

TELIA LIETUVA, AB

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
CONSOLIDATED INTERIM REPORT
FOR THE SIX MONTHS' PERIOD ENDED 30 JUNE 2019
(UNAUDITED)**



Beginning of the financial year	1 January 2019
End of reporting period	30 June 2019
Name of the company	Telia Lietuva, AB (hereinafter – “Telia Lietuva” or “the Company”)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Code of enterprise	121215434
LEI code	5299007A0LO7C2YYI075
Name of Register of Legal Entities	State Enterprise Centre of Registers
Registered office	Saltoniškių str. 7A, LT-03501 Vilnius, Lithuania
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	Integrated telecommunication, IT and TV services to residential and business customers in Lithuania

TABLE OF CONTENT

MANAGEMENT REPORT	4
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	15
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	16
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	17
CONSOLIDATED STATEMENT OF CASH FLOW.....	18
NOTES TO THE FINANCIAL STATEMENTS	19
Accounting policies	19
Property, plant and equipment and intangible assets	19
Investments in subsidiaries and associates	20
Share capital.....	20
Provisions	21
Income tax	21
Earnings per share.....	21
Dividends per share	22
Related party transactions	22
MANAGEMENT CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS	23
INTERIM CONSOLIDATED REPORT	24

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

MANAGEMENT REPORT

Second quarter of 2019:

- Total revenue amounted to EUR 92 million, down by 1.1 per cent over the revenue of EUR 93.1 million in the second quarter of 2018 while excluding revenue from voice transit services it grew by 1 per cent.
- EBITDA, excluding non-recurring items, was EUR 31.2 million, almost the same (a slight decline of 0.4 per cent) as EBITDA, excluding non-recurring items, of EUR 31.4 million in the second quarter of 2018.
- Profit for the period was EUR 12.9 million, down by 6.7 per cent over the profit of EUR 13.8 million a year ago.

First half of 2019:

- Total revenue amounted to EUR 181.1 million, down by 1.5 per cent over the revenue of EUR 183.8 million in the first half of 2018 while excluding revenue from voice transit services it grew by 2.2 per cent.
- EBITDA, excluding non-recurring items, was EUR 63.1 million, an increase by 1.1 per cent over EBITDA, excluding non-recurring items, of EUR 62.4 million in the first half of 2018.
- Profit for the period was EUR 24.6 million, down by 4.4 per cent over the profit of EUR 25.8 million a year ago.
- Free cash flow amounted to EUR 30.7 million, an increase by 31.3 per cent over free cash flow of EUR 23.4 million a year ago.

Management comment:

In June 2019, we have reached an important milestone – the number of customers that took advantage of the unique on Lithuanian market converged offer “Telia One” exceeded 50 thousand. Introduced back in 2017, after the merger of fixed and mobile operations under one Telia umbrella, “Telia One” provides higher speed, more data and more TV content to those who use both fixed and mobile services of Telia Lietuva.

We are the only operator in the Lithuanian market that could provide seamless connectivity no matter of place, device, time and technology. With the converge offers our customers could get more and “Telia One” is a good example of that.

In June, we launched a new Telia Lietuva image campaign “[domiau tik gyvenimas” (“Only life is more interesting”). We are showing that we are a big part of the development of the Lithuanian society – from the first mobile GSM call to the test of 5G technology, and we are proud of what we have accomplished. The Company’s part in the total telecommunications market investments in Lithuania amounts for more than 60 per cent.

During the first half of 2019, we continued our investments into upgrade of broadband and expansion of mobile network and for that purpose allocated EUR 20.7 million. The integration of broadband and mobile networks into a single IP based network that has started in 2017 is already completed. The remaining important task for completion of broadband and mobile activities integration and better customers’ experience is migration of all customers (fixed and mobile) into a single customer care system.

To ensure the best Internet experience we will upgrade terminal equipment used at 45 thousand customers’ homes. This is the first upgrade of such scale in the Company’s history. To provide more speed, security and reliability for customers at home we will allocate EUR 1.8 million.

Combination of high-speed Internet with an exclusive smart TV service content provided by HBO and TVPlay Premium, ensures a new customers’ intake despite tough competition on the market. Over the last twelve months:

- number of IPTV users increased by 7.7 per cent up to 237 thousand,
- number of FTTH Internet customers grew by 5.1 per cent up to 286 thousand.

Continuously growing usage of mobile data and premium TV content using the modern devices and equipment are driving revenue up. Over the year, comparing the six months’ period in 2019 with the same period in 2018:

- revenue from TV services increased by 12.6 per cent,
- revenue from equipment sales went up by 9.1 per cent,
- revenue from IT services grew by 8.1 per cent,
- revenue from mobile services was up by 5.6 per cent.

As the results of our activities, we are steadily increasing a return to our shareholders. In May, we paid-out a record-high EUR 0.08 dividend per share (in total EUR 46.6 million) for the year 2018.

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

KEY FIGURES OF THE GROUP

Financial figures	January-June		Change (%)
	2019	2018	
Revenue	181,117	183,849	(1.5)
EBITDA excluding non-recurring items	63,053	62,352	1.1
EBITDA margin excluding non-recurring items (%)	34.8	33.9	
EBITDA	61,714	62,045	(0.5)
EBITDA margin (%)	34.1	33.7	
Operating profit (EBIT) excluding non-recurring items	29,132	31,046	(6.2)
EBIT margin excluding non-recurring items (%)	16.1	16.9	
Operating profit (EBIT)	27,793	30,739	(9.6)
EBIT margin (%)	15.3	16.5	
Profit before income tax	26,756	30,729	(12.9)
Profit before income tax margin (%)	14.8	16.7	
Profit for the period	24,611	25,757	(4.4)
Profit for the period margin (%)	13.6	14.0	
Earnings per share (EUR)	0.042	0.044	(4.5)
Number of shares (thousand)	582,613	582,613	-
Share price at the end of period (EUR)	1.115	1.120	(0.4)
Market capitalisation at the end of period	649,614	652,527	(0.4)
Cash flow from operations	63,271	57,967	9.2
Operating free cash flow	30,679	23,370	31.3
Operating figures	30-06-2019	30-06-2018	Change (%)
Mobile service subscriptions, in total (thousand)	1,305	1,383	(5.6)
- Post-paid (thousand)	1,042	1,112	(6.3)
- Pre-paid (thousand)	263	271	(3.0)
Broadband Internet connections (excl. Wi-Fi), in total (thousand)	413	409	1.0
- Fiber-optic (FTTH/B) (thousand)	286	272	5.1
- Copper (DSL) (thousand)	127	137	(7.3)
Fixed telephone lines in service (thousand)	322	389	(17.2)
IPTV service customers, in total (thousand)	237	220	7.7
Number of personnel (head-counts)	2,487	2,722	(8.6)
Number of full-time employees	2,263	2,469	(8.3)
Financial ratios*	30-06-2019	30-06-2018	
Return on capital employed (%)	13.2	13.4	
Return on average assets (%)	10.5	10.8	
Return on shareholders' equity (%)	17.2	18.0	
Operating cash flow to sales (%)	30.4	33.0	
Capex to sales (%)	16.0	18.8	
Net debt to EBITDA ratio	1.16	1.19	
Gearing ratio (%)	49.7	52.1	
Debt to equity ratio (%)	54.6	57.1	
Current ratio (%)	101.2	115.3	
Rate of turnover of assets (%)	65.2	67.2	
Equity to assets ratio (%)	51.9	53.0	
Price to earnings (P/E) ratio	12.1	12.0	

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 (%)
	2019	2018		2019	2018	
Fixed services	41,779	45,504	(8.2)	82,568	91,641	(9.9)
Voice telephony services	11,453	14,924	(23.3)	22,235	31,566	(29.6)
Internet services	14,180	14,574	(2.7)	28,253	29,061	(2.8)
Data communication and network capacity services	4,646	4,804	(3.3)	9,382	9,495	(1.2)
TV services	7,372	6,707	9.9	14,675	13,028	12.6
IT services	2,776	2,351	18.1	5,363	4,961	8.1
Other services	1,352	2,144	(36.9)	2,660	3,530	(24.6)
Mobile services	31,151	29,946	4.0	61,614	58,339	5.6
Billed services	25,740	24,630	4.5	51,198	48,219	6.2
Other mobile service	5,411	5,316	1.8	10,416	10,120	2.9
Equipment	19,101	17,632	8.3	36,935	33,869	9.1
Total	92,031	93,082	(1.1)	181,117	183,849	(1.5)

REVENUE

The **total consolidated revenue** in April-June of 2019 amounted to EUR 92 million and was by 1.1 per cent lower than revenue of EUR 93.1 million for the second quarter of 2018 but compared with revenue for first quarter of 2019 increase by 3.2 per cent. Over the year, total revenue for the second quarter of 2019 excluding revenue from voice transit services grew by 1 per cent.

