



2022 Annual and Sustainability Report

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Business Overview



CEO message

Dear Reader,

My time at Telia Lietuva has been a fascinating journey, where I have learned and experienced so much and together we have done amazing things. As my time at Telia Lietuva has come to an end, I have the pleasure to write an introduction word of Telia Lietuva Annual and Sustainability Report 2022 for the last time. And most importantly to remind you how much we achieved last year.

As the whole world is going through turbulent times, keeping a steady course in this unpredictable environment – when we have ongoing war in Ukraine, energy crisis, and unsureness in our life – is of highest importance. 2022 was a year of many societal shocks and transformations across all walks of human endeavor. That is the reason why Telia is committed to remain the safe harbor for our customers, society and our employees.

During the year we were focusing on areas where we as technology leader can make greatest impact to and what's important to the society. Facing unprecedent, shocking and values shifting war in Europe start, we have immediately focused on ensuring uninterrupted provision of services of special importance to the state and society. At the same time directing our efforts and recourses to Ukrainians in need for stability and communication with the loved ones.

With the devotion of our team, we helped refugees' registration centres to get smooth connectivity where was needed, reduced prices for calls to Ukraine, provided Ežys SIM cards to refugees and equipment for the ones staying in Ukraine. We have sent used mobile network equipment for Ukrainian operators that helped to ensure continuity of parts for local mobile networks. Those are just pieces of our actions that made unity in our team grow and unfold.

This year was of huge importance to our technology team as well. After four years of preparation and more than EUR 100 million investments in the network infrastructure we were first ones to launch commercial 5G services. In one night, Lithuania became from 5G outsider to 5G leader in Europe with network that covers more than half country's territory and reaches more than 80 per cent of the population. This proves our commitment to lead digitalization for our business customers, institutions and society.

By greeting 5G we bid farewell to 3G network by shutting it down. The frequency bands that were used by 3G technology will be used for enhancing both 4G and 5G networks as well as Internet of Things (IoT) development. We also said goodbye to payphones as we made the last payphone call from Vilnius in June and closed this chapter of telecommunication history.

During 2022, in the enterprise sector, we formed strong partnerships based on reliability and trust, and we should keep this momentum in 2023. Lithuanian business choosing us as their partners in such an uncertain time is a great recognition to the entire enterprise team, and Telia Lietuva as whole. Looking at the consumer segment, I am pleased that we keep strong leadership in quality perception to our customers. This is confirmed as Telia was recognized being best customer service in shops in Lithuania and the Baltics as well as top performer in customer service by phone and customer care centers.

As stated in our strategy, last year we continued to focus on being more sustainable in our operations and partnerships. Therefore, work on delivering our ambitious environmental goals – zero CO2 and zero waste by 2030 – remains key priority. To further reduce our CO2 footprint, we have signed a contract to purchase 115 electric vehicles and continued our work with suppliers on their commitment to sustainable goals. Looking at zero waste goal reusing and recycling electronic devices and equipment is on top agenda. This we implement not only in our own business – having clear goals in relation to mobile network equipment, servers etc. We see it as a priority to offer sustainable solutions to our customers (both enterprise and private) – would it be equipment rent, or refurbished devices.

I have the belief that both professional and personal relationships must be built on a foundation of trust if you want them to stand strong for years to come. So do not forget that we need to keep earning trust every day. I was honored to take up the CEO position of this great company and help our people to make an impact on our clients, ourselves, and the society in which we are operating. In this report, we have gathered some of the great stories of our joint achievements from the last year. I hope you will enjoy the read!

Dan Stromberg

CEO of Telia Lietuva
till 28 February 2023

What is Telia Lietuva?

By combining fixed and mobile connection, we provide people and businesses in Lithuania with the most advanced telecommunications, TV and IT services and solutions. Throughout the Lithuania, our team of 2,000 professionals provides services to residents, enterprises, public sector institutions and non-governmental organizations. We are also a service provider to other local and international telecommunications operators.

We are a part of the international [Telia Company](#) Group, operating in the Nordic and Baltic countries. By working together, and sharing experiences and ideas, we provide millions of customers in seven countries with more opportunities and quality.

Telia Company owns 88.15 per cent of Telia Lietuva shares. Since 2000, Telia Lietuva shares are traded on [Nasdaq Vilnius](#) Stock Exchange (symbol – TEL1L). In total, Telia Lietuva has more than 14 thousand shareholders.

Telia Lietuva was conferred “Prime” status at the specialized ISS-oekom corporate rating, which indicates that the company's shares are considered a **sustainable investment**.

Being the largest telecommunications operator in Lithuania, we are designated by Communication Regulatory Authority (CRA) of Lithuania, as an operator with significant market power (SMP) in 6 telecommunications markets:

- voice call termination on the mobile network,
- 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.

Telia Lietuva has a limited activities electronic money institution license issued by the Bank of Lithuania. The license 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.

Together with other largest Lithuanian telecommunications operators, Bitė Lietuva and Tele2, we have established the non profit organization VšĮ Numerio Perkėlimas, which administers a central database for ensuring telephone number portability in Lithuania. The Company has no other investments into subsidiaries or associates and has no branches or representative offices.

Our activities are certificated for compliance with the following ISO standards: IT Management (ISO 20000), Information Security Management (ISO 27001), Quality Management (ISO 9001), Environmental Management (ISO 14001) and Occupational Health & Safety (ISO 45001).

Telia Lietuva, AB is a public company (joint-stock company) incorporated on 6 February 1992. The Company is headquartered in Vilnius, the capital of the Republic of Lithuania. Address of its registered office is Saltoniškių str. 7A, LT-03501, Vilnius, Lithuania. Our other offices are in Kaunas and Šiauliai.



Photo courtesy of invest Lithuania @Norbert Tukaj

What is Telia Company?

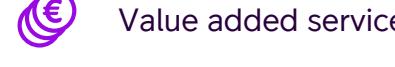
Telia Company is one of the largest developers and providers of integrated telecommunications services in Northern European countries. Its companies provide services in 7 markets, including Sweden, Denmark, Norway, Finland, Estonia, Latvia and Lithuania.

**Telia Company has
> 20 000
employees**

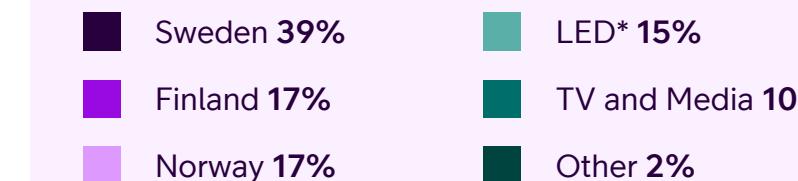
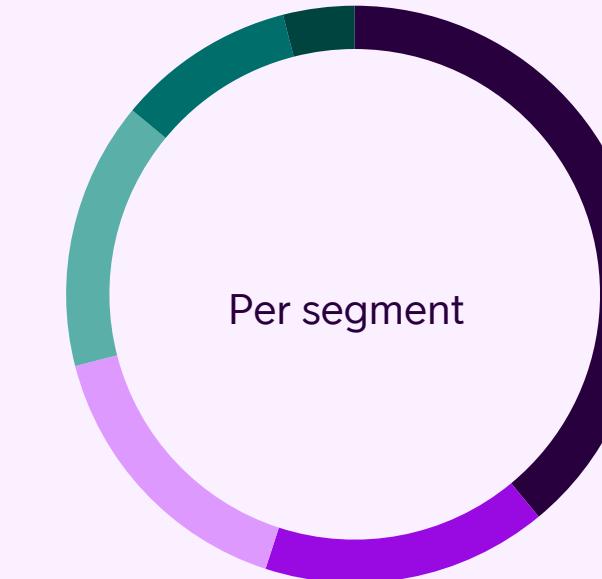
**Its sales revenue in 2022 was
€ 8.04 billion**

**Service recipients
25 million**

We provide



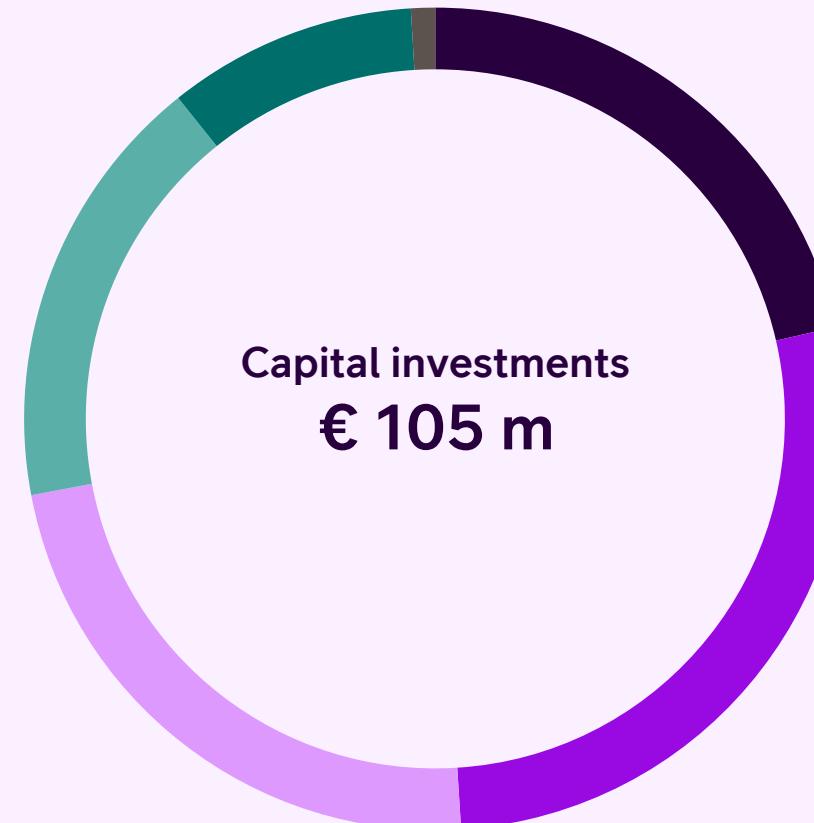
Net sales 2022: EUR 8.04 billion



* LED: Lithuania, Estonia, Denmark

Market	Position			Brands
Sweden	#1	#1	#2	
Finland	#2	#3	#3	
Norway	#2	#3	#3	
Denmark	#4	#5	#4	
Lithuania	#3	#1	#1	
Estonia	#1	#1	#1	
Latvia	#1	n/a	n/a	

Telia Lietuva 2022 in figures



Financial

Revenue (EUR million)	
2021	2022
420.8	444.6

Adjusted EBITDA (EUR million)	
2021	2022
139.1	148.1

Profit for the period (EUR million)	
2021	2022
56.8	56.4

Operating free cash flow (EUR million)	
2021	2022
78.8	34.6



Operational

Mobile service subscriptions (thousand)	
2021	2022
1,518	1,604

Broadband Internet connections (thousand)	
2021	2022
421	427

TV service customers (thousand)	
2021	2022
255	257

Fixed telephony lines (thousand)	
2021	2022
230	200

2022 highlights



Innovations

Telia Lietuva was the first
to launch commercial provision of **5G** communication
services in Lithuania

5G

was immediately operational with 1,100 of the Company's base stations in the 700 MHz and 110 base stations in the 3.5 GHz band

Telia Lietuva **won both 5G auctions**
by offering in total EUR 30 million payable over 20 years

Telia Lietuva was the first to offer fiber-optic
Internet of up to 2 Gbps speed



Business

**3G communication network
was shut down** and 3G frequencies
will be used for 4G/5G and IoT development

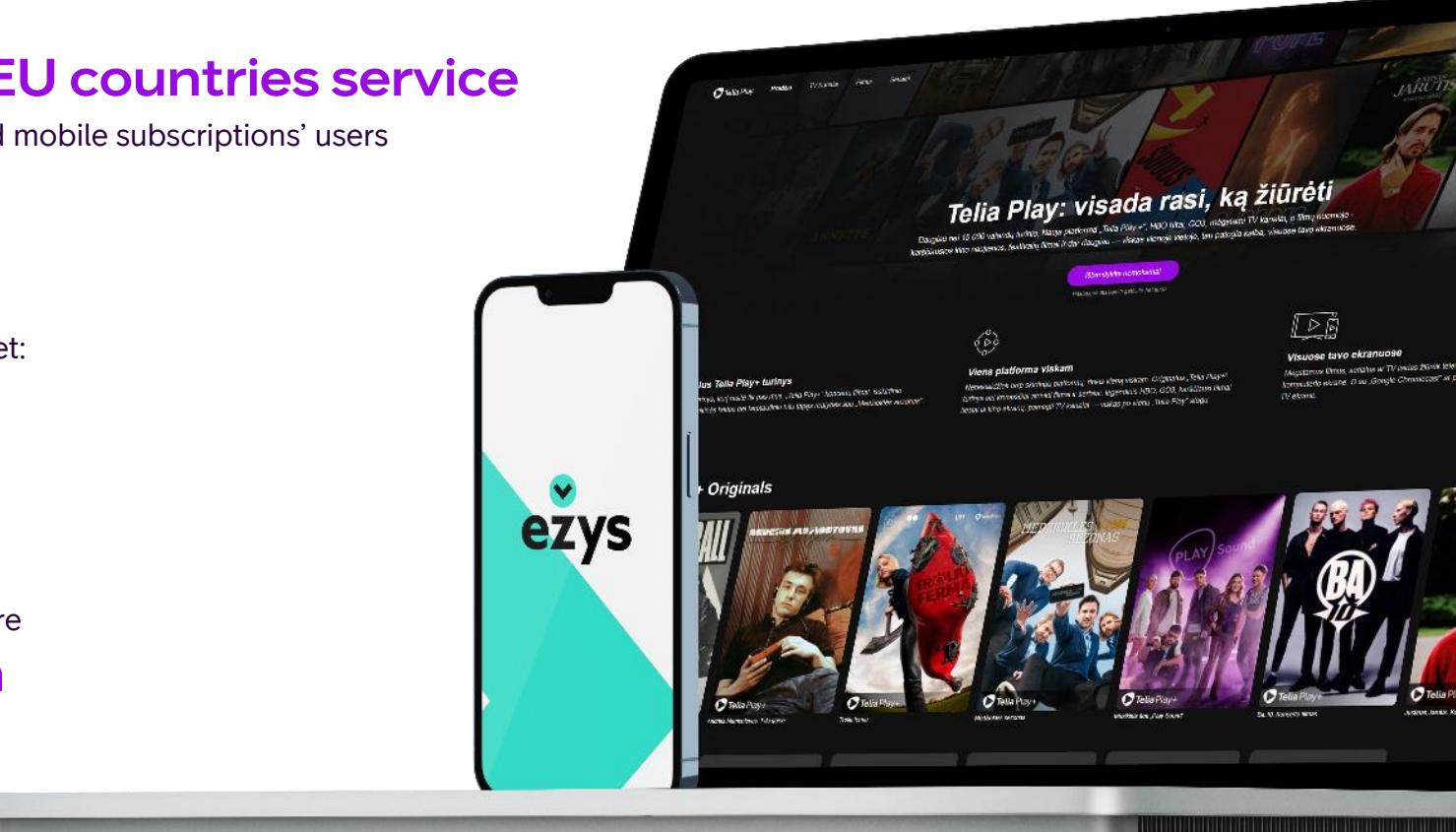
The Company's international Internet connections'
**bandwidth expanded
up to 1 Tbps**

Ežys, the fastest growing pre-paid service brand in the market –
subscribers' base grew by 15.6%
(7 times faster than the market)

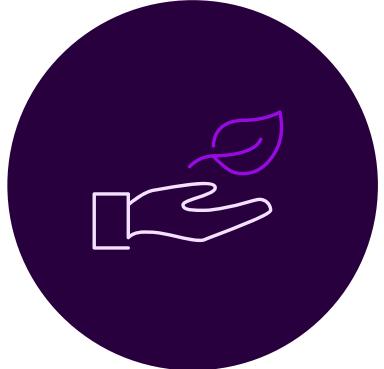
Roaming in EU countries service
was offered to pre-paid mobile subscriptions' users

New name on TV market:
Telia Play

The last payphones were
closed down



2022 highlights



Sustainability

Energy consumption per subscription equivalent
maintained by 5%

Signed long term contracts with
green energy providers

Closed down two old technical sites - this will
save up to 290t CO2 from both locations

Signed an agreement to buy
115 electric cars for technicians and 105 charge stations

Solar panels installed
in 30 mobile sites (project ongoing in 2023)

Our suppliers, whose CO2 emissions account for 35% of the total supply chain emissions, have set
science-based environmental targets

16% of all routers and TV set-top boxes delivered to our customers in 2022 were refurbished and reused

Refurbished tablets introduced to the market
(refurbished phones in sale since 2021)

Refurbished devices (mobile phones and tablets) now have
prolonged warranty of 24 months

Digital skills development initiatives for children and youth, small and medium-sized enterprises, etc. have reached
around 21,000 people in Lithuania

Continuous support to Ukraine
via our services and sponsorship ([more in page 122](#))



2022 highlights



Awards

Top 3 in Most Desirable Employer
(by "Verslo žinios")

Top 3 in Most Attractive Employer
(by "CVmarket.lt")

Top 5 in Most Loved Brands in Lithuania
("Baltic Brand")

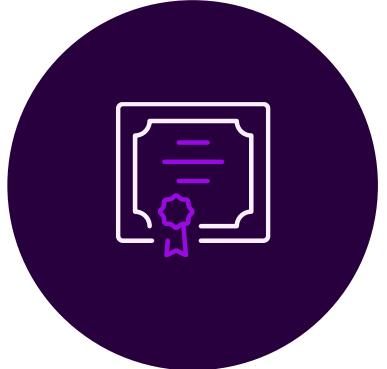
Fastest Growing Brand in Lithuania
("Baltic Brand")

Best customer service in Lithuania and the Baltics
("Dive Lietuva")

Top performer in customer service by phone and customer care centers
("Shopper Quality")



2022 highlights



Partnerships and certificates

In 2022, we continued our partnerships raising our qualifications, deepening our specialized knowledge, and obtaining certificates that are important for our operations.

Authorised to provide Fortinet

security solutions – managed security service provider
(Fortinet MSSP Expert)

SAP

- Certified provider of **SAP HANA operations (Advanced)**
- Certified provider of **cloud and infrastructure (Qualified)**
- Certified provider of **hosting operations (Advanced)**



Strategy

We reinvent better connected living

Through our...

Digital connectivity

Digital experiences

Digital infrastructure

Be excelling at...



Inspiring customers



Connecting everyone



Transforming to digital



Delivering sustainability

So that we have the...

Most loyal
customers

Most engaged
employees

Most satisfied
shareholders

Most empowered
societies

Our business strategy

In pursuit of this goal, we focus on four areas:

1 Inspiring customers

Our activities empower and inspire our customers. We want their satisfaction with Telia's services to be an experience that enriches their daily lives.

2 Connecting everyone

Our activities connect people and businesses. We will continue to foster sustainable partnerships that help to expand our network and infrastructure, and we will invest wisely to maintain our leadership and high value of our services.

3 Transforming to digital

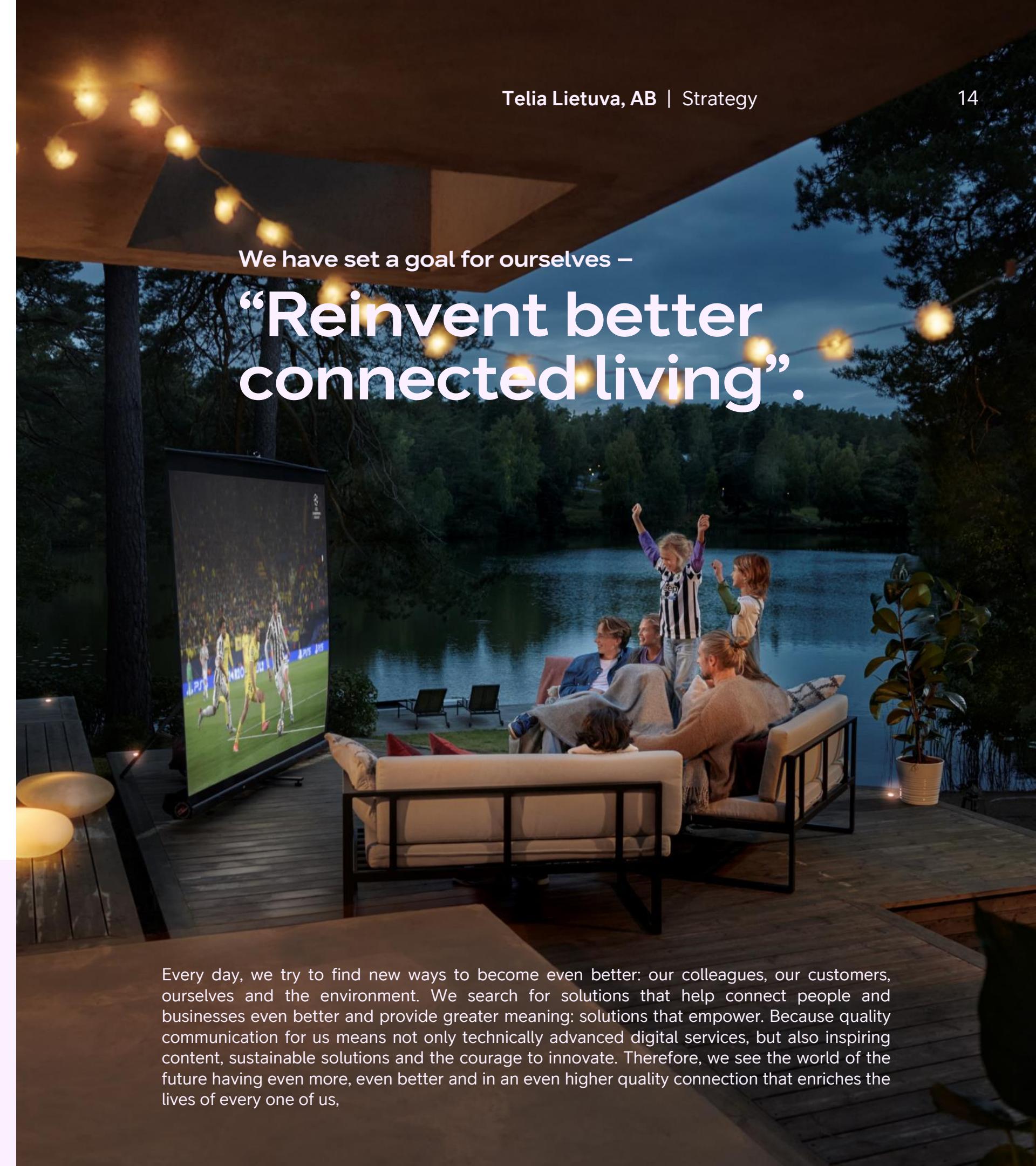
We will continue our started internal transformation and digitization. These changes will help us to ensure more efficient, simpler processes in line with the best agile practices in the telecommunications market.

4 Delivering sustainably

It is important for us that both our conducted activities, their processes and the results achieved are sustainable, for our customers, employees, shareholders, and the society as a whole. From technology-enabled skills development, innovation in the service field, to steady growth in share value, resource development and other actions that help save the planet for future generations.

Sustainability is reflected in all areas of the strategy:

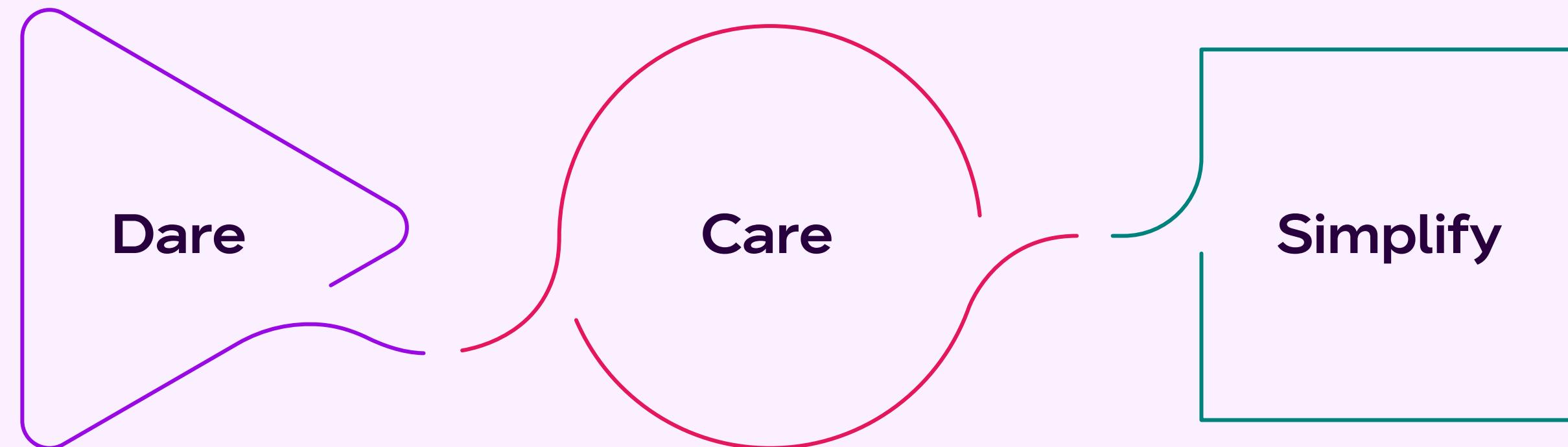
- We inspire customers by setting **ambitious environmental goals**.
- We bring everyone together by developing **digital inclusion projects**, ensuring the highest level of privacy and security requirements.
- We consider **sustainability aspects** in our digitization processes.
- We act sustainably, because we base all our activities on **fundamental principles** of accountability, ethics, diversity and human rights.



Every day, we try to find new ways to become even better: our colleagues, our customers, ourselves and the environment. We search for solutions that help connect people and businesses even better and provide greater meaning: solutions that empower. Because quality communication for us means not only technically advanced digital services, but also inspiring content, sustainable solutions and the courage to innovate. Therefore, we see the world of the future having even more, even better and in an even higher quality connection that enriches the lives of every one of us.

Our values

All Telia employees follow the 3 core values in their work:



Dare – we dare

- to create innovation: we share ideas, dare to take risks and are constantly learning.
- to lead: we are committed to our customers and demanding of ourselves.
- to be open: we express our opinions and talk about things we care.

Care – we care

- about our customers: we offer solutions that meet their needs.
- about each other: we respect and support each other, and are honest.
- about our world: we work and act responsibly, in accordance with standards of ethics.

Simplify – we simplify

- implementation: we make results-oriented decisions and implement them quickly.
- teamwork: we communicate openly, collaborate actively and share knowledge.
- our activities: we are responsible for more efficient processes.

Management Report

Telia Lietuva operating model is based on customers' segment. The Company's operations are managed and reported by the following segments: business and residential customers. Business customers segment (B2B) implies telecommunication and IT services, equipment sale and customer care for large, medium and small business, public institutions and enterprises, local and international telecommunication operators. Residential customers segment (B2C) implies telecommunication and TV services to private individuals. Other operations include operations of Technology and Support units of the Company. The financial statements of the Company have been prepared according to the International Financial Reporting Standards as adopted by the European Union.

Financial highlights of 2022

Revenue grew by 5.7%

and amounted to EUR 444.6 million
(2021: EUR 420.8 million)

Double digit growth in revenue

from IT and billed mobile communication services

Operating expenses for energy **surged by 2.1 times**, employee related expenses **increased by 3.1%**

EBITDA (excl. non-recurring items) **went up by 6.5% to EUR 148.1 million**
(2021: EUR 139.1 million)

EBITDA increased by 6.4%

and amounted to EUR 147.5 million
(2021: EUR 138.6 million)

Profit for the period was down by 0.7% to EUR 56.4 million

(2021: EUR 56.8 million) mainly due to higher income tax

In Autumn of 2022, the Company **acquired two 5G mobile licences** for a total bided amount of EUR 30 million

Total capital investments

including acquisition of mobile licenses amounted to EUR 105.2 million (2021: EUR 93.9 million)

Due to heavy investments **free cash flow decreased by 56%** and amounted to EUR 34.6 million (2021: EUR 78.8 million).

Dividend of EUR 58.3 million

(EUR 0.10 per shares) was paid for the year 2021

The Company's share price eased by 2.8% while market capitalisation throughout the year remained above EUR 1 billion

Financial figures

(in thousands of EUR unless otherwise stated)	2022	2021	Change (%)	2020	2019	2018
Revenue	444,623	420,794	5.7	398,083	388,299	376,494
Adjusted EBITDA excluding non-recurring items	148,137	139,063	6.5	136,236	130,992	128,730
Adjusted EBITDA margin excluding non-recurring items (%)	33.3	33.0		34.2	33.7	34.2
EBITDA	147,537	138,599	6.4	134,915	128,868	127,437
EBITDA margin (%)	33.2	32.9		33.9	33.2	33.8
Operating profit (EBIT) excluding non-recurring items	64,054	61,394	4.3	66,167	61,905	64,208
EBIT margin excluding non-recurring items (%)	14.4	14.6		16.6	15.9	17.1
Operating profit (EBIT)	63,454	60,930	4.1	64,846	59,781	62,915
EBIT margin (%)	14.3	14.5		16.3	15.4	16.7
Profit before income tax	60,819	58,845	3.4	62,255	56,855	63,234
Profit before income tax margin (%)	13.7	14.0		15.6	14.6	16.8
Profit for the period	56,398	56,808	(0.7)	55,866	54,726	54,700
Profit for the period margin (%)	12.7	13.5		14.0	14.1	14.5
Earnings per share (EUR)	0.097	0.098	(0.7)	0.096	0.094	0.094
Number of shares (thousand)	582,613	582,613	-	582,613	582,613	582,613
Share price at the end of period (EUR)	1.985	2.040	(2.7)	1.825	1.275	1.105
Market capitalisation at the end of period	1,156,487	1,188,531	(2.7)	1,063,269	742,832	643,787
Total assets	611,047	641,469	(4.7)	608,448	614,116	564,105
Shareholders' equity	328,191	330,054	(0.6)	331,507	328,076	319,776
Cash flow from operations	140,805	126,373	11.4	132,427	139,540	106,767
Operating free cash flow	34,637	78,764	(56.0)	84,869	87,441	50,235
Capital investments (CAPEX)	105,178	93,937	12.0	53,856	52,669	61,844
Net debt	106,449	92,485	15.1	67,202	93,295	129,393

Operating figures

	31-12-2022	31-12-2021	Change (%)	31-12-2020	31-12-2019	31-12-2018
Mobile service subscriptions, in total (thousand)	1,604	1,518	5.7	1,398	1,347	1,389
— Post-paid (thousand)	1,278	1,236	3.4	1,104	1,069	1,126
— Pre-paid (thousand)	326	282	15.6	294	278	263
Broadband Internet connections, in total (thousand)	427	421	1.4	417	419	409
— Fiber-optic (FTTH/B) (thousand)	313	305	2.6	297	295	277
— Copper (DSL) (thousand)	114	116	(1.7)	120	124	132
TV service customers (thousand)	257	255	0.8	253	244	230
Fixed telephone lines in service (thousand)	200	230	(13.0)	261	296	354
Number of personnel (headcounts)	2,051	2,095	(2.1)	2,161	2,336	2,733
Number of full-time employees	1,925	1,939	(0.7)	2,001	2,127	2,482

Financial ratios*

	31-12-2022	31-12-2021	31-12-2020	31-12-2019	31-12-2018
Return on capital employed** (%)	14.0	13.4	15.1	13.3	13.8
Return on average assets** (%)	10.2	9.9	11.0	10.0	11.3
Return on shareholders' equity** (%)	17.6	17.6	17.4	17.3	17.7
Operating cash flow to sales (%)	31.7	30.0	33.3	35.9	28.4
Capex (excl. mobile licenses) to sales (%)	18.2	22.3	13.5	13.6	16.4
Net debt to EBITDA ratio	0.72	0.67	0.50	0.72	1.02
Gearing ratio (%)	32.4	28.0	20.3	28.4	40.5
Debt to equity ratio (%)	34.6	46.7	37.1	43.7	49.4
Current ratio (%)	62.0	77.7	110.2	115.5	133.8
Rate of turnover of assets** (%)	71.2	68.1	67.6	65.0	67.6
Equity to assets ratio (%)	53.7	51.5	54.5	53.4	56.7
Price to earnings (P/E) ratio	20.4	20.9	19.0	13.6	11.8

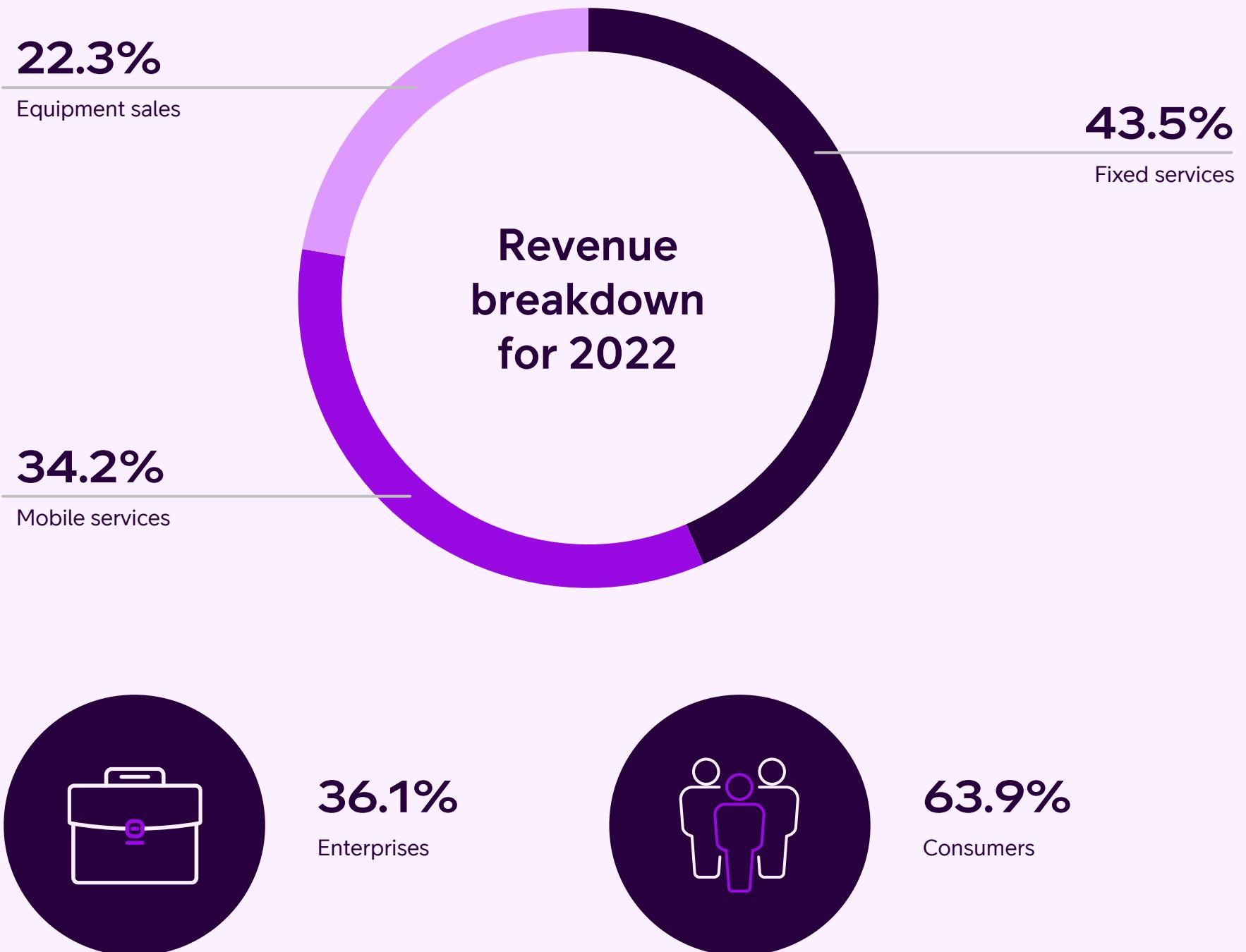
Notes: *Description of financial ratios and their calculation is provided at <https://www.telia.lt/eng/investors/financial-results>

** Averages are calculated including quarterly data of respective year.

Revenue

(in thousands of EUR)	2022	2021	Change (%)
Fixed services	193,412	187,064	3.4
Voice telephony services	39,164	41,503	(5.6)
Internet services	70,302	64,411	9.1
Datacom and network capacity services	17,963	17,455	2.9
TV services	37,555	39,043	(3.8)
IT services	21,132	17,652	19.7
Other services	7,296	7,000	4.2
Mobile services	152,125	136,299	11.6
Billed services	136,980	117,521	16.6
Other mobile service	15,145	18,778	(19.3)
Equipment	99,086	97,431	1.7
Total	444,623	420,794	5.7

Revenue growth in 2022 was driven by a double digit increase in revenue from mobile services and IT services, supported by revenue stream from broadband Internet and equipment sale.



Revenue

By the end of 2022, almost 76 thousand of households were enjoying the advantages of converged fixed and mobile services offer, Telia1, that provides higher Internet speed, more gigabytes, and more TV content.

During 2022, the total number of active **mobile** subscriptions went up by 86 thousand whereof 42 thousand were post-paid and 44 thousand – pre-paid service users. The stable double-digit growth in revenue from billed mobile services was achieved by increase of customers' base and higher average revenue per user (ARPU).

In 2022, subscribers of prepaid mobile communication service were offered voice and mobile Internet roaming service in EU countries. That has contributed to intake of new prepaid subscription users.

Following EU regulations from 1 January 2022 reduced mobile interconnect prices resulted in 25.2 per cent decrease in revenue from mobile calls termination services and in combination with lower stream of revenue from incoming mobile roaming services led to decline in revenue from **other mobile services**.

During January–December of 2022, the number of fixed telephony lines in service eased by 30 thousand (2021: 31 thousand). Accordingly, revenue from retail **voice telephony** services went down by 12 per cent, while revenue from voice transit service was almost the same as in 2021.

Over the year, the total number of fixed **broadband Internet access** users increased by 6 thousand: number of fiber-optic connections went up by 8 thousand, while number of DSL connections went down by 2 thousand. In 2022, completed upgrade of the Company's copper network used for provision of fixed broadband Internet and employment of "Super VDSL" (S-VDSL) technology slowed down the churn of DSL connections.

Cut off of some Russian TV channels in spring 2022 and increased competition from local as well as international TV content streamers, resulted in temporary decrease of number of **television** service customers. During January–December of 2022, the number of Telia TV users went up by 2 thousand. Nevertheless, revenue from TV services in 2022 had declined.

