

# **TELIA LIETUVA, AB**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND  
CONSOLIDATED INTERIM REPORT  
FOR THE SIX MONTHS' PERIOD ENDED 30 JUNE 2021  
(UNAUDITED)**



Beginning of the financial year	1 January 2021
End of reporting period	30 June 2021
Name of the company	<b>Telia Lietuva, AB</b> (hereinafter – “Telia Lietuva” or “the Company”)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Code of enterprise	121215434
LEI code	5299007A0LO7C2YYI075
Name of Register of Legal Entities	State Enterprise Centre of Registers
Registered office	Saltoniškių str. 7A, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 1511
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Internet address	www.telia.lt
Main activities	Integrated telecommunication, IT and TV services to residential and business customers in Lithuania

## TABLE OF CONTENT

MANAGEMENT REPORT .....	4
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	14
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	15
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	16
CONSOLIDATED STATEMENT OF CASH FLOW.....	17
NOTES TO THE FINANCIAL STATEMENTS .....	18
Accounting policies .....	18
Property, plant and equipment and intangible assets .....	18
Investments in subsidiaries and associates .....	19
Share capital.....	19
Provisions .....	19
Income tax .....	20
Earnings per share.....	20
Dividends per share .....	20
Related party transactions .....	21
MANAGEMENT CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS .....	21
INTERIM CONSOLIDATED REPORT .....	22

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

## MANAGEMENT REPORT

### Second quarter of 2021:

- Total revenue amounted to EUR 101.6 million, up by 4.6 per cent over the revenue of EUR 97.1 million in the second quarter of 2020.
- EBITDA was EUR 34 million, an increase by 2.6 per cent over EBITDA of EUR 33.1 million a year ago.
- Adjusted EBITDA (excluding non-recurring items) amounted to EUR 34.1 million and was 2.2 per cent higher than adjusted EBITDA of EUR 33.3 million for the second quarter of 2020.
- Profit for the quarter was EUR 12.3 million, up by 8.2 per cent over the profit of EUR 11.4 million a year ago.

### First half of 2021:

- Total revenue amounted to EUR 201.3 million, an increase by 6.3 per cent over the revenue of EUR 189.3 million for the first half of 2020.
- EBITDA reached EUR 68.8 million and was 4.4 per cent higher than EBITDA of EUR 65.9 million a year ago.
- Adjusted EBITDA (excluding non-recurring items) amounted to EUR 68 million, an increase by 2.6 per cent over adjusted EBITDA of EUR 66.3 million for the first six months of 2020.
- Profit for the period was EUR 25.4 million, up by 6.2 per cent over the profit of EUR 23.9 million a year ago.
- Free cash flow amounted to EUR 34.8 million, a decrease by 23.3 per cent over the free cash flow of EUR 45.3 million a year ago.

### Management comment:

The importance of high-quality connectivity remained high during the first half of 2021 as COVID-19 related lockdowns continued. The second quarantine is officially over as of 1 July 2021. As a result, demand for solutions supporting flexible working as well as for entertainment was strong. To respond to the increased customer preference for video-on-demand, our already appreciated content library was further strengthened. To be in the forefront of innovation we launched new eSIM solutions for smart watches and currently are the only operator in Lithuania to offer eSIM for Apple watches.

In order to enhance focus as well as achieve increased clarity on goals and expectations the customer channels organization was restructured into the Dare – Care model. Implying a Dare organization with focus on driving sales results and a Care organization focused on improving efficiency and providing superior customer care.

We have launched, for the first time a TV campaign dedicated to new and tailored offerings for SOHO and SME customers. This in combination with an increased sales focus targeting newly established businesses resulted in new customers intake in the SOHO/SME segment. During the pandemic demand for Cloud solutions surged by 40 per cent and more business customers choose equipment rent and work place management services.

Our converged offer, Telia1, is enjoyed in 82 thousand of households. Over the last twelve months:

- number of mobile service subscriptions increase by 4 per cent up to 1,409,
- number of FTTH Internet customers was up by 2.7 per cent up to 300 thousand,
- number of IPTV users grew by 2 per cent up to 254 thousand.

Increased customer base, demand for IT solutions and higher usage of mobile data were pushing revenue up. Over the year, comparing the six months' period of 2021 with the same period in 2020:

- revenue from IT services surged by 21.4 per cent,
- revenue from equipment sale grew by 14.5 per cent,
- revenue from TV revenue services increased by 12 per cent,
- revenue from broadband Internet services went up by 10.6 per cent,
- revenue from billed mobile services was up by 8.9 per cent.

To ensure network leadership in terms of speed and quality, we persistently invest into upgrade of mobile network. Total capital investments during the first half of 2021 were by almost one third higher than a year ago and exceeded EUR 31 million. As a result, Telia Lietuva leads mobile Internet speed race in Lithuania with average speed of 93.6 Mbps and already has 32 base stations providing non-commercial 5G connectivity of up to 1.8 Gbps speed.

In May, the Company paid-out a record high EUR 58.3 million (0.10 euro per share) dividends following the decision of the Annual General Meeting of shareholders. Shareholders for a new two-years term elected the Board of the Company: five members of the previous Board were re-elected (including one independent) and another independent new member of the Board, Dovilė Grigienė, was elected. Douglas Lubbe was re-elected as the Chair of the Board.

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

## KEY FIGURES OF THE GROUP

Financial figures	January-June		Change (%)
	2021	2020	
Revenue	201,293	189,283	6.3
EBITDA excluding non-recurring items	68,034	66,337	2.6
EBITDA margin excluding non-recurring items (%)	33.8	35.0	
EBITDA	68,787	65,909	4.4
EBITDA margin (%)	34.2	34.8	
Operating profit (EBIT) excluding non-recurring items	29,494	30,713	(4.0)
EBIT margin excluding non-recurring items (%)	14.7	16.2	
Operating profit (EBIT)	30,247	30,285	(0.1)
EBIT margin (%)	15.0	16.0	
Profit before income tax	29,290	28,736	1.9
Profit before income tax margin (%)	14.6	15.2	
Profit for the period	25,381	23,898	6.2
Profit for the period margin (%)	12.6	12.6	
Earnings per share (EUR)	0.044	0.041	
Number of shares (thousand)	582,613	582,613	-
Share price at the end of period (EUR)	2.01	1.41	42.6
Market capitalisation at the end of period	1,171,052	821,485	42.6
Cash flow from operations	56,606	67,835	(16.6)
Operating free cash flow	34,760	45,296	(23.3)
<b>Operating figures</b>	<b>30-06-2021</b>	<b>30-06-2020</b>	<b>Change (%)</b>
Mobile service subscriptions, in total (thousand)	1,409	1,355	4.0
- Post-paid (thousand)	1,136	1,088	4.4
- Pre-paid (thousand)	273	267	2.2
Broadband Internet connections, in total (thousand)	417	414	0.7
- Fiber-optic (FTTH/B) (thousand)	300	292	2.7
- Copper (DSL) (thousand)	117	122	(4.1)
Fixed telephone lines in service (thousand)	246	277	(11.2)
IPTV service customers (thousand)	254	249	2.0
Number of personnel (head-counts)	2,124	2,247	(5.5)
Number of full-time employees	1,963	2,059	(4.7)
<b>Financial ratios*</b>	<b>30-06-2021</b>	<b>30-06-2020</b>	
Return on capital employed (%)	14.8	14.2	
Return on average assets (%)	10.8	10.4	
Return on shareholders' equity (%)	17.8	16.9	
Operating cash flow to sales (%)	29.6	36.8	
Capex to sales (%)	14.9	11.4	
Net debt to EBITDA ratio	0.71	0.78	
Gearing ratio (%)	32.9	34.5	
Debt to equity ratio (%)	48.1	42.0	
Current ratio (%)	91.6	98.2	
Rate of turnover of assets (%)	68.5	66.5	
Equity to assets ratio (%)	50.4	53.0	
Price to earnings (P/E) ratio	20.4	15.2	