During the second quarter of 2019, revenue from low margin voice transit service, compared with the same quarter a year ago, were lower by 29.5 per cent and had a negative impact on the total revenue while revenue from mobile communication, television, IT and equipment sales went up.

As a result, the total revenue for the first six months of 2019 declined by 1.5 per cent, over the total revenue of EUR 183.8 million a year ago and amounted to EUR 181.1 million. Over the year, total revenue for the first half of 2019 excluding revenue from voice transit services went up by 2.2 per cent.

Share of revenue from fixed and mobile communication services amounted to 45.6 and 34 per cent, respectively, from the total revenue for the first half of 2019. Share of revenue from equipment sales was 20.4 per cent.

Revenue from services provided to residential customers amounted to 59.5 per cent, to business customers – 38.9 per cent and others – 1.6 per cent of the total revenue for the first six months of 2018.

During April-June of 2019, another 8 thousand customers took advantage of our improved converged offer “Telia One” and by the end of June the total number of customers of “Telia One” exceeded 50 thousand. Launched in October 2017 “Telia One” gives more value – higher speed, more data and more TV content – to those who have both fixed and mobile services of Telia Lietuva.

In the first quarter of 2019, the Company changed treatment of active **mobile** service user and took off 114 thousand of mobile subscriptions from the total number of post-paid mobile service users. As a result, during January-June of 2019, the number of post-paid mobile communication service users despite intake of a new customer (30 thousand) decreased by 84 thousand, while the number of pre-paid service users remained on the same level. Over the last twelve months, the number of post-paid service users went down by 70 thousand and the number of pre-paid service users declined by 8 thousand. Over the year, the total number of active mobile subscriptions decreased by 78 thousand.

Nevertheless, the continuously growing usage of mobile data has driven the billed revenue from mobile services up by 4.5 per cent for the second quarter of 2019 and by 6.2 per cent for the first half of 2019 over the same periods a year ago. During January-June of 2019, the amount of data used by mobile devices was by 1.4 times higher than a year ago.

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Revenue from **other mobile services** include revenue from the Company's mobile network interconnections as well as roaming charges to country visitors and other network services. Compared with the previous year, revenue from roaming charges to country visitors alone during the first six months of 2019 increased by 12 per cent. After elimination of roaming charges in the EU from 15 June 2017 the Company has observed an increasing data usage by Lithuania's visitors from more than 110 countries that use Telia Lietuva mobile network for Internet access.

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

The EERC also provides for more changes, which people will feel in the next two years – this is how long the implementation of the Code will take. For example, conditions of agreements signed with customers will contain a more detailed information, while people ordering service packages will have more rights. The EERC also establishes the rules how operators could invest into next generation telecommunication networks.

During January-June of 2019, the number of fixed telephone lines in service eased by 32 thousand and over the last twelve months – by 67 thousand. Over the year, the total retail fixed voice telephony traffic decreased by 14.9 per cent. As a result, revenue from retail **voice telephony** services for the first six months of 2019 went down by 16.9 per cent. During the first half of 2019 revenue from low margin voice transit service went down by 44.3 per cent, over the same revenue a year ago, pushing down the total revenue from fixed voices telephony services by 29.6 per cent.

During the second quarter of 2019, revenue from retail fixed voice telephony services decreased by 18.6 per cent, while revenue from voice transit services went down by 29.5 per cent, compared with the second quarter of 2018. The total revenue from fixed voice telephony services for the second quarter of 2019, compared with the same quarter a year ago, dropped by 23.3 per cent.

During the first half of 2019, the number of fixed **broadband Internet access** users over fiber-optic network using FTTH/B technologies increased by 9 thousand, while number of broadband Internet service users over the copper DSL connections eased by 5 thousand. The total net increase in number of retail broadband Internet (excluding Wi-Fi and wholesales) access users was 4 thousand.

Over the last twelve months, the total number of retail broadband Internet (excluding Wi-Fi and wholesales) access users increased by 4 thousand. The number of Internet connections over the fiber-optic network increased by 14 thousand and reached 286 thousand at the end of June 2019, while the number of copper DSL connections eased by 10 thousand to 127 thousand. By the end of the second quarter of 2019, the number of Internet connections over the fiber-optic access network amounted to almost 70 per cent of all 413 thousand retail broadband Internet (excluding Wi-Fi and wholesales) connections.

In January 2018, the Company introduced "Super VDSL" (S-VDSL) technology, which depending on the length of the copper line connecting the Company's exchange and end equipment provides up to 250 Mbps Internet speed. By the end of June 2019, more than 19 thousand of Internet connections over the copper line were already migrated from traditional DSL to S-VDSL technology and more than 46 thousand could be potentially migrated.

In 2019, Telia Lietuva plans to upgrade customer-premises equipment (CPE) for 45 thousand customers. The Company will invest EUR 1.8 million into replacement of terminal equipment. The priority will be given to customers, whose equipment was replaced the longest time ago. The plan is to replace equipment used by both DSL and fiber-optic Internet customers. New modem ensures Wi-Fi connectivity on 2.4 GHz and 5 GHz frequency bands, thus Wi-Fi at home will be even faster and more stable, with less interference from surrounding Wi-Fi networks. In addition, having new customer-premises equipment, about 28,000 customers, who currently have no access to fiber-optic at home, will be able to use S-VDSL technology.

Compared with the same periods in 2018, revenue from **data communication** services alone during the second quarter and the first half of 2019 decreased by 6.6 and 4.4 per cent, while revenue from **network capacity** services alone went up by 1.3 and 3.5 per cent, respectively.

During January-June of 2019, the number of smart **television** (IPTV) service users increased by 7 thousand, while over the year it grew by 17 thousand and by the end of June 2019 amounted to 237 thousand.

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In September 2018, the Company terminated the provision of digital terrestrial television (DVB-T). At the end June 2019 there were 27 thousand of digital terrestrial television users. Majority of them migrated to IPTV over the cable or IPTV over LTE service. IPTV over LTE 4G network as a substitute to outdated DVB-T service in remote or rural areas where cable network is not accessible was launched in June 2018.

From May 2019, smart TV service besides HBO programming features TVPlay Premium production – more than 13 thousand movie and series in Lithuanian and other languages for a monthly fee of EUR 6.90. Telia smart TV subscribers at the same time as the rest of the world were able to enjoy the acclaimed HBO premier of this year – last episodes of Game of Thrones and miniseries Chernobyl.

Revenue from **IT services** is generated from the data center, information system management and web-hosting services provided to local and multinational enterprises.

Revenue from **other services** consists of the non-telecommunication services such as Directory Inquiry service 118 provided to external customers, lease of premises, discount refunds and other.

Gain or loss from sale of property, plant and equipment, as well as gain or loss on currency exchange is recorded at net value as **other gain (loss)**. During the first half of 2018, the non-recurring gain from sales of property amounted to EUR 424 thousand.

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 2019 decreased by 1.1 per cent compared with the fourth quarter of 2018, while compared with the first quarter of 2018 increased by 2.3 per cent and amounted to EUR 172.2 million.

Telia Lietuva remains the largest telecommunications' service provider in Lithuania with the market share (in term of revenue) of 38.5 per cent for the first quarter of 2019, a decrease by 2.8 percentage point over the last twelve months.

	The market shares in terms of customers (%)		The market shares in terms of revenue (%)	
	Q1 2019	Change (p.p.) (y-o-y)	Q1 2019	Change (p.p.) (y-o-y)
Fixed voice telephony services	82.4	(2.7)	89.0	(2.0)
Mobile voice telephony services	27.3	(2.1)	27.5	0.5
Fixed Internet access	52.1	0.5	59.6	(0.9)
Mobile Internet access	28.2	(1.0)	28.6	(3.1)
Pay-TV services	34.9	0.6	42.0	3.7
Data communication services	n/a	n/a	64.8	(2.6)

According to the Report of the CRA, on 31 March 2019, broadband Internet penetration per 100 residents of Lithuania was 48 per cent (44.2 per cent a year ago) and pay-TV penetration per 100 households was 50.1 per cent (52.4 per cent a year ago). The penetration of active mobile voice communication users per 100 residents was 130.1 per cent (133.1 per cent a year ago) and penetration of fixed voice telephony lines per 100 households – 29.1 per cent (34.1 per cent a year ago).