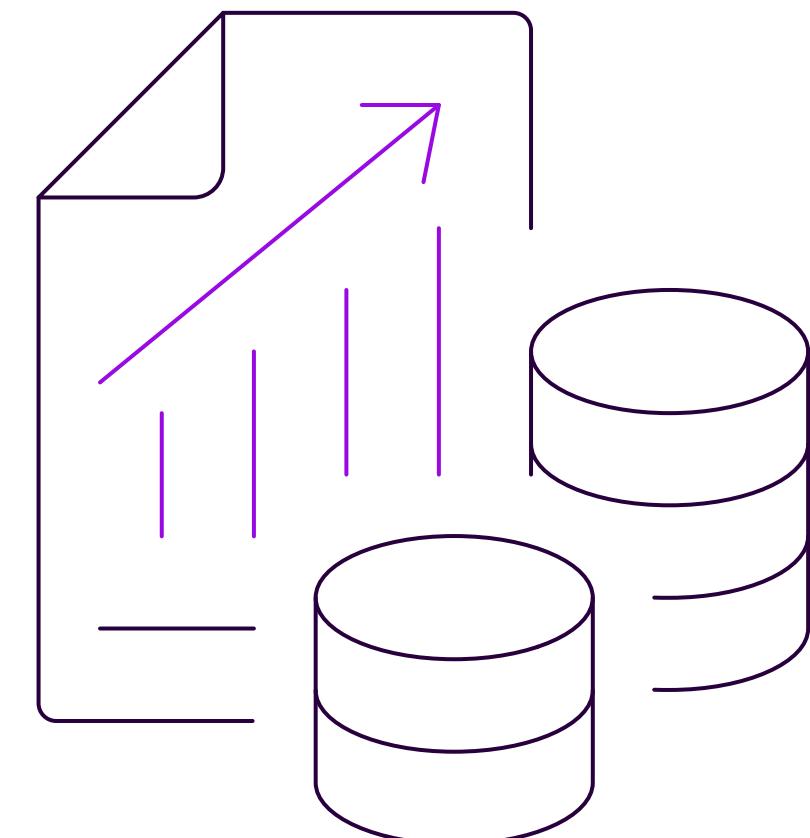
Double-digit growth in revenue from **IT services** provided to business customers was caused by ongoing demand for various IT services ranging from virtual private network (VPN) and computerised workplace management to cloud computing and tailor-made IT solutions.

In the beginning of 2022, the Company and Lithuanian Railways (LTG) have signed two agreements according to which Telia Lietuva will design and implement data transmission solutions in the LTG network. Both agreements might be worth up to EUR 7 million. It will be one of the largest projects on LTG network modernisation in Lithuania in the last decade. It will cover all levels – starting from replacement of network nodes, implementation of security and network management systems and finishing with cable installation and transfer of the existing services to the upgraded network.

In 2022, the pattern of **equipment sale** returned to pre-pandemic times when sale of mobile phones was dominating. Modernised and more convenient business customers' e-shop also contributed to higher equipment sale.

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

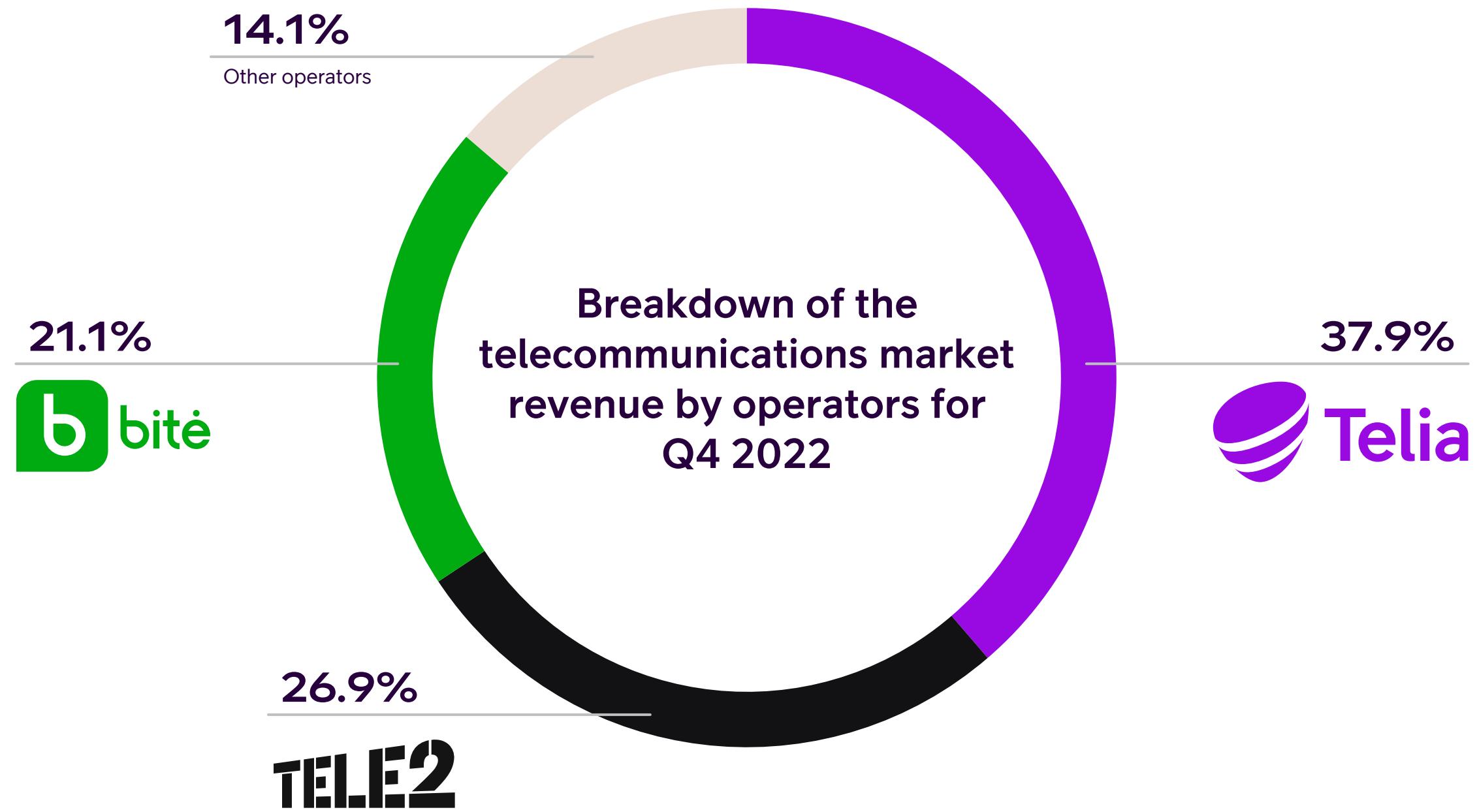
Gain or loss from sale of property, plant and equipment, as well as gain or loss on currency exchange is recorded at net value as **other gain (loss)**. During 2022, the gain from sale of property amounted to EUR 817 thousand (EUR 1,337 thousand a year ago). In the beginning of 2021, the Company sold an office building in Kaunas and recorded EUR 1.2 million gain from sale of property.



Market information

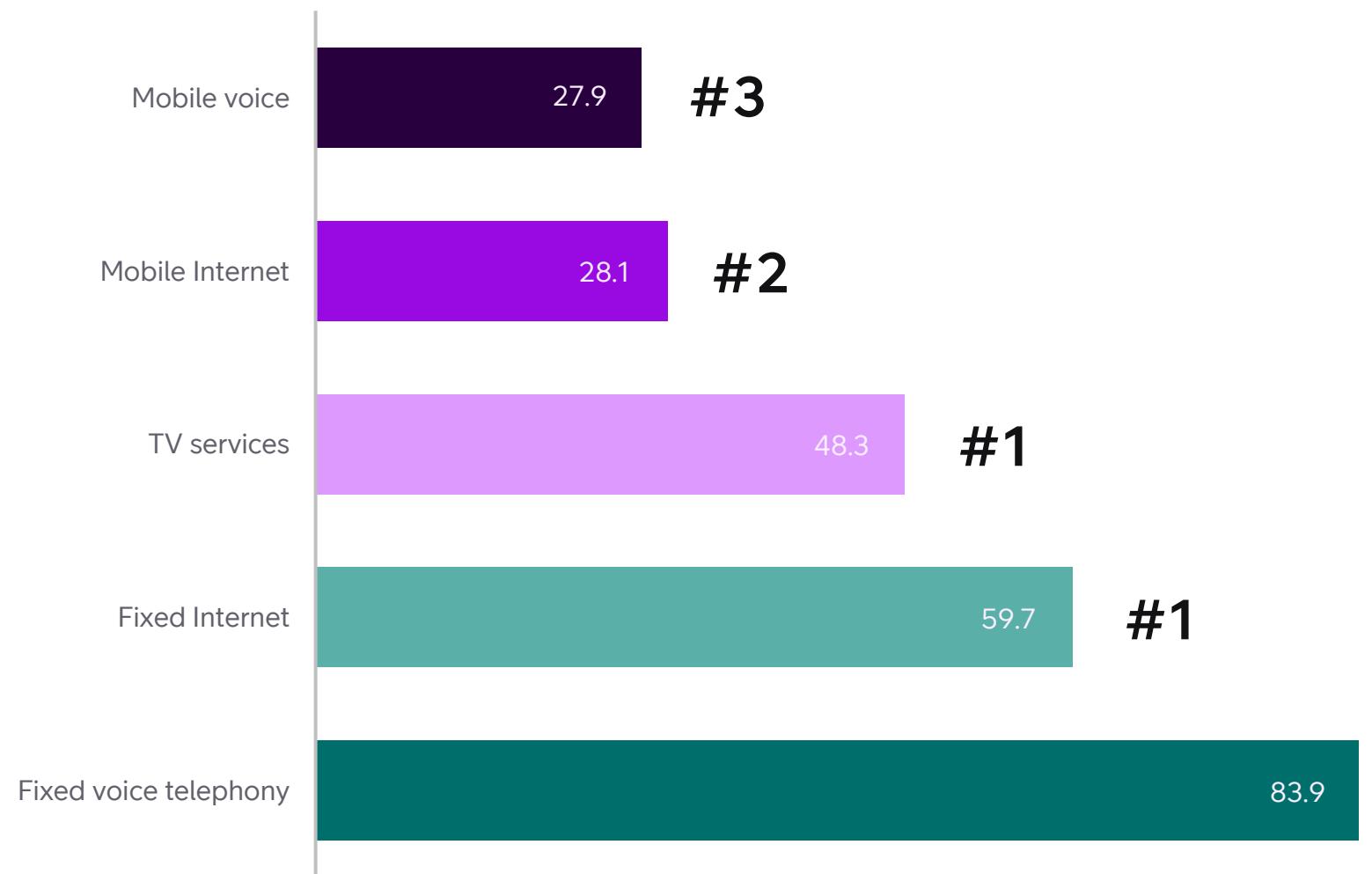
According to the Reports of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue for the year 2022 amounted to EUR 803.5 million, an increase by 5.4 per cent over the total market revenue of EUR 762.1 million for the year 2021.

Telia Lietuva remains the largest telecommunications' service provider in Lithuania with the market share (in term of revenue) of 37.9 per cent for the fourth quarter of 2022 (38.4 per cent a year ago).

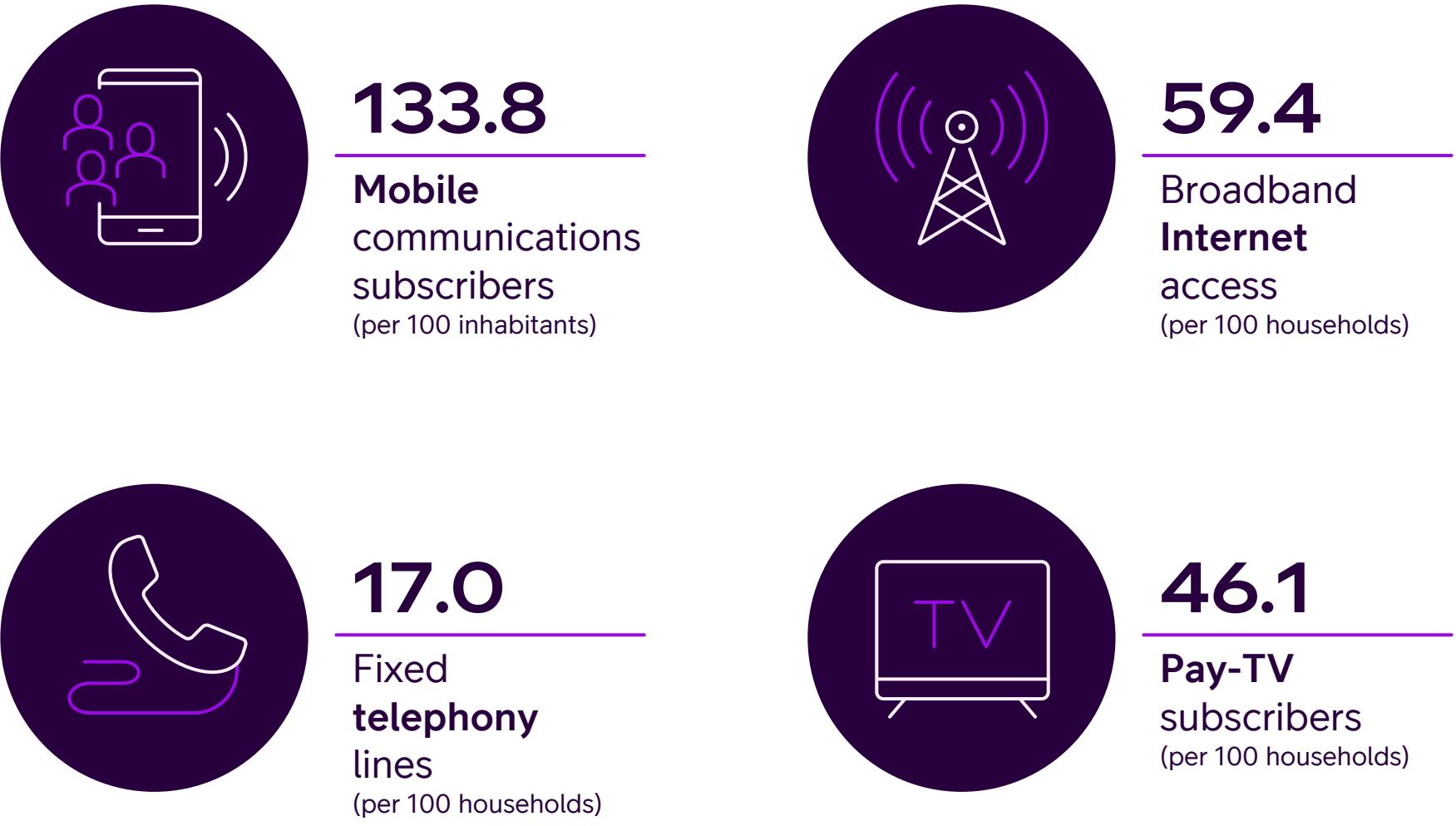


Market information

Telia Lietuva market shares in terms of revenue for Q4 2022 (%)



Market penetration as of 31 December 2022



Expenses

Strong equipment sale and higher network costs pushed cost of goods and services up in 2022 compared with the year 2021. Employee related expenses in 2022 compared with the previous year were higher due to salaries' increase despite of lower number of employees. During 2022, expenses for energy surged by 2.1 times and that was the main reason behind increase in other expenses.

(in thousands of EUR)	2022	2021	Change (%)
Cost of goods and services	(174,991)	(168,690)	3.7
Operating expenses	(123,189)	(114,919)	7.2
Employee related	(58,385)	(56,632)	3.1
Other	(64,804)	(58,287)	11.2
Non-recurring expenses	1,417	1,801	(21.3)
Operating expenses (excl. non-recurring expenses)	(121,772)	(113,118)	7.7
Employee related	(57,872)	(55,774)	3.8
Other	(63,900)	(57,344)	11.4

During January-December 2022, the total number of employees (headcount) decreased by 44 – from 2,095 to 2,051. In terms of full-time employees (FTE), the total number of employees decreased by 14 – from 1,939 to 1,925.

Non-recurring redundancy pay-outs for the year 2022 amounted to EUR 513 thousand (2021: EUR 858 thousand) and other non-recurring expenses related to business transformation program amounted to EUR 904 thousand (2021: EUR 943 thousand).

Earnings

Despite of higher electricity prices but due revenue growth the Company had a positive profitability development. Higher depreciation and amortisation charges were caused by upgrade of the Company's mobile network.

(in thousands of EUR)	2022	2021	Change (%)
EBITDA	147,537	138,599	6.4
Margin (%)	33.2	32.9	
Depreciation and amortisation	(84,083)	(77,669)	8.3
Operating profit (EBIT)	63,454	60,930	4.1
Margin (%)	14.3	14.5	
Non-recurring expenses	1,417	1,801	(21.3)
Gain (loss) on sale of property	817	1,337	
Adjusted EBITDA excluding non-recurring items	148,137	139,063	6.5
Margin (%)	33.3	33.0	
EBIT excluding non-recurring items	64,054	61,394	4.3
Margin (%)	14.4	14.6	

Non-recurring items for the year 2022 were comprised from one-off redundancy pay-outs of EUR 513 thousand (2021: EUR 858 thousand), non-recurring other expenses of EUR 904 thousand (EUR 943 thousand) and gain of EUR 817 thousand (EUR 1.3 million) from sale of property.

(in thousands of EUR)	2022	2021	Change (%)
Profit before income tax	60,819	58,845	3.4
Margin (%)	13.7	14.0	
Income tax	(4,421)	(2,037)	117.0
Profit for the period	56,398	56,808	(0.7)
Margin (%)	12.7	13.5	

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 year 2022 amounted to EUR 6.1 million (2021: EUR 6.8 million).

Financial position and cash flow

As of 31 December 2022, the total non-current assets amounted to 83.7 per cent (75.3 per cent as of 31 December 2021), the total current assets – to 16.2 per cent (23.9 per cent), whereof cash alone represented 1.2 per cent (9.6 per cent) of total assets. Shareholders' equity at the end of December 2022 amounted to 53.7 per cent of the total assets (51.5 per cent at the end of December 2021).

(in thousands of EUR)	31-12-2022	31-12-2021	Change (%)
Total assets	611,047	641,469	(4.7)
Non-current assets	511,569	482,959	5.9
Current assets	98,884	153,200	(35.5)
whereof cash and cash equivalents	7,099	61,769	(88.5)
Assets for sale	594	5,310	(88.8)
Shareholders' equity	328,191	330,054	(0.6)

To avoid negative interest rate charged for the Company's residuals at the banks and following the Board's approval the Company till August of 2022 was granting loans to the largest shareholder of the Company, Telia Company AB, for up to 3 months at a zero-interest rate. The lent funds were available to the Company on demand within 2 business days. As of 31 December 2022, there were no funds lend to the Parent company, while a year ago an amount of EUR 40 million was lend to the Parent company.

In November 2021, the Company repaid a half (EUR 30 million) of a syndicated **banks' loan** of EUR 60 million granted in May 2017. The outstanding amount of EUR 30 million shall be repaid in May 2024.

(in thousands of EUR)	31-12-2022	31-12-2021
Loans from banks	30,000	30,000
Liabilities under reverse factoring agreements	83,548	123,681
Liabilities under financial lease agreements	-	573
Borrowings	113,548	154,254
Cash and cash equivalents	7,099	61,769
Net debt	106,449	92,485
Net debt to equity (Gearing) ratio (%)	32.4	28.0

The Company participates in reverse factoring or Supplier Invoice Financing (SIF) program where suppliers' invoices are paid by the banks within 7 days for an agreed fee which is covered by supplier. The Company does not pay any credit fees and does not provide any additional collateral or guarantee to the banks. The Company pays to the banks full invoice amount in up to one-year period (actual term depends on few variables agreed between all three parties). In 2022, due to increase of Euribor interest rate the payment to the banks terms has drastically shortened and that had a negative impact on the Company's cash flow.

To ensure sufficient liquidity, in January 2023, the Company had signed an agreement regarding revolving credit facility with Telia Company AB that provides the Company with the possibility to borrow any amount up to total limit of EUR 50 million for 3 or 6 months within 2 business days.

Financial position and cash flow

Acquisition of 5G mobile licenses in 2022 pushed the Company's **capital investments** into a record high level.

(in thousands of EUR)	2022	2021	Change (%)
Fixed network	22,545	27,757	(18.8)
Mobile network excluding mobile licenses	28,963	37,683	(23.1)
IT systems and infrastructure	18,062	13,381	35.0
Transformation program	10,346	13,056	(20.8)
Other	1,019	2,060	(50.5)
Total capital investments excluding mobile licenses	80,935	93,937	(13.8)
Capital investments to revenue ratio (%)	18.2	22.3	
5G mobile licenses	24,243	-	
Total capital investments including mobile licenses	105,178	93,937	12.0

In the beginning of August 2022, the Company won the auction for **3.5 GHz radio frequency license** by offering the highest bid of EUR 7 million. The Company acquired the cleanest and least constrained 100 MHz radio frequency block from 3,400-3,700 MHz band. It is specifically the 3.5 GHz frequency, with 100 MHz bandwidths, that will enable the huge speeds of mobile Internet. This frequency with the permission of the Communications Regulatory Authorities (CRA) was already used by the Company for non-commercial testing of 5G communications.

At the end of August, the auction for **700 MHz radio frequency license** was over. The Company for EUR 23 million acquired 2x10 MHz radio frequency block that covers the largest territory of the country in the 700 MHz band. It allows consumers to use a combined spectrum thus improving 4G speed and coverage, especially in low density areas.

In total, the Company will pay EUR 30 million over 20 years to the Lithuanian state budget for both 5G frequency bands. The initial 30 per cent payments for both licenses (in total EUR 9 million) are already made.

On 26 September 2022, when the Company received permission from CRA to provide commercial 5G mobile networks services, 5G connectivity was immediately operational with 1,100 base stations in the 700 MHz band and 110 base stations in the 3.5 GHz band. Telia Lietuva 5G network reached more than half of the country's territory and 80 percent of its population.

Preparing for 5G communication era, the Company in 2021 has started a major upgrade of its **radio access network** (RAN) with Ericsson equipment thus phasing out Huawei equipment earlier used in Telia Lietuva mobile network. The plan is to upgrade around 2,000 sites in Lithuania till 2024. By the end of 2022, there were more than 1,300 base stations already upgraded with Ericsson equipment that support 2G, 3G, 4G and 5G connection.

According to the Communication Regulatory Authorities measurement data, the average mobile data download speed in Telia Lietuva network remains the highest in the country amounting to 159.9 Mbps (104.5 Mbps a year ago).

In 2022, Telia Lietuva has completed the upgrade of its **cooper network** used for the provision of DSL Internet. Over the four years, the Company has updated almost 1,600 network nodes throughout Lithuania. This allowed to increase the broadband DSL Internet speeds more than 10-fold: from a maximum download speed of up to 20 Mbps to 250 Mbps, given specific conditions. The real speed depends on the length and quality of the copper line connecting the Telia Lietuva exchange and

the back-end equipment. The total investment into this project amounted to EUR 10.5 million.

Residential customers of Telia Lietuva fibre-optic Internet currently enjoy Internet speeds of up to 1 Gbps, while business customers in Vilnius, Kaunas, Panevėžys, Alytus and Palanga are offered fiber-optic Internet of up to 2 Gbps speed. The Company also plans to upgrade its fibre-optic network in the nearest future.

By the end of December 2022, the Company had 965 thousand households passed (947 thousand a year ago), or 68 per cent of the country's households, by the fiber-optic network.

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

Net **cash flow from operating activities** in 2022 was EUR 140.8 million (2021: EUR 126.4 million), while, **operating free cash flow** (operating cash flow excluding capital investments) amounted to EUR 34.6 million (2021: EUR 78.8 million).

Investment into subsidiaries / associates

As of 31 December 2022, the Company had the following entity as associate of the Company:

Name of the company	Date of registration, code, name of Register of Legal Entities	Contact details	The Company's share in the share capital of the entity (%)	The Company's share of votes (%)
VšĮ Numerio Perkėlimas	5 September 2014, code 3033 86211, State Enterprise Center of Registers	Jogailos str. 9, LT- 01116 Vilnius, Lithuania	-	50.00

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

The Company has no branches or representative offices.

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.

Since 1 December 2000, the Company and SEB Bankas AB (code 1120 21238), Konstitucijos ave. 24, LT-01103 Vilnius, have an agreement on accounting of the Company's securities and services related to the accounting of securities.

During 2022, the Company's share price on Nasdaq Vilnius stock exchange decreased by EUR 0.055 or 2.8 per cent. The shares' turnover, compared to the year 2021, went down by 31.2 per cent. The Company's market capitalisation as on 31 December 2022 was EUR 1,156 million (2021: EUR 1,189 million).

Information on **trading in Telia Lietuva shares** on Nasdaq Vilnius stock exchange during 2022:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	2.05	2.10	1.79	1.985	1.975	5,902,460	11,656,896

Share capital and shareholders

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 December 2022:

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	-

Breakdown of the Company's shareholders (14,278) by the countries of residence as of 21 April 2022, a record day for the last General Meeting of shareholder held on 28 April 2022:

Country	Number of shareholders	Number of shares	Part of the share capital (%)
Sweden	22	513,605,541	88.16
Lithuania	11,907	52,219,256	8.96
Estonia	1,849	10,636,240	1.83
Latvia	232	1,968,354	0.34
Canada	2	1,146,406	0.20
France	7	709,000	0.12
Poland	2	692,894	0.12
U.S.A.	41	544,051	0.09
New Zealand	1	241,559	0.04
Germany	63	214,360	0.04
Austria	1	191,436	0.03
United Kingdom	39	144,223	0.02
Other (27)	112	299,818	0.05
Total	14,278	582,613,138	100.00

Share capital and shareholders

Breakdown of the Company's shareholders registered in Lithuania as of 21 April 2022, a record day for the last General Meeting of shareholder held on 28 April 2022:

	Number of shareholders	Number of shares	Part of the share capital (%)
Private individuals	11,829	46,657,024	8.01
Financial institutions	13	3,253,565	0.56
Legal entities	65	2,308,667	0.39
Total	11,907	52,219,256	8.96

Treasury stocks

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

Trading in the Company's shares on [Nasdaq Vilnius stock exchange](#) since beginning of listing



Source: Nasdaq Vilnius

Dividends

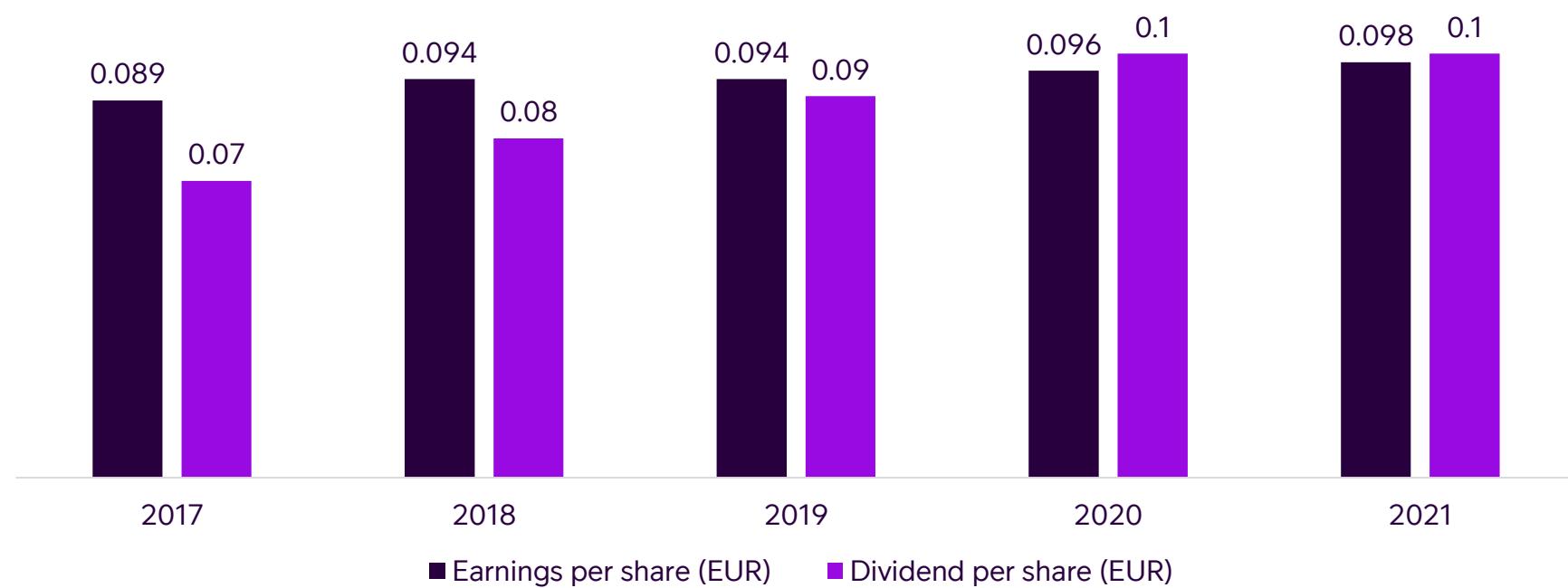
In 2017, the Board of the Company approved dividend policy which provides that the Company must maintain the net debt to EBITDA ratio not higher than 1.5 and to pay out up to 80 per cent of free cash flow as dividend. Each year the Company pays dividends although there was no officially approved dividend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

On 28 April 2022, the Annual General Meeting of Shareholders allocated from the Company's distributable profit of EUR 144.2 million an amount of EUR 58.3 million for the payment of **dividends** for the year 2021, i.e., EUR 0.10 dividend per share, and carry forward to the financial year 2022 an amount of EUR 85.9 million as retained earnings (undistributed profit). In May 2022, dividends for the year 2021 were paid to the shareholders of the Company.

Information about the Company's dividend pay-out during the last five years (in EUR thousand unless otherwise stated):

Year	Profit for the period	Earnings per share (EUR)	Dividends paid	Dividend per share (EUR)	Dividends to profit ratio (%)
2017	50,077	0.086	40,783	0.07	81.4
2018	54,700	0.094	46,609	0.08	85.2
2019	54,726	0.094	52,435	0.09	95.8
2020	55,866	0.096	58,261	0.10	104.2
2021	56,808	0.098	58,261	0.10	102.0

According to the Law on Companies of the Republic of Lithuania, dividends should be paid from retained earnings of the Company. As of 31 December 2022, retained earnings of the Company amounted to EUR 142.3 million.



Information about related party transactions

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

Till August 2022, to avoid negative interest rate charged for the Company's residuals at the banks the Company following the Audit Committee and the Board approvals started to grant loans to the largest shareholder of the Company, Telia Company AB, holding 88.15 per cent of the Company's share capital, for up to 3 months at 0 interest rate. The lent funds were available to the Company on demand within 2 business days. As of 31 December 2022, there were no loans provided by the Company to the Parent company or vice versa, and there were loans provided by the Company to its associate.

The Company through its largest shareholder, Telia Company AB, is related to Telia Company Group that provides telecommunication services in Nordic and Baltic countries. The main buyers and providers of telecommunications and other services to the Company based on earlier signed agreements are Telia Company AB (Sweden), Telia Eesti AS (Estonia), LMT (Latvia), Telia Finland Oyj (Finland), Telia Norge AS (Norway), Telia Finance AB (Sweden) and Telia Global Services Lithuania, UAB (Lithuania). In May 2022, the Company paid-out to Telia Company an amount of EUR 51.4 million as dividend for the year 2021.

Information about new related party transactions entered by the Company during 2022:

Related party	Transaction	Value
Telia Company AB, code 556103-4249, 169 94 Solna, Sweden	07-01-2022 the Company provided loan for 1 month at 0% interest rate. The loan was several times prolonged and returned on 09-05-2022 07-01-2022 the Company provided loan for 3 months at 0% interest rate. The loan was several times prolonged and returned on 08-08-2022. 20-01-2022 the Company provided loan for 1 month at 0% interest rate. The loan was prolonged and returned on 23-05-2022. 20-01-2022 the Company provided loan for 3 months at 0% interest rate. The loan was prolonged and returned on 20-05-2022. 25-01-2022 the Company prolonged for 3 months loan granted on 21-10-2021 at 0% interest rate. The loan was several times prolonged and returned on 25-10-2022. 22-02-2022 the Company provided loan for 3 months at 0% interest rate. The loan was returned on 23-05-2022. 23-02-2022 the Company prolonged for 3 months loan granted on 23-08-2021 at 0% interest rate. The loan was returned 23-05-2022. 25-04-2022 the Company provided loan for 1 month at 0% interest rate. The loan was returned on 25-05-2022. 13-07-2022 the Company provided loan for 2 months at 0% interest rate and returned on 13-09-2022.	EUR 5 million EUR 5 million EUR 5 million EUR 5 million EUR 10 million EUR 5 million EUR 15 million EUR 8 million EUR 10 million EUR 15.3 thousand
Telia Norge AS code 981929055, Sandakerveien 140, 0484 Oslo, Norway	01-05-2022 agreement whereby the Company has provided IT services to Telia Norge AS.	

Information about related party transactions

Information about volumes of the Company's transactions with related parties during 2022 (in EUR thousand):

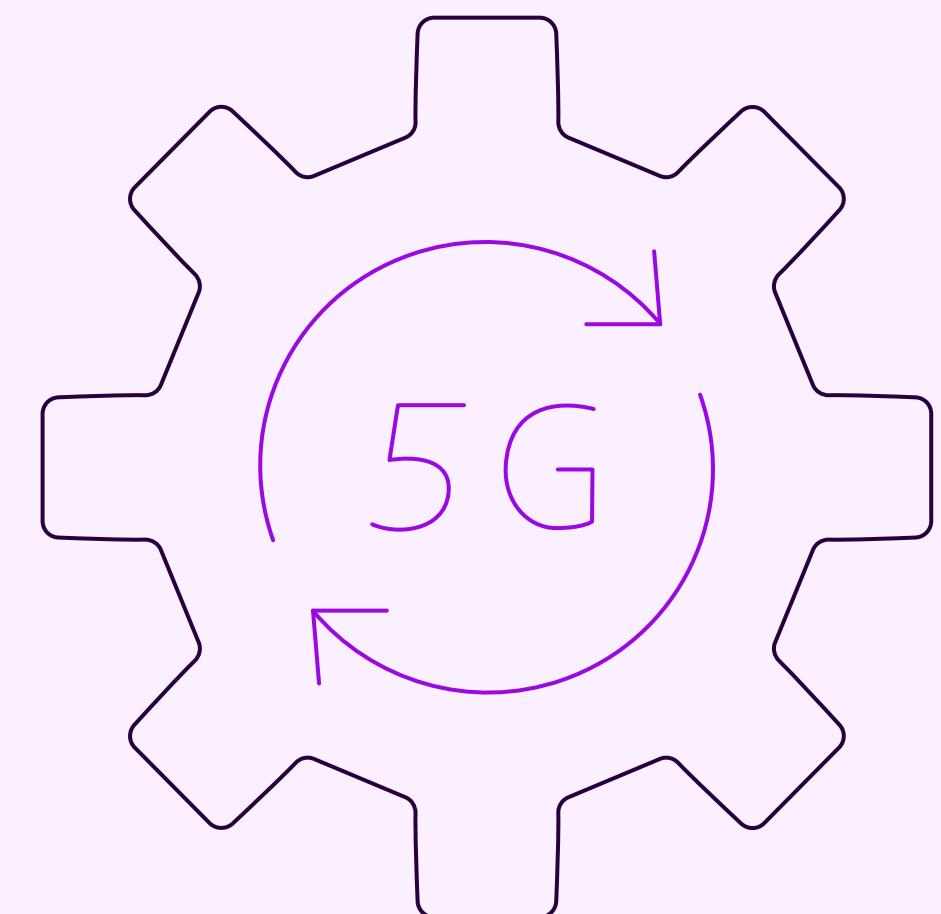
Telia Company Group:	Telecommunication and other services	
	Sales	Purchase
Telia Company AB (Sweden)	1	13,079
Telia Asset Finance AB (Sweden)	-	5,661
Telia Försäkring AB (Sweden)	6,351	50
Telia Sverige AB (Sweden)	375	(398)
Latvijas Mobilais Telefons SIA (Latvia)	691	654
SIA Telia Latvija (Latvia)	5	40
Telia Eesti AS (Estonia)	269	20
Telia Finland Oyj (Finland)	467	196
Telia Global Services Lithuania, UAB	955	1,017
Other	852	140
	9,966	20,459

Information about related party transactions is provided in Note 27 of the Company's Financial Statements for the year ended 31 December 2022. Following the Law on Companies of the Republic of Lithuania requirements, information about related party transaction concluded starting from 1 January 2018 is placed on the Company's website www.telia.lt.

Research and development activities

In 2022, the Company continued to develop and improve existing services, digitalisation of the customer's experience as well as make preparation for 5G introduction.

Since December 2018, the Company has been testing non-commercial 5G frequencies granted by the Lithuanian Communications Regulatory Authority (CRA) in Lithuania. Starting from November 2020, private and business customers were able to try 5G connectivity free of charge in Vilnius, Kaunas, Raseiniai and Klaipėda. In January 2022, the Company was the first one in Lithuania to activate the currently available 2100 MHz frequencies for 5G network in 20 base stations in Vilnius. The next-generation technology runs in Dynamic Spectrum Sharing mode, which allows the same frequency band to be used in parallel for both 4G and 5G connection.



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

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.

In 2022, the Company's income and operating cash flows became dependent of changes in market **interest rates**. The outstanding EUR 30 million loan provided by SEB Bank, Danske Bank and Nordea Bank shall be repaid in May 2024, while interest rates of this syndicated loan are set semi-annually and are based on a 6 months EURIBOR interest rate. The Company does not use any interest rate hedging tools.

The Company is a part of reverse factoring or Supplier Invoice Financing (SIF) program where suppliers' invoices are paid by third party banks within 7 days for an agreed fee which is covered by supplier. The Company does not pay any credit fees and does not provide any additional collateral or guarantee to the banks. The Company pays banks full invoice amount in up to one-year period. The actual term depends on few variables agreed between all three parties, The one of the variables is EURIBOR interest rate which started to grow in spring of 2022 and consequently caused shortening of the term and had negative impact on the Company working capital and cash flow. To mitigate the impact of rising interest rate the Company is in the process of renegotiating conditions of SIF program.

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 or Moody's) long-term credit ratings. As of 31 December 2022, majority (91 per cent) of the Company's cash and short-term investments were held in A+ and A-2 rated banks.