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

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

Breakdown of revenue by services	April-June		Change (%)	January-June		Change (%)
	2021	2020		2021	2020	
<b>Fixed services</b>	<b>46,833</b>	<b>44,473</b>	<b>5.3</b>	<b>92,362</b>	<b>88,668</b>	<b>4.2</b>
Voice telephony services	10,822	12,047	(10.2)	20,956	23,669	(11.5)
Internet services	15,969	14,195	12.5	31,426	28,413	10.6
Datacom and network capacity services	4,396	4,479	(1.9)	8,759	8,999	(2.7)
TV services	9,701	8,629	12.4	19,449	17,361	12.0
IT services	4,160	3,556	17.0	8,104	6,673	21.4
Other services	1,785	1,567	13.9	3,668	3,553	3.2
<b>Mobile services</b>	<b>33,442</b>	<b>31,628</b>	<b>5.7</b>	<b>65,594</b>	<b>62,771</b>	<b>4.5</b>
Billed services	28,812	25,546	12.8	56,515	51,882	8.9
Other mobile service	4,630	6,082	(23.9)	9,079	10,889	(16.6)
<b>Equipment</b>	<b>21,363</b>	<b>21,044</b>	<b>1.5</b>	<b>43,337</b>	<b>37,844</b>	<b>14.5</b>
<b>Total</b>	<b>101,638</b>	<b>97,145</b>	<b>4.6</b>	<b>201,293</b>	<b>189,283</b>	<b>6.3</b>

## REVENUE

Revenue from mobile communication, broadband Internet, pay TV and IT services continued to grow supported by high demand for equipment while revenue from legacy services such as voice telephony, data communication and network capacity, declined. Restrictions on cross border travelling had a negative impact on revenue from roaming services.

Share of revenue from fixed and mobile communication services amounted to 45.9 and 32.6 per cent, respectively, from the **total revenue** for the first half of 2021. Share of revenue from equipment sales was 21.5 per cent. Revenue from services provided to residential customers (B2C) amounted to 62.3 per cent, to business customers (B2B) and others – 37.7 per cent of the total revenue.

During January-June of 2021 the number of post-paid **mobile** communication service users increased by 32 thousand, while the number of pre-paid service users went down by 21 thousand. Over the last twelve months, the total number of active mobile subscriptions went up by 54 thousand whereof 48 thousand were post-paid and 6 thousand – pre-paid service users. More customers, more mobile data used and higher ARPU led to growth in revenue from billed mobile services.

Revenue from **other mobile services** which is comprised of revenue from mobile network interconnections and roaming charges in 2021 compared with the previous year were lower mainly due to Covid-19 caused travelling restrictions and network interconnects price regulation.

During the first six months of 2021, the number of fixed telephony lines in service eased by 15 thousand and over the last twelve months went down by 31 thousand. Revenue from retail **voice telephony** services for the first half of 2021 was 18.7 per cent lower than for the same period in 2020. Revenue from voice transit service for January-June of 2021 was 4.1 per cent lower than a year ago.

During the first half of 2021, the number of fixed **broadband Internet access** users over fiber-optic network using FTTH/B technologies increased by 3 thousand, while number of broadband Internet service users over the copper DSL connections decreased by 3 thousand. Over the last twelve months, the total number of broadband Internet access users increased by 3 thousand: number of fiber-optic connections went up by 8 thousand, while number of DSL connections went down by 5 thousand. Churn of traditional DSL connections is mitigated by “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.

During January-June of 2021, the number of smart **television** (IPTV) service users increased by 1 thousand, while over the last twelve months it went up by 5 thousand.

Pandemic caused demand for virtual private network (VPN), computerised workplace management and other IT solutions resulted in double-digit growth in revenue from **IT services**. The Company’s competence and excellence were recognised by the key partners. During first half of 2021, Telia Lietuva was announced as a Gold Partner by Microsoft

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in 16 positions in such areas as Cloud productivity, Security, Applications integrations, etc. More partnership of the year awards were granted by Dell Technologies, Veeam, IBM and VMware.

COVID-19 pandemic caused increased demand for laptops and TV sets in 2020, while in 2021 with re-opening of retail outlets **equipment sale** shifted towards recovering mobile devices sale. Smart gadget sale was boosted by launching eSIM service in February 2021 and exclusive offer of Apple smart watches in April 2021.

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

Gain or loss from sale of property, plant and equipment, as well as gain or loss on currency exchange is recorded at net value as **other gain (loss)**. In the beginning of 2021, the Company sold an office building in Kaunas and recorded EUR 1.2 million gain from sale of property. During 2021, the gain from sale of property in total amounted to EUR 1.3 million.

## 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 2021 decreased by 1.9 per cent compared with the fourth quarter of 2020, while compared with the first quarter of 2020 increased by 2.6 per cent and amounted to EUR 184.2 million.

Telia Lietuva remains the largest telecommunications' service provider in Lithuania with the market share (in term of revenue) of 38.1 per cent for the first quarter of 2021, a decline by 0.9 percentage point over the last 12 months.

	The market shares in terms of customers (%)		The market shares in terms of revenue (%)	
	Q1 2021	Change (p.p.) (y-o-y)	Q1 2021	Change (p.p.) (y-o-y)
Fixed voice telephony services	81.6	1.7	85.8	0.0
Mobile voice telephony services	28.4	0.2	28.1	(1.3)
Fixed Internet access	52.1	0.2	59.9	0.0
Mobile Internet access	28.5	0.0	26.5	(0.1)
Pay-TV services	37.2	0.9	47.8	0.2
Data communication services	n/a	n/a	55.0	(4.0)

According to the Report of the CRA, on 31 March 2021, broadband Internet penetration per 100 residents of Lithuania was 53.9 per cent (51.1 per cent a year ago) and pay-TV penetration per 100 households was 49.8 per cent (51.7 per cent). The penetration of active mobile voice communication users per 100 residents was 130.1 per cent (131.3 per cent a year ago) and penetration of fixed voice telephony lines per 100 households – 21.8 per cent (25.3 per cent).

## EXPENSES

	April-June		Change (%)	January-June		Change (%)
	2021	2020		2021	2020	
<b>Cost of goods and services</b>	<b>39,712</b>	<b>37,952</b>	<b>4.6</b>	<b>78,703</b>	<b>71,157</b>	<b>10.6</b>
<b>Operating expenses</b>	<b>28,042</b>	<b>26,008</b>	<b>7.8</b>	<b>55,090</b>	<b>52,305</b>	<b>5.3</b>
Employee related	13,985	13,741	1.8	28,112	27,215	3.3
Other	14,057	12,267	14.6	26,978	25,090	7.5
<i>Non-recurring expenses</i>	237	194	(33.5)	584	428	8.2
<b>Operating expenses (excl. non-recurring expenses)</b>	<b>27,805</b>	<b>25,815</b>	<b>7.7</b>	<b>54,506</b>	<b>51,877</b>	<b>5.1</b>
Employee related	13,856	13,547	2.3	27,649	26,787	3.2
Other	13,949	12,267	13.7	26,857	25,090	7.0

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**Cost of goods and services** were up mainly due to increased equipment sale. In spite of lower number of employees **employee related expenses** were higher than in 2020 due to increased employees' salaries and higher accruals for vacations. **Other expenses** were higher mainly due to increased marketing expenses and higher electricity price. **Non-recurring** redundancy pay-outs for the six months of 2021 amounted to EUR 463 thousand (EUR 428 thousand a year ago) and other non-recurring expenses amounted to EUR 121 (none a year ago).

