current assets** contracted by 0.7 per cent and amounted to 24.6 per cent of total assets, whereof cash alone represented 9.1 per cent of total assets.

During the first three months of 2020, **shareholders' equity** increased by 3.8 per cent and amounted to 56.1 per cent of total assets.

The Board of the Company proposed to the General Meeting to be held on 28 April 2020 to allocate from the Company's distributable profit of EUR 140.1 million EUR 52,4 million for the payment of **dividends** for the year 2019, i.e. EUR 0.09 dividend per share, and carry forward to the next financial year an amount of EUR 87.6 million as retained earnings (undistributed profit).

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

During the first quarter of 2020, the Company repaid EUR 7.5 million of the long-term loan of EUR 150 million and returned EUR 5 million short-term loan provided by Telia Company. At the end of March 2020, the total amount of **borrowings** amounted to EUR 126.3 million, whereof EUR 90 million were loans from banks, EUR 34.2 million – obligation under reverse factoring agreements and EUR 2.1 million – financial lease agreements.

An outstanding amount of EUR 30 million of the long-term loan of EUR 150 million granted in 2016 shall be repaid according to the schedule in 4 equal instalments of EUR 7.5 million till January 2021. An amount of EUR 7.5 million was repaid on 7 April 2020 according to the schedule. The next repayment of EUR 7.5 million is scheduled for 7 July 2020. A syndicated loan of EUR 60 million granted in 2017 shall be repaid in full amount on May 2024.

In May 2019, the Company has signed a Revolver Loan Agreement with the largest shareholder of the Company, Telia Company AB, that provides the Company with possibility to borrow any amount for a tenor of 3- or 6- months up to the total amount of EUR 20 million. The Agreement is for two years. As of 31 March 2020, the Company had no borrowings from Telia Company.

As of 31 March 2020, the net debt amounted to EUR 71.2 million (EUR 110.6 million a year ago) and net debt to equity (Gearing) ratio was 20.9 per cent (33.3 per cent at the end of March 2019).

Net **cash flow from operating activities** during the first three months of 2020 was 8.5 per cent lower than cash flow for the same period in 2019. **Operating free cash flow** (operating cash flow excluding capital investments) in January-March of 2020 was 16.3 per cent higher than a year ago and amounted to EUR 23.3 million due to lower level of capital investments in the beginning of 2020.

During the first quarter of 2020, the total **capital investments** amounted to EUR 10.3 million and were 32.2 per cent lower than capital expenditure of EUR 15.2 million a year ago. Most of capital investments (EUR 6.6 million or 64 per cent) went to upgrade of the core fixed network and development of fiber-optic access network. An amount of EUR 1.7 million was invested into development of mobile network, EUR 1.7 million – into development of IT systems under ongoing business management systems transformation program and EUR 0.3 million were other investments.

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

The fourth refurbished new generation customer care outlet was opened in February in Vilnius. The first cosy and modern outlet of Scandinavian design was opened in Šiauliai in 2019. Two more outlet in Marijampolė and Vilnius were renewed till the end of 2019. The upgrade of other outlets is planned gradually over the forthcoming years.

During January-March of 2020, the Company installed and launched 253 new LTE 4G base stations and now has a network 3,660 4G base stations in 1,451 locations across Lithuania. According to the latest data of 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 87.27 Mbps (50.4 Mbps a year ago).

By the end of March 2020, the Company had 932 thousand households passed (916 thousand a year ago), or 71 per cent of the country's dwelling units, by the fiber-optic network.

**Cash and cash equivalents** during the three months of 2020 increased by EUR 4.9 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-March of 2020:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.275	1.365	1.135	1.230	1.268	2,534,408	3,214,045

The Company's **market capitalisation** as on 31 March 2020 was EUR 716.6 million, an increase by 7 per cent over the market capitalisation of EUR 670 million a year ago.

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

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

The number of **shareholders** on the latest 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

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

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

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.

In March 2020, the shareholders of UAB Mobilieji Mokėjimai decided to cease provision of payment services and activities of mobile application MoQ from 18 May 2020.