OPERATING EXPENSES

During April-June of 2019, **cost of goods and services** decreased by 4 per cent over the cost of goods and services for the same period a year ago, mainly due to lower voice transit traffic and positive impact of introduction of IFRS 16 "Leases" from 1 January 2019 on cost of goods and services. Cost of goods and services for the first six months of 2019 were 7.9 per cent lower than the same cost for the first half of 2018.

Operating expenses (excluding cost of goods and services, and non-recurring items) for the second quarter of 2019 were 3.5 per cent higher than operating expenses in April-June of 2018, and operating expenses for the first half of 2019 were 5.1 per cent higher than a year ago due to higher both employee-related and other expenses in 2019.

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Employee-related expenses (excluding one-time redundancy pay-outs) during April-June of 2019 increased by 2.5 per cent over employee-related expenses (excluding one-time redundancy pay-outs) for the second quarter of 2018. Nevertheless, employee-related expenses (excluding one-time redundancy pay-outs) for the first half of 2019 were 0.2 per cent lower than a year ago. During April-June of 2019, the Company had non-recurring redundancy charge that amounted to EUR 1.1 million (EUR 0.5 million a year ago). For the first six months of 2019 non-recurring redundancy charge amounted to EUR 1.3 million (EUR 0.7 million in 2018).

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

During the first half of 2019, the total **number of employees** (headcount) decreased by 246, and over the last twelve months, the total number of Telia Lietuva Group employees decreased by 235 – from 2,722 to 2,487. In terms of full-time employees (FTE), the total number of Telia Lietuva Group employees during January-June of 2019 contracted by 195, while over the last twelve months the total number of FTE decreased by 206 from 2,469 to 2,263.

Other expenses for the second quarter of 2019 were 4.6 per cent higher than other expenses a year ago, and other expenses for the first six months of 2019 were 11.2 per cent higher than expenses in 2018 due to higher marketing expenses, increased electricity prices and IT costs.

EARNINGS

EBITDA excluding non-recurring items for the second quarter of 2019 amounted to EUR 31.2 million and was almost the same (decline by 0.4 per cent) as EBITDA excluding non-recurring items for the same period in 2018 when it amounted to EUR 31.4 million. EBITDA excluding non-recurring items margin for the second quarter of 2019 was 33.9 per cent, while a year ago it was 33.7 per cent.

EBITDA excluding non-recurring items for the first half of 2019 amounted to EUR 63.1 million and was by 1.1 per cent higher than EBITDA excluding non-recurring items for the same period in 2018 when it amounted to EUR 62.4 million. EBITDA excluding non-recurring items margin for the first half of 2019 stood at 34.8 per cent, while a year ago it amounted to 33.9 per cent.

EBITDA including non-recurring items in April-June of 2019 was EUR 30.1 million and was by 3.3 per cent lower than a year ago, when EBITDA including non-recurring items amounted to EUR 31.2 million. EBITDA including non-recurring items margin in April-June of 2019 was 32.7 per cent (33.4 per cent a year ago).

EBITDA including non-recurring items for the first six months of 2019 was EUR 61.7 million, an ease by 0.5 per cent over EBITDA including non-recurring items of EUR 62 million for the same period in 2018. EBITDA including non-recurring items margin in January-June of 2019 amounted to 34.1 per cent (33.7 per cent a year ago).

Depreciation, amortisation and impairment charges for the second quarter of 2019 increased by 6.6 per cent over the depreciation, amortisation and impairment charges a year ago, and in April-June of 2018 amounted to 18.1 per cent of the total revenue (16.8 per cent a year ago). An increase in mainly due to introduction of IFRS 16.

Depreciation, amortisation and impairment charges for the first half of 2019 over the depreciation, amortisation and impairment charges a year ago went up by 8.4 per cent, and for the first six months of 2019 amounted to 18.7 per cent of the total revenue (17 per cent a year ago).

Operating profit (EBIT) excluding non-recurring items for the second quarter of 2019 was 7.4 per cent lower than operating profit (EBIT) excluding non-recurring items for the same period in 2018, and the operating profit excluding non-recurring items margin amounted to 15.9 per cent (16.7 per cent in 2018).

Operating profit (EBIT) excluding non-recurring items for the first half of 2019 was 6.2 per cent lower than operating profit (EBIT) excluding non-recurring items for the same period in 2018, and the operating profit excluding non-recurring items margin was 16.1 per cent (16.7 per cent a year ago).

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Operating profit (EBIT) including non-recurring items for April-June of 2019 decreased by 13.3 per cent over operating profit (EBIT) including non-recurring items for the second quarter of 2018. Operating profit including non-recurring items margin stood at 14.7 per cent (16.7 per cent in 2018).

Operating profit (EBIT) including non-recurring items for the first six months of 2019 decreased by 9.6 per cent over operating profit (EBIT) including non-recurring items for the first half of 2018. Operating profit including non-recurring items margin was 15.3 per cent (16.5 per cent a year ago).

Loss from investments represent result from activities of associated entity, UAB Mobilieji Mokėjimai, that provides instant payment service.

Net result from finance and investment activities in January-June of 2019 was negative and amounted to EUR 1 million (a year ago it was also negative and amounted to EUR 10 thousand).

Profit before income tax for the second quarter of 2019 was down by 16.2 per cent and amounted to EUR 13.2 million (profit before income tax for the same period a year ago was EUR 15.7 million), and profit before income tax for the first half of 2019 went down by 12.9 per cent and amounted to EUR 26.8 million (profit before income tax for the same period in 2018 was EUR 30.7 million).

The profit tax rate in Lithuania is 15 per cent. Following the provisions of the Law on Corporate Profit Tax regarding tax relief for investments in new technologies, the profit tax relief for the first half of 2019 amounted to EUR 0.9 million, while in 2018 the profit tax relief for investments was not applicable for the Company. Therefore, **income tax expenses** for the first six months of 2019 were 56.9 per cent lower than income tax expenses a year ago.

Profit for the period in April-June of 2019 amounted to EUR 12.9 million, a decrease by 6.7 per cent over profit of EUR 13.8 million for the same period in 2018. The profit margin stood at 14 per cent while profit margin a year ago was 14.8 per cent.

Profit for the period for the first half of 2019 amounted to EUR 24.6 million, a decline by 4.4 per cent over profit of EUR 25.8 million a year ago. The profit margin was 13.6 per cent while profit margin a year ago reached 14 per cent.

FINANCIAL POSITION AND CASH FLOW

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

During the first half of 2019, restated **total assets** decreased by 3.7 per cent mainly due to decrease in cash and cash equivalents and depreciation of the assets.

During January-June of 2019, total **non-current assets** eased by 1.3 per cent and amounted to 77.8 per cent of total assets. Total **current assets** decreased by 11 per cent due to decrease in cash and amounted to 21.9 per cent of total assets, whereof cash alone represented 2.5 per cent of total assets.

During the first six months of 2019, **shareholders' equity** decreased by 6.9 per cent due to dividend payment, and at the end of June 2019 amounted to 51.9 per cent of total assets.

On 26 April 2019, the Annual General Meeting of Shareholders allocated an amount of EUR 46.6 million for payment of **dividends** for the year 2018 from the Company's distributable profit of EUR 131.6 million, i. e. EUR 0.08 dividend per share, and carried forward to the next financial year an amount of EUR 85 million as retained earnings (undistributed profit). In May 2019, dividends for the year 2018 were paid to the shareholders of the Company.

During the first half of 2019, the Company repaid EUR 15 million from the EUR 150 million long-term bank loan and EUR 10 million – a short term loan granted in 2018 by Telia Company, a largest shareholder of the Company.

In May 2019, the Company used the option to extend the term of 5-years' syndicated bank loan of EUR 60 million granted in 2017 for an extra two years, i.e. till May 2024. The full amount of the loan shall be repaid on maturity. Also, in May 2019, the Company signed a new Revolver Loan Agreement with the largest shareholder of the Company, Telia Company AB, that provides a short-term credit facility for up to EUR 20 million. The Agreement is for two years.

