

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures

In addition to financial performance measures prepared in accordance with IFRS, Telia Lietuva presents non-IFRS financial performance measures, for example EBITDA; EBITDA, excluding non-recurring items; EBITDA margin; EBITDA, excluding non-recurring items, margin; CAPEX; Free cash flow; Net debt and other. These alternative measures are considered to be important performance indicators for investors and other users of the financial report. The alternative performance measures should be considered as a complement to, but not a substitute for, the information prepared in accordance with IFRS. Telia Lietuva's definitions of these non-IFRS measures are described below. These terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

EBITDA and EBITDA excluding non-recurring items

Telia Lietuva considers EBITDA as a relevant measure for investors to be able to understand profit generation before investments in fixed assets. To assist the understanding of Telia Lietuva's underlying financial performance we believe it is also useful to analyze EBITDA excluding non-recurring items.

EBITDA margin and EBITDA excluding non-recurring items margin

Telia Lietuva considers EBITDA and EBITDA excluding non-recurring items in relation to total revenue as important measure reflecting efficiency of the company's activities and useful measure for comparison with other peers on telecommunication market.

CAPEX

Telia Lietuva considers CAPEX as relevant measures to understand the group's investments in intangible and tangible non-current assets (excluding goodwill and assets acquired in business combinations) used for provision of telecommunication services. Continuous investments into new technologies, equipment and IT systems upgrade are inevitable in telecommunication industry.

Free cash flow

Telia Lietuva considers free cash flow as a relevant measure to be able to understand the company's cash flow from operating activities after CAPEX. This measure is also important because the dividend policy approved the company's Board provides to pay out up to 80 per cent of free cash flow as dividend.

Net debt

Telia Lietuva considers Net debt to be an important measure to be able to understand the company's indebtedness.

Net debt and EBITDA ratio

Telia Lietuva considers Net debt in relation to EBITDA as a relevant measure to be able to understand the company's financial position. This measure is also important because the dividend policy approved the company's Board provides that the company must maintain the net debt to EBITDA ratio not higher than 1.5.

CONCEPTS AND KEY RATIO

ARPU

Abbreviation of “Average monthly revenue per user”.

EBITDA

An abbreviation of “Earnings Before Interest, Tax, Depreciation and Amortization.” Equals operating profit before depreciation amortization and impairment losses.

EBITDA margin

EBITDA expressed as a percentage of total revenue.

Operating profit (EBIT)

An abbreviation of “Earnings Before Interest and Tax”. Equals profit before net from investments and finance activities, and income tax.

Operating profit (EBIT) margin

EBIT expressed as a percentage of total revenue.

Profit for the period margin

Profit for the period expressed as a percentage of total revenue.

CAPEX

An abbreviation of “Capital Expenditure.” Investments in intangible and tangible non-current assets but excluding goodwill, intangible and tangible non-current assets acquired in business combinations.

Capital employed

Shareholders’ equity plus non-current and current borrowings.

Return on capital employed (ROCE)

Rolling 12 months’ Operating profit (EBIT) plus finance income expressed as a percentage of average capital employed for the last 12 months. An abbreviation of “Return on Capital employed”.

Return on assets (ROA)

Rolling 12 months’ Operating profit (EBIT) expressed as a percentage of average total assets. An abbreviation of “Return on Assets”.

Return on shareholders’ equity (ROE)

Rolling 12 months’ Profit for the period as a percentage of average Shareholders’ equity for the last 12 months. An abbreviation of “Return on Equity”.

Debt to equity ratio

Non-current and current borrowings as a percentage of Shareholders' equity.

Net debt

Non-current and current borrowings less cash and cash equivalent, less current investments.

Gearing ratio

Net debt expressed as a percentage of Shareholders' equity.

Current ratio

Non-current assets divided by non-current liabilities.

Rate of turnover of total asset

Rolling 12 months' revenue divided by average total assets for the last 12 months.

Equity to assets ratio

Shareholders' equity expressed as a percentage of total assets.

Free cash flow

Cash flow from operating activities after CAPEX.

Operating cash flow to sales

Cash flow from operating activities for the last 12 months divided by rolling 12 months' revenue.

CAPEX to sales

CAPEX for reporting period divided revenue for reporting period.

Market capitalization

Number of outstanding shares at the end of reporting period multiplied by the closing Company's share price at Nasdaq Vilnius stock exchange at the end of reporting period

Price to earnings (P/E) ratio

Closing Company's share price at Nasdaq Vilnius stock exchange at the end of reporting period divide by rolling 12 months' earnings per share