PLT VII FINANCE S.à r.l.

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

R.C.S. LUXEMBOURG: B242945

ADDRESS: 18, RUE DICKS, L-1417 LUXEMBOURG, Contents

Audit report

To the Shareholder of
PLT VII Finance S.à r.l.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of PLT VII Finance S.à r.l. (the "Company") and its subsidiaries (the "Group") as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the Managers' report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group'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 the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated 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 Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers;

- conclude on the appropriateness of the Board of Managers' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated 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 audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on other legal and regulatory requirements

The Managers' report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 10 March 2021

Electronically signed by:
Malik Lekehal

Lekehal

Malik Lekehal

MANAGERS' REPORT

General information

PLT VII Finance S.à r.l. (**'the Company'**) was incorporated on 3 March 2020 in Luxembourg as a private limited liability company (*société à responsabilité limitée*). The registered address of the Company is at 18, rue Dicks, L-1417 Luxembourg, the Grand Duchy of Luxembourg. The Company is registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des sociétés, Luxembourg)* under number B242945.

The sole shareholder of the Company is PLT VII Holding S.à r.l., registration number B242838, a private limited liability company with registered address at 18 rue Dicks, L-1417 Luxembourg, the Grand Duchy of Luxembourg. The ultimate parent entity and controlling parties of the Company are Providence Equity Partners VII-A LP and Providence VII Global Holdings LP which are both registered in the Cayman Islands.

The Company is the sole shareholder of PLT VII International S.à r.l. incorporated on 3 March 2020 in Luxembourg as a limited liability company (*société à responsabilité limitée*), with registered address at 18 rue Dicks, L-1417 Luxembourg, the Grand Duchy of Luxembourg. PLT VII International S.à r.l. is registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des sociétés, Luxembourg)* under number B243024.

In the course of the restructuring, on 30 April 2020 the Company became an ultimate parent to PLT VII Finance B.V. and its direct and indirect subsidiaries, which are held by the Company's direct subsidiary PLT VII International S.à r.l. On 30 April 2020 PLT VII International S.à r.l. has received the shares and control of PLT VII Finance B.V. as share capital contribution from the previous shareholder PLT VII Holdco B.V. as further described in paragraph below.

The main activities of the Company are holding and finance activities. The Company manages and controls the group of entities in the Baltic States, which operates in mobile telecommunication, fixed broadband internet and PayTV, and through TV3 Group also in media sectors. As of 31 December 2020, the Group consisted of the Company, the direct subsidiary PLT VII International S.à r.l. and its subsidiaries. The full list of direct and indirect subsidiaries of the Company is provided in Note 11.

The Group's mobile business provides handset mobile, mobile data and Internet of Things ('**IoT**') services in Lithuania and Latvia to private and business customers. The mobile business is focused on meeting growing demand in the region for high quality network experience by providing excellent customer service through retail companies that distribute products and services and through separate companies that are responsible for ownership, management, development and rental of towers and masts.

The Group's fixed broadband and PayTV business include fixed broadband internet services, information and communications technology ('**ICT**') services and PayTV offering through Home3 satellite platform and Go3 Over-the-Top ('**OTT**') streaming solution.

The Group's media and content business operates through TV 3 Group and includes freely accessible TV channels (FreeTV), video on demand ('**VOD**') services, commercial radio, streaming radio, digital advertising, news and entertainment portals, advertising services across own portfolio of media assets as well as through third party channels and digital production and distribution services.

In addition to its primary businesses the Group sells various equipment to support its above-mentioned services to customers.

The Notes to the consolidated financial statements provide more information about the structure of the Company and its subsidiaries, the sectors in which Group operates and the products it offers.

The Group is not involved into research and development activities and as such does not have to separately report in this respect.

There were 2,370 employees in the Group as of 31 December 2020 (2019: 1,994 employees). In 2020, the average number of employees included:

- 343 technology-based employees,
- 1,334 marketing, customer service and sales representatives,
- 199 content-related employees and
- 307 employed in all other areas.

The key management of the Group are:

- The Supervisory Council and Management Board, which comprises of the Group Chief Executive Officer ('**the Group CEO**'), the Chief Technology Officer ('**the CTO**'), the Chief Financial Officer ('**the CFO**') and the Chief Executive Officer ('**the CEO**') in Bitė Lietuva UAB;
- The Chairman of the Management Board and the CEO in Bite Latvija SIA;
- The TV3 Group CEO and CFO.

Group restructurings in 2020

On 30 April 2020 PLT VII International S.à r.l. has received the shares and control of PLT VII Finance B.V. as share capital contribution from the previous shareholder PLT VII Holdco B.V., registration number 65086120, a private limited liability company with registered address at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands (on 25 June 2020 restructured in the way of a merger into PLT VII Baltic Topco S.à r.l.). PLT VII Finance B.V. was incorporated on 18 January 2016 in Amsterdam, the Netherlands as a private company with limited liability. The registered address of the company was at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The company was registered with the trade register of the Chamber of Commerce under number 65090551.

In September 2020 the Group has completed the legal mergers of:

- Bitė Finance International B.V. (as a discontinuing entity) and PLT VII B.V. (as an continuing entity) merged with effective date 7 September 2020;
- PLT VII B.V. (as a discontinuing entity) and PLT VII Finance B.V. (as an continuing entity) merged with effective date 8 September 2020;
- PLT VII Finance B.V. (as a discontinuing entity) and PLT VII International S. à r.l. (as an continuing entity) merged with effective date 17 September 2020.

The legal mergers constituted a legal reorganisation of all Dutch entities of the Group whereby the Dutch entities were ultimately merged into PLT VII International S. à r.l. The purpose of the reorganisation was to simplify the holding structure of the ultimate shareholders in combination with a refinancing that took place at the Company, being the sole shareholder of PLT VII International S. à r.l. After the legal mergers were finalized in September 2020, the discontinuing entities ceased to exist and all assets and liabilities as well as the underlying business activities have passed to PLT VII International S. à r.l. as the surviving entity. The financial information presented in this Managers' Report and the consolidated financial statements includes the values for the full years ended 31 December 2019 and 2020, as the consolidated financial statements of the new entity are presented using the values from the consolidated financial statements of the previous group holding company.

Group's activities in 2020

2020 was a challenging year for the Group with the pandemic having major impact on local economies and Group operations. The Group business proved to be resilient with Mobile, Fixed Broadband and PayTV delivering solid result as the demand for connectivity and TV entertainment grew. Meanwhile, FreeTV faced some headwinds during the first half of the year as lockdowns and uncertainty surrounding the pandemic resulted in advertising revenue decline. However, the advertisers returned in the second half of the year and results returned to the pre-pandemic levels.

The Group also adapted the operations to the working from home reality and lockdowns limitations to our sales channels. The sales channels were optimized to serve both in-store traffic and perform in/outbound telemarketing activities to mitigate pandemic related lockdowns. Meanwhile, the Group also focused on e-commerce channels and used it in a combination with telemarketing teams. In 2020 the Group e-commerce channel sales reached 9% of total equipment and 7% of total services sales (excl. prepaid additions).

The Group has also focused on the physical and emotional health of the employees and had several activities to address ranging from care package to ill employees to trainings and online fun activities. The employees' engagement remained strong, with engagement of Bitė Lietuva UAB and Bite Latvija SIA employees' standing among the best in the Baltics at 74% and 55% respectively.

Mobile

The Group Mobile business in its high saturation is serving as a good platform for upsell and cross sell activities. In 2020 the Group followed the upsell of More for More approach and it has delivered a major part of the Mobile business growth. Additionally, the rate plans with add-on services such as antivirus, screen insurance and other, enabled the Group to meet the growing customers' demands. These allowed to offset loss from roaming revenues due to limited international travel.

The handset mobile subscribers' base continued to be a key cross-sell platform for the Data-only and IoT services. The Data-only RGUs penetration reached 28% of total handset mobile RGUs increasing from 25% in 2019. In 2020 the Group further increased the focus on IoT services, where 44 thousand additional RGUs we added. The growth in IoT subscribers' base is a result of cross-sell activities as well as large B2B projects.

In 2020 the geographical redundancy for International voice gateway was built by finishing core network function integrations in Kaunas. IP traffic and signalling connections were established to international partners. A New Geographical Internet exchange POP (point of presence) was opened in Poland, Warsaw, expanding Internet connectivity map to already existing Tallinn, Stockholm and Frankfurt POP's. The agreement with Ericsson for VoLTE and VoWifi implementation was signed in Lithuania and Latvia, which is expected to be launched commercially by the end of 2021.

In 2020, Bitė Lietuva UAB expanded capacity on 549 sites by installing 1,162 additional LTE carriers. 19 new base stations were built for business customers. Bitė Lietuva UAB was the first mobile network in Lithuania launching commercial services in February 2020 of NBIoT technology for water meters. By the end of 2020 about 7,000 metering devices were connected using this technology. National LT DWDM (Dense Wavelength Division Multiplexing) network upgrade was started by enabling to deploy high-capacity services (up to 400Gbps) between the biggest Lithuania cities and support of Flex-grid software based technology. In Latvia the capacity was added to 1,200 cells, and 55 new base stations were added. The new base stations were mostly deployed around Riga and smaller towns. Several 5G sites were launched in Latvia in commercial mode and a cluster of 5 sites in centre of Riga was set up. Bite Latvija SIA was the first operator to create such cluster in Latvia. The migration of Bite Latvia Core Network was finished by relocating or integrating new equipment into two independent data centres and achieving full georedundancy.

Fixed Broadband and PayTV

In 2020 the key highlights in Fixed Broadband and PayTV business are acquisition of Baltcom (#2 cable operator in Latvia) and launch of Go3 product. The Group has also made several add-on acquisitions in Latvia to further strengthen Group position in fixed broadband internet and PayTV market. The Fixed broadband internet RGUs, proforma for Baltcom acquisition grew from 87 thousand to 109 thousand in 2020 mostly because of add-on acquisitions in Latvia as organic base was stable throughout the year. In 2020, the focus on B2B ICT services increased the size of the sales team both in Lithuania and Latvia. The ICT products and services portfolio were expanded by adding cloud services, antivirus, data-centre solutions and other solutions to the core ICT services of data internet and WTTX.

Direct to Home PayTV business managed to slow down satellite customer base decline after introduction of a new programming and packaging line-up together with a newly defined customer retention process. This has also allowed to increase customer base ARPU by 9% compared to 2019.

During 2020 Over-the-Top ('OTT') had full focus on newly introduced subscription-based video-on-demand product Go3 in Lithuania, Latvia and Estonia. The key goal was to grow customer base and enrich both local and international content offering. By end of 2020 OTT service exceeded 200 thousand RGUs milestone, increasing the base by more than 130 thousand, which is equivalent for more than 10% of household reach in the Baltic region. OTT customer base development was driven by the mobile business bundled OTT offer together with mobile services and also partnership with other mobile operators in the Baltic market. In addition to this, an especially crucial factor for the growth was the launch of more than 10 local original productions dedicated to OTT service and secured strategic partnership with Disney across FreeTV media and content and PayTV business assets.

Disney strategic partnership covers fully localized content distribution of all Disney brands in the Baltic region across all our media outlets: Free-to-Air, PayTV and OTT. Go3 brands are to become the «Home of Disney» in the Baltics and together with FreeTV offers the largest library of Disney content: exclusive movies and series with over 4,500 hours of the content across all our media outlets.

Media & Content

During 2020 the Group media and content business and FreeTV business was impacted by the first wave of Covid-19 lockdown, as several advertisers cancelled or postponed planned advertising campaigns from the middle of March 2020. However, with the easing of quarantine restrictions in the markets, business saw a steady return of advertising bookings throughout the summer period. With the start of Autumn season, a big part of advertisers came back with campaigns that were delayed during the first wave, and the business performance was back at the previous year level. Therefore, the second wave of Covid-19 lockdown restrictions had limited impact on the media and content business performance (note 36).

In Latvia and Estonia the media and content business strengthened its FreeTV operations by appointing new managers into CEO positions in Spring 2020. The aim of these changes is to find ways to operate in a more efficient manner, strengthen position in the market and lead to overall business profitability growth.

TV3 Group main portfolio channel TV3 has maintained #1 position in Latvia, while in Lithuania it holds this position already for 17 years in a row.

Financial overview

Key Factors Affecting the Financial Condition and Results of Operations

The Group's performance and results of operations have been and will continue to be affected by a number of factors, including external factors. Certain of these key factors that have had, or may have, an effect on Group's results are set forth below. For further discussion of some of these factors affecting results of operations, see 'Risk management and financial instruments'.

The main KPIs are as follows:

Non-IFRS measures	2020	2019
RGUs*, end of year in thousands		
Mobile services Lithuania	1,319	1,280
Mobile services Latvia	659	623
Fixed broadband***	109	87
PayTV***	601	472
Total	**2,687**	**2,462**
ARPU, per month in EUR**		
Mobile services Lithuania	9.2	8.6
Mobile services Latvia	10.1	10.3
Fixed broadband***	15.7	16.6
PayTV***	7.0	7.5

* We count each subscriber as a separate RGU for each of our mobile, PayTV and fixed broadband service. Total RGUs are, therefore, not equal to the total number of subscribers. For example, one subscriber who receives handset mobile services and mobile data services over our network and subscribes to our PayTV service is counted as two RGUs, and one subscriber who receives handset mobile services, mobile data services, PayTV and OTT services over our network is counted as three RGUs.

** ARPU is a measure we use to evaluate how effectively we are realizing potential revenues from subscribers of our various services. ARPU is calculated by adding together, for each month in a given period, the total subscription-related revenues for that particular month divided by the average number of RGUs for that period.

*** including proforma effect of Baltcom as if it occurred on 1 January 2019 in order to reflect the estimated impact of such acquisition for full years 2019 and 2020.

(All amounts in thousands EUR unless otherwise stated)

Results of Operations

	2020	2019
Revenue	420,951	388,514
Mobile revenue	219,694	208,989
Fixed broadband revenue	22,187	7,349
PayTV revenue	37,871	34,090
Media and content revenue	63,698	70,374
Equipment sale revenue	70,978	61,944
Other revenue	6,523	5,768
Operating profit	**56,636**	**55,946**
Add back: Depreciation and amortization expenses	76,139	67,065
EBITDA	**132,775**	**123,011**
Impairment costs	(45)	(1,339)
Transaction costs	524	21
Revaluation of contingent consideration	(188)	1,451
Employee share scheme expenses	254	328
One-off or exceptional items	6,274	3,272
Adjusted EBITDA	**139,594**	**126,744**
Adjusted EBITDA Margin	33.2%	32.6%
Capital expenditures	(31,861)	(28,499)
Less: Media and PayTV integration capital expenditures	-	1,320
Adjusted Capital expenditures	**(31,861)**	**(27,179)**
Adjusted EBITDA less Adjusted capital expenditures	**107,733**	**99,565**
Adjusted Cash conversion	77.2%	78.6%

Revenues

The total revenues increased by EUR 32.5 million, or 8.3%, from EUR 388.5 million in 2019 to EUR 421.0 million in 2020. The revenue growth was driven by an organic Mobile business growth and acquisitions of cable operators in Latvia. Mobile revenue grew by EUR 10.7 million, or 5.1%, due to successful subscriber base upsell to higher data packages and cross-sell of our Data only and IoT products. Fixed broadband and PayTV revenue grew by EUR 14.8 million and EUR 3.8 million respectively due to cable operators' acquisitions in Latvia and the launch of Go3 OTT product. Yet, Fixed Broadband and PayTV ARPU declined mostly due to mix effect of higher share of lower ARPU OTT base and dilution of high ARPU ICT base. Media and content revenue declined by EUR 6.7 million, or 9.5%, mostly due to the uncertainties in H1 2020 caused by the Covid-19 pandemic and lockdowns (note 36). However, Media and content revenues recovered in Q4 2020 and were back at the 2019 level. Equipment sales revenue increased due to a combination of a higher number of devices sold and growing devices' prices.

EBITDA and Adjusted EBITDA

EBITDA represents net profit before income tax, finance income and finance costs, share of profit/(loss) of joint ventures and depreciation and amortization expenses (other than content amortization and amortization of capitalized contract costs). Adjusted EBITDA represents EBITDA, as adjusted for certain items which management considers to be exceptional, non-cash or non-recurring in nature.

Adjusted EBITDA grew by EUR 12.9 million, or 10.1%, from EUR 126.7 million in 2019 to EUR 139.6 million in 2020. Adjusted EBITDA margin improved by 0.6% from 32.6% in 2019 to 33.2% in 2020. The acquisitions of cable operators in Latvia contributed EUR 5.4 million to Adjusted EBITDA growth. Mobile and Fixed Broadband and PayTV businesses contributed EUR 10.8 million and EUR 5.0 million to Adjusted EBITDA. Fixed Broadband and PayTV Adjusted EBITDA growth was due to the acquisition of cable operators in Latvia. Meanwhile Media and content Adjusted EBITDA declined by EUR 3.0 million due to the Covid-19 pandemic.

Adjustment items were related to One-off or exceptional items, transaction costs, employee share scheme expenses and revaluation of contingent consideration for the acquisition of Artist Media OÜ and Buduaar Media OÜ because of earn-outs. One-off or exceptional items are related to management consulting service (EUR 1.9 million), bonuses for refinancing through senior secured notes issue (EUR 1.7 million), amortization expenses related to the replacement of set top boxes and smart cards (EUR 0.7 million), network sharing company set-up and operations costs (EUR 0.7 million), Mezon transaction costs (EUR 0.6 million), compensation to deceased FreeTV Estonia CEO's family, TV3 Group restructuring costs and PayTV business unit integration bonuses.

Employee compensation and benefit expenses grew the most among the cost items and have increased by EUR 8.7 million. Adjusted for one-off items and acquired cable operators' contribution, these expenses grew by EUR 5.7 million. This was a result of a combination of salary inflation and a higher number of employees. In 2020 we had higher provisions for trade receivables, which was a result of growing top-line and the pandemic. Handset and equipment costs grew by EUR 8.1 million in line with the equipment revenue. Media content and programming costs were flat as compared to 2019, however, excluding acquired cable operators' contribution these costs declined by EUR 3.3 million. This was due to the postponement or cancellation of sports events as well as optimisation of content acquisition and own production portfolio.

The Group has made significant capital expenditure on the mobile network and its modernization over the past year. Capital expenditure grew by EUR 3.4 million in 2020, mostly driven by Mobile and Fixed Broadband and PayTV units. Mobile capital expenditure grew by EUR 2.4 million, due to investments in the Network. Meanwhile, Fixed broadband and PayTV capital expenditures grew by 1.7 million, due to acquisitions of cable operators. Media and content Capital expenditure declined by EUR 0.7 million.

