

# **TELIA LIETUVA, AB**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND  
CONSOLIDATED INTERIM REPORT  
FOR THE SIX MONTHS' PERIOD ENDED 30 JUNE 2020  
(UNAUDITED)**



Beginning of the financial year	1 January 2020
End of reporting period	30 June 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
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Main activities	Integrated telecommunication, IT and TV services to residential and business customers in Lithuania

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

## MANAGEMENT REPORT

### Second quarter of 2020:

- Total revenue amounted to EUR 97.1 million, up by 5.6 per cent over the revenue of EUR 92 million in the second quarter of 2019.
- EBITDA, excluding non-recurring items, was EUR 33.3 million, an increase by 6.6 per cent over EBITDA, excluding non-recurring items, of EUR 31.2 million in the second quarter of 2019.
- Profit for the period was EUR 11.4 million, down by 11.5 per cent over the profit of EUR 12.9 million a year ago due to higher expenses for income tax.

### First half of 2020:

- Total revenue amounted to EUR 189.3 million, up by 4.5 per cent over the revenue of EUR 181.1 million in the first half of 2019.
- EBITDA, excluding non-recurring items, was EUR 66.3 million, an increase by 5.2 per cent over EBITDA, excluding non-recurring items, of EUR 63.1 million in the first half of 2019.
- Profit for the period was EUR 23.9 million, down by 2.9 per cent over the profit of EUR 24.6 million a year ago due to higher expenses for income tax.
- Free cash flow amounted to EUR 45.3 million, an increase by 53 per cent over free cash flow of EUR 29.6 million a year ago.

### Management comment:

The Covid-19 virus caused quarantine in Lithuania was officially over on 17 June 2020, but our shops were reopened earlier at the end of April and employees were gradually returning to the offices starting from May. Employees returning to the head-office after the quarantine could work at the first outdoor office.

We believe that today we could firmly state that Telia Lietuva successfully overcome this unprecedented challenge that completely change the way we live and work almost overnight. We kept our promise to keep people and businesses connected at any time, any place and any device used. Our network coped with suddenly increased calls' and data traffic as we have continuously invested into reliability of our fixed and mobile networks. Our employees without disruptions switched to remote work as such set up was not the novelty for them. Our IT specialist were able to assist our customers' in migrating to work from home mode as we are integrated communication and IT service provider. Our consultants successfully handled increased flow of incoming customers' calls and inquiries as our Contact Centre is recognised as the best in Lithuania. Telia Lietuva we assisted in setting up the official country's Corona virus hot line.

Quarantine didn't prevent us from implementation of our ongoing projects. We continued creation of customer experience worth sharing – we speeded up refurbishing of our flagship shops in the largest shopping malls in Vilnius, Kaunas and Klaipėda while they were closed due to quarantine. We secured a contract for implementation of the national cloud computing services infrastructure, a project that shall consolidate state-run IT infrastructure and reduce the costs. For employees of our business customers we offered benefits of converge offer Telia1 – more data, speed and content.

The Ministry of Finance of Lithuania forecasts that the country's economy will contract by 7 per cent in 2020 but will grow in 2021 by 5.9 per cent. Inflation will go down to 0.7 per cent this year and will go up to 1.7 per cent next year. Unemployment level in 2020 will increase up to 9.5 per cent, while in 2021 it will decrease to 8.1 per cent.

We observe that mobile devices sales are back to pre-quarantine level, businesses are re-ordering suspended services. From mid-March imposed lockdown led to greater demand for connectivity speed, VPN solutions, mobile signature as well as such equipment as PCs and TV sets.

As a result, number of customers continued to grow despite fierce competition and over the last twelve months:

- number of IPTV users increased by 5.1 per cent up to 249 thousand,
- number of mobile service subscriptions grew by 3.8 per cent up to 1,355 thousand,
- number of FTTH Internet connections went up by 2.1 per cent up to 292 thousand.

Intake of new customers, growing usage of mobile data and premium TV content were driving revenue up. Over the year, comparing the six months' period of 2020 with the same period in 2019:

- revenue from IT services grew by 24.4 per cent,
- revenue from TV services increased by 18.3 per cent,
- revenue from mobile services (excluding mobile devices' insurance costs) went up by 6.1 per cent.

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

The latest report of the Communications Regulatory Authority of Lithuania shows that we are regaining our market share on mobile communication segment while continue to be a leader on fixed broadband Internet and pay-TV markets.

On 16 June 2020, it was 20<sup>th</sup> anniversary of the Company's listing on the Nasdaq Vilnius stock exchange. Through those years we persistently worked to create the value and ensure steady return to our shareholders. Including the record high dividends of EUR 0.09 per share for the year 2019, during the last 20 years the Company have paid in total EUR 754 million of dividends and in 2014 paid-out to the shareholders EUR 56.2 million due to capital reduction.

On 1 July 2020, we have completed the legal integration of Telia Customer Service LT into Telia Lietuva while employees of this subsidiary were already integrated into activities of the Company when subsidiary's Contact Center ceased provision of customer care services to external customers and concentrated on serving Telia Lietuva customers back in February 2017. On 18 June 2020, we divested shares in a loss generating associate UAB Mobilieji Mokėjimai, that till 18 May 2020 was providing mobile payments services.

## KEY FIGURES OF THE GROUP

Financial figures	January-June		Change (%)
	2020	2019	
Revenue	189,283	181,117	4.5
EBITDA excluding non-recurring items	66,337	63,053	5.2
EBITDA margin excluding non-recurring items (%)	35.0	34.8	
EBITDA	65,909	61,714	6.8
EBITDA margin (%)	34.8	34.1	
Operating profit (EBIT) excluding non-recurring items	30,713	29,132	5.4
EBIT margin excluding non-recurring items (%)	16.2	16.1	
Operating profit (EBIT)	30,285	27,793	9.0
EBIT margin (%)	16.0	15.3	
Profit before income tax	28,736	26,756	7.4
Profit before income tax margin (%)	15.2	14.8	
Profit for the period	23,898	24,611	(2.9)
Profit for the period margin (%)	12.6	13.6	
Earnings per share (EUR)	0.041	0.042	(2.9)
Number of shares (thousand)	582,613	582,613	-
Share price at the end of period (EUR)	1.410	1.115	26.5
Market capitalisation at the end of period	821,485	649,614	26.5
Cash flow from operations	69,993	61,377	14.0
Operating free cash flow	45,296	29,610	53.0

  

Operating figures	30-06-2020	30-06-2019	Change (%)
Mobile service subscriptions, in total (thousand)	1,355	1,305	3.8
- Post-paid (thousand)	1,088	1,042	4.4
- Pre-paid (thousand)	267	263	1.5
Broadband Internet connections (excl. Wi-Fi), in total (thousand)	414	413	0.2
- Fiber-optic (FTTH/B) (thousand)	292	286	2.1
- Copper (DSL) (thousand)	122	127	(3.9)
Fixed telephone lines in service (thousand)	277	322	(14.0)
IPTV service customers, in total (thousand)	249	237	5.1
Number of personnel (head-counts)	2,247	2,487	(9.7)
Number of full-time employees	2,059	2,263	(9.0)

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Financial ratios*	30-06-2020	30-06-2019
Return on capital employed (%)	14.2	13.2
Return on average assets (%)	10.4	10.5
Return on shareholders' equity (%)	16.9	17.2
Operating cash flow to sales (%)	37.4	29.4
Capex to sales (%)	11.4	16.0
Net debt to EBITDA ratio	0.78	1.16
Gearing ratio (%)	34.5	49.7
Debt to equity ratio (%)	42.0	54.6
Current ratio (%)	98.2	101.2
Rate of turnover of assets (%)	66.5	65.2
Equity to assets ratio (%)	53.0	51.9
Price to earnings (P/E) ratio	15.2	12.1

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

Breakdown of revenue by services	April-June		Change (%)	January-June		Change (%)
	2020	2019		2020	2019	
<b>Fixed services</b>	<b>44,473</b>	<b>41,878</b>	<b>6.2</b>	<b>88,668</b>	<b>82,683</b>	<b>7.4</b>
Voice telephony services	12,047	11,453	5.2	23,669	22,232	6.4
Internet services	14,195	14,179	0.1	28,413	28,252	0.6
Datacom and network capacity services	4,479	4,646	(3.6)	8,999	9,382	(4.1)
TV services	8,629	7,372	17.1	17,361	14,675	18.3
IT services	3,556	2,843	25.1	6,673	5,430	24.4
Other services	1,567	1,385	13.1	3,553	2,712	33.6
<b>Mobile services*</b>	<b>31,628</b>	<b>31,130</b>	<b>1.6</b>	<b>62,771</b>	<b>61,577</b>	<b>1.9</b>
Billed services*	25,546	25,740	(0.8)	51,882	51,198	1.3
Other mobile service	6,082	5,390	12.8	10,889	10,379	4.5
<b>Equipment</b>	<b>21,044</b>	<b>19,023</b>	<b>10.6</b>	<b>37,844</b>	<b>36,857</b>	<b>2.5</b>
<b>Total</b>	<b>97,145</b>	<b>92,031</b>	<b>5.6</b>	<b>189,283</b>	<b>181,117</b>	<b>4.5</b>