From 16 March 2020, all Company's retail outlets are closed due to coronavirus-imposed quarantine regime in the Republic of Lithuania. Customers are served online or by phone. Most of the Company's units work remotely, while engineering teams act in observance of extreme care requirements when installing new services and troubleshooting.

On 24 March 2020, the Board of the Company decided to convoke the Annual General Meeting of Shareholders on 28 April 2020. The Board proposed to the General Meeting to allocate from the Company's distributable profit of EUR 140,080 thousand EUR 52,435 thousand for the payment of dividends for the year 2019, i.e. EUR 0.09 dividend per share, and carry forward to the next financial year an amount of EUR 87,645 thousand as retained earnings (undistributed profit). For two independent members to the Board – Tomas Balžekas and Mindaugas Glodas – as tantiems (annual payment) for the year 2019 to allocate in total an amount of EUR 31,280, or EUR 15,640 each.

The Board also proposes to the shareholders to elect UAB Deloitte Lietuva as the Company's audit enterprise to perform the audit of the annual consolidated and separate financial statements of the Company for the year 2020, and to make the assessment of the consolidated annual report of the Company for the year 2020.

To complete streamlining of Telia Lietuva Group structure the Board proposes to reorganize Telia Lietuva, AB and its subsidiary, Telia Customer Service LT, AB, pursuant to Part 3 of Article 2.97 of the Civil Code of the Republic of Lithuania by way of merging Telia Customer Services LT, AB, which, after the reorganization, will cease its activities as a legal entity, into Telia Lietuva, AB, which, after the reorganization, will continue its activities and activities of Telia Customer Service LT, AB and which will take over all the assets, rights and obligations of Telia Customer Service LT, AB after the reorganization, according to the Terms of Merger approved on 6 November 2019.

## MEMBERS OF THE MANAGING BODIES

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

**Members of the Board** as of 31 March 2020:

<b>Name, surname</b>	<b>Position in the Board</b>	<b>Employment</b>	<b>Ownership of the Company's shares</b>
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	-
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 tabular amounts are in EUR '000 unless otherwise stated)

All members of the Board were re-elected for the current two-year's term of the Board (i.e. till 26 April 2021) on 26 April 2019. 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](http://www.telia.lt).

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 was merged with the Data and Business Insights unit, which until then was a part of the Business to Consumer (B2C). Nortautas Luopas, the Head of Business to Consumer of the Company, is temporarily leading 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 31 March 2020:

<b>Name, surname</b>	<b>Position in the Company</b>	<b>Involvement into activities of other entities</b>	<b>Ownership of the Company's shares</b>
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	-
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	January-March	
		2020	2019
<b>Revenue</b>		92,138	89,086
Cost of goods and services		(33,205)	(31,836)
Employee-related expenses		(13,474)	(13,389)
Other expenses		(12,823)	(12,260)
Other gain/ (loss) – net		129	-
Depreciation, amortisation and impairment of fixed assets	2	(17,859)	(17,296)
<b>Operating profit</b>		<b>14,906</b>	<b>14,305</b>
Gain/loss from investments in subsidiaries		(203)	(355)
Finance income		683	392
Finance costs		(1,337)	(771)
Finance and investment activities – net		<b>(857)</b>	<b>(734)</b>
<b>Profit before income tax</b>		<b>14,049</b>	<b>13,571</b>
Income tax	6	(1,533)	(1,816)
<b>Profit for the period</b>		<b>12,516</b>	<b>11,755</b>
<b>Other comprehensive income:</b>		-	-
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<b>12,516</b>	<b>11,755</b>
Profit and comprehensive income attributable to:			
Owners of the Parent		12,516	11,755
Minority interests		-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	7	0.021	0.020