Acquisitions

On 21 May 2020, the Group has signed an agreement to purchase the "Mezon" business from Lietuvos radijo ir televizijos centras AB. The Lithuanian regulatory approvals to proceed with the business acquisition were received on 27 November 2020. The business transfer was finalized on 1 January 2021.

On 20 September 2019, Bitė Latvija SIA has signed an agreement regarding the purchase of 100% shares of Baltcom SIA (including its wholly owned subsidiary B-Com Holding SIA) and the acquisition was finalized on 28 February 2020. Baltcom SIA is one of the largest independent fibre broadband internet, cable TV and IPTV service provider in Latvia, which also provides landline telephony, electricity and OTT services. Pursuant to share purchase agreement the total purchase price of EUR 39.9 million was paid to the seller RPAX One S.A. net of the positions of the preferred shares and loan receivable held by the Group pre acquisition (EUR 14.4 million). The Group began consolidating results from Baltcom SIA into consolidated financial results on 1 March 2020, and it contributed EUR 16.3 million to revenues and EUR 1.4 million to consolidated net profit for 2020.

In the context of the above-mentioned acquisition, the Group has granted an option to a non-related third party to purchase over 50% of Baltcom's share capital from the Group. The option was exercisable until 31 December 2020 and as per the option holder's request was prolonged to 31 December 2021. If the call option is not exercised prior to its expiration, the Group will have the right, exercisable within 6 months from the expiry date of the call option, to require the third party to purchase 50% of Baltcom's share capital.

During 2020, the newly acquired Baltcom SIA has made further acquisitions in Latvia. All three acquisitions by Baltcom SIA allow higher penetration of its provided services in Latvian regions not yet covered, and also enable wider and higher quality services to existing customers of the acquired companies:

- On 31 July 2020 Baltcom SIA has acquired 100% of the issued share capital of Mīts LV SIA and Esteria 79 SIA. Mīts LV SIA and Esteria 79 SIA are engaged in providing TV, internet and telephony services in various suburbs of Riga and Olaine in Latvia. Pursuant to Share Purchase Agreement the total purchase price was EUR 1.2 million, of which initial payment was EUR 0.6 million and payment of EUR 0.6 million is deferred for a half-year period. The Group began consolidating results from Mīts LV SIA and Esteria 79 SIA into consolidated financial results on 1 August 2020.
- On 31 August 2020 Baltcom SIA has acquired 100% of the issued share capital of Elektrons S SIA. Elektrons S SIA is engaged in providing TV and internet services in Jurmala, Latvia. Pursuant to Share Purchase Agreement the total purchase price was EUR 0.7 million of which initial payment was EUR 0.5 million and EUR 0.2 million is a deferred payment to be paid in two instalments during a one-year period. The Group began consolidating results from Elektrons S SIA into consolidated financial results on 1 September 2020.
- On 12 August 2020, Baltcom SIA has signed an agreement to purchase Dautkom TV SIA. The closing of the deal was confirmed by the Latvian regulator on 23 October 2020 and was finalized on 30 October 2020. Dautkom TV SIA is engaged in providing TV and Internet services in Daugavpils, Latvia. Pursuant to Share Purchase Agreement the total purchase price was EUR 11.3 million of which initial payment was EUR 7.9 million and EUR 3.4 million is a deferred payment to be paid in two instalments during a one-year period. The Group began consolidating results from Dautkom TV SIA into consolidated financial results on 1 November 2020.

Risk management and financial instruments

The managers have an overall responsibility for the establishment and oversight of risk management framework. The risk management policies are established to identify and analyse the risk faced by the Company or the Group to set appropriate risk limits and controls and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group's activities expose it to business risk, capital risk, market risk and a variety of financial risks, including foreign currency exchange risk, credit risk, interest rates risk and liquidity risk.

Risk appetite management

Risk appetite is the degree of risk that the Group is prepared to accept in pursuit of its strategic objectives and business plan. The Group risk appetite is cautious, and the Group prefers safe options that have low degree of risk and may only have limited potential for reward. Accordingly, a risk analysis is required for all significant new deals, products and businesses. Before taking decision, clear analysis of the risks is sought to ensure those taken are consistent with the risk appetite.

	Strategic risks	
Risk	**Description**	**Mitigation activities**
Network sharing arrangement	In June 2019, the Group entered into a network sharing agreement to promote mobile network sharing in Lithuania and Latvia and to create a combined network, or super-grid. The expected benefits of the network sharing arrangement are based on several assumptions and judgments that are subject to a wide variety of business, economic and competitive risks and uncertainties. There can be no assurance that the Group will be able to successfully implement the strategic and operational initiatives of network sharing arrangement, and an inability to realize the full extent of anticipated benefits could have a material adverse effect on the business, financial condition and results of operations.	- Work in close contact with regulators to be aware of upcoming license distributions. - Monitor changes in the regulatory area to meet changes proactively.
Lack of fixed infrastructure	Mobile network capacity is limited by available spectrum bandwidth and several sites, while in the distant future (after 2025) the Group may see that some locations will reach the limits of the available frequency spectrum and site density build due to EMF radiation limits. The fixed network infrastructure may be effectively used to offload heavy traffic and connect mobile sites to backhaul.	- Use mobile infrastructure (5G) once it becomes more widely available. - Use more efficient mobile radio standards that provide better spectrum efficiency to transfer more data with the same spectrum resources. - Use high-frequency bands, like millimetre waves, to offload high traffic sources. - Consider sub-leasing fixed assets from incumbent players such as energy companies. - Consider fixed asset acquisition targets only if a real opportunity emerges.
Competitive environment and price pressure	The Group operates in a competitive environment with strong price pressure, where competition may negatively impact the Group's market share and revenues. The fourth operator and acceleration of new global OTT players in the Baltic States may have an impact on market share and revenues.	- Carefully monitor customers' and market behaviour to react to changing circumstances. - Continuously explore new revenue generation opportunities that are close to core services. - Continue locking customer base on longer term contracts. - The Group's OTT service is strongly built around local content in sports, entertainment and news benefiting from the market positioning and production experience of linear

Strategic risks		
Risk	**Description**	**Mitigation activities**
		channels. This is a major differentiator from global competitors.

Operational risks		
Risk	**Description**	**Mitigation activities**
Recruiting and retaining skilled employees	The ability to attract and retain key personnel is crucial for the Group's business success. The loss of key employees and failure to manage personnel needs successfully could have a material adverse effect on the business, financial condition, and results of operations.	- Focus on employer branding, internal growth opportunities, overall employees' training development and middle management leadership enhancement. - Provide dedicated training, MBA studies, and separate BMI modules. - Focus on improved hiring processes to reduce employees' rotation. - Focus primarily on low-scoring engagement factors and teams
Customer service and network quality	Delivering high-quality and secure network services is crucial for commercial success. This covers service interruption resulting from equipment failure, cyber-attacks, extreme weather conditions etc.	- Ensure network resilience through business continuity planning and incident management. - Implementation of multiple process controls for cyber security and GDPR. - Run regular incident prevention procedures. - Improve network capacity and coverage for Latvian and Lithuanian customers through network sharing joint operation.
Rapidly changing technology and limited ability to perform R&D activities	The mobile business is being significantly affected by rapid technological change and the Group may not be able to effectively anticipate or react to these changes. The Group has limited ability to perform R&D activities and to produce unique innovations.	- Cooperation with third parties to bring proven smart services and solutions from other more advanced markets.
Low business digitization and complex IT systems	The mobile business efficiency heavily depends on digitization and automation of processes. Being uncapable of spotting manual tasks that can be automated or inability to simplify complex IT systems may result in the Group's productivity decrease, increased customer churn and an eventual loss of market share.	- Evaluate the possibility of changing the billing system with alternatives. - Encourage online sales and care transactions. - Implementation of the commercial business efficiency project 'Get more athletic,' which includes a more rapid business shift to web environment, reduction of physical outlets and similar projects.

Financial risks		
Risk	**Description**	**Mitigation activities**
Financial instruments management	The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, credit risk, interest rates risk and liquidity risk. The Group's management seeks to minimise the potential adverse effects of financial risk on the financial performance of the Group.	For the mitigating action reference made to Note 3 of these financial statements.

Legal and regulatory risks		
Risk	**Description**	**Mitigation activities**
Acquisition of telecommunication licenses and permits	The Group is dependent on its telecommunication licenses, permits and authorizations. The highest risk is C-Band (3500 MHz) and 700 MHz upcoming auction in Lithuania and 700 MHz auction in Latvia. Obtaining 3500 MHz spectrum in Lithuania is crucial for 5G deployment. The first 5G deployment of 3500MHz bands will be NSA (non-standalone) and will require 4G frequencies that are currently owned and secured by existing market players. These and inappropriate auction rules, frequency usage requirements and disproportionately high annual spectrum fees could prevent the planned acquisition of spectrum which are vital to maintain and expand network.	- Work in close contact with regulators and industry players to be aware of upcoming license distribution requirements and such type of risk minimization. - Risks of not gaining required frequencies limited due to 4th entrant limitations (not having LTE frequencies and network) and deploying a 5G network on C-Band will require quite a high number of sites.
Local and regulatory compliance	Changes in applicable law, regulations or government policy could influence the viability and how the Group operates business and introduce new products and services. The business could be materially and adversely affected by any changes in relevant laws or regulations regarding, for example, licensing requirements, access and price regulation, or any change in policy allowing more favourable conditions for other operators. The Group cannot assure that the provision of services will not be subject to greater regulation in the future.	- Monitor changes in the regulatory area to meet changes proactively. - Have a cost model and tariffs in place to mitigate revenue loss. - Strengthening the effectiveness of compliance organization and internal controls. - Proactive internal compliance investigation.

Corporate social responsibility

The corporate social responsibility of the Group is defined through adopted Equal opportunities policy, according to which the Group prohibits direct and indirect discrimination, harassment, sexual harassment, instruction to discriminate based on sex, race, nationality, language, origin, social status, age, sexual orientation, disability, ethnicity, membership of a political party or association, religion, beliefs, intent to have a child (children) as well as other circumstances not related to the employees' business characteristics.

***The Group's financial outlook for 2021*[1]**

We expect the Group's mobile business to demonstrate solid growth in all key sales lines, leading to strong financial results. Among key top-line growth drivers should remain data users' penetration growth (including new data users, small screen and mobile broadband users), variety of devices sales growth and data usage per user growth. However, data users' and Data only subscribers' penetration are likely to slow down

[1] **Forward-looking statements**
This financial statement contains certain forward-looking statements with respect to the Group's current expectations and projections about future events. These statements reflect management's beliefs and expectations and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement. The information contained in this financial statement is subject to change without notice and, except as required by applicable law, Group does not assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained in it. Readers should not place undue reliance on forward-looking statements, which speak only as at the date of this financial statement.

(All amounts in thousands EUR unless otherwise stated)

due to smart phones, small screen data users' and data only user's saturation. The Group plans to focus on IoT sales in 2021 and expects to have a positive financial impact from these services.

Fixed Broadband and PayTV business expected to show continuous growth through 2021 driven by further development of OTT service Go3. The Group plans to extend its partnership strategy to accelerate the market penetration of its OTT service. In addition, the Group plans to focus on the scaling of ICT services.

The Group expects to see more pressure on costs as economies and labour markets are projected to recover from the pandemic. The Group will aim to alleviate the cost pressure by focusing on a more efficient sales approach achieved by further business automation and digitalization. In 2021 the Group plans to work on integrating the recent acquisitions and unlocking the costs synergies. On PayTV business side increase in third party content and technical costs should be respectively related to OTT service customer base growth.

Network and IT teams will focus on VoLTE, narrow band for IoT, further network capacity improvements and 5G deployment.

As the 2020 Olympic Games in Tokyo and the EURO 2020 were postponed due to the Covid-19 pandemic, these key events are expected to take place in 2021. The Group's media and content business expects to respectively benefit from the increase in usage of media outlets across the region and, also, the increase in advertising and subscription sales for the year. For 2021 the Group will continue to expand the Local News and Local Production efforts, to secure the content pipeline and strengthen the market position as the largest content producer in the Baltic region. The content production processes will be further adjusted to allow for a recurring and cost-efficient content supply for all the platforms.

The Group will continue to look at possibilities to expand the fixed broadband and PayTV business and portfolio of digital assets through M&A projects or strategic cooperation in the areas.

Adjusted EBITDA growth is expected to be in low single digits in 2021. Q1 2021 financial performance might be affected negatively enough by continuing lockdowns which last since November 2020 and are likely to be in place till the end of Q1 2021.

The Group anticipates investing around EUR 34 million in Capex in 2021. Bite's Mobile Network is the key focus of the Group's capex programme, with investments in broadband and PayTV expansion as well as IT infrastructure being the other major Capex components. The Group expects to finance the Capex investments through its own operational cash flow.

In 2021, the Group does not expect any significant increase in the number of the Group's employees, except for the impact of the acquisition of Mezon.

Subsequent events

On 21 May 2020, the Group has signed an agreement to purchase the "Mezon" business from Lietuvos radijo ir televizijos centras AB. The Lithuanian regulatory approvals to proceed with the business acquisition were received on 27 November 2020. The business transfer was finalized on 1 January 2021. Pursuant to Business Purchase Agreement, the total purchase price was EUR 30 million, of which initial payment of EUR 14.9 million was made on 30 December 2020. The residual payment of EUR 15.1 million shall be paid within a period of 12 months but not later than 30 December 2021. The acquisition of the business was carried through a Group subsidiary Mezon UAB which was registered by the Group on 23 April 2020. The acquisition allows the Group to grow its customer base as well as expand the fixed broadband business via integration of multifunctional digital channels.

As a core part of business the Group also acquired the spectrum which was used by Lietuvos radijo ir televizijos centras AB in Mezon business, following the approval received from the Lithuanian Competition Council as well as Communications Regulatory Authority. On 1 December 2020, Telia Lietuva AB has filled the complaint disputing the decision of the Communications Regulatory Authority to allow the transfer of spectrum, and till the issue of these financial statements the outcome of this complaint is pending.

In February 2021, Baltcom SIA has executed the final EUR 589 thousand payment (including interest) for acquisition of Mīts LV SIA and Esteria 79 SIA which was deferred pursuant to share purchase agreement signed in July 2020 (note 11).

There were no other subsequent events or transactions that required recognition or disclosure in the consolidated financial statements.

Signed by the Managers on 10 March 2021:

Siniša Krnic	Claude Larbière
Manager	Manager

(All amounts in thousands EUR unless otherwise stated)

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income

Note		2020	2019
5, 6	REVENUE	420,951	388,514
14,15,16	Depreciation and amortisation expenses	(76,139)	(67,065)
	Equipment costs	(72,152)	(64,043)
7	Employee compensation and benefit expenses	(62,937)	(54,192)
	Content and programming costs	(41,356)	(41,469)
	Roaming and interconnect costs	(36,552)	(38,009)
	Advertising and marketing costs	(12,349)	(11,167)
	Materials, consumables and maintenance costs	(11,912)	(10,727)
17	Amortization of capitalized contract costs	(10,652)	(9,136)
	Media distribution and transponder costs	(3,123)	(2,415)
21	Net impairment losses on trade receivables and contract assets	(2,646)	(1,163)
	Rental costs	(928)	(408)
11	Transaction costs	(524)	(21)
18	Reversal of provision on loan at amortised cost	45	1,339
8	Other expenses	(33,090)	(34,092)
	OPERATING PROFIT	**56,636**	**55,946**
9	Finance income	224	1,165
9	Finance costs	(38,158)	(27,416)
	Total finance income and costs	**(37,934)**	**(26,251)**
13	Share of loss of joint ventures	(244)	(1,846)
	PROFIT BEFORE INCOME TAX	**18,458**	**27,849**
10	Income tax	(2,687)	(6,671)
	NET PROFIT	**15,771**	**21,178**
	Net profit attributable to:		
	Equity holders of the parent	15,764	21,157
	Non-controlling interests	7	21
	Profit for the year	**15,771**	**21,178**
	Other comprehensive income		-
	Items that will not be reclassified to profit/ loss		
12	Changes in the fair value of equity investments at fair value through other comprehensive income	(30)	-
	Other comprehensive income for the year, net of tax	**(30)**	-
	Total comprehensive income for the year	**15,741**	**21,178**
	Total comprehensive income for the year attributable to:		
	Equity holders of the parent	15,734	21,157
	Non-controlling interests	7	21

The accompanying notes on pages 22 to 87 are an integral part of this consolidated financial statements.

(All amounts in thousands EUR unless otherwise stated)

Consolidated statement of financial position

Note		31 December 2020	31 December 2019
	ASSETS		
	NON-CURRENT ASSETS		
14	Intangible assets:		
	Goodwill	153,028	127,498
	Software	11,180	9,389
	License costs	22,078	25,003
	Other intangible assets	131,291	125,995
	Software under development	2,013	2,151
	Total intangible assets	**319,590**	**290,036**
15	Property, plant and equipment:		
	Land and buildings	4,996	5,113
	Network equipment	84,618	80,322
	Other property, plant and equipment	13,042	12,572
	Construction in progress	6,456	6,199
	Total property, plant and equipment	**109,112**	**104,206**
16	Right of use assets	50,961	53,934
17	Capitalized contract costs	12,683	11,642
6	Contract assets	666	201
12	Other investments at fair value through other comprehensive income	4,110	-
13	Interest in joint ventures	6	6
18	Long-term loans at amortised cost	153	14,421
10	Deferred tax asset	1,145	509
23	Other non-current assets and receivables at amortised cost	19,905	3,943
	TOTAL NON-CURRENT ASSETS	**518,331**	**478,898**
	CURRENT ASSETS		
19	Inventory	34,853	33,958
6	Contract assets	886	532
24	Financial assets at fair value through profit or loss	6,469	6,005
18	Current portion of loans receivable at amortised cost	62	54
21	Trade accounts receivable at amortised cost	55,655	54,656
	Income tax prepayment	214	108
25	Other current assets at amortised cost	5,265	5,984
	Cash and cash equivalents	51,406	80,621
	TOTAL CURRENT ASSETS	**154,810**	**181,918**
	TOTAL ASSETS	**673,141**	**660,816**

The accompanying notes on pages 22 to 87 are an integral part of this consolidated financial statements.