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

At the end of June 2019, the total amount of **borrowings** amounted to EUR 162.6 million (EUR 166.1 million a year ago), whereof EUR 112.5 million were loans from banks, EUR 10 million was a short-term internal loan from Telia Company, EUR 37.4 million – obligations under vendor financing arrangements and EUR 2.7 million – obligation under financial lease agreements.

As of 30 June 2019, the net debt amounted to EUR 148.1 million (EUR 151.5 million a year ago) and net debt to equity (Gearing) ratio was 49.7 per cent (52 per cent at the end of June 2018).

Net cash flow from operating activities in the first six months of 2019 was 9.2 per cent higher than cash flow for same period in 2018. **Operating free cash flow** (operating cash flow excluding capital investments) in January-June of 2019 was 31.3 per cent higher than a year ago and amounted to EUR 30.7 million.

During January-June of 2019, the total **capital investments** amounted to EUR 31.1 million and were 6.3 per cent lower than capital investments of EUR 33.2 million a year ago. Most of capital investments (EUR 13.9 million or 44.8 per cent) went to upgrade of the core fixed network and development of fiber-optic access network. An amount of EUR 6.8 million was invested into development of mobile network, EUR 5.5 million – into development of IT systems under ongoing business transformation program (migration of customers, finance and business management systems into SAP) and EUR 4.9 million were other investments including investments into a new head-office.

Integration of core broadband and mobile network of Teo and Omnitel into a single IP network that had started in 2017 is completed. Upgraded IP network increased the network's capacity and ensures the potential for the data volume growth in forthcoming five years.

During the first half of 2019, the Company installed and launched 356 new LTE 4G base stations in existing and 30 new locations and now has a network of 3,168 4G base stations in 1,390 locations across Lithuania. According to the latest data of the Communications Regulatory Authority (CRA), 4G mobile telecommunications service of the Company is available in 99 per cent of populated areas in Lithuania and the current average 4G speed in the Telia Lietuva network amounts to 66.2 Mbps.

By the end of June 2019, the Company had 921 thousand households passed (900 thousand a year ago), or 64 per cent of the country's households, by the fiber-optic network.

Cash and cash equivalents during the first six months of 2019 contracted by EUR 161 thousand.

SHARE CAPITAL AND SHAREHOLDERS

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

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

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

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

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.110	1.225	1.095	1.115	1.153	2,643,001	3,048,278

The Company's **market capitalisation** as on 30 June 2019 was EUR 649.6 million, an ease by 0.4 per cent over the market capitalisation of EUR 652.5 million a year ago.

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

(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 2019:

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

OTHER MATERIAL INFORMATION

On 26 April 2019, the Annual General Meeting decided to approve the audited annual consolidated and separate financial statements of the Company for the year 2018. The consolidated annual report of the Company for the year 2018, prepared by the Company, assessed by the auditors and approved by the Board, was presented to the shareholders. The shareholders decided to allocate from the Company's distributable profit of EUR 131,617 thousand an amount of EUR 46,609 thousand for the payment of dividends for the year 2018, i.e. EUR 0.08 dividend per share, and carry forward to the next financial year an amount of EUR 85,008 thousand as retained earnings (undistributed profit).

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

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

By April 2019, the Company has moved its head-office in Vilnius from Lvovo str. 25 to Saltoniškių str. 7. More than 1,000 employees of the Company settled in a six-story and more than 15 thousand sq. m building in a block of modern offices. Before that the Company's employees in Vilnius were spread out in six different locations. The new head-office is developed following the international BREEAM certificate requirement with the aim to minimise building's impact on environment. Telia Lietuva new office uses 40 per cent less energy, 55 per cent less water and emits 46 per cent less CO2 compared to typical office buildings. Besides, at least 10 per cent of the required energy is generated by solar panels installed on the roof. In addition, rainwater collected into special tanks is used in the sanitary units of the building. The Company invested EUR 5 million into improvement of employee's well-being.

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

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

MEMBERS OF THE MANAGING BODIES

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

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

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

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

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

Members of the Board as of 30 June 2019:

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

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

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

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

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

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

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

On 21 March 2019, the Company announced that Mindaugas Ubartas, Head of Business to Business (B2B) and acting Head of Business to Consumer (B2C), decided to leave the Company from 12 April 2019. He was leading B2B unit from April 2017 and temporarily B2C unit – from October 2018. Till the new Head of B2C units is appointed, Business to Consumers activities will be covered by Elina Dapkevičienė, Head of Offering and Pricing at B2C, and Vaida Jurkonienė, Head of Marketing.

The Board appointed Daniel Karpovič, Head of Segment and Product Management, as a new Head of Business to Business (B2B) unit from 6 June 2019. Also, the Board appointed Nortautas Luopas as a new Head of Business to Consumers (B2C) from August 2019.

Management Team as of 30 June 2019:

Name, surname	Position in the Company	Involvement into activities of other entities	Ownership of the Company's shares
Dan Strömberg	CEO	Tet SIA (Latvia), Deputy Chair of the Supervisory Council; Association Investors' Forum (Lithuania), member of the Board	-
Daniel Karpovič	Head of B2B	-	-
Giedrė Kaminskaitė-Salters	Head of Direct and Digital Channels	LMT SIA (Latvia), member of the Supervisory Council & Audit Committee; UAB Litexpo (Lithuania), Chair of the Board; UAB Mobilieji Mokėjimai (Lithuania), member of the Board; Association Lyderė (Lithuania), member of the Board	-
Andrius Šemeškevičius	Head of Technology	-	8,761 shares or 0.0015% of the total number of shares and votes
Arūnas Lingė	Head of Finance	-	-
Ramūnas Bagdonas	Head of People & Engagement	Association of Personnel Management Professionals (Lithuania), member of the Board; State Enterprise Lithuanian Airports (Lithuania), member of the Board	-
Daiva Kasperavičienė	Head of Legal and Corporate Affairs	-	-
Birutė Eimontaitė	Head of Communication	-	-
Vytautas Bučinskas	Head of Business Assurance & Transformation	Member of the Cyber Security Council (Lithuania); Association INFOBALT (Lithuania), Deputy Chairman of Cybersecurity Group	-

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	April-June		January-June	
		2019	2018	2019	2018
Revenue		92,031	93,082	181,117	183,849
Cost of goods and services		(35,083)	(36,545)	(66,919)	(72,628)
Employee-related expenses		(14,025)	(12,804)	(27,414)	(26,864)
Other expenses		(12,984)	(12,409)	(25,244)	(22,694)
Other gain/ (loss) - net		174	(168)	174	382
Depreciation, amortisation and impairment of fixed assets	2	(16,625)	(15,594)	(33,921)	(31,306)
Operating profit		13,488	15,562	27,793	30,739
Gain/loss from investments in subsidiaries		(345)	-	(700)	-
Finance income		980	843	1,372	1,153
Finance costs		(938)	(675)	(1,709)	(1,163)
Finance and investment activities – net		(303)	168	(1,037)	(10)
Profit before income tax		13,185	15,730	26,756	30,729
Income tax	6	(329)	(1,952)	(2,145)	(4,972)
Profit for the period		12,856	13,778	24,611	25,757
Other comprehensive income:					
Other comprehensive income for the period					-
Total comprehensive income for the period		12,856	13,778	24,611	25,757
Profit and comprehensive income attributable to:					
Owners of the Parent		12,856	13,778	24,611	25,757
Minority interests					
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	7	0.022	0.024	0.042	0.044

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019	1 January 2019 (restated)*	31 December 2018
ASSETS				
Non-current assets				
Property, plant and equipment	2	271,523	276,537	276,537
Intangible assets	2	133,707	131,511	131,511
Right-of-use-asset	2	27,313	28,999	-
Cost to obtain a contract (non-current)		4,553	5,175	5,175
Other contract assets (non-current)		488	530	530
Trade and other receivables		6,042	8,704	8,704
Finance lease receivables		1,755	793	-
		446,381	452,249	422,457
Current assets				
Inventories		9,580	8,182	8,182
Other current contract assets		1,261	1,352	1,352
Trade and other receivables		98,121	101,566	101,566
Finance lease receivables		2,328	1,523	-
Cash and cash equivalents		14,479	28,725	28,725
		125,769	141,348	139,825
Assets held for sale		1,473	1,823	1,823
Total assets		573,623	595,420	564,105
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	4	168,958	168,958	168,958
Legal reserve		16,896	16,896	16,896
Retained earnings		112,107	134,105	133,922
Total equity		297,961	319,959	319,776
LIABILITIES				
Non-current liabilities				
Borrowings		84,407	99,753	99,753
Non-current lease liabilities		26,969	22,950	-
Deferred tax liabilities		20,816	21,081	21,049
Deferred revenue and accrued liabilities		8,296	8,104	8,104
Provisions	5	10,928	10,934	10,934
		151,416	162,822	139,840
Current liabilities				
Trade, other payables and accrued liabilities		41,418	43,988	43,988
Current income tax liabilities		113	2,024	2,024
Borrowings		78,219	58,365	58,365
Other current contract liabilities		98	75	75
Current lease liabilities		3,928	8,150	-
Provisions	5	470	37	37
		124,246	112,639	104,489
Total liabilities		275,662	275,461	244,329
Total equity and liabilities		573,623	595,420	564,105