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	260,184	263,794
Intangible assets	2	130,471	132,161
Right-of-use-asset	2	50,261	47,900
Cost to obtain a contract (non-current)		4,616	4,625
Other contract assets (non-current)		278	351
Trade and other receivables		7,406	9,728
Finance lease receivables		3,559	4,036
		<b>456,775</b>	<b>462,595</b>
<b>Current assets</b>			
Inventories		13,446	10,153
Other current contract assets		1,137	1,178
Trade and other receivables		75,568	84,314
Current income tax receivable		1,482	1,708
Finance lease receivables		2,645	2,831
Cash and cash equivalents		55,023	50,157
		<b>149,301</b>	<b>150,341</b>
Assets held for sale		1,172	1,180
<b>Total assets</b>		<b>607,248</b>	<b>614,116</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	4	168,958	168,958
Legal reserve		16,896	16,896
Retained earnings		154,738	142,222
<b>Total equity</b>		<b>340,592</b>	<b>328,076</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		61,207	68,916
Non-current lease liabilities		49,181	47,541
Deferred tax liabilities		19,742	19,829
Deferred revenue and accrued liabilities		8,247	8,376
Provisions	5	11,253	11,257
		<b>149,630</b>	<b>155,919</b>
<b>Current liabilities</b>			
Trade, other payables and accrued liabilities		44,459	48,737
Current income tax liabilities		-	-
Borrowings		65,055	74,536
Other current contract liabilities		688	501
Current lease liabilities		6,824	6,347
Provisions	5	-	-
		<b>117,026</b>	<b>130,121</b>
<b>Total liabilities</b>		<b>266,656</b>	<b>286,040</b>
<b>Total equity and liabilities</b>		<b>607,248</b>	<b>614,116</b>

(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
<b>Balance at 1 January 2019</b>	<b>168,958</b>	<b>16,896</b>	<b>134,105</b>	<b>319,959</b>
Net profit	-	-	11,755	11,755
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>11,755</b>	<b>11,755</b>
Dividends paid for 2018				
<b>Balance at 31 March 2019</b>	<b>168,958</b>	<b>16,896</b>	<b>145,860</b>	<b>331,714</b>
<b>Balance at 1 January 2020</b>	<b>168,958</b>	<b>16,896</b>	<b>142,222</b>	<b>328,076</b>
Net profit	-	-	12,516	12,516
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>12,516</b>	<b>12,516</b>
Dividends paid for 2019				
<b>Balance at 31 March 2020</b>	<b>168,958</b>	<b>16,896</b>	<b>154,738</b>	<b>340,592</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOW

	January-March	
	2020	2019
<b>Operating activities</b>		
Profit for the period	12,516	11,755
Income tax	1,533	1,816
Depreciation, amortisation and impairment charge	17,341	17,053
Other gains and losses	67	15
Interest income	(684)	(388)
Interest expenses	1,161	688
Changes in working capital:		
Inventories	(3,168)	(1,520)
Trade and other receivables	11,935	8,299
Trade, other payables and accrued liabilities	(3,920)	1,518
<b>Cash generated from operations</b>	<b>36,781</b>	<b>39,236</b>
Interest paid	(1,164)	(599)
Interest received	19	23
Tax paid	(1,395)	(1,242)
<b>Net cash from operating activities</b>	<b>34,241</b>	<b>37,418</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment (PPE) and intangible assets	(10,742)	(17,001)
Proceeds from disposal of PPE and intangible assets	(24)	(15)
Interest and finance lease income	64	31
Proceeds from finance sublease receivables (+ amount)	1,364	(1,960)
Acquisition/divestment of subsidiaries	(160)	(355)
<b>Net cash used in investing activities</b>	<b>(9,498)</b>	<b>(19,300)</b>
<b>Financing activities</b>		
Repayment of borrowings	(17,248)	(17,888)
Borrowings	158	13,243
Increase/decrease in lease liabilities	(2,787)	495
<b>Net cash used in financing activities</b>	<b>(19,877)</b>	<b>(4,150)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>4,866</b>	<b>13,968</b>
<b>Movement in cash and cash equivalents</b>		
At the beginning of the year	50,157	28,725
Increase (decrease) in cash and cash equivalents	4,866	13,968
<b>At the end of the period</b>	<b>55,023</b>	<b>42,693</b>

(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 three months' period ending 31 March 2020 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 2019.