(All amounts in thousands EUR unless otherwise stated)

Consolidated statement of financial position (continued)

Note		31 December 2020	31 December 2019
	LIABILITIES AND SHAREHOLDER'S EQUITY		
	SHAREHOLDER'S EQUITY		
	Capital and reserves attributable to holders of the Company:		
26	Share capital	137,485	14,825
26	Share premium	1,700	-
26	Reorganization reserve	(336,653)	-
	Legal reserve	9,213	9,213
	Retained earnings	18,987	2,999
	Capital and reserves attributable to third parties:		
	Non-controlling interests	384	377
	TOTAL SHAREHOLDER'S EQUITY	**(168,884)**	**27,414**
	NON-CURRENT LIABILITIES		
27	Borrowings	635,952	410,762
28	Lease liabilities	36,736	41,100
31	Provisions	12,306	12,949
6	Contract liabilities	1,960	2,460
10	Deferred tax liability	16,903	19,815
30	Other non-current liabilities	7,538	9,097
	TOTAL NON-CURRENT LIABILITIES	**711,395**	**496,183**
	CURRENT LIABILITIES		
27	Borrowings	11,134	36,037
28	Lease liabilities	14,365	13,226
29	Supplier financing arrangements	6,218	-
	Trade accounts payable	56,670	51,998
6	Contract liabilities	10,264	6,386
	Deferred revenue	998	3,704
	Current income tax liabilities	1,608	6,262
30	Accrued expenses and other liabilities	29,373	19,606
	TOTAL CURRENT LIABILITIES	**130,630**	**137,219**
	TOTAL LIABILITIES	**842,025**	**633,402**
	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**673,141**	**660,816**

The accompanying notes on pages 22 to 87 are an integral part of this consolidated financial statements.

(All amounts in thousands EUR unless otherwise stated)

Consolidated statement of changes in equity

		Attributable to equity holders of the Company							
		Share capital	Share premium	Legal reserve	Reorgani-zation reserve	Retained earnings/ (accumulated deficit)	Total	Non-controlling interest	Total equity
	31 December 2018	**14,825**	**-**	**9,202**	**-**	**(18,475)**	**5,552**	**-**	**5,552**
	Non-controlling interest arising on acquisition	-	-	-	-	-	-	356	356
	Net profit for the year	-	-	-	-	21,157	21,157	21	21,178
	Total comprehensive income for the year	-	-	-	-	21,157	21,157	377	21,534
	Transactions with owners in their capacity as owners								
	Employee share based payment schemes	-	-	-	-	328	328	-	328
	Formation of legal reserve	-	-	11	-	(11)	-	-	-
	31 December 2019	**14,825**	**-**	**9,213**	**-**	**2,999**	**27,037**	**377**	**27,414**
	Net profit for the year	-	-	-	-	15,764	15,764	7	15,771
12	Other comprehensive income	-	-	-	-	(30)	(30)	-	(30)
	Total comprehensive income for the year	-	-	-	-	15,734	15,734	7	15,741
	Transactions with owners in their capacity as owners								
26	Establishment of PLT VII Finance S.à r.l.	12	-	-	-	-	12	-	12
26	Increase in share premium	-	1,700	-	-	-	1,700	-	1,700
26	Share capital increase through contribution in kind in Group reorganization	351,478	-	-	(351,478)	-	-	-	-
26	Impact of legal reorganization within the Group	(14,825)	-	-	14,825	-	-	-	-
26	Decrease in share capital	(214,005)	-	-	-	-	(214,005)	-	(214,005)
	Employee share based payment schemes	-	-	-	-	254	254	-	254
	31 December 2020	**137,485**	**1,700**	**9,213**	**(336,653)**	**18,987**	**(169,268)**	**384**	**(168,884)**

The accompanying notes on pages 22 to 87 are an integral part of this consolidated financial statements.

(All amounts in thousands EUR unless otherwise stated)

Consolidated statement of cash flows

Note		2020	2019
	Cash flows from operating activities:		
	Net profit before tax	**18,458**	**27,849**
	Adjustments to reconcile net profit to the net cash flows from operating activities:		
14,15,16	Depreciation and amortisation	76,139	67,065
17	Amortisation of capitalised contract costs	10,652	9,136
	Loss on disposal of property, plant and equipment	63	212
	Allowances and other provisions	2,794	(140)
13	Share of loss of joint ventures	244	1,846
	Employee share based payment schemes	254	328
	Other finance costs - net	35,638	23,773
	Changes in working capital (excluding effects of acquisition):		
	(Increase)/decrease in trade receivables	(3,557)	2,782
	(Increase) in trading inventory	(10)	(3,336)
	(Increase)/decrease in contract assets	(820)	155
	Increase in contract liabilities	1,655	1,215
	Change in other assets, provisions, accounts payable and other liabilities	(8,273)	1,707
	Increase in supplier financing arrangement	6,218	-
27	Borrowing transaction costs/Arrangement fee	(15,509)	(153)
	Interest paid	(21,355)	(20,102)
	Income tax paid	(10,993)	(3,297)
	Net cash flows from operating activities	**91,598**	**109,040**

The accompanying notes on pages 22 to 87 are an integral part of this consolidated financial statements.

(All amounts in thousands EUR unless otherwise stated)

Consolidated statement of cash flows (continued)

Note		2020	2019
	Cash flows from investing activities:		
11	Acquisition of subsidiaries, net of cash acquired, and investment in joint ventures	(32,875)	(3,909)
	Acquisition of intangible assets and property, plant and equipment for cash	(31,861)	(28,499)
23	Prepayment for Mezon business acquisition	(14,937)	-
13	Proceeds from sale of joint venture	115	-
	Proceeds from sale of intangible assets and property, plant and equipment	345	229
	Interest received	8	2
	Loans granted	(4)	(45)
	Net cash flows used in investing activities	**(79,209)**	**(32,222)**
	Cash flows from financing activities:		
26	Increase in share premium	1,700	-
26	Changes in share capital	(213,993)	-
27	Borrowings from bondholders	650,000	-
27	Borrowings from banks	15,000	9,712
	Repayments of lease	(15,371)	(13,373)
11,27	Repayments of borrowings to banks	(478,940)	(7,277)
	Net cash flows used in financing activities	**(41,604)**	**(10,938)**
	Net increase/(decrease) in cash and cash equivalents	(29,215)	65,880
	Cash and cash equivalents at the beginning of the year	80,621	14,741
	Cash and cash equivalents at the end of the year	**51,406**	**80,621**

The accompanying notes on pages 22 to 87 are an integral part of this consolidated financial statements.

Notes to Consolidated Financial Statements

1. General information

PLT VII Finance S.à r.l. (**'the Company'**) was incorporated on 3 March 2020 in Luxembourg as a private limited liability company (*société à responsabilité limitée*). The registered address of the Company is at 18, rue Dicks, L-1417 Luxembourg, the Grand Duchy of Luxembourg. The Company is registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des sociétés, Luxembourg)* under number B242945.

Text and terms in **bold** font are defined terms used consistently herein.

The sole shareholder of the Company is PLT VII Holding S.à r.l., registration number B242838, a private limited liability company with registered address at 18 rue Dicks, L-1417 Luxembourg, the Grand Duchy of Luxembourg.

The ultimate parent entity and controlling parties of the Company are Providence Equity Partners VII-A LP and Providence VII Global Holdings LP which are both registered in the Cayman Islands.

The Company is the sole shareholder of PLT VII International S.à r.l. incorporated on 3 March 2020 in Luxembourg as a limited liability company (*société à responsabilité limitée*), with registered address at 18 rue Dicks, L-1417 Luxembourg, the Grand Duchy of Luxembourg. PLT VII International S.à r.l. is registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des sociétés, Luxembourg)* under number B243024.

In the course of the restructuring, on 30 April 2020 the Company became an ultimate parent to PLT VII Finance B.V. and its direct and indirect subsidiaries, which are held by the Company's direct subsidiary PLT VII International S.à r.l.

On 30 April 2020 PLT VII International S.à r.l. has received the shares and control of PLT VII Finance B.V. as a share capital contribution from the previous shareholder PLT VII Holdco B.V., registration number 65086120, a private limited liability company with registered address at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands (on 25 June 2020 restructured in the way of a merger into PLT VII Baltic Topco S.à r.l.). PLT VII Finance B.V. was incorporated on 18 January 2016 in Amsterdam, the Netherlands as a private company with limited liability. The registered address of the company was at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The company was registered with the trade register of the Chamber of Commerce under number 65090551.

The main activities of the Company are holding and finance activities. The Company manages and controls the group of entities in the Baltic States, which are engaged in providing Mobile, PayTV and Fixed Broadband, as well as Media and Content services. In addition to these primary businesses it sells various equipment to support its above-mentioned services to customers. As of 31 December 2020, the Group consisted of the Company, the direct subsidiary PLT VII International S.à r.l. and its subsidiaries. The full list of direct and indirect subsidiaries of the Company is provided in Note 11.

The Group provides various mobile services to private and business customers through own front-line sales and care channels and own infrastructure companies. The Group mobile business is focused on meeting growing demand in the region for high quality network experience by providing excellent customer service through retail companies that distribute products and services and through separate companies that are responsible for ownership, management, development and rental of towers and masts.

The Group's Fixed Broadband and PayTV business include fixed broadband internet services, ICT services and PayTV offering through Home3 satellite platform and Go3 OTT streaming solution.

The Group's Media and Content business includes TV, video on demand services, commercial radio, streaming radio, digital advertising, news and entertainment portals, advertising services across own portfolio of media assets as well as through third party channels and digital production and distribution services.

The Group implements strategic initiatives to converge the technologies and services offered by the Group of entities. This strategy results in higher effectiveness and revenue synergies, as well as cross-sell opportunities and additional values to the customer, all of which provide competitive advantages over traditional telecommunication operators.

In September 2020 the Group has completed the legal mergers of:

- Bitė Finance International B.V. (as a discontinuing entity) and PLT VII B.V. (as an continuing entity) merged with effective date 7 September 2020;
- PLT VII B.V. (as a discontinuing entity) and PLT VII Finance B.V. (as an continuing entity) merged with effective date 8 September 2020;
- PLT VII Finance B.V. (as a discontinuing entity) and PLT VII International S. à r.l. (as an continuing entity) merged with effective date 17 September 2020.

The legal mergers constitute a reorganisation of all Dutch entities of the Group whereby the Dutch entities were ultimately merged into PLT VII International S. à r.l. The purpose of the reorganisation was to simplify the holding structure of the ultimate shareholders in combination with a refinancing that took place at the Company, being the sole shareholder of PLT VII International S. à r.l. After the legal mergers were finalized in September 2020, the discontinuing entities ceased to exist and all assets and liabilities as well as the underlying business activities have passed to PLT VII International S. à r.l. as the surviving entity.

On 20 September 2019, Bitė Latvija SIA has signed an agreement regarding the purchase of 100% shares of Baltcom SIA (including its wholly owned subsidiary B-Com Holding SIA) and the deal was finalized on 28 February 2020. Baltcom SIA is one of the largest independent fibre broadband internet, cable TV and IPTV service provider in Latvia, which also provides landline telephony, electricity and OTT services. More details on the deal are provided in note 11.

In the context of the above-mentioned acquisition, the Group has granted an option to a non-related third party to purchase over 50% of Baltcom's share capital from the Group. The option exercisability was prolonged until 31 December 2021 at the option holder's request. If the call option is not exercised prior to its expiration, the Group will have the right, exercisable within 6 months from the expiry date of the call option, to require the third party to purchase 50% of Baltcom's share capital. This financial instrument is accounted for at fair value with gain or loss from fair value changes recognized through profit or loss ('**FVPL**').

On 21 May 2020, the Group has signed an agreement to purchase the "Mezon" business from Lietuvos radijo ir televizijos centras AB. The Lithuanian regulatory approvals to proceed with the business acquisition were received on 27 November 2020 but the business transfer was finalized on 1 January 2021. The acquisition of the business was carried through a Group subsidiary Mezon UAB registered on 23 April 2020. The acquisition allows the Group to grow its customer base as well as expand the fixed broadband business via integration of multifunctional digital channels. More details are provided in note 35.

On 31 July 2020 the Group has acquired 100% of the issued share capital of Mīts LV SIA and Esteria 79 SIA. Mīts LV SIA and Esteria 79 SIA are engaged in providing TV, internet and telephony services in various suburbs of Riga and Olaine in Latvia. This acquisition allows higher penetration of the Group's services in the suburbs and Riga, Latvia, which are not yet covered as well as provides wider and higher quality services to existing customers of acquired entities. More details on the deal are provided in note 11.

On 12 August 2020 the Group has signed an agreement to purchase Dautkom TV SIA. The closing of the deal was confirmed by the Latvian regulator on 23 October 2020 and was finalized on 30 October 2020. Dautkom TV SIA is engaged in providing TV and Internet services in Daugavpils, Latvia. This acquisition allows higher penetration of the Group's services in Daugavpils, Latvia, as well as provides wider and higher quality services to existing customers of acquired entities. More details on the deal are provided in note 11.

On 31 August 2020 the Group has acquired 100% of the issued share capital of Elektrons S SIA. Elektrons S SIA is engaged in providing TV and Internet services in Jurmala, Latvia. This acquisition allows higher penetration of the Group's provided services in Jurmala, Latvia that have not been covered yet and also provides wider and higher quality services to existing customers of acquired companies. More details on the deal are provided in note 11.

The Company's shareholders do not have the power to amend the financial statements between their publication and approval in the General Meeting but have the power to not adopt them.

2. Basis of preparation and accounting policies

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

In the course of the Group's legal restructuring, on 30 April 2020 the Company became an ultimate parent to PLT VII Finance B.V. and its direct and indirect subsidiaries (further referred to as **PLTF Group**), which are now owned by the Company's direct subsidiary PLT VII International S.à r.l. There was no change in the substance of the reporting entity, and it was not a business combination. The consolidated financial statements of the Company are presented using the values from the consolidated financial statements of the previous group holding company. The restructuring was accounted for as a legal reorganization of the Company by PLT VII Finance B.V. (note 1), therefore these consolidated financial statements of PLT VII Finance S.à r.l. are presented as a continuation of the former PLTF Group, i.e.:

- the assets and liabilities of PLTF Group are recognised and measured at the pre-restructuring carrying amounts, without remeasurement to fair value;
- the equity structure reflects the retained earnings and other equity balances of PLTF Group from the first period presented up until immediately before the restructuring. The results of the period from 1 January 2020 to the date of the restructuring are those of PLTF Group. However, the issued share capital appearing in these consolidated financial statements reflects the reorganised equity structure of the Company as at 31 December 2020, being the parent of the consolidated group. The resulting difference due to elimination of the Company's investment in PLTF Group upon legal merger is recognised as the reorganization reserve (note 26) in the statement of financial position.

2.1. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('**IFRS**') as adopted by the European Union ('**the EU**'), issued and effective as at 31 December 2020.

The consolidated financial statements have been authorized by the Managers and approved for issue on 10 March 2021.

The financial statements are denominated in Euros.

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets that are measured at fair value through profit and loss or fair value through other comprehensive income. These consolidated financial statements have been prepared on the going concern basis, and the Group is considered as continuing business in the foreseeable future.

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 includes figures of the Company, and its subsidiaries starting from 1 January 2020, except of Baltcom SIA – starting from 1 March 2020, Mīts LV SIA and Esteria 79 SIA – from 1 September 2020, Elektrons S SIA – from 1 October 2020, Dautkom TV SIA – from 1 November 2020.

The financial results of Artist Media OÜ are included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 starting from 1 June 2019.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of materiality – Amendments to IAS 1 and IAS 8;
- Definition of a business – Amendments to IFRS 3;
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7;
- Amendments to the Conceptual Framework for Financial Reporting.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

In May 2020, the IASB made an amendment to IFRS 16 Leases ('**IFRS 16**') which provides lessees with a relief in a form of an optional exemption from assessing whether a rent concession related to Covid-19 is a lease modification, i.e., allowing to treat qualifying Covid-19 rent concessions in the same way as they would if they were not lease modifications. The Group elected to early adopt this optional exemption as from 1 January 2020. The Group has applied the practical expedient and accounted the Covid-19 related lease concessions received for buildings and premises related lease contracts as if they were not lease modifications.

New standards and interpretations not yet adopted

The amendments that were issued and shall become effective from 1 January 2021:

- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
  The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas: accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform; the end date for Phase 1 relief for non-contractually specified risk components in hedging relationships; additional temporary exceptions from applying specific hedge accounting requirements and additional IFRS 7 disclosures related to IBOR reform. The Group does not expect a material impact on the consolidated financial statements of the Group.

The amendments that were issued and shall become effective from 1 January 2021 or later, but are not yet endorsed by the EU include:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
  The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The Group does not expect a material impact on the consolidated financial statements of the Group.
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
  The amendment to IAS 16 'Property, Plant and Equipment' prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The Group is assessing the impact of the amendment on the consolidated financial statements of the Group.
- Reference to the Conceptual Framework – Amendments to IFRS 3
  Narrow scope amendments were made to IFRS 3 'Business Combinations' to update the references to the 'Conceptual Framework for Financial Reporting' and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The Group does not expect a material impact on the consolidated financial statements of the Group.
- Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37
  The amendment to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The Group is assessing the impact of the amendment on the consolidated financial statements of the Group.
- Annual Improvements to IFRS Standards 2018–2020
  IFRS 9 'Financial Instruments' clarifies which fees should be included in the 10% test for derecognition of financial liabilities. IFRS 16 'Leases' includes amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. IFRS 1 'First-time Adoption of International Financial Reporting Standards' allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. The Group is assessing the impact of the amendment on the consolidated financial statements of the Group.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2. Consolidation and business combination

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains or losses on transactions between the Group's companies are eliminated.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, the liabilities assumed, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent considerations are classified as a financial liability and are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Group reorganization

When the new parent added to the existing Group issues equity shares to the existing shareholders in exchange for the transfer of shares in the existing group – there is no change in substance of the reporting entity. Such transaction is accounted as a reorganization of the Group. The consolidated financial statements of the new entity are presented using the values from the consolidated financial statements of the previous group holding company. The equity structure – that is, the issued share capital – reflects that of new company, with other amounts in equity being those from the consolidated financial statements of the previous Group holding company. Any difference between the cost of the transaction and the carrying value of the net assets is recorded in equity as reorganization reserves.

Disposals of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income ('**OCI**') in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Joint arrangements

Joint arrangements are arrangements of which two or more parties have a joint control.

Joint arrangements are classified either as joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

In joint operations the Group recognises its direct right to assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses line by line in the consolidated financial statements. Sales and other transactions with joint operations are eliminated in the consolidated financial statements.

Interest in joint ventures is accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred an obligation or made payments on behalf of the other entity.

2.3. Foreign currency translation

Functional and presentation currency

The financial statements are presented in Euros (EUR), rounded to the nearest thousand.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('**the functional currency**').

The functional currency of all entities of the Group is Euro (EUR).

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 re-measured. 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 and other comprehensive income.