Number of employees	30-06-2021	31-12-2020	Change	30-06-2021	30-06-2020	Change
Headcounts	2,124	2,161	(37)	2,124	2,247	(123)
Full-time employees	1,963	2,001	(38)	1,963	2,059	(96)

From 1 September 2021, the Company plans to hand over fiber-optic access network maintenance function and around 20 employees to the third party.

## EARNINGS

Revenue growth was higher than expenses increase resulting in positive EBITDA development, but due to capital investments higher depreciation and amortisation charges had a negative impact on operating profit (EBIT).

	April-June		Change (%)	January-June		Change (%)
	2021	2020		2021	2020	
<b>EBITDA</b>	<b>34,011</b>	<b>33,144</b>	<b>2.6</b>	<b>68,787</b>	<b>65,909</b>	<b>4.4</b>
Margin (%)	33.5	34.1		34.2	34.8	
Depreciation and amortisation	18,926	17,765	6.5	38,540	35,624	8.2
<b>Operating profit (EBIT)</b>	<b>15,085</b>	<b>15,379</b>	<b>(1.9)</b>	<b>30,247</b>	<b>30,285</b>	<b>(0.1)</b>
Margin (%)	14.8	15.8		15.0	16.0	
<i>Non-recurring expenses</i>	237	194	(33.5)	584	428	8.2
<i>Gain on sale of property</i>	170	-		1,337	-	
<b>EBITDA excl. non-rec. items</b>	<b>34,078</b>	<b>33,338</b>	<b>2.2</b>	<b>68,034</b>	<b>66,337</b>	<b>2.6</b>
Margin (%)	33.5	34.3		33.8	35.0	
<b>EBIT excl. non-rec. items</b>	<b>15,152</b>	<b>15,573</b>	<b>(2.7)</b>	<b>29,494</b>	<b>30,713</b>	<b>(4.0)</b>
Margin (%)	14.9	16.0		14.7	16.2	

**Non-recurring items** for the first half of 2021 were comprised from one-off redundancy pay-outs of EUR 463 thousand, non-recurring other expenses of EUR 121 thousand and gain of EUR 1.3 million from sale of office building in Kaunas and other property. In January-June of 2020, there were only non-recurring redundancy expenses of EUR 428 thousand.

**Loss from investments** during the first half of 2020 represents result from activities of on 18 June 2020 disposed associated entity UAB Mobilieji Mokėjimai. In March 2020, shareholders of Mobilieji Mokėjimai – three Lithuanian mobile operators: Bitė Lietuva, Tele2 and Telia Lietuva – decided to cease operations of this loss generating associate. As of 31 December 2019, the value of this investment was already impaired to one euro. During 2020, the Company extended loans for the total amount of EUR 289.2 thousand to associate 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 this entity. An additional shareholders' contribution of EUR 26.7 thousand to cover losses was made before divestment of shares in June 2020.

	April-June		Change (%)	January-June		Change (%)
	2021	2020		2021	2020	
<b>Profit before income tax</b>	<b>14,578</b>	<b>14,687</b>	<b>(0.7)</b>	<b>29,290</b>	<b>28,736</b>	<b>1.9</b>
Margin (%)	14.3	15.1		14.6	15.2	
Income tax	(2,267)	(3,305)	(31.4)	(3,909)	(4,838)	(19.2)
<b>Profit for the period</b>	<b>12,311</b>	<b>11,382</b>	<b>8.2</b>	<b>25,381</b>	<b>23,898</b>	<b>6.2</b>
Margin (%)	12.1	11.7		12.6	12.6	



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The profit tax rate in Lithuania is 15 per cent. Following the provisions of the Law on Corporate Profit Tax regarding tax relief for investments in new technologies, the profit tax relief for the first half of 2021 amounted to EUR 1.6 million (in 2020 – EUR 0.6 million).

## FINANCIAL POSITION AND CASH FLOW

As of 30 June 2021, the total **non-current assets** amounted to 77.3 per cent (76.2 per cent as of 31 December 2020), the total **current assets** – to 22.6 per cent (23.6 per cent), whereof cash alone represented 7.7 per cent (9.2 per cent) of total assets. **Shareholders' equity** at the end of June 2021 amounted to 50.4 per cent of the total assets (54.5 per cent at the end of December 2020).

	<u>30-06-2021</u>	<u>31-12-2020</u>	<u>Change (%)</u>
<b>Total assets</b>	<b>592,754</b>	<b>608,448</b>	<b>(2.5)</b>
Non-current assets	458,089	463,497	(1.2)
Current assets	134,012	143,869	(6.9)
<i>whereof cash and cash equivalents</i>	<i>45,427</i>	<i>55,941</i>	<i>(18.8)</i>
Assets for sale	653	1,082	(39.6)
<b>Shareholders' equity</b>	<b>298,627</b>	<b>331,507</b>	<b>(9.9)</b>

On 27 April 2021, the Annual General Meeting of Shareholders allocated from the Company's distributable profit of EUR 145.7 million an amount of EUR 58.3 million for the payment of **dividends** for the year 2020, i.e. EUR 0.10 dividend per share, and carry forward to the financial year 2021 an amount of EUR 87.4 million as retained earnings (undistributed profit). In May 2021, dividends for the year 2020 were paid to the shareholders of the Company.

On 4 January 2021, the Company repaid the last instalment (EUR 7.5 million) and completed repayment of EUR 150 million **loan** that was borrowed in January 2016 to finance acquisition of Omnitel shares. A syndicated bank loan of EUR 60 million granted in May 2017 shall be repaid in full amount on May 2024.

	<u>30-06-2021</u>	<u>31-12-2020</u>	<u>30-06-2020</u>
Loans from banks	60,000	67,500	82,500
Loans from Telia Company AB	-	-	8,000
Liabilities under reverse factoring agreements	82,591	54,243	33,582
Liabilities under financial lease agreements	985	1,400	1,830
<b>Borrowings</b>	<b>143,576</b>	<b>123,143</b>	<b>125,912</b>
Cash and cash equivalents	45,427	55,941	22,555
<b>Net debt</b>	<b>98,149</b>	<b>67,202</b>	<b>103,357</b>
Net debt to equity (Gearing) ratio (%)	32.9	20.3	34.5

As of 30 June 2020, the Company had an outstanding EUR 8 million short-term loan from the largest shareholder of the Company, Telia Company AB, borrowed under Revolver Loan Agreement signed in May 2019. Agreement provided the possibility for the Company 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 terminated in May 2021.