Note. \*Starting from 2020 customers' contributions for insurance of mobile devices are recorded at net value (excluding costs) while earlier it was recorded at gross insurance value, thus comparable revenue from billed mobile communication services for the second quarter of 2019 and the first half of 2019 were EUR 24,526 thousand and EUR 48,802 thousand, respectively. Accordingly, comparable revenue from billed services for the second quarter of 2020 increased by 4.2 per cent and for the first half of 2020 – by 6.3 per cent over the same period a year ago. Total comparable revenue from mobile services over the year for second quarter of 2020 and the first half of 2020 increased by 5.7 and 6.1 per cent, respectively.

## REVENUE

The **total consolidated revenue** in April-June of 2020 amounted to EUR 97.1 million and was by 5.6 per cent higher than revenue of EUR 92 million for the second quarter of 2019. The total revenue for the first six months of 2020 increased by 4.5 per cent, over the total revenue of EUR 181.1 million a year ago and amounted to EUR 189.3 million.

The main drivers of revenue growth were equipment sales (especially during the quarantine increased demand for PC), IT solutions for businesses, premium TV content, mobile communication and voice transit.

Share of revenue from fixed and mobile communication services amounted to 46.8 and 33.2 per cent, respectively, from the total revenue for the first half of 2020. Share of revenue from equipment sales was 20 per cent.

Revenue from services provided to residential customers (B2C) amounted to 60.1 per cent, to business customers (B2B) – 39.1 per cent and others – 0.8 per cent of the total revenue for the first six months of 2020.

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Over the last twelve months, the number of Telia1, 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 15 thousand and by the end of June 2020 reached 65 thousand (50 thousand a year ago).

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

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. Telia Lietuva is the only operator in Lithuania providing VoLTE calls.

During second quarter of 2020 the number of post-paid **mobile** communication service users increased by 7 thousand, while the number of pre-paid service users eased by 1 thousand. Over the last twelve months, the number of post-paid service users went up by 46 thousand and the number of pre-paid service users grew by 4 thousand. Over the year, the total number of active mobile subscriptions increased by 50 thousand and in combination with growing usage of mobile data led to increase in revenue from billed mobile services.

The comparable billed revenue from mobile services were up by 4.2 per cent for the second quarter of 2020 and by 6.3 per cent for the first half of 2020 over the comparable billed revenue from mobile services excluding mobile devices insurance costs a year ago. Customers' contributions for mobile devices insurance in 2020 are recorded at net value (excluding insurance costs), while earlier it was recorded at gross insurance value.

Revenue from **other mobile services** include revenue from the Company's mobile network interconnections as well as roaming charges to country visitors and other network services. Restrictions on cross-border people movement had a negative impact on revenue from roaming charges to country visitors.

During April-June of 2020, revenue from voice transit services increased by 28.1 per cent and off-set a continuous decline in revenue from retail fixed **voice telephony** services of 10 per cent due contracting number of service users and calls traffic. During the second quarter of 2020, the number of fixed telephone lines in service contracted by just 9 thousand, while over the last twelve months it went down by 45 thousand.

During the second quarter of 2020, the number of fixed **broadband Internet access** users over fiber-optic network using FTTH/B technologies increased by 2 thousand, while number of broadband Internet service users over the copper DSL connections remained stable thanks to in 2018 employed "Super VDSL" (S-VDSL) technology, which depending on the length of the copper line connecting the Company's exchange and end equipment could provide up to 250 Mbps Internet speed.

Over the last twelve months, the total number of retail broadband Internet (excluding Wi-Fi and wholesales) access users increased by 1 thousand. The number of Internet connections over the fiber-optic network increased by 6 thousand and reached 292 thousand at the end of June 2020, while the number of copper DSL connections eased by 5 thousand to 122 thousand. By the end of the second quarter of 2020, the number of Internet connections over the fiber-optic access network amounted to 71 per cent of all 414 thousand retail broadband Internet (excluding Wi-Fi and wholesales) connections.

Demand for a premium content featured on Telia TV platform had a positive effect on both intake of new customers and revenue growth. During April-June of 2020, the number of smart **television** (IPTV) service users increased by 3 thousand, while over the last twelve month it rose by 12 thousand and by the end of June 2020 amounted to 249 thousand.

An innovative TV on the go service 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 connected to fixed, mobile or Wi-Fi network of any Internet provider if they are within an EU state.

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Compared with the same period in 2019, revenue from **data communication** services alone during the second quarter of 2020 decreased by 0.7 per cent and revenue from **network capacity** services alone went down by 7.4 per cent.

Revenue from **IT services** generated from the data center, information system management and web-hosting services provided to local and multinational enterprises shows a double-digit growth due to increased demand for virtual private network (VPN) solutions, computerised workplace management and video surveillance systems installation and maintenance services. Currently the Company operates six data centres in Lithuania.

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

During the quarantine sales of PC and TV sets more than doubled while demand for mobile handsets and tablets declined. But after the shops were reopened at the end of April, **equipment sales** gradually return to pre-quarantine period. To ensure remote learning from home, during the quarantine the Company supplied 10 thousand tablets to National Education Agency and provided 20 thousand of unlimited data usage SIM cards to pupils for a symbolic one-euro fee per card for the first two months.

Revenue from **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 Reports of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue in the first quarter of 2020 decreased by 1.9 per cent compared with the fourth quarter of 2019, while compared with the first quarter of 2019 increased by 3.4 per cent and amounted to EUR 178.9 million.

Telia Lietuva remains the largest telecommunications' service provider in Lithuania with the market share (in term of revenue) of 38.8 per cent for the first quarter of 2020, an increase by 0.5 percentage point over the last 12 months.

	The market shares in terms of customers (%)		The market shares in terms of revenue (%)	
	Q1 2020	Change (p.p.) (y-o-y)	Q1 2020	Change (p.p.) (y-o-y)
Fixed voice telephony services	80.3	(2.1)	86.7	(2.2)
Mobile voice telephony services	28.1	0.7	29.4	1.9
Fixed Internet access	52.5	0.4	59.6	-
Mobile Internet access	28.5	0.3	26.6	(2.0)
Pay-TV services	36.3	1.5	45.1	3.1
Data communication services	n/a	n/a	60.2	(4.6)

According to the Report of the CRA, on 31 March 2020, broadband Internet penetration per 100 residents of Lithuania was 51.1 per cent (48 per cent a year ago) and pay-TV penetration per 100 households was 51.7 per cent (50.1 per cent a year ago). The penetration of active mobile voice communication users per 100 residents was 131.6 per cent (130.1 per cent a year ago) and penetration of fixed voice telephony lines per 100 households – 26.1 per cent (29.8 per cent a year ago).



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## OPERATING EXPENSES

During April-June of 2020, **cost of goods and services** increased by 8.2 per cent over the cost of goods and services for the same period a year ago, mainly due to higher equipment sale volumes and higher voice transit traffic. Cost of goods and services for the first six months of 2020 were 6.3 per cent higher than the same cost for the first half of 2019.

**Operating expenses** (excluding cost of goods and services, and non-recurring items) for the second quarter of 2020 were almost the same (0.3 per cent lower) as operating expenses in April-June of 2019, and operating expenses for the first half of 2020 were 1.1 per cent higher than a year ago.

**Employee-related expenses** (excluding one-time redundancy pay-outs) during April-June of 2020 increased by 5 per cent over employee-related expenses (excluding one-time redundancy pay-outs) for the second quarter of 2019 despite lower number of employees but due to increase in average salary during 2019. Employee-related expenses (excluding one-time redundancy pay-outs) for the first half of 2020 were 2.7 per cent higher than a year ago. During April-June of 2020, the Company had non-recurring redundancy charge that amounted to EUR 0.2 million (EUR 1.1 million a year ago). For the first six months of 2020 non-recurring redundancy charge amounted to EUR 0.4 million (EUR 1.3 million in 2019).