2.4. Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, including recognition through an acquisition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. With the exception of goodwill and trademarks with indefinite useful life, intangible assets are amortised using the straight-line method over the best estimate of their useful lives.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested for impairment annually or whenever there is an indication for impairment and is 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 ('**CGU**') 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.

Licenses for frequencies

Licenses for frequencies are shown at cost less accumulated amortisation. Licenses for frequencies have a finite useful life. Amortisation is calculated using the straight-line method to allocate the cost of licenses until their expiration date (1-20 years) from the date when services can be provided to the customers (available for use).

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as interest expense over the period of credit unless it is capitalised in accordance with note 2.16.

Borrowing costs are capitalised on licenses if the use of the license for frequencies is dependent on construction of a related network, during the construction phase of the network, and up to the time that services can first be rendered on a commercial basis. Licenses for frequencies not yet available for use are classified within licenses in the statement of financial position.

Software

Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (1-10 years) and from the date when services can be provided to the customers (available for use).

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group 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 an 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;
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs, 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.

Other intangible assets

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks having an indefinite useful life are subsequently carried at cost less impairment losses. The Group has identified the 'bitė' trademark as a trademark having an indefinite useful life. Trademarks that have a finite useful life are amortised over their estimated useful life, not to exceed 15 years. The Group has identified media brands as trademarks with finite useful life.

Trademarks having indefinite useful life, acquired through acquisition, are allocated to cash-generating units ('**CGU**') for the purpose of impairment testing.

Acquired existing customers' and partners' contracts are capitalised at their fair value at the date of acquisition and are amortised using the straight-line method over their estimated useful lives (average life cycle term). Amortisation rates are as follows:

Customers contracts and relationships	2-19 years
Roaming agreements	5 years

Separately acquired trademarks and licences are shown at historical cost less accumulated amortisation.

2.5. Capitalized contract costs

Contract costs comprise the incremental costs of obtaining a contract (mainly sales commission paid to employees and third-party retailers in the direct and indirect sales channel). These must be capitalized if it can be assumed that the costs will be compensated by future revenue from the contract. Incremental costs of obtaining a contract are additional costs that would have not been incurred had the contract not been concluded.

The asset recorded by the Group is subject to assessment of impairment at the end of each reporting period. An impairment exists, if the carrying amount of any asset(s) exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Inventory such as TV setup boxes and related equipment (satellite dishes, etc.) are part of acquisition costs incurred to obtain the new customers contracts in PayTV. The equipment cost, related installation, transportation and selling expenses are provided to the customers and are not distinct within the context of the contracts and therefore are accounted as single performance obligation under IFRS 15 Revenue from Contracts with Customers ('**IFRS 15**').

The capitalized contract costs are generally recognized on a straight-line basis over the estimated customer retention period. The expenses are shown in the statement of profit or loss and other comprehensive income under Amortisation of capitalised contract costs.

Capitalized contract costs	20-36 months

2.6. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The historical cost of property, plant and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working conditions and location for its intended use.

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 Group and the cost of the item can be measured reliably. Such costs are depreciated over the remaining useful life of the related asset. The net book value of the part replaced is written off to the statement of profit or loss and other comprehensive income.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the asset as follows:

Buildings	5-40 years
Network equipment	2-20 years
Vehicles	5-10 years
Computer equipment	3-5 years
TV production equipment	3-10 years
Other property, plant and equipment	1-11 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposals are determined by comparing the carrying amount with the proceeds received and are charged or credited to the statement of profit or loss and other comprehensive income during the period in which they are incurred.

Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of the 'fair value less costs of disposal' or the 'value in use' of the asset.

Property, plant and equipment in progress represents properties under construction and are stated at cost. This includes cost of construction, plant and equipment and other direct costs. Property, plant and equipment in progress are not depreciated until such time as the relevant assets are available for use.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

2.7. Impairment of non-financial assets

Assets that have an indefinite useful life and intangible assets not yet available for use (e.g., licenses, IT systems under development) are not subject to amortisation and are tested annually for impairment. Goodwill and trademarks are only tested as part of a cash-generating unit as they do not generate independent cash flows. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's 'fair value less costs of disposal' or 'value in use'. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8. Financial assets

2.8.1. Classification

The Group classifies its financial assets in the following categories:

- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income, and
- measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or other comprehensive income.

The group reclassifies debt instruments when and only when its business model for managing those assets changes.

The group classifies its financial assets as measured at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest ('**SPPI**').

2.8.2. Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('**FVPL**'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.

  Specifically, the Group classifies in this category:

  - Trade receivables other than those which are subject to non-resource factoring arrangements (see below);
  - Loans for which the SPPI classification test has been satisfied and which are held in the 'held to collect' business model;
  - Cash and cash equivalents.
- FVPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ('**FVOCI**') are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

  Specifically, the Group classifies in this category trade receivables which are subject to factoring arrangements used regularly for liquidity needs, where the terms of factoring agreements result in their derecognition. The Group is party to several factoring agreements under which it sells current trade receivables on a revolving basis. The risks relevant for the risk assessment with respect to the receivables sold are the credit risk and the late-payment risk. If both types of risk together represent substantially all the risks and rewards of ownership of the receivables, they are transferred to the buyer of the receivables in full in return for payment of a fixed purchase price discount. Losses relating to certain receivables are reimbursed only if certain circumstances are met and are included to the agreement before sale. The receivables sold until the reporting date were derecognized in full. At the derecognition date, the fixed purchase price discount and the fair value of the expected loss resulting from the retained risks are expensed.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.8.3. Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (**'ECL'**) associated with its debt instruments carried at amortised cost and FVOCI regardless of whether there are impairment indicators.

For short-term trade receivables and contract assets without a significant financing component the Group applies the simplified approach and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables. The Group uses a provision matrix in which loss allowances are calculated for trade receivables falling into different aging or overdue periods.

The main risk of expected credit losses is with the Group trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics, i.e., receivables from residential and business customers and separately for services provided and equipment sold. The non-recoverability analysis is conducted for the past 3 years to determine the general default ratio. The default rates are calculated for the following aging intervals:

- Up to 30 days,
- From 30 to 90 days,
- More than 90 days.

In order to determine the default rate for a given aging interval, the balance of receivables written-off is compared against the balance of outstanding receivables. The impact of forward-looking information on the amount of credit losses lead to the conclusion that an adjustment of historical loss rates is not necessary.

The Group follows a three-stage model for impairment for financial assets other than the trade receivables:

- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition. The expected credit losses are determined based on the probability of default within 12 months (i.e., the entire expected credit loss multiplied by the probability that the loss will occur within the next 12 months);
- Stage 2 – comprises balances for which there has been a significant increase in credit risk since initial recognition, but which do not have objective evidence of impairment; the expected credit losses are determined based on the probability of default over the entire contractual period (lifetime);
- Stage 3 – comprises balances with objective evidence of impairment.

Trade receivables are classified either to stage 2 or stage 3:

- Stage 2 – comprises receivables for which the simplified approach was applied to measure the expected lifetime credit losses, except for certain trade receivables classified in stage 3;
- Stage 3 – comprises trade receivables which are overdue more than 90 days or individually identified as impaired.

The Group considers the following indicators for assessing a significant increase in the credit risk of the loans:

- The loan is overdue by at least 30 days;
- There have been legislative, technological, or macroeconomic changes with a significant negative impact on the borrower;
- There is information about significant adverse events in relation to the loan or other loans of the same borrower with other lenders, such as termination of loans, breach of covenants, renegotiations due to financial difficulties, etc.;
- The borrower has lost a significant customer or supplier or otherwise experienced significant adverse changes in its market.

Financial assets are written-off, in whole or in part, when the Group has practically exhausted all recovery efforts and has concluded that there is no reasonable expectation of recovery. This normally occurs when the asset is at least over 90 days overdue.

2.9. Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10.Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of derivative instruments are recognised immediately in profit or loss and are included in other gains/ (losses).

2.11.Inventories

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined individually for mobile phones, tablets, cameras, smart equipment and smart accessories and the first-in, first-out ('**FIFO**') method is used for all remaining inventory. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Programme rights

A significant portion of the amount reported as inventory by FreeTV refers to the TV channels' catalogue of programme rights. Programme rights are reported as inventory when the license period has begun, the programme itself is available for its first broadcast, the cost of the programme is known, and the programme content has been approved by the TV channel. Programme rights invoiced but where the license period has not started and the programme cannot be judged as inventory is reported as prepaid expenses. Programme rights are normally acquired for a specific number of runs, which can be played out during a determined license period in certain territories. The programme rights are expensed per run according to how the program is expected to be broadcasted during the license period. The recognition of sports rights starts when the contractual period starts or when an advance payment is made. Sports rights are allocated over the seasonal year and on a yearly basis.

2.12.Trade receivables

Trade receivables, except those subject to a factoring arrangement, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See accounting policy in note 2.8 for further information about the Group's accounting for trade receivables and for a description of the impairment policies.

2.13.Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash is measured at amortised cost less the loss allowance determined applying the expected credit losses model, more details provided in note 2.8.

2.14.Share Capital

Ordinary shares are classified as equity. Share premium represents the excess of contributions over the nominal value of the shares issued.

2.15.Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other revenue or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

Interest income is recognised on a time-proportion basis using the effective interest method.

2.16.Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of a time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

2.17.Leases

2.17.1. Classification

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either the Group has right to operate the asset or the Group has designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

2.17.2. As a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use asset comprises of:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs.

Restoration costs related to dismantling and removing an item of property, plant and equipment are classified separately in the statement of financial position (further details in note 2.18).

A right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis from the commencement date to the useful life/end of the lease term as follows:

Buildings and premises	1-10 years
Network equipment	6 years
Vehicles	1-7 years
Lease lines	1-3 years
Satellite	7 years
Other tangibles	2-3 years

At every balance sheet date, the right-of-use asset is assessed for potential impairment, if any, and adjusted for certain remeasurements of the lease liability.

Assets and liabilities arising from a lease are initially measured on the basis of a present value of lease payments that are not paid at the commencement date, discounted using the Group’s incremental borrowing rate. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.17.3. As a lessor

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental revenues from operating leases are recognised to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease. The leased asset is kept on the balance sheet and depreciated over its estimated useful life.

Finance leases

Leases where the Group acts as a finance lessor are reported in the statement of financial position as financial receivable to an amount equal to the net investment in the lease contract corresponding to the discounted net present value and a sale. The financial income arising from a finance lease is accounted for in accordance with a constant remuneration (fixed interest rate).

2.18.Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Estimated costs of dismantling and removing an item of property, plant and equipment (referred to as '**asset retirement obligations**') are added to the cost of an item of property plant and equipment. Changes in the measurement of an existing asset retirement obligation that result from changes in the estimated timing, amount of the outflows, or from changes in the discount rate adjust the cost of the related asset and long-term debt in the current period. The further information is provided in note 31.

2.19. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). 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.

2.20.Supplier financing arrangement

Supplier financing arrangement is a reverse factoring arrangement, where a financial institution agrees to pay amounts the Group owes to the suppliers and the Group agrees to pay the financial institution at the same date as, or a date later than, suppliers are paid. The Group presents liabilities that are part of a reverse factoring arrangement as part of trade payables only when those liabilities have a similar nature and function to trade payables. However, these liabilities are presented separately when the size, nature or function of those liabilities makes separate presentation relevant to an understanding of the Group's financial position. In assessing whether it is required to present such liabilities separately, the Group considers the amounts, nature and timing of those liabilities. The Group supplier financing arrangement is presented in a separate line in the statement of financial position. As the supplier financing arrangement is closely related to operating purchase activities of the Group, the Group presents cash outflows to settle the liability as arising from operating activities in its statement of cash flows.

2.21.Revenue from contracts with customers

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services, because it typically controls the goods or services before transferring them to the customer. Management uses their judgement to assess if they are acting in an agent or principal role, with such an assessment being based on the overall facts and circumstances of each situation. Revenue is presented on a gross basis where the role is that of principal in a transaction. The gross basis represents the gross value of the billing to the customer after trade discounts, with any related costs charged to expenses. Where the Group acts as an agent in a transaction, revenue is presented on a net basis.

The Group operates in mobile, PayTV and fixed broadband services business as well as media and content business. It also sells related equipment.

2.21.1. Revenue recognition

Mobile revenue

Mobile revenue comprising billings to customers for monthly subscription fee, connection fee, and airtime usage, net of value added tax and price discounts directly related to the sales is recognised in the accounting period in which the services are rendered.

The value of prepaid cards sold but not yet used is recognised as deferred revenue. Deferred revenue is reduced and recorded in the statement of profit or loss and other comprehensive income as revenue in proportion to the actual airtime used and any remaining balance is taken to revenue when a card’s time period expires.

The mobile services revenue is derived from the transfer of services over time.

The service contracts may include non-refundable up-front fees that are paid at or near contract inception, and that do not constitute for a separate performance obligation (activation fees, set-up fees, etc), therefore, would be recognized as revenue when those future goods or services are provided.

The interconnection revenue includes revenue earned on incoming domestic and international telephone traffic originated by the subscribers and by other users of the network. Interconnection costs include the costs of outgoing telephony traffic that is generated by the subscribers to other domestic or international networks.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. Since the Group is terminating and initiating traffic in and from its network, it is acting as a principal, and therefore the revenue and costs of these traffic flows are stated gross in these financial statements.

Traffic fees charged at an agreed tariff for a fixed duration of time or capacity are recognised as revenue based upon usage of the Group’s network and facilities.

Fixed broadband and PayTV revenue

Fixed broadband and PayTV revenue from fixed line internet and data services, PayTV subscription and content distribution service are recognized in the accounting period in which the services are rendered. The PayTV subscription fees are derived over the subscription period. To some extent revenue is also derived from selling of merchandise.

Revenue from media and content business

The Group’s revenues from media and content business are mainly derived from the selling of advertising, subscription fees, content production, and various services. Revenue is recognised at the time the service is performed (e.g., advertising is broadcasted) or when the control over the goods is transferred. Advertising revenue is partially deferred and recognised based on actually broadcasted advertising campaigns.

Accordingly, media related business reports revenue from TV and radio advertising at the time of broadcast. Sale of services are reported when the services are provided.

Non-cash transactions entail the exchange of airtime on TV or radio for non-similar other goods or services. Revenue is recognised when airtime on TV or radio is sold in exchange for dissimilar goods or services. Revenue is measured at the fair value of the goods or services received, adjusted by any cash or cash equivalents received or paid, unless the fair value cannot be measured reliably.

Sale of equipment

Revenue from equipment sales is recognised when the control of the equipment is transferred to the buyer and the amount of revenue can be measured reliably. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The sale of equipment can be either separate or bundled together with a discounted subscription to mobile services for a defined period. Contracts for bundled sales of equipment and mobile services are to be considered comprised of two performance obligations because the promises to transfer equipment and provide mobile service are capable of being distinct and separately identifiable. The option to purchase additional goods or services at a discount are considered separate performance obligations (material rights) for which part of the revenue is deferred as a contract liability until the option is exercised or expires, providing the discount on future purchases is an implicit component of the consideration for the current contract and is also significant.

In determining the transaction price for the sale of equipment, the Group considers (if any) the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer:

- if the contract contains a significant financing component, the Group adjusts the promised consideration amount to reflect the transaction price that would be paid in cash at the moment when control over the good or service is transferred to the customer. The discount rate used is the rate that would be reflected in a separate financing transaction between the entity and the customer at contract inception.
- if the Group issues one-time credit to a new customer to cover his contract cancelation costs with previous service provider, this is considered as a consideration payable to the customer and is recognised as a reduction in the transaction price at the moment the promised goods or services are transferred.

The total transaction price of the bundled contract is allocated among the individual performance obligations based on their relative – possibly estimated – standalone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated standalone selling prices of the contractual performance obligations. As a result, the revenue to be recognized for products (often delivered in advance) such as mobile handsets and other equipment that are sold at a subsidized price in combination with a long-term service contract is higher than the amount billed or collected. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position. The contract asset is reversed and reduced over the remaining minimum contract period, lowering revenue from the other performance obligations (in this case: mobile service revenues) compared with the amounts billed. In contrast to the amounts billed, this results in higher revenue from the sale of equipment and lower revenue from the provision of services.

Equipment may be sold to customers:

- at full price with payment at a point of sale - equipment revenue is recognised at the time of sale;
- at full price with deferred payment – equipment revenue is recognised at the time of sale. The fair value of receivables from sale with deferred payment is determined from the future cash flow which is discounted using an imputed rate of interest.
- at subsidised price in connection with the conclusion of a service contract with mainly post-paid business customers – the price subsidy is deferred over the life of a contract as described above.

Long-term customer receivables (e.g., arising from sales of equipment in instalments), contract assets (e.g., arising from the subsidized sale of equipment in connection with the conclusion of a long-term customer contract) or contract liabilities (e.g., arising from a prepayment by the customer) are recognized at present value if the financing component is significant in relation to the total contract value (i.e., including those performance obligations that do not contain a financing component).

The Group applies the requirements of IFRS 13 Fair Value Measurement in measuring the fair value of the non-cash consideration. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the given goods or services. Revenue from a non-cash transaction involving advertising cannot be measured reliably at the fair value of the advertising services received. Therefore, advertising revenue obtained in an exchange of dissimilar advertising services is measured at the fair value of the advertising services given, provided that the fair value of those services given can be measured reliably. In such cases, the revenue is measured at the fair value of the airtime given up (determined by agreements made with other customers for the advertising), adjusted by any cash or cash equivalents received or paid. Revenue from non-cash transactions is recognised when the commercial is broadcasted. Expenses are recognised when the goods or service is consumed.

2.21.2. Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.22. Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (‘**the CODM**’). The CODM, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of the Group. The Management Board is the management body responsible for the strategic management of the Group. The Management Board includes the Group CEO, the CTO, the CFO and the CEO of Bitė Lietuva UAB (in 2019 referred to as COO of Bitė Lietuva UAB). Other members of the senior management include the CEO of Bitė Latvija SIA (in 2019 referred to as COO of Bitė Latvija SIA) and TV3 Group CEO and CFO.

The Group’s performance is examined based on business type perspective. The following three reportable business segments were identified:

- Mobile segment – the CODM receives monthly reports and monitors the performance in Lithuanian and Latvian mobile segments, which include the following operations:

  a) revenues and costs associated with core mobile telecommunication services in Lithuania and Latvia (voice, SMS, mobile data, value-added services) both postpaid and prepaid. It also includes services related to Machine-to-Machine, Internet of Things, MVNO and roaming by customers of other operators using own network,

  b) revenues and costs associated with other operations, i.e., sale of various equipment to support the Group mobile services to customers in Lithuania and Latvia.