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

To manage credit risk of trade receivables the Company checks the creditworthiness of all customers (business and residential) before signing any new contracts, except for low value contracts, e.g., additional TV packaged or other value-added services (VAS). Customers' invoices payment control consists of a few various reminders starting with a notification before due date and then additional reminders after due date are sent. Services are limited after 20 days past due, and contract is terminated, and penalties issued after 50 days past due. Residential customers' bad debts after sending additional reminding letters are sold or handed over to external bad debt collection agencies for debt recovery.

Liquidity risk relates to the availability of sufficient funds for the Company debt service, capital expenditure, working capital requirement and dividend pay-out. Prudent liquidity risk management implies maintaining sufficient level of cash and cash equivalents. The goal of the Company's liquidity risk management is to ensure that minimum liquidity position (calculated as cash and cash equivalents plus undrawn committed credit facilities) should at any time exceed the level of 2 per cent of the annual revenue. During 2022, the Company's liquidity position on average amounted to 11.3 per cent of the annual revenue, except for 31 December 2022, when liquidity position fell below 2 per cent due to higher volume of invoices paid at the year-end.

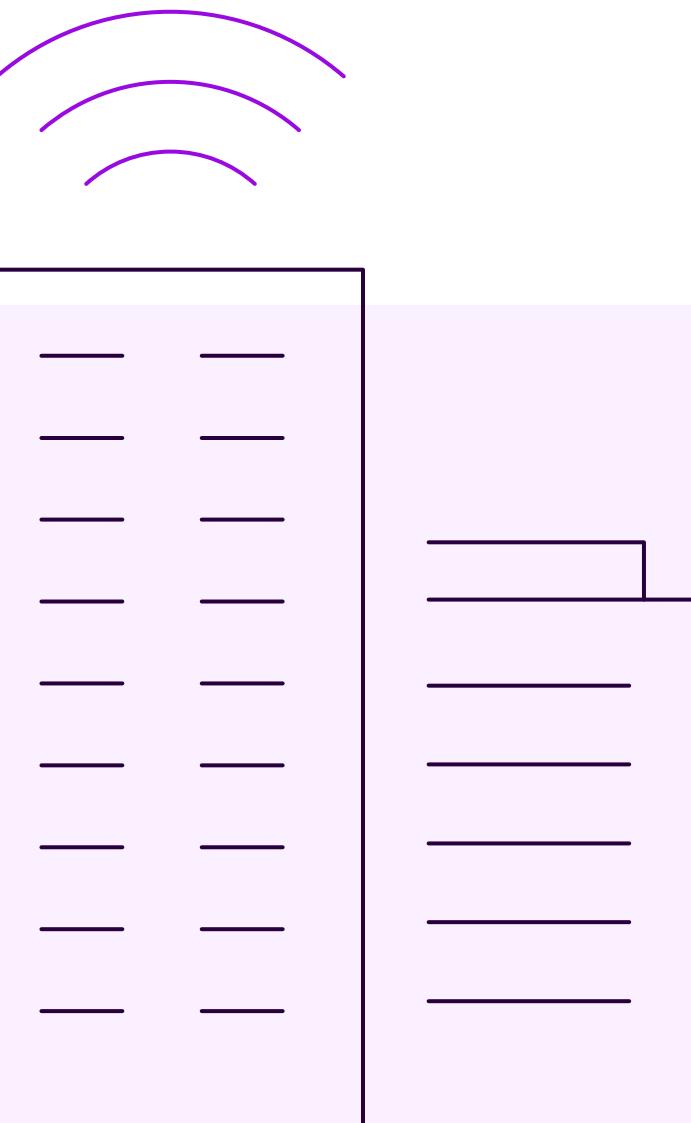
Risk management

To mitigate liquidity risk, the Company in January 2023 had signed an agreement with the largest shareholder of the Company, Telia Company AB, regarding revolving credit facility that provides the Company with the possibility to borrow any amount up to total limit of EUR 50 million for 3 or 6 months within 2 business days.

The Company's financial risk management is carried out by employees of Finance unit of the Company under Telia Company Group policies in close co-operation with Telia Company Group Treasury. More information about the Company's financial risk management is provided in Note 3 of the Company's Financial Statements for the year ended 31 December 2022.

Security and integrity are of highest priority to Telia Company Group including Telia Lietuva. As a part of that we constantly evaluate and assess all partners and suppliers. We always oversee the construction and operation of our networks, and we are constantly focused on security and that applies to all suppliers. In 2020, Telia Lietuva has entered a strategic partnership with Ericsson (Sweden) to modernize its mobile network for rollout of 5G technology and phasing out currently in the Company's radio access network used Huawei equipment starting from 2021. As of 31 December 2022, majority of base stations were upgraded with Ericsson equipment.

In 2022, the Company faced the specific negative impact from raising energy prices as the Company is providing electricity-based means of communication and services. High inflation in the country caused increase in prices of some services and goods purchased by the Company. Instability of international supply chains initially caused by COVID-19, in 2022 was affected by the war in Ukraine.



Plans and forecasts

To satisfy increased demand for cloud computing services, the Company had purchased a 2-hectare land plot near Vilnius, where it will build a new data center. The Company plans to invest EUR 10 million into construction of the largest data centre in the country. At the same time, the Company will continue renovations and expansion of the existing data centers.

People

Telia Company's most valuable resource is our people. We strive to have the most engaged employees. Without our ability to identify, hire and retain the best people, we would lose some of our unique culture and competitive edge.

People Policy defines the Company's expectations of the employees as well as what expectations our employees shall have of each other and on the Company as their employer. The policy does not form part of any employee's contract of employment and may change from time to time at the discretion of the Company.

The [Code of Responsible Business Conduct](#) lays out basic expectations on employees. Telia Company Group is committed to several international principles and frameworks such as the UN Guiding Principles on Business and Human Rights, the ILO Core Conventions and the Children's Rights and Business Principles. Employees are, at all times, expected to respect these commitments.

[The People Policy covers the following areas:](#)

- Addictive substances
- Child labor and forced labor
- Disclosure of conflicting interests
- Freedom of association and collective bargaining
- Integrity
- Non-discrimination, equal opportunity and diversity
- Recruitment
- Terms of employment and working hours
- Total remuneration
- Travel

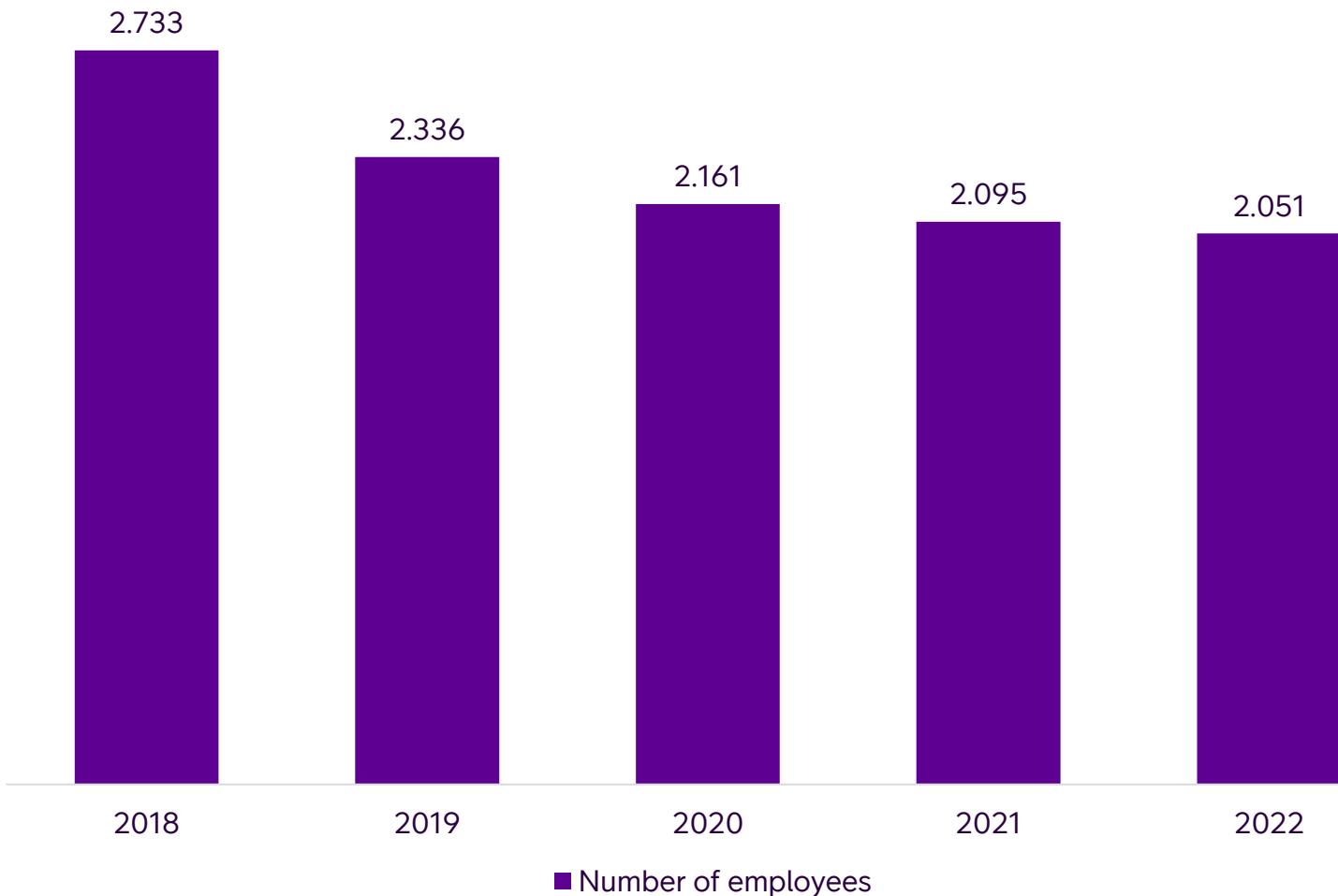
Any Telia Company employee who suspects violations of the Code of Responsible Business Conduct or People Policy must speak up and raise the issue primarily to their line manager, and secondly to the Human Resources unit, to the Ethics and Compliance Office, or through the [Speak-Up Line](#).

The protection and improvement of the health, safety and well-being of everyone who works for or with the Company, is a guiding principle in all our operations. This definition includes our employees, contractors, suppliers and visitors. Our common approach is built on promoting good health, well-being and safe work conditions, preventing occupational risks and ill health, and rapidly reacting to injuries and unsafe conditions. This applies to both physical and psycho-social work aspects.

The Company's occupational health and safety (OHS) management system cover all requirements of ISO 45001 standard. The certificate of compliance with Occupational health and safety (ISO 45001) standard was obtained by the Company in October 2017.

The Company's objective is to maximize the effectiveness of **remuneration** programs to attract, retain and motivate high calibre staff needed to maintain and improve the success of the business and support the change journey of becoming a new generation telecom company. The aim of Remuneration Policy and the associated remuneration practices is to support the strategic direction and objectives of the Company.

Number of Telia Lietuva employees at the end of period



People

The Remuneration Policy sets out the following principles:

- Competitiveness and positioning
- Job levelling
- Compliance
- Cost effectiveness and administrative efficiency
- Performance orientation
- Equal opportunity

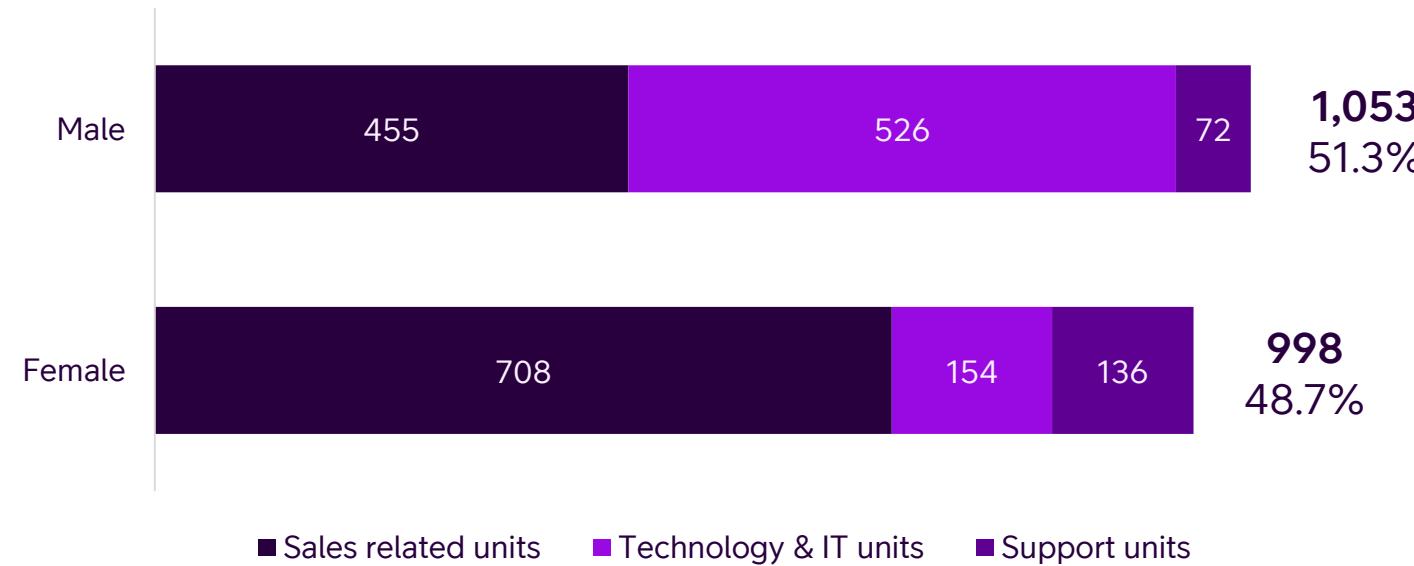
The Company applies total remuneration approach, which means that making remuneration comparisons with market levels and in communicating the value of remuneration to stakeholders, the emphasis is placed on the total value of the remuneration, not on the individual components. The Company offers different remuneration components to its employees differentiated based on types of businesses, functions, roles and markets. The remuneration may consist of one or more of the following components:

- Fixed base pay
- Short-term annual variable pay
- Functional variable pay
- the Company may introduce long-term incentive programs (such as share-based);
- other financial and non-financial benefits such as additional health insurance, pension plans, etc.

The remuneration of all employees is assessed once a year. In 2022, the remuneration was increased to 80 per cent of the Company employees on average by 10.4 per cent and annual bonuses amounting to roughly one monthly salary on average were paid to all employee of the Company which in 2021 worked in the Company for more than 3 months and did not receive sales incentive pays. According to the policy, the remuneration structure and levels for the members of the Company's Management Team are supervised and governed by the Remuneration Committee of the Company and are approved by the Board.

The Company provides additional health insurance to all employees and offers to employees pension savings at 3rd tier pension funds. We also have Collective Bargaining Agreement and Social needs fund. More information about these can be found in Sustainability overview part of this report.

Employees breakdown by gender and units as of 31 December 2022



Information about the Company's employees' average salaries as of 31 December 2022:

Group of employees	Number of employees	Average monthly salary (in EUR)
Managers (excluding CEO)	52	7,577
Middle level managers	188	3,456
Specialists	1810	2,092
	2,050	2,357

People

Remuneration Policy for CEO and members of the Board establishes requirements and guidelines in determining the remuneration of CEO and members of the Board of the Company. The policy provides that the remuneration package of the CEO consists of: (i) the fixed salary, (ii) variable pay which are paid out taking into consideration the financial results of the Company and personal performance results of the CEO; and (iii) other benefits. No deferred payments mechanisms are applied to the remuneration of the CEO unless it is agreed otherwise by mutual agreement of the Company and CEO. The maximum amount of the variable pay to the CEO may amount to 50 percent of the CEO's annual salary. The Company may provide other benefits and programs in accordance with market practice which may change from time to time. The CEO may be entitled to a company car, health and care provisions, etc. Premiums and other costs relating to such benefits may amount to not more than 10 percent of the fixed annual cash salary.

The policy states that the General Meeting may decide to make payments for the members of the Board, according to the provisions of the Law on Companies of the Republic of Lithuania. Members of the Board who are employees of Telia Company AB get remuneration according to the signed employment contracts with their respective employers. No additional payments for their activities as Members of the Board (tantiemis) are made to them by the Company. The Company only remunerates independent members of the Board, who receive a fixed annual payment. The General Meeting decides on the exact amount of such a payment, while approving the distribution of profit. Such payments are not treated as employment related income, instead they are payments for the activities of the Member of the Board (tantiems). The payments to the independent Members of the Board are set by taking into account relevant information from comparable companies (market benchmark).

From August 2020, Dan Strömberg became Senior Vice President & Head of cluster Lithuania, Estonia and Denmark (LED) at Telia Company as well as member of Telia Company Group Executive Management (GEM). Following Telia Company policies members of GEM are not entitled to variable pay.

Other benefits (income in kind) imply lease of apartment for CEO, who expatriated from his home country Sweden to work in Lithuania, transportation and other. Other benefits amounted to 9.5 per cent of the CEO's fixed salary. Following the Law, the employer's contribution to Social Insurance Fund in 2022 amounted to 1.77 per cent of the employee's remuneration. In addition, the Company shall contribute a difference, if any, following the agreement of Double taxation between the Republic of Lithuania and the Kingdom of Sweden. The Company does not offer any share-related incentive plans to the CEO and makes no contributions to the CEO's pension funds.

Following the Policy that provides that members of the Board that are employed by Telia Company AB, a largest shareholder of the Company, are not entitled to any remuneration from the Company, only two independent members of the Board – Dovilė Grigienė and Mindaugas Glodas – by decision of the Annual General Meeting received tantiemis (annual payment) for the year 2021: EUR 16,500 per person or EUR 33 thousand in total. No other remuneration or pay-outs from the Company to the Board members was allocated.

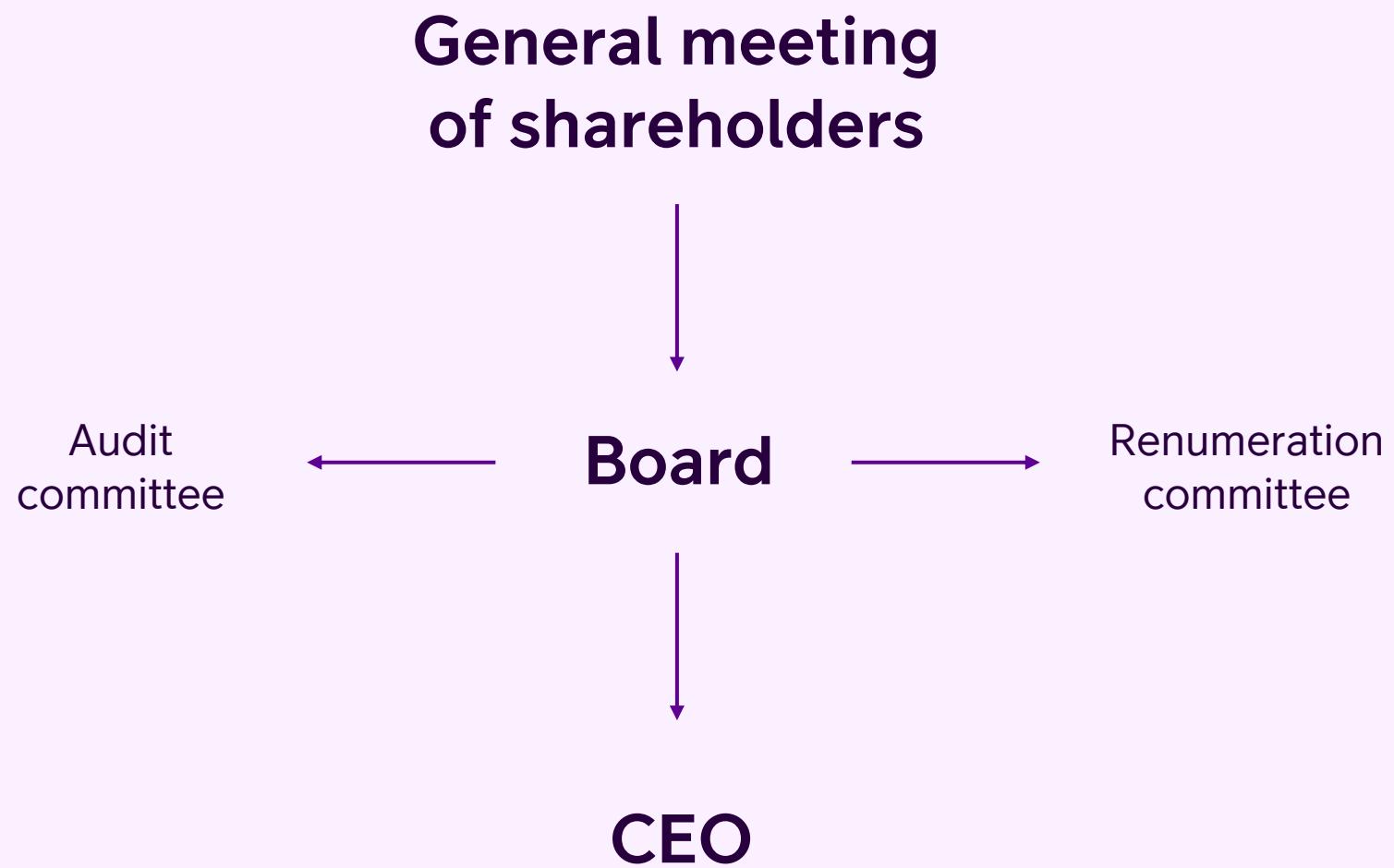
The information about remuneration of CEO of Telia Lietuva, AB during 2022 (in EUR):

Name	Fixed salary	Variable pay	Other benefits	Total remuneration	Employer's contribution	Daily allowance
Dan Strömberg	416,661	-	39,737	453,398	8,078	11,967

Corporate Governance

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 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.

Corporate governance

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 till 14 October 2022 was comprised from four representatives of the largest shareholder, Telia Company, and two independent members of the Board. One member of the Board representing Telia Company has resigned from the Board from 14 October 2022 and an independent member of the Board resigned on 15 December 2022. 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 2022, which is an annex to this Annual Report.

Shareholders' rights

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. As of 31 December 2022, 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' meeting

The Annual General Meeting of shareholders, that was held on 28 April 2022:

- approved the Company's audited annual financial statements for the year 2021,
- allocated the Company's profit for the year 2021,
- approved the Company's Remuneration Report for the year 2021.

There were 26 shareholders that took part in the Annual General Meeting, and they had 518,105,785 votes, which amounted to 88.93 per cent of the total number of the Company's vote-carrying shares. 25 shareholders, holding 518,102,785 shares had voted in advance.

Procedure for amending the Company's By-laws

The Company's By-laws provide that the By-laws of the Company can be amended upon the initiative of the Board or Shareholders, whose shares grant them no less than 1/20 of the whole votes. The decision on amendment of the By-laws shall be taken by the 2/3 majority of the votes of participants of the General Meeting. In case the General Meeting takes the decision to amend the By-laws of the Company the whole text of the amended By-laws shall be drawn and signed by the person, authorized by the General Meeting.

Corporate governance

The Board Activities

The current Board for two-year's term was elected on 27 April 2021. All the then elected all members of the Board were regarded as non-executive members of the Board, and Dovilė Grigienė and Mindaugas Glodas were regarded as independent members of the Board. During the fourth quarter of 2022, two members of the Board – Douglas Lubbe (Chairman) and Dovilė Grigienė (independent member of the Board) – has resigned from the Board. On 16 March 2023, two new members of the Board – Dan Strömberg (former CEO of Telia Lietuva) and Leda Iržikevičienė (independent member) – were elected to the Board for the current term of the Board. The current term of the Board terminates on 27 April 2023.

On 28 April 2022, the shareholders decided to allocate for the then two independent members to the Board – Dovilė Grigienė and Mindaugas Glodas – the total amount of EUR 33 thousand, or EUR 16,500 each, as a tantiemes (annual payment) for the year 2021.

On 18 October 2022, following the resignation of Chairman of the Board Douglas Lubbe, the Board has elected member of the Board Claes Nycander as new Chair of the Board and elected member of the Board Hannu-Matti Mäkinen as new member and the Chair of the Remuneration Committee.

During 2022, 7 ordinary **meetings of the Board** were held. Meetings were convened according to the preliminary approved schedule of the Board meetings. During all Board meetings there was quorum prescribed by legal acts.

In 2022, the Board, besides the ongoing follow up of the Company's business plan implementation and supervision of transformation program approved:

- financial statements for the 12 months of 2021 and 3, 6 and 9 months of 2022,
- financial statements and the annual report for the year ended 31 December 2021,
- convocation of the Annual General Meetings of Shareholders and agenda of the Meeting,
- proposal of profit allocation for the year 2021,
- Remuneration Report for the year 2021,
- payment of annual bonuses for the year 2021,
- internal audit plan for the year 2022,
- new Chair of the Board and new Chair of the Remuneration Committee,
- changes in organisational structure of the Company,
- new Head of Finance, Head of Consumers, Head of Marketing and Head of Digital & Analytics,
- the Company's participation at the auction for 5G mobile communication frequencies,
- the Revolver Credit Facility agreement with Telia Company for short-term borrowing up to EUR 50 million,
- agreements that value exceeds a threshold of EUR 1.6 million,
- update of the Company's Policies,
- increase of the audit fee for the year 2022,
- the preliminary budget for related parties' transaction (Common Services purchase from Telia Company Group) for the year 2023,
- business plan, the Company's targets and KPI's for the year 2023.

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

The **Remuneration Committee** of the Company shall make recommendations to the Board on how to create a competitive compensation structure that will help attract and retain key management talent, assure the integrity of the Company's compensation and benefit practices, tie compensation to performance and safeguard the interests of all shareholders. The Remuneration Committee reviews and establishes the general compensation goals and guidelines for the Company's employees and the criteria by which bonuses are determined, reviews and makes recommendation for compensation for executives and management, plans for executive development and succession, supports the Chair of the Board in the recruitment of CEO and supports CEO in recruitment of the managers directly reporting to CEO.

During 2022, four 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 2021,
- base salary review for Management team members,
- evaluation of the CEO performance during the year 2021,
- draft of Remuneration Report for the year 2020,
- variable pay KPI's for the year 2022,
- changes in Management team,
- employees' pension plan update,
- labour market update.

Corporate governance

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- evaluation of the CEO performance during the year 2021,
- draft of Remuneration Report for the year 2020,
- variable pay KPI's for the year 2022,
- changes in Management team,
- employees' pension plan update,
- labour market update.

Information about the Board members' attendance of the meetings in 2022 (number of attended/to be attended meetings):

Name, surname	Position	Board	Meeting attendance		Tantiemes for 2021 paid-out in 2022 (EUR)
			Audit Committee	Remuneration Committee	
Douglas Lubbe	Chair of the Board and member of the Remuneration Committee till 14 October 2022	4/5	2/2	-	-
Claes Nycander	Chair of the Board from 18 October 2022, member of the Remuneration Committee	7/7	4/4	-	-
Agneta Wallmark	Member of the Board, Chair of the Audit Committee	7/7	4/4	-	-
Hannu-Matti Mäkinen	Member of the Board, from 18 October 2022 – Chair of the Remuneration Committee	7/7	2/2	-	-
Dovilė Grigienė	Member of the Board and member of the Audit Committee till 15 December 2022	6/6	3/3	16,500	
Mindaugas Glodas	Member of the Board, member of the Audit and Remuneration Committees	7/7	4/4	4/4	16,500

Members of the Board

(as of 31 December 2022)



**Claes
Nycander**
(born in 1963)

Chair of the Board since 18 October 2022, member of the Board since 29 April 2014, re-elected for the two-year terms on 29 April 2015, 27 April 2017, 26 April 2019 and 27 April 2021 (nominated by Telia Company AB), **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 & Head of Chief Operating Officer Office & LED (Lithuania, Estonia, Denmark) Management at Common Products and Services (CPS).

Current Board Assignments:

- TT-Netværket P/S, Amager Strandvej 60, 2300 København S, Denmark, code 34230625, 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 Nätjänster Norden AB, Mårbackagatan 11, 123 43 Farsta, Sweden, code 556459-3076, Chair of the Board;
 - Telia Towers AB, 169 94 Solna, Sweden, code 559196-5164, member of the Board;
 - Telia Towers Finland Oy, Pasilan asema-aukio 1, FI-00520 Helsinki, Finland, code 2933075-9, member of the Board;
 - Telia Towers Norway AS, Lørenfaret 1 A, 0585 Oslo, Norway, code 921589298, member 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, Chair of the Board;
 - Svenska UMTS-licens AB, Warfvinges Väg 45, 112 51 Stockholm, Sweden, code 556606-7772, Chair of the Board;
 - Telia Eesti AS, Mustamäe tee 3, 15033 Tallinn, Estonia, code 10234957, member of the Supervisory Council;
 - Latvijas Mobilais Telefons (LMT) SIA, Ropažu iela 6, Riga, LV-1039 Latvia, code 50003050931, member of the Supervisory Council.
- Claes Nycander has no direct interest in the share capital of Telia Lietuva.



**Agneta
Wallmark**
(born in 1960)

Member of the Board since 25 April 2018, re-elected for the two-year terms on 26 April 2019 and 27 April 2021 (nominated by Telia Company AB), **Chair of the Audit Committee**.

Education: Stockholm School of Economics (Sweden), B. Sc. Econ with special focus on Accounting and Finance and Stockholm University (Sweden), LL M with special focus on Tax and Economics.

Employment – Telia Company AB, 169 94 Solna, Sweden, code 556103-4249, Vice President, Head of Group Treasury.

Current Board assignments:

- Telia Försäkring AB (Telia Insurance), 169 94 Solna, Sweden, code 516401-8490, Chair of the Board;
- Swedish Pension Fund of Telia, 169 94 Solna, Sweden, member of the Board;
- Andra AP-fonden, Östra Hamngatan 26, 404 24 Gothenburg, Sweden, member of the Board & Chair of Risk Committee;
- Skandia Life Insurance (Mutual), Lindhagensgatan 86, 112 18 Stockholm, Sweden, code 516406-0948, Chair of Nomination Committee for Council elections.

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

Members of the Board

(as of 31 December 2022)



**Hannu-Matti
Mäkinen**
(born in 1970)

Member of the Board since 25 April 2018, re-elected for the two-year terms on 26 April 2019 and 27 April 2021 (nominated by Telia Company AB), **Chair of the Remuneration Committee** from 18 October 2022.

Education: University of Arizona (U.S.A), College of Law, LL.M (Master of Laws) in International Trade Law, and University of Lapland (Finland), School of Law, LL. B (Bachelor of Laws) and LL.M (Master of Laws) in Finnish and EU-Law.

Employment – Telia Company AB, 169 94 Solna, Sweden, code 556103-4249, Chief Legal Counsel, Telia Asset Management.

Current Board Assignments:

- Telia Finland Oyj, PL 106, FI-0051 Sonera, Finland, code 1475607-9, member of the Board;
- Tilts Communications A/S, Holmbladsgade 139, 2300 København, Denmark, code 17260642, member of the Board;
- Tet SIA, Dzirnavu iela 105, Rīga, LV-1011 Latvia, code 40003052786, member of the Supervisory Council;
- Valokuitunen Oy, Hämeentie 15, 00500 Helsinki, Finland, code 3101706-7, member of the Board;
- Telia Towers AB, 169 94 Solna, Sweden, code 559196-5164, Chair of the Board;
- Telia Towers Finland Oy, Pasilan asema-aukio 1, FI-00520 Helsinki, Finland, code 2933075-9, Chair of the Board;
- Telia Towers Sweden AB (Sweden), 169 94 Solna, Sweden, code 559162-3342, Chair of the Board;
- Telia Towers Norway AS, Lørenfaret 1 A, 0585 Oslo, Norway, code 921589298, Chair of the Board.

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



**Mindaugas
Glodas**
(born in 1972)

Independent member of the Board since 25 April 2018, re-elected for the two-year terms on 26 April 2019 and 27 April 2021 (as independent member of the Board nominated by Telia Company AB), **member of the Audit and Remuneration Committees**.

Education: University of Antwerp, Centre for Business Administration UFSIA (Belgium), Master of Business Administration (MBA), and Vilniaus University, Faculty of Economics (Lithuania), Bachelor of Business Administration (BBA).

Employment:

- NRD Companies AS, Løkketangen 20 B, 1337 Sandvika, Norway, code 921985290, General Manager;
- Norway Registers Development AS, Løkketangen 20 B, 1337 Sandvika, Norway, code 985221405, General Manager;
- Norway Registers Development AS Lithuanian branch, Gynėjų g. 14, LT-01109 Vilnius, Lithuania, code 304897486, General Manager;
- NRD Systems, UAB, Gynėjų g. 14, LT-01109 Vilnius, Lithuania, code 111647812, General Manager.

Involvement in activities of other entities:

- Association Žinių Ekonomikos Forumas, Saulėtekio al. 15, LT-10221, Vilnius, Lithuania, code 225709520, member of the Council;
- Lithuanian National Committee for UNICEF, Aušros Vartų g. 3, LT- 01304 Vilnius, Lithuania, code 191588169, Chair of the Board;
- Association INFOALT, A. Goštauto g. 8-313, LT-01108 Vilnius, Lithuania, code 122361495, member of the Board and Vice President;
- MB Vox Proxima, Perkūno g. 32, Gilužių k., LT-14195 Vilniaus r., Lithuania, code 303481474, member of partnership (50 per cent);
- UAB Privacy Partners Group, Smolensko g. 6, LT-03201 Vilnius, Lithuania, code 302415083, shareholder (39 per cent).

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

Members of the Board

Douglas Lubbe

Douglas Lubbe (born in 1972) was Chair of the Board and member of the Remuneration Committee till his resignation as of 14 October 2022. He was member of the Board since 23 November 2020, re-elected for the two-year terms on 27 April 2021 (nominated by Telia Company AB). Education: University of Southern Queensland (Australia) Master of Business Administration; South African Institute of Chartered Accountants, Certificate of Membership; University of South Africa, Bachelor of Accounting Science; Potchefstroom University for Christian Higher Education (South Africa), Bachelor of Commerce. Till 14 October 2022 he was Chief Financial Officer at Telia Sverige AB, 169 94 Solna, Sweden, code 556430-0142. Douglas Lubbe had no direct interest in the share capital of Telia Lietuva.

Dovilė Grigienė

Dovilė Grigienė (born in 1977) was an independent member of the Board and member of the Audit Committee till her resignation on 15 December 2022. She was member of the Board since 27 April 2021 (as independent member of the Board nominated by Telia Company AB). Education: Concordia University Wisconsin, U.S.A., Master of Business Administration in Finance and Management Information Systems, and Concordia International University Estonia, Estonia, Bachelor's degree in International Business. Dovilė Grigienė had no direct interest in the share capital of Telia Lietuva.

Governing structure of Telia Lietuva valid from 1 July 2022



Following departure of Nortautas Luopas, Head of Consumer and Digital & Analytic, on 30 June 2022, the Board has approved a new structure of the Company valid from 1 July 2022 and appointed the heads of the Consumer, Marketing, and Digitisation & Analytics units from within the Company.

From 4 July 2022, Daina Večkytė stepped in as new Head of Finance to substitute Arūnas Lingė, who left the Company on 29 April 2022. From 30 April 2022 till 3 July 2022, the then Head of Business Control Polina Rys was an interim Head of Finance.

From 1 July 2022, Elina Dapkevičienė was appointed Head of Consumer. Before that she was leading the Company's Home Services Segment team. From 1 July 2022, the Marketing team was moved from Consumer into separate unit and is continuously led by Vaida Jurkonienė. Diana Gold was appointed as Head of Digitisation and Analytics from 1 September 2022, having previously been Head of IT at Common Products and Services.

Management Team

(as of 31 December 2022)



**Dan
Strömberg**
(born in 1958)

CEO of the Company from 4 July 2018 till 28 February 2023.

Education: IHM/Stockholm University (Sweden), Finance and IHM Business School (Sweden), Marketing.

Involvement in activities of other entities:

- Telia Company AB, 169 94 Solna, Sweden, code 556103-4249, Senior Vice President & Head of cluster Lithuania, Estonia and Denmark (LED);
- Telia Eesti AS, Mustamäe tee 3, 15033 Tallinn, Estonia, code 10234957, Chair of the Supervisory Council;
- Association Investors' Forum, Totorių str. 5-21, LT-01121 Vilnius, Lithuania, code 224996640, member of the Board till 1 March 2023.

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



**Elina
Dapkevičienė**
(born in 1983)

Head of Consumer (B2C) from 1 July 2022.

Education – Stockholm School of Economics in Riga (Latvia), Bachelor degree in Economics and Business Administration.

She is not involved in activities of other entities. Elina Dapkevičienė has no direct interest in the share capital of Telia Lietuva, AB and has no shareholdings that exceed 5 percent of the share capital of any company.



**Daniel
Karpovič**
(born in 1982)

Head of Enterprise (B2B) from 6 June 2019.

Education – Catholic University of Lublin in Poland, Master of Psychology and studies in Marketing.

He is not involved in activities of other entities. Daniel Karpovič has no direct interest in the share capital of Telia Lietuva and has no shareholdings that exceed 5 per cent of the share capital of any company.



**Giedrė
Kaminskaitė-
Salters**
(born in 1978)

Head of Sales and Customer Care from 8 January 2019 till 28 February 2023. From 1 March 2023 – CEO of Telia Lietuva.

Education: Maastricht University (The Netherlands), Doctor of Law; BPP Law School, London (United Kingdom), law conversion studies, juris doctor equivalent; Oxford University (United Kingdom), MPhil in International Relations; London School of Economics (United Kingdom), Bachelor of Science in International Relations.

Involvement in activities of other entities:

- Vilnius University Institute of International Relations and Political Science, Vokiečių g. 10-403, Vilnius, Lithuania, code 125745184, member of the Board of Trustees.

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

Management Team

(as of 31 December 2022)



**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.



**Diana
Gold**
(born in 1982)

Head of Digital & Analytics from 1 September 2022.

Education: Vilnius University (Lithuania), Bachelor's degree in Management Information Systems and Master's degree in Management Information Systems; KTH / Royal Institute of Technology (Sweden), Master's degree in ICT Entrepreneurship.

She is not involved in activities of other entities. Diana Gold has no direct interest in the share capital of Telia Lietuva, AB and has no shareholdings that exceed 5 percent of the share capital of any company.



**Daina
Večkytė**
(born in 1971)

Head of Finance from 4 July 2022.

Education: Vytautas Magnus University (Lithuania), Bachelor of Business Administration and MBA, Finance and Banking.

She is not involved in activities of other entities. Daina Večkytė 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.