	<u>April-June</u>		<u>Change</u>	<u>January-June</u>		<u>Change</u>
	<u>2021</u>	<u>2020</u>	<u>(%)</u>	<u>2021</u>	<u>2020</u>	<u>(%)</u>
Net cash from operating activities	24,557	33,594	(26.9)	56,606	67,835	(16.6)
Operating free cash flow	12,340	21,981	(43.9)	34,760	45,296	(23.3)

Operating free cash flow represents cash from operating activities after deduction of cash capital spending.

During the second quarter of 2021, the total **capital investments** amounted to EUR 18.9 million and were 29.4 per cent higher than capital expenditure during the same period a year ago.

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In 2021, the Company has started a major upgrade of its **radio access network (RAN)** with Ericsson equipment thus phasing out equipment from Huawei earlier used in Telia Lietuva mobile network. Over the next three years, the Company plans to upgrade around 2,000 sites in Lithuania. This will further improve the quality of 4G networks and ensure a fast upgrade to 5G, which will eventually be available throughout the country. Currently, Telia Lietuva provides non-commercial 5G connectivity at 32 base stations in Vilnius, Kaunas and Klaipėda. The commercial roll-out of 5G mobile communication services in Lithuania is subject to 5G frequency auction, which is expected to take place in 2021.

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

The Company had invested EUR 2 million into expansion and modernization of its S2 **data centre** in Parko str., Vilnius. The upgraded Tier III-compliant data centre features the highest level of reliability and highly efficient technology. The services provided in the Company's data centers comply with the key IT service management and security standards ISO 27001 and ISO 20000, and the availability of services is as high as 99.985 per cent.

	January-June		Change (%)
	2021	2020	
Fixed network	9,380	11,412	(17.8)
Mobile network	8,898	5,719	55.6
IT systems and infrastructure	5,740	5,301	8.3
Transformation program	6,201	-	100.0
Other	793	1,194	(33.6)
<b>Total capital investments</b>	<b>31,012</b>	<b>23,625</b>	<b>31.3</b>
Capital investments to revenue ratio (%)	15.4	12.5	

According to the latest Communication Regulatory Authorities measurement data, the average mobile Internet speed in Telia Lietuva 4G network remains the highest in the country amounting to 93.6 Mbps (82.1 Mbps a year ago).

By the end of June 2021, the Company had 939 thousand households passed (934 thousand a year ago), or almost 70 per cent of the country's households, by the fiber-optic network.

## SHARE CAPITAL AND SHAREHOLDERS

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

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

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

Information on **trading in Telia Lietuva shares** on Nasdaq Vilnius stock exchange in January-June of 2021:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.83	2.15	1.83	2.01	2.05	5,074,417	10,403,317

The Company's **market capitalisation** as on 30 June 2021 was EUR 1,171 million, an increase by 42.6 per cent over the market capitalisation of EUR 821 million a year ago.

The number of **shareholders** on the shareholders' registration day (20 April 2021) for the Annual General Meeting of Shareholders, which was held on 27 April 2021, was 12,624.

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

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 June 2021:

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

On 27 April 2021, the Annual General Meeting decided to approve the audited annual consolidated and separate financial statements of the Company for the year 2020. The consolidated annual report of the Company for the year 2020, 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 145,652 thousand to allocate an amount of EUR 58,261 thousand for the payment of dividends for the year 2020, i.e. EUR 0.10 dividend per share, and carry forward to the next financial year an amount of EUR 87,391 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 2021 and 2022, and to make the assessment of the consolidated annual report of the Company for the year 2021 and 2022.

#### 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.

The two-year's term of the Board terminated on 26 April 2021, therefore Annual General Meeting held on 27 April 2021 decided to re-elect five members of the Board – Douglas Lubbe, Agneta Wallmark, Claes Nycander, Hannu-Matti Mäkinen and Mindaugas Glodas (an independent) – for a new two-year's term of the Board, and to elect a new independent member of the Board, Dovilė Grigienė, to replace Tomas Balžekas.

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 2020.

On 27 May 2021, the Board has re-elected Douglas Lubbe as a Chair of the Board and has appointed members of the Audit and Remuneration Committees.

Agneta Wallmark and Mindaugas Glodas, an independent member of the Board, were reappointed and new independent member of the Board, Dovilė Grigienė, was appointed to the Audit Committee for the two-years' term but in any case, not longer than their membership in the Board. Agneta Wallmark was re-elected as the Chair of the Audit Committee.

Douglas Lubbe, Claes Nycander and independent member of the Board, Mindaugas Glodas, were re-appointed to the Remuneration Committee for the two-years' term but in any case, not longer than their membership in the Board. Claes Nycander was re-elected as the Chair of the Remuneration Committee.

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

**Members of the Board** as of 30 June 2021:

<b>Name, surname</b>	<b>Position in the Board</b>	<b>Employment</b>	<b>Ownership of the Company's shares</b>
Douglas Lubbe	Chair of the Board, member of the Remuneration Committee	Telia Sverige AB (Sweden), Chief Financial Officer	-
Agneta Wallmark	Member of the Board, Chair of the Audit Committee	Telia Company AB (Sweden), Vice President & Head of Group Treasury	-
Claes Nycander	Member of the Board, Chair of the Remuneration Committee	Telia Company AB (Sweden), Vice President & Head of Chief Operating Officer Office & LED (Lithuania, Estonia, Denmark) Management at Common Product and Services (CPS)	-
Hannu-Matti Mäkinen	Member of the Board	Telia Company AB (Sweden), Chief Legal Counsel, Telia Asset Management	-
Dovilė Grigienė	Member of the Board, member of the Audit Committee	-	-
Mindaugas Glodas	Member of the Board, member of the Audit and Remuneration Committees	NRD Companies AS (Norway), General Manager; Norway Registers Development AS (Norway), General Manager; Norway Registers Development AS Lithuanian branch, General Manager; NRD Systems, UAB (Lithuania), General Manager	-

All members of the Board are regarded as non-executive members of the Board, and Dovilė Grigienė and Mindaugas Glodas are regarded as independent members of the Board. Information about participation of the members of the Company's Board in activities of other entities is provided at the Company's webpage [www.telia.lt](http://www.telia.lt).

On 27 April 2021, the Annual General Meeting approved the Company's Remuneration Report for the year 2020 following the Remuneration Policy for CEO and members of the Board of Telia Lietuva, AB that was approved by the shareholders in 2020. The Policy and the Report are provided at the Company's webpage [www.telia.lt](http://www.telia.lt).