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

Financial statements for the period ended 31 March 2020 are not audited. Financial statements for the year ended 31 December 2019 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

	<b>Property, plant and equipment</b>	<b>Intangible assets</b>
<b>Three months ended 31 March 2019</b>		
<b>Opening net book amount as at 31 December 2018</b>	<b>276,537</b>	<b>131,511</b>
Additions	12,509	2,716
Disposals and retirements	(15)	-
Reclassification	(5,447)	4,987
Depreciation and amortisation charge	(11,819)	(4,239)
<b>Closing net book amount as at 31 March 2019</b>	<b>271,765</b>	<b>134,975</b>
<b>Three months ended 31 March 2020</b>		
<b>Opening net book amount as at 31 December 2019</b>	<b>263,794</b>	<b>132,161</b>
Additions	7,848	2,443
Disposals and retirements	(75)	-
Reclassification	-	-
Depreciation and amortisation charge	(11,383)	(4,133)
<b>Closing net book amount as at 31 March 2020</b>	<b>260,184</b>	<b>130,471</b>

(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>
<b>Three months ended 31 March 2019*</b>	
<b>Opening net book amount as at 1 January 2019*</b>	<b>28,999</b>
Additions	391
Disposals and retirements	(297)
Reclassification	121
Depreciation and amortisation charge	(1,237)
<b>Closing net book amount as at 31 March 2019</b>	<b>27,977</b>
<b>Three months ended 31 March 2020*</b>	
<b>Opening net book amount as at 1 January 2020</b>	<b>47,900</b>
Additions	4,804
Disposals and retirements	(105)
Reclassification	-
Depreciation and amortisation charge	(2,343)
<b>Closing net book amount as at 31 March 2020</b>	<b>50,261</b>

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 March 2020	31 December 2019	
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 operates instant payment platform.

In March 2020, the shareholders of UAB Mobilieji Mokėjimai decided to cease provision of payment services from 18 May 2020.

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

#### 4 Share capital

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

#### 5 Provisions

Provisions movement during January–March 2020:

	<b>Provision for restructuring</b>	<b>Assets retirement obligation</b>	<b>Total</b>
<b>Opening net book amount at 31 December 2019</b>	-	11,257	11,257
Additions			
Used provisions		(4)	(4)
<b>Closing net book amount at 31 March 2020</b>	-	11,253	11,253

The restructuring provision comprises of compensation to employees due to the restructuring plan (if any) approved by the Company. No restructuring provisions in 2020.

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 2020 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2019: 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 Q1 2020 amounted to EUR 0.1 million (in Q1 2019 – none).

#### 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.

	<b>January-March 2020</b>	<b>2019</b>
<b>Net profit</b>	<b>12,516</b>	<b>11,755</b>
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
<b>Earnings per share (euro)</b>	<b>0.021</b>	<b>0.020</b>

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

## 8 Dividends per share

A dividend that relates to the period to 31 December 2019 to be approved by the Annual General Meeting of Shareholders on 28 April 2020. The total proposed amount of allocated dividend, that should be paid off in May 2020, is EUR 52,435 thousand or EUR 0.09 per ordinary share.

## 9 Related party transactions

The Group is controlled by Telia Company AB, which as of 31 March 2020 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:

	<b>January-March</b>	
	<b>2020</b>	<b>2019</b>
Sales of telecommunication and other services	2,050	1,817
Sales of assets	-	-
Divestment of subsidiary	-	-
<b>Total sales of telecommunication and other services</b>	<b>2,050</b>	<b>1,817</b>
Purchases of services	5,613	4,830
Purchases of assets	157	151
<b>Total purchases of services and assets:</b>	<b>5,770</b>	<b>4,981</b>

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

	<b>As at 31 March</b>	
	<b>2020</b>	<b>2019</b>
Long-term receivables from related parties	168	196
Receivables from related parties	2,091	2,274
Accrued revenue from related parties	611	4
<b>Total receivables and accrued revenue from related parties</b>	<b>2,870</b>	<b>2,474</b>
Short-term borrowings from related parties	-	-
Payables to related parties	1,068	434
Accrued expenses to related parties	238	1,331
<b>Total borrowings, payables and accrued expenses to related parties</b>	<b>1,306</b>	<b>1,765</b>

On 3 January 2020, the Company repaid an outstanding short-term loan of EUR 5 million to Telia Company AB and as of 31 March 2020 had no borrowings from 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 three months' period ended 31 March 2020, 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, 21 April 2020