**Ramūnas
Bagdonas**
(born in 1974)

Head of People and Engagement from 1 June 2014.

Education: Vytautas Magnus University (Lithuania), Master of Business Administration; Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration.

Involvement in activities of other entities:

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

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

Management Team

(as of 31 December 2022)



**Daiva
Kasperavičienė**
(born in 1968)

Head of Legal and Corporate Affairs from 25 January 2019.

Education – Vilnius University (Lithuania), Law Master's degree.

She is not involved in activities of other entities. Daiva Kasperavičienė has no direct interest in the share capital of Telia Lietuva. She has no shareholdings that exceed 5 percent of the share capital of any company.



**Vaida
Jurkonienė**
(born in 1971)

Head of Marketing from 1 July 2022.

Education: Kaunas Technology University (Lithuania), Bachelor of Business Administration (following Norwegian Business School BI program) and Master in Economics studies.

She is not involved in activities of other entities. Vaida Jurkonienė 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.



**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 & Transformation from 15 December 2017.

Education: Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration; Kaunas Technology University (Lithuania), Bachelor of Management of Production and Master of Marketing.

Involvement in activities of other entities:
– Member of the Cyber Security Council (Lithuania)
– Association INFOBALT, A. Goštauto g. 8-313, LT-01108 Vilnius, Lithuania, code 122361495, Deputy Chair of Cybersecurity Committee.

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

Corporate governance

Information about remuneration of key management personnel is provided in Note 27 of the Company's Financial Statements for the year ended 31 December 2022. Key management includes CEO, Heads of Units directly reporting to CEO and Heads of the largest Units of the Company. The total amount of the Company's dividends for the year 2021 paid in 2022 to key management personnel amounted to 876.1 euro.

During 2022, 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 or associates paid salaries or other payouts to the members of the Board or members of the Management Team of the Company for being members of their managing bodies.

The principle of employees' (including managers) equal opportunities based on competence, experience and performance, regardless of gender, race, ethnicity, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social background and/or other characteristics protected by applicable law, is set in the People Policy. Nevertheless, the Board introduced a soft target to increase the number of females in the management positions, as till the fourth quarter of 2022 two female out of six are members of the Board, while as of 31 December 2022 seven out of twelve were members of Management Team.

Information about agreements of the Company and the members of its management bodies, or the employee providing for a compensation in case of the resignation or in case they are dismissed without due reason, or their employment is terminated in view of the change of the control of the Company.

All the Company's employment agreements with the employees, including management, of the Company are concluded following requirements of the Labour Code of the Republic of Lithuania. Employees are employed and laid off following requirements of the Labour Code.

Members of the Company's Board are elected for a two-year term by the shareholders without any employment agreements as they represent shareholders and are not employees of the Company. The Annual General Meeting of Shareholders while adopting decision on profit allocation can also pass a decision on granting annual compensations (tantiemes) to members of the Board for their activities. Members of the Board have a right to resign from the Board prior to the termination of the term of the Board upon written notification to the Company submitted not later than 14 calendar days. The Rules of Procedure of the Board do not provide for any compensations or pay-outs in case any member of the Board resigns prior to the termination of the term of the Board.

The Board approves the main conditions of employment agreements of the members of the Company's Management Team. The said conditions stipulate that where a member of the Management Team has his/her employment agreement terminated due to his/her revocation from the office under the initiative of the Company without any fault on the part of the member of the Management Team, the Company must pay to him/her the compensation amounting up to 6 monthly salaries unless laws regulating labour relations provide otherwise.

There are no material agreements to which the Company is a party, and which would come into effect, be amended or terminated in case of change in the Company's control.

The main features of the Company's internal control and risk management systems related to preparation of financial statements.

Starting from financial year that ended 31 December 2021, the Company prepares stand-alone financial statements according to the International Financial Reporting Standards (IFRS) as adopted by the EU as the Company from 1 July 2020 has no subsidiaries to be consolidated. Before that the Company was preparing consolidated financial statements according to the International Financial Reporting Standards (IFRS) as adopted by the EU.

In collaboration with Telia Company AB, the Company had implemented a process of internal controls. It was implemented following the COSO (Committee of Sponsoring Organizations of the Treadway Commission) methodology.

The process of the Company's internal controls implies control of business processes related to provision of services and revenue assurance (customers' settlements and accounting, development and management of services, services provision), performance of IT systems (customer care and billing, infrastructure, network information, financial accounting, salary accounting, networks' interconnection) and the process of preparation of financial reports.

The Company's Process for Preparation of Financial Statements provides that financial statements will be prepared in a correct and timely manner. The Process for Preparation of Financial Statements describes potential risks, methods, types and frequencies of risks control, proves of control, employees responsible for and employees executing control related to preparation of financial statements.

Auditors

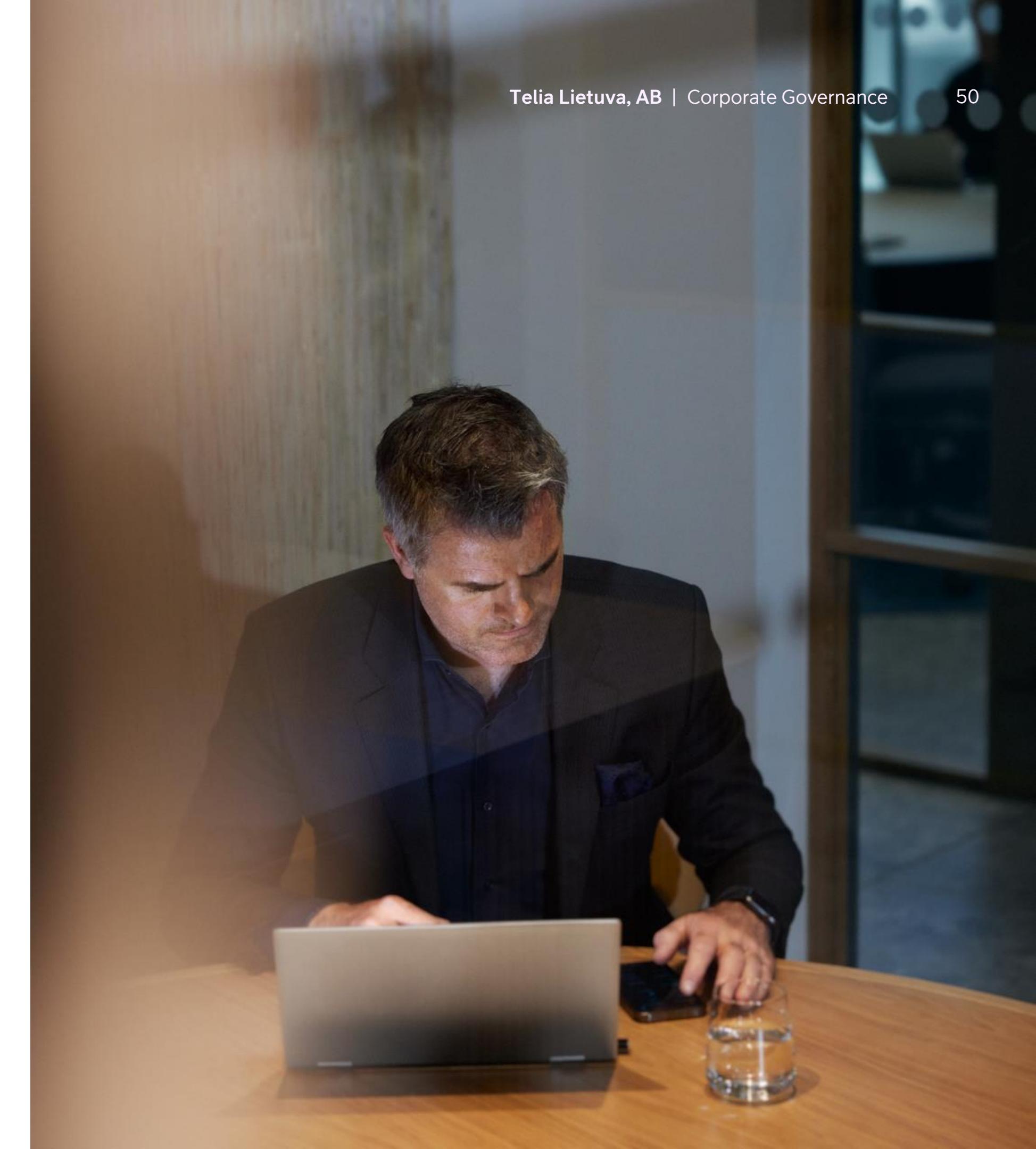
Auditors from UAB Deloitte Lietuva, a member of the Deloitte network, audited the consolidated and separate financial statements of the Company and its then consolidated subsidiaries for the years ended 31 December 2014, 2015, 2016, 2017, 2018, 2019 and 2020 together with the related consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of financial position, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows and a summary of significant accounting policies and other explanatory notes for the years then ended. Auditors from UAB Deloitte Lietuva audited stand-alone financial statements of the Company for the years ended 31 December 2021 and 2022 together with the related statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows and a summary of significant accounting policies and other explanatory notes for the years then ended.

On 27 April 2021, the shareholders of the Company decided to elect UAB Deloitte Lietuva as the Company's audit enterprise to perform the audit of the annual financial statements of the Company for the year 2021 and 2022, and to assess the annual report of the Company for the year 2021 and 2022, and to authorize the CEO of the Company to conclude the agreement for audit services, establishing the payment for services as agreed between the parties but in any case not more than EUR 270 thousand (VAT excluded) for the audit of the Company's annual financial statements and the assessment of the report (i.e. EUR 135 thousand (VAT excluded) per each financial year).

For the audit of financial statements for the year 2021 the Company has paid to UAB Deloitte Lietuva EUR 132.2 thousand. For the audit of financial statements for the year 2022 UAB Deloitte Lietuva has requested payment which is higher than the one set by the decision of the Company's shareholders. On 16 March 2023, the Extraordinary General Meeting decided to authorize the CEO of the Company to conclude the agreement with UAB Deloitte Lietuva for audit services, establishing the payment for services as agreed between the parties but in any case, not more than EUR 161 thousand (VAT excluded) for the audit of the Company's financial statements and the assessment of the annual report for the year 2022.

Deloitte is a globally connected network of member firms in more than 150 countries and territories providing audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. The criteria for selection of Deloitte as the Company's audit enterprise were decision of the Annual General Meeting of Telia Company AB shareholders on 12 April 2021 and 6 April 2022 to elect Deloitte AB (Sweden) as the auditor of Telia Company. The aim is that consolidated subsidiaries of Telia Company be audited by the same highly reputable international audit enterprise, therefore the Company is audited by Lithuanian arm of Deloitte.

Following the Law of the Republic of Lithuania on Audit, UAB Deloitte Lietuva on 31 March 2022 at the meeting of the Audit Committee of the Company officially stated about UAB Deloitte Lietuva independence from the Company for the year 2022. During 2022, UAB Deloitte Lietuva did not provide any other than audit services to the Company and did not receive any other remuneration from the Company except for the audit services provided.



Corporate governance reporting form

for the year ended 31 December 2022

The public limited liability company Telia Lietuva, AB (hereinafter referred to as the “Company”), acting in compliance with Article 12 (3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

1. Summary of the Corporate Governance Reporting Form

According to the By-Laws of Telia Lietuva, AB, the governing bodies of the Company are the General Shareholder's Meeting, the Board and CEO. 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. Following the By-Laws of the Company the Board is elected for a term of two years. There are two committees in the Company: Audit and Remuneration. The Company does not have a Nomination Committee as its functions are performed by the Remuneration Committee. The Board elect members of both committees for a term of two years. Three members of the Board, whereof two are independent, comprise the

Audit Committee, and three members of the Board, whereof one is independent, comprise the Remuneration Committee. The Board elects and recalls CEO of the Company, sets his/her remuneration and other conditions of the employment agreement.

One member of the Board has resigned from the Board as of 14 October 2022 and the other one – on 15 December 2022. At the end of 2022, there were 4 members of the Board out of 6 provided by the By-Laws of the Company, and only 2 members (one whereof an independent) comprised the Audit Committee. The Remuneration Committee was comprised by 3 members (one whereof an independent) of the Board.

More information about the corporate governance, shareholders' rights, activities of the Board and the Committees as well as members of the Board and Management Team, internal control and risk management systems are provided in the Annual Report of Telia Lietuva, AB, for the year ended 31 December 2022.



Corporate governance reporting form

for the year ended 31 December 2022

2. Structured table for disclosure

Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights

The corporate governance framework should ensure the equitable treatment of all shareholders.
 The corporate governance framework should protect the rights of shareholders.

Principles / recommendations	Yes / No / Not applicable	Commentary
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	The Company's documents and information required by the legal acts are available on the Company's webpage in both Lithuanian and English languages. All shareholders have the equal rights to participate in the General Meetings of Shareholders.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The share capital of the Company consists of 582,613,138 ordinary registered shares of EUR 0.29 nominal value each. Each share gives one vote during the shareholders meeting. All shares of the Company are given equal rights.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company's By-Laws, stipulating all the rights of shareholders, are publicly available on the Company's webpage.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes	The shareholders approve all the transactions that, following the Law on Companies and the By-Laws of the Company, should be approved by the shareholders.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The shareholders' meetings of the Company are convened at the head-quarters of the Company in Vilnius. The Annual General Meetings are usually held in the second half of April. In 2022 the Annual General Meeting was convoked on 28 April 2022 at 1 p.m. The notice of General Meetings of Shareholders specified that draft decisions could be submitted at any time before or at the General Meeting of Shareholders in writing.

Corporate governance reporting form

for the year ended 31 December 2022

Principles / recommendations	Yes / No / Not applicable	Commentary
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All the documents and information related to the General Meeting of Shareholders including notices of the meetings, draft decisions, decisions and minutes of the meetings are publicly announced in two languages – Lithuanian and English – simultaneously via regulatory news dissemination system and on the Company's website. Draft decisions for the Annual General Meeting, held on 28 April 2022, were announced in two languages on 5 April 2022.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders of the Company may exercise their right to vote in the General Meeting in person or through a representative upon issuance of proper proxy or having concluded an agreement on the transfer of their voting rights in the manner compliant with the legal regulations, also the shareholder may vote by completing the General Voting Ballot in the manner provided by the Law on Companies.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	Currently the Company could not provide possibility to the shareholders to participate at the General Meetings with means of electronic communication as secure means to guarantee text protection and possibilities to identify the signatures of voting persons are not yet fully available in Lithuania.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	The nominees to the Board are publicly announced as soon as the Company receives nominations. Publicly announced and presented to the General Meeting CVs of the Board nominees contain information about their education, employment history and other competence. The amount of annual compensation (tantiemes) to the Board members is provided in the draft of the Profit allocation statement presented the General Meeting. The name of proposed audit company and proposed remuneration for the audit services are presented in advance as a draft decision for the General Meeting.
1.10. Members of the company's collegial management body, heads of the administration or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	CEO and CFO of the Company participated at the Annual General Meeting of Shareholders held on 28 April 2022.

Corporate governance reporting form

for the year ended 31 December 2022

Principle 2: Supervisory board

2.1. Functions and liability of the supervisory board

The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.

Principles / recommendations	Yes / No / Not applicable	Commentary
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	

Corporate governance reporting form

for the year ended 31 December 2022

Principle 2: Supervisory board

2.2. Formation of the supervisory board

The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.

Principles / recommendations	Yes / No / Not applicable	Commentary
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Not applicable	
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Not applicable	
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Not applicable	
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Not applicable	
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Not applicable	
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Not applicable	

Corporate governance reporting form

for the year ended 31 December 2022

Principle 3: Management Board

3.1. Functions and liability of the management board

The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

Principles / recommendations	Yes / No / Not applicable	Commentary
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	As there is no Supervisory Council in the Company, the Company's Board performs supervisory functions set by the Law on Companies of the Republic of Lithuania and approves the Company's strategy.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	The Company's approach towards employees, suppliers, customers and society are set up in respective Company's policies and Code of Responsible Business Conduct that are approved by the Board and are available on the Company's webpage.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	Internal policies of Telia Company Group are adopted by the Company's Board including the Code of Responsible Business Conduct, and their implementation in the Company is followed up at regular local Governance, Risk, Ethics and Compliance (GREC) meetings.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Company's Governance, Risk, Ethics and Compliance (GREC) meetings are held on a regular basis.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	The CEO of the Company, who was appointed by the Board on 4 July 2018 and was serving in this position until 28 February 2023, has a vast managerial experience in telecommunication industry and used to work in Lithuania for a couple of years.

Corporate governance reporting form

for the year ended 31 December 2022

Principle 3: Management Board

3.2. Formation of the management board

Principles / recommendations	Yes / No / Not applicable	Commentary
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes, except gender diversity	4 members (2 whereof has resigned during the second half of 2022) of the Board have MBA degrees, one has degrees in Finance and Accounting, and one has Master of Law degree. 4 (one whereof has resigned in October) members of the Board were working in the telecommunications company; one – in ICT sector and one who resigned in December has banking experience. Before one's resignation in December 2 members of the Board were females. At the end of 2022, there were 4 members of the Board.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	CVs of the nominees to the Board (including information about candidate's participation in activities of other companies) are included into the draft decisions for the General Meeting of Shareholders and are available at the Company's website, and shareholders may be acquitted with such information in advance. Information about employment of the Board members as well as their participation in the activities of other companies is continuously monitored and collected, and each quarter updated information is presented at the Company's website as well as in the Company's annual and interim reports.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	Upon election, all members of the Board were acquainted with their duties and responsibilities set by Lithuanian legislation as well as the By-laws of the Company. Members of the Board on the regular basis are informed about the Company's performance and its development, as well as major changes in the Company's activities legal framework and other circumstances having effect on the Company during the Board meetings and individually upon the need and request by the Board members.

Corporate governance reporting form

for the year ended 31 December 2022

Principles / recommendations	Yes / No / Not applicable	Commentary
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	Following the By-Laws of the Company, the Board members are elected for a two-year term, not limiting the number of terms. Thus, one member of the Board has been working in the Board since April 2014 and has been re-elected four times – in April 2015, April 2017, April 2019 and April 2021. Another was elected in April 2016 and worked till April 2017, and once again was elected in April 2018 and re-elected in April 2019 and April 2021. Two members were elected in April 2018 and re-elected in April 2019 and April 2021. The member of the Board who resigned in October 2022 was elected in November 2020 to substitute the resigned member of the Board and re-elected in April 2021. Another resigned in December 2022 member of the Board was elected in April 2021. The current two-year term of the Board ends on 27 April 2023.
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	Both, the resigned in October 2022 and newly elected, Chairs of the Board represented the majority shareholder of the Company and were/are not involved in any daily activities of the Company, nor had/has at any time been working in the Company. Former CEOs of the Company are neither working in the Company nor in any collegial body.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	Each member devotes sufficient time and attention to perform his duties as a member of the collegial body. During all Board meetings in 2022 there was the quorum prescribed by legal acts. Attendees of the meetings are registered in the minutes of the meetings and information about attendance of the meetings by each member of the Board is presented in the Annual Report for the year 2022.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Yes	Till December 2022, there were two independent members of the Board. Mindaugas Glodas was re-elected for a new term of the Board in April 2021 and new independent member of the Board, Dovilė Grigienė, was elected in April 2021 but resigned from the Board in December 2022. It was disclosed before the Annual General Meeting in 2021 which nominees to the Board upon election will be regarded as independent members of the Board.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	While approving the Profit allocation statement the Annual General Meeting of the Company's Shareholders sets the annual compensations (tantiemes) to the members of the Board. Starting from 2016, annual compensation (EUR 16.5 thousand per person for the year 2021) is paid only to independent members of the Board.

Corporate governance reporting form

for the year ended 31 December 2022

Principles / recommendations	Yes / No / Not applicable	Commentary
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	According to the information possessed by the Company, all members of the Board that perform supervisory functions provided by the Law are acting in a good faith in respect of the Company, in the interest of the Company but not in the interest of their own or third parties, pursuing principles of honesty and rationality, following obligations of confidentiality and property separation, thus striving to maintain their independence in decisions making.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes	Information about the Board and its Committees' activities is disclosed in the Annual Report for the year 2022. The Board members carried out an assessment of the Board's annual activities.

Corporate governance reporting form

for the year ended 31 December 2022

Principle 4: Rules of procedure of the supervisory board and the management board of the company

The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.

Principles / recommendations	Yes / No / Not applicable	Commentary
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	The Company has the Board that represents the shareholders of the Company and is responsible for strategic management of the Company, supervision and control of activities of CEO of the Company. The management team of the Company on a regular basis informs the Board about the Company's performance.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterrupted resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	The Company's Board meetings are convoked according to the preliminary approved meetings schedule for the year. At least one ordinary meeting is held each quarter, while extraordinary meetings could be convoked upon the need.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	Following the Board Rules of Procedure, information about the meeting convocation, agenda and all materials related to the agenda issues should be provided to each Board member not later than 7 days before the meeting. The meeting agenda should not be changed during the meeting, unless all members present at the meeting agree or absentees inform that they agree with the changed agenda.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Not applicable	There is no Supervisory Council in the Company, but dates and agenda of the Board meetings are coordinated with the CEO of the Company, and the CEO of the Company as well as other members of the management team, if necessary, participate in the Board meetings.

Corporate governance reporting form

for the year ended 31 December 2022

Principle 5: Nomination, remuneration and audit committees

5.1. Purpose and formation of committees

The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.

Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

Principles / recommendations	Yes / No / Not applicable	Commentary
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees.	Yes	There are two instituted by the Board Committees in the Company: Audit and Remuneration. The Nomination Committee is not instituted as its functions are performed by the Remuneration Committee. Three members of the Board shall comprise each committee.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.		
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Not applicable	
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes	Three members of the Board shall comprise each committee. Until one independent member of the Board has resigned in December 2022, both independent members of the Board were members of the Audit Committee. All members of the Audit committee have a financial background. One independent member of the Board is also member of the Remuneration Committee. All three members of the Remuneration Committee have managerial experience. Chair of the Board was/is an ordinary member of the Remuneration Committee.

Corporate governance reporting form

for the year ended 31 December 2022

Principles / recommendations	Yes / No / Not applicable	Commentary
<p>5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.</p>	Yes	<p>Responsibilities and work regulations of the committees are approved by the Board. In 2019, Rules of Procedure of both committees were revised and updated.</p> <p>The names of the Committee members are announced in the Company's periodic reports and on the webpage of the Company.</p> <p>Information about activities of the committees and attendance of the committees' meeting is provided in the Annual Report for the year 2022.</p>
<p>5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.</p>	Yes	<p>Employees of the Company who are responsible for the discussed area as well as external partners such as auditors participate in the Committees' meetings and provide all necessary information.</p>

Corporate governance reporting form

for the year ended 31 December 2022

Principle 5: Nomination, remuneration and audit committees

5.2. Nomination committee

Principles / recommendations	Yes / No / Not applicable	Commentary
<p>5.2.1. The key functions of the nomination committee should be the following:</p> <p>1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected;</p> <p>2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought;</p> <p>3) devote the attention necessary to ensure succession planning.</p>	Yes	In the Company, the function of the Nomination Committee is performed by the Remuneration Committee.
<p>5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.</p>	Yes	

Corporate governance reporting form

for the year ended 31 December 2022

Principle 5: Nomination, remuneration and audit committees

5.3. Remuneration committee

Principles / recommendations	Yes / No / Not applicable	Commentary
<p>5.3.1. The main functions of the remuneration committee should be as follows:</p> <p>1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so;</p> <p>2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;</p> <p>3) review, on a regular basis, the remuneration policy and its implementation.</p>	Yes	<p>Information about activities of the Remuneration committee is provided in the Annual Report for the year 2022.</p>

Corporate governance reporting form

for the year ended 31 December 2022

Principle 5: Nomination, remuneration and audit committees

5.4. Audit committee

Principles / recommendations	Yes / No / Not applicable	Commentary
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee.	Yes	
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	Internal and external auditors present their activities plans and reports to the Audit Committee on a regular basis.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	Reports of the Company's Governance, Risk, Ethics and Compliance (GREC) meetings are presented to the Audit Committee on a regular basis.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	Reports of the Audit Committee are presented at the Board meetings on a regular basis.

Corporate governance reporting form

for the year ended 31 December 2022

Principle 6: Prevention and disclosure of conflicts of interest

The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.

Principles / recommendations	Yes / No / Not applicable	Commentary
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	

Corporate governance reporting form

for the year ended 31 December 2022

Principle 7: Remuneration policy of the company

The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.

Principles / recommendations	Yes / No / Not applicable	Commentary
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The Remuneration Policy for CEO and members of the Board of the Company approved by the Annual General Meeting of Shareholders is placed on the Company's website.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	Only independent members of the Board receive the annual compensations (tantiemes) approved by the Annual General Meeting. The amount of tantiemes paid to 2 independent members of the Board for the year 2021 was EUR 16.5 thousand per person.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	The Company's Remuneration Policy for CEO and members of the Board stipulates that upon termination of the employment contract the CEO should be entitled to receive the statutory severance pay as specified in the Labor Code of the Republic of Lithuania or other laws, unless it was agreed with the Board on different severance pay in CEO's employment contract.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Not applicable	The Company does not have any share options scheme for employees' remuneration.

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Principles / recommendations	Yes / No / Not applicable	Commentary
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The Company prepared Report on implementation of the Remuneration Policy for CEO and members of the Board. The Report provides information on remuneration of CEO and members of the Board. The Report is publicly available on the Company's webpage.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	Following the requirement of the Laws, the Annual General Meeting of Shareholders approves the Remuneration Policy for CEO and members of the Board and annual Report on Policy's implementation. The Company does not apply any schemes for remuneration in shares, share options or any other rights to purchase shares or be remunerated based on share price movements.

Corporate governance reporting form

for the year ended 31 December 2022

Principle 8: Role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

Principles / recommendations	Yes / No / Not applicable	Commentary
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Code of Responsible Business Conduct is approved by the Board and is available on the Company's webpage.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	The Company and trade unions that represent employees of the Company have signed a Collective Bargaining Agreement. In 1999, following the Company's privatization program, almost 5 per cent of the Company's shares were sold to its employees. The current and former employees of the Company participate in the shareholders meetings, show interest in the Company's performance and results. Every year the Company pays dividends to the shareholders. The Company has approved Support Policy and, on the basis of it, builds its relations with society and local communities.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company prepares the Sustainability Report, which discusses principles and practices in relation to the Company's cooperation with investors, employees, customers and local communities.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	There is a Speak-Up Line valid for the whole Telia Company Group.

Corporate governance reporting form

for the year ended 31 December 2022

Principle 9: Disclosure of information

The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.

Principles / recommendations	Yes / No / Not applicable	Commentary
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	Yes	The Company reports its operating and financial results quarterly.
9.1.2. objectives and non-financial information of the company;	Yes	The Company reports its operating and financial results quarterly.
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	The information is available on the Company's website and is presented in the interim and annual reports.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	The information is available on the Company's website and is presented in the interim and annual reports.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	The information about composition of the committees, number of meetings and attendance is presented in the semi-annual and annual reports.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	Information is presented in the semi-annual and annual reports.
9.1.7. the company's transactions with related parties;	Yes	The information is available on the Company's website and is presented in the interim and annual reports.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes	Information is presented in the semi-annual and annual reports.
9.1.9. structure and strategy of corporate governance;	Yes	The information is available on the Company's website and is presented in the interim and annual reports.

Corporate governance reporting form

for the year ended 31 December 2022

Principles / recommendations	Yes / No / Not applicable	Commentary
<p>9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects.</p> <p>This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.</p>	Yes	<p>Information about investments is presented in the interim and annual reports. Information about social responsibility policy and anti-corruption fight is available on the Company's website and is presented in the Sustainability reports.</p>
<p>9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.</p>	Yes	<p>Until the year 2021, the Company was preparing consolidated financial interim and annual reports. From 1 July 2020, the Company has no subsidiaries to be consolidated, thus the Company's financial statements starting from the year 2021 are prepared as stand-alone.</p>
<p>9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.</p>	Yes	<p>Information about remuneration of CEO and members of the Board is provided in the Report on implementation of the Remuneration Policy for CEO and members of the Board.</p>
<p>9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.</p>	Yes	<p>All information is disseminated to the shareholders, investors and stock exchanges at the same time and in the same amount, in both Lithuanian and English, and all information is publicly available on the Company's webpage.</p>

Corporate governance reporting form

for the year ended 31 December 2022

Principle 10: Selection of the company's audit firm

The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.

Principles / recommendations	Yes / No / Not applicable	Commentary
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	An independent audit firm carries out an audit of the annual financial statements of the Company prepared in accordance with the IFRS adopted by the EU. The auditors also review Annual Reports for any inconsistencies with financial statements.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	The Board proposes the candidacy of an independent audit firm to the Annual General Meeting of Shareholders.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	Information about non-audit services provided to the Company by the audit firm (if any) is presented in the Annual Report of the Company.

Sustainability Report

Sustainability overview



How we understand sustainability?

As was mentioned in the beginning of this document, sustainability is an indispensable part of **our strategy** ([see page 14](#)). By realizing our purpose of **reinventing better connected living**, we are working towards more robust and equitable societies. Our daily efforts in providing better connectivity, the newest solutions and IT advancement allow us to have a positive impact on digital inclusion, diversity and the environment.

In 2022 we have **confirmed nine material impact areas**, which is a continuation of the work carried out in 2021 when we conducted an additional sustainability **materiality assessment**. All impact areas are embedded in our Business strategy.

Three key areas of impact remain in focus:

- climate and circular economy
- digital inclusion
- privacy and security

Of course, the remaining areas of impact are inseparable from responsible business operations.

Sustainable activities are impossible without the following key elements:

- support and commitment of the Company's Board and management in pursuit of creation of long-term sustainable value for shareholders, actively heading the agenda of our sustainable activities;
- employee involvement and creation of appropriate conditions for all employees to contribute to the positive impact of digital technologies;
- implementation of high business ethics and compliance requirements.

More about Sustainability Governance see in Telia Company [Annual and Sustainability report](#).

Sustainability material impact areas:



Other key areas of sustainability:

- Human rights
- Children's rights
- Freedom of expression and surveillance privacy
- Diversity, inclusion and well-being
- Responsible sourcing
- Anti-bribery and corruption

What is important to our stakeholders?

Transparency, reflection of expectations of our shareholders, customers, investors or partners, honesty and sustainability are very important to us. By analyzing the experiences of our stakeholders, we try to understand, assess, manage and communicate the possible positive and negative social factors. Moreover, we strive to be fully transparent and accountable. Not only when we succeed, but also when we face challenges (key challenges and risks were discussed in the first part of this annual report).

We take a double materiality approach, assessing both how the company is impacting people and the environment, and how people and the environment are impacting the company. We strive to measure impacts but acknowledge that impact assessment models (e.g. social and financial) are still evolving.

Read more in the Board of Director's Statement of Materiality

[Read more](#)

Additional information about stakeholder engagement and materiality determination, as well as sustainability governance can be found in Telia Company Annual and Sustainability report.

[Read more](#)

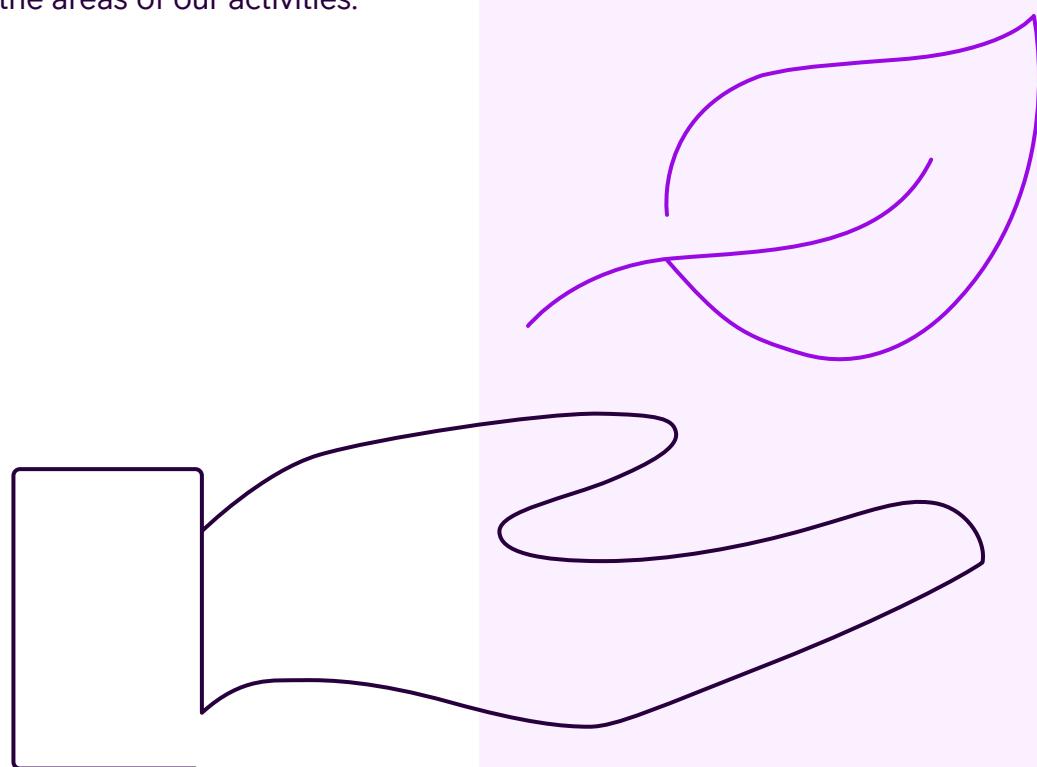
Telia is committed to a number of international guidelines and initiatives, the content of which affects what we prioritize and the way in which we shape theme specific programmes. The most important ones include:

- The UN Universal Declaration of Human Rights
- The core conventions of the International Labour Organization (ILO)
- The OECD Guidelines for Multinational Enterprises
- The UN Global Compact and the UN Sustainable Development Goals
- The UN Guiding Principles on Business and Human Rights
- The Children's Rights and Business Principles

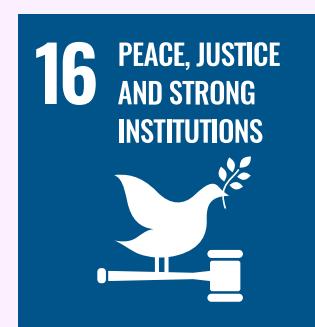
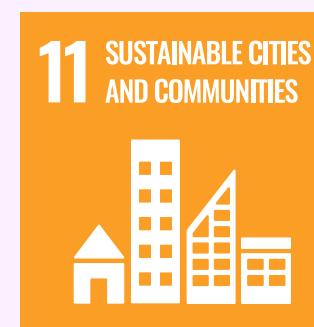
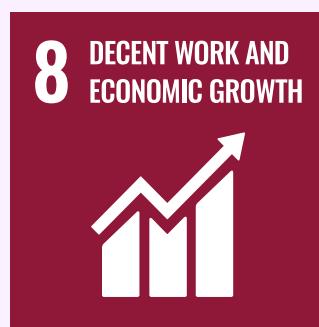


UN Sustainable Development Goals

We have followed the United Nations (UN) Sustainable Development Goals since their publication in 2015 and official presentation in 2016. We aim to contribute to those goals where we can make the greatest positive change and reduce our negative impact in the areas of our activities.



Here we list the goals which have a strong or medium relation to Telia's strategy and its implementation.



What did Telia Company Group do in 2022 as a whole?

Strategic direction	Area of impact	SDGs		Achievements in 2022 (Telia Company-wide)
		Direct impact	Indirect impact	
Inspiring customers	Climate and circularity	7	9, 11, 12, 13	<ul style="list-style-type: none"> — Achieved 85% CO2e emissions reductions in own operations compared to 2018. — Suppliers representing 35% of supply chain emissions have set science-based targets. — 66% of waste in own and network operations reused or recycled.
Connecting everyone	Digital inclusion	5, 9	10	<ul style="list-style-type: none"> — Digital skills building initiatives targeting seniors, children, small and medium-sized enterprises, etc. have reached 1,015,914 individuals (around 21 000 in Lithuania).
Transform to digital	Privacy and security	16		<ul style="list-style-type: none"> — Achieved top tier positions (either first or second) on privacy in 4 out of 6 markets, according to Telia consumer survey.
	Human rights	3-5, 8, 10-12, 16		<ul style="list-style-type: none"> — Reviewed and updated Telia's human rights risk mapping and salience analysis.
	Children's rights		4,16	<ul style="list-style-type: none"> — Conducted a Children's Rights Impact Assessment based on UNICEF's dedicated model.
	Freedom of expression and privacy surveillance	16		<ul style="list-style-type: none"> — Took measures to respect users' rights in relation to high-risk requests (~15) from governments or local authorities.
Delivering sustainably	Employee diversity, health and well-being		5, 8, 10	<ul style="list-style-type: none"> — 41% females in Telia Company's Extended Leadership Team (~130 top leaders). — 78% of employees state that they are able to successfully balance work and personal life.
	Responsible sourcing	8, 12	16	<ul style="list-style-type: none"> — Deep dived into labour rights risks related to field service in our markets.
	Anti-bribery and corruption	16		<ul style="list-style-type: none"> — Completed anti-bribery and corruption risk assessments and program maturity assessments in all markets.

Sustainability ratings and achievements

Sustainability ratings provide information about the overall performance and maturity of our work to our stakeholders, as well as help us identify opportunities for improvements. Below are some of the **Telia Company Group** results for the year:



Platinum medal in EcoVadis, placing Telia in the top 1%



Received AAA by MSCI's ESG rating



Included in the FTSE4Good Index



Scored A- in CDP Climate Change



Ranked B- by ISS ESG rating

Sustainability ratings and achievements

Additionally, Telia Lietuva was:

- ✓ Recognized as “Nasdaq ESG Transparency Partner”
- ✓ Recognized as one of top employers who ensure their employees’ well-being according to a [report](#) done by Lithuanian Diversity Charter and Diversity Development Group
- ✓ Awarded “Dell Technologies” Sustainable partner award – “Excellence in Social Impact”



We engage in and encourage open discussion

An active and engaged society is essential for ensuring a sustainable transition. To this end, we actively take part in various **sustainability conferences** (Diversity Conference, Lithuanian Business Forum, Sustainability Conference and others), and share our knowledge via various media channels.

In 2022, we took part in the open **discussion festival ‘Bütent!’** for the second time (previously we participated in 2019, after which the events in the following years were cancelled due to the Covid-19 pandemic). This festival is an annual assembly of people from politics, business, academia, culture, non-governmental organizations and other sectors. Its mission is to contribute to building a democratic welfare state by fostering a culture of discussion, harmony and tolerance. At the festival they discuss the most important topics in relation to the development of the state, share ideas and forge new collaborations.