**Management Team** as of 30 June 2021:

<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	Telia Company AB (Sweden), Senior Vice President & Head of cluster Lithuania, Estonia and Denmark (LED); Telia Eesti AS (Estonia), Chair of the Supervisory Council; 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	-	-

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

Giedrė Kaminskaitė-Salters	Head of Sales and Customer Care	UAB Litexpo (Lithuania), Chair of the Board; Vilnius University Institute of International Relations and Political Science (Lithuania), member of the Board of Trustees; Vilnius Gediminas Technical University (VILNIUS TECH) (Lithuania), member of the Council	-
Andrius Šemeškevičius	Head of Technology Infrastructure	SIA Telia Latvija (Latvia), Chair of the Supervisory Council	8,761 shares or 0.0015% of the total number of shares and votes
Arūnas Lingė	Head of Finance	-	-
Ramūnas Bagdonas	Head of People & Engagement	Association of Personnel Management Professionals (Lithuania), Chair of the Board	-
Daiva Kasperavičienė	Head of Legal and Corporate Affairs	-	-
Birutė Eimontaitė	Head of Communication	-	-
Vytautas Bučinskas	Head of Business Assurance & Transformation	Member of the Cyber Security Council (Lithuania); Association Infobalt (Lithuania), Deputy Chair of Cybersecurity Group	-

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	April-June		January-June	
		2021	2020	2021	2020
<b>Revenue</b>		<b>101,638</b>	<b>97,145</b>	<b>201,293</b>	<b>189,283</b>
Cost of goods and services		(39,712)	(37,952)	(78,703)	(71,158)
Employee-related expenses		(13,985)	(13,741)	(28,112)	(27,215)
Other expenses		(14,057)	(12,267)	(26,978)	(25,089)
Other gain/ (loss) - net		127	(41)	1,287	88
Depreciation, amortisation and impairment of fixed assets	2	(18,926)	(17,765)	(38,540)	(35,624)
<b>Operating profit</b>		<b>15,085</b>	<b>15,379</b>	<b>30,247</b>	<b>30,285</b>
Gain/loss from investments in subsidiaries		-	(116)	-	(319)
Finance income		395	442	771	1,125
Finance costs		(902)	(1,018)	(1,728)	(2,355)
Finance and investment activities – net		(507)	(692)	(957)	(1,549)
<b>Profit before income tax</b>		<b>14,578</b>	<b>14,687</b>	<b>29,290</b>	<b>28,736</b>
Income tax	6	(2,267)	(3,305)	(3,909)	(4,838)
<b>Profit for the period</b>		<b>12,311</b>	<b>11,382</b>	<b>25,381</b>	<b>23,898</b>
<b>Other comprehensive income:</b>					
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>12,311</b>	<b>11,382</b>	<b>25,381</b>	<b>23,898</b>
Profit and comprehensive income attributable to:					
Owners of the Parent		12,311	11,382	25,381	23,898
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	7	0.021	0.020	0.044	0.041

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	248,288	256,923
Intangible assets	2	135,583	132,223
Right-of-use-asset	2	46,993	47,217
Cost to obtain a contract (non-current)		4,744	4,806
Other contract assets (non-current)		326	445
Trade and other receivables		5,960	6,875
Terminal financing receivables		16,195	15,008
		<b>458,089</b>	<b>463,497</b>
<b>Current assets</b>			
Inventories		12,377	10,427
Other current contract assets		838	1,196
Trade and other receivables		63,185	68,126
Current income tax receivable		872	114
Terminal financing receivables		11,313	8,065
Cash and cash equivalents		45,427	55,941
		<b>134,012</b>	<b>143,869</b>
Assets held for sale		653	1,082
<b>Total assets</b>		<b>592,754</b>	<b>608,448</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		112,773	145,653
<b>Total equity</b>		<b>298,627</b>	<b>331,507</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		60,160	60,574
Non-current lease liabilities		47,374	47,295
Deferred tax liabilities		20,292	18,880
Deferred revenue and accrued liabilities		7,525	7,815
Provisions	5	11,802	11,833
		<b>147,153</b>	<b>146,397</b>
<b>Current liabilities</b>			
Trade, other payables and accrued liabilities		49,768	55,158
Current income tax liabilities		-	-
Borrowings		83,416	62,569
Other current contract liabilities		1,697	1,610
Current lease liabilities		12,093	11,207
Provisions	5	-	-
		<b>146,974</b>	<b>130,544</b>
<b>Total liabilities</b>		<b>294,127</b>	<b>276,941</b>
<b>Total equity and liabilities</b>		<b>592,754</b>	<b>608,448</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 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>
<b>Balance at 1 January 2021</b>	<b>168,958</b>	<b>16,896</b>	<b>145,653</b>	<b>331,507</b>
Net profit	-	-	25,381	25,381
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>25,381</b>	<b>25,381</b>
Dividends paid for 2020	-	-	(58,261)	(58,261)
<b>Balance at 30 June 2021</b>	<b>168,958</b>	<b>16,896</b>	<b>112,773</b>	<b>298,627</b>



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

## CONSOLIDATED STATEMENT OF CASH FLOW

	January-June	
	2021	2020
<b>Operating activities</b>		
Profit for the period	25,381	23,898
Income tax expenses recognized in profit or loss	3,909	4,838
Depreciation, amortisation and impairment charge	39,849	36,952
Write off of property, plant and equipment and intangible assets	(1,291)	(1)
Impairment of investments in subsidiaries	-	319
Other gain / (loss) – net	-	-
Interest income	(771)	(887)
Interest expenses	1,619	2,107
Other non-cash transactions	-	-
Changes in working capital:		
Inventories / Assets held for sale	(1,950)	453
Trade and other receivables / Decrease/(increase) in contract assets and costs	3,985	9,040
Trade, other payables and accrued liabilities, deferred tax liability / Increase/(decrease) in contract liabilities, deferred income, provisions	(9,179)	(3,791)
<b>Cash generated from operations</b>	<b>61,552</b>	<b>72,928</b>
Interest paid	(1,586)	(1,999)
Interest received	206	34
Income taxes paid	(3,566)	(3,128)
<b>Net cash from operating activities</b>	<b>56,606</b>	<b>67,835</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment (PPE) and intangible assets	(26,078)	(22,700)
Proceeds from disposal of PPE and intangible assets	4,232	480
Interest and finance lease income	-	64
Proceeds from finance sublease receivables	(1,126)	2,299
Acquisition/divestment of subsidiaries	-	(319)
<b>Net cash used in investing activities</b>	<b>(22,972)</b>	<b>(20,176)</b>
<b>Financing activities</b>		
Repayment of borrowings	(24,559)	(43,534)
Proceeds from borrowings	45,407	26,411
Increase (decrease) in lease liabilities	(6,735)	(5,703)
Dividends paid to shareholders	(58,261)	(52,435)
<b>Net cash used in financing activities</b>	<b>(44,148)</b>	<b>(75,261)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(10,514)</b>	<b>(27,602)</b>
<b>Movement in cash and cash equivalents</b>		
At the beginning of the year	55,941	50,157
Increase (decrease) in cash and cash equivalents	(10,514)	(27,602)
<b>At the end of the period</b>	<b>45,427</b>	<b>22,555</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 2021 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 2020.

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 2021 are not audited. Financial statements for the year ended 31 December 2020 are audited by the external auditor UAB Deloitte Lietuva.

### 2 Property, plant and equipment and intangible assets

	<b>Property, plant and equipment</b>	<b>Intangible assets</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>
<b>Six months ended 30 June 2021</b>		
<b>Opening net book amount as at 31 December 2020</b>	<b>256,923</b>	<b>132,223</b>
Additions	19,446	11,566
Disposals and retirements	(2,460)	(52)
Reclassification	2	(2)
Depreciation and amortisation charge	(25,623)	(8,152)
<b>Closing net book amount as at 30 June 2021</b>	<b>248,288</b>	<b>135,583</b>
	<b><u>Right-of-use-asset</u></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>	

(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 2021</b>	
<b>Opening net book amount as at 1 January 2021</b>	<b>47,217</b>
Additions	7,285
Disposals and retirements	(2,744)
Reclassification	-
Depreciation and amortisation charge	(4,765)
<b>Closing net book amount as at 30 June 2021</b>	<b>46,993</b>

## 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 2021	31 December 2020	
VšĮ Numerio Perkėlimas	Lithuania	50%	50%	A non-profit organization established by Lithuanian telecommunications operators administers central database to ensure telephone number portability.