During the first half of 2020, the total **number of employees** (headcount) decreased by 89, while over the last twelve months, the total number of Telia Lietuva Group employees decreased by 240 – from 2,487 to 2,247 as during 2019 the Company was implementing leaner organisation structure, increasing efficiency and outsourcing some of its functions. In terms of full-time employees (FTE), the total number of Telia Lietuva Group employees during January-June of 2020 contracted by 68, while over the last twelve months the total number of FTE decreased by 204 from 2,263 to 2,059.

From 1 August 2020 the Company plans to hand over copper infrastructure maintenance function and around 70 employees to the third party.

**Other expenses** for the second quarter of 2020 were 5.5 per cent lower than other expenses a year ago, and other expenses for the first six months of 2020 were 0.6 per cent lower than expenses in 2019.

## EARNINGS

**EBITDA excluding non-recurring items** for the second quarter of 2020 amounted to EUR 33.3 million, an increase by 6.7 per cent over EBITDA excluding non-recurring items for the same period in 2019 when it amounted to EUR 31.2 million. EBITDA excluding non-recurring items margin for the second quarter of 2020 was 34.3 per cent, while a year ago it was 33.9 per cent.

EBITDA excluding non-recurring items for the first half of 2020 amounted to EUR 66.3 million and was by 5.2 per cent higher than EBITDA excluding non-recurring items for the same period in 2019 when it amounted to EUR 63.1 million. EBITDA excluding non-recurring items margin for the first half of 2020 reached 35 per cent, while a year ago it amounted to 34.8 per cent.

**EBITDA** including non-recurring items in April-June of 2020 was EUR 33.1 million and was by 10.1 per cent higher than a year ago, when EBITDA including non-recurring items amounted to EUR 30.1 million. EBITDA including non-recurring items margin in April-June of 2020 stood at 34.1 per cent (32.7 per cent a year ago).

EBITDA including non-recurring items for the first six months of 2020 was EUR 65.9 million, an increase by 6.8 per cent over EBITDA including non-recurring items of EUR 61.7 million for the same period in 2019. EBITDA including non-recurring items margin in January-June of 2020 amounted to 34.8 per cent (34.1 per cent a year ago).

**Depreciation, amortisation and impairment charges** for the second quarter of 2020 increased by 6.9 per cent over the depreciation, amortisation and impairment charges a year ago, and in April-June of 2020 amounted to 18.3 per cent of the total revenue (18.1 per cent a year ago).

Depreciation, amortisation and impairment charges for the first half of 2020 over the depreciation, amortisation and impairment charges a year ago went up by 5 per cent, and for the first six months of 2020 amounted to 18.8 per cent of the total revenue (18.7 per cent a year ago).

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**Operating profit (EBIT) excluding non-recurring items** for the second quarter of 2020 was 6.6 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 per cent (15.9 per cent in 2019).

Operating profit (EBIT) excluding non-recurring items for the first half of 2020 was 5.4 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 was 16.2 per cent (16.1 per cent a year ago).

**Operating profit (EBIT) including non-recurring items** for April-June of 2020 increased by 14 per cent over operating profit (EBIT) including non-recurring items for the second quarter of 2019. Operating profit including non-recurring items margin stood at 15.8 per cent (14.7 per cent in 2019).

Operating profit (EBIT) including non-recurring items for the first six months of 2020 went up by 9 per cent over operating profit (EBIT) including non-recurring items for the first half of 2019. Operating profit including non-recurring items margin was 16.2 per cent (15.3 per cent a year ago).

**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 and on 18 June 2020 all shareholders sold their shares in Mobilieji Mokėjimai to the third party. As of 31 December 2019, the Company impaired the value of this investment to one euro. During 2020, the Company extended loan for the total amount of EUR 289.2 thousand to Mobilieji Mokėjimai at an annual interest rate of 3.37 per cent. The Company's claim under not repaid loan and accumulated interest was used to cover losses of Mobilieji Mokėjimai. An additional shareholders' contribution of EUR 26.7 thousand to cover losses was made before divestment of shares.

**Net result from finance and investment activities** in January-June of 2020 was negative and amounted to EUR 1.5 million (a year ago it was also negative and amounted to EUR 1 million).

**Profit before income tax** for the second quarter of 2020 was up by 11.4 per cent and amounted to EUR 14.7 million (profit before income tax for the same period a year ago was EUR 13.2 million), and profit before income tax for the first half of 2020 went up by 7.4 per cent and amounted to EUR 28.7 million (profit before income tax for the same period in 2019 was EUR 26.8 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 first half of 2020 amounted to EUR 0.6 million (in 2019 – EUR 0.9 million). **Income tax expenses** the first six months of 2020 were 2.2 times higher than income tax expenses a year ago.

Due to higher than a year ago Income tax expenses **profit for the period** in April-June of 2020 amounted to EUR 11.4 million, a decrease by 11.5 per cent over profit of EUR 12.9 million for the same period in 2019. The profit margin stood at 11.8 per cent while profit margin a year ago was 14 per cent.

Profit for the period for the first half of 2020 amounted to EUR 23.9 million, a decline by 2.9 per cent over profit of EUR 24.6 million a year ago. The profit margin was 12.6 per cent while profit margin a year ago was 13.6 per cent.

## **FINANCIAL POSITION AND CASH FLOW**

During the first half of 2020, **total assets** decreased by 8 per cent mainly due to decrease in cash and cash equivalents and depreciation of the assets.

During January-June of 2020, total **non-current assets** eased by 3.3 per cent and amounted to 79.3 per cent of total assets. Total **current assets** decreased by 22.8 per cent due to decrease in cash and amounted to 20.6 per cent of total assets, whereof cash alone represented 4 per cent of total assets.

During the first six months of 2020, **shareholders' equity** decreased by 8.7 per cent due to dividend payment, and at the end of June 2020 amounted to 53 per cent of total assets.

On 28 April 2020, the Annual General Meeting of Shareholders allocated 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

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share, and carried forward to the next financial year an amount of EUR 87.6 million as retained earnings (undistributed profit). In May 2020, dividends for the year 2019 were paid to the shareholders of the Company.

During the second quarter of 2020, the Company repaid EUR 7.5 million of the long-term loan of EUR 150 million and for 3 months borrowed EUR 8 million from the largest shareholder of the Company, Telia Company AB, under in May 2019 signed Revolver Loan Agreement that provides the Company possibility to borrow from Telia Company any amount for a tenor of 3- or 6- months up to the total limit of EUR 20 million. This Agreement is valid till May 2021.

At the end of June 2020, the total amount of **borrowings** amounted to EUR 125.9 million, whereof EUR 82.5 million were loans from banks, EUR 8 million – short-term loan from Telia Company, EUR 33.6 million – obligation under reverse factoring agreements and EUR 1.8 million – financial lease agreements.

An outstanding amount of EUR 22.5 million of the long-term loan of EUR 150 million granted in 2016 shall be repaid according to the schedule in equal instalments of EUR 7.5 million till January 2021. An amount of EUR 7.5 million was repaid on 7 July 2020 according to the schedule. The last two repayments of EUR 7.5 million are scheduled for 7 October 2020 and 4 January 2021. A syndicated loan of EUR 60 million granted in 2017 shall be repaid in full amount in May 2024. The short-term loan of EUR 8 million provided by Telia Company shall be returned in August 2020.

As of 30 June 2020, the net debt amounted to EUR 103.4 million (EUR 148.1 million a year ago) and net debt to equity (Gearing) ratio was 34.5 per cent (49.7 per cent at the end of June 2019).

**Net cash flow from operating activities** in the first six months of 2020 was 14 per cent higher than cash flow for same period in 2019. **Operating free cash flow** (operating cash flow excluding capital investments) in January-June of 2020 was 53 per cent higher than a year ago and amounted to EUR 45.3 million.

During January-June of 2020, the total **capital investments** amounted to EUR 23.6 million and were 24.1 per cent lower than capital investments of EUR 31.1 million a year ago. Most of capital investments (EUR 11.4 million or 48 per cent) went to upgrade of the core fixed network and development of fiber-optic access network. An amount of EUR 5.7 million was invested into development of mobile network, EUR 5.3 million – into development of IT systems under ongoing business transformation program (migration of customers, finance and business management systems into SAP) and EUR 1.2 million were other investments that included refurbishing of retail outlets.

During the quarantine when the retail outlets were closed the Company took an opportunity to speed up refurbishing of its flagship shops located in the largest shopping malls in Vilnius, Kaunas and Klaipėda. The first cosy and modern outlet of Scandinavian design was opened in Šiauliai in the second half of 2019.