In 2022, Telia was one of the main partners of the festival. In our tent, we hosted **engaging discussions** and renowned speakers gave talks on artificial intelligence and ethics, Lithuania and internationalism, what future Lithuanian cities may look like, anti-corruption and transparency, and eco-anxiety.

At the festival we also organised additional activities, including a climate exhibition and cinema nights.

The two-day event, which took place in September, attracted more than **5,000 participants**.



Membership in organizations



Investors Forum Association



Swedish Chamber of
Commerce in Lithuania



Association "Baltic Institute
of Corporate Governance"



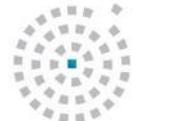
Association Infobalt



GSM Association



"Baltoji banga" (eng. Clear Wave)
Initiative (Telia is also one of the
initiators of the initiative)



Sustainable Business
Association of Lithuania



Association of Data Protection
Officers of Lithuania



Association of Mažeikiai
Entrepreneurs



Panevėžys Chamber of Commerce,
Industry and Crafts



Association of Personnel
Management Professionals



Šiauliai Chamber of Commerce,
Industry and Crafts



Kaunas Chamber of Industry
and Employers

Taxonomy



Taxonomy

Taxonomy regulation

The EU Taxonomy regulation plays an important part in European Union's aim to reach climate-neutral economy in the EU by 2050. This regulation will help to reorient capital flows towards sustainable investments, take sustainability into account as one of risk management components and promote long term investments.

In 2021, companies were required to report only what is '**eligible (covered)**' under the Taxonomy. This year, for the first time, we report whether the eligible activities are also '**aligned (comply)**' with the Taxonomy's technical screening criteria, and if they meet the requirements on '**do not significant harm**' and '**minimum social safeguards**'.

The EU Taxonomy is still under development: so far only criteria for two of the six environmental objectives have been adopted. As illustrated below, Telia Company reports a limited percentage of Taxonomy eligible and aligned activities since telecommunications networks are not included (see Financial key performance indicators on pages 86-88). Our industry has highlighted this deficiency to the European Commission, advocating for networks to be covered in future Taxonomy delegated acts with dedicated, fit-for purpose alignment criteria.

Please note that complete environmental data for Telia is provided in the Climate and circularity chapter, including the total carbon and energy footprint of our business, energy sources used, and circularity initiatives.

Assessment of eligibility

Telia Company has assessed all economic activities within the Group to determine which activities should be reported under the Taxonomy definitions. The following activities under the climate change mitigation environmental objective have been deemed eligible for **Telia Lietuva** in 2022:

8.1 Data processing, hosting and related activities: Telia reports **data centers** – facilities used for centralized storage, management or processing of data together with all the infrastructure and equipment necessary to do so. The data centers we report are used by external customers and for Telia's internal purposes. In the absence of a standardized EU definition for data center, we have scoped our reporting to focus on data centers that meet a specified energy consumption threshold and are critical for the core network operation in a specific market or across company's operations.

8.2 Data-driven solutions for GHG emissions reductions – Unlike other operations of Telia Company, Telia Lietuva **does not provide** such solutions, therefore this activity is not reflected in this report.

TV and Media-related activities (**8.3** and **13.3** under the climate change adaptation environmental objective) have been deemed insignificant given that only CAPEX and OPEX related to implemented adaptation solutions can be reported. There is uncertainty about reporting under the climate change adaptation environmental objective, despite guidance from the European Commission.

We have also assessed several additional economic activities that constitute purchase of taxonomy aligned outputs, namely:

- 4.1 Electricity generation using solar photovoltaic technology
- 4.3 Electricity generation from wind power
- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles

No turnover can be reported for these activities and the related financial KPIs would constitute OPEX under taxonomy definitions, which is not material for Telia's business model. Therefore, these economic activities have been excluded from the reporting scope.

Telia will continue to monitor future guidance and adjust its reporting in light of emerging best practices.

Assessment of alignment

8.1 Data processing, hosting, and related activities

There are three technical screening criteria for substantial contribution that need to be fulfilled under 8.1:

- Implementation of the EU Code of Conduct for Data Centre Energy Efficiency, verified by an independent third party and audited at least every three years
- Where a specific Code of Conduct practice is not relevant, explanation is provided, including the use of alternative best practices
- Global warming potential of the refrigerant used in the cooling system does not exceed 675

At the moment, there is no agreed methodology and process for verifying compliance with the EU Code of Conduct for Data Center Energy Efficiency. Hence, it is not possible for any data center under 8.1, including those in Lithuania, to be aligned. The European Commission initiated work on a temporary methodology in 2022, but results were not available in time for the reporting cycle.

Do no significant harm

A "do no significant harm" assessment was carried out to assess compliance for the reported activities under 8.1, including requirements on 'climate change adaptation', 'water' and 'transition to circular economy'. Under "climate change adaptation", the assessment consisted of Telia Company's physical climate risk analysis at a company level, which is detailed under Telia Company's Transition plan and TCFD reporting. We consider this analysis to be insufficient in granularity to ensure compliance with activity 8.1. We will complement the existing high-level analysis with deepened site-specific analyses to adjust ongoing mitigation activities.

Taxonomy

Minimum social safeguards

Minimum social safeguards are in place through implementation of policies and instructions related to, for example, human rights, anti-bribery and corruption, taxation and fair competition. These policies and instructions adhere to relevant international standards and guidelines (see the [Group-wide Governance Framework](#) section for a brief description, p. 60). Furthermore, these areas are fully reflected in Telia Company's risk management process, which is an integrated part of the business planning process and monitoring of business performance. More information about the risk management practices and principal risk areas can be found in the [Enterprise Risk Management and Compliance Framework](#) section (p. 63). Our approach to assessing non-compliance to any of our policies and instructions involves continuous due diligence and various follow-up procedures, including grievance mechanisms, audits, and controversy screenings of suppliers.

Accounting principles

The Taxonomy KPI definitions of Turnover, Operating expenditure (OPEX) and Capital expenditure (CAPEX) are not fully aligned with similar measures used in Telia Company's consolidated financial statements. For Taxonomy reporting purposes, some adjustments have therefore been made to Telia Company's financial measures. Telia Company's interpretations of the Taxonomy KPI definitions are based on guidance in the Taxonomy publications, guidance from FAR (Institute for the Accountancy Profession in Sweden – FAQ on the EU Taxonomy), and consultations with external sustainability experts. The interpretations of the KPI definitions might change in the future as the Taxonomy reporting guidance is clarified, and/or the Taxonomy reporting practices are

developed. To fully align with the Taxonomy reporting requirements, further efforts will be needed to improve our internal reporting systems and processes.

The three Taxonomy KPI denominators have been defined as follows by Telia Company in 2022:

- **Turnover** is defined as the external revenue under the International Financial Reporting Standards (IFRS), which corresponds to external net sales in Telia Company's consolidated statements of comprehensive income.
- **CAPEX** is defined as the additions to property, plant and equipment, intangible assets and right of-use assets during the financial year before depreciation, amortization and impairments. Additions to goodwill and film and program rights are not included in CAPEX. Additions are defined as investments during the financial year (net of any government grants received) and include additions resulting from business combinations as well as gross increases of asset retirement obligations (costs of dismantling and restoration). Telia Company's CAPEX measure used in the consolidated financial statements excludes additions resulting from business combinations and asset retirement obligations but includes advances and pre-payments.
- **OPEX** is defined as direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant, and equipment by the undertaking or third party to whom activities are outsourced, that are necessary to ensure the continued and effective functioning of such assets.

— **Direct non-capitalized costs** related to research and development corresponds to the amount for research and development expenses in Telia Company's consolidated statements of comprehensive income, excluding amortization, depreciation, and impairment expenses in that function. Telia Company has adopted a strict interpretation of day-to-day servicing expenditures and has, for example, only included costs if required for maintenance of servicing property plant and equipment.

Since Telia's reporting structures and systems have not yet been fully adjusted to mirror the economic activity definitions of the Taxonomy, some assumptions have been made to establish the numerator for certain parts of the KPIs. For some of the Data Center activities, estimates have been made to calculate the share of OPEX and CAPEX related to external customers, these are the figures covered in the reporting. As a general note, Telia has applied a conservative approach both in identifying eligible activities and when estimating CAPEX and OPEX associated with such activities.



Financial key performance indicators

Based on the assessment performed, we report the following Taxonomy-eligible and aligned turnover, capital expenditure (CAPEX) and operating expenditure (OPEX):

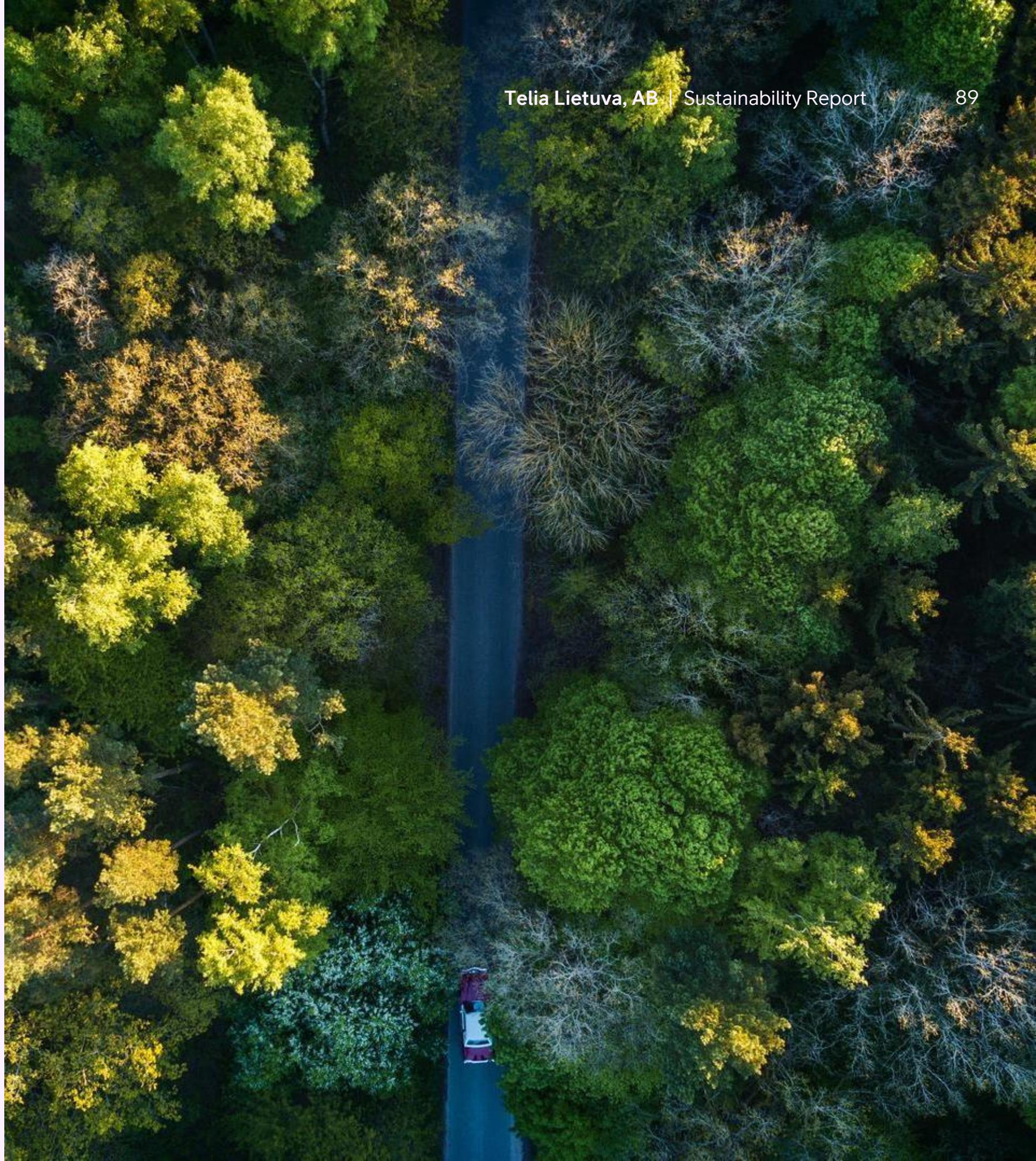
Turnover

Economic activites (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria					DNSH criteria (Does Not Significantly Harm)					Taxonomy aligned proportion of turnover, year 2022 (18)	Taxonomy aligned proportion of turnover, year 2021 (19)	Category (enabling activity or) (20)	Category (transitional activity) (21)		
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)			
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	YN/	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
Turnover of environmental sustainable activities (Taxonomy-aligned (A.1))		0	0%	0%												0%	N/A		
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																			
Data processing, hosting and related activities - Data Centers	8.1	3,41	0,99%																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		3,41	0,99%																
Total (A.1 + A.2)		3,41	0,99%																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		342	99,01%																
Total (A + B)		346	100,00%																

CAPEX

OPEX

Environment



Environmental protection

According to the [UN weather agency](#), 2022 was the fifth or sixth warmest year on record, adding to deep concerns that the likelihood of breaching the 1.5 degree Celsius limit of the Paris Agreement is increasing with time. 2022 was the eighth consecutive year that global temperatures rose at least 1C above pre-industrial levels, fueled by ever-rising greenhouse gas concentrations and accumulated heat. Therefore, climate change remains one of the top priorities, both on international as well as on national levels, touching governments, NGOs, private businesses and citizens.

In 2022, Telia increased its focus on encouraging its suppliers to set targets matching an ambition level that is congruent with science, with a strong emphasis on how to transition into a net-zero and circular economy.

Telia's environmental targets

Since 2019, we have pursued ambitious environmental targets, which can be broken down into **3 main groups**:



targets related to
our own activities



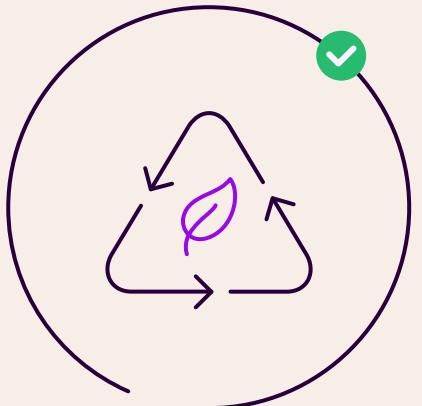
targets involving
customers



targets related to
the supply chain

We track our KPIs and their implementation on quarterly basis.



Key Achievements & Future Goals:
2022


- Our suppliers, whose CO2 emissions account for **35%** of the total supply chain emissions, have set science-based environmental targets

- **16%** of all routers and TV set-top boxes delivered to our customers in 2022 were **refurbished and reused**

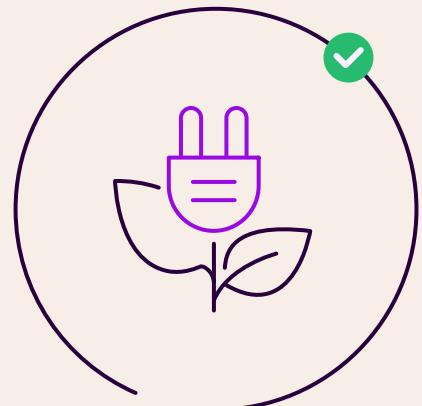
- Energy consumption/subscription equivalent maintained by **5%**

- The entire infrastructure network that we dismantled has been **reused or sold**

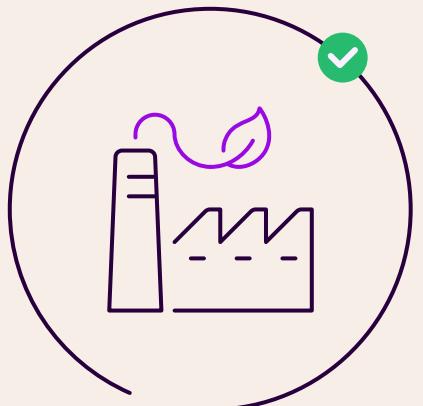
- Activities of Telia companies operating in the Baltic and Nordic countries have become

climate-neutral since the end of 2020.

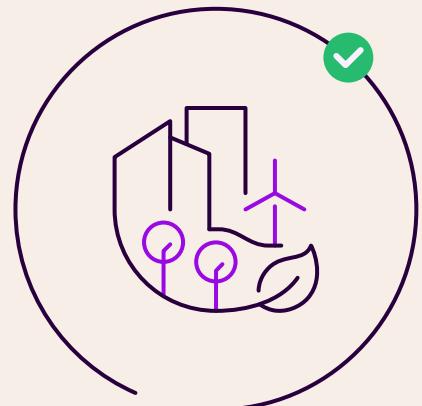
Special carbon dioxide (CO2) compensation mechanisms and 100% use of green energy have been used to achieve this milestone

2023


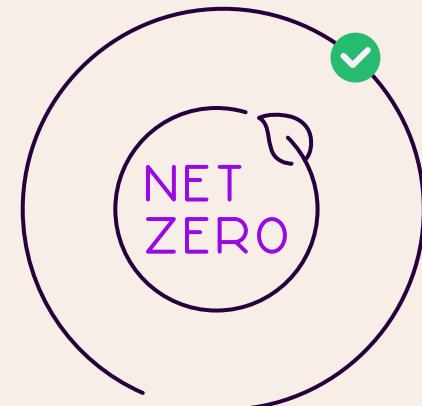
- To increase of sales of **refurbished devices**
- To continue **solar panels** installation in mobile sites and identify opportunities to spread the scale on other buildings
- Add possibility to **sign a contract online** while ordering FIX equipment (by instalments) from Telia's online shop
- Over **100 charging stations** to be constructed for the new electric car fleet (115 new EV)

2025


- **Halve emission** in our own operations
- Reduce emissions related to the use of sold and leased products by **29%**
- Engage with suppliers, making sure that suppliers representing **72%** of emissions have set science-based targets
- **84%** of our own and network operations materials must be reused or recycled

2030


- **Climate-neutral** value chain by 2030, by at least halving emissions and offsetting the rest (base year: 2018)
- Reduce CO2 emissions in own operations (scope 1 and 2) by **90%**

2040


- **Net Zero by 2040**, aligned with the requirements of the new Science Based Target initiative (SBTi) Net-Zero Standard (**External approval of target pending**)

Internal environmental rules

Telia's environmental impact is defined by the following key documents:

- [Environmental policy](#) (updated and supplemented in line with Telia's ambitious environmental goals by 2030)
- [Environmental instruction](#)
- **Code of Responsible Business**, which distinguishes separate sections, namely, the "Environment" and the "Environmental Policy"
- **Guidelines for cars of the group** (focusing on a sustainable car fleet)
- **ISO 14001 environmental management standard**

We have started conducting environmental assessments of projects, thus ensuring that our projects or innovations contribute to increasing the positive and reducing the negative environmental impact.

Significant environmental aspects where we seek positive change:

- ✓ Energy use
- ✓ Generation of construction waste
- ✓ Electronic and electrical equipment waste
- ✓ Car fuel use
- ✓ Exhaust emissions from internal combustion engines



Climate focus

Since 2018, we have monitored and calculated our CO2 footprint. This is one of Telia's most important steps towards reaching zero CO2 by 2030 in its entire business chain.

Telia Lietuva's CO2 footprint:

	Direct company's emissions (scope 1*) - tCO2e	Indirect company's market-based emissions (scope 2*) - tCO2e	Indirect company's location-based emissions - tCO2e	Indirect company's emissions (scope 3*) - tCO2e
2020	0	0	12,200	70,000
2021	0	0	5,200	88,000
2022	0	0	13,000	94,000**
2030	0	0	0	0

* Scope 1: direct emissions from sources owned or controlled by Telia Lietuva;

Scope 2: indirect emissions from, for example, production of energy which we buy (district heating);

Scope 3: indirect emissions covering the entire value chain.

**The increase is due to improved measurement coverage (including more contractors/partners data), updated emission factors for Scope 3 as well as our clients CPE equipment upgrade project implementation.

In 2020, we have become **climate neutral in our operations** (scopes 1 and 2) **and business travel** (a part of scope 3).

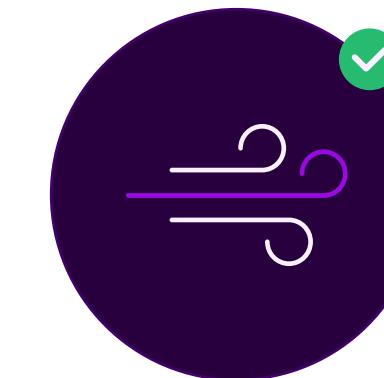


From renewable energy to smart solutions



We use 100% green electricity:

- Additionally, we focus on electricity savings which in 2022 were equal to CO2 savings of the amount that around 35 hectares (or ~25 football fields) of planted commercial forests in Lithuania absorb (until maturity).



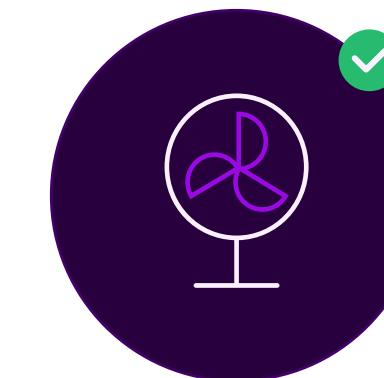
Innovative cooling technology has been used in Telia's data centres:

- this allows us to **save 575 t CO2 annually**, which is equivalent to CO2 emissions of around 130 cars per year;
- in 2022, we used **19.7% less electricity** for cooling in our data centres in comparison with 2021.



We use a smart mobile base station “hibernation” programme:

- during the periods of low load, Telia's base stations are switched off, saving **up to 10%** of electricity.



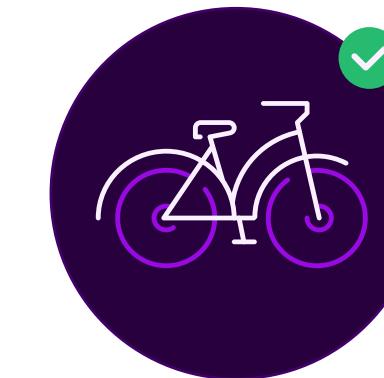
We have applied free-cooling solutions using outdoor air in Telia's technical premises:

- this allows us to save **up to 45%** of electricity consumed by compressors.



9 out of 10 of our cars comply with Euro6 emissions standard

- In 2022, we initiated **115 electric cars** purchase procedures and we are planning to receive these cars in 2023. This will have a huge impact on our emissions reduction.



We encourage our employees to use car-sharing services (a significant part of our cars are electric) and bicycles and scooters during the warm season.

Identifying and handling risks

Evaluating global trends and risks which can have impact both on our business and sustainability goals achievements is essential. Therefore, we closely follow the geopolitical situation and its impact on certain aspects which can have strategic consequences, for example for energy resources. On top of this, the environmental situation with regards to climate change is one of the focus areas.

In response to the energy situation and our environmental goals, we focused on signing long term green electricity contracts with organizations producing **100% renewable energy**.

Managing power consumption through decommissioning legacy networks and modernizing sites is also one of the ways to minimise negative effects. In 2022, we have closed down two old technical sites (data center and core network object). This will save **up to 290t CO₂** from both locations. We have also closed down 3G.

On top of this, we identified environmental risks, which can be caused by heavy rain, snowstorms, higher temperatures or longer heatwaves and made plans for how to prepare for and respond, if such events would occur.



Circularity

It is important for us to know how much waste is generated throughout Telia and its contractors. To this end, we monitor, collect and analyse not only our own data, but also data of our partners. Since 2021, we have started to obtain detailed information from our contractors about the waste they generate in conducting works related to Telia. Having detailed information, we will be able to take yet more effective steps to reduce waste.

Waste generated in Telia's activities:

Year	Amount (in tonnes)
2019	674
2020	630
2021	988*
2022	699
2030	0

*Since 2021, we have started to obtain detailed information from our contractors about the waste they generate in conducting works related to Telia. This data collection from our contractors has resulted in elevated waste levels in 2021 compared to 2020.

Application of the circular economy model

We continuously search for the most effective ways to apply the circular economy model to achieve tangible results and create real value for both our customers and the market.

Waste hierarchy



Refurbished handsets

Telia was the first in Lithuania to introduce refurbished handsets. These are used devices, which Telia's experts thoroughly inspect, upgrade and prepare for re-use. Refurbished handsets are a more sustainable and wallet-friendly alternative to new phones. Choosing such a device allows for saving ~ 55 kg of CO₂ that would be emitted in the production of a handset.

- Telia offers refurbished phones both to residents and businesses.
- In 2022, we started selling **refurbished tablets** as well.
- During 2022, we have extended the warranty both for handsets as well as tablets to a **24 months** warranty (which was previously 12-months).



Eco Rating

In June 2021, Telia together with Deutsche Telekom, Orange, Telefónica (with O2, Vivo and Movistar brands) and Vodafone introduced a unique solution in the market: a rating for the environmental friendliness of handsets called Eco Rating. It provides consumers with detailed information on the environmental impact of pushbutton and smartphones, from their production to usage and recycling.

The rating (score) of a specific handset is based on a common methodology evaluating as many as 19 different criteria (according to information provided by manufacturers). An objectively determined rating (maximum 100 points) shows the environmental friendliness of the device throughout its life cycle.

The Eco Rating also separately assesses 5 key factors reflecting sustainability of handsets:

Durability	solidity of the device, battery life, and the warranty for the phone and its parts
Repairability	defines how easily a faulty device can be repaired, how its design and support determine the life of a handset, the duration of its reuse, and a possibility to upgrade it
Recyclability	whether a handset can be easily dismantled, separating its components, considering the materials used in its production and whether they are recyclable
Climate efficiency	the amount of greenhouse gas emissions generated by the device during its lifecycle
Resource efficiency	rare raw materials used in the production of the device (e.g. amount of gold used in electronic components)

Main highlights and results after the first 18 months of the initiative's launch:

- Overall average score had increased by 2 points.
- Three additional operators (EE, Proximus and NOS) were onboarded.
- Seven new participating suppliers were onboarded.
- Expansion to 11 additional countries across Europe, Africa, and South America, totaling a footprint of 35 countries.
- Launch of a database where the device scores can be compared.
- Updating the methodology to address the environmental challenges, updating device technologies and providing a stronger guidance to the suppliers.

Eco Rating



90/100

Durability



Repairability



Recyclability



Climate efficiency



Resource efficiency



© 2022

Other circularity examples

We collect and sort old customer equipment:

- Customers can always bring their old devices to Telia Lietuva's stores:
- In 2022, we refurbished more than 34k pieces of other equipment, including routers and set-top boxes.
- In 2022, we reused and recycled almost 14k kg of our and our clients' mobile devices, laptops, consumer electronics. Based on aforementioned findings at least 66t CO₂-eq was avoided. Additionally, 1382 kg of electronic equipment from our warehouse were sent to the partners where 83% of that equipment were reused and 17% recycled. Through that more than 57t of CO₂-eq was avoided.
- We already offer mobile phone cases in our assortment that have been made of easily degradable materials, i. e. other than plastic.
- We are collecting coffee waste since 2020 and in April 2022 we also started collecting all food waste in Telia HQ (61% of Telia employees).

We are giving up paper:

- We used more than 7,000 reusable packages to deliver CPE equipment to our customers. Our pilot project plan exceeded its target by 7 times.
- We continue to reduce the amount of paper used in the office, cutting down the use of paper packages by 21% (compared to 2021).
- We reduced paper invoices by 57%; 50,100 of our clients switched to digital invoices in 2022.



Joint efforts for a greener tomorrow

Environmental ambassadors – our employees

We are a large organization of more than 2,000 people. Our employees are the greatest ambassadors of our efforts; thus, we are constantly talking to them about the environment, sustainability and responsible behavior, providing them with useful information and involving them in various activities and initiatives.

How do we do this?

- People who have just joined the Telia team are immediately introduced to our **business strategy**, activities and the achieved results.
- All newcomers are introduced to our sustainability area during the **newcomers' day**.
- All employees are acquainted with the company's **internal policies and instructions** relating to sustainable operations, and the environment in particular.
- We hold e-trainings for employees on environmental protection and eco-design. As of 2022 **environmental trainings** were made mandatory.
- We have an information section on the environment and sustainability on the **company's intranet**, listing contact details of the responsible employees so that everyone knows whom to refer to in case of questions, suggestions or ideas.

Focus on societal education

Society has a great power in its hands to speed up the sustainable change. However, it is very important to ensure continuous education and knowledge sharing. Therefore, Telia also sees the importance of information about sustainability being spread wider.

We seek not only to inform our customers about sustainable choices they can make, i.e. purchasing refurbished phone, but also about the wider impact their choices have for the environment. We do this through PR articles, taking part in various Sustainability conferences etc.

Therefore, in 2022 we joined the **Climate Museum** initiative as the main sponsor. Museum had as a goal to educate school children and families about the climate crisis, as well as explaining how each and every one can be part of the positive change. Over the course of 5 months this travelling museum constructed in sea containers visited 16 cities and was widely covered both on national, and regional media.

- The museum was visited by more than **31 thousand people** who listened to the 60 min education programme.
- In order to offset the CO2 emissions which were created by this museum **323 trees were planted**.
- **214 volunteers** participated in this initiative



Joint efforts for a greener tomorrow: suppliers

We also involve suppliers in environmental protection

We have estimated that as many as 86% of emissions in our value chain are originating from our supply chain. Therefore, we have closely cooperated with our suppliers in pursuit of our target of zero CO₂ by 2030.

When working with its partners and suppliers, Telia relies on the three key aspects:

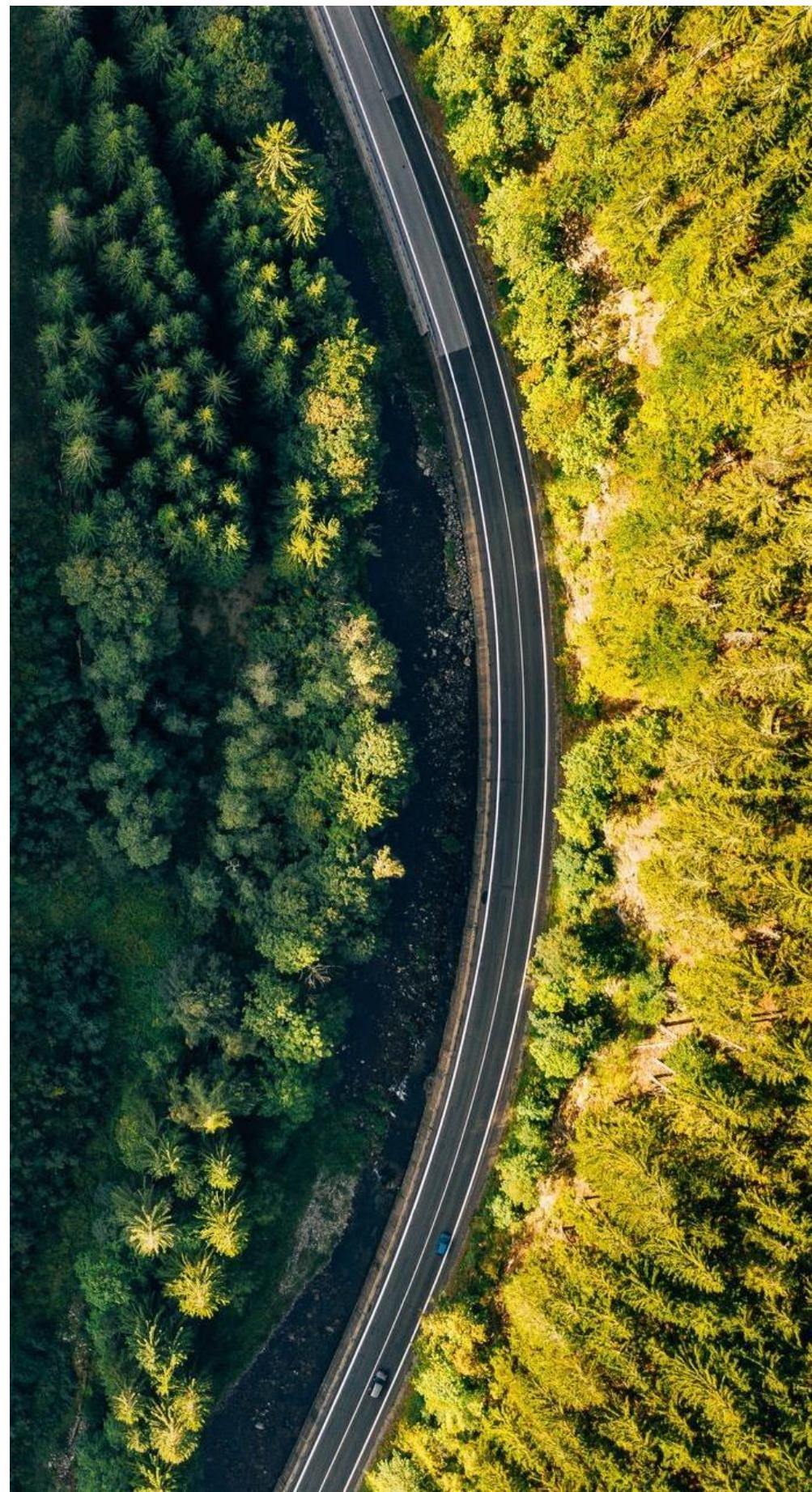
- Impact which we can make directly: we work with partners and companies in other sectors to reduce carbon emissions from both manufacturing and other activities.
- Science-Based Targets (SBTi): we call on our suppliers to set science-based or equivalent environmental targets and to take all measures to reduce their absolute greenhouse gas emissions by at least 50% by 2030.
- Inclusion and support: we cooperate with our suppliers, sharing information and best practices to encourage them to develop environmental plans and to be able to achieve climate-neutral performance throughout the value chain by 2030 (involving our sub-contractors therein).



At the end of 2022, 35% (versus 27% last year) of our supply chain partners had set environmental science-based targets.

Practices used to achieve a breakthrough:

- All suppliers working with Telia sign the [Suppliers' Code of Conduct](#) that sets out specific environmental requirements, such as the materials that suppliers must avoid or refuse altogether in the products supplied to us.
- In 2022 the Suppliers' Code of Conduct was substantially updated with **more detailed environmental requirements** including: general environmental requirements; climate change mitigation; circularity and waste management; specific environmental requirements.
- Some new suppliers complete [an Environmental Questionnaire](#), which also contains questions related to CO₂ emissions, assessing the current environmental impact of their suppliers' CO₂, as well as a list of measures to be taken to reduce this impact. This questionnaire is used as one of the criteria for the selection of suppliers.
- We ask our suppliers to follow Telia's requirements responsibly and periodically hold the related **inspections** to consult and advise organizations on what they can do to improve.
- We have created a special **Environmental and Occupational Safety and Health Memorandum** that we share with all our contractors.
- We ask contractors to provide **information on waste amounts** and their treatment methods in conducting the works ordered by Telia.
- When holding **public procurement procedures**, we lay down **clear environmental requirements** to be met by service providers and the products they offer.



Digital inclusion



Digital inclusion

Connectivity is widely recognized as a catalyst for the furtherance of human rights, such as freedom of opinion, freedom of expression, the right to education and others. By providing its connectivity services, Telia helps society reach its full digitalisation potential. We provide high quality services and focus on future technological developments.

At the end of 2022, Telia Lietuva provided:

- **99%** of the population with 4G coverage
- **80%** of the population with 5G coverage
- **€ 105 million** in investments in 2022

– In 2022, we installed **720 km** of fibre-optic Internet cable. Its total length in Lithuania has reached **36,010 km**.

– Telia Lietuva's mobile internet is the fastest in Lithuania* with **159.9 Mbps** (compared to 104.5 Mbps a year ago)

*CRA data of 2022

Our goals

Today, access to a reliable connection and possession of digital skills are essential to each of us, regardless of age, education, place of residence, activity or other circumstances. In line with this, in 2021 we launched a group-wide digital skills program, based on analyses of local needs. We aimed to reach one million individuals through these digital skills initiatives by 2025 – this goal we have reached **three years earlier** than expected (1,015,914 individuals reached in 2021).

Therefore, the new goal set early in 2023 is to add another million and by 2025 reach **2 million people** in all of Telia's markets via various digital inclusion initiatives. The goal here, is to help them gain valuable knowledge, skills, access to educational information, and to include them in the technology market, etc.

Priority groups of Telia's digital inclusion project:



Children and young people



Elderly residents



Most vulnerable groups of the society, such as migrants

In 2022, the digital inclusion programmes by all Telia Company reached more than **1 million individuals**

In 2022, the digital inclusion programmes implemented by Telia Lietuva reached more than **21,000 individuals**

At the end of 2021, the World Benchmarking Alliance presented the Digital Inclusion Benchmark. This index monitors and evaluates companies' performance in terms of contributing to and promoting wider digital inclusion, as well as the measures they take and their efficiency.

Telia ranked **11th** out of 150 global organizations in the global Digital Inclusion [Benchmark](#) and **4th** among European companies

Inclusion and education of the society ||

In 2022, we continued our existing digital inclusion initiatives and got involved in new projects. It is important to us that all these activities are meaningful and create real benefits. Below we share what we have achieved so far.

Cyber Security Game Spoofy

Children's digital literacy is a critical part of our sustainability journey. We aim to educate and develop creative, responsible and safe young internet users. Therefore, in 2022 together with our partners CGI, we presented a free cyber security game in Lithuanian for children "Spoofy". The game is created for 5-10 year olds, however it is also very useful for their parents, guardians or teachers.

While playing the game children learn:

- the importance of privacy and passwords;
- responsible behaviour in social networks;
- how to recognise and deal with dangers on the Internet.



Initiative 'Augu internete' (‘Growing Online’)

The 'Augu internete' initiative is an important initiative created by 'Telia' and is led by its employees. These employees dedicate time to meeting children and youth in schools, both live and online. During the 8 years this initiative has been in place, the topic of safer internet has not lost its relevance. This is especially true as children nowadays get access to the internet at an increasingly younger age.

This year, we organised several events for our mentors. We also managed to attract 12 new mentors.