Till 18 June 2020, the Company had a 33.3 per cent stake in UAB Mobilieji Mokėjimai, which until 18 May 2020 was providing mobile payment services.

On 1 July 2020, the Company's fully owned subsidiary, Telia Customer Service LT, AB, was merged into the Company. The subsidiary was providing Directory Inquiry Service 118 and customer care services to customers of the Company.

## 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 2021:

	<u>Provision for restructuring</u>	<u>Assets retirement obligation</u>	<u>Total</u>
<b>Opening net book amount at 31 December 2020</b>	-	11,833	11,833
Additions	-	-	-
Used provisions	-	(31)	(31)
<b>Closing net book amount at 30 June 2021</b>	-	11,802	11,802

The restructuring provision comprises of compensation to employees due to the restructuring plan (if any) approved by the Company. No restructuring provisions made in 2021.

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

## 5 Provisions (continued)

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

## 6 Income tax

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

Profit for 2021 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2020: 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 2021 amounted to EUR 1.6 million (in 2020 – EUR 0.6 million).

## 7 Earnings per share

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

	<b>January–June</b>	
	<b>2021</b>	<b>2020</b>
<b>Net profit</b>	<b>25,381</b>	<b>23,898</b>
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
<b>Earnings per share (euro)</b>	<b>0.044</b>	<b>0.041</b>

## 8 Dividends per share

A dividend that relates to the period to 31 December 2020 was approved by the Annual General Meeting of Shareholders on 27 April 2021. The total amount of allocated dividend, that was paid off in May 2021 was EUR 58,261 thousand or EUR 0.10 per ordinary share.

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

## 9 Related party transactions

The Group is controlled by Telia Company AB, which as of 30 June 2021 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>2021</b>	<b>2020</b>
Sales of telecommunication and other services	4,061	4,138
<b>Total sales of telecommunication and other services</b>	<b>4,061</b>	<b>4,138</b>
Purchases of services	11,235	11,270
Purchases of assets	496	157
<b>Total purchases of services and assets:</b>	<b>11,731</b>	<b>11,427</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>2021</b>	<b>2020</b>
Long-term receivables from related parties	140	168
Receivables from related parties	601	2,956
Accrued revenue from related parties	938	1,046
<b>Total receivables and accrued revenue from related parties</b>	<b>1,679</b>	<b>4,170</b>
Short-term borrowings from related parties	-	8,000
Payables to related parties	832	1,433
Accrued expenses to related parties	43	254
<b>Total borrowings, payables and accrued expenses to related parties</b>	<b>875</b>	<b>9,687</b>

On 25 May 2021, following the decision of the Annual General Meeting of Shareholders, held on 27 April 2021, the Company paid-out to Telia Company an amount of EUR 51,359 thousand as dividends for the year 2020.

As of 30 June 2021, the Company had no outstanding loans (EUR 8 million a year ago) provided by Telia Company AB.

## 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 2021, 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, 20 July 2021

## INTERIM CONSOLIDATED REPORT

Approved by the Board

### REPORTING PERIOD

January-June of 2021

### 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.

Our updated **purpose** – we reinvent better connected living. 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.

Following the provisions of the Law on Electronic Communications of the Republic of Lithuania the Company is obliged to provide access to other undertakings, to follow obligation of non-discrimination, obligation of transparency, obligations of price control and cost accounting, obligation of accounting separation. Also, to publish public offer regarding the access.

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 (ISO 45001).

As of 30 June 2021, **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](http://www.telia.lt)) and its associate.

The following entity was **associates** of the Company as of 30 June 2021:

Name of the company	Date of registration, code, name of the Register of Legal Entities	Contact details	The Company's share in the share capital of the company (%)	The Company's share of votes (%)
VšĮ Numerio Perkėlimas	5 September 2014, code 303386211, State Enterprise Center of Registers	Jogailos str. 9, LT- 01116 Vilnius, Lithuania	-	50.00

**VšĮ Numerio Perkėlimas**, a joint not-for-profit organization, established together with Lithuanian telecommunication companies (UAB Bitė Lietuva and UAB 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.

**Telia Customer Service LT, AB** (established on 27 July 1992, code 1104 01957, name of the Register of Legal Entities: State Enterprise Center of Registers, address: Vytenio str. 18, LT-03503 Vilnius, Lithuania), a 100 per cent owned subsidiary of the Company, that took care of the Company's customers and provided 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.

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. In December 2017, three Lithuanian mobile operators acquired shares of UAB Mobilieji Mokėjimai (registered on 12 December 2016, code 3044 31143, name of the Register of Legal Entities: State Enterprise Center of Registers, address: Žalgirio str. 92-701, LT- 09303 Vilnius, Lithuania) in equal stakes of 33.3 per cent. In May 2017, the Bank of Lithuania granted a limited activities electronic money institution license to UAB 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), Konstitucijos ave. 24, LT–08105 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 2021:

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

Securities of the merged Company's subsidiary, Telia Customer Service LT, AB, 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 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, associates, companies that belong to Telia Company Group and top management of the company. Transactions with related parties are carried out based on the arm's length principle.

During the first half of 2021, there were no new related parties transactions entered by the Company.

The Company through its largest shareholder, Telia Company AB, holding 88.15 per cent of the Company's share capital, is related to Telia Company Group that provides telecommunication services in Nordic and Baltic countries. The main buyers and providers of telecommunications and other services to the Company based on earlier signed agreements are Telia Company AB (Sweden), Telia Carrier AB (Sweden) (till 1 June 2021), Telia Eesti AS (Estonia), LMT (Latvia), Telia Finland Oyj (Finland), Telia Finance AB (Sweden) and Telia Global Services Lithuania, UAB (Lithuania). In May 2021, the Company paid-out to Telia Company an amount of EUR 51.4 million as dividend for the year 2020.

As of 30 June 2021, the Company had no outstanding loans granted by Telia Company (EUR 8 million a year ago) under a 2 years' term Revolver Loan Agreement, which terminated on 20 May 2021. Agreement was providing revolving credit facility to the Company by Telia Company for up to EUR 20 million at 0.65 per cent margin.

As of 30 June 2021, there were no loans extended by the Company to its associate.

Information on volumes of the Company's transactions with related parties during January-June 2021 (in EUR thousand):

	Sales of telecommunication and other services	Purchase of telecommunication and other services
<b>Telia Company AB and its subsidiaries:</b>		
Telia Company AB (Sweden)	-	6,514
Telia Asset Finance AB (Sweden)	-	3,844
Telia Carrier AB (Sweden)	880	690
Telia Försäkring AB (Sweden)	1,683	20
Telia Sverige AB (Sweden)	180	(441)
Latvijas Mobilais Telefons SIA (Latvia)	240	173
SIA Telia Latvija (Latvia)	7	55
Telia Eesti AS (Estonia)	163	643
Telia Finland Oyj (Finland)	165	40
Telia Global Services Lithuania, UAB	330	226
UAB Telia Carrier Lithuania (Lithuania)	380	-
Other	33	(33)
	<b>4,061</b>	<b>11,731</b>

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 2021. 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**. The repayment of fixed interest rate 5 year's term syndicated loan of EUR 150 million for acquisition of Omnitel was completed in January 2021. The outstanding EUR 60 million loan provided by SEB Bank, Danske Bank and Nordea Bank in 2017 will be repaid in lump sum in May 2024. 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 2021, majority (97.6 per cent) of the Company'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 2021.