- Fixed broadband and PayTV segment - the CODM receives monthly reports and separately monitors performance of Fixed broadband and PayTV segment which includes revenues and costs associated with core operations of fixed-broadband, i.e. fixed-line internet and data services in Lithuania and Latvia as well as PayTV subscription and content distribution as well as sale of PayTV equipment (modems, Private Automatic Branch Exchanges and other customer premises equipment), lease or rental fees from other devices, such as TV sets, tablets,
- Media and content segment – the CODM monitors the performance in Lithuanian, Latvian and Estonian media and content segments, which include TV, video on demand services, commercial radio, streaming radio, digital advertising, news and entertainment portals, advertising services across own portfolio of media assets as well as through third party channels and digital production and distribution services.

The segment revenue reporting is in line with Group accounting principles except of the activation fee classification (note 5). The Group has chosen a measure of adjusted earnings before interest, tax, depreciation and amortization (‘**Adjusted EBITDA**’) as the profit or loss measure for the reportable segments.

Adjusted EBITDA

EBITDA represents net profit before income tax, finance income and finance costs, share of profit/(loss) of joint ventures and depreciation and amortization expenses (other than content amortization and amortization of capitalized contract costs). Adjusted EBITDA represents EBITDA, as adjusted for certain items which management considers to be exceptional, non-cash or non-recurring in nature (i.e., transaction costs, impairment costs, revaluation of contingent considerations and other).

Interest income and finance cost are not allocated to segments, as this type of activity is driven by the Group treasury function, which manages the cash position of the Group and are not analysed by CODM.

2.23.Employee benefits

Social security contributions

The Group pays social security contributions on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. The social security contributions are recognised as an expense on an accrual basis and are included within operating expenses.

Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration various financial and individual performance targets. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises 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 an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Pension obligations

The Group operates a post-employment pension scheme which includes mainly defined-contribution pension plans, for which the Group pays contributions to publicly or privately administered pension insurance plans. A defined contribution plan is a plan with fixed contributions paid and the Group will have no legal or constructive obligations to pay further contributions if the Fund receiving contributions does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Amounts paid or payable to defined-contribution pension plans are reported as an expense during the period in which the employees perform the services.

The defined-contribution plans ensure a certain predefined payment of premiums and negative changes in the value of investments are not compensated by the Group, i.e., the Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payment

The shareholder of the Group has a management motivation system for the Group’s management. The Group’s key management acquired shares above consolidated Group under management investment agreement and is a minority shareholder of the Group. Shares are acquired at the market price. In addition to that there is a Share option program to attract, retain and reward the Group’s middle level managers, where the eligible participants are granted with share options for no consideration as defined in the Option plan and subject to remaining in the Group’s employment. The option provides a right to an option holder after at least 3 years to exercise it with respect to a number of shares allocated. Both shares owned and shares allocated to the options held are the shares issued by the holding entity above the consolidated Group and the holding entity is responsible for granting the benefit to eligible employees on exercise date. The exact terms of the management equity participation program are included in the Option rules and Investor’s agreements.

The share option plan is an equity settled arrangement and the grant date fair value of the options is recognized as costs over the vesting period and with increase in retained earnings directly in equity as the transaction creates no obligation to provide a cash payment to these employees. The total expenses are calculated based on the fair value of shares, which is defined based on the prices paid by minority shareholders, allocated to the options at a grant date. The grant date is set to be the date of option agreement. Besides minimum of 3-year period there are no other vesting or performance conditions for the plan participants. The undistributed shares allocated to the options are revaluated at fair value each year till it is allocated to eligible employees.

2.24.Taxation

Corporate income tax for the reporting period is included in the financial statements based on management's calculations prepared in accordance with local countries tax legislation.

Deferred income 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 income taxes relate to the same fiscal authority.

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from the 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/(loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. The Group assumes that the taxation authority will examine amounts it has a right to examine and will have full knowledge of all related information when making those examinations. If the Group concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group reflects the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required.

2.25.Statement of cash flows

Statement of cash flows is prepared using the indirect method. For purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined in note 2.13.

Interest paid on the borrowings and finance leases are classified as operating activities. Interest and dividends received are classified as investing activities.

2.26.Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's board of managers.

(All amounts in thousands EUR unless otherwise stated)

3. Financial risk management

3.1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, credit risk, interest rates risk and liquidity risk. The Group's management seeks to minimise potential adverse effects of financial risk on the financial performance of the Group.

The Group has a Treasury policy that documents the principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, cash and liquidity management and investment of excess liquidity on a daily basis. The policy defines financial instruments, roles and limits under which the risks, faced by the Group, are managed. Risk management is carried out by a Financial Control and Treasury department ('**the Treasury**'). The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's management and the Supervisory Council.

3.1.1. Foreign currency risk

The Group's exposure to foreign exchange risk is not significant as most of the Group's sales and purchases are denominated in euro (EUR).

3.1.2. Interest rate risk

The interest rate risk results from the volatility of interest rates over time having an impact on interest earned and paid on assets and liabilities (borrowings), respectively. The Group's policy is to limit the risk and the impact of changing interest rates. As the change of interest rate risk mainly affects interest expense, the objective is to fix a portion of the interest expense over a pre-determined period of time by entering into relevant contractual arrangements when necessary.

The Group was not engaged in any hedging instruments as at 31 December 2020 and 2019.

The Group's sensitivity analysis of interest rates to changes in basic points ('**bp**') in borrowings' variable interest rate for the years 2020 and 2019 is as follows:

Borrowings	Principal amount as of 31 December 2020	Impact on 2020 year's result	
		+ 10 bp	- 10 bp
Senior secured floating rate notes	250,000	(360)	360

Borrowings	Principal amount as of 31 December 2019	Impact on 2019 year's result	
		+ 10 bp	- 10 bp
External borrowings	443,691	(455)	455

3.1.3. Liquidity risk

The Group's management evaluates and monitors continuously the amount of funding required in the Group's business activities to ensure it has adequate liquid funds to finance its operations and repay its borrowings at maturity. The funding requirements have been evaluated based on annual budget, monthly financial forecast and short-term, timely cash planning. The Group's Treasury is responsible for maintaining sufficient funding, availability of different funding sources and controlled maturity profile of external borrowings. The Group limits its refinancing risk by having a good distribution in the maturity profile of its gross debt, detailed in note 27.

To manage liquidity risk the Group uses cash and cash equivalents and revolving credit facilities. The Group's cash and cash equivalents amounted to EUR 51,406 thousand as of 31 December 2020 (2019: EUR 80,621 thousand). In addition, the Group has undrawn revolving credit facilities amounting to EUR 50,000 thousand. The revolving credit facilities are valid until 16 April 2025. In December 2020, the Group has also signed supplier financing arrangement with a financing institution and as at 31 December 2020 the unused supplier financing limit amounted to EUR 1,165 thousand.

(All amounts in thousands EUR unless otherwise stated)

The Group share of liquid funds in joint operations, for which the Group has limited disposal rights, amounted to EUR 994 thousand as at 31 December 2020 (2019: EUR 978 thousand) and was included in the Group's cash and cash equivalents.

The tables below analyse the Group's financial liabilities into relevant groupings based on the remaining period at the end of the year to the contractual maturity date and current interest rates. The amounts disclosed in the table are contractual undiscounted cash flows. Balances of trade and other payables due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	1 to 5 years	Over 5 years
31 December 2020			
Senior secured notes (principal and interest)	41,047	120,251	650,418
Supplier financing arrangement	6,218	-	-
Lease liabilities	16,438	41,165	5,934
Contingent and deferred liabilities related to acquisitions	4,166	2,129	-
Other financing arrangement	53	-	-
Trade and other payables	62,132	2,155	4,119
Total	**130,054**	**165,700**	**660,471**

	Less than 1 year	1 to 5 years	Over 5 years
31 December 2019			
Facility A and Facility B (principal and interest)	20,466	190,039	-
Additional Facility A and Additional Facility B (principal and interest)	10,199	100,667	-
2018 Additional Facility A and 2018 Additional Facility B (principal and interest)	13,431	114,991	-
2018 2nd Additional Facility A and 2018 2nd Additional Facility B (principal and interest)	2,901	24,204	-
Revolving credit facilities (principal and interest)	739	16,208	-
Other liabilities	3,866	25	-
Lease liabilities	15,429	46,697	5,417
Trade and other payables	56,010	2,155	3,975
Total	**123,041**	**494,986**	**9,392**

(All amounts in thousands EUR unless otherwise stated)

3.1.4. Credit risk

The Group is exposed to credit risk from its operating and financing activities. Credit risk is the risk of loss due to counterparties failing to meet all or part of their obligations. The financial assets that could potentially lead to a certain concentration of the credit risk in the Group are mainly cash and cash equivalents, contractual cash flows of financial assets carried at amortised cost and at fair value through profit or loss (FVPL), as well as trade accounts receivables and contract assets. The carrying amount of financial assets represents the maximum credit exposure.

The Group monitors the credit risk on a group basis. The partners of the Group in cash transactions are banks with an adequate credit history and high ratings. The credit quality of cash at banks is assessed by reference to external credit ratings (Moody's) and is as follows:

	2020	2019
Aa2	7,236	36,822
Aa3	39,084	-
A3	2,850	30,163
Baa2	1,766	-
Baa3	-	1,400
Rating not provided*	320	12,145
Total	**51,256**	**80,530**

* Cash at electronic money institutions, ratings not available.

Cash at electronic money institutions are used to transfer cash funds. The Group policy is not to keep the cash balances at electronic money institutions for more than 3 working days.

In addition, cash is held in retail outlets, the total cash balance in bank and on hand is disclosed in note 22.

Group's financial assets at amortised cost include loans to related parties, trade and other receivables. The Group has no significant concentrations of credit risk as trade receivables are comprised of thousands of individually insignificant amounts in Lithuania, Latvia and Estonia. The Group has implemented policies in place to ensure that services are provided to customers with an appropriate credit history.

The equipment sales to residential mobile services customers are made in cash, via major credit cards or with deferred payment for 6, 12, 18, 24, 36 or 48 months. There are controls implemented in the Group to manage this risk: restricted sales of expensive equipment with deferred payment through high-risk sales channels, customers wishing to acquire expensive equipment are verified against the Social Security Fund database in Lithuania and Crefo birojs SIA database in Latvia as well as internal databases. Additional controls address the maximum amount that customer is allowed for buying equipment with deferred payment and while the equipment sale represents a discreet revenue event, there is also a requirement that to be eligible for the equipment financing option customers must also enter into a subscription agreement, therefore allowing the Group the ability to provide future services to the customer who bought a financed equipment.

On 1 June 2016 Bite Latvija SIA acquired 50,000 non-voting redeemable preferred shares of Rpax One S.A. at par value of EUR 1 each for a consideration of EUR 3,500 thousand and issued a loan of EUR 7,000 thousand. Both, preferred shares and the loan were initially redeemable after four years. On 20 September 2019 Bite Latvija SIA has signed amendment agreements with Rpax One S.A. according to which the maturity terms were extended until 31 July 2021. The loan bore interest at a rate per annum equal to 9.00%. The receivables from Rpax One S.A. have been fully settled with the purchase price payable for acquisition of Baltcom SIA shares (note 11) on 28 February 2020 (2019: EUR 14,240 thousand).

The financial assets through FVPL include the longstanding arrangements between the Group and customer financing entities for the receivables owing by the Group customers to be transferred to the customer financing entities at the time the equipment is sold to the customer. Consistent with this arrangement, since August 2017 Bitė Lietuva UAB and since December 2017 Bite Latvija SIA have been selling the full portfolio of not-due accounts receivable from the residential customers for equipment bought in instalments to customer financing entities at regular intervals, rather than at the time of sale. The accounts receivables sold to customer financing entities are less than 1 month old at the time of sale and all credit risk on the sold receivables is transferred to the customer financing entities at that time.

Credit risks, or the risk of counterparties defaulting, are controlled via credit terms and monitoring procedures. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

(All amounts in thousands EUR unless otherwise stated)

3.1.5. Impairment of financial assets

Classification of financial assets measured at amortized cost to individual stages of impairment models is presented below:

31 December 2020	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	**58,024**	**56,629**	**10,979**	**125,632**
Trade and other receivables at amortised cost	-	54,446	10,979	65,425
Other prepayments	-	565	-	565
Contract assets	-	1,552	-	1,552
Trade receivables at FVPL	6,469	-	-	6,469
Loans receivable	149	66	-	215
Cash and cash equivalents	51,406	-	-	51,406
Loss allowances	**-**	**(444)**	**(6,497)**	**(6,941)**
Trade and other receivables at amortised cost	-	(444)	(6,497)	(6,941)
Contract assets	-	-	-	-
Trade receivables at FVPL	-	-	-	-
Loans receivable	-	-	-	-
Cash and cash equivalents	-	-	-	-
Net carrying amount	**58,024**	**56,185**	**4,482**	**118,691**

31 December 2019	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	**86,770**	**68,041**	**8,636**	**163,447**
Trade and other receivables at amortised cost	-	52,977	8,591	61,568
Contract assets	-	733	-	733
Trade receivables at FVPL	6,005	-	-	6,005
Loans receivable	144	14,331	45	14,520
Cash and cash equivalents	80,621	-	-	80,621
Loss allowances	**-**	**(411)**	**(3,929)**	**(4,340)**
Trade and other receivables at amortised cost	-	(411)	(3,884)	(4,295)
Contract assets	-	-	-	-
Trade receivables at FVPL	-	-	-	-
Loans receivable	-	-	(45)	(45)
Cash and cash equivalents	-	-	-	-
Net carrying amount	**86,770**	**67,630**	**4,707**	**159,107**

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period greater than 2 years past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group applies provision matrix to calculate expected credit losses. To measure the expected credit losses, the trade receivables were grouped based on shared credit risk characteristics and the days past due. Default rates were established on the basis of historical data from years 2017-2019. Following the Covid-19 outbreak, the Group mobile business has reviewed the default rates established and the forward-looking analysis led to an adjustment of historical loss rates.

(All amounts in thousands EUR unless otherwise stated)

The Group has calculated the following loss allowance for trade receivable and other receivables:

	Not due or less than 30 days past due	31-90 days past due	More than 90 days past due	Impaired
Loss rate, %	0.18%-5.63%	1%-7.14%	0.36%-100%	100%
Receivables as at 31 December 2020	46,686	7,760	5,648	5,331
Loss allowance as at 31 December 2020	(176)	(268)	(1,166)	(5,331)

	Not due or less than 30 days past due	31-90 days past due	More than 90 days past due	Impaired
Loss rate, %	0.60%-0.89%	2.44%-7.64%	2.7%-100%	100%
Receivables as at 31 December 2019	19,022	33,955	5,624	2,967
Loss allowance as at 31 December 2019	-	(411)	(917)	(2,967)

The movements in the accumulated impairment losses on trade accounts receivable is presented in note 21.

The Group has followed the three-stage model for impairment of financial assets other than trade receivables and considered all its long-term loans at amortised cost (except of loan to Rpax One S.A. in 2019) to have Stage 1 credit risk. The credit losses determined based on probability of default within 12 months resulted in immaterial impairment loss.

In 2019, an individual forward-looking analysis was performed on the preferred shares and the loan granted to Rpax One S.A. to allocate it to one of three stages. The probability of default was determined based on individual rating of the loan and market data. The expected credit loss was calculated based on the probability of default, the repayment profile of the loan agreement. The loss allowance on the preferred shares and the loan granted to Rpax One S.A. was reassessed and fully recovered to EUR 0 thousand as at 31 December 2019 (note 18).

As of 31 December 2019, the Group has formed EUR 45 thousand loss allowance for the loan granted to Mobilūs Mokėjimai UAB (note 13). The loss was disclosed in line 'Reversal of/ (provision) on loan at amortised cost' in the statement of profit or loss and other comprehensive income.

The financial assets at FVPL are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management considers financial assets to be low credit risk when they have a low risk of default and the issuer has strong capacity to meet its contractual cash flow obligations in near term. The credit risk exposure in relation to financial assets measured at FVPL at 31 December 2020 is equal to the carrying amount of these assets EUR 6,469 thousand (2019: EUR 6,005 thousand).

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3.2. Capital risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

On 8 July 2020 PLT VII Finance S.à r.l. as an original borrower entered into a new Super Senior Facility Agreement with a consortium of banks (ING bank N.V., London branch is acting as agent of the other finance parties) to obtain revolving credit facility in amount of EUR 50 million with maturity on 16 April 2025. The revolving credit facility bears interest at an annual rate of three months EURIBOR (in case of facility utilization in other currencies – LIBOR) plus applicable margin, which depends on the Group's Leverage Ratio and can be set in the range from 2% to 3%. As of the date of this consolidated financial statements the margin rate is 3%.

On 16 July 2020 the Company as an original Issuer has issued senior secured notes in amount of EUR 650,000 thousand, with maturity on 5 January 2026. The Senior secured floating rate notes in amount of EUR 250,000 thousand bear interest at an annual rate of three months EURIBOR (subject to a 0% floor) plus margin 4.625%. The interest on the Senior secured floating rate notes is payable quarterly on 15 January, 15 April, 15 July and 15 October of each year. The Senior secured fixed rate notes in amount of EUR 400,000 thousand bear interest at an annual rate of 4.625%; the interest on the Senior secured fixed rate notes is payable semi-annually on 15 January and 15 July of each year. The transaction costs related to the notes issue are amortized to the finance costs over the Notes' term.

Under the Super Senior Facility Agreement, the Group is obliged to comply with the Consolidated Secured Leverage Ratio ('**the Consolidated Leverage Ratio**'), calculated as a ratio of the consolidated total net debt and the consolidated earnings before interest, tax, depreciation and amortisation expenses ('**EBITDA**'). From 31 December 2020 the Consolidated Leverage Ratio shall be calculated and tested on a rolling quarter basis if the test condition is met, i.e., if the outstanding principal amount of all loans exceeds 35% of total commitment. The Consolidated Leverage Ratio should not exceed a flat ratio of 8.00:1. The Group has the right to 'cure' a breach of the Leverage Ratio covenant by receiving additional shareholder funding in cash ('**the Cure Amount**') within 20 business days after the last day of the relevant period in which the breach would occur without the Cure Amount. Covenants are reviewed by lenders on a regular basis during the term of the senior secured notes and facility. A breach of the Consolidated Leverage Ratio, if not cured by no later than the date falling twenty (20) Business Days after the date of the notice thereof, would enable the holders of the defaulted debt to terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to become due and payable immediately.

The Treasury monitors the compliance with covenants on a regular basis as a breach of these ratios would be a major risk for the Group.

On 16 July 2020 part of the issued senior secured notes were used to fully repay the Group's line of facilities under the Senior Term and Revolving Facilities Agreement with a consortium of banks (ING bank N.V., London branch is acting as agent of the other finance parties). As a consequence, the associated collaterals were lifted. The details of the facilities fully repaid during 2020 are provided in note 27.