During the first half of 2020, the Company installed and launched 406 new LTE 4G base stations and now has a network 3,813 4G base stations in 1,452 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 82.1 Mbps (66.2 Mbps a year ago).

By the end of June 2020, the Company had 934 thousand households passed (921 thousand a year ago), or 71 per cent of the country's households, by the fiber-optic network.

**Cash and cash equivalents** during the first six months of 2020 contracted by EUR 27.6 thousand.

## **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.

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

Information about **trading in Telia Lietuva shares** on Nasdaq Vilnius stock exchange in January-June of 2020:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.275	1.420	1.135	1.410	1.312	5,211,957	6,839,733

The Company's **market capitalisation** as on 30 June 2020 was EUR 821.5 million, an increase by 26.5 per cent over the market capitalisation of EUR 649.6 million a year ago.

The number of **shareholders** on the shareholders' registration day (21 April 2020) for the Annual General Meeting of Shareholders, which was held on 28 April 2020, was 11,521.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 June 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>

## 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 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. On 18 June 2020, the Company together with other shareholders – UAB Bitė Lietuva and UAB Tele 2 – sold all shares of UAB Mobilieji Mokėjimai to the third party, SEPExpress FS, UAB.

From 16 March till 27 April 2020, all Company's retail outlets were closed due to coronavirus-imposed quarantine regime in the Republic of Lithuania. Customers were served only online or by phone. During the quarantine (till 17 June 2020) most of the Company's units worked remotely, while engineering teams acted in observance of extreme care requirements when installing new services and troubleshooting.

On 28 April 2020, the Annual General Meeting decided to approve the audited annual consolidated and separate financial statements of the Company for the year 2019. The consolidated annual report of the Company for the year 2019, 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 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).

The shareholders also 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 streamline Telia Lietuva Group structure, in April 2019 shareholders of Telia Lietuva and Telia Customer Service LT had approved the preparation of reorganisation terms, under which the Company's subsidiary, Telia Customer Service LT, would be merged into Telia Lietuva. The terms of merger were prepared and on 6 November 2019 approved by the Boards of both companies. On 28 April 2020, shareholders of both entities decided to reorganize

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

Telia Lietuva, AB and Telia Customer Service LT, AB pursuant to Part 3 of Article 2.97 of the Civil Code of the Republic of Lithuania by way of merging.

On 1 July 2020, the Register of Legal Persons of the Republic of Lithuania registered a new wording of the By-laws of Telia Lietuva, AB that continues activities following the reorganization process whereby Telia Customer Service LT, AB was merged into Telia Lietuva, AB. Telia Customer Service LT terminated its activities as legal entity, and its activities are carried on by Telia Lietuva, AB. The Company took over all assets, rights and obligations of Telia Customer Service LT.

## 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 30 June 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 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).

On 28 April 2020, the shareholders decided to allocate for two independent members to the Board – Tomas Balžekas and Mindaugas Glodas – the total amount of EUR 31,280, or EUR 15,640 each, as a tantiemes (annual payment) for the year 2019.

On 28 April 2020, the Annual General Meeting approved Remuneration Policy for CEO and members of the Board of Telia Lietuva, AB. The Policy that establishes requirements and guidelines in determining the remuneration of the Company's CEO and the Board members 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 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.

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

**Management Team** as of 30 June 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, 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; Association Lyderė (Lithuania), member of the Board; Vilnius University Institute of International Relations and Political Science (Lithuania), member of the Board of Trustees	-
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	April-June		January-June	
		2020	2019	2020	2019
<b>Revenue</b>		<b>97,145</b>	<b>92,031</b>	<b>189,283</b>	<b>181,117</b>
Cost of goods and services		(37,952)	(35,083)	(71,158)	(66,919)
Employee-related expenses		(13,741)	(14,025)	(27,215)	(27,414)
Other expenses		(12,267)	(12,984)	(25,089)	(25,244)
Other gain/ (loss) - net		(41)	174	88	174
Depreciation, amortisation and impairment of fixed assets	2	(17,765)	(16,625)	(35,624)	(33,921)
<b>Operating profit</b>		<b>15,379</b>	<b>13,488</b>	<b>30,285</b>	<b>27,793</b>
Gain/loss from investments in subsidiaries		(116)	(345)	(319)	(700)
Finance income		442	980	1,125	1,372
Finance costs		(1,018)	(938)	(2,355)	(1,709)
Finance and investment activities – net		(692)	(303)	(1,549)	(1,037)
<b>Profit before income tax</b>		<b>14,687</b>	<b>13,185</b>	<b>28,736</b>	<b>26,756</b>
Income tax	6	(3,305)	(329)	(4,838)	(2,145)
<b>Profit for the period</b>		<b>11,382</b>	<b>12,856</b>	<b>23,898</b>	<b>24,611</b>
<b>Other comprehensive income:</b>					
Other comprehensive income for the period					
<b>Total comprehensive income for the period</b>		<b>11,382</b>	<b>12,856</b>	<b>23,898</b>	<b>24,611</b>
Profit and comprehensive income attributable to:					
Owners of the Parent		11,382	12,856	23,898	24,611
Minority interests					
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	7	0.020	0.022	0.041	0.042

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	257,988	263,794
Intangible assets	2	130,682	132,161
Right-of-use-asset	2	46,921	47,900
Cost to obtain a contract (non-current)		4,685	4,625
Other contract assets (non-current)		147	351
Trade and other receivables		3,790	9,728
Finance lease receivables		3,323	4,036
		<b>447,536</b>	<b>462,595</b>
<b>Current assets</b>			
Inventories		9,700	10,153
Other current contract assets		1,194	1,178
Trade and other receivables		79,216	84,314
Current income tax receivable		794	1,708
Finance lease receivables		2,615	2,831
Cash and cash equivalents		22,555	50,157
		<b>116,074</b>	<b>150,341</b>
Assets held for sale		1,102	1,180
<b>Total assets</b>		<b>564,712</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		113,685	142,222
<b>Total equity</b>		<b>299,539</b>	<b>328,076</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		60,997	68,916
Non-current lease liabilities		45,953	47,541
Deferred tax liabilities		20,630	19,829
Deferred revenue and accrued liabilities		8,192	8,376
Provisions	5	11,253	11,257
		<b>147,025</b>	<b>155,919</b>
<b>Current liabilities</b>			
Trade, other payables and accrued liabilities		45,322	48,737
Current income tax liabilities		-	-
Borrowings		64,915	74,536
Other current contract liabilities		659	501
Current lease liabilities		7,252	6,347
Provisions	5	-	-
		<b>118,148</b>	<b>130,121</b>
<b>Total liabilities</b>		<b>265,173</b>	<b>286,040</b>
<b>Total equity and liabilities</b>		<b>564,712</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	-	-	24,611	24,611
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>24,611</b>	<b>24,611</b>
Dividends paid for 2018			(46,609)	(46,609)
<b>Balance at 30 June 2019</b>	<b>168,958</b>	<b>16,896</b>	<b>112,107</b>	<b>297,961</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	-	-	23,898	23,898
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>23,898</b>	<b>23,898</b>
Dividends paid for 2019			(52,435)	(52,435)
<b>Balance at 30 June 2020</b>	<b>168,958</b>	<b>16,896</b>	<b>113,685</b>	<b>299,539</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOW

	January-June	
	2020	2019
<b>Operating activities</b>		
Profit for the period	23,898	24,611
Income tax	4,838	2,145
Depreciation, amortisation and impairment of fixed assets	34,296	33,921
Write off of property, plant and equipment and intangible assets	1	-
Impairment of investments in subsidiaries	319	-
Other gains and losses	-	(174)
Interest income	(886)	(1,290)
Interest expenses	2,105	1,412
Other non-cash transactions	-	183
Changes in working capital:		
Inventories	531	(1,019)
Trade and other receivables	13,406	8,064
Trade, other payables and accrued liabilities	(3,314)	(535)
<b>Cash generated from operations</b>	<b>75,194</b>	<b>67,318</b>
Interest paid	(2,105)	(1,580)
Interest received	33	35
Tax paid	(3,129)	(4,396)
<b>Net cash from operating activities</b>	<b>69,993</b>	<b>61,377</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment (PPE) and intangible assets	(24,380)	(32,085)
Proceeds from disposal of PPE and intangible assets	2	318
Interest and finance lease income	64	328
Proceeds from finance sublease receivables	2,299	(1,700)
Acquisition/divestment of subsidiaries	(319)	-
<b>Net cash used in investing activities</b>	<b>(22,334)</b>	<b>(33,139)</b>
<b>Financing activities</b>		
Repayment of borrowings	(25,644)	(27,606)
Borrowings	8,004	32,114
Increase (decrease) in lease liabilities	(5,186)	(383)
Dividends paid to shareholders of the Company	(52,435)	(46,609)
<b>Net cash used in financing activities</b>	<b>(75,261)</b>	<b>(42,484)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(27,602)</b>	<b>(14,246)</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	(27,602)	(14,246)
<b>At the end of the period</b>	<b>22,555</b>	<b>14,479</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 six months' period ending 30 June 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 30 June 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 apply 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 and intangible assets