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2018	168,958	16,896	120,005	305,859
Net profit	-	-	25,757	25,757
Total comprehensive income for the period	-	-	25,757	25,757
Dividends paid for 2017			(40,783)	(40,783)
Balance at 30 June 2018	168,958	16,896	104,979	290,833
Balance at 1 January 2019*	168,958	16,896	134,105	319,959
Net profit	-	-	24,611	24,611
Total comprehensive income for the period	-	-	24,611	24,611
Dividends paid for 2018			(46,609)	(46,609)
Balance at 30 June 2019	168,958	16,896	112,107	297,961

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

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January-June	
	2019	2018
Operating activities		
Profit for the period	24,611	25,757
Income tax	2,145	4,972
Depreciation, amortisation and impairment of fixed assets	33,921	31,306
Other gains and losses	(174)	(382)
Interest income	(1,290)	(178)
Interest expenses	1,412	978
Other non-cash transactions	-	-
Changes in working capital:		
Inventories	(1,019)	4,665
Trade and other receivables	6,297	8,146
Trade, other payables and accrued liabilities	(770)	(12,537)
Cash generated from operations	65,133	62,727
Interest paid	1,244	(936)
Interest received	1,290	178
Tax paid	(4,396)	(4,002)
Net cash from operating activities	63,271	57,967
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(32,910)	(36,718)
Proceeds from disposal of PPE and intangible assets	318	1,907
Acquisition/divestment of subsidiaries	-	214
Net cash used in investing activities	(32,592)	(34,597)
Financing activities		
Repayment of borrowings	(27,606)	(15,233)
Borrowings	32,114	24,120
Dividends paid to shareholders of the Company	(46,609)	(40,783)
Net cash used in financing activities	(42,101)	(31,896)
Increase (decrease) in cash and cash equivalents	(14,246)	(8,526)
Movement in cash and cash equivalents		
At the beginning of the year	28,725	23,166
Increase (decrease) in cash and cash equivalents	(14,246)	(8,526)
At the end of the period	14,479	14,640

(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 2019 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2018.

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

Financial statements for the period ended 30 June 2019 are not audited. Financial statements for the year ended 31 December 2018 are audited by the external auditor UAB Deloitte Lietuva.

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

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

2 Property, plant and equipment and intangible assets

	Property, plant and equipment	Intangible assets
Six months ended 30 June 2018		
Opening net book amount as at 31 December 2017	290,435	122,401
Additions	29,385	4,728
Disposals and retirements	(146)	-
Reclassification	(1,907)	-
Depreciation and amortisation charge	(25,204)	(6,102)
Closing net book amount as at 30 June 2018	292,563	121,027
Six months ended 30 June 2019		
Opening net book amount as at 31 December 2018	276,537	131,511
Additions	25,790	5,353
Disposals and retirements	(2,520)	-
Reclassification	(5,092)	5,063
Depreciation and amortisation charge	(23,191)	(8,219)
Closing net book amount as at 30 June 2019	271,523	133,707

(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>
Six months ended 30 June 2019*	
Opening net book amount as at 1 January 2019*	28,999
Additions	2,281
Disposals and retirements	(1,577)
Reclassification	121
Depreciation and amortisation charge	<u>(2,511)</u>
Closing net book amount as at 30 June 2019	<u>27,313</u>

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

3 Investments in subsidiaries and associates

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

Name	Country of incorporation	Ownership interest in %		Profile
		30 June 2019	31 December 2018	
Telia Customer Service LT, AB	Lithuania	100%	100%	The subsidiary provides Directory Inquiry Service 118 and customer care services to customers of the Company.
VšĮ Numerio Perkėlimas	Lithuania	50%	50%	A non-profit organization established by Lithuanian telecommunications operators administers central database to ensure telephone number portability.
UAB Mobilieji Mokėjimai	Lithuania	33.3%	33.3%	An associated company is equally owned by three Lithuanian telecommunications operators and is engaged in development of instant payment platform.

4 Share capital

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

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

5 Provisions

Provisions movement during January-June 2019:

	Provision for restructuring	Assets retirement obligation	Total
Opening net book amount at 31 December 2018	37	10,934	10,971
Additions	1,257	-	1,257
Used provisions	(824)	(6)	(830)
Closing net book amount at 30 June 2019	470	10,928	11,398

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

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

6 Income tax

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

Profit for 2019 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2018: 15 per cent).

According to the Law on Corporate Profit Tax which provides tax relief for investments in new technologies, the Company's calculated profit tax relief in 2019 amounted to EUR 0.9 million. In 2018, the profit tax relief for investments was not applicable for the Company.

7 Earnings per share

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

	January–June	
	2019	2018
Net profit	24,611	25,757
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
Earnings per share (euro)	0.042	0.044

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

8 Dividends per share

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

9 Related party transactions

The Group is controlled by Telia Company AB, which as of 30 June 2019 owned 88.15 per cent (88.15 per cent a year ago) of the Company's shares. The following transactions were carried out with related parties:

Sales and purchases from Telia Company AB and its subsidiaries:

	January–June	
	2019	2018
Sales of telecommunication and other services	3,676	3,342
Total sales of telecommunication and other services	3,676	3,342
Purchases of services	10,389	12,331
Purchases of assets	157	7
Total purchases of services and assets:	10,546	12,338

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

	As at 30 June	
	2019	2018
Long-term receivables from related parties	195	223
Receivables from related parties	4,122	2,430
Accrued revenue from related parties	806	412
Total receivables and accrued revenue from related parties	5,123	3,065
Short-term borrowings from related parties	10,000	20,000
Payables to related parties	2,195	1,321
Accrued expenses to related parties	356	89
Total borrowings, payables and accrued expenses to related parties	12,551	21,410

As of 30 June 2019, the amount of EUR 15.6 thousand of tantiemes assigned for the year 2010, was not paid to one member of the Board.

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

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

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

As of 30 June 2019, the Company had an outstanding short-term loan of EUR 10 million (EUR 20 million a year ago) provided by Telia Company AB.

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

MANAGEMENT CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Information Disclosure of the Bank of Lithuania, we, Dan Strömberg, CEO of Telia Lietuva, AB, and Arūnas Lingė, Head of Finance of Telia Lietuva, AB, hereby confirm that, to the best of our knowledge, the not audited Telia Lietuva, AB Interim Consolidated Financial Statements for the six months' period ended 30 June 2019, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit and cash flows of Telia Lietuva, AB and the Group of undertakings.

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

Vilnius, 17 July 2019

INTERIM CONSOLIDATED REPORT

Approved by the Board

Reporting period

January-June of 2019

Issuer and its contact details

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

Main activities of the Group

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

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

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

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

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

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

As of 30 June 2019, **Telia Lietuva Group** (hereinafter – ‘the Group’) consisted of the parent company, Telia Lietuva, AB, (registered on 6 February 1992, code 1212 15434, name of the Register of Legal Entities: State Enterprise Center of Registers; address: Saltoniškių str. 7A, LT-03501 Vilnius tel.: +370 5 262 1511; fax. +370 5 212 6665; internet address: www.telia.lt), its subsidiaries and associates.

The following companies are **subsidiaries and associates** of Telia Lietuva, AB as of 30 June 2019:

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 (%)
Telia Customer Service LT, AB	27 July 1992, code 1104 01957, State Enterprise Center of Registers	Vytenio str. 18, LT-03503 Vilnius, Lithuania tel. +370 5 236 8301, fax. +370 5 278 3322, www.118.lt	100.00	100.00
VšĮ Numerio Perkėlimas	5 September 2014, code 303386211, State Enterprise Center of Registers	Jogailos str. 9, LT- 01116 Vilnius, Lithuania	-	50.00
UAB Mobilieji Mokėjimai	12 December 2016, code 3044 31143, State Enterprise Center of Registers	A. Tumėno str. 4, LT-01109 Vilnius, Lithuania tel. +370 699 23530	33.33	33.33

Telia Customer Service LT takes care of the Company's customers and provides Directory Inquiry service 118 in Lithuania. It annually serves more than 14 million contacts over the phone or e-channels. In May 2019, this subsidiary paid to the Company EUR 495 thousand in dividends for the year 2018.