Results that were achieved by 'Augu internete' in 2022:

Safe internet
lessons organised
in 14 Lithuanian
schools

More than **880**
children attended
the lessons

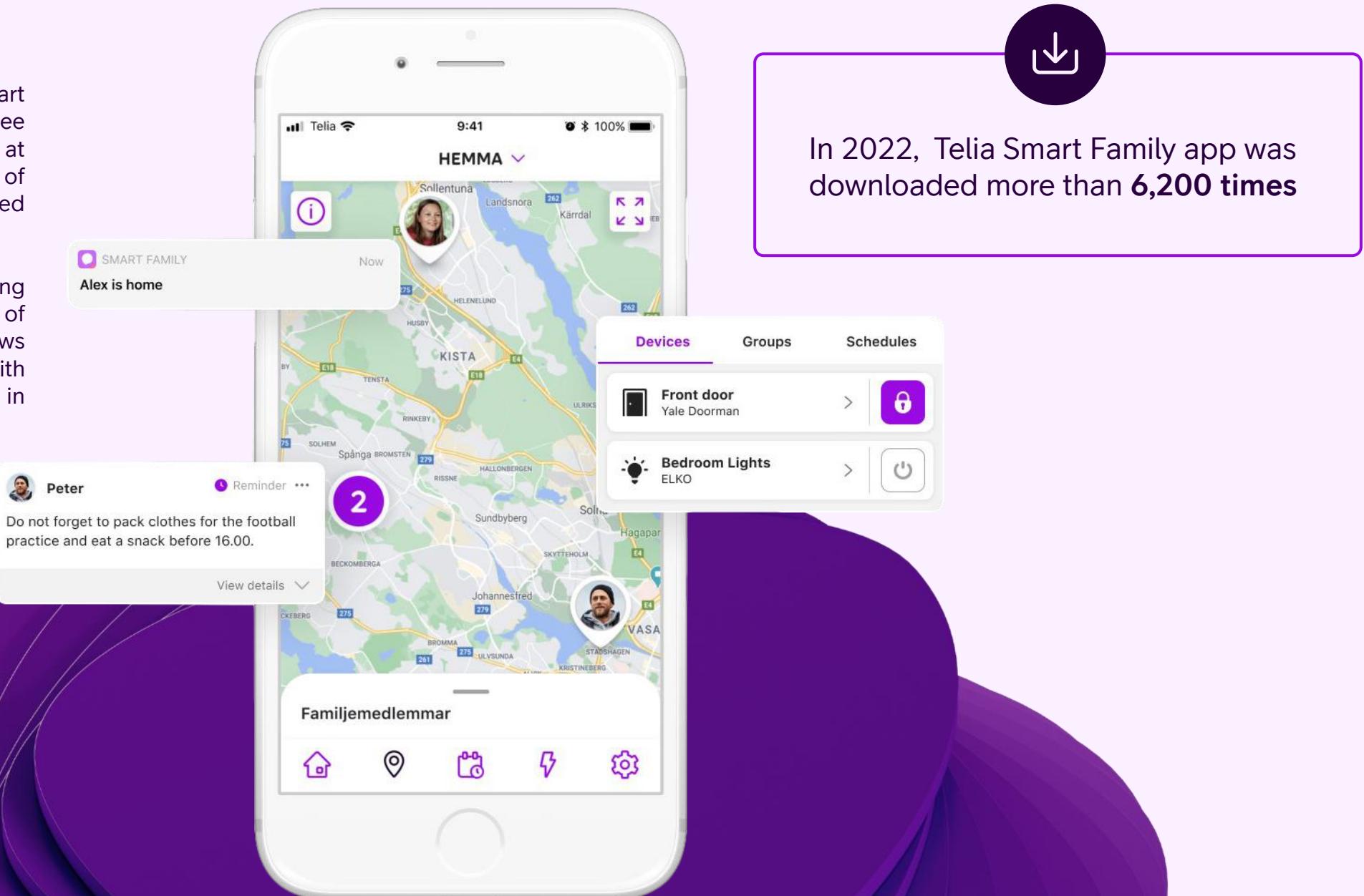


Inclusion and education of the society I II

Telia Smart Family smart app

In 2021, we introduced Telia Smart Family, the first smart family communication platform in Lithuania. This free app, available to customers of all operators, is aimed at securing correspondence, facilitating the tracking of family members' locations and sending related reminders.

In 2022, the app was further enhanced by adding functionality for more secure location sharing. On top of this, a smart list option was introduced, which allows users to share to do lists and grocery lists directly with family members, as well as to tag family members in these lists for added efficiency.



Learning Course 'Children's rights – what is our responsibility?'

We find it important that our employees have a better understanding of children's rights, as well as the risks that children face online. To this end, we prepared the internal learning course: '**Children's rights - what is our responsibility?**'. Telia developed the course in cooperation with the World Childhood Foundation. In this course, Telia employees find out the ways in which our work at Telia affects children, what Telia is doing to protect and empower children, and the role we as adults play to make the internet a safer place for children.

Inclusion and education of the society | III

Children's Corner

For many years now, we have been developing a safe environment on Telia TV created especially for children. Parents themselves can control the settings of Children's Corner, while the offered content has been tailored to and specifically selected for children. The platform has a built-in content filtering option, as well as configurable time limits, giving parents ease of mind.

Smartwatch

Parents decide for themselves when and how to introduce their children to technology. However, when children start going to a kindergarten or school, it is important for parents to know where their children are and to have a possibility to contact them. This is where a smartwatch for children, equipped with a GPS signal, comes in handy.



More than 1,000 parents purchased smartwatch for their children in 2022.



Silver Line

In cooperation with the 'Sidabrinė linija' (English: Silver Line) project, we contribute to the reduction of social and digital exclusion of older people. This is a free help line with a focus on friendship, communication and emotional support, geared towards the elderly. The support line is available throughout Lithuania. Our partnership dates back to 2019. Telia offers support by spreading the word about the activities of 'Sidabrinė linija' and to encourage lonely seniors living in remote areas to use it. Since the beginning of our cooperation, Telia's engineers have distributed more than 700 Silver Line leaflets with an invitation to take advantage of its provided opportunities.

Red Noses – Doctors Clowns

In 2022, we continued our cooperation with the project 'Raudonos nosys – gydytojai klounai' (English: 'Red Noses - Doctors Clowns'), which is an organization providing emotional support to children in hospitals. During the Covid-19 pandemic, we have donated 10 tablets with unlimited mobile internet in support of this project. These have allowed the doctors clowns to continue their activities during the quarantine.

In 2022, the programme organised 13 remote sessions, interacting with more than 65 children who are waiting for various surgeries or procedures. Since summer the live meetings have started again.

Women Go Tech

For the sixth season, Telia has joined the largest women's mentoring and consulting programme in Lithuania 'Women Go Tech'. The programme is aimed at women pursuing a career in the technology sector. Over its 6 years of existence, the programme has contributed to almost 500 career change stories. On top of this, the sixth season saw the largest ever number of new mentors joining the program.

Achievements of the sixth season of the Women Go Tech programme in 2022:

the programme involved **236** mentors

– **60** experts

– **260** mentees

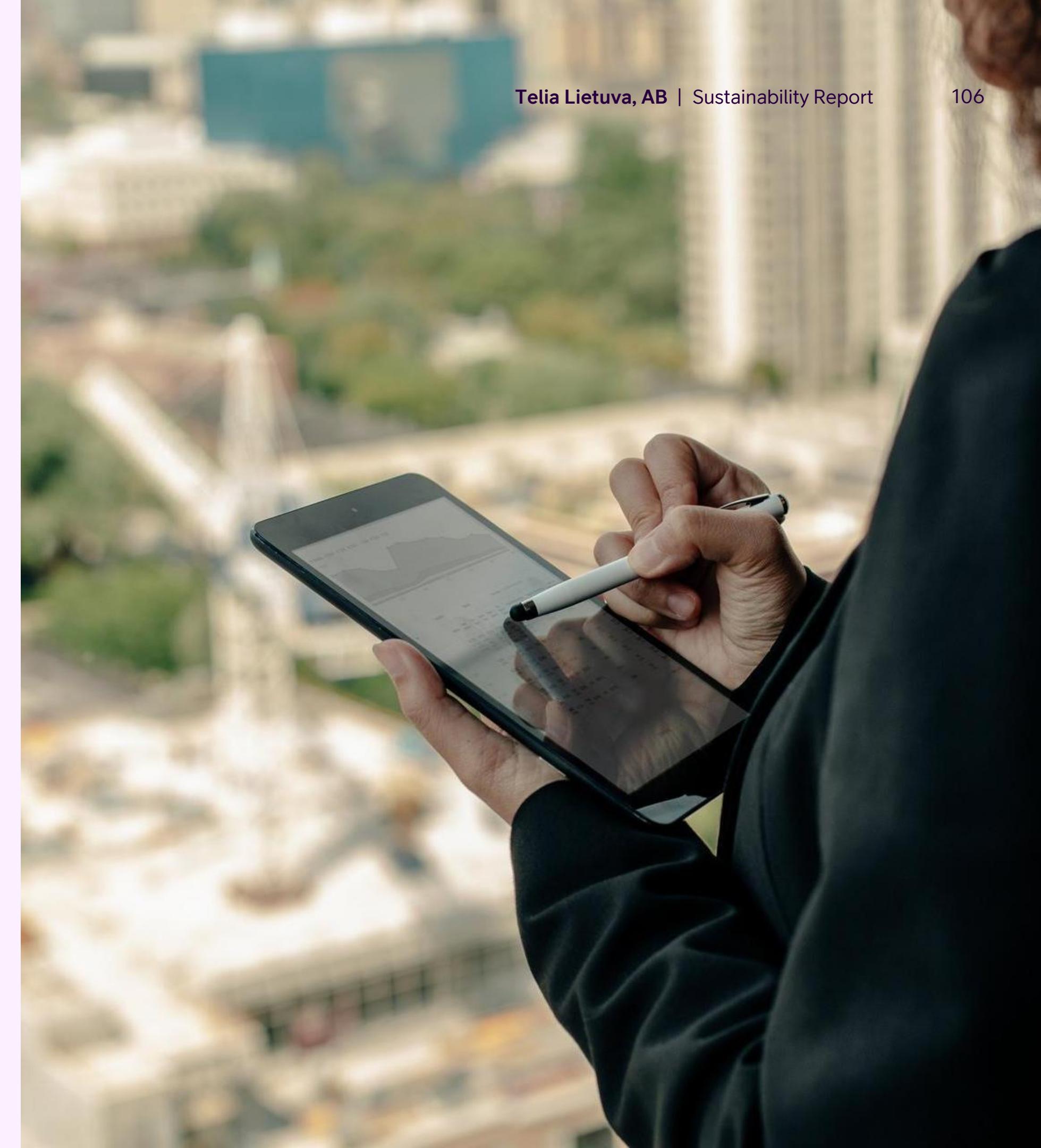
Telia's mentors and experts from different fields were actively involved in the activities of 'Women Go Tech'. We held an independent 'Meet the Company' event which was streamed live via Facebook and focused on Data Analytics. We also organised a career day for the mentees of the programme where we discussed 'The future of your work. Taking charge of your personal development & growth'.

Webinars for business customers

Small and medium enterprises make up the majority of businesses both in Lithuania and Europe. SMEs offer innovative solutions to challenges like climate change, resource efficiency and social cohesion and help spread this innovation throughout Europe's regions. However, many of these companies or family-owned businesses lack digital skills and knowledge of how to make the most of digital tools. To offer a solution here, Telia in 2022 continued its series of webinars aimed to help SMEs to get acquainted with digital tools, challenges such as cyber security threats, and to be better equipped in their own digitalisation journey.

Over the year Telia Lietuva has offered 11 webinars specifically focused on SME and 14 IT webinars for B2B customers.

Responsible business



Responsible business in Telia

For us, responsible business means effective risk management, minimizing the adverse effects of our activities, as well as ethical and responsible behaviour towards our employees, the market and society at large. These commitments apply throughout Telia's value chain.

We have clear priorities for sustainable activities, including in the areas of privacy and security, human rights, transparency and anti-corruption, freedom of expression, employee safety, diversity and inclusion, as well as responsible sourcing. We have been focusing on these particular areas, pursuing measurable change.



Principles of responsible business

Each Telia's employee follows the "[Code of Responsible Business Conduct](#)". It serves as a "compass of ethics" which guides understanding on clear business standards and expectations, while also indicating that being transparent as a business is our shared responsibility. This document covers many areas of work practice: gifts and business hospitality, relations with public officials, protection of personal data, responsible procurement procedures and many other relevant areas.

In addition to our internal commitments, we are also members of the Sustainable Business Association of Lithuania (LAVA). This membership further obliges us to respect and adhere to the principles of responsible and ethical business.

Other documents defining and giving meaning to the responsible activities of our company include:

- [Anti-Bribery and Corruption Policy updated in 2022](#);
- [Freedom of Expression and Surveillance Policy updated in 2022](#);
- [Privacy Notice](#);
- [Occupational Safety and Health Rules](#);
- [Supplier Code of Conduct](#);
- [Environmental Policy updated in 2022](#).

In general, Telia follows the majority of international guidelines on human rights, labour rights, anti-corruption and environmental responsibility, including:

- **Universal Declaration of Human Rights of the UN**
- **International Labour Organization's (ILO) Fundamental Conventions**
- **OECD Guidelines for Multinational Enterprises**
- **UN Global Compact**
- **UN Guiding Principles on Business and Human Rights**
- **UN Convention on the Rights of the Child**

Moreover, as part of Telia Company Group, we have followed the universal Telia Company [Group Policy on Human Rights](#), which also covers our commitments to respect and support human rights and defines the key principles which we have committed to implement in our operations.

Read more about our policies and their implementation on our [Public Policy](#) page.

Transparency and anti-corruption

In the transparency survey which is conducted every two years amongst the 40 largest companies in the country (last conducted by the Lithuanian branch of Transparency International* in 2021) Telia received the **maximum score: 100 out of 100 possible points**. This score shows that we are openly communicating with our customers, partners and suppliers, sharing the principles which we apply in our activities.

We advocate for transparent and honest practices we do not tolerate any form of bribery or corruption. It is important for us that the principles of free and fair trade are observed and that competition follows open conditions that promote ethical business.

We always comply with Lithuanian laws and regulations. We also have our own internal documents which we follow, including our Anti-Corruption Policy and Anti-Corruption Rules. We constantly discuss these topics with our employees and hold various trainings covering them.

We also expect transparency from our partners and suppliers. Open and honest cooperation can create a socially responsible chain of operations. To this end, we use an advanced platform for due diligence, which helps us not only to assess, but also to maintain transparent relations with our business partners.

In support of transparency, an open and feedback-based internal organizational culture is important. By fostering it, we create a work culture and environment where employees can openly ask questions, share ideas, enter into discussions and solve problems with their supervisors and other teams. Moreover, for many years Telia has been maintaining social dialogue and partnership with the representatives of employees: the trade unions.

On top of this, Telia has the [Speak-up Line](#) in place, which allows its employees, customers, business partners and suppliers to report (anonymously or in person) any problems, transgressions or other issues which may arise. In 2022, 7 reports were received, which were investigated by the responsible Human Resources specialists. All the reports were smoothly examined.

In 2019, Telia introduced a maturity assessment methodology to enable holistic and credible evaluation and follow-up of key risks. Since then, the methodology has been used to assess the maturity of the Anti-bribery and corruption (ABC) Program throughout Telia Company and in all markets. Results for 2022 indicate good maturity, with improvements noticed in internal control and third-party management. In the course of the year, ABC risk assessments were performed in all markets. With an overall score of 3,8/5, the maturity level of Telia Lithuania's ABC Program exceeded the target set for 2022. This is a result of the continuous maintenance and development of Telia Lithuania's anti-corruption efforts. A sponsorship and donations deep dive was implemented in 2022.



In 2022, **100% of the extended leadership team** received ABC-specific awareness training

More information on the ABC Program and risk assessment can be found in Telia Company's [Annual and Sustainability report](#).

In addition, we cooperate with the Special Investigation Service (STT). In 2022 we were invited to take part in the opening of the Academy of Transparency by STT, where we shared why transparency and anti-corruption practices play a crucial part of every business.

Additionally, we are members and one of the founding members of the transparent business initiative "Baltoji banga" (English: the Clear Wave).

We were not imposed any fines for misleading advertising or violation of competition in 2022. The State Consumer Rights Protection Authority (VVTAT) examined 4 complaints in 2022 and in all cases issued warnings with recommendations for improvement.

In July 2022, Telia Lietuva submitted a complaint to VVTAT regarding, in Telia's opinion, misleading advertisement of UAB Tele2, which stated that Tele2 was providing "No. 1 Internet in Lithuania". VVTAT issued a warning and a recommendation to clarify the advertising spread by Tele2.

Requirements for suppliers

We choose suppliers and partners whose approach to sustainable and responsible business are in line with our approach and values. To this end, we follow Telia's [Supplier Code of Conduct](#). This document clearly defines the provisions and operating principles to be followed by our partners and suppliers. The Supplier Code of Conduct covers a wide range of areas, including human rights in the broad sense, rights of employees, anti-corruption provisions, fair competition, environmental aspects and others.

A dedicated [due diligence process](#) is in place to evaluate our suppliers' sustainability performance. The Responsible Sourcing function is responsible for the supplier sustainability risk assessment, including due diligence and audits.

Other Telia procedures and policies, such as the Anti-Corruption Policy and the Procurement Policy, lay down the selection of suppliers and the binding nature of the Supplier Code of Conduct for all of Telia's suppliers.

Freedom of expression

We respect the freedom of expression of every person, as well as their consumer privacy rights, taking into account and complying with legislative requirements. We follow the Policy of Freedom of Expression in our activities, the main objectives of which are:

- to reduce the risk to human rights;
- to ensure that customers are confident that having received applications or requests of state institutions for the supervision and monitoring of communications, Telia will respect and defend their freedom of expression as much as possible.

In order to protect certain human rights, we will always carefully consider whether defending some human rights may not violate other human rights and freedoms, using all means and procedures to this end to ensure that relevant information is provided to controlling entities only in presence of the appropriate legal basis, such as a court order. In 2022, we received 91 request from state authorities to block websites or individual actions on the internet.

We believe that the transparency of actions carried out by institutions aimed at monitoring or restricting people's freedom of expression, is important in protecting consumer rights. The availability of such information ensures that groups whose rights may be at risk, including civil society groups, stay well-informed. To this end, we publish [Law Enforcement Disclosure Reports](#) indicating the total number of requests we have received. More information on our work on Freedom of Expression can be found in Telia Company's [Annual Sustainability report](#).



Privacy

The protection of personal data is the foundation of modern responsible business. It relates to trust, responsibility, quality operations and the reputation of the entire company.

In our activities, we apply the top privacy principles, which help ensure our compliance with the General Data Protection Regulation (GDPR) and transparent management of data when introducing new products and services.

How do we do that?

We integrate data protection aspects into every stage of our operations, both in the development of products, processes and IT systems and in the maintenance of services throughout their life cycle.



We evaluate and analyse data protection from the very beginning of projects or their planning phase.



We conduct privacy assessments and, if necessary, a **Data Protection Impact Assessment**, before we start processing data (when data processing may pose a significant risk to rights and freedoms of individuals).

Telia has also acquired the **ISO/IEC 27001 Information Security Standard**. When it comes to our suppliers, we sign strict personal data processing agreements with them. We continuously improve our internal processes and hold mandatory trainings on privacy and data security for our employees.

In October 2022, Telia Lietuva took part in the cyber security exercise "**Cyber shield 2022**", organized by the National Cyber Security Center (NKSC). More than 110 public and private sector entities, responsible for state information resources, critical information infrastructure, provision of public communication networks and public electronic communication services participated in the exercise. Such exercises are based on the principle of training in real conditions; train as you fight. Organizations participate in exercises with the capabilities, personnel and procedures they actually have and do so from their workplaces. This allows organizations to see the real and unrecovered state of their cyber security and to repeat theoretical knowledge. As well as involving a wider range of colleagues in processes in which they had little or no involvement before, such as incident response, investigation, gathering evidence, reporting to authorities, etc.

In 2022, the State Data Protection Inspectorate (VDAI) examined 3 complaints related to Telia. In one case the Inspectorate issued a reprimand as Telia could not provide proof how the applicant's e-mail was received and processed as the contact data of the company (business client), although the applicant was previously a manager of this company. In the second case, it was established that Telia did not violate GDPR provisions, and in the third case, that the violation was minor.



Diversity and equal rights

Every day we create and foster an environment in which all of Telia's employees can feel comfortable and confident, remaining true to themselves. We believe that such an environment allows us to unleash our best qualities, skills and abilities, fulfilling ourselves and inspiring others.

Therefore we:

- support diversity and a work culture where everyone can feel heard, supported and respected regardless of their sex, gender identity or its expression, nationality, ethnic origin, religious beliefs, age, social background, sexual orientation, disability or personality features.
- respect the uniqueness of each person, and it is important for us that every employee can be themselves and have equal opportunities.
- create a work environment that promotes diversity and inclusion.

The following is important for us in the area of diversity and equal rights:

— Involvement of employees and managers

We aim to increase the awareness and involvement of our entire team through various trainings, discussions and events.

— Processes

We integrate various inclusive and equal opportunity initiatives into the company's internal processes in order to eliminate bias and discrimination.

— Initiatives and partnerships

We participate in various events and initiatives that contribute to raising of awareness in this field, as well as important changes. On top of this, we organize such events ourselves too.

One of the important documents we follow is Telia's [Equal Opportunities Policy](#). It promotes a culture of diversity and equal opportunities; from the best working conditions for all and fair pay to preventing discrimination and harassment. This policy is integrated into our Human Resource Policy and Remuneration Policy (both of which are publicly available) and is also set out in the Code of Ethics and Conduct, the Code of Responsible Business and other company documents.

In order to ensure the principles of fairness and non-discrimination, once a year we evaluate the work results of our employees, taking into account their overall contribution to the company's activities. This assessment reflects both the results achieved and how those results were achieved, drawing clear links not only to the increase in remuneration, but also to the opportunities for professional development and promotion.

Compensation decisions are made solely on the basis of the recommendations set forth in our Equal Opportunities policy and guidelines. Discrimination based on factors such as race, gender, age, religion or belonging to a particular ethnic group is not permitted under any circumstances.



Telia Lietuva is one of the first companies in the entire Group to achieve **gender equality** among employees and middle-level executives.

At the end of 2022, Telia Lietuva men and female gender balance was 51% and 49% respectively

We have an established position of Diversity and Inclusion Coordinator within the company. Main responsibilities include:

- Raise awareness of diversity and inclusion through training;
- Create an environment which is favourable to diversity and inclusion in all internal processes, for instance, employee selection, remuneration review.
- Increase the involvement of different groups through partnerships, internal and external initiatives



Diversity and equal rights

Telia's priorities for equal opportunities include:

100% equal opportunities for all;

50/50 gender balance in all positions;

0% no pay gap between genders, discrimination or harassment.

We are committed to diversity and equal opportunities for all employees. To this end, we changed recruitment processes and internal procedures at the company, introducing special programmes and initiatives which help increase employee diversity and engagement in the long term.

Despite our efforts, there are cases where we see that continuous recruitment specialists training is of the highest importance. In 2022, Telia Lietuva has received a warning from office of the Equal Opportunities Ombudsperson due to the violation of equal opportunities when an applicant to a vacancy was not informed correctly by a Telia HR specialist about the reasons why the position was not offered.

Therefore, we put even more focus on trainings and by the end of 2022:

- **65%** of managers have been trained to identify manifestations of unconscious bias
- **55%** of managers have been trained on inclusive recruitment practices
- **All staff** recruitment specialists have been trained in inclusive recruitment practices that help to ensure unbiased advertising, impartial recruitment and employment of diverse talent.

The results of our **annual employee engagement survey** show that our efforts have been paying off:

- **92%** of Telia employees, who participated in the survey, agree that they are treated with respect and dignity;
- **87%** of Telia employees, who participated in the survey, are proud of Telia's contribution to a sustainable society.



Diversity and equal rights: projects promoting diversity



Baltic Pride 2022. In preparation for Pride Month, we have been actively engaging our colleagues via our internal channels; sharing intranet articles and inviting them to join as volunteers. Also, we have organised webinars on the following topics:

- Equality of family rights for the LGBTIQL+ community: why it matters and where we are today;
- Meeting with Rasa Račiene - founder of the organization "Mothers for LGBTQ+ children".

In our main office (Saltoniškių str. 7A) we had a 'Pride elevator' which was decorated in Pride colours. Telia has joined the 'March for Equality' parade together with its employees.



Together with our diversity partner SOPA (Social Employment Agency), we implemented the **DUOday** initiative, inviting people with disabilities to join our employee shadowing programme. They spent a whole day working together with our employees in duo's (this is where the name of the international initiative "DUOday" comes from). During the day, the invited people with disabilities not only got to know Telia, its activities and had the opportunity to see it "from the inside", but also tried out our employees' usual tasks, attended meetings and communicated with the people at Telia. During this initiative, we also had participants who shadowed our executives.



We partnered with "**Dėkui Centras**" in order to help people with disabilities integrate into the job market. Participants were invited to Telia's office and had the possibility to meet Telia's HR professionals and managers, they were also introduced to the company, its career opportunities and application process. An agreement was made to collaborate on future projects.



We continue our long-term friendship with the **Women Go Tech** initiative. This is the first and only mentoring programme created for women in Lithuania, which encourages them to explore a technology-related career. Just like every year, Telia's mentors contribute to the project. Meanwhile, we engage in the development of the programme and hold special events for Women Go Tech participants.

Attention to employees

Health and safety

The safety and well-being of our employees is our responsibility. To this end, we follow the international **Health and Safety Standard ISO 45001**, occupational health and safety procedures and other internal mechanisms.

In 2022, we didn't record any accidents at work. Our employees had 5 accidents on the way to/off work.

In continuation of previous years, we continued the disease prevention programme. We have arranged periodic medical check-ups in Telia offices, and more than 800 of our employees completed it. The company also financed the vaccination of its employees against influenza and tick-borne encephalitis.

One of the important breakthroughs was digitizing employees' health checks data in our HR system. All our employees' health check books are now scanned and connected with their personal files. After this change we have up to date information about our employees' periodical health checks.

Additionally, we carried out an **assessment of workplace hazards**. There was a strong focus on engineers' workplaces. **67%** of engineers took part in this evaluation. They assessed the probability and frequency of the occurrence of hazards in their daily activities. After this exercise, possible hazards were identified on the way to the customer, providing services in the customers' territory as well as possible emergency or unusual situations and conditions.



In 2022, **168** employees were vaccinated against tick-borne encephalitis and **341** against influenza.

Safety trainings

Knowledge and skills on how to deal with dangerous situations can be critical and help to avoid disasters. For this reason, we periodically hold various theoretical and practical trainings related to the occupational safety of our employees.

In 2022, we updated **3 internal documents**:

- instruction for the engineers;
- employee OHS instruction;
- training programme for departments managers;
- and created one new training programme for employees working with heights.

Together with Group OHS specialists we created one common Fire and Safety training programme. All our trainings can be found in one platform.

We also filmed 7 videos for our employees with various physical full body exercises: legs, shoulders, neck, back, eyes etc. We encourage our employees to have regular breaks in between work and to spend some time doing exercises.

Controlling COVID-19 at the company

In the beginning of the year, we were still dealing with the COVID-19 pandemic. In 2022, 2 virtual sessions were held for all Telia employees. We offered employees a virtual session with a family doctor. This session was very successful, we attracted more than 800 participants. We also had a session about various vaccinations and the situation in the world.

Attention to employees: personal, professional and leadership development

We operate in a highly competitive labour market; because of this, we pay a lot of attention to the motivation, growth of and show of gratitude to our existing employees. To attract new specialists: we invest, develop various educational programmes, offer a competitive value package, constantly stay in touch with our employees, market experts, students, business community, etc.

Remote work

We had
1,582
Telia employees
working remotely
in 2022

Working for
a total of
93,216
days remotely

In 2021, we were the first in Lithuania to legalize **workations**. Now our employees can work in any European Union (EU) state for up to one month per year. This is highly beneficial, as employees can better combine work with family life and the need to rest. In 2022 total 65 employees have used opportunity to work abroad.

Moreover, we allow our teams the flexibility to adjust their working hours; employees can choose to start and end their work day earlier or later, i.e. they can start working at any time from 7 a.m. to 11 a.m. and respectively finish their work day a few hours earlier or later. This option is particularly attractive to colleagues returning from parental leave, as they often wish to work part-time for at least some time.

We have also introduced the **remote work contract** which allows employees work only from home and receive monetary compensation to buy a table, chair and lamp. In 2022 we had 3 engineers and 25 call center specialist work with remote employment contract in different Lithuania cities.

Remote work has already become a common practice that Telia started 7 years ago (in 2015). We have a clearly defined Remote Work Procedure, secure logins to the network when working outside the office, equipment necessary for remote work, and the habit of working remotely with high efficiency.

Of course, not all employees, especially those who have just joined Telia, have the necessary equipment for remote work at home, so just like before, we arrange such equipment, including laptops, desktop screens, quality headphones and other equipment, and deliver it directly to homes of our colleagues.

Professional and personal development

We support the idea of lifelong learning, encouraging and helping our employees to constantly improve their competencies and acquire new knowledge. In addition to the basic and mandatory trainings that our employees have to attend, we organize various additional trainings, information sessions, presentations by external speakers and other activities.

Mentoring programme

We pay a lot of attention not only to the development of professional competencies, but also to leadership. "**Mentorship@Telia**" was launched in 2021 to encourage our people to manage their own learning in order for them to maximize their potential, develop their skills, improve their performance and become the person they want to be. Trainings for mentors and introductory sessions for mentees were designed to equip both parties for a successful mentoring experience.

Mentees have a possibility to choose a partner for this mutually beneficial relationship from **45** recognized Telia mentors.

Attention to employees: personal, professional and leadership development

Leadership development

Recent years have been challenging to managers. Seeing this, we distinguished leadership development education as one of our priorities. We aim to help managers to successfully lead hybrid teams (when teams or colleagues work in different locations), communicate effectively through different channels, consciously collaborate and delegate effectively having a flexible work schedule, take care of team performance, create a culture of productivity and a good microclimate in the changed work environment. We also strive to develop leadership in teams of specialists.

This year we continue driving focused leadership development initiatives to build relevant leadership capabilities and ensure business continuity through the availability of competent internal talent.

In 2022 we kick-started the new pilot **LED Strategic Leadership Program**, a continuous cross-country development initiative, which we run in partnership with the Re:Humanize Institute (5 senior leaders from Lithuania). The primary goal was the development of critical talent to strengthen our top management succession pipeline.

1st line leadership development is supported by internal **Essentials of Leadership** programme. 40 people managers enrolled in the learning journey to get an understanding of what it means to be a leader at Telia and to get the tools to lead their teams.

First line team managers organize **Leaders Hub** sessions. In this sessions they discuss and share experience about leadership competencies, recruitment in manager life.

Telia Leadership Academy is a programme for middle-level managers and talent with growth potential. In 2022, the programme aimed to contribute to the training of 20 managers with growth potential for future positions. We developed the content of the Academy together with our partner ISM Executive School.

In order to create clarity about how we successfully lead to realize our purpose and strategy, Telia has developed **Telia's Leadership Framework** which consists of 4 leadership competencies and defines what we see as particularly important for our leadership at Telia. Gamified leadership workshops, co-created with *Good People LT*, encourage Telia leaders to look at the serious topics with a light sense of humor. Simplicity is the key to brilliance: team leaders create comics and deep dive into leadership framework. There is room not only for creativity and spontaneity, but for alignment on leadership expectations too. We already had two sessions where customer service team leads took part.

Our leadership expectations roll-out plan consisted of a 360 feedback survey to bring awareness to how leaders match these 4 competencies. To support further development, people managers were invited to take part in individual 360 feedback and coaching sessions. Finally, around 100 managers explored how these leadership competencies come out in real life situations. Together they went to the "Leadership Expedition": a meaningful and fun day where managers expanded personal boundaries while exploring our leadership behaviours in cross-functional teams. The provided content was diverse and engaging: a forest hike consisting of challenging tasks to explore competencies.



Attention to employees: personal development and well-being

Other trainings which took place in 2022:

Training programme	No of Participants
Impact Leadership (by Rehumanize Institute	5
Change management practitioners training	2
Change management for leaders	50
Employee orientation session: change management	49
Structured problem solving	22
Presentation and communication training	9
Clifton Strengths	40
Leadership creativity workshops	30
Career planning webinar	317
Mindfulness webinar	154
Feedback and Coaching training	11
Unconscious Bias course	123

For personal and professional development purposes all of Telia's employees have the opportunity to use the LinkedIn Learning platform. In 2022 we had **600** active LinkedIn Learning users.

In addition, high-potential employees get full or partial funding for studies at universities (**10 employees** in 2022)

Developing soft skills and emotional wellbeing

Over the years increasingly more attention goes out to the health and emotional well-being of our employees. To strengthen these areas, we turned to external experts and specialists to help us learn more about how we can stay energetic, positive and resilient to challenges.

During 2022 we had several webinars during which various topics were covered:

- “Leadership, Adult learning and Psychological safety” (over 200 attendees)
- “How to help yourself and others during times of crisis?” (approx. 70 people managers)
- “Fear and anxiety. How to cope?” (approx. 200 attendees)

Studies show that the number of people suffering from emotional struggles is increasing. Therefore, at the end of 2022 we launched a new initiative: the **Wellbeing Ambassadors programme**. A group of Telia volunteers was trained by professionals to support colleagues who are experiencing mental health challenges, distress, or are just looking for a no-judgment venting opportunity. They are familiar with the signs of someone developing a mental illness and are able to guide an employee towards support, either through professional help or self-help.

Wellbeing Ambassadors:

- Can listen.
- Can advise and refer to professional help in more complex situations.
- Develops the topic of emotional well-being in the organization.
- Take preventive initiatives to increase awareness of well-being and break the stereotype that it is not appropriate to talk about emotions at work.

We also hold the People of Telia Awards every year. Employees nominate other employees and teams for their achievements and important work done over the year. The best ones are selected by the Commission and a joint vote of all employees.



Attention to employees: sharing the knowledge

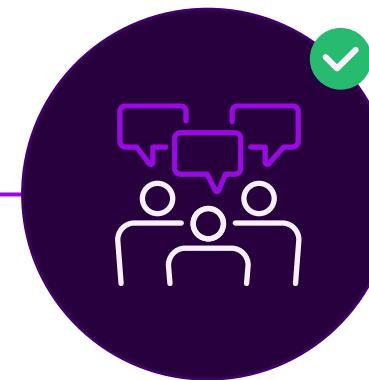
Students and internships



In 2022, we admitted **25 interns** for compulsory and voluntary internships.

We provided exclusive scholarships and experience opportunities:

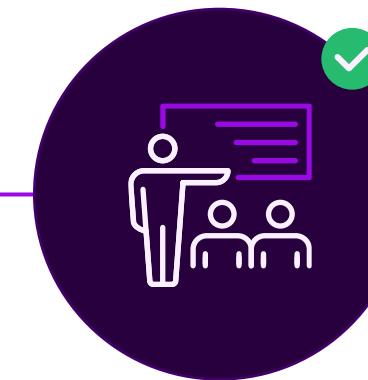
- Šiauliai State University of Applied Sciences. One off scholarship for the best IT and engineering students after one year of studying.
- Vilnius University Šiauliai Academy. One off scholarship for the best IT students after one year of studying (received by 11 IT students).
- Klaipėda Business School. Special programme by Telia prepared to target future engineers.
- ISM partnership. Work & Study program.



In 2022 Telia's talent hunting teams and IT managers attended **16 career events** and projects of various scale seeking to attract new talent.

We have partnered up with:

- Vilnius University
- ISM
- KTU
- Tech Fair
- Vytautas Magnus University
- Kaunas College
- Lithuanian Student Association for international students (about 70 participants)
- Women Go Tech



Our experts shared their knowledge in lectures:

- Vilnius Coding School – “Linux. Where to start?” (80 participants)
- ISM - Data analytics task for 3rd year students
- ISM – Lecture for “4 Leaders Club” by our CTO Andrius Šemeškevičius
- Kaunas College – lecture on data analytics in business (~25 participants)
- Kaunas College – lecture on customer care & career opportunities (~25 participants)



We also took part in the “Big Data Conference”, a two-day specialist event which attracted more than 780 participants. Telia's virtual stand was visited by 178 unique visitor's 486 times. During the conference our experts presented on the topic “Journey to Modernizing Data Platform & Accelerating Business With Insights: Telia Case Study”. It was attended by 151 conference participants.

Attention to employees: additional values

Collective bargaining agreement

Telia has had a collective bargaining agreement for more than two decades. The latest collective bargaining agreement was signed in January 2020, and has been valid for all employees of the company since February. The agreement provided for the following key benefits for employees:

- Rights and opportunities of choice for employees
- Support for professional development
- Appraisal and evaluation of employees
- Flexibility and balance between work and personal life
- Promoting well-being of employees

This collective bargaining agreement has been registered in the [Register of Collective Bargaining Agreements](#) and is freely accessible.

Additional values and guarantees

Telia seeks to contribute to the well-being of its employees and their families through both non-financial and financial means. We also provide the following additional social guarantees:

- ✓ additional leave of up to 5 business days, depending on the length of service at Telia;
- ✓ employees get 3 days of paid leave for their wedding;
- ✓ in case of death of the father, mother, spouse, child (adopted child), brother or sister of an employee, the employee is given 3 calendar days of paid leave;
- ✓ in case of death of a grandmother, grandfather, the father, mother, brother or sister of an employee's spouse, the employee gets one calendar day of unpaid leave;
- ✓ employees get paid study leave;
- ✓ the employer pays 70% of the employee's average salary for the first 2 calendar days of temporary incapacity for work due to an illness that fall on the employee's work schedule;
- ✓ employees are allowed to be absent from work for 2 working days per calendar year without a certificate of incapacity for work when feeling unwell or due to an illness, paying them their salary for these days;
- ✓ a bonus on the occasion of 20, 30 and 40 years of uninterrupted service at Telia;
- ✓ allowance for the serious financial situation of an employee or his/her family or for significant material losses;
- ✓ sports and cultural events have been supported by the decision of the Committee of Social Needs Fund (due to the pandemic, the use of this money this year focused on various online events and emotional health of employees) and initiatives for children of our employees.

Attention to employees: additional health insurance

Additional health insurance

All employees of our company are covered under accident insurance from the first day of their employment. The insurance is valid not only during working hours, but at all times, both in Lithuania and abroad. Therefore, our colleagues can feel safe even while on holiday.

In 2022, we had our health insurance plans updated, with increased limits for outpatient and inpatient treatment, treatment of critical illnesses and rehabilitation treatment after hospitalisation. Taking into account the general situation and the needs of our employees, we increased the number of psychotherapy sessions. The option to pay for maternity care services, to carry out a COVID-19 test when it is necessary before a day surgery operation and other tests remains.



In 2022, **1,879** employees used their additional health insurance

Moreover, it is possible to purchase additional health insurance on favourable terms for loved ones, spouses and life partners (with whom employees do not have to necessarily be in a kinship or marriage relationship), and children up to 26 years of age.