	<b>Property, plant and equipment</b>	<b>Intangible assets</b>
<b>Six months ended 30 June 2019</b>		
<b>Opening net book amount as at 31 December 2018</b>	<b>276,537</b>	<b>131,511</b>
Additions	25,790	5,353
Disposals and retirements	(2,520)	-
Reclassification	(5,092)	5,063
Depreciation and amortisation charge	(23,191)	(8,219)
<b>Closing net book amount as at 30 June 2019</b>	<b>271,523</b>	<b>133,707</b>
<b>Six months ended 30 June 2020</b>		
<b>Opening net book amount as at 31 December 2019</b>	<b>263,794</b>	<b>132,161</b>
Additions	17,240	6,499
Disposals and retirements	(398)	(3)
Reclassification	(24)	24
Depreciation and amortisation charge	(22,624)	(7,999)
<b>Closing net book amount as at 30 June 2020</b>	<b>257,988</b>	<b>130,682</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>Six months ended 30 June 2019*</b>	
<b>Opening net book amount as at 1 January 2019*</b>	<b>28,999</b>
Additions	2,281
Disposals and retirements	(1,577)
Reclassification	121
Depreciation and amortisation charge	(2,511)
<b>Closing net book amount as at 30 June 2019</b>	<b>27,313</b>
<b>Six months ended 30 June 2020</b>	
<b>Opening net book amount as at 1 January 2020</b>	<b>47,900</b>
Additions	4,603
Disposals and retirements	(581)
Reclassification	-
Depreciation and amortisation charge	(5,001)
<b>Closing net book amount as at 30 June 2020</b>	<b>46,921</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
		30 June 2020	31 December 2019	
Telia Customer Service LT, AB	Lithuania	100%	100%	The subsidiary that provided Directory Inquiry Service 118 and customer care services to customers of the Company was merged into the Company on 1 July 2020.
VšĮ Numerio Perkėlimas	Lithuania	50%	50%	A non-profit organization established by Lithuanian telecommunications operators administers central database to ensure telephone number portability.
UAB Mobilieji Mokėjimai	Lithuania	-	33.3%	An associated company, that in equal parts was owned by three Lithuanian telecommunications operators and till 18 May 2020 was providing mobile payment services, was sold to the third party on 18 June 2020.

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

#### 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-June 2020:

	Provision for restructuring	Assets retirement obligation	Total
<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 30 June 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 made 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 2020 amounted to EUR 0.6 million (in 2019 – EUR 0.9 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–June	
	2020	2019
<b>Net profit</b>	<b>23,898</b>	<b>24,611</b>
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
<b>Earnings per share (euro)</b>	<b>0.041</b>	<b>0.042</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 was approved by the Annual General Meeting of Shareholders on 28 April 2020. The total amount of allocated dividend, that was paid off in May 2020 was 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 30 June 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–June</b>	
	<b>2020</b>	<b>2019</b>
Sales of telecommunication and other services	4,138	3,676
<b>Total sales of telecommunication and other services</b>	<b>4,138</b>	<b>3,676</b>
Purchases of services	11,270	10,389
Purchases of assets	157	157
<b>Total purchases of services and assets:</b>	<b>11,427</b>	<b>10,546</b>

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

	<b>As at 30 June</b>	
	<b>2020</b>	<b>2019</b>
Long-term receivables from related parties	168	195
Receivables from related parties	2,956	4,122
Accrued revenue from related parties	1,046	806
<b>Total receivables and accrued revenue from related parties</b>	<b>4,170</b>	<b>5,123</b>
Short-term borrowings from related parties	8,000	10,000
Payables to related parties	1,433	2,195
Accrued expenses to related parties	254	356
<b>Total borrowings, payables and accrued expenses to related parties</b>	<b>9,687</b>	<b>12,551</b>

On 26 May 2020, following the decision of the Annual General Meeting of Shareholders, held on 28 April 2020, the Company paid-out to Telia Company an amount of EUR 46,224 thousand as dividends for the year 2019.

As of 30 June 2020, the Company had an outstanding short-term loan of EUR 8 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 six months' period ended 30 June 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, 16 July 2020

## INTERIM CONSOLIDATED REPORT

Approved by the Board

### Reporting period

January-June of 2020

### Issuer and its contact details

Name of the Issuer	<b>Telia Lietuva, AB</b> (hereinafter – ‘the Company’)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Name of the Register of Legal Entities	State Enterprise Centre of Registers
Company code	1212 15434
LEI code	5299007A0LO7C2YYI075
Registered office	Saltoniškių str. 7A, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 1511
Fax number	+370 5 212 6665
E-mail address	info@telia.lt
Internet address	www.telia.lt

### Main activities of the Group

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

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

The Company’s **purpose** is bringing the world closer. Our shared **values** are dare, care, simplify. We **dare** to innovate, to lead and speak up. We **care** for our customers, for each other and our world. We **simplify** execution, teamwork and our operations.

The Communication Regulatory Authority (CRA) of Lithuania has designated the Company together with its related legal entities as an **operator with significant market power** (SMP) in Lithuania on the following markets of:

- voice call termination on the mobile network;
- wholesale calls termination on individual public telephone networks provided at a fixed location;
- wholesale local access provided at a fixed location;
- wholesale central access for mass market products;
- wholesale high quality data transmission services via terminating segment;
- digital terrestrial television broadcasting transmission services provided by the Company in the territory of the Republic of Lithuania.

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

The Company is certificated for compliance with the following ISO standards: IT Management (ISO 20000), Information Security Management (ISO 27001), Quality Management (ISO 9001), Environmental Management (ISO 14001) and Occupational Health & Safety (OHSAS 18001).

As of 30 June 2020, **Telia Lietuva Group** (hereinafter – ‘the Group’) consisted of the parent company, Telia Lietuva, AB, (registered on 6 February 1992, code 1212 15434, name of the Register of Legal Entities: State Enterprise Center of Registers; address: Saltoniškių str. 7A, LT-03501 Vilnius tel.: +370 5 262 1511; fax. +370 5 212 6665; internet address: www.telia.lt), its subsidiaries and associates.



The following companies are **subsidiaries and associates** of Telia Lietuva, AB as of 30 June 2020:

<b>Name of the company</b>	<b>Date of registration, code, name of the Register of Legal Entities</b>	<b>Contact details</b>	<b>The Company's share in the share capital of the company (%)</b>	<b>The Company's share of votes (%)</b>
Telia Customer Service LT, AB	27 July 1992, code 1104 01957, State Enterprise Center of Registers	Vytenio str. 18, LT-03503 Vilnius, Lithuania tel. +370 5 236 8301, fax. +370 5 278 3322, www.118.lt	100.00	100.00
VšĮ Numerio Perkėlimas	5 September 2014, code 303386211, State Enterprise Center of Registers	Jogailos str. 9, LT- 01116 Vilnius, Lithuania	-	50.00

**Telia Customer Service LT** that was taking care of the Company's customers and providing Directory Inquiry service 118 in Lithuania, and annually served more than 20 million contacts over the phone or e-channels, was merged into the Company on 1 July 2020.

To streamline Telia Lietuva Group structure, in April 2019 shareholders of Telia Lietuva and Telia Customer Service LT had approved the preparation of reorganisation terms, under which Telia Customer Service LT would be merged into Telia Lietuva. The terms of merger were prepared and on 6 November 2019 approved by the Boards of both companies. On 28 April 2020, shareholders of both entities decided to reorganize Telia Lietuva, AB and Telia Customer Service LT, AB pursuant to Part 3 of Article 2.97 of the Civil Code of the Republic of Lithuania by way of merging.

On 1 July 2020, the Register of Legal Persons of the Republic of Lithuania registered a new wording of the By-laws of Telia Lietuva, AB that continues activities following the reorganization process whereby Telia Customer Service LT, AB was merged into Telia Lietuva, AB. Telia Customer Service LT terminated its activities as legal entity, and its activities are carried on by Telia Lietuva. The Company took over all assets, rights and obligations of Telia Customer Service LT.