3.3. Fair value estimation

The different levels of methods used to measure the fair value of the financial instruments (which are recognised and measured at fair value in the statement of financial position) have been defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

During 2020 and 2019 there were no transfers between the fair value hierarchy levels.

The Group has longstanding arrangements with customer financing entities to transfer them the receivables owed by customers at the time the equipment is sold to customer. The accounts receivables sold to customer financing entities are less than 1 month old at the time of sale and all credit risk on the sold receivables is transferred to the customer financing entities at that time. In these sale transactions certain portions of the price are initially held back and, depending on the amount of the actual defaults, are only paid to the Group at a later date. To the extent that such portions of the purchase price are expected to be received in the future, they are recognized at fair value. Fair value is determined by using valuation techniques. These valuation techniques maximise the use of observable market data and rely as little as possible on the Group specific estimates. Since the significant inputs required to fair value an instrument is observable, the instrument is included in level 2.

The Group lease receivables for equipment sales are discounted at market interest rate. The fair values of receivables are based on cash flows discounted using applicable statistical country's interest rate for loans with maturity more than 1 year reported by state banks of Lithuania and Latvia. This is a level 3 fair value measurement.

As at 31 December 2019 the fair value of 50,000 non-voting redeemable preferred shares of Rpax One S.A. and loan to this entity was EUR 14,240 thousand and approximated the carrying amount.

The fair value of the senior secured notes was EUR 666,763 thousand as of 31 December 2020. The fair value of the bank borrowings as at 31 December 2019 was EUR 498,357 thousand. The carrying value of the borrowings is disclosed in note 27.

On 28 February 2020, the Group has acquired 100% shares of Baltcom SIA together with its 32.12% investment in the shares of Balticom AS, which is classified as Other investment in the statement of financial position with a gain or loss from the changes in fair value (through annual revaluations performed) recognized in other comprehensive income (note 12). The fair value is determined using level 3 inputs as the entity is not listed.

Due to the short-term nature of the trade and other current receivables, trade and other current liabilities, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- In a business combination, the Group usually applies purchase accounting which requires the Group to make estimates in assessing the fair values of assets acquired and liabilities assumed, and to reconcile these amounts to the total purchase price paid. The further details on the fair values in business combinations are disclosed in note 11.

- Estimations concerning the useful lives of property, plant and equipment change over time due to constant technology advances – useful lives are disclosed in note 2.6 and the depreciation charge for the year is disclosed in notes 15. 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. A sensitivity analysis that includes changes in useful lives of property, plant and equipment is included in note 15.

- There are several cash-generating units (‘**CGU’)** in the Group, that are assessed annually for impairment in accordance with the accounting policies stated in note 2.4 Management has used the ‘value in use’ calculations to test goodwill for impairment. The annual test for impairment requires the Group to make substantial estimates across a variety of inputs. For example, the weighted average cost of capital (‘**the WACC**’) which is used as the discount rate, itself has many inputs including expected debt/equity ratio, risk free rates of return, market specific risk factors and an estimate of the entity's specific Beta (i.e., the correlation between the risk of the underlying entity versus a market or index volatility as a whole). In addition to the WACC, the Group has to make projections of its potential future cash flows. This annual exercise requires management to assess past performance of the Group and consider the projections in light of that past performance. Key estimates in this process include revenue development, pre-tax WACC rate, EBITDA development, perpetuity growth development, capex expenditure. More details and sensitivity analysis are provided in note 14.

- Trade receivables impairment charge reflects management's estimate of potential losses arising from the failure or inability of the Group's customers to make required payments. The estimate is based on customer credit worthiness, the ageing of customer accounts and historical write-off experiences. Estimates for bad debts represent the Group's estimate of revenues that had previously been recognised that, ultimately, will not be converted into cash. Changes in actual experience of historical customer payments will result in the Group ultimately converting more or less of the sales to actual cash (note 21). From 1 January 2018, the Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. When evaluating the adequacy of the impairment charge, the management bases its estimates on the aging of accounts receivable and the historical write-off experience. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns, as disclosed in note 3.1.

- A provision is recognised for the future decommissioning and restoration of the sites of the base stations in Lithuania and Latvia. The amounts of the provisions recognised are the present values of the estimated future expenditures. The estimation of the future expenditures is based on current local conditions and requirements, including legal requirements, technology, dismantling service prices established by third parties, level of risk and similar criteria. Changes in any of these estimates will impact the amount of the total provision and future depreciation expenses. If the dismantling costs assumed in the discounted cash flow analysis (‘**the DCF**’) were to increase or decrease by 10% from management's estimates, the carrying amount of asset retirement obligation would be an estimated respectively EUR 1,132 thousand higher or EUR 1,125 thousand lower. If the length of dismantling periods to increase or decrease by 5 years from management's current estimates, the carrying amount of asset retirement obligation would be an estimated EUR 90 thousand higher or EUR 82 thousand lower. Were the discount rate used in the DCF analysis to increase or decrease by 10%, the carrying amount of asset retirement obligation would be an estimated EUR 9 thousand higher or lower EUR 2 thousand lower.

- In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or to not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Critical judgements in applying the entity's accounting policies are addressed below:

- On 20 September 2019, Bitė Latvija SIA signed an agreement regarding the purchase of 100% shares of Baltcom SIA and the deal was finalized on 28 February 2020. In the context of the above-mentioned acquisition, the Group has granted a call option to a non-related third party to purchase 50% of Baltcom's share capital from the Group. Management concluded that this call option does not represent a substantive voting right since exercising the option will require upfront approval from the relevant Competition Council which is not deemed to be a routine activity and is therefore outside the control of both the Group and the third party. As a result, management concluded that the Group has control over Baltcom SIA. As such the Group should consolidate the financial information of Baltcom SIA until such control is lost, i.e., when the call option is exercised and the approval from the Competition Council has been received.

- In the context of the option granted, management has further assessed and concluded that the investment in Baltcom SIA does not meet the criteria of an asset to be classified as held for sale as at 31 December 2020 because:

  a) despite the fact that the Group has a put option, management does not intend to exercise the put option within the twelve months period from 31 December 2020;
  b) the third party has a call option which could be used until 31 December 2020 and was extended until 31 December 2021 upon the request from the option holder. The exercise of the call option is out of the control of the Group. Thus, the Group based on the call option outstanding (not having an intention to exercise its own put option) cannot ensure whether or not the call option holder will issue the notice to exercise the call option within 12 months resulting in a firm purchase commitment within 12 months from 31 December 2020. As of the date when this financial information was approved for issue the third party has not given an indication that it will exercise the call option.

  In addition, management estimates that, given the potential formal procedures normally required in such cases (i.e., regulatory approval) and the related timelines in case the third party decides to exercise the option, the closing of such transaction may further extend and would not happen within twelve months starting from 31 December 2020.

  Management will reassess this judgement at the end of every reporting period to consider any changes in the circumstances.

- In the context of the 32.12% investment in Balticom AS, acquired as part of the Baltcom SIA acquisition, management assessed and concluded that the Group has no significant influence over Balticom AS since:
  a) the Group does not participate in the board of Balticom AS, responsible for the operational and financial decisions, and only has one representative out of three in the Supervisory council of this entity.
  b) the Group does not participate in any policy-making processes, including participation in decisions about dividends or other distributions.
  c) there are no material transactions between the Group and the entity.
  d) there is no interchange of managerial personnel or technical information between the Group and the entity.

  The investment is therefore accounted for at fair value with the gain or loss from changes in fair value to be recognized in other comprehensive income as per the requirements of IFRS 9.

- Judgement applied in the selection and use of accounting policies for recognition of the revenue on bundled services and products, including the determination of the separate performance obligations, as described in note 2.21.

- The Group management has assessed the network sharing project agreements signed and has chosen to classify the joint arrangement as joint operations, as the parties of the arrangement retain rights to the assets, and obligations for the liabilities, as well as corresponding revenues and expenses related to the arrangement. The parties in the arrangement have the rights to substantially all of the benefits from the assets in each operation and the jointly owned company is dependent on the owners for settling its liabilities on a continuous basis.

(All amounts in thousands EUR unless otherwise stated)

5. Segment reporting

From 1 November 2020, the Group has introduced a modified segment structure, separating the Mobile, fixed broadband, equipment sale and other segment into the Mobile segment and the Fixed Broadband segment. Following the acquisitions of assets with mixed operations of fixed broadband and PayTV, the PayTV segment was redistributed and merged into Fixed Broadband segment to form the Fixed Broadband and PayTV segment. With the recent acquisition of Baltcom SIA and further acquisitions through Baltcom SIA, this modification and aggregation of PayTV and Fixed broadband into one segment makes it easier to track the process and dynamics of the Group business in Fixed broadband and PayTV business. Due to the change in the composition of these reportable segments, the Group has recasted the comparable prior year figures. The Group's performance is therefore now examined based on three reportable business segments:

- Mobile segment - includes the revenues and costs associated with core mobile telecommunication services in Lithuania and Latvia (voice, SMS, mobile data, value-added services) both postpaid and prepaid. It also includes services related to Machine-to-Machine, Internet of Things, MVNO and roaming by customers of other operators using own network, also sale of various equipment to support the Group mobile services to customers in Lithuania and Latvia.
- Fixed Broadband and PayTV segment - includes revenues and costs associated with core operations of fixed-broadband, i.e., fixed-line internet and data services in Lithuania and Latvia, as well as revenues and costs associated with PayTV subscription and content distribution as well as sale of PayTV equipment (modems, Private Automatic Branch Exchanges and other customer premises equipment), lease or rental fees from other devices, such as TV sets, tablets. This segment also includes the operations of the acquired Baltcom SIA and other acquisitions done in 2020.
- Media and Content segment includes the media operations in Lithuania, Latvia and Estonia, i.e., TV, video on demand services, commercial radio, streaming radio, digital advertising, news and entertainment portals, advertising services across own portfolio of media assets as well as through third party channels and digital production and distribution services.

Information on reportable segments for the year ended 31 December 2020:

2020	**Mobile**	**Fixed Broadband and PayTV**	**Media and content**	**Eliminations and reconciling items**	**Total**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Internal	4,286	1,068	1,988	(7,342)	**-**
External	294,440	61,645	64,820	-	**420,905**
Revenue	**298,726**	**62,713**	**66,808**	**(7,342)**	**420,905**
ADJUSTED EBITDA	**116,087**	**11,553**	**11,954**	**-**	**139,594**

(All amounts in thousands EUR unless otherwise stated)

Information on reportable segments for the year ended 31 December 2019:

2019	Mobile	Fixed Broadband and PayTV	Media and content	Eliminations and reconciling items	Total
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Internal	1,135	953	996	(3,084)	-
External	276,025	41,496	71,022	-	**388,543**
Revenue	**277,160**	**42,449**	**72,018**	**(3,084)**	**388,543**
ADJUSTED EBITDA	**105,277**	**6,562**	**14,905**	**-**	**126,744**

The reconciling items to reported revenue are as follows:

	2020	2019
Total segment revenue	420,905	388,543
Reconciling items to reported segment revenue:		
Activation fee	46	(29)
Total revenue in the statement of profit or loss and other comprehensive income	**420,951**	**388,514**

The revenue from external parties and expenses included in Adjusted EBITDA as reported to the CODM are measured in a manner consistent with that in the statement of profit or loss and other comprehensive income, except for the activation fees that in internal reporting are classified as reduction of costs but are part of the revenues in the statement of profit or loss and other comprehensive income.

A reconciliation of adjusted EBITDA to reported operating profit is as follows:

	2020	2019
Adjusted EBITDA	139,594	126,744
Reconciling items to reported operating profit:		
Depreciation and amortization	(76,139)	(67,065)
Consulting expenses related to new operational model of business	(1,800)	-
Refinancing related bonus	(1,861)	-
Centuria related costs	(516)	(1,497)
Mezon business acquisition related costs	(588)	-
Transaction costs	(524)	(21)
PayTV integration costs	(325)	-
Employee share schemes	(254)	(328)
Restructuring and rebranding costs	(117)	(854)
Legal provisions	-	(749)
Reversal of provision on loan at amortised cost	45	1,339
Revaluation of contingent consideration	188	(1,451)
Other one-off reconciling items	(1,067)	(172)
Operating profit	**56,636**	**55,946**

(All amounts in thousands EUR unless otherwise stated)

6. Revenue

Disaggregation of revenue from contracts with customers

Revenue based on products and services are set out below:

	2020	2019
Mobile revenue	219,694	208,989
thereof: Post-paid revenue	158,136	151,711
thereof: Pre-paid revenue	12,511	13,721
Equipment sale revenue	70,978	61,944
Media and content revenue	63,698	70,374
thereof: FreeTV advertising revenue	56,159	63,249
PayTV revenue	37,871	34,090
thereof: PayTV subscription revenue	27,052	26,557
Fixed broadband revenue	22,187	7,349
Other revenue	6,523	5,768
Total revenue	**420,951**	**388,514**

Revenue based on timing of revenue recognition are set out below:

2020	At a point of time	Over time	Total
Mobile revenue	-	219,694	219,694
Equipment sale revenue	70,978	-	70,978
Media and content revenue	63,698	-	63,698
PayTV revenue	-	37,871	37,871
Fixed broadband revenue	-	22,187	22,187
Other revenue	2,462	4,061	6,523
Total revenue	**141,199**	**279,752**	**420,951**

2019	At a point of time	Over time	Total
Mobile revenue	-	208,989	208,989
Equipment sale revenue	61,944	-	61,944
Media and content revenue	70,374	-	70,374
PayTV revenue	-	34,090	34,090
Fixed broadband revenue	-	7,349	7,349
Other revenue	2,360	3,408	5,768
Total revenue	**138,086**	**250,428**	**388,514**

Revenue from external customers by the location in which the sale or service originated:

	2020	2019
Lithuania	230,420	215,941
Latvia	163,064	142,439
Estonia	27,467	30,134
Total revenue	**420,951**	**388,514**

(All amounts in thousands EUR unless otherwise stated)

Non-current assets

Non-current assets located in countries other than the Luxembourg are:

31 December 2020	Lithuania	Latvia	Estonia	United Kingdom	Total
Intangible assets	153,683	130,528	35,379	-	**319,590**
Property, plant and equipment	51,614	53,041	4,457	-	**109,112**
Right of use assets	18,629	17,702	14,630	-	**50,961**
Capitalized contract costs	3,386	2,316	6,981	-	**12,683**

31 December 2019	Lithuania	Latvia	Estonia	United Kingdom	Total
Intangible assets	165,203	86,644	38,188	1	**290,036**
Property, plant and equipment	55,426	45,550	3,230	-	**104,206**
Right of use assets	16,374	20,087	17,473	-	**53,934**
Capitalized contract costs	2,952	1,268	7,422	-	**11,642**

Contract balances

The Group has recognized the assets and liabilities related to contracts with customers:

	31 December 2020	31 December 2019
Current contract assets	886	532
Non-current contract assets	666	201
Total contract assets	**1,552**	**733**
Current contract liabilities	10,264	6,386
Non-current contract assets	1,960	2,460
Total contract liabilities	**12,224**	**8,846**

Contract assets are initially recognised for revenue earned from subsidized sales of equipment and services when the price subsidy is deferred over the life of a contract. The portion of transaction price is allocated to the equipment and a contract asset is recognized for the receivable arising. There has been no significant change in the contract assets compared to the previous year.

Contract liabilities are initially recognized for the consideration paid by the customer before the Group delivers the services to the customer. The contract liabilities have increased by EUR 3,378 thousand (2019: EUR 775 thousand) as a result of the growth in customer base (mainly mobile internet), as well as the upsell to existing customers due to the additional values offered.

The management expects that EUR 10,264 thousand of unsatisfied performance obligations as at 31 December 2020 (2019: EUR 4,885 thousand) will be recognised as revenue during the next reporting period. The revenue recognized in 2020 that was included in the contract liability balance at the beginning of the year amounted to EUR 6,386 thousand (2019: EUR 6,340 thousand).

(All amounts in thousands EUR unless otherwise stated)

7. Employee compensation and benefit expenses

	2020	2019
Employee compensation and benefit expenses:		
Wages and salaries	(47,437)	(41,896)
Bonuses	(8,108)	(6,971)
Employee share based payment scheme expenses	(254)	(328)
Termination benefits	(487)	(240)
Social Security contributions	(6,651)	(4,757)
Total employee compensation and benefit expenses	**(62,937)**	**(54,192)**

There were 2,370 employees in the Group as of 31 December 2020 (2019: 1,994 employees), with 404 (2019: 282 employees) technology-based employees, 1,413 (2019: 1,255 employees) marketing, customer service and sales representatives, 216 (2019: 181 employees) content-related employees and 337 (2019: 276 employees) employed in all other areas.

Employee compensation and benefit expenses related to joint operations for year 2020 amounted to EUR 199 thousand (2019: EUR 26 thousand).

(All amounts in thousands EUR unless otherwise stated)

8. Other expenses

	2020	2019
Audit, tax and other consultancy fees	(4,882)	(3,512)
Frequency and other charges payable to regulatory authorities	(4,443)	(4,145)
TV other direct costs	(3,842)	(3,196)
Dealer commission costs	(3,535)	(2,926)
TV technical and operations costs	(3,002)	(3,389)
Mobile number portability and other direct costs	(2,225)	(1,711)
PayTV outsourced customer services expenses	(2,004)	(1,921)
Lease lines costs	(1,485)	(758)
Data and internet costs	(1,455)	(1,871)
Billing costs	(1,212)	(1,039)
Insurance costs	(797)	(706)
Training and travel costs	(481)	(1,226)
Representation expenses	(423)	(711)
PayTV equipment costs	(397)	(343)
SIM cards and related costs	(292)	(270)
Revaluation of contingent consideration (note 30)	188	(1,451)
Reversal of accrual for corporate events/ corporate events expenses	141	(1,232)
Other expenses	(2,944)	(3,685)
Total other expenses	**(33,090)**	**(34,092)**

Fees to the independent auditors of the Group amounted to EUR 342 thousand (2019: EUR 326 thousand) and comprise of EUR 296 thousand audit fees (2019: EUR 269 thousand), EUR 41 thousand tax advisory services (2019: EUR 32 thousand) and EUR 5 thousand other non-audit related services (2019: EUR 24 thousand).