To streamline Telia Lietuva Group structure, shareholders of the Company had approved the preparation of reorganisation terms, under which Telia Customer Service LT, AB would be merged into Telia Lietuva, AB. In April 2019, Telia Customer Service LT, UAB changed its legal form from closed joint-stock company into joint-stock company. After change of legal form, the company operates as Telia Customer Service LT, AB.

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

On 6 December 2017, the Company together with other two Lithuanian mobile operators – UAB Bitė Lietuva and UAB Tele2 – each acquired a 33.3 per cent stake in **UAB Mobilieji Mokėjimai**, that created an instant payment platform. In July 2017, the mobile operators got the permission of the European Commission to jointly create a common platform for the provision of mobile payments services. In May 2017, the Bank of Lithuania granted a limited activities electronic money institution license to Mobilieji Mokėjimai required for activities related to instant payments.

The Company has no branches or representative offices.

Agreements with intermediaries of public trading in securities

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

Data about securities traded on regulated market

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

The following securities of the Company are included into the Main List of Nasdaq Vilnius stock exchange, which is the home market for Telia Lietuva shares (code: TEL1L), as of 30 June 2019:

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

Information about related party transactions

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 2019.

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

The Company and its subsidiaries and associates are providing to each other telecommunications, Contact Center and other services based on earlier signed agreements. The Company's subsidiaries and associates have no interest in the share capital of the Company. In May 2019, subsidiary Telia Customer Service LT, AB paid to the Company EUR 495 thousand in dividends for the year 2018.

Telia Lietuva and Telia Lietuva Group through its largest shareholder, Telia Company AB, are related to Telia Company Group that provides telecommunication services in Nordic and Baltic countries. The main buyers and providers of telecommunications services to Telia Lietuva are Telia Carrier AB (Sweden), Telia Eesti AS (Estonia), LMT (Latvia), Telia Finland Oyj (Finland), Telia Finance AB (Sweden) and Telia Global Services Lithuania, UAB (Lithuania). In February 2019, an outstanding short-term loan amount of EUR 10 million was repaid to Telia Company by the Company. In May 2019, the Company paid out to Telia Company an amount of EUR 41 million as dividend for the year 2018.

Information about related party transactions entered by the Company during 2019:

Related party	Transaction	Value
UAB Mobilieji Mokėjimai , code 304431143, Antano Tumėno str. 4, Vilnius, Lithuania, Register of Legal Entities	08-01-2019 additional contribution by the Company to the share capital of Mobilieji Mokėjimai	EUR 350 thousand
	27-03-2019 loan provided by the Company at an annual interest rate of 3.33 per cent	EUR 150 thousand
	09-05-2019 loan amount increased by the Company at the same annual interest rate of 3.33 per cent	EUR 180 thousand
	12-06-2019 loan amount increased by the Company at the same annual interest rate of 3.33 per cent	EUR 170 thousand
Telia Company AB , code 556103-4249, 169 94 Solna, Sweden	20-05-2019 Revolver Loan Agreement whereby Telia Company provides Telia Lietuva with credit facility for up to EUR 20 million at 0.65 per cent margin. Tenor of the agreement – 2 years.	EUR 20 million
	22-05-2019 3 months loan provided to the Company at interest rate of 0.336 per cent	EUR 10 million
	03-07-2019 3 months loan provided to the Company at interest rate of 0.304 per cent	EUR 5 million
Telia Global Services Lithuania, UAB , code 134517169, Konstitucijos ave. 29-1, Vilnius, Lithuania, Register of Legal Entities	30-06-2019 agreement on transfer of 15 employees of Procurement unit and related assets and liabilities to Telia Global Services Lithuania, UAB	EUR 19 thousand

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.

On 20 May 2019, Telia Company and Telia Lietuva have signed a new Revolver Loan Agreement whereby Telia Company provides Telia Lietuva with credit facility for up to EUR 20 million at 0.65 per cent margin. Tenor of the agreement – 2 years. To ensure short-term liquidity, on 22 May 2019, the Company has borrowed EUR 10 million for 3 months at interest rate of 0.336 per cent under this Revolver Loan Agreement and as of 30 June 2019 had an outstanding internal debt of EUR 10 million (EUR 20 million a year ago) granted by Telia Company. On 3 July 2019, the Company in addition has borrowed EUR 5 million for 3 months at interest rate of 0.304 per cent.

On 8 January 2019, the Company signed a Share subscription agreement regarding an increase of share capital of UAB Mobilieji Mokėjimai, an associated entity where the Company has a 33.3 per cent stake, by additional contribution of EUR 350 thousand. On 27 March 2019, an agreement regarding EUR 150 thousand loan extension to Mobilieji Mokėjimai by Telia Lietuva at an annual interest rate of 3.33 per cent was signed. In May and in June an amount of the loan provided to Mobilieji Mokėjimai was increased by accordingly EUR 180 thousand and EUR 170 thousand. As of 30 June 2019, the total outstanding loan extended to Mobilieji Mokėjimai amounted to EUR 500 thousand.

In June 2019, an agreement whereof the Company on 1 July 2019 transferred 15 employees of Procurement unit and related assets and liabilities to Telia Company Group shared service center in Vilnius, Telia Global Services Lithuania, UAB, was signed. The Board of the Company has approved this related party transactions involving Telia Global Services Lithuania based on the written opinion of the Audit Committee.

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 Policy for Treasury Management 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 substantially independent of changes in market interest rates. Since most of the borrowings' interest rate is fixed, the interest rate risk is insignificant. On 18 December 2015, the Company signed an agreement with SEB Bank (Lithuania) and Danske Bank (Lithuania) for a long-term loan of EUR 150 million with the fixed interest rate to finance the acquisition of shares in Omnitel. By 30 June 2019, the Company had repaid an amount of EUR 97.5 million from this loan. The interest rate of a syndicated EUR 60 million loan provided by SEB Bank (Lithuania), Danske Bank A/S (Denmark) and Nordea Bank AB (Sweden) in May 2017 is set semi-annually and is based on a 6 months EURIBOR interest rate. In May 2019, the tenor of this loan was extended for extra two years and the loan will be repaid in full on maturity in May 2024. 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 2019, majority (71 per cent) of the Group's cash

deposits were held in AA-, A+ and A rated banks. The Company and the Group did not have any held-to-maturity investments at the end of June 2019.

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

Liquidity risk relates to the availability of enough funds for the Company debt service, capital expenditure, working capital requirement and dividend pay-out. Prudent liquidity risk management implies maintaining sufficient level of cash and cash equivalents. The goal of the Company's liquidity risk management is to ensure that minimum liquidity position (calculated as cash and cash equivalents plus undrawn committed credit facilities) should at any time exceed the level of 2 per cent of the annual revenue. The Company's liquidity position on average is above 5 per cent of the annual revenue. Besides, the Company has a Revolver Loan Agreement with Telia Company and could draw up to EUR 20 million for 3- or 6-months' period within 2 business days.

At the end of June 2019, the total amount of borrowings amounted to EUR 162.6 million (EUR 166.1 million a year ago), whereof EUR 112.5 million were loans from banks, EUR 10 million was a short-term internal loan from Telia Company, EUR 37.4 million – obligations under vendor financing arrangements and EUR 2.7 million – obligation under financial lease agreements. As of 30 June 2019, the net debt amounted to EUR 148.1 million (EUR 151.5 million a year ago) and net debt to equity (Gearing) ratio was 49.7 per cent (52 per cent at the end of June 2018).

The Company's financial risk management is carried out by employees responsible for the Group's treasury management at the Finance unit under policies approved by the Board. The employees responsible for the Group's treasury management identify and evaluate financial risks in close co-operation with the Group's operating units.

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 2018.

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

Plans and forecasts

In 2018, Telia Company updated its strategy but our purpose – bringing the world closer – and our ambitions to have the most loyal and satisfied customers, deliver strong total shareholder return, being industry leader in digital impact through United Nation's Sustainable Development Goals and have the most engaged employees remains unchanged. To reach our ambitions we will enhance our core and execute opportunities close to the core. To do that we are building on connectivity leadership closer to what matters to our customers based on speed, innovation and great people.