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

On 18 June 2020, Telia Lietuva together with other shareholders – UAB Bitė Lietuva and UAB Tele 2 – sold all shares of **UAB Mobilieji Mokėjimai** to the third party, SEPExpress FS, UAB. Three Lithuanian mobile operators acquired shares of UAB Mobilieji Mokėjimai in December 2017 in equal stakes of 33.3 per cent. In May 2017, the Bank of Lithuania granted a limited activities electronic money institution license to Mobilieji Mokėjimai required for activities related to instant payments. Until 18 May 2020 Mobilieji Mokėjimai was providing mobile payment services under MoQ brand.

The Company has no branches or representative offices.

#### **Agreements with intermediaries of public trading in securities**

Since 1 December 2000, the Company and AB SEB Bankas (code 112021238), Gedimino ave. 12, LT-01103 Vilnius, have an agreement on accounting of the Company's securities and services related to the accounting of securities.

#### **Data about securities traded on regulated market**

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

The following securities of the Company are included into the Main List of Nasdaq Vilnius stock exchange, which is the home market for Telia Lietuva shares (code: TEL1L), as of 30 June 2020:

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

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

### Information about related party transactions

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

During the first half of 2020 the Company and its subsidiaries and associates were providing to each other telecommunications, Contact Center and other services based on earlier signed agreements. The Company's subsidiaries and associates have no interest in the share capital of the Company. In May 2020, the Company's subsidiary Telia Customer Service LT, AB paid to the Company EUR 330 thousand in dividends for the year 2019.

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

During 2020, the Company in several instalments extended loan to associate UAB Mobilieji Mokėjimai for the total amount of EUR 289.3 thousand. On 31 May 2020, the loan including accumulated interests was used to cover the losses of Mobilieji Mokėjimai and additional cash contribution of EUR 26.7 thousand to cover losses was made on 16 June 2020. The Company stake of 33.3 per cent in UAB Mobilieji Mokėjimai was disposed to the third party on 18 June 2020.

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

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

As of 30 June 2020, the Company had an outstanding EUR 8 million loan granted by Telia Company under on 20 May 2019 signed Revolver Loan Agreement for provision of revolving credit facility by Telia Company for up to EUR 20 million at 0.65 per cent margin. Tenor of the agreement – 2 years.

As of 30 June 2020, there were no loans extended by the Company to its subsidiaries or associates.

Information about related party transactions is provided in Note 9 of Telia Lietuva, AB Consolidated Interim Financial Statements for the six months' period ended 30 June 2020. Following the Law on Companies of the Republic of Lithuania, the Company provides information about related parties transactions on the Company's website [www.telia.lt](http://www.telia.lt).

## Risk management

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

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

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

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

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

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

The Company's income and operating cash flows are partially dependent of changes in market interest rates. An outstanding amount of fixed interest rate syndicated loan of EUR 150 million provided by SEB Bank and Danske Bank for acquisition of Omnitel back in 2016 as of 30 June 2020 was EUR 22.5 million and will be fully repaid in January 2021. The tenor of EUR 60 million loan provided by SEB Bank, Danske Bank and Nordea Bank in 2017 is extended till May 2024 and will be repaid in full on maturity. The interest rates of this syndicated loan are set semi-annually and are based on a 6 months EURIBOR interest rate. The Company does not use any interest rate hedging tools.

The Company's financial assets' exposure to credit risk is related to cash deposits and trade receivables. Credit risk of cash deposits is managed by limiting the cash exposure to financial institutions with lower than A (according to Fitch or equivalent by Standard & Poor's) long-term credit ratings. As of 30 June 2020, majority (82 per cent) of the Group's cash deposits were held in AA-, A+ and A rated banks. The Company and the Group did not have any held-to-maturity investments at the end of June 2020.

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

To manage credit risk of trade receivables the Company checks the creditworthiness of all new customers (corporate and private) before signing the contracts. Customers' invoices payment control consists of a few various reminders regarding the invoice payment term expiration and consequently provision of services is limited in 3-6 days after the last reminder for all indebted customers, and in 33-36 days provision of services is fully terminated and penalties are issued. After sending additional reminder bad debts are handed over to external bad debt collection agencies for debt recovery.

Liquidity risk relates to the availability of enough funds for the Company debt service, capital expenditure, working capital requirement and dividend pay-out. Prudent liquidity risk management implies maintaining sufficient level of cash and cash equivalents. The goal of the Company's liquidity risk management is to ensure that minimum liquidity position (calculated as cash and cash equivalents plus undrawn committed credit facilities) should at any time exceed the level of 2 per cent of the annual revenue. During the first half of 2020, the Company's liquidity position on average amounted to 14.8 per cent of the annual revenue. Besides, the Company has a Revolver Loan Agreement with Telia Company and could draw up to EUR 20 million for 3- or 6-months' period within 2 business days. In May 2020, the Company used this facility and borrowed EUR 8 million from Telia Company for 3 months' period.

The Company is a part of reverse factoring or Supplier Invoice Financing (SIF) program where suppliers' invoices are paid by third party bank in 7 days for an agreed fee which is covered by supplier. The Company does not pay any credit fees and does not provide any additional collateral or guarantee to the bank. The Company pays bank full amount in up to one-year period (actual term depends on few variables agreed between all three parties). As of 30 June 2020, there were 20 suppliers which participated in SIF program.

At the end of June 2020, the total amount of borrowings amounted to EUR 125.9 million (EUR 162.6 million a year ago), whereof EUR 82.5 million were loans from banks, EUR 8 million was a short-term internal loan from Telia Company, EUR 33.6 million – obligations under vendor financing arrangements and EUR 1.8 million – obligation under financial lease agreements. As of 30 June 2020, the net debt amounted to EUR 103.4 million (EUR 148.1 million a year ago) and net debt to equity (Gearing) ratio was 34.5 per cent (49.7 per cent at the end of June 2019).

The Company's financial risk management is carried out by employees of Finance unit of the Company under Telia Company Group policies in close co-operation with Telia Company Group Treasury. More information about the Company's financial risk management is provided in Note 3 of the Company's Consolidated and Separate Financial Statements for the year ended 31 December 2019.

Security and integrity are of highest priority to Telia Company Group including Telia Lietuva. As a part of that we constantly evaluate and assess all partners and suppliers. We always oversee the construction and operation of our networks and we are constantly focused on security and that applies to all suppliers. Telia Company use several suppliers for networks and Huawei is one (together with Ericsson and Nokia). Telia Company has strategic 5G-co-operations with Ericsson in Sweden and with Nokia in Finland. While planning for 5G, the security aspect is of highest priority which applies to all soft- and hardware in the networks. Telia Lietuva used Huawei equipment for 5G presentation in December 2018. The Company has no strategic partnership with Huawei such as Telia Company with Ericsson and Nokia. The Company, together with Telia Company, follow the debate about Huawei and other Chinese suppliers. In any case, the Company always complies with laws and regulations.

## Plans and forecasts

Telia Lietuva strategy is aligned with Telia Company strategy and is based on the same shared values – Dare, Care and Simplify – and foundation of values-driven culture, self-leadership, customer passion and cost ownership as cornerstones as well as strong governance framework with best-in-class ethics and compliance.

Our purpose – bringing the world closer – and our ambitions to have the most loyal and satisfied customers, deliver strong total shareholder return, being industry leader in digital impact through United Nation's Sustainable Development Goals and have the most engaged employees remains unchanged. To reach our ambitions we are building on connectivity leadership closer to what matters to our customers based on speed, innovation and great people.

We will do that by:

- delivering the best network experience across platforms,
- being the hub to digital experiences in homes and offices,
- being the digitalization partner of choice,
- enabling partners with new business models,
- having analytics and insights driven go-to-market and customer interaction,
- rebuilding the factory through softwarization,
- taking cost leadership through scale and synergies.

Currently the telecommunications industry is facing such global challenges as aging population, urbanisation, digitalisation and technology development. In Lithuania, Telia Lietuva is also dealing with fierce competition on the market and faces challenge in growth and is losing the market leader position in some areas. But still the Company is the most likeable and loved brand, we have a good reputation as employer, and we are one of the biggest investors in Lithuania.