We also take care of our employees on parental leave, providing them with additional health insurance until their baby turns one.



Attention to employees: other activities

Saving for retirement

Since the beginning of 2015, Telia has been contributing to the accumulation of pensions of its employees in the 3rd pillar pension funds. All employees of Telia Lietuva who have been working for the company for one year or more can participate in the programme: "Kaupk su Telia" (English: Save with Telia). If employees also contribute to the saving for pension at their own expense, Telia transfers an additional contribution to their pension fund corresponding to the employee's contributed share of salary.

This year, we updated the programme and doubled the employer's contribution to employee pensions. For those who decide to make an additional contribution to their pension accumulation from their official salary, Telia transfers an additional contribution from the company's funds to the employees' pension fund.



In 2022, **658** employees of the company participated in the programme "Kaupk su Telia"

Social Needs Fund

We have established the Social Needs Fund which aims to contribute to the implementation of the social needs and ideas of employees.



In 2022, **EUR 66,473** was disbursed from the Social Needs Fund to meet the needs of Telia's employees.

Funds from the Social Needs Fund have been granted for the following:

- to pay benefits for a difficult financial situation of an employee or his/ her family or significant material losses suffered by them;
- to support sports and cultural events;
- to support initiative for children of our employees;
- to pay bonuses for 20, 30 and 40 years of uninterrupted service at Telia;
- to pay benefits in case of death of relatives of an employee or an employee himself/ herself.

Combining work and family life

It is important for us that Telia employees have a good work-life balance. To this end, we have offered our colleagues benefits in this area which are truly unique in the market.

We organize **full-day camps** for the children of Telia employees during school holidays. In the summer of 2022, we organized camps in our big offices in Vilnius, Kaunas and Šiauliai. A total of 7 different camp programmes took place. A total of **140** children participated.

Colleagues on parental leave are invited to company events, and their children also receive Christmas gifts. We also encourage employees on parental to improve their skills. To this end, they can use the LinkedIn training platform during their parental leave period as well.

During 2022 there were **136*** employees on **parental leave**.

*Number includes all employees who were on parental leave at least one day during 2022

Other activities for employees

Telia fosters a culture of active life of employees, so we invite them to join different communities. We call this **Culture HUB**.

Culture HUB unites different communities of colleagues (HUBs) and brings them together based on their interests or dreams of trying something new. It's like a separate independent organization under which there are many small organizations that are engaged in various specific activities. The names of those organizations reveal what activities they are responsible for: Sports HUB, Music HUB, Diversity & Inclusion, Learning HUB, Gamers HUB.

Culture HUB's philosophy: life at work does not have to revolve only around work, after all, everyone can create interesting experiences, the way we want it and when we want it. We can create a safe space for personal leadership, collaboration and self-actualization.

Culture HUB organizes various events in which colleagues are involved: brainstorming, orienteering competitions, various photo contests, cookie day, during which we invite colleagues to donate to the Caritas organization. In the past, Culture Hub invited employees to share the story of their first mobile phone, gathered basketball fans to watch the competition together, etc.

In 2022, a new **Learning HUB** was established, which focuses on sharing learning discoveries, studying together with colleagues and implementing trainings on topics of choice. Currently, this HUB has 7 active members. It has already held its first training "Public speakers are made, not born" (15 participants).

Support

Support for Ukraine

2022 will be marked in history by the tragic war which took over Ukraine. Over the year, Telia Lietuva's support to Ukraine has amounted to almost EUR 300,000 in value. Over the year, we have provided a wide variety of support in relation to helping Ukraine and refugees coming to Lithuania or businesses moving to Lithuania:

- International news and info channels are provided for free on Telia TV for our customers.
- Free calls to/from Ukraine for Telia Lietuva customers to ensure connection with the close ones during February and March; reduced rates calls onwards.
- Pre-paid SIM cards provided for refugees in Lithuania free of charge. Over 2022 we have handed out more than 34,000 SIM cards.
- Equipment donated for the NGOs working with the refugees: feature phones, mobile phones, computers, batteries.
- For Ukrainian businesses which have moved to Lithuania as of 1 March 2022, Telia does not apply installation, activation and administrative fees for all telecommunications services it provides, including fixed internet, telephony and mobile communication. There will also be no monthly service charges for mobile communication, mobile internet, Microsoft 365 service package, Telia Cloud and call centre services for half a year after signing the contract.
- Telia fixed internet has been provided in the refugee registration centres in Vilnius, Marijampolė, Klaipėda, Šiauliai and Panevėžys.
- Fibre optic internet and security solution services have been provided to the Ukrainian refugee coordination centre (free of charge for 12 months from the date of installation).



On top of this, in October 2022, Telia Lietuva sent the first shipment of used network equipment to Ukraine, which will be used in the reconstruction of mobile communication networks damaged during the war. During the war started by Russia in Ukraine, not only millions of the country's inhabitants were affected, and entire cities were destroyed, but also vital infrastructure, including mobile communication networks, was severely affected. Therefore, the restoration of destroyed or damaged network infrastructure is one of the highest priorities. Our replacement network equipment has already done its job in Lithuania, but in Ukraine it will be able to serve perfectly for many more years.

Other sponsorships

In 2022, we gave a 100% discount for short numbers of the following campaigns:

- Support for the project "Išsipildymo akcija" (English: Fulfilment Campaign).
- Charity fund „Maisto bankas“ (English: Food Bank)
- Charity and support fund „Maistas Ukrainai“ (English: Food for Ukraine)
- Union of Women of Officer Families of Grand Duchess Birutė of Lithuania
- Lithuanian Red Cross Society
- Lithuanian Riflemen's Union
- Lions Clubs Association
- "Order of Malta Aid Service" organization
- UAB „Creative Industries“
- UAB „Fresh production house“
- UAB „Kūrybos sodas“
- Ukrainian Embassy in Lithuania
- VO „Gelbėkit vaikus“ (English: Save the Children)
- VŠĮ „Media LAB“
- VŠĮ „Mėlyna ir geltona“
- VŠĮ „Stiprūs Kartu“
- VŠĮ Ukrainos mokykla (English: Ukrainian School)
- VŠĮ Visuomeninių iniciatyvų paramos fondas (English: Public initiatives support fund)

In 2022, we provided financial support to the following:

- Telia Lietuva Employee Trade Union
- Trade union of Lithuanian communication employees
- Šiauliai Public College
- Vilnius University Šiauliai Academy
- VŠĮ „SOPA“
- VŠĮ Kauno kolegija (English: Kaunas University of Applied Sciences)

In 2022, we provided support with equipment to:

- Lithuanian Red Cross Society
- Panevėžys Elena Mezginaitė public library
- Pasvalys district municipality
- Special Communications and Information Protection Service of Ukraine
- VŠĮ „Stiprūs kartu“ (English Strong Together)



In 2022, Telia Lietuva distributed more than EUR 87,000 for support

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, Giedrė Kaminskaitė-Salters, CEO of Telia Lietuva, AB, and Daina Večkytė, Head of Finance of Telia Lietuva, AB, hereby confirm that, to the best of our knowledge, the Annual Report of Telia Lietuva, AB, for the year 2022 includes a fair review of the development and performance of the business and the position of the Company in relation to the description of the main risks and contingencies faced thereby.

Giedrė Kaminskaitė-Salters
CEO

Daina Večkytė
Head of Finance

Financial Statements

Statement of profit or loss and other comprehensive income

	Notes	Year ended 31 December	
		2022	2021
Revenue	5	444,623	420,794
Cost of goods and services	6	(174,991)	(168,690)
Employee related expenses		(58,385)	(56,632)
Other operating expenses	7	(64,804)	(58,287)
Other income		-	-
Other gain / (loss) – net	8	1,094	1,414
Depreciation, amortisation and impairment of fixed assets and assets classified as held for sale	13	(84,083)	(77,669)
Operating profit		63,454	60,930
Gain/loss from investment activities		-	-
Finance income		1,263	1,463
Finance costs		(3,898)	(3,548)
Finance and investment activities – net	9	(2,635)	(2,085)
Profit before income tax		60,819	58,845
Income tax	10	(4,421)	(2,037)
Profit for the year		56,398	56,808
Other comprehensive income:			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		56,398	56,808
Profit and comprehensive income attributable to:			
Owners of the Parent		56,398	56,808
Non-controlling interests		-	-
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in EUR per share)	11	0.097	0.098

Statement of financial position

	As at 31 December		
	Notes	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	13	269,653	267,034
Goodwill	14	26,769	26,769
Intangible assets	14	142,650	114,025
Right-of-use assets	15	44,995	46,124
Costs to obtain contract	28	5,498	4,837
Contract asset	29	537	696
Trade and other receivables	18	17,440	16,789
Finance lease receivables	18	4,027	6,685
		511,569	482,959
Current assets			
Inventories	16	14,461	12,711
Contract asset	29	1,266	1,102
Trade and other receivables	18	69,929	66,497
Current income tax assets		-	5,201
Finance lease receivables	18	6,129	5,920
Cash and cash equivalents	19	7,099	61,769
		98,884	153,200
Assets classified as held for sale		594	5,310
Total assets		611,047	641,469

	As at 31 December		
	Notes	2022	2021
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Issued capital	20	168,958	168,958
Legal reserve	21	16,896	16,896
Retained earnings		142,337	144,200
Equity attributable to owners of the Company		328,191	330,054
Non-controlling interests		-	-
Total equity		328,191	330,054
LIABILITIES			
Non-current liabilities			
Borrowings	23	30,000	30,000
Lease liabilities	23	42,121	45,720
Deferred tax liabilities	24	17,874	19,604
Deferred revenue and accrued liabilities	22	20,261	6,645
Contract liability	29	-	-
Provisions	25	13,179	12,398
		123,435	114,367
Current liabilities			
Trade, other payables and accrued liabilities	22	59,600	57,416
Current income tax liabilities		261	-
Borrowings	23	83,548	124,254
Contract liability	29	2,389	2,054
Lease liabilities	23	13,623	13,324
Provisions	25	-	-
		159,421	197,048
Total liabilities		282,856	311,415
Total equity and liabilities		611,047	641,469

Statement of changes in equity

	Notes	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2021		168,958	16,896	145,653	331,507
Profit for the year		-	-	56,808	56,808
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		-	-	56,808	56,808
Dividends paid for 2020	12	-	-	(58,261)	(58,261)
Balance at 31 December 2021		168,958	16,896	144,200	330,054
Profit for the year		-	-	56,398	56,398
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		-	-	56,398	56,398
Dividends paid for 2021	12	-	-	(58,261)	(58,261)
Balance at 31 December 2022		168,958	16,896	142,337	328,191

Statement of cash flows

	Notes	Year ended 31 December	
		2022	2021
Operating activities			
Profit for the year		56,398	56,808
Adjustments for:			
Income tax expenses recognized in profit or loss	10	4,421	2,037
Depreciation, amortisation and impairment charge	7, 13	85,847	79,764
Other gain / (loss) – net	8	(1,267)	(1,451)
Interest income	9	(1,263)	(1,463)
Interest expenses	9	3,824	3,382
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):			
Inventories / Assets held for sale		(1,935)	(3,528)
Trade and other receivables		(194)	1,752
Decrease/(increase) in contract assets	29	(5)	(157)
Decrease/(increase) in contract costs	28	(661)	(31)
Trade, other payables and accrued liabilities, deferred tax liability		3,611	(381)
Increase/(decrease) in contract liabilities	29	335	444
Increase/(decrease) in deferred revenue and accrued liabilities		(577)	(1,170)
Increase/(decrease) in provisions	25	(28)	31
Cash generated from operations		148,506	136,037
Interest paid		(3,512)	(3,367)
Interest received		238	414
Income taxes paid		(4,427)	(6,711)
Net cash generated by operating activities		140,805	126,373

	Notes	Year ended 31 December	
		2022	2021
Investing activities			
Purchase of property, plant and equipment and intangible assets			(111,982) (52,270)
Proceeds from disposal of property, plant and equipment and intangible assets			5,814 4,661
Proceeds from / repayments for finance sublease receivables			3,475 (648)
Net cash used in investing activities		(102,693)	(48,257)
Financing activities			
Repayment of borrowings	23	(150,500)	(95,188)
Proceeds from borrowings	23	128,994	89,648
Increase (decrease) in lease liabilities		(13,015)	(8,487)
Dividends paid to shareholders	12	(58,261)	(58,261)
Net cash received in financing activities		(92,782)	(72,288)
Increase (decrease) in cash and cash equivalents		(54,670)	5,828
Movement in cash and cash equivalents			
At the beginning of the financial year		61,769	55,941
Increase (decrease) in cash and cash equivalents		(54,670)	5,828
At the end of the financial year	19	7,099	61,769

Notes to the financial statements

1 General information

Telia Lietuva, AB (hereinafter – the Company) is a public company (joint-stock company) incorporated on 6 February 1992. The Company is domiciled in Vilnius, the capital of the Republic of Lithuania. Address of its registered office is Saltoniškių str. 7A, LT-03501, Vilnius, Lithuania.

The Company's shares are traded on Nasdaq Vilnius stock exchange from 16 June 2000. 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 the Berlin Stock Exchange, the Frankfurt Stock Exchange, the Munich Stock Exchange, and the Stuttgart Stock Exchange.

The shareholders' structure of the Company was as follows:

	31 December 2022		31 December 2021		Ownership interest in %
	Number of shares	%	Number of shares	%	
Telia Company AB (publ), Sweden	513,594,774	88.15	513,594,774	88.15	
Other shareholders	69,018,364	11.85	69,018,364	11.85	
	582,613,138	100.00	582,613,138	100.00	

The Company's principal activity is provision of telecommunications, TV and IT services to business and residential customers in the Republic of Lithuania.

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

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

The number of full-time employees of the Company at the end of 2022 amounted to 1,925 (2021: 1,939).

The investments included in the Company's financial statements are indicated below:

Associate	Country of incorporation	Ownership interest in %		Profile
		31 December 2022	31 December 2021	
VŠĮ Numerio Perkėlimas	Lithuania	50%	50%	A non-profit organization established by Lithuanian telecommunications operators administers central database to ensure telephone number portability

As at 31 December 2022 and 2021, the Company had no investments in subsidiaries.

The financial statements for the year ended 2022 are prepared on stand-alone basis in accordance with IAS 27 "Separate Financial Statements".

Notes to the financial statements

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The financial statements have been prepared under the going concern basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IAS 16 "Property, Plant and Equipment" – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021

(effective for annual periods beginning on or after 1 January 2022),

- Amendments to IFRS 3 "Business Combinations" – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 - 2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

The adoption of amendments to the existing standards has not led to any material changes in the Company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 "Insurance contracts" – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure of Accounting Policies adopted

by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

- Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 "Presentation of Financial Statements" – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

2.2 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are presented in Euro (EUR), which is the functional currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within "Finance income" or "Finance costs". All other foreign exchange gains and losses are presented in the statement of profit or loss within "Other gain / (loss) – net".

Notes to the financial statements

2.3 Property, plant and equipment

Property, plant and equipment are carried at its historical cost less any accumulated depreciation and any accumulated impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful life, as follows:

Buildings	10 – 50 years
Ducts and telecommunication equipment	3 – 30 years
Other tangible fixed assets	2 – 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Construction in progress is transferred to appropriate groups of fixed assets when it is completed and ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.4 Intangible assets

Goodwill

Goodwill arises on the acquisition of business and represents the excess of the consideration transferred over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates and subsidiaries'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets

Intangible assets expected to provide economic benefit to the Company in future periods have finite useful life and are measured at acquisition cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated on the straight-line method to allocate the cost of intangible asset over estimated benefit period as follows:

Licenses and software	3 – 20 years
Client base	15 years
Trademarks	5 years
Other intangible fixed assets	5 years

The assets' useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable cost that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are included within 'Other gain / (loss) – net' in the statement of profit or loss.

2.5 Investment property

Property that is held for undetermined use and that are not occupied are classified as investment property. Investment property comprises construction in progress.

Recognition of investment property takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and the cost can be measured reliably. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred.

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Transaction costs are included on initial recognition.

Notes to the financial statements

2.6 Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.7 Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash generating units (or groups of cash generating units) expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.8 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2.8.1 Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

If collection is expected in one year or less, they are classified as current assets, if not, they are presented as non-current assets.

Interconnection receivables and payables to the same counterparty are stated net, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Notes to the financial statements

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (Note 9).

2.8.2 Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure

at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

2.8.3 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2.9 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

2.9.1 Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2.9.2 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Notes to the financial statements

2.10 Investments in subsidiaries and associates in the separate financial statements of the Company

Investments in subsidiaries that are included in the separate financial statements of the Company are accounted at cost less impairment.

Investments in associates that are included in the financial statements of the Company are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received or receivable from associated are recognized as a reduction in the carrying amount of the investment. The Company's investment in associates includes goodwill identified on acquisition.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the equity, the Company does not recognize further losses.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Company), transportation, handling and other costs directly attributable to the acquisition of inventories. Net realisable value is the estimate of the selling price in the ordinary course of business, less the applicable selling expenses. All inventories held by the Company attribute to the materials and goods for resale categories.

2.12 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.13 Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. An asset held for sale is measured at the lower of its previous carrying value and fair value less costs to sell. One of the conditions that must be satisfied for an asset to be classified as held for sale is that the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. One criteria for the sale to qualify as highly probable is that the appropriate level of management must be committed to a plan to sell the assets or disposal group in its present condition. In the telecom industry acquisitions often require regulatory approval. If the buyer is a telecom operator in the same market parties often have to agree to a number of remedies to get the approval. If the buyer is expected to be a telecom operator in the same market and significant remedies are expected, a sale is usually not regarded as highly probable and consequently the assets are not classified as held for sale by the Company, until the remedies are agreed upon and accepted by management. The determination if and when non-current assets and disposal groups should be classified as held for sale requires management judgment considering all facts and circumstances relating to the transaction, the parties and the market and entities can come to different conclusions under IFRS.

2.14 Issued capital

Ordinary shares are classified as equity. Issued capital is considered by law order only registered issued capital. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the Company.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. All borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Supplier financing arrangements

An entity may enter into arrangements under which a 'factor' (typically, a financial institution) pays a supplier on its behalf, with the entity (i.e. the purchaser) then reimbursing the factor. Such arrangements may be referred to as, for example, 'supplier financing', 'reverse factoring' or 'structured payable arrangements'.

Borrowings are disclosed in the Note 23.

2.17 Accounting for leases – where the Company is the lessee

The Company recognises a right-of-use asset and a lease liability on the statements of financial position when the underlying asset is made available for the Company, i.e. at the commencement date. The Company applies the practical expedients to recognise payments associated with short-term leases and leases of low value as an expense in the profit or loss. The Company does not apply IFRS 16 to intangible assets.

The lease liability is initially measured at the present value of the lease payments during the estimated lease term that are not paid at the commencement date. Lease payments included in the measurement of the lease liability comprise of fixed lease payments including in-substance fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee and payment related to options that the Company is reasonably certain to exercise. In all asset classes, payments related to non-lease components are separated from the lease payments and expensed as incurred.

The estimated lease term includes the non-cancellable period of the lease together with both periods covered by extension options (if the Company is reasonably certain to exercise that option) and periods covered by termination options (if the Company is reasonably certain not to exercise that option).

Notes to the financial statements

The lease liability is re-measured if there are modifications to the lease contract or if there are changes in the cash flow based on the initial contract terms. Changes in cash flows based on initial term occurs when; the Company changes its initial estimation of whether extension and/or termination options will be exercised, there are changes in earlier estimates of whether a purchase option will be exercised, lease payments changes due to changes in index or rate, or if there is a change in estimates regarding amounts expected to be under a residual value guarantee.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. For the majority of all lease contracts the Company uses its incremental borrowing rate, as the interest rate implicit in the lease usually is not readily determinable.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date and any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the estimated lease term. Any re-measurement of the lease liability results in most cases in a corresponding adjustment of the right-of-use asset. If the carrying amount of the right-of-use asset has already been reduced to zero, the remaining re-measurement is recognised in the profit or loss. The right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

Right-of-use asset are presented as a separate line in the statement of financial position and lease liabilities as long-term and short-term borrowings in the statement of financial position.

In the profit or loss, depreciation charges of the right-of-use asset are presented in the different functions depending on the type of leased asset. The interest expense on the lease liability is presented as finance costs. Lease payments associated with leases of low value and short-term leases are presented in the different functions depending on the type of leased asset.

Repayment on the lease liability are presented as a cash flow from financing activities. Payments of interest as well as payments for short-term leases and leases of low value are presented as cash flow from operating activities.

2.18 Accounting for leases – where the Company is the lessor

In arrangements where the Company is a lessor, determination of whether each lease is a finance lease or an operating lease is made at lease inception. To classify each lease, an overall assessment is made of whether the lease transfers substantially all the risk and rewards incidental to the ownership of the underlying asset. If substantially all of the risk and rewards are transferred, then the lease is a finance lease. If not, it is an operating lease. If a contract includes both lease and non-lease components, the Company allocates the consideration to the components identified on the basis of relative stand-alone selling prices (see 2.21 section "Revenue recognition").

In arrangements where the Company is an intermediate lessor the classification of the sublease is assessed with reference to the right-of-use asset arising from the head lease.

The Company as finance lessor

The Company owns assets that are leased to customers under finance lease agreements. Amounts due from lessees are recorded as receivables at the amount of the net investment in the leases, which equals the net present value. Initial direct costs are included in the initial

measurement of the financial lease receivable and reduce the amount of income recognized over the lease term. Interest income is recognized over the lease term on an annuity basis.

The Company as operating lessor

Rental revenues from operating leases are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and are recognized on the same basis as the lease revenues.

2.19 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructurings

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the

plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Restoration provisions

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the management's best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

2.20 Income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to item recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax is determined using tax rates (and legislation) that have been enacted or substantially enacted on the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Notes to the financial statements

Deferred tax assets are recognised only to the extent that is probable that future taxable profit will be available against which the temporary differences can be utilised.

Profit for 2022 is taxable at a rate of 15% (2021: 15%) in accordance with Lithuanian regulatory legislation on taxation.

Income tax expense is calculated and accrued for in the financial statements based on information available at the moment of the preparation of the financial statements.

The Company may be entitled to claim special tax deductions for investments in qualifying assets. The Company accounts for such allowances as tax credits, which means that the allowance reduce income tax payable and current tax expense.

According to Lithuanian legislation, tax losses accumulated as at 31 December 2022 are carried forward indefinitely except for tax loss arising from the transfer of securities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on the same taxable entity. Current tax assets and tax liabilities are offset where the same taxable entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.21 Revenue recognition

Revenue principally consist of mobile service revenues including subscription, interconnect and roaming and fixed service revenues including telephony, broadband, TV, installation fees and business solutions, as well as revenue from equipment sales and leases. There are both revenue from products and services sold separately and from products and services sold as a bundle.

Revenue is recognized based on a single principle based five-step model which is applied to all contracts with customers (IFRS 15). Revenue is allocated to performance obligations (equipment and services) in proportion to stand-alone selling prices of the individual items. Revenue is recognized when (at a point in time) or as (over a period of time) the performance obligations are satisfied, which is determined by the manner in which control passes to the customer. Revenue is measured based on the consideration specified in a contract with a customer and excludes amount collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both. For variable consideration accumulated experience is used to estimate and provide for the variable consideration, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Service revenues are recognized over time, in the period in which the service is performed, based on actual traffic or over the contract term, as applicable. Revenue from voice and data services is recognized when the services are used by the customer. Subscription fees are recognized as revenue over the subscription period. Sales relating to pre-paid phone cards, primarily mobile, are deferred as a contract liability and recognized as revenue based on the actual usage of the cards. Revenue from interconnect traffic with other telecom operators is recognized at the time of transit across the Company's network.

Subscription fees are recognized as revenue over the subscription period. Sales relating to pre-paid phone cards, primarily mobile, are deferred and recognized as revenue based on the actual usage of the services cards.

Revenue from equipment sales is recognized at the point in time when control is transferred to the customer, which normally is on delivery and when accepted by the customer. If the customer has the right to return the equipment, the amount of revenue recognized is adjusted for expected returns, estimated based on historical data.

Bundled services and products

The Company may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). The Company accounts for each individual product and service separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. When the transaction price is determined for bundles that includes services (e.g. a mobile subscription), the minimum non-cancellable contract term is considered. When applicable, the transaction price is adjusted for financing components and expected returns. There are usually no or few other variable components in the transaction price. The transaction price is allocated to each equipment and service accounted for as a separate performance obligation, based on their relative stand-alone price. For most performance obligations, the stand-alone selling prices are directly observable. If stand-alone selling prices are not directly observable, they are estimated based on expected cost plus margin. In some cases the offerings includes non-refundable upfront fees such as activation fees. Payments for such fees are included in the transaction price, and, if not related to the satisfaction of a performance obligation, allocated to other performance obligations identified in the contract.

Some bundled offerings include lease components, e.g. TV boxes, as well as non-lease components, e.g. subscription. In those arrangements, the transaction price is allocated to both the lease components and non-lease components identified as separate performance obligations. The lease components are then accounted for as either an operating lease or a finance lease depending on the lease classification. Revenue for the non-lease components are recognized when or as the performance obligations are satisfied. Equipment that can be used only in connection with services provided by the Company and that have no other significant function for the customer

than delivering the service, e.g. routers, is not accounted for as a separate performance obligation. In such arrangements, the transaction price is allocated to the performance obligations identified, i.e. no part of the transaction price is allocated to the equipment. Any consideration received upfront, when the equipment is delivered, is recognized as a contract liability and recognized as revenue when or as the identified performance obligations are satisfied.

Principal versus agent

Sometimes a third party is engaged in delivering goods or services to the Company, e.g. the Company offers several value-added services (VAS) to the customers in bundled offers.

In arrangements where the Company acts as a principle, revenue is recognised on a gross basis. When the Company acts as an agent and arranges goods or services to be provided by another party, revenues are recognised as the net amount of consideration that the Company retains after paying that other party. When invoicing end-customers for third-party content services, amounts collected on behalf of the principle are excluded from revenues.

2.22 Interest income

Interest income is recognised on a time-proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Interest income on held-to-maturity investments, loans granted are classified as "Other income", interest income on cash and cash equivalents are classified into "Finance income".

Notes to the financial statements

2.23 Dividend income

Dividend income from investments is recognised when the right to receive payment has been established.

2.24 Employee benefits

Social security contributions

The Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date per mutual agreement or employers will. The Company recognise termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of mutual agreement. Benefits falling due more than 12 months after reporting date are discounted to present value.

Bonus plans

The Company recognise a liability and an expense for bonuses based on predefined targets. The Company recognise related liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Supplementary health insurance

The Company pays supplementary health insurance contributions to the insurance company on behalf of its employees. Supplementary health insurance for employees is the possibility to get health care and health improvement services in a selected health care institution. The supplementary health insurance contributions are recognized as expenses when incurred.

Contributions to Pension Fund

The Company is contributing to III pillar pension funds on behalf of its employees who decided to participate in pension fund's program proposed by the Company with cooperation with "SEB Investicijų valdymas". These contributions are recognized as expenses when incurred.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Withholding tax on dividends paid to legal entities amounts to 15% (2021: 15%). According to statutory law, participation exemption (i.e. no withholding tax on dividends) could be applied when shareholder holds more than 10% of share capital and retains the holding for more than one year. There is also withholding tax exemption on dividends paid to pension and investment funds.

2.26 Segment information

Business customer segment (B2B) is responsible for services sales and customer care for big, medium and small business customer and operators including retail and wholesale telecommunication and IT services.

Private customer segment (B2C) is responsible for service and customer care for private customers.

Other segment includes technology division and support units financial performance.

The Company's segment reporting 2022:

	January – December 2022			
	B2B	B2C	Other	Total
Revenue from external customers	157,327	282,362	4,934	444,623
Cost of goods and services, employee related expenses, other operating expenses	(80,111)	(111,031)	(107,038)	(298,180)
Operational result	77,216	171,331	(102,104)	146,443
Other income				-
Other gain/ (loss) – net				1,094
Depreciation, amortisation and impairment of fixed assets and assets classified as held for sale				(84,083)
Operating profit				63,454

The Company's segment reporting 2021:

	January – December 2021			
	B2B	B2C	Other	Total
Revenue from external customers	155,251	261,577	3,966	420,794
Cost of goods and services, employee related expenses, other operating expenses	(82,265)	(109,520)	(91,824)	(283,609)
Operational result	72,986	152,057	(87,858)	137,185
Other income				-
Other gain/ (loss) – net				1,414
Depreciation, amortisation and impairment of fixed assets and assets classified as held for sale				(77,669)
Operating profit				60,930

The management assesses the performance of the segments based on measure of revenue and operational profit using the same accounting policies as used in preparation of these financial statements.

Segment revenue represents revenue generated from external customers. Management assess segment operating profit according to its responsibility defined in segment budget. Intersegment sales and expenses are not included into segment activities assessment.

Notes to the financial statements

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose them to financial risks: market risk (including foreign exchange risk, and interest rate risk), credit risk, liquidity risk. The Company's Policy for Financial Management putting the main guidelines for financial risk management and seeks to minimise potential adverse effects of the financial performance of the Company.

Financial risk management is carried out by a Telia Company, AB Treasury under policies approved by the Board of Directors. Telia Company, AB Treasury identifies and evaluates financial risks in close co-operation with the Telia Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

Market risk

Foreign exchange risk

The Company operates in euro zone and main stream of revenue and payments are in euro therefore its exposure to currency risk is not significant. 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 (USD). Substantially all the Company's trade payables and trade receivables in foreign currency are short-term and insignificant as compared to total cash pool in EUR. As the foreign exchange risk is insignificant, the sensitivity analysis of foreign exchange risk is not disclosed. The Company manages foreign exchange risk by minimising the net exposure to open foreign currency position. Further exposure to foreign exchange risk is disclosed in Notes 18, 19, 22 and 23.

Cash flow and interest rate risk

The Company is exposed to interest rate risk through funding, financing and cash management activities.

At the reporting date the interest rate profile of the Company's interest-bearing financial assets and liabilities:

	2022	2021
Financial assets		
Accounts receivables with deferred payments	39,220	35,828
Financial liabilities		
Loans with variable interest rate	30,000	30,000
Provisions (ARO)	13,179	12,398
Pensions accruals	468	425
Accounts payables with deferred payment	21,565	6,807

A change in the interest rates at the reporting date would have increased (decreased) assets or liabilities and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Interest rate applied	Change in interest rate (-100 basis points)	Change in interest rate (+100 basis points)	Delta, EUR thousand
Financial assets				
Accounts receivables with deferred payments	5,21%	39,619	38,821	399
Financial liabilities				
Loans with variable interest rate	3,54%	32,535	29,582	2,535 / (418)
ARO	3,80%	14,152	12,428	973 / (751)
Pensions accruals	2,70%	486	452	18 / (16)
Accounts payables with deferred payment	2,21%	6,484	5,917	293 / (275)
	3,41%	16,776	14,136	1,405 / (1,237)

Credit risk

The financial assets exposed to credit risk represent cash deposits and trade receivables.

To manage credit risk of trade receivables the Company checks the creditworthiness of all customers (business and residential) before signing any new contracts, except for low value contracts, e.g. additional TV packaged or other value added services (VAS). Customers' invoices payment control consists of a few various reminders starting with a notification before due date and then additional reminders after due date are sent. Services are limited after 20 days past due and contract is terminated and penalties issued after 50 days past due. Residential customers' bad debts after sending additional reminding letters are sold or handed over to external bad debt collection agencies for debt recovery.

Impairment provision for trade receivables is calculated on a monthly basis according to the Company's internal policy for trade receivable impairment. Estimation of impairment is based on expected loss of trade receivables categories and application of certain impairment rates to each category. The impairment rates and the Company's internal policy for trade receivable impairment estimation are updated on a yearly basis.

Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Notes to the financial statements

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk relates to the availability of sufficient funds for debt service, capital expenditure and working capital requirement or dividend payment. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Accordingly, the Company's management implemented formal procedures for liquidity risk management, where minimum required 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 planned annual revenue.

The Company has internal control processes and contingency plans for managing liquidity risk. The short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from operations.

For the maturity analysis of the undiscounted cash flows of the Company's borrowings, into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date see Note 23.

Operational transaction exposure sensitivity

In most cases, the Company customers are billed in local currency. Receivables from and payables to other operators for international fixed-line traffic and roaming are normally settled net through clearing-houses.

The sensitivity analysis based on the assumption that the operational transaction exposure is equivalent to that in 2022 did not reveal any significant interest rate or currency exchange risk, no hedging measures were taken.

Fair value estimation

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. This hierarchy requires the use of observable market data when available.

The objective of the fair value measurement, even in inactive markets, is to arrive at the price at which an orderly transaction would take place between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

In order to arrive at the fair value of a financial instrument different methods are used: quoted prices, valuation techniques incorporating observable data, and valuation techniques based on internal models. These valuation methods are divided according with the fair value hierarchy in Level 1, Level 2, and Level 3.

The level in the fair value hierarchy within which the fair value of a financial instrument is categorized, is determined on the basis of the lowest level input that is significant to the fair value in its entirety.

The classification of financial instruments in the fair value hierarchy is a two-step process:

1) Classifying each input used to determine the fair value into one of the three levels;

2) Classifying the entire financial instrument based on the lowest level input that is significant to the fair value in its entirety.

Quoted market prices – Level 1

Valuations in Level 1 are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques using observable inputs – Level 2

Valuation techniques in Level 2 are models where all significant inputs are observable for the asset or liability, either directly or indirectly. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as price) or indirectly (that is, derived from prices).

Valuation technique using significant unobservable inputs – Level 3

A valuation technique that incorporates significant inputs that are not based on observable market data (unobservable inputs) is classified in Level 3. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. Level 3 inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

Assets and liabilities for which fair value is disclosed

The carrying amount of liquid and short-term financial instruments (with maturity below 3 months), for example, cash and cash equivalents, short-term deposits, short-term trade payables and trade receivables, short-term bank borrowings corresponds to its fair value.

3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders, return capital to shareholders and issue new shares.

The Company defines capital as equity which is disclosed in the statement of financial position.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a joint stock company must be not less than EUR 40,000, and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2022 and 2021, the Company complied with these requirements.

The Company's operations are financed by the external parties as well as by the shareholders' capital. The Company had finance lease and vendor financing liabilities plus outstanding EUR 30 million external loans with Lithuanian and foreign banks at the end of 2022. For more detailed borrowings related information see Note 23.

The Company is not subject to any externally imposed capital requirements.

3.3 Fair value estimation

The carrying value less impairment losses of trade receivables and carrying value of payables are assumed to approximate their fair value (as market rates are used).

Notes to the financial statements

3.4 Offsetting financial assets and financial liabilities

Financial assets

The following financial assets are subject to offsetting, according to criteria described in Note 2.8:

	As at 31 December	
	2022	2021
<i>Trade and other receivable</i>		
Gross amounts of recognized financial assets	99,295	97,082
Gross amounts of recognized financial liabilities set off in the statement of financial position	(4,355)	(3,878)
Net amounts of financial assets presented in the statement of financial position	94,940	93,204
Related amounts not set off in the statement of financial position	-	-
Net amount	94,940	93,204

Financial liabilities

The following financial liabilities are subject to offsetting, according to criteria described in Note 2.9:

	As at 31 December	
	2022	2021
<i>Trade payables</i>		
Gross amounts of recognized financial liabilities	163,390	200,971
Gross amounts of recognized financial assets set off in the statement of financial position	(4,355)	(3,878)
Net amounts of financial liabilities presented in the statement of financial position	159,035	197,093
Related amounts not set off in the statement of financial position	-	-
Net amount	159,035	197,093

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6 and Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 14).

The purpose of impairment test is to ensure that assets are carried at no more than their recoverable amount. The recoverable amounts (that is, the higher of value in use and fair value less cost to sell) are normally determined on the basis of value in use, applying discounted cash flow calculations. In the recoverable amount calculations, management used assumptions that it believes are reasonable based on the best information available. The key assumptions in the value in use calculations were sales growth, EBITDA margin development, the weighted average return on assets (WARA), CAPEX-to-sales ratio, and the terminal growth rate of free cash flow.

The value in use calculations were based on forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information. The forecasted cash flows were discounted at the weighted average return on assets (WARA). It represents a method of calculating a company's average cost of capital, in which each category of capital is weighted in accordance with the share of that particular category of capital in overall company's financing. WARA mirrors the Internal rate of return (IRR), which is the expected result of the purchase price allocation (PPA). Weighted average cost of capital (WACC) is lower than IRR as a rational and knowledgeable market investor does not invest in projects, which yield is below WACC. Therefore, WACC is usually below WARA and IRR.

Notes to the financial statements

Goodwill was tested for impairment at 31 December 2022 and 2021. Calculations were done using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Management determined budgeted profit after tax based on past performance, valued contracts with customers and its expectations of market development. For details of assumptions used in impairment valuation are presented in Note 14. Based on analysis performed, the management concluded no impairment loss.

Intangibles
 Estimates concerning useful lives of intangibles are disclosed above and amortization charge for the year is disclosed in Note 14. Intangible assets with the estimated useful life and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. The estimations are done based on the entity's consideration of its own historical experience consistent with the highest and best use of the asset and with the expected use of the asset in future. Recognized intangible asset reflects the period over the asset will contribute. The estimation of the useful life for customer data basis was done based on the statistics of current number of customers and the disconnected amount of customers over the period.

Property, plant and equipment

Estimates concerning useful lives of property, plant and equipment due to constant technology advances – useful lives are disclosed above and depreciation charge for the year is disclosed in Note 13. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation charge. The useful lives of property, plant and equipment are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Furthermore, network infrastructure cannot be depreciated over a period that extends beyond the expiry of the associated license under which services are provided.

Impairment allowance for accounts receivable

Impairment allowance for accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgment. Judgment is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments. Current estimates of the Company could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

Allowance for doubtful receivables reflects estimated losses that result from the inability of customers to make required payments. Management determines the size of the allowance based on the likelihood of recoverability of accounts receivable taking into account actual losses in prior years and current collection trends.