We will do that by:

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

Currently the telecommunications industry is facing such global challenges as aging population, urbanisation, digitalisation and technology development. In Lithuania, Telia Lietuva is also dealing with fierce competition on the market and faces challenge in growth and is losing the market leader position in some areas. But still the Company is

the most likeable and loved brand, we have a good reputation as employer and we are one of the biggest investors in Lithuania.

The Telia Lietuva strategic goals for the forthcoming years are:

- leadership in network – seamless connectivity and experience no matter of time, place, devices or technology,
- leadership in customer experience – always having the customers' interest first by acting upon real insights and offering multichannel service,
- leadership in digitalisation – being the hub to digital experience and enabling our customers' further digitalisation.

The Company has an ambition that by 2022 our customers will be able to interact with us fully digitally without the need for human intervention. We will offer digital and personalised interactions with customers throughout their customer journey. Using shops and customer care would be an option of convenience.

In terms of technology, Lithuania is entering 5G era and provision of the commercial 5G networks services should start after a frequency auction that is planned to be held in 2020. Telia Lietuva already presented 5G connectivity in Lithuania and is planning to be a front-runner.

Research and development activities

In 2019, the Company continues to develop and improve existing services, digitalisation of the customer's experience as well as make preparation for 5G introduction.

Corporate Governance

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

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

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

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

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

- adopts decisions on transactions with related parties as prescribed by the Law and transactions that has a significant impact on the Company, its finances, assets, liabilities;
- is responsible for convocation of General Meetings in a timely manner.

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

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

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

The Company essentially follows a recommendatory **Corporate Governance Code** for the Companies Listed on Nasdaq Vilnius stock exchange (hereinafter 'the Governance Code') adopted in August 2006, amended in December 2009 and newly worded from January 2019. The Company does not have a Supervisory Council, but supervision functions set by the Law on Companies of the Republic of Lithuania are performed by the Board, which is a non-executive managing body of the Company and is comprised from four representatives of the largest shareholder, Telia Company, and two independent members of the Board. The Company does not have a Nomination Committee as its functions are performed by the Remuneration Committee.

The Company 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 2018, 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 2018 at 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 2019, 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 26 April 2019, decided:

- to approve the Company's audited annual financial statements for the year 2018,
- to allocate the Company's profit for the year 2018,
- to change the Company's registered office address,
- to approve the preparation of reorganisation terms,
- to re-elect members of the Board for a new term of the Board.

Both independent members of the Board – Tomas Balžekas and Mindaugas Glodas, as well as CEO of the Company, Dan Strömberg, and CFO of the Company, Arūnas Lingė, have attended the Annual General Meeting of Shareholders.

Treasury stocks

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

Dividends

In 2017, the Board of the Company approved dividend policy which provides that the Company must maintain the net debt to EBITDA ratio not higher than 1.5 and to pay out 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 23 May 2019, the Company paid out to the shareholders an amount of EUR 46.6 million of dividends or EUR 0.08 per share for the year 2018. In accordance with the relevant legislation, dividends were paid to the shareholders who were on the Shareholders' List of the Company on the dividend record day, 13 May 2019, 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

On 26 April 2019, upon termination of the two-years' term of the Board, the Annual General Meeting of Shareholders following the proposal of the largest shareholder of the Company, Telia Company AB, re-elected all members of the Board for a new two-years' term.

All members of the Board are non-executive members of the Board. Four members of the Board – Emil Nilsson, Agneta Wallmark, Claes Nycander and Hannu-Matti Mäkinen – represent Telia Company and two members of the Board – Tomas Balžekas and Mindaugas Glodas – are regarded as independent members of the Board.

During January-June of 2019, four ordinary and two extraordinary meetings of the Board were held. All four ordinary meetings were convened according to the preliminary approved schedule of the Board meetings, and two extraordinary meeting were convened following the procedure provided by the Regulation of the Company's Board Activities for appointment of Head of Direct and Digital Channels, and Head of Finance. 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 and other programs development, approved:

- financial statements for the 12 months of 2018 and 3 months of 2019,
- financial statements and the consolidated annual report for the year ended 31 December 2018,
- convocation of the Annual General Meetings of Shareholders and agenda of the Meeting;
- proposal of profit allocation for the year 2018,
- payment of annual bonuses for the year 2018,
- the Company's targets and KPIs for the year 2019,
- updated Variable Pay Instruction, People Policy, Source to Pay Policy, Anticorruption and Antibribery Policy,
- agreements with debt recovery company and media planning partner,
- extension of the term of EUR 60 million syndicated banks' loan for additional two years, i.e. till May 2024,
- signing of a new Revolver Loan Agreement of EUR 20 million with Telia Company AB,
- related party transactions with UAB Mobilieji Mokėjimai and Telia Global Services Lithuania, UAB,
- additional investments into UAB Mobilieji Mokėjimai,

- elections of the Chair of the Board, members and Chairs of the Remuneration and Audit Committees,
- appointment of the Head of Direct and Digital Channels, Head of Legal and Corporate Affairs, Head of Finance, Head of B2C and Head of B2B.

In June 2019, for the new two-years' term till 26 April 2021 re-elected Board has re-elected Emil Nilsson as a Chair of the Board and re-appointed Agneta Wallmark and both independent members of the Board – Tomas Balžekas and Mindaugas Glodas – as the members of the Audit Committee for the term of their membership in the Board. Agneta Wallmark was re-elected as the Chair of the Audit Committee. The Board also re-elected Emil Nilsson, Claes Nycander and Mindaugas Glodas (independent member of the Board) as the members of the Remuneration Committee for the term of their membership in the Board. Emil Nilsson was re-elected as the Chair of the Remuneration Committee.

During the first half of 2019 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 2018; evaluation of the CEO performance and approval of variable pay amount for the year 2018, appointment of the new Head of B2C and salary review of members of the Management team. All members of the Committee attended all meetings of the Committee. Both meetings were chaired by Chair of the Committee, Emil Nilsson.

During January-June of 2019, two meetings of the Audit Committee were held, during which the report by external auditors regarding the financial statements for the year 2018 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 2018 as well as the draft of Profit allocation statements for the year 2018 (dividends and tantiemes) and submitted them to the Board for the final approval. In addition, following the requirements of the Law on Companies of the Republic of Lithuania, the Audit Committee produced written opinions regarding not typical to the Company's activities related parties' transactions and submitted their opinions to the Board for the final approval of transactions. During the first half of 2019, there were three related parties' transaction that the Audit Committee had to consider. The Committee also consider report of GREC (Governance, Risk, Ethics and Compliance) meeting and findings of the Bank of Lithuania investigation. All members of the Committee attended all meetings of the Committee. Both meetings were chaired by Chair of the Committee, Agneta Wallmark.

Information about the Board members' attendance of the meetings in 2019 (number of attended/to be attended meetings):

Name, surname	Position	Meeting attendance			Tantiemes for 2018 paid-out in 2019 (EUR)
		Board (6)	Audit Committee (2)	Remuneration Committee (2)	
Emil Nilsson	Chair of the Board, Chair of the Remuneration Committee	6/6		2/2	-
Claes Nycander	Member of the Board, member of the Remuneration Committee	6/6		2/2	-
Agneta Wallmark	Member of the Board, Chair of the Audit Committee	6/6	2/2		-
Hannu-Matti Mäkinen	Member of the Board	6/6			-
Tomas Balžekas	Member of the Board, member of the Audit Committee	5/6	2/2		15,640
Mindaugas Glodas	Member of the Board, member of the Audit and Remuneration Committees	6/6	2/2	2/2	15,640

On 26 April 2019, 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 2018. As of 30 June 2019, the amount of EUR 15.6 thousand of tantiemes assigned for the year 2010 was not paid to the then member of the Board who had not provided written requests to the Company.

Members of the Board as of 30 June 2019

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

- Telia Eesti AS, Mustamäe tee 3, 15033 Tallinn, Estonia, code 10234957, Chair of the Supervisory Council;
- Moldcell S.A., Belgrad str. 3, MD2060 Chisinau, Moldova, code 1002600046027, Chair of the Board;
- Fintur Holdings B.V., Rodezand 34K, Rotterdam, 3011, Netherlands, code 24111385, member of the Board;
- Svenska Handbollslandslaget AB, Arsenalsgatan 2, 111 47 Stockholm, Sweden, code 556768-4906, member of the Board.