The Telia Lietuva strategic goals for the forthcoming years are:

- leadership in network – seamless connectivity and experience no matter of time, place, devices or technology, will require to reduce complexity by radical dismantle or migration of the legacy system while optimising our technology footprint and investing into development of narrow band and 5G,
- leadership in customer experience – always having the customers' interest first by acting upon real insights and offering multichannel service shall lead to regaining market share and leadership in mobility business by leveraging on convergence and growth in SME/SOHO segment,
- leadership in digitalisation – meeting customer needs through digital channels and ensuring our business efficiency through the digital platforms and tools.

The Company has an ambition that by 2022 our customers will be able to interact with us fully digitally without the need for human intervention. The first step has been already made in 2019 by employing artificial intelligence for chatbot robot in dealing with customers on-line. The goal is to offer digital and personalised interactions with customers throughout their whole customer journey. Using shops and customer care would be an option of convenience.

In terms of technology, in the beginning on 2020 we have demonstrated a potential of narrowband Internet of Things technology that will allow businesses and the public sector to develop next-generation services and improve the existing ones without making any significant investment. Also, we are actively participating in discussions regarding the 5G technology implementation in Lithuania and are await of 5G frequency auction which delayed due to ongoing state level negotiations with the neighbouring countries. Anyway, we are preparing for 5G era in Lithuania and are planning to be a front-runner.

### Research and development activities

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

### Corporate Governance

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

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

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



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

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

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

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

- supervises the day-to-day operation and ensure the implementation of the Company's Business Plan;
- prepares annual financial statements and annual report of the Company;
- prepares a draft decision on the allocation of dividends;
- reports on the current operations of the Company at each meeting of the Board;
- performs the functions delegated to him by the Board and implement decisions adopted by the General Meeting;
- represents or procures the representation of the Company before companies, authorities, organizations, courts, arbitration and in relations with any third party;
- opens or closes accounts with banking institutions and dispose of the funds therein;
- executes the Company's transactions pursuant to the By-laws, decisions of the General Meeting and the Board;
- issues authorizations to other persons to perform his functions within the scope of his authority;
- issues procurations;
- issues internal documents regulating the work of the administration, and other structural units;
- appoints and dismisses employees of the Company, signs, amends and terminates on behalf of the Company employment agreements with employees of the Company (except where, in cases provided in these By-laws, Board approval is required);
- determines employees' salaries and bonuses (except where, in cases provided in these By-laws, Board approval is required); presents the procedure for payment of bonuses to the Board for approval;
- ensures the protection and increases of the Company's assets, normal working conditions, and protection of commercial secrets;
- represents or gives another person a power of attorney to represent the Company in general meetings of shareholders of other companies in which the Company has invested;
- approves, amends and supplements the work regulations of the administration;
- provides reports to the Shareholders and the Board on major events that are relevant to the Company's activities;
- complies with legal requirements when concluding transactions with related parties;
- executes other functions, ascribed to the competence of the head of a Company in the valid legal acts.

The Company essentially follows a recommendatory **Corporate Governance Code** for the Companies Listed on Nasdaq Vilnius stock exchange (hereinafter 'the Governance Code') adopted in August 2006, amended in December 2009 and newly worded from January 2019. The Company does not have a Supervisory Council, but supervision functions set by the Law on Companies of the Republic of Lithuania are performed by the Board, which is a non-executive

managing body of the Company and is comprised from four representatives of the largest shareholder, Telia Company, and two independent members of the Board. The Company does not have a Nomination Committee as its functions are performed by the Remuneration Committee. The Company currently does not comply with the Code requirement that Chair of the Board should not serve as the Chair of committee, because historically the Chair of the Board of the Company is the Chair of the Remuneration Committee.

The Company prepared the disclosure of compliance with the principles and recommendation set by the Governance Code in Telia Lietuva, AB Corporate governance reporting form for the year ended 31 December 2019, which is available at the Company webpage as the Annex to Consolidated and Separate Financial Statements, Consolidated Annual Report and Independent Auditor's Report for the year ended 31 December 2019 at [www.telia.lt](http://www.telia.lt).

### **Shareholders' rights**

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. As of 30 June 2020, the number of the Company's shares that provide voting rights during the General Meeting of Shareholders amounted to 582,613,138. One ordinary registered share of the Company gives one vote in the General Meeting of Shareholders.

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

### **Shareholders meetings**

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

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

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

### **Treasury stocks**

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

### **Dividends**

In 2017, the Board of the Company approved dividend policy which provides that the Company must maintain the net debt to EBITDA ratio not higher than 1.5 and to pay out 80 per cent of free cash flow as dividend. Each year the Company pays dividends although there was no officially approved dividend policy until 2017.

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

### **The Board's activities**

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

During its meetings the Board, besides the ongoing follow up of the Company's business plan implementation and supervision of transformation program, approved:

- Business plan for the year 2020,
- financial statements for the 12 months of 2019 and 3 months of 2020,
- financial statements and the consolidated annual report for the year ended 31 December 2019,
- convocation of the Annual General Meetings of Shareholders and agenda of the Meeting;
- proposal of profit allocation for the year 2019,
- extension of loans, additional contributions to cover losses and divestment of UAB Mobilieji Mokėjimai,
- outsourcing of copper infrastructure maintenance,
- payment of annual bonuses for the year 2019,
- the Company's targets and KPIs for the year 2020,
- updated Remuneration Policy, Variable Pay Instruction, Antibribery and Corruption Policy, Freedom of Expression & Surveillance Privacy Policy and Communication Policy,
- Remuneration Policy for CEO and members of the Board,
- agreement with business transformation project consultants,
- appointment of Head of Digitization & Analytics.

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

During the first half of 2020 two meetings of the Remuneration Committee were held. The following issues were considered during these meetings: evaluation of the Company's Management team members' performance and approval of variable pay amounts for Management team for the year 2019; evaluation of the CEO performance and approval of variable pay amount for the year 2019, draft of Remuneration Policy for CEO and members of the Board, draft of the Company's Remuneration Policy and Variable Pay Instruction, appointment of Head of Digitization & Analytics. All members of the Committee attended all meetings of the Committee. Both meetings were chaired by Chair of the Committee, Emil Nilsson.

During January-June of 2020, two meetings of the Audit Committee were held, during which the report by external auditors regarding the financial statements for the year 2019 as well internal audit and risk management reports were considered. The Committee approved the draft of audited financial statements and the Annual Report for the year 2019, the draft of Profit allocation statements for the year 2019 (dividends and tantiemes), candidacy of audit enterprise for the audit of the Company's financial statements for the year 2020 and submitted them to the Board for the final approval. The Committee also consider report of GREC (Governance, Risk, Ethics and Compliance) meeting, update on funding and liquidity, credit scoring and debt management. All members of the Committee attended all meetings of the Committee. Both meetings were chaired by Chair of the Committee, Agneta Wallmark.

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

Name, surname	Position	Meeting attendance			Tantiemes for 2019 paid-out in 2020 (EUR)
		Board	Audit Committee	Remuneration Committee	
Emil Nilsson	Chair of the Board, Chair of the Remuneration Committee	4/4		2/2	-
Claes Nycander	Member of the Board, member of the Remuneration Committee	4/4		2/2	-
Agneta Wallmark	Member of the Board, Chair of the Audit Committee	4/4	2/2		-
Hannu-Matti Mäkinen	Member of the Board	4/4			-
Tomas Balžekas	Member of the Board, member of the Audit Committee	4/4	2/2		15,640
Mindaugas Glodas	Member of the Board, member of the Audit and Remuneration Committees	4/4	2/2	2/2	15,640



On 28 April 2020, the shareholders resolved to allocate for two independent members to the Board – Tomas Balžekas and Mindaugas Glodas – the total amount of EUR 31,280, or EUR 15,640 each, as a tantiemes (annual payment) for the year 2019.

#### Members of the Board as of 30 June 2020

**Emil Nilsson** (born in 1971) – Chair of the Board, member of the Board since 9 November 2018, re-elected for the two-year terms on 26 April 2019 (nominated by Telia Company AB), Chair of the Remuneration Committee. Education – University of Stockholm (Sweden), Bachelor of Science in Finance. Employment – Telia Company AB, 169 94 Solna, Sweden, code 556103-4249, Senior Vice President & Head of cluster Lithuania, Estonia and Denmark (LED). Current Board Assignments:

- Telia Eesti AS, Mustamäe tee 3, 15033 Tallinn, Estonia, code 10234957, Chair of the Supervisory Council;
- Latvijas Mobilais Telefons (LMT) SIA, Ropažu iela 6, Rīga, LV-1039 Latvia, code 50003050931, Chair of the Supervisory Council and Chair of the Remuneration Committee;
- Svenska Handbollslandslaget AB, Arsenalsgatan 2, 111 47 Stockholm, Sweden, code 556768-4906, member of the Board.