The Company has a 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 customers (business and residential) before signing any new contracts, except for low value contracts, e.g. additional TV packaged or other value added services (VAS). Customers' invoices payment control consists of a few various reminders starting with a notification before due date and then additional reminders after due date are sent. Services are limited after 20 days past due and contract is terminated and penalties issued after 50 days past due. Residential customers' bad debts after sending additional reminding letters are sold or 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 2021, the Company's liquidity position on average amounted to 15.6 per cent of the annual revenue. Besides, till 20 May 2021, the Company had a Revolver Loan Agreement with Telia Company enabling to draw up to EUR 20 million loans for 3- or 6-months' period within 2 business days. As of 30 June 2021, the Company had no outstanding loans borrowed from Telia Company (EUR 8 million a year ago).

The Company is a part of reverse factoring or Supplier Invoice Financing (SIF) program where suppliers' invoices are paid by third party banks within 7 days for an agreed fee which is covered by supplier. The Company does not pay any credit fees and does not provide any additional collateral or guarantee to the banks. The Company pays banks full

invoice amount in up to one-year period (actual term depends on few variables agreed between all three parties). As of 30 June 2021, there were 35 suppliers which participated in SIF program.

At the end of June 2021, the total amount of borrowings amounted to EUR 143.6 million (EUR 125.9 million a year ago), whereof EUR 60 million was a loan from the banks, EUR 82.6 million – obligations under vendor financing arrangements and EUR 1 million – obligation under financial lease agreements.

As of 30 June 2021, the net debt amounted to EUR 98.1 million (EUR 103.4 million a year ago) and net debt to equity (Gearing) ratio was 32.9 per cent (34.5 per cent at the end of June 2020). The Company's net debt to EBITDA ratio was 0.71 (0.78 a year ago).

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 2020.

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. In 2020, Telia Lietuva has entered into a strategic partnership with Ericsson (Sweden) to modernize its mobile network and rollout of 5G across the country. Currently Telia Lietuva uses Huawei radio access network (RAN) equipment, which will be phased out starting 2021.

## PLANS AND FORECASTS

We are on a mission to create a better Telia and reinvent better connected living through our digital connectivity, our digital experiences, and our digital infrastructure.

Everything we do should reflect our **purpose** – reinventing better connected living. This means better connected customers empowered to live fuller lives, better connected businesses working smarter, better connected teams all working towards one goal, and a better connected society in which people and the planet prosper together.

We are building a *Better Telia* – our goal is to make Telia better for customers, better for our employees, better for our owners and better for the societies in the Nordics and the Baltics. Led by our purpose to 'Reinvent better connected living' we aim to grow our business and deliver sustainable value creation to our shareholders through four key **strategic** pillars:

- inspiring our customers with brands and experiences that go beyond connectivity,
- connect everyone through the most trusted, reliable and efficient modern network,
- transforming to digital to be simpler, faster, data driven and with lower cost,
- delivering sustainably through an accountable and empowered organization.

In Lithuania *better Telia* means:

- leadership in customer experience – seamless journeys across platforms, personalised experience, premium brand, convergence, best B2B partner, partner of choice for SOHO/SME;
- leadership in network – quality in network and services, 5G and IoT all over, modern and legacy light;
- excellence in digitalisation – modern IT, simple processes, real-time analytics, automated solutions;
- strengthened leadership – sustainable performance, strong learning culture, customer obsession and innovation, sustainable and responsible business.

Our business goals for the forthcoming years are winning back mobility and legacy reduction. Service convergence, the best Internet and attention to SOHO/SME segment should let us win back mobility. Also, we should mitigate reducing revenue streams from legacy business, and focus on digital agenda and long-term efficiency through business transformation.

Going into 2021, there are two things that we will focus on. Firstly, quality, and secondly, being present with our customers. When it comes to quality we are committed to take the leadership in network: we have launched 5G and in 2021 we will start the roll-out of our new radio access (mobile) network, one of the biggest investment that ever been done in Lithuania. When it comes to presents' with our customers it means to meet our customers no matter is it on our digital platform, in our online shop, in our retail outlet or face to face. To build the best network, the best customer experience worth sharing, we have the best people on board.

In November 2020, we have entered into a strategic partnership with Ericsson to modernize our mobile network and roll-out of 5G. Ericsson will be the sole partner to deliver radio access network technology (RAN) in Lithuania. Over the next three years, we are planning to upgrade around 2,000 sites in Lithuania, phasing out equipment from Huawei starting 2021. This will further improve the current quality of 4G networks and ensure a fast upgrade to 5G, which will eventually be available throughout Lithuania. We will start providing commercial next-generation 5G mobile communication services in Lithuania after CRA announces the 5G frequency auction, which is expected to take place in 2021.

## RESEARCH AND DEVELOPMENT ACTIVITIES

In 2021, the Company continues to develop and improve existing services, digitalisation of the customer's experience as well as make preparation for 5G introduction.

At the end of 2020, the Company launched the first 5G base stations: 11 base stations of the new technology started to operate at the city centres of Vilnius, Kaunas and Klaipėda, while two more 5G stations were launched in the Klaipėda's Free Economic Zone (FEZ) in early December. Frequencies for testing the technology provided by the Communications Regulatory Authority of Lithuania are used for non-commercial 5G communication service. Currently there are 32 base stations of 5G technology operating for non-commercial use in the country.

## 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 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 2020, 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 2020 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 2021, 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 27 April 2021, decided:

- to approve the Company's audited annual financial statements for the year 2020,
- to allocate the Company's profit for the year 2020,
- to approve the Company's Remuneration Report for the year 2020,
- to elect UAB Deloitte Lietuva as the Company's auditor for the year 2021 and 2022,
- to elect members of the Company's Board for the new two-years' term of the Board.

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 18 shareholders that took part in the Meeting and had 518,413,997 votes (88.98 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 set the goals that the Company must maintain the net debt to EBITDA ratio not higher than 1.5 and to pay out up to 80 per cent of free cash flow as dividend. Each year the Company pays dividends although there was no officially approved dividend policy until 2017.

On 25 May 2021, the Company paid out to the shareholders an amount of EUR 58.3 million of dividends or EUR 0.10 per share for the year 2020. 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, 11 May 2021, 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 2021, five 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.

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

- financial statements for the 12 months of 2020 and 3 months of 2021,
- financial statements and the consolidated annual report for the year ended 31 December 2020,
- convocation of the Annual General Meetings of Shareholders and agenda of the Meeting;
- proposal of profit allocation for the year 2020,
- Remuneration Report for the year 2020,
- payment of annual bonuses for the year 2020,
- internal audit plan for the year 2021,
- Chair of the Board, members and Chairs of the Audit and Remuneration Committee,
- budget for Radio access network (RAN) upgrade project and related procurement agreements,
- financial lease agreement with AB SEB bankas,
- agreement with new media partner, Arena Media UAB,
- outsourcing of fiber-optic access network maintenance to the third party,
- sale of real estate,
- update of the Company's Policies.

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 2021 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 2020; base salary review for Management team members; evaluation of the CEO performance and approval of CEO's variable pay amount for the year 2020, draft of Remuneration Report for the year 2020; variable pay KPI's for the year 2021; leadership development and succession planning; labour

market challenges. All members of the Committee attended all meetings of the Committee. Both meetings were chaired by Chair of the Committee, Claes Nycander.