Emil Nilsson has no direct interest in the share capital of Telia Lietuva. He has 41,851 shares of Telia Company AB (Sweden).

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

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

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

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

- TT-Netværket P/S, Amager Strandvej 60, 2300 København S, Denmark, code 34230625, Chair of the Board;
- Telia Towers AB, 169 94 Solna, Sweden, code 559196-5164, Chair of the Board;
- Telia Towers Sweden AB, 169 94 Solna, Sweden, code 559162-3342, 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, Märbackagatan 11, 123 43 Farsta, Sweden, code 556459-3076, Chair of the Board;
- Systecon AB, Rehnsgatan 20, 113 57 Stockholm, Sweden, code 556536-6605, member of the Board;
- Systecon Group AB, Rehnsgatan 20, 113 57 Stockholm, Sweden, code 556710-8492, member of the Board;
- Systecon Software AB, Rehnsgatan 20, 113 57 Stockholm, Sweden, code 556714-5403, member of the Board;
- Svenska UMTS-Nät AB, Warfvinges Väg 45 4tr, 11251 Stockholm, Sweden, code 556606-7996, member of the Board;
- Svenska UMTS-licens AB, Warfvinges Väg 45, 112 51 Stockholm, Sweden, code 556606-7772, member of the Board;
- Latvijas Mobilais Telefons (LMT) SIA, Ropažu iela 6, Rīga, LV-1039 Latvia, code 50003050931, member of the Supervisory Council;
- Telia Eesti AS, Mustamäe tee 3, 15033 Tallinn, Estonia, code 10234957, member of the Supervisory Council.

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

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

Current Board Assignments:

- Telia Finland Oyj, PL 106, FI-0051 Sonera, Finland, code 1475607-9, member of the Board;
- Tilts Communications A/S, Holmbladsgade 139, 2300 København, Denmark, code 17260642, member of the Board;
- Turkcell Holding A.S., Levent Mah. Cömert Sok. Yapı Kredi Plaza No: 1 / A Floor: 16 34330 Beşiktaş, Istanbul, Turkey, code 430991, member of the Board;
- Tet SIA, Dzirnau iela 105, Rīga, LV-1011 Latvia, code 40003052786, member of the Supervisory Council.

Hannu-Matti Mäkinen has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 per cent of the share capital of any company.

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

- UAB Media Bitės, Kęstučio g. 25, LT-08121 Vilnius, Lithuania, code 304552458, shareholder (51 per cent);
- UAB Mano Daktaras, Kęstučio g. 25, LT-08120 Vilnius, Lithuania, code 303085208, a subsidiary of UAB Media Bitės, General Manager (CEO);
- UAB Balžeko Bitės, Aukštaičių g. 6, LT-11341 Vilnius, Lithuania, code 302833809, shareholder (100 per cent);
- UAB InsurTech Solutions, Debesų g. 11, Kleivinė, LT-14180 Vilniaus r., Lithuania, code 304726880, shareholder (18 per cent);
- VšĮ Kino Pasaka, Aukštaičių g. 6-203, LT-11341 Vilnius, Lithuania, code 300620545, founder and owner (50 per cent);
- VšĮ Tiriarnosios Žurnalistikos Centras, Vasario 16-osios g. 4-21, Vilnius, Lithuania, code 303211621, owner (100 per cent);
- VšĮ Lietuvos Nacionalinis Radijas ir Televizija (Lithuanian National Radio and Television), S. Konarskio g. 49, LT-03123 Vilnius, Lithuania, code 124241078, member of the Council.

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

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

- UAB Nextury Ventures, Gedimino pr. 20-35, LT-01103 Vilnius, Lithuania, code 303213451, Partner;
- UAB Energijos Sprendimų Centras, Lukšio g. 1, LT-08221 Vilnius, Lithuania, code 304178932, member of the Board;
- Council for Research, Development and Innovations at the Government of Lithuania, Gedimino pr. 11, LT-01103 Vilnius, code 188604574, member of the Council;
- Agency for Science, Innovations and Technologies, A. Goštauto g. 12-219, LT-01108 Vilnius, Lithuania, code 188730854, member of Coordinating Council;
- Association Žinių Ekonomikos Forumas, Saulėtekio al. 15, LT-10221, Vilnius, Lithuania, code 225709520, Chairman of the Council;
- MB Vox Proxima, Perkūno g. 32, Gilužių k., LT-14195 Vilniaus r., Lithuania, code 303481474, member of partnership (50 per cent);
- General Manager of the following Lithuanian start-ups: UAB Baltic Arrow, Gedimino pr. 20-35, LT-01103 Vilnius, Lithuania, code 304323502; UAB Airthemes (under liquidation), Gedimino pr. 20-35, LT-01103 Vilnius, Lithuania, code 304257109 and Zedge Lithuania, UAB, J. Basanavičiaus g. 26, LT-03244 Vilnius, Lithuania, code 304890634.

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

Members of the Management Team as of 30 June 2019

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

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

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

Daniel Karpovič (born in 1982) – Head of Business to Business (B2B) at Telia Lietuva 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 Direct and Digital Channels from 8 January 2019. Education: Maastricht University (The Netherlands), Doctor of Law; BPP Law School, London (United Kingdom), law conversion studies, juris doctor equivalent; Oxford University (United Kingdom), MPhil in Russian and East European Studies; London School of Economics (United Kingdom), Bachelor of Science in International Relations. Involvement in activities of other entities:

- Latvijas Mobilais Telefons (LMT) SIA, Ropažu iela 6, Rīga, LV-1039 Latvia, code 50003050931, member of the Supervisory Council and the Audit Committee;
- UAB Litexpo, Laisvės pr. 5, LT-04215 Vilnius, Lithuania, code 120080713, Chair of the Board;
- UAB Mobilieji Mokėjimai, Antano Tumėno g. 4, LT-01109 Vilnius, Lithuania, code 304431143, member of the Board,
- Association “Lyderė”, Jogailos g. 9, LT-01116 Vilnius, Lithuania, code 304439065, member of the Board.

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

Arūnas Lingė (born in 1975) – Head of Finance at Telia Lietuva 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 Human Resources from 1 June 2014. Education: Vytautas Magnus University (Lithuania), Master of Business Administration; Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration. Involvement in activities of other entities:

- Association of Personnel Management Professionals, Galvydžio g. 5, LT-08236 Vilnius, Lithuania, code 300563101, member of the Board,
- State Enterprise Lithuanian Airports, Rodūnios kel. 10A, LT-02189 Vilnius, Lithuania, code 120864074, member of the Board.

Ramūnas Bagdonas has no direct interest in the share capital of Telia Lietuva. He has 11,532 shares of Telia Company AB (Sweden). He has no shareholdings that exceed 5 per cent of the share capital of any company.

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

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

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

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

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

During January–June of 2019, there were no loans, guarantees or sponsorship granted to the members of the Board or members of the Management team by the Company as well as none of subsidiaries paid salaries or other pay-outs to the members of the Board or members of the Management team for being members of their managing bodies.

Personnel

Number of Telia Lietuva Group employees:

	30 June 2019	30 June 2018	Change (%)
Number of personnel (headcounts)	2,487	2,722	(8.6)
Number of full-time employees	2,263	2,469	(8.3)

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 June 2019	30 June 2018	Change
Telia Lietuva, AB	1,833	2,003	(170)
Telia Customer Service LT, AB	654	719	(65)
	2,487	2,722	(235)

Continuing outsourcing of some functions to the Telia Company Group, the Company on 1 January 2019 transferred 26 employees of its Human Resource unit (People HUB) to Telia Global Services Lithuania UAB, a shared services center of Telia Company Group based in Vilnius.

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

On 1 July 2019, 15 employees of the Company working at Procurement unit were also transferred to Telia Global Services Lithuania.

Following the requirements of a new Labour Code, the Company, as the employer, and employees of the Company, represented by joint representation of Trade Unions, had to enter into new Collective Bargaining Agreement starting from 1 January 2019. The Company's and Trade Unions' negotiations regarding the new Agreement are still ongoing, thus the Company in 2019 continues to apply additional benefits that were provided by old Agreement, which was valid till 31 December 2018. 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 2018.

According to CVMarket.lt survey Telia Lietuva is the Most Attractive Employer in Lithuania in 2019.

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 2019 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