5 Revenue

	Year ended 31 December	
	2022	2021
Mobile services	152,125	136,298
Equipment sales revenue	99,086	97,431
Internet services	70,302	64,410
Voice telephony services	39,164	41,504
TV services	37,555	39,042
IT services	21,132	17,653
Data communication and network capacity services	17,963	17,454
Other services	7,296	7,002
Total	444,623	420,794

6 Cost of goods and services

	Year ended 31 December	
	2022	2021
Costs of goods and services purchased	119,762	113,876
Network's interconnection	39,673	43,252
Network capacity costs	15,556	11,562
Total	174,991	168,690

Notes to the financial statements

7 Other operating expenses

	Year ended 31 December	
	2022	2021
Energy, premises and transport costs	21,877	12,320
Marketing expenses	16,572	16,631
Consultations and other services from group	11,682	14,876
Maintenance and other services	7,099	7,880
Impairment of accounts receivable	1,579	1,715
Other expenses	5,995	4,865
Total	64,804	58,287

8 Other gain (loss)

	Year ended 31 December	
	2022	2021
Gain on sales of property, plant and equipment	1,456	1,639
Loss on sales of property, plant and equipment	(189)	(188)
Other gain (loss)	(173)	(37)
Total	1,094	1,414

9 Financial and investment activities

	Year ended 31 December	
	2022	2021
Gain/loss from investments in subsidiaries and associates	-	-
Interest income from instalments amortisation	714	1,049
Interest income on finance leases	302	353
Interest income on cash and cash equivalents	238	48
Other finance income	9	13
Finance income	1,263	1,463
Interest expenses on leases	(2,574)	(2,464)
Interest expenses on borrowings	(1,250)	(896)
Foreign exchange gain (loss) on financing activities	(14)	(121)
Other finance costs	(60)	(67)
Finance costs	(3,898)	(3,548)
Financial and investment activities – net	(2,635)	(2,085)

Notes to the financial statements

10 Income tax

	Year ended 31 December	
	2022	2021
Current tax expenses	6,151	1,313
Deferred tax change (Note 24)	(1,730)	724
Total	4,421	2,037

As at 1 January 2009, amendments to Law on Corporate Profit Tax came into effect which provides tax relief for investments in new technologies. As a result, the Company's calculated profit tax relief amounts for 2022 to EUR 6.1 million (2021: EUR 6.8 million). Investments in new technologies are capitalised as property, plant and equipment, and their depreciation is deductible for tax purposes, therefore, the tax relief does not create any deferred tax liability.

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Year ended 31 December	
	2022	2021
Profit before income tax	60,819	58,845
Tax calculated at a tax rate of 15% (2021: 15%)	9,123	8,827
Income not subject to tax (-) and expenses not deductible for tax purposes (+)	1,100	1,220
Tax relief	(6,101)	(6,853)
Other	299	(1,157)
Income tax expense recognized in profit or loss and other comprehensive income statement	4,421	2,037
Effective tax rate	7.27%	3.46%

11 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 Company 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 both reporting periods amounted to 582,613 thousand.

	Year ended 31 December	
	2022	2021
Net profit	56,398	56,808
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613
Basic earnings per share (EUR)	0.097	0.098

12 Dividends per share

The dividends per share declared in respect of 2021 and 2020 and paid in 2022 and 2021 were EUR 0.10 and EUR 0.10 respectively.

13 Property, plant and equipment

The depreciation, amortisation and impairment charge in the statement of profit or loss items:

	Year ended 31 December	
	2022	2021
Depreciation of property, plant and equipment (Note 13)	52,382	50,687
Impairment of property, plant and equipment (Note 13)	475	802
Amortisation of intangible assets (Note 14)	20,955	16,885
Impairment of intangible assets (Note 14)	-	-
Amortisation of right-of-use-asset (Note 15)	10,271	9,295
Total	84,083	77,669
Impairment of assets classified as held for sale	-	-
Total	84,083	77,669

Notes to the financial statements

	Land and buildings	Ducts and telecommunication equipment	Other tangible fixed assets	Construction in progress	Total
Year ended 31 December 2021					
Opening net book amount	14,828	212,685	15,772	13,638	256,923
Additions	-	534	-	67,741	68,275
Reclassifications	(3,863)	(18)	172	(293)	(4,002)
Disposals and write-offs	(2,302)	(301)	(70)	-	(2,673)
Transfers from construction in progress	1,769	49,390	3,605	(54,764)	-
Depreciation charge	(1,376)	(44,389)	(4,922)	-	(50,687)
Impairment charge	(80)	(721)	(1)	-	(802)
Closing net book amount	8,976	217,180	14,556	26,322	267,034
At 31 December 2021					
Cost	30,979	796,147	53,582	26,322	907,030
Accumulated depreciation	(21,962)	(577,292)	(39,025)	-	(638,279)
Impairment charge	(41)	(1,675)	(1)	-	(1,717)
Net book amount	8,976	217,180	14,556	26,322	267,034
Year ended 31 December 2022					
Opening net book amount	8,976	217,180	14,556	26,322	267,034
Additions	-	588	-	54,467	55,055
Reclassifications	692	(80)	69	169	850
Disposals and write-offs	(79)	(333)	(17)	-	(429)
Transfers from construction in progress	1,531	52,320	3,516	(57,367)	-
Depreciation charge	(1,272)	(43,929)	(7,181)	-	(52,382)
Impairment charge	(72)	(403)	-	-	(475)
Closing net book amount	9,776	225,343	10,943	23,591	269,653
At 31 December 2022					
Cost	31,705	797,436	52,867	23,591	905,599
Accumulated depreciation	(21,888)	(570,670)	(41,923)	-	(634,481)
Impairment charge	(41)	(1,423)	(1)	-	(1,465)
Net book amount	9,776	225,343	10,943	23,591	269,653

During 2022, the Company reviewed the write-off principles of fully depreciated assets based on economical benefits criteria as disclosed in the accounting policy. Based on a new criteria the Company has written-off fully depreciated assets for EUR 32,016 thousand of acquisition cost (during 2021: EUR 32,491 thousand).

During 2022, the Company has done the reclassification from tangible assets to assets held for sale in amount of EUR 191 thousand (during 2021: EUR 3,848 thousand).

During 2022, the Company has done the reclassification from assets held for sale to tangible assets in amount of EUR 880 thousand (during 2021: none).

Also, the Company reviewed the accounted projects and has done the reclassification from tangible assets to intangible assets in amount of EUR 7 thousand (during 2021: EUR 154 thousand).

The category 'Ducts and telecommunication equipment' includes terminal equipment leased by the group to third parties under operating leases with the following carrying amounts:

	2022	2021
Cost	65,840	60,523
Accumulated depreciation at 1 January	(43,317)	(39,769)
Depreciation charge for the year	(6,793)	(7,019)
Disposals and write-offs accumulated depreciation	1,526	3,477
Net book amount	17,256	17,212

Notes to the financial statements

14 Intangible assets

	Licenses and software	Goodwill	Other intangible assets*	Construction in progress**	Total
Year ended 31 December 2021					
Opening net book amount	55,046	26,769	34,690	15,718	132,223
Additions	43	-	-	25,312	25,355
Reclassifications	15,893	-	-	(15,739)	154
Disposals and write-offs	(53)	-	-	-	(53)
Amortisation charge	(13,437)	-	(3,448)	-	(16,885)
Closing net book amount	57,492	26,769	31,242	25,291	140,794
At 31 December 2021					
Cost	128,254	29,408	57,711	25,291	240,664
Accumulated amortisation	(70,762)	-	(22,885)	-	(93,647)
Impairment charge	-	(2,639)	(3,584)	-	(6,223)
Net book amount	57,492	26,769	31,242	25,291	140,794
Year ended 31 December 2022					
Opening net book amount	57,492	26,769	31,242	25,291	140,794
Additions	24,242	-	-	25,588	49,830
Reclassifications	24,415	-	-	(24,574)	(159)
Disposals and write-offs	(91)	-	-	-	(91)
Amortisation charge	(17,518)	-	(3,437)	-	(20,955)
Closing net book amount	88,540	26,769	27,805	26,305	169,419
At 31 December 2022					
Cost	167,454	29,408	57,711	26,305	280,878
Accumulated depreciation	(78,914)	-	(26,322)	-	(105,236)
Impairment charge	-	(2,639)	(3,584)	-	(6,223)
Net book amount	88,540	26,769	27,805	26,305	169,419

* Other intangible assets at 31 December 2022 consist of the client base and trademark (acquired while merging AB Omnitel) for an amount of EUR 27,807 thousand (31 December 2021: EUR 31,245 thousand), the remaining amortisation period is 8 years.

** Construction in progress comprise intangible assets developed for internal use and provision of services, are expected to be completed within 2023.

During 2022, the Company reviewed the write-off principles of fully amortised assets based on economical benefits criteria as disclosed in the accounting policy. Based on a new criteria the Company has written-off fully amortised assets for EUR 17,735 thousand of acquisition cost (during 2021: EUR 14,492 thousand).

During 2022, the Company reviewed the accounted projects and has done the reclassification from tangible assets to intangible assets in amount of EUR 166 thousand (during 2021: EUR 154 thousand).

At the end of 2022, the carrying value of client base was EUR 27.8 million and goodwill – EUR 26.8 million. Management measured their recoverable amounts using discounted cash flow method. Management determined budgeted profit after tax based on past performance, valued contracts with customers and its expectations of market development. Carrying amount of goodwill was allocated to the mobility business as cash generating unit (CGU), working capital and capital investments were allocated to CGU as a proportion of sales. Cash flows beyond the five-year period are extrapolated using the estimated rates as follows: for client base – growth rate perpetuity: 2.2% (2021: 2%), discount rate: 13.6% (2021: 13.6%); for goodwill: growth rate perpetuity: 1% (2021: 1%), discount rate: 4.1% (2021: 4.3%). The discount rates used are pre-tax and reflect specific risks relating to the relevant cash generating units. Based on analysis performed, the management concluded no impairment loss. If the discount rate is increased by 2 p. p. client base or goodwill would not be impaired.

Provision of fixed, long distance and international telecommunication services (including transmission) is not a subject to licensing in Lithuania.

In the beginning of August 2022, the Company won the auction for 3.5 GHz radio frequency license by offering the highest bid of EUR 7 million. The Company acquired the cleanest and least constrained 100 MHz radio frequency block from 3,400-3,700 MHz band.

At the end of August, the auction for 700 MHz radio frequency license was over. The Company acquired 2x10 MHz radio frequency block for EUR 23 million that covers the largest territory of the country in the 700 MHz band. It allows consumers to use a combined spectrum thus improving 4G speed and coverage, especially in low density areas.

In total, the Company will pay EUR 30 million over 20 years to the Lithuanian state budget for both 5G frequency bands. The initial 30 per cent payments for both licenses (in total EUR 9 million) are already made.

The Company still uses amortized software and licenses with acquisition cost as at 31 December 2022 amounting to EUR 26,057 thousand (2021: EUR 23,230 thousand).

Notes to the financial statements

15 Right-of-use-assets

	Land and premises	Dark fibre	Equipment rent	Other	Total
Year ended 31 December 2021					
Opening net book amount	38,206	8,322	-	689	47,217
Additions	2,075	-	6,440	316	8,831
Lease modifications	3,248	2,597	-	(34)	5,811
Disposals and write-offs	-	-	(6,440)	-	(6,440)
Amortisation charge	(7,764)	(1,257)	-	(274)	(9,295)
Closing net book amount	35,765	9,662	-	697	46,124
At 31 December 2021					
Cost	56,665	13,238	-	1,439	71,342
Accumulated amortisation	(20,900)	(3,576)	-	(742)	(25,218)
Net book amount	35,765	9,662	-	697	46,124
Year ended 31 December 2022					
Opening net book amount	35,765	9,662	-	697	46,124
Additions	4,343	-	3,440	533	8,316
Lease modifications	4,584	(305)	-	(13)	4,266
Disposals and write-offs	-	-	(3,440)	-	(3,440)
Amortisation charge	(8,674)	(1,223)	-	(374)	(10,271)
Closing net book amount	36,018	8,134	-	843	44,995
At 31 December 2022					
Cost	65,592	12,933	-	1,960	80,485
Accumulated depreciation	(29,574)	(4,799)	-	(1,117)	(35,490)
Net book amount	36,018	8,134	-	843	44,995

16 Inventories

	As at 31 December	
	2022	2021
Goods for resale	15,017	13,123
Supplies and consumables	151	110
	15,168	13,233
Less: allowance for obsolete inventory	(707)	(522)
Total	14,461	12,711

17 Financial instruments by category

The accounting policies for the financial instruments have been applied to the line item below:

	As at 31 December	
	2022	2021
Assets as per statement of financial position		
Trade and other receivables	94,940	93,204
Cash and cash equivalents	7,099	61,769
Total	102,039	154,973

All financial liabilities of the Company amounting to EUR 159,421 thousand (2021: EUR 197,048 thousand) fell under the category of other financial liabilities, there are no liabilities at fair value through profit and loss.

Notes to the financial statements

18 Trade and other receivables

	As at 31 December	
	2022	2021
Trade receivables from business customers and residents	85,198	78,869
Trade receivables from other operators	1,813	2,843
Total trade receivables	87,011	81,712
Less: provision for impairment of receivables	(5,324)	(4,296)
Trade receivables – net	81,687	77,416
Receivables from companies collecting payments for telecommunication services	668	576
Prepaid expenses and other receivables	2,588	2,365
Finance lease receivables	10,156	12,605
Receivables from related parties (Note 27)	2,426	2,929
	97,525	95,891
Less: non-current portion	(21,467)	(23,474)
Current portion	76,058	72,417

All non-current receivables are due within three years from the reporting date.

The fair values of trade and other receivables are approximate to their carrying values.

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above. The Company does not hold any collateral as security.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As at 31 December 2022, the Company's trade receivable of EUR 87,011 thousand (2021: EUR 81,712 thousand) were not impaired and provided for. The amount of the Company's provision was EUR 5,324 thousand as at 31 December 2022 (2021: EUR 4,296 thousand). Impairment allowance by major part has been recognized on an issued invoices, based on the impairment rates assessed by management.

The Company started to account an expected credit losses on account receivables according to IFRS 9 requirements.

The main rules used in calculation of expected credit losses are as following:

- Historical data is used to estimate expected credit losses.
- A provision matrix specifies fixed provision rates depending on the number of days that account receivable is past due.
- The same provision rate is applied to all customer's account receivables (which may have different days past due) according to the oldest due date. Postponed payments for installments are also included in calculation of expected credit losses.
- Different provision rates are applied for different customer segments – Mobility B2C; Mobility B2B; Broadband B2C; Broadband B2B/B2O as historical credit loss experience shows different loss patterns for these segments. This means that in case customer has services in different systems (e.g. Broadband and Mobility) different provision rates will be applied for the same customer.

The ageing of these receivables is as follows:

	As at 31 December	
	2022	2021
Trade receivable total	87,011	81,712
Of which not overdue	66,821	63,594
Overdue up to 3 months	15,520	13,501
4 to 6 months	446	888
Over 6 months	4,224	3,729

There were no age of past due but not impaired accounts receivable.

Notes to the financial statements

The age of fully and partially impairment accounts receivables is as follows:

	As at 31 December	
	2022	2021
Trade receivable total	87,011	81,712
Of which not overdue	66,821	63,594
Overdue up to 3 months	15,520	13,501
4 to 6 months	446	888
Over 6 months	4,224	3,729

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2022	2021
Currency		
EUR	94,777	92,644
Other currency	2,748	3,247
Total	97,525	95,891

Movements of impairment for trade receivables are as follows:

	As at 31 December	
	2022	2021
At the beginning of year	4,296	3,673
Receivables written off during the year as uncollectible	(13)	(714)
Provision for receivables impairment / Unused amount reversed (-)	1,041	1,337
At the end of year	5,324	4,296

The recognition and release of provision for impaired receivables have been included in "Other operating expenses" in the profit or loss (Note 7).

19 Cash and cash equivalents

	As at 31 December	
	2022	2021
Cash in hand and at bank	7,099	21,769
Short-term investments	-	40,000
Total	7,099	61,769

In 2021, in order to avoid negative interest rate charged for the Company's residuals at the banks the Company started to grant short term loans to the largest shareholder of the Company, Telia Company AB, for up to 3 months period at 0 interest rate. The funds placed with Telia Company are available to the Company on demand within 2 business days and treated as cash / short term investment on demand. As at 31 December 2022, there were no short term investments (as at 31 December 2021, the total amount of funds placed with the Parent company amounted to EUR 40 million).

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2022	2021
Currency		
EUR	7,039	61,745
USD	60	24
Total	7,099	61,769

The credit quality of cash in hand and at bank can be assessed by reference to Standard & Poor's long term credit ratings (or equivalent by Moody's):

	As at 31 December	
	2022	2021
A+	6,456	21,189
A-2 (short term)	-	40,000
Baa1 (Moody's)	479	169
Other	164	411
Total	7,099	61,769

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents classified as other cash and cash equivalents.

Notes to the financial statements

20 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.

21 Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of 5% of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, is compulsory until the reserve including share premium reaches 10% of the share capital. The legal reserve can be used to cover the accumulated losses. The amount of the legal reserve surplus which exceeds the size of legal reserve required by the legislation can be added to retaining earnings for the profit distributing purpose.

At the end of year 2022 and 2021 legal reserve – EUR 16.9 million.

22 Trade, other payables and accrued liabilities

	As at 31 December	
	2022	2021
Trade payables	28,147	28,452
Taxes, salaries and social security payable	12,129	9,803
Accrued liabilities	8,023	4,129
Amounts payable to related parties (Note 27)	3,963	3,684
Trade payables to operators	1,965	1,614
Accruals to operators	41	3,424
Other payables and deferred revenue	25,593	12,955
	79,861	64,061
Less non-current portion	(20,261)	(6,645)
Current portion	59,600	57,416

In the beginning of August 2022, the Company won the auction for 3.5 GHz radio frequency license by offering the highest bid of EUR 7 million. The Company acquired the cleanest and least constrained 100 MHz radio frequency block from 3,400-3,700 MHz band.

At the end of August, the auction for 700 MHz radio frequency license was over. The Company for EUR 23 million acquired 2x10 MHz radio frequency block that covers the largest territory of the country in the 700 MHz band. It allows consumers to use a combined spectrum thus improving 4G speed and coverage, especially in low density areas.

In total, the Company will pay EUR 30 million over 20 years to the Lithuanian state budget for both 5G frequency bands. The initial 30 per cent payments for both licenses (in total EUR 9 million) are already made.

The carrying amounts of the trade and other payables are denominated in the following currencies:

	As at 31 December	
	2022	2021
Currency		
EUR	75,861	57,137
Other currency	4,000	6,924
Total	79,861	64,061

Notes to the financial statements

23 Borrowings

	As at 31 December	
	2022	2021
Current		
Borrowings	-	-
Reverse factoring	83,548	123,681
Lease liabilities	13,623	13,324
Finance lease liabilities	-	573
	97,171	137,578
Non-current (due between 2 and 5 years)		
Borrowings	30,000	30,000
Lease liabilities	42,121	45,720
Finance lease liabilities	-	-
	72,121	75,720
Total borrowings and lease liabilities	169,292	213,298

All the borrowings denominated in EUR.

In November 2021, the Company repaid a half (EUR 30 million) of a syndicated banks' loan of EUR 60 million granted in May 2017. The outstanding amount of EUR 30 million will be repaid in May 2024.

In 2017, the Company concluded five lease agreements with SEB bank AB. Company's finance leases concern company cars for employees, and other vehicles. There is subleasing. Cars lease agreements are for 5 years.

Reverse factoring or Supplier Invoice Financing (SIF) is a program where invoices are paid by 3rd party banks in 7 days for the agreed fee which is covered by supplier. The Company does not pay any credit fees and does not provide any additional collateral or guarantee to the banks. Company pays banks full amount in approximately one-year period, no longer than that (actual term depends on few variables agreed between all 3 parties). There were 32 suppliers which participated in SIF program during 2022 (31 in 2021) and used over EUR 40 million (EUR 69 million generated in 2021) cash flow.

The Company's minimum lease payments under finance leases and their present values are as follows:

	As at 31 December			
	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Minimum lease payments at 31 December 2021	16,049	36,811	16,207	69,067
Less future finance charges	(2,152)	(4,828)	(2,470)	(9,450)
Present value of minimum lease payments at 31 December 2021	13,897	31,983	13,737	59,617
Minimum lease payments at 31 December 2022	16,132	35,585	14,903	66,620
Less future finance charges	(2,509)	(5,792)	(2,575)	(10,876)
Present value of minimum lease payments at 31 December 2022	13,623	29,793	12,328	55,744

24 Deferred income taxes

On 1 February 2017, AB Omnitel was merged into the Company therefore, a tax goodwill of EUR 71.2 million was calculated upon the merger. The Company was also potentially liable to recognise a deferred tax asset of approx. EUR 10 million due to potential additional tax amortisation of goodwill, however, due to the negative binding ruling received from the Tax Authorities, such deferred tax asset was not recognised by the Company. The negative binding ruling was appealed to the Supreme Administrative Court. As at 6 November 2019, the Supreme Administrative Court passed a negative ruling.

In 2020, the Company has renewed the discussions with Tax Authorities regarding tax goodwill recognition and filed for an adjustment of the FY2017 Corporate Income Tax return. In the adjusted return the Company claimed right to tax deduction for goodwill amortization as well as loan interest expenses relating to a merger transaction in 2017.

The Tax Authorities has completed the tax audit of the Company for the year of 2017. A final decision was issued by the Tax Authorities on 29 October 2021. The Company has been granted partial right to goodwill and loan interest expenses deduction for 2017 as well as exempted from fines and penalties. This decision and deduction was also applicable for the period of 2018-2021 and will be applicable for further goodwill deduction until 2032.

This agreement is accounted in Company's financial statements for the year ended 2021.

Notes to the financial statements

The net movement on the deferred tax liabilities and deferred tax assets is as follows:

	As at 31 December	
	2022	2021
Deferred tax liabilities		
At the beginning of year	19,604	18,880
Charged/ (credited) to profit or loss (Note 10)	(1,730)	724
At the end of year	17,874	19,604

The analysis of deferred tax assets and deferred tax liabilities is as the follows:

	As at 31 December	
	2022	2021
Deferred tax liabilities		
Deferred tax asset to be recovered / liability settled after more than 12 months	17,684	19,397
Deferred tax asset to be recovered / liability settled within 12 months	190	207
At the end of year	17,874	19,604

According to Lithuanian tax legislation, investments in subsidiaries of the Company qualify for participation exemption, therefore deferred income tax liabilities have not been established on the unremitted earnings of subsidiaries.

The movement in deferred tax assets and liabilities of the Company (prior to offsetting of balances) during the period is as follows:

Deferred tax liabilities	Investment relief ¹	Difference in useful lives ²	IFRS 16	Other	Total
At 31 December 2021	1,415	19,307	9,347	1,013	31,082
Charged / (credited) to profit or loss	(190)	(2,549)	(250)	844	(2,145)
At 31 December 2022	1,225	16,758	9,097	1,857	28,937

Deferred tax assets	Tax losses	Assets retirement obligation	IFRS 16	Other	Total
At 31 December 2021	-	(1,860)	(9,118)	(500)	(11,478)
Charged / (credited) to profit or loss	-	(117)	465	67	415
At 31 December 2022	-	(1,977)	(8,653)	(433)	(11,063)

¹ under investments relief applied till year 2001, value of assets invested was deducted for income tax purpose in the year of investment. Further depreciation expenses of these assets are not tax-deductible therefore deferred tax liability was created. It will be fully utilized during useful lives of these assets.

² when depreciation is prolonged for accounting purposes, as useful lives set by tax laws are shorter than normal wear-and-tear rates.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	As at 31 December	
	2022	2021
Deferred tax asset	(11,063)	(11,478)
Offset with deferred tax liabilities	11,063	11,478
Deferred tax asset as per statement of financial position	-	-
Deferred tax liabilities	28,937	31,082
Offset with deferred tax asset	(11,063)	(11,478)
Deferred tax liabilities as per statement of financial position	17,874	19,604

Notes to the financial statements

25 Provisions

The Company provisions movement during January-December 2022:

	Provision for restructuring	Assets retirement obligation	Total
Closing net book amount at 31 December 2020	-	11,833	11,833
Additions	-	534	534
Used provisions	-	(49)	(49)
Discounting	-	80	80
Closing net book amount at 31 December 2021	-	12,398	12,398
Additions	-	588	588
Used provisions	-	(28)	(28)
Discounting	-	221	221
Closing net book amount at 31 December 2022	-	13,179	13,179

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 recognized. The Company expects that assets retirement obligation will be realized 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.

26 Contingent liabilities and contingent assets

Guarantees

As at 31 December 2022, the aggregate guarantees (obligations guaranteed under tender, agreement performance and advance payment arrangements) provided by AB SEB Bankas, AB Lietuvos Draudimas and AAS BTA Baltic Insurance Company branch in Lithuania on behalf of the Company amounts to EUR 1,656 thousand (2021: EUR 871 thousand).

As at 31 December 2022, tender, agreement performance and advance payment guarantees represented the following expected maturities:

Expected maturity EUR in thousand	Jan-Mar 2023	Apr-Jun 2023	Jul-Sep 2023	Oct-Dec 2023	2027 and later			Total
	2024	2025	2026	2027 and later	Total			

Guarantees	86	485	416	27	54	183	23	382	1,656
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Minimum lease payments receivable

The future minimum lease payments to be received under non-cancellable operating leases are as follows:

	As at 31 December	
	2022	2021
Not later than 1 year	9,396	6,188
Later than 1 year but not later than 5 years	27,195	20,235
Total	36,591	26,423

Minimum lease payments recognized in the statement of profit or loss and other comprehensive income during 2022 were EUR 8,807 thousand (2021: EUR 7,321 thousand).

The future minimum lease payments to be received:

- not later than 1 year consist of EUR 2,399 thousand Telia Asset Finance (TAF) contracts <EUR 5,000 and EUR 6,997 thousand other equipment (2021: EUR 1,254 thousand and EUR 4,934 thousand);
- later than 1 year but not later than 5 years consist of EUR 1,412 thousand Telia Asset Finance (TAF) contracts <EUR 5,000 and EUR 25,783 thousand other equipment (2021: EUR 2,231 thousand and EUR 18,004 thousand).

Notes to the financial statements

Capital commitments

Capital expenditure contracted for at the reporting date but not recognized in the financial statements is as follows:

	As at 31 December	
	2022	2021
Property, plant and equipment	6,912	7,460
Intangible assets	1,258	1,689
Total	8,170	9,149

Operating lease commitments – where the Company is the lessee (AP)

The Company lease passenger cars, IT equipment and premises under operating lease agreements.

The operating lease expenditure charged to the statement of profit or loss are as follows:

	As at 31 December	
	2022	2021
Minimum lease payments	13,861	14,325
Total	13,861	14,325

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2022	2021
Not later than 1 year	970	607
Later than 1 year but not later than 5 years	2,693	2,912
Later than 5 years	178	694
Total	3,841	4,213

The Company's operating lease agreements primarily concern office and server space, leased buildings, land, vehicles and IT equipment, infrastructure. Certain contracts include renewal options for various periods of time. Subleasing consists mainly of office and server premises.

Network Infrastructure Registration

New law on Special land use conditions entered into force on January 1, 2020.

The Law provides for the procedures and requirements to establish and register protection zones of various infrastructure objects (including electronic communications networks) as well as compensation for restrictions imposed on land owners due to protection zones. Existing networks must be registered by 2025 (transition period of 3 years is suggested):

- until 2023 provides possibility to register the cable network without the consent of the landowner;
- from 2023 registration requires the consent of the landowner.

From 2025 economic activity may be carried out if the network is established and registered in the Real Estate Register.

The Company has evaluated the impact of the new legislation and concluded that there is no obligation to account for a provision as at 31 December 2022 and 2021. The Company expects the cost associated with implementation of this legislation for infrastructure currently in use will be accounted for as cost of sales. Estimated cost to complete the registration is approximately in between EUR 6 million and EUR 16 million that will be recognized till 2025.

27 Related party transactions

The Company is controlled by Telia Company AB (publ), registered in Sweden, and owning 88.15% of the Company's shares and votes. The largest shareholder of Telia Company AB is the State of Sweden.

The following transactions were carried out with related parties:

	Year ended 31 December	
	2022	2021
Sales of telecommunication and other services to:		
Telia Company AB and its subsidiaries	9,966	8,480
Subsidiaries of the Company	-	-
Total sales of telecommunication and other services	9,966	8,480

Notes to the financial statements

	Year ended 31 December	
	2022	2021
Purchases of assets and services:		
<i>Purchases of assets from:</i>		
Telia Company AB and its subsidiaries	392	630
	392	630
<i>Purchases of services from:</i>		
Telia Company AB and its subsidiaries	20,459	23,712
Subsidiaries of the Company	-	-
	20,459	23,712
Total purchases of assets and services	20,851	24,342
<i>Year-end balances arising from sales / purchases of assets / services:</i>		
Receivables and accrued revenue from related parties:		
	As at 31 December	
	2022	2021
Receivables from related parties:		
<i>Long term receivables:</i>		
Telia Company AB and its subsidiaries	-	140
	-	140
<i>Short-term receivables:</i>		
Telia Company AB and its subsidiaries	2,036	2,120
	2,036	2,120
<i>Accrued revenue from related parties:</i>		
Telia Company AB and its subsidiaries	390	669
	390	669
Total receivables and accrued revenue	2,426	2,929

The receivables from related parties arise mainly from sale transactions and due one month after the date of sale. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties as at 31 December 2022 and 2021.

Payables and accrued expenses to related parties:

	As at 31 December	
	2022	2021
<i>Payables to related parties:</i>		
Telia Company AB and its subsidiaries	3,957	3,672
	3,957	3,672
<i>Accrued expenses to related parties:</i>		
Telia Company AB and its subsidiaries	6	12
	6	12
Total payables and accrued expenses	3,963	3,684

As at 31 December 2022, the Company had no outstanding internal loans provided by Telia Company AB (2021: none). The Revolver Loan Agreement signed with Telia Company AB on 20 May 2017 terminated on 20 May 2021.

In 2021, in order to avoid negative interest rate charged for the Company's residuals at the banks the Company started to grant short term loans to Telia Company AB for up to 3 months period at 0 interest rate. The funds placed with Telia Company AB are available to the Company on demand within 2 business days and treated as cash/short term investment on demand. As at 31 December 2022, there was no funds placed with the Parent company (as at 31 December 2021: EUR 40 million).

All transactions with related parties are carried out based on an arm's length principle.

In 2022, dividends paid out to Telia Company AB amounted to EUR 51,359 thousand (2021: EUR 51,359 thousand). No dividends were received by the Company from subsidiary in 2022 (2021: no dividends were received).

Notes to the financial statements

Remuneration of the Company's key management

	As at 31 December	
	2022	2021
Remuneration of key management personnel	6,034	5,507
Social security contributions on remuneration	110	100
Total remuneration	6,144	5,607

Key management includes CEO, Heads of Units directly reporting to CEO and Heads of the largest Units of the Company. The total number of top management personnel employed as at 31 December 2022 was 52 (as at 31 December 2021: 46).

According to the Law, the rate of social security contribution on remuneration paid by the Company is 1.77%.

28 Costs to obtain a contract

Contract cost assets balance roll forward:

	As at 31 December	
	2022	2021
Contract cost assets at the beginning of the year	4,837	4,806
Increase of contract assets due to new contracts within the year	7,430	6,293
Amortization expense of costs to obtain contracts	(6,769)	(6,262)
Contract cost assets as at 31 December	5,498	4,837

Costs to obtain a contract are incremental costs incurred resulting in obtaining a contract with a customer, where the Company would not have incurred if the contract had not been obtained. These costs are typically external commissions paid or internal commission or bonus paid related to obtaining a new contract. The asset is amortized on a straight-line basis over the average customer life period, assessed at a portfolio level. If the Company pays a significant commission on contract renewal, the asset is amortized over the minimum contract term.

29 Contract assets and liabilities

Contract assets balance roll forward:

	As at 31 December	
	2022	2021
Current contract assets at 1 January	1,102	1,196
Increase in the balance due to new contract modification	1,876	2,752
Decrease in balance due to normal unwind or contract modification	(1,712)	(2,846)
Current contract assets as at 31 December	1,266	1,102
Non-current contract assets at 1 January	696	445
Increase in the balance due to new contracts	3	485
Decrease in balance due to normal unwind or contract modification	(162)	(234)
Non-current contract assets as at 31 December	537	696
Total contract assets as at 31 December	1,803	1,798
Current contract liabilities at 1 January	2,054	1,610
Increase in contract liability during the year	2,519	2,450
Derecognition of contract liability	(2,184)	(2,006)
Current contract liabilities as at 31 December	2,389	2,054
Non-current contract liabilities at 1 January	-	-
Increase in the balance due to new contracts	-	-
Decrease in balance due to normal unwind or contract modification	-	-
Balance transfer from non-current to current contract liabilities	-	-
Non-current contract liabilities as at 31 December	-	-
Total contract liabilities as at 31 December	2,389	2,054

Notes to the financial statements

30 Events after the reporting period and going concern

On 10 January 2023, the Company had signed an agreement regarding revolving credit facility with Telia Company AB that provides the Company with the possibility to borrow any amount up to total limit of EUR 50 million for 3 or 6 months within 2 business days.

On 9 February 2023, the Board of Telia Lietuva, AB approved the resignation of the current CEO Dan Strömberg effective 28 February 2023. Giedrė Kaminskaitė-Salters has been approved as the new CEO of the Company and started her new position on 1 March 2023.

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, Giedrė Kaminskaitė-Salters, CEO of Telia Lietuva, AB, and Daina Večkytė, Head of Finance of Telia Lietuva, AB, hereby confirm that, to the best of our knowledge, the Annual Report of Telia Lietuva, AB, for the year 2022 includes a fair review of the development and performance of the business and the position of the Company in relation to the description of the main risks and contingencies faced thereby.

Giedrė Kaminskaitė-Salters
CEO

Daina Večkytė
Head of Finance



Other

General information about report

This report presents the activities of Telia Lietuva (Telia in brief) in 2022. The Annual and Sustainability Report is drafted once a year and published. In this report, we provide financial as well as non-financial information on responsible business to our stakeholders: customers, shareholders, investors, employees, suppliers, business and social partners, and the general public.

The financial statements of the Company have been prepared according to the International Financial Reporting Standards as adopted by the European Union.

Sustainability part of this report has also been drafted in accordance with the principles of the United Nations Global Compact, Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, and relevant and applicable European Union requirements. However, sustainability report shall not be considered prepared strictly in accordance with any of the above listed regional or international frameworks. The report also takes into account the recommendations provided by the Bank of Lithuania on the information to be provided by responsible businesses.

The annual report shall not be printed, preparing it in electronic format only, which is available in Lithuanian and English publicly on the website www.telia.lt and on the website of the Nasdaq Vilnius Stock Exchange where it can be accessed by all stakeholders. Information on the release of the report is also provided in the stock exchange announcements to investors.

Stakeholders' comments, feedback and questions are always welcome. Please send them by e-mail to darius.dziaugys@telia.lt and on Sustainability part to indre.bimbiryte-yun@telia.lt.

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Telia Lietuva, AB (the Company), which comprise the statements of financial position of the Company as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, of the financial position of the Company as at 31 December 2022, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to [pages 136, 141](#) of the financial statements

The Company's net sales amounted to EUR 444,623 thousand for the year then ended 2022.

The net sales encompass several revenue streams such as traffic charges, including interconnect and roaming, subscription fees, installation fees, other services and sale of equipment. Furthermore, all these services and products give rise to multiple customer offerings (bundle services) which are subject to price allocation among the services and related products, incentives and discounts.

The Company uses multiple billing systems and other interrelated data applications to maintain the accurate and complete accounting records. IT systems differ across a range of products and lines of business. The Company is implementing SAP as the new core platform, as well as legacy systems run in parallel to ensure uninterrupted operations. IT environment is thus a critical part in the revenue processes.

Complex products and services and a combination of those require significant management judgment about the timing and value of revenue to be recognized and impose the risk of accuracy of revenue related accounting records, as well as recognizing revenue in the correct accounting period. Due to this, we considered this to be a key audit matter.

Audit Procedures

Our audit procedures in this area included, among others:

- assessing the application on the Company's accounting policies with respect to IFRS 15 to services and products delivered and the accounting implication of the new business models to verify that the Company's accounting policies were appropriate for these models and were followed;
- evaluating the design and implementation as well as testing for operating effectiveness key internal controls, including relevant IT systems, used for billing and monitoring of revenue recognition;
- assessing based on sample of customer bills for accuracy for new products and tariffs introduced in the year;
- under multiple-element contractual arrangements (bundled product offers), on a sample evaluating the deliverables to determine whether they represent separate element and testing the value allocated to the undelivered elements based on their respective fair values;
- evaluating on a sample basis revenues allocated to undelivered elements (deferred and recognized over the estimated term of provision of these elements);
- reconciling revenue accruals to actual data traffic available after month closing;
- evaluating the adequacy of disclosures related to the various revenue streams;
- assessing and testing general IT controls for relevant IT systems in the areas of access security (especially privileged access management), system change control, as well as management of data center and network operations.

Other Information

The other information comprises the information included in the Company's annual report, including Corporate Governance statement, Remuneration Report and Corporate Social Responsibility Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's annual report, including Corporate Governance statement and Remuneration Report, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether the Company's annual report, including Corporate Governance statement and Remuneration Report, has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's annual report, including Corporate Governance statement and Remuneration Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual report, including Corporate Governance statement and Remuneration Report, has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the decision made by Shareholders on 27 April 2021 we have been chosen to carry out the audit of the Company's financial statements. Our appointment to carry out the audit of the Company's financial statements in accordance with the decision made by Shareholders has been for year 2022 and the period of total uninterrupted engagement is nine years.

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted to the Company and Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to services provided to the Company in the course of audit and disclosed in the annual report, we performed audit procedures related to the separation of payment service activities from other services and the internal controls applicable to the former activities.

Report on the compliance of format of the financial statements with the requirements for European Single Electronic Reporting Format

The Company's management has applied European Single Electronic Format for the Company's financial statements in order to implement the requirement of Article No. 3 of the Commission Delegated Regulation (EU) 2019/815 that amends European Parliament and Commission Directive 2004/109 / EC with regulatory technical standards establishing a single format for electronic reporting (hereinafter "the ESEF Regulation"). These requirements specify the Company's obligation to prepare its financial statements in a XHTML format. We confirm that the European single electronic reporting format of the financial statements for the year ended 31 December 2022 complies with the ESEF Regulation in this respect.

The engagement partner on the audit resulting in this independent auditor's report is Simona Rimašauskas.

Deloitte Lietuva UAB
Audit Company License No 001275

Simona Rimašauskas
Lithuanian Certified Auditor
License No 000466

Vilnius, Republic of Lithuania
3 April 2023



Name of the Company	Telia Lietuva, AB
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Name of Register of Legal Entities	State Enterprise Centre of Registers
Code of enterprise	1212 15434
LEI code	5299007A0LO7C2YYI075
Registered office	Saltoniškių str. 7A, LT-03501 Vilnius, Lithuania
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Internet address	www.telia.lt