(All amounts in thousands EUR unless otherwise stated)

9. Finance costs and income

	2020	2019
Finance costs		
Bank interest expenses	(13,052)	(24,620)
Senior secured notes interest expenses	(14,895)	-
Write-off of unamortised bank arrangement fees (note 23)	(7,382)	-
Lease interest expenses	(2,296)	(2,478)
Deferred payment liability for frequency charges - discounting costs	(204)	(217)
Assets retirement obligation unwinding of the present value discount	(84)	(2)
Net loss from foreign exchange transactions	(50)	(49)
Other finance costs	(195)	(50)
Total finance costs	**(38,158)**	**(27,416)**
Finance income		
Interest from financial assets held for cash management	190	1,134
Other finance income	34	31
Total finance income	**224**	**1,165**
Total finance costs and income	**(37,934)**	**(26,251)**

The transaction costs related to Senior secured notes issue amount to EUR 15,036 thousand and are amortized to the finance costs over the notes' term.

On 16 July 2020 part of the issued senior secured notes were used to fully repay the Group's line of facilities under the Senior Term and Revolving Facilities Agreement with a consortium of banks (ING bank N.V., London branch is acting as agent of the other finance parties), including the EUR 15,000 thousand RCF that has been fully utilized in March 2020. Pursuant to repayment, the unamortized part of the Arrangement fees related to this agreement were fully written off to finance cost.

(All amounts in thousands EUR unless otherwise stated)

10. Income tax

The standard corporate income tax rates that are applicable to the Group companies in different countries are:

- Luxembourg: 15% tax rate is applicable to taxable profit that does not exceed EUR 175 thousand. For taxable profits in between EUR 175-200 thousand, corporate income tax is calculated based on a formular, adding EUR 26 thousand (i.e., 15% from EUR 175 thousand) and 31% of the taxable profit exceeding EUR 175 thousand. And the rate is 17% for companies with taxable income in excess of EUR 200,001 leading to an overall tax rate of 24.94% in Luxembourg City (taking into account the solidarity surtax of 7% on the CIT rate, and including the 6.75% municipal business tax rate applicable).
- the Netherlands: 16.5% tax rate is applied to taxable profit up to EUR 200 thousand (reduced from 19% applied in 2019) and 25% rate applies to taxable profits exceeding EUR 200 thousand.
- Lithuania: 15% tax rate applied to taxable profit.
- United Kingdom: 19% tax rate applied to taxable profit.
- Latvia: distributed profits are taxed at 20% whereas undistributed profits are taxed at 0% tax rate; deemed profit distributions are taxed at a 20% tax rate.
- Estonia: distributed profits are taxed at 20% whereas undistributed profits are taxed at 0% tax rate; deemed profit distributions are taxed at a 20% tax rate.

Income tax comprises the following:	**2020**	**2019**
Current tax:		
Current tax	5,820	6,102
Adjustments in respect of prior years	415	3,252
Total current tax	**6,235**	**9,354**
Deferred tax:		
Origination and reversal of temporary differences	(3,548)	(2,683)
Total deferred tax	**(3,548)**	**(2,683)**
Total income tax	**2,687**	**6,671**

Numerical reconciliation of income tax expense is as follows:

	2020	**2019**
Profit before tax	18,458	27,849
Tax calculated at domestic tax rates applicable to profits in the respective countries	(533)	3,043
Adjustments recognised for the current income tax of prior periods	415	3,252
Effect of income not subject to tax net of additional taxable income	(268)	(45)
Effect of expenses not deductible for tax purposes net of additional tax-deductible expenses	1,607	1,062
Investment project relief	(866)	(510)
Utilisation of previously unrecognised tax loss	(80)	-
Effect of tax losses for which no deferred income tax asset is recognised in the current year	5,488	2,069
Previously unrecognised deferred tax from taxable losses	(404)	-
Change in deferred tax liability related to business combination	(2,672)	(2,200)
Total	**2,687**	**6,671**

During 2020 the Group holding structure was transferred from the Netherlands to Luxembourg (note 1), respectively, the figures for the year 2020 summarise the income taxes of Luxembourg based companies while figures for 2019 represent ones of the Dutch companies.

(All amounts in thousands EUR unless otherwise stated)

In 2019, the Lithuanian Tax Authorities performed a corporate income tax review of Bitė Lietuva UAB for the tax periods of 2013-2016. As a result, a tax controversy arose regarding deductibility of tax goodwill amortization expenses for Bitė Lietuva UAB. This tax controversy has been closed down in December 2019 when, following the provisions of the Law on Tax Administration, Bitė Lietuva UAB and the Lithuanian Tax Authorities signed the agreement on the amount of tax deductible goodwill amortization for the periods from 2016 till the total remaining amortization period (i.e., up until September 2022). As a result of the settlement an amount of EUR 3,252 thousand was recorded as prior year tax impact and paid in 2020.

Tax losses for which no deferred income tax asset was recognised due to uncertainty of its recoverability:

Company	Expiry term	31 December 2020	31 December 2019
Dutch fiscal unity	2021-2027	N/A	23,999
PLT VII Finance S.a r.l.	Unlimited	12,800	-
PLT VII International S.a r.l.	Unlimited	9,206	-
TV Play Baltics AS permanent establishment in Lithuania	Unlimited	6,799	10,543
Total		**28,805**	**34,542**

Tax losses of PLT VII Finance S.a r.l. comprise of the 'exceeding' interest cost from the bonds issued: i.e., in Luxembourg following the interest limitation rules borrowing cost are deductible in a tax period only up to the higher of (i) 30% of the taxpayer's net revenues before interest, tax, depreciation, and amortisation (EBITDA) or (ii) EUR 3 million. Exceeding borrowing costs not deductible in a tax period may be carried forward without time limitation.

Tax losses of the Dutch fiscal unity are no longer available for carry forward due to the transfer of the holding structure from the Netherlands to Luxembourg.

Tax losses in Lithuania can be carried forward indefinitely until the activities continue.

In 2020 the deferred tax asset of EUR 404 thousand from accumulated taxable losses was recognised for TV Play Baltics AS permanent establishment as it will be recovered in 2021 due to planned business transfer transaction.

The gross temporary differences for which deferred tax assets/liabilities have been recognised were as follows:

	31 December 2020	31 December 2019
Accruals	5,683	5,097
Inventory write-down	443	286
Accelerated tax depreciation	(7,458)	(4,937)
Difference in tax and accounting base of implementing IFRS 15 and IFRS 16	(2,287)	(1,851)
Tax losses	2,693	-
Tax incentives reliefs	2,467	2,467
Difference in tax and accounting base of goodwill	(30,156)	(23,597)
Fair value adjustments due to business combination related to other intangible assets	(76,436)	(106,173)
Total	**(105,051)**	**(128,708)**
Tax at 15% rate	**(15,758)**	**(19,306)**

(All amounts in thousands EUR unless otherwise stated)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accruals	Inventory write-down	Accelerated tax depreciation	Difference in tax and accounting base of implementing IFRS 15 and IFRS 16	Tax losses	Tax incentive reliefs	Difference in tax and accounting base of goodwill	Fair value adjustments due to business combination related to other intangible assets	Total
31 December 2018	**564**	**37**	**(525)**	**(459)**	**-**	**370**	**(3,503)**	**(18,474)**	**(21,990)**
Credited/ (charged) to statement of profit or loss and other comprehensive income	201	6	(216)	182	-	-	(37)	2,548	2,684
31 December 2019	**765**	**43**	**(741)**	**(277)**	**-**	**370**	**(3,540)**	**(15,926)**	**(19,306)**
Credited/ (charged) to statement of profit or loss and other comprehensive income	88	23	(378)	(66)	404	-	(984)	4,461	3,548
31 December 2020	**853**	**66**	**(1,119)**	**(343)**	**404**	**370**	**(4,524)**	**(11,465)**	**(15,758)**

Deferred income 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 income taxes relate to the same fiscal authority.

(All amounts in thousands EUR unless otherwise stated)

Balances of deferred tax assets ('**DTA**') and liabilities ('**DTL**') as presented in the consolidated statement of financial position are:

	Accruals	Inven-tory write-down	Accelerated tax depreciation	Difference in tax and accounting base of implement-ting IFRS 15 and IFRS 16	Tax losses	Tax incentive reliefs	Difference in tax and accounting base of goodwill	Fair value adjustments due to business combination related to other intangible assets	Total
DTA as of 31 December 2019	464	23	18	-	-	-	4	-	509
DTL as of 31 December 2019	301	20	(759)	(277)	-	370	(3,544)	(15,926)	(19,815)
Total as of 31 December 2019	**765**	**43**	**(741)**	**(277)**	**-**	**370**	**(3,540)**	**(15,926)**	**(19,306)**
DTA as of 31 December 2020	561	28	145	5	404	-	1	1	1,145
DTL as of 31 December 2020	292	38	(1,264)	(348)	-	370	(4,525)	(11,466)	(16,903)
Total as of 31 December 2020	**853**	**66**	**(1,119)**	**(343)**	**404**	**370**	**(4,524)**	**(11,465)**	**(15,758)**

The deferred tax calculated on accruals and tax losses comprises the current part of deferred tax asset, while part of accelerated tax depreciation, difference in tax and accounting base of goodwill and fair value adjustments due to business combinations – current deferred tax liability. In total current part of net deferred tax liability as at 31 December 2019 is EUR 2,001 thousand with the remaining part as non-current to be fulfilled in 2-14 years.

11. Investment in subsidiaries

The Group's principal subsidiaries as of 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

During 2020, the Group has undergone a reorganization of all Dutch entities, whereby in September 2020 Group subsidiaries Bitė Finance International B.V., PLT VII B.V., PLT VII Finance B.V. and PLT VII International S. à r.l. were merged with the latter as the surviving company (details in note 1).

In October 2019 the Group subsidiary Smart AD SIA was merged into All Media Latvia SIA with the latter being the surviving company.

(All amounts in thousands EUR unless otherwise stated)

The country of incorporation or registration is also their principal place of business:

Company	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by the Group (%) 31 December 2020	Proportion of ordinary shares held by the Group (%) 31 December 2019
PLT VII Finance S.à r.l.	Luxembourg	Holding and financing company	100	-
PLT VII International S.à r.l.	Luxembourg	Holding and financing company	100	-
PLT VII Finance B.V.	Netherlands	Holding and financing company	-	100
PLT VII B.V.	Netherlands	Holding and financing company	-	100
Bite Finance International B.V.	Netherlands	Holding and financing company	-	100
Bitė Lietuva UAB	Lithuania	Mobile telecommunication services provider	100	100
Bite Latvija SIA	Latvia	Mobile telecommunication services provider	100	100
TeleTower UAB	Lithuania	Towers and masts owner and lessor	100	100
TeleTower SIA	Latvia	Towers and masts owner and lessor	100	100
EUROCOM UAB	Lithuania	Mobile telecommunication services provider	100	100
Bitės Salonų tinklas UAB	Lithuania	‘bitė’ products distributor in Lithuania	100	100
Bite Latvija Retail SIA	Latvia	‘bitė’ products distributor in Latvia	100	100
Bite Broadcasting Services Ltd	United Kingdom	Television programming and broadcast	100	100
Unistars SIA	Latvia	Internet services provider	100	100
Latnet SIA	Latvia	Internet and data transmission services	100	100
All Media Lithuania UAB	Lithuania	FreeTV broadcasting company	100	100
All Media Radijas UAB	Lithuania	Radio broadcasting company	100	100
All Media Digital UAB	Lithuania	Internet advertising provider	100	100
All Media Eesti AS	Estonia	FreeTV broadcasting company	100	100
All Media Digital OÜ	Estonia	Internet advertising provider	100	100
Mediainvest Holding AS	Estonia	Radio broadcasting company	100	100
Buduaar Media OÜ	Estonia	Internet platform provider/ magazine issue	100	100
Artist Media OÜ	Estonia	Audio systems planning and maintenance	90	90
All Media Latvia SIA	Latvia	FreeTV broadcasting company	100	100
Star FM SIA	Latvia	Radio broadcasting company	100	100
TV Play Baltics AS	Estonia	Satellite television broadcast and PayTV	100	100
Baltcom SIA	Latvia	Internet and data transmission services	100	-
B-Com Holding SIA	Latvia	Holding company	100	-
Mīts LV SIA	Latvia	TV, internet and telephony services	100	-
Esteria 79 SIA	Latvia	TV, internet and telephony services	100	-
Elektrons S SIA	Latvia	TV and internet services	100	-
Dautkom TV SIA	Latvia	TV and internet services	100	-
Mezon UAB	Lithuania	Internet and IPTV service provider	100	-

Baltcom SIA

On 20 September 2019, Bitė Latvija SIA has signed an agreement regarding the purchase of 100% shares of Baltcom SIA (including its wholly owned subsidiary B-Com Holding SIA) and the deal was finalized on 28 February 2020. Baltcom SIA is the largest independent fibre broadband internet, cable TV and IPTV service provider in Latvia, which also provides landline telephony, electricity and OTT services. Pursuant to share purchase agreement the total purchase price is EUR 39.9 million which is paid to the seller RPAX One S.A. net of the positions of preferred shares and loan receivable held pre acquisition (EUR 14.4 million).

(All amounts in thousands EUR unless otherwise stated)

The transaction price as per agreement signed by Bite Latvija SIA is as follows:

Purchase price consideration of investment by Bite Latvija SIA settled in cash	10,145
Purchase price consideration set-off against receivables from the Seller (non-cash)	14,430
Loan issued by Bite Latvija SIA for repayment of the former shareholder loan	15,361
Total purchase consideration	**39,936**

Details of Net Assets Acquired and goodwill are as follows:

Purchase price consideration of investment by Bite Latvija SIA	39,936
Transaction insurance compensation	80
Fair value of net assets in acquired Baltcom SIA	(19,171)
Goodwill	**20,845**

The assets acquired, the liabilities assumed as a result of the acquisition are as follows:

	Fair value
Intangible assets: trademarks (note 14)	356
Intangible assets: customer contracts (note 14)	16,776
Other intangible assets (note 14)	1,183
Tangible assets (note 15)	9,875
Right of use assets (note 16)	1,584
Capitalized contract costs (note 17)	885
Other investments (note 12)	4,140
Other non-current assets and receivables	756
Current assets	1,784
Cash and cash equivalents	1,130
Borrowings	(13,449)
Lease liabilities	(1,631)
Other current liabilities	(4,218)
Net assets acquired	**19,171**

Outflow of cash to acquire Baltcom SIA, net of cash acquired:

Purchase consideration, net off receivables from the Seller, settled in cash	10,145
Transaction insurance compensation	80
Loan issued by Bite Latvija SIA for former shareholder loan repayment	15,361
Less: cash and cash equivalents acquired	(1,130)
Net cash outflow on acquisition	**24,456**

Goodwill is attributable to the economies of scale and expected synergies between the acquired and existing businesses and the workforce and is not deductible for tax purposes.

As part of the deal, Bite Latvija SIA has issued a loan of EUR 10.7 million to Baltcom SIA to finance the repayment of Baltcom SIA bank debt.

Acquisition-related costs of EUR 489 thousand are included into the line item ‘Transaction costs’ in the statement of profit or loss and other comprehensive income.

Purchase price allocation has been finalised in March 2020.

(All amounts in thousands EUR unless otherwise stated)

Mīts LV SIA and Esteria 79 SIA

On 31 July 2020 Baltcom SIA acquired 100% of the issued share capital of Mīts LV SIA and Esteria 79 SIA. Mīts LV SIA and Esteria 79 SIA are engaged in providing TV, internet and telephony services in various suburbs of Riga and Olaine in Latvia. Pursuant to Share Purchase Agreement the total purchase price was EUR 1,169 thousand, of which initial payment was EUR 581 thousand and payment of EUR 578 thousand is deferred for a half-year period. The deferred payment is accounted for as ''Accrued expenses and other liabilities' in the statement of financial position. This acquisition allows higher penetration of Baltcom SIA services in the suburbs and Riga, Latvia, which are not yet covered; also, provides wider and higher quality services to existing customers of acquired entities.

Details of Net Assets Acquired and goodwill are as follows:

Purchase price consideration of investment by Baltcom SIA	1,169
Fair value of net assets in acquired Mīts LV SIA and Esteria 79 SIA	(773)
Goodwill	**396**

The assets acquired, the liabilities assumed as a result of the acquisition are as follows:

	Fair value
Intangible assets: customer contracts (note 14)	981
Other intangible assets (note 14)	1
Tangible assets (note 15)	135
Inventory	21
Trade and other receivables and other current assets	25
Cash and cash equivalents	3
Trade payables	(95)
Other liabilities	(298)
Net assets acquired	**773**

Outflow of cash to acquire Mīts LV SIA and Esteria 79 SIA, net of cash acquired:

Purchase consideration settled in cash	589
Deferred purchase price (less interest)	581
Less: cash and cash equivalents acquired	(3)
Net cash outflow on acquisition	**1,167**

There have been no acquisition-related costs to be included in the statement of profit or loss and other comprehensive income. The deferred purchase price payable is classified as 'Accrued expenses and other liabilities' in the statement of financial position (note 30).

Purchase price allocation has been finalised in December 2020.

Elektrons S SIA

On 31 August 2020 Baltcom SIA acquired 100% of the issued share capital of Elektrons S SIA. Elektrons S SIA is engaged in providing TV and internet services in Jurmala, Latvia. Pursuant to Share Purchase Agreement the total purchase price was EUR 735 thousand of which initial payment was EUR 527 thousand and EUR 208 thousand is a deferred payment to be paid in two instalments during a year. The deferred payment is accounted for as 'Accrued expenses and other liabilities' in the statement of financial position. This acquisition allows higher penetration of Baltcom SIA provided services in Jurmala, Latvia that have not been covered yet and also provides wider and higher quality services to existing customers of acquired companies.

Details of Net Assets Acquired and goodwill are as follows:

Purchase price consideration of investment by Baltcom SIA	735
Fair value of net assets in acquired Elektrons S SIA	(719)
Goodwill	**16**

(All amounts in thousands EUR unless otherwise stated)

The assets acquired, the liabilities assumed as a result of the acquisition are as follows:

	Fair value
Intangible assets: customer contracts (note 14)	645
Tangible assets (note 15)	73
Inventory	8
Trade and other receivables and other current assets	52
Cash and cash equivalents	31
Trade payables	(14)
Other liabilities	(76)
Net assets acquired	**719**

Outflow of cash to acquire Elektrons S SIA, net of cash acquired:

Purchase consideration settled in cash	527
Deferred purchase price (less interest)	208
Less: cash and cash equivalents acquired	(31)
Net cash outflow on acquisition	**704**

There have been no acquisition-related costs to be included in the statement of profit or loss and other comprehensive income. The deferred purchase price payable is classified as 'Accrued expenses and other liabilities' in the statement of financial position (note 30).

Purchase price allocation has been finalised in December 2020.