Emil Nilsson has no direct interest in the share capital of Telia Lietuva.

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

- Telia Försäkring AB (Telia Insurance), 169 94 Solna, Sweden, code 516401-8490, Chair of the Board;
- Swedish Pension Fund of Telia, 169 94 Solna, Sweden, member of the Board;
- Telia Towers AB, 169 94 Solna, Sweden, code 559196-5164, member of the Board.

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

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

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

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

**Hannu-Matti Mäkinen** (born in 1970) – member of the Board since 25 April 2018, re-elected for the two-year terms on 26 April 2019 (nominated by Telia Company AB). Education: University of Arizona (U.S.A), College of Law, LL.M (Master of Laws) in International Trade Law, and University of Lapland (Finland), School of Law, LL. B (Bachelor of Laws) and LL.M (Master of Laws) in Finnish and EU-Law. Employment – Telia Company AB, 169 94 Solna, Sweden, code 556103-4249, Vice President and Head of Legal Practice Group B2B & Carrier.

**Current Board Assignments:**

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

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

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

- UAB Media Bitės, Kęstučio g. 25, LT-08121 Vilnius, Lithuania, code 304552458, shareholder (51 per cent);
- UAB Mano Doktoras, Kęstučio g. 25, LT-08120 Vilnius, Lithuania, code 303085208, a subsidiary of UAB Media Bitės, General Manager (CEO);
- UAB Balžeko Bitės, Aukštaičių g. 6, LT-11341 Vilnius, Lithuania, code 302833809, shareholder (100 per cent);
- UAB Merkinės Muilo Fabrikas, Viršupio g. 28, LT-10230 Vilnius, Lithuania, code 305211812, shareholder (33 per cent)
- UAB M7 Plius, Vlodo Mirono g. 6D, LT-11311 Vilnius, Lithuania, code 305250719, shareholder (25 per cent);
- VŠĮ M7 Sporto Grupė, Vlodo Mirono g. 6D, LT-11311 Vilnius, Lithuania, code 305229956, owner (25 per cent);
- VŠĮ Lietuvos Nacionalinis Radijas ir Televizija (Lithuanian National Radio and Television), S. Konarskio g. 49, LT-03123 Vilnius, Lithuania, code 124241078, member of the Council.

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

**Mindaugas Glodas** (born in 1972) – member of the Board since 25 April 2018, re-elected for the two-year terms on 26 April 2019 (as independent member of the Board nominated by Telia Company AB), member of the Audit and Remuneration Committees. Education: University of Antwerp, Centre for Business Administration UFSIA (Belgium), Master of Business Administration (MBA), and Vilniaus University, Faculty of Economics (Lithuania), Bachelor of Business Administration (BBA). Employment: NRD Companies AS, Løkketangen 20 B, 1337 Sandvika, Norway, code 921985290, General Manager; Norway Registers Development AS, Løkketangen 20 B, 1337 Sandvika, Norway, code 985221405, General Manager; Norway Registers Development AS Lithuanian branch, Gynėjų g. 14, LT-01109 Vilnius, Lithuania, code 304897486, General Manager; Zedge Lithuania, UAB, J. Basanavičiaus g. 26, LT-03244 Vilnius, Lithuania, code 304890634, General Manager. Involvement in activities of other entities:

- Council for Research, Development and Innovations at the Government of Lithuania, Gedimino pr. 11, LT-01103 Vilnius, code 188604574, member of the Council;
- Agency for Science, Innovations and Technologies, A. Goštauto g. 12-219, LT-01108 Vilnius, Lithuania, code 188730854, member of Coordinating Council;
- Association Žinių Ekonomikos Forumas, Saulėtekio al. 15, LT-10221, Vilnius, Lithuania, code 225709520, member of the Council;
- Lithuanian National Committee for UNICEF, Aušros Vartų g. 3, LT-01304 Vilnius, Lithuania, code 191588169, Chair of the Board;
- MB Vox Proxima, Perkūno g. 32, Gilužių k., LT-14195 Vilniaus r., Lithuania, code 303481474, member of partnership (50 per cent);

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

**Members of the Management Team as of 30 June 2020**

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

- Tet SIA, Dzirnau iela 105, Rīga, LV-1011 Latvia, code 40003052786, Deputy Chair of the Supervisory Council;
- Association Investors' Forum, Totorių str. 5-21, LT-01121 Vilnius, Lithuania, code 224996640, member of the Board.

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

**Nortautas Luopas** (born in 1979) – Head of Consumer (B2C) from 16 August 2019, Head of Digitization & Analytics from 1 January 2020. Education: Klaipėda University (Lithuania), Bachelor's degree in Applied Mathematics and IT (2001), and Baltic Management Institute (Lithuania), Executive MBA (2009). He is not involved in activities of other entities. Nortautas Luopas has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 per cent of the share capital of any company.

**Daniel Karpovič** (born in 1982) – Head of Enterprise (B2B) from 6 June 2019. Education: Catholic University of Lublin in Poland, Master of Psychology (2006) and studies in Marketing (2006). He is not involved in activities of other entities. Daniel Karpovič has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 per cent of the share capital of any company.

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

- Latvijas Mobilais Telefons (LMT) SIA, Ropažu iela 6, Rīga, LV-1039 Latvia, code 50003050931, member of the Supervisory Council and the Audit Committee;
- UAB Litexpo, Laisvės pr. 5, LT-04215 Vilnius, Lithuania, code 120080713, Chair of the Board;
- Association “Lyderė”, Jogailos g. 9, LT-01116 Vilnius, Lithuania, code 304439065, member of the Board;
- Vilnius University Institute of International Relations and Political Science, Vokiečių g. 10-403, Vilnius, Lithuania, code 125745184, member of the Board of Trustees.

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

**Andrius Šemeškevičius** (born in 1976) – Head of Technology Infrastructure from 18 August 2014. Education –: Vilnius Gediminas Technical University (Lithuania), Bachelor's degree in Engineering Informatics and Master's degree in Engineering Informatics. He is not involved in activities of other entities. Andrius Šemeškevičius has 8,761 shares of Telia Lietuva that accounts to 0.0015 per cent of the total number of the Company's shares and votes. He has no shareholdings that exceed 5 per cent of the share capital of any company.

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

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

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

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

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

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

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

- Member of the Cyber Security Council (Lithuania)
- Deputy Chair Cybersecurity Committee at INFOBALT, Moklininkų g. 2A, LT-08412 Vilnius, Lithuania, code 122361495.

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

During January–June of 2020, there were no loans, guarantees or sponsorship granted to the members of the Board or members of the Management team by the Company as well as none of subsidiaries paid salaries or other pay-outs to the members of the Board or members of the Management team for being members of their managing bodies.

## Personnel

Number of Telia Lietuva Group employees:

	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>Change (%)</b>
Number of personnel (headcounts)	2,247	2,487	(9.7)
Number of full-time employees	2,059	2,263	(9.0)

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

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

<b>Name of the company</b>	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>Change</b>
Telia Lietuva, AB	1,680	1,833	(153)
Telia Customer Service LT, AB	567	654	(87)
	<b>2,247</b>	<b>2,487</b>	<b>(240)</b>

On 1 July 2020, Telia Customer Service LT was merged into Telia Lietuva and all employees of Telia Customer Service LT became employees of Telia Lietuva.

During 2019 the Company was implementing leaner organisation structure, increasing efficiency and outsourcing some of its functions to Telia Global Services Lithuania UAB, a shared services center of Telia Company Group based in Vilnius, or to the third parties. The outsourcing of functions will continue in 2020. The Company plans from 1 August 2020 to hand over copper infrastructure maintenance and around 70 employees to the third party.

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

More detailed information about the Collective Bargaining Agreement as well as People and Remuneration Policies and other benefits is provided in the Company's Consolidated Annual Report for the year ended 31 December 2019.

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.

## CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Information Disclosure of the Bank of Lithuania, we, Dan Strömberg, CEO of Telia Lietuva, AB, and Arūnas Lingė, Head of Finance of Telia Lietuva, AB, hereby confirm that, to the best of our knowledge, Telia Lietuva, AB Consolidated Interim Report for the six months period ended 30 June 2020 includes a fair review of the development and performance of the business and the position of the Company and the Group of undertakings in relation to the description of the main risks and contingencies faced thereby.

Dan Strömberg  
CEO

Arūnas Lingė  
Head of Finance