During January-June of 2021, two meetings of the **Audit Committee** were held, during which the report by external auditors regarding the financial statements for the year 2020 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 2020, the draft of Profit allocation statements for the year 2020 (dividends and tantiemes), candidacy of audit enterprise for the audit of the Company's financial statements for the year 2021 and 2022, internal audit plan for the year 2021, 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 on the Board members' attendance of the meetings in 2021 (number of attended/to be attended meetings):

Name, surname	Position	Meeting attendance		Tantiemes for 2020 paid-out in 2021 (EUR)	
		Board	Audit Committee		
Douglas Lubbe	Chair of the Board, member of the Remuneration Committee	5/5		2/2	-
Claes Nycander	Member of the Board, Chair of the Remuneration Committee	5/5		2/2	-
Agneta Wallmark	Member of the Board, Chair of the Audit Committee	5/5	2/2		-
Hannu-Matti Mäkinen	Member of the Board	5/5			-
Tomas Balžekas (till 26 April 2021)	Member of the Board, member of the Audit Committee	3/3	1/1		15,640
Dovilė Grigienė (from 27 April 2021)	Member of the Board, member of the Audit Committee	2/2	1/1		-
Mindaugas Glodas	Member of the Board, member of the Audit and Remuneration Committees	5/5	2/2	2/2	15,640

On 27 April 2021, 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 2020.

## MEMBERS OF THE BOARD

**Douglas Lubbe** (born in 1972) – Chair of the Board, member of the Board since 23 November 2020, re-elected for the two-year terms on 27 April 2021 (nominated by Telia Company AB), member of the Remuneration Committee. Education: University of Southern Queensland (Australia) Master of Business Administration; South African Institute of Chartered Accountants, Certificate of Membership; University of South Africa, Bachelor of Accounting Science; Potchefstroom University for Christian Higher Education (South Africa), Bachelor of Commerce. Employment – Telia Sverige AB, 169 94 Solna, Sweden, code 556430-0142, Chief Financial Officer. Current Board assignments:

- TeliaSonera Mobile Networks AB, 169 94 Solna, Sweden, code 556025-7932, member of the Board;
- Sonera Holding BV, Rodezand 34 K, 3011AN Rotterdam, Netherlands, code 33271992, member of the Board;
- TeliaSonera UTA Holdings BV, Rodezand 34 K, 3011AN Rotterdam, Netherlands, code 24311137, member of the Board;
- We Care and Repair Nordic AB, Rörstrandsgatan 39, SE-113 41 Stockholm, Sweden, code 556989-3679, member of the Board;
- Cygate AB, 169 94 Solna, Sweden, code 556549-8952, member of the Board.

Douglas Lubbe 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 and 27 April 2021 (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;
- Andra AP-fonden, Östra Hamngatan 26, 404 24 Gothenburg, Sweden, member of the Board;
- Skandia Life Insurance (Mutual), Lindhagensgatan 86, 112 18 Stockholm, Sweden, code 516406-0948, Chair of Nomination Committee for Council elections.

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, 26 April 2019 and 27 April 2021 (nominated by Telia Company AB), Chair 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 & Head of Chief Operating Officer Office & LED (Lithuania, Estonia, Denmark) Management at Common Products and Services (CPS) and acting CSO (Chief Security Officer). 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, Rehngatan 20, 113 57 Stockholm, Sweden, code 556536-6605, member of the Board;
- Systecon Group AB, Rehngatan 20, 113 57 Stockholm, Sweden, code 556710-8492, member of the Board;
- Systecon Software AB, Rehngatan 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;
- Telia Eesti AS, Mustamäe tee 3, 15033 Tallinn, Estonia, code 10234957, member of the Supervisory Council,
- Latvijas Mobilais Telefons (LMT) SIA, Ropažu iela 6, Rīga, LV-1039 Latvia, code 50003050931, 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 and 27 April 2021 (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, Chief Legal Counsel, Telia Asset Management. 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;
- Valokuitunen Oy, Hämeentie 15, 00500 Helsinki, Finland, code 3101706-7, member of the Board.

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

**Dovilė Grigienė** (born in 1977) – member of the Board since 27 April 2021 (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 in Finance and Management Information Systems, and Concordia International University Estonia, Estonia, Bachelor's degree in International Business. Involvement in activities of other entities:

- Association 'Lyderė', Jogailos g. 9, LT-01116 Vilnius, Lithuania, code 304439065, founder and member of the Board (2017-2019);
- Young President Organization Lithuanian Chapter, Konstitucijos pr. 20A, LT-09321 Vilnius, Lithuania, code 304756507, founder and member of the Board;
- UAB Urbo Slėnis, Stasio Lozoraičio g. 15A, Garliava, Lithuania, code 300149417, shareholder (22.5 per cent).

Dovilė Grigienė 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 Vilnius 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;
- NRD Systems, UAB, Gynėjų g. 14, LT-01109 Vilnius, Lithuania, code 111647812, General Manager.

Involvement in activities of other entities:

- 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;
- Association INFOBALT, A. Goštauto g. 8-313, LT-01108 Vilnius, Lithuania, code 122361495, Chair of the Board and President
- 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

**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:

- Telia Company AB, 169 94 Solna, Sweden, code 556103-4249, Senior Vice President & Head of cluster Lithuania, Estonia and Denmark (LED);
- Telia Eesti AS, Mustamäe tee 3, 15033 Tallinn, Estonia, code 10234957, Chair of the Supervisory Council;
- 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 International Relations; London School of Economics (United Kingdom), Bachelor of Science in International Relations. Involvement in activities of other entities:

- UAB Litexpo, Laisvės pr. 5, LT-04215 Vilnius, Lithuania, code 120080713, Chair 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;
- Vilnius Gediminas Technical University (VILNIUS TECH), Saulėtekio al. 11, LT-10223 Vilnius, Lithuania, code 111950243, member of the Council.

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. Involved in activities of other entities:

- SIA Telia Latvija, Lielvārdes iela 8A, Rīga, LV-1006 Latvia, code 40003057571, Chair of the Supervisory Council.

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, Chair 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. She has no shareholdings that exceed 5 percent 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)
- Association INFOBALT, A. Goštauto g. 8-313, LT-01108 Vilnius, Lithuania, code 122361495, Deputy Chair of Cybersecurity Committee.

Vytautas Bučinskas 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.

During January–June of 2021, there were no loans, guarantees or sponsorship granted to the members of the Board or members of the Management team by the Company.

## PERSONNEL

Number of Telia Lietuva Group employees:

	30-06-2021	30-06-2020	Change (%)
Number of personnel (headcounts)	2,124	2,247	(5.5)
Number of full-time employees	1,963	2,059	(4.7)

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:

Name of the company	30-06-2021	30-06-2020	Change
Telia Lietuva, AB	2,124	1,680	444
Telia Customer Service LT, AB	-	567	(567)
	<b>2,124</b>	<b>2,247</b>	<b>(123)</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.

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 2020.

Together with the colleagues from Estonia we are the first in Telia Company Group to reached parity of male and female employed and equal number of male and female managers. In 2021, our efforts were recognised during National Responsible Business Awards – Telia Lietuva was named as the Best Employer in 2020 among the large corporations. We are also number one operator in Lithuania according to Sustainable Brand Index rating.

#### **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 2021 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