Dautkom TV SIA

On 30 October 2020 Baltcom SIA acquired 100% of the issued share capital of Dautkom TV SIA. Dautkom TV SIA is engaged in providing TV and internet services in Daugavpils, Latvia. Pursuant to Share Purchase Agreement the total purchase price was EUR 11,272 thousand of which initial payment was EUR 7,911 thousand and EUR 3,361 thousand is a deferred payment to be paid in two instalments during a year. The deferred payment is accounted for as 'Accrued expenses and other liabilities' in the statement of financial position. This acquisition allows higher penetration of Baltcom SIA provided services in Daugavpils, Latvia that have not been covered yet and also provides wider and higher quality services to existing customers of acquired companies.

Details of Net Assets Acquired and goodwill are as follows:

Purchase price consideration of investment by Baltcom SIA	11,272
Fair value of net assets in acquired Dautkom TV SIA	(6,999)
Goodwill	**4,273**

The assets acquired, the liabilities assumed as a result of the acquisition are as follows:

	Fair value
Intangible assets: trademarks (note 14)	71
Intangible assets: customer contracts (note 14)	5,533
Other intangible assets (note 14)	5
Tangible assets (note 15)	361
Inventory and prepayments	98
Trade and other receivables	613
Cash and cash equivalents	623
Trade and other payables	(305)
Net assets acquired	**6,999**

(All amounts in thousands EUR unless otherwise stated)

Outflow of cash to acquire Dautkom TV SIA, net of cash acquired:

Purchase consideration settled in cash	7,911
Deferred purchase price (excluding interest)	3,361
Less: cash and cash equivalents acquired	(623)
Net cash outflow on acquisition	**10,649**

Acquisition-related costs of EUR 35 thousand are included into a line item 'Transaction costs' in the statement of profit or loss and other comprehensive income. The deferred purchase price payable is classified as 'Accrued expenses and other liabilities' in the statement of financial position (note 30).

Purchase price allocation has been finalised in December 2020.

The acquired Baltcom SIA, Mīts LV SIA and Esteria 79 SIA, Elektrons S SIA, Dautkom TV SIA contributed revenues of EUR 16,980 thousand and net profit of EUR 1,338 thousand to the Group for the period from 1 March 2020 (Baltcom SIA consolidation start date), 1 August 2020 (Mīts LV SIA and Esteria 79 SIA consolidation start date), 1 September 2020 (Elektrons S SIA consolidation start date) and 1 November 2020 (Dautkom TV SIA consolidation start date) to 31 December 2020. If the acquisition of Baltcom SIA, Mīts LV SIA and Esteria 79 SIA, Elektrons S SIA, Dautkom TV SIA had occurred on 1 January 2020 and all purchase price allocation adjustments would have been recorded on that date, the Group's revenue would have been EUR 427,425 thousand; net profit – EUR 15,469 thousand (incl. the impact from amortisation of newly identified intangible assets).

Acquisitions accounted in 2019

Artist Media OÜ

On 22 May 2019 All Media Eesti AS acquired 90% of the issued share capital of Artist Media OÜ. Artist Media OÜ is engaged in audio and in-store radio solutions, offering sales of in-store radio airtime, production of radio and television advertisements, creation of soundscapes, audio branding and background music selections. The subsidiary provides planning, installation and maintenance of audio systems in Estonia. Pursuant to Share Purchase Agreement the total estimated purchase price for 90% of shares was EUR 2,753 thousand. The former shareholder shall retain control on 10% of share capital in Artist Media OÜ until the completion of the Share Purchase Agreement on 31 December 2020 for the price in between EUR 364 thousand and EUR 450 thousand (less interest) depending on the year 2020 EBITDA earned.

The acquisition shall grow Group's advertising sales, as supported by current Group's relationships with media agencies, management cost, savings, audio and video production synergies as well as savings from shared offices.

Details of Net Assets Acquired and goodwill are as follows:

Purchase price consideration of investment by All Media Eesti AS	3,203
Non-controlling interest	356
Fair value of net assets in acquired Artist Media OÜ	(789)
Goodwill	**2,770**

The assets acquired, the liabilities assumed as a result of the acquisition are as follows:

	Fair value
Other intangible assets: customer contracts	540
Software	44
Other property, plant & equipment	14
Inventory	29
Trade and other receivables and other current assets	190
Cash and cash equivalents	154
Trade payables	(80)
Other liabilities	(102)
Net assets acquired	**789**

(All amounts in thousands EUR unless otherwise stated)

Outflow of cash to acquire Artist Media OÜ, net of cash acquired:

Purchase consideration settled in cash	2,753
Contingent consideration to be paid (less interest)	421
Less: cash and cash equivalents acquired	(154)
Net cash outflow on acquisition	**3,020**

Acquisition-related costs of EUR 21 thousand are included into a line item 'Transaction costs' in the statement of profit or loss and other comprehensive income.

Purchase price allocation has been finalised in December 2019.

The acquired Artist Media OÜ contributed revenues of EUR 1,310 thousand and net profit of EUR 208 thousand to the Group for the period from 1 May 2019 (Artist Media OÜ consolidation start date) to 31 December 2019.

If the acquisition of Artist Media OÜ had occurred on 1 January 2019 and all purchase price allocation adjustments would have been recorded on that date, the Group's 2019 revenue would have been EUR 388,951 thousand; 2019 net profit – EUR 21,217 thousand (the impact coming from amortisation of newly identified intangible assets).

12. Other investments

Company	Country of incorporation and place of business	Nature of relationship	Measurement method	Proportion of ordinary shares held by the Group (%)	Nature of business	Carrying amount as of 31 December 2020	Carrying amount as of 31 December 2019
Balticom AS	Latvia	Equity instrument	Fair value through other comprehensive income ('**FVOCI**')	32.12	Mobile telecommunication services provider	4,110	-

The fair value of the other investments as at acquisition of Baltcom SIA amounted to EUR 4,140 thousand (note 11). As at 31 December 2020 the fair value of the other investment was remeasured and amounted to EUR 4,110 thousand, with the loss on the change in the fair value EUR 30 thousand accounted within other comprehensive income.

The other investment is classified and measured as an equity instrument designated at FVOCI as per requirements of IFRS 9. Further details on the fair value and management judgements provided in note 4.

(All amounts in thousands EUR unless otherwise stated)

13. Interest in joint ventures

Set out below is joint venture of the Group. The entity listed below has share capital consisting solely of ordinary shares, which are held by Bitė Lietuva UAB. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Company	Country of incorporation and place of business	Nature of relationship	Measurement method	Proportion of ordinary shares held by the Group (%)	Nature of business	Carrying amount as of 31 December 2020	Carrying amount as of 31 December 2019
Numerio Perkėlimas VšĮ	Lithuania	Joint venture	Equity method	25.00	Number portability process administration	6	6

The joint venture is jointly controlled by three mobile operators in Lithuania.

On 18 June 2020 the Group together with the other shareholders Telia Lietuva AB and Tele 2 UAB sold all shares of Mobilūs mokėjimai UAB to SEPAxpress FS UAB. The proportionate share of the sale price attributable to the Group amounted to EUR 115 thousand and was fully paid to the Group on 19 June 2020. The Group net loss on the sale of joint venture amounted to EUR 238 thousand.

As of 31 December 2019, the Group held 33% ownership interest in Mobilūs mokėjimai UAB which provided mobile payment solutions to the customers of mobile operators in Lithuania and 25% ownership interest in Numerio Perkėlimas VšĮ which administered the process of number portability among the mobile telecommunication service providers if a subscriber decides to change the telecommunication operator. Both joint ventures were controlled by three mobile operators in Lithuania. As at 31 December 2019 the Group assessed the recoverable amount of Mobilūs mokėjimai UAB to be zero and EUR 608 thousand impairment loss was recognized.

As at 31 December 2020 and 2019 the Group does not have any material commitments in respect of its interest in joint ventures.

None of these entities are considered individually material to the Group, the summarised movement during 2020 and 2019 as accounted for using the equity method is presented below:

	31 December 2020	31 December 2019
Aggregate carrying amount of individually immaterial joint ventures	250	1,852
Aggregate amounts of the Group's share of:		
Loss from joint venture	(244)	(1,238)
Total comprehensive income	(244)	(1,238)
Less: net impairment losses on joint ventures	-	(608)
Aggregate carrying amount of individually immaterial joint ventures, net	**6**	**6**

(All amounts in thousands EUR unless otherwise stated)

14. Intangible assets

	Goodwill	License costs	Software	Other intangible assets	Software under development	Total intangible assets
COST:						
1 January 2019	124,728	38,045	18,788	194,676	7,108	383,345
Acquisition of subsidiary (note 11)	2,770	-	44	540	-	3,354
Additions	-	1,589	4,353	1	4,181	10,124
Transfers from software under development	-	28	5,008	4,967	(10,003)	-
Transfers from property, plant and equipment (note 15)	-	-	-	-	865	865
Assets no longer in use	-	(10,355)	(8,544)	(155)	-	(19,054)
31 December 2019	**127,498**	**29,307**	**19,649**	**200,029**	**2,151**	**378,634**
ACCUMULATED AMORTISATION:						
1 January 2019	-	(10,636)	(13,067)	(55,023)	-	(78,726)
Charge for the year	-	(4,023)	(5,735)	(19,011)	-	(28,769)
Assets no longer in use	-	10,355	8,542	-	-	18,897
31 December 2019	**-**	**(4,304)**	**(10,260)**	**(74,034)**	**-**	**(88,598)**
NET BOOK VALUE 31 December 2019	**127,498**	**25,003**	**9,389**	**125,995**	**2,151**	**290,036**
COST:						
1 January 2020	127,498	29,307	19,649	200,029	2,151	378,634
Acquisition of subsidiaries (note 11)	25,530	-	-	25,552	-	51,082
Additions	-	1,346	5,525	550	2,971	10,392
Transfers from software under development	-	21	2,644	526	(3,191)	-
Transfers from property, plant and equipment (note 15)	-	-	-	-	82	82
Assets no longer in use	-	-	(5,901)	(1)	-	(5,902)
31 December 2020	**153,028**	**30,674**	**21,917**	**226,656**	**2,013**	**434,288**
ACCUMULATED AMORTISATION:						
1 January 2020	-	(4,304)	(10,260)	(74,034)	-	(88,598)
Charge for the year	-	(4,292)	(6,378)	(21,331)	-	(32,001)
Assets no longer in use	-	-	5,901	-	-	5,901
31 December 2020	**-**	**(8,596)**	**(10,737)**	**(95,365)**	**-**	**(114,698)**
NET BOOK VALUE 31 December 2020	**153,028**	**22,078**	**11,180**	**131,291**	**2,013**	**319,590**

(All amounts in thousands EUR unless otherwise stated)

Goodwill and trademarks with indefinite life

Goodwill is allocated to the Group's cash-generated units ('**CGU's**') based on services provided and country of operations. As of 31 December 2020, the carrying amount of goodwill was allocated to:

	31 December 2020	31 December 2019
Mobile		
Lithuanian mobile CGU	57,382	57,382
Latvian mobile CGU	21,798	21,798
Media and content		
Lithuanian FreeTV CGU	15,762	15,762
Latvian FreeTV CGU	11,352	11,352
Estonian FreeTV CGU	5,783	5,783
Buduaar Media CGU	488	488
All Media Digital CGU	1,618	1,618
Artist Media CGU	2,770	2,770
Fixed broadband and PayTV		
TV Play CGU	7,183	7,183
Latnet CGU	3,362	3,362
Baltcom CGU	20,845	-
Mits and Esteria 79 CGU	396	-
Elektrons S CGU	16	-
Dautkom TV CGU	4,273	-
Total goodwill	**153,028**	**127,498**

The Trademark 'bitė' with indefinite life, recorded under Other intangible assets, is allocated to the Group's CGU's based on the country of operations: Lithuania and Latvia. As of 31 December 2020 and 31 December 2019, the carrying amount of trademark allocated to Lithuanian mobile CGU amounted to EUR 12,545 thousand (31 December 2019: EUR 12,545 thousand) and to Latvian mobile CGU – EUR 4,807 thousand (31 December 2019: EUR 4,807 thousand).

Management has used 'value in use' calculations to test goodwill for impairment. The annual test for impairment requires the Group to make significant estimates across a variety of inputs. The key assumptions include revenue development, pre-tax WACC rate, EBITDA development, perpetuity growth development, capital expenditures as specified here below:

2020	Total Revenue (% annual growth rate)	EBITDA margin (%)	Capital expenditures (thousand EUR)	Perpetuity growth rate (%)	Pre-tax WACC rate (%)
Lithuanian mobile CGU	0%	37%	(16,032)	2%	6.3%
Latvian mobile CGU	0%	34%	(11,380)	2%	6.6%
Lithuanian FreeTV CGU	3%	27%	(362)	2%	7.4%
Latvian FreeTV CGU	3%	20%	(274)	2%	7.8%
Estonian FreeTV CGU	3%	10%	(240)	2%	7.2%
Buduaar Media CGU	2%	14%	(6)	2%	7.2%
All Media Digital CGU	5%	18%	(2)	2%	7.2%
Artist Media CGU	3%	20%	(10)	2%	7.2%
TV Play CGU	8%	12%	(2,576)	2%	7.5%
Latnet CGU	1%	29%	(907)	2%	6.6%
Baltcom CGU	8%	34%	(3,394)	2%	6.6%

(All amounts in thousands EUR unless otherwise stated)

2019	Total Revenue (% annual growth rate)	EBITDA margin (%)	Capital expenditures (thousand EUR)	Perpetuity growth rate (%)	Pre-tax WACC rate (%)
Lithuanian mobile CGU	1%	38%	(16,863)	2%	7.8%
Latvian mobile CGU	1%	32%	(11,243)	2%	7.8%
Lithuanian FreeTV CGU	4%	26%	-	2%	7.4%
Latvian FreeTV CGU	3%	23%	-	2%	7.4%
Estonian FreeTV CGU	3%	14%	-	2%	7.4%
TV Play CGU	9%	12%	-	2%	7.4%

In the context of the acquisition of Mits SIA and Esteria 79 SIA, Elektrons S SIA and Dautkom TV SIA (note 11), the assumptions used to determine the fair values of assets acquired and liabilities assumed as well as goodwill are still valid as at 31 December 2020 as the purchase price allocation was finalised in December 2020, the businesses are performing in line with the approved budgets and no decline in the carrying value of the assets recognised was noted.

The WACC was determined using the market average cost of debt, the EU/US mobile telecommunications industry beta and spot risk free interest rates adjusted for mature market risk premium as of 31 December 2020, and also had used the expected tax rates applicable for the future financial years.

The management has determined the values assigned to each of the above key assumptions as follows:

- Total revenue – average annual growth rate over five-year forecast period.
- EBITDA – average annual net profit before income tax, finance income and finance costs, share of profit/(loss) of joint ventures and depreciation and amortization expenses (other than content amortization and amortization of capitalized contract costs) over five-year forecast period.
- Capital expenditures – amounts disclosed are average cash outflows for the acquisition of intangible assets and property, plant and equipment over five-year forecast period.
- Perpetuity growth rate – this is the average growth rate used to extrapolate cash flows beyond the budget period.
- Pre-tax WACC rate – reflects specific risks relating to the segments and the countries in which they operate.

The calculations used for impairment testing for the year 2020 were based on the latest budget for 2021 approved by the Group's management and estimate for 2022-2025 (in 2019 calculations were based on budget for 2020 and 2021-2024 estimate), which reflects past experience, industry trends and the strategy for the coming years. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below.

Management has used PGF of 2% (2019: 2%) and believes that the terminal growth rate used does not exceed the long-term average growth rates for the Lithuanian, Latvian and Estonian markets.

For the CGUs whereby a reasonably expected change in the key estimates would result in an impairment of the carrying value, a sensitivity analysis has been performed. The following table sets out to what extent each key assumption must change, all else being equal, in order for the recoverable amounts of CGU's to equal to their carrying values as of 31 December 2020 and 31 December 2019:

31 December 2020	FreeTV EE CGU
EBITDA in five-year period	(24%)
Pre-tax WACC rate	9%
Perpetuity growth factor (PGF)	0.7%
Total revenue growth factor	(2%)
Carrying amount	16,434
Recoverable amount (base case)	25,156

(All amounts in thousands EUR unless otherwise stated)

31 December 2019	FreeTV EE CGU
EBITDA in five-year period	(24%)
Pre-tax WACC rate	9%
Perpetuity growth factor (PGF)	Below 0%
Total revenue growth factor	(3%)
Carrying amount	17,661
Recoverable amount (base case)	42,653

Based on the above assessment the Group concluded that no impairment should be recorded against goodwill of Estonian Free TV CGU as of 31 December 2020.

The management believes that trademark ‘bitė’ has an indefinite life as it has a history of strong revenue and cash flow performance, there are high barriers to market entry (no available frequency licences), ‘bitė’ brand demonstrated its ability to survive changes and market indicators support cash inflows for an indefinite period. There were no indications that ‘bitė’ trademark was impaired as of 31 December 2020 and the impairment test performed for Group’s Lithuanian and Latvian CGUs has confirmed that the trademark was not impaired as of 31 December 2020.

License costs

License costs include the net book value of EUR 15,333 thousand of 2G/3G licenses with a remaining amortisation period of 1-11 years (2019: EUR 17,500 thousand), EUR 3,800 thousand of 4G licenses with a remaining amortisation period of 9-13 years (2019: EUR 4,227 thousand) and EUR 2,945 thousand of other licenses (2019: EUR 3,276 thousand).

Other intangible assets

Other intangible assets include the net book value of EUR 77,019 thousand of customers’ contracts and relationships with a remaining amortisation period of 1-14 years (2019: EUR 67,517); EUR 17,352 thousand of trademarks that have an indefinite useful life (2019: EUR 17,352 thousand), EUR 31,567 thousand of trademarks with a remaining amortisation period of 12 years (2019: EUR 34,174 thousand) and EUR 396 thousand of trademarks with a remaining amortisation period of 10 years; EUR 307 thousand of roaming agreements with a remaining amortisation period of 1 year (2019: EUR 2,151 thousand); other intangible assets EUR 4,650 thousand (2019: EUR 4,802 thousand).

(All amounts in thousands EUR unless otherwise stated)

15. Property, plant and equipment

	Buildings	Network equipment	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
COST:					
1 January 2019	5,654	127,893	17,748	8,833	160,128
Acquisition of subsidiary (note 11)	-	4	10	-	14
Additions	195	5,370	3,115	11,032	19,712
Transfers from construction in progress	102	9,227	3,385	(12,714)	-
Transfers to intangible assets (note 14)	-	-	-	(865)	(865)
Disposals	-	(421)	(674)	(77)	(1,172)
Assets no longer in use	-	(15,495)	(3,293)	(10)	(18,798)
31 December 2019	**5,951**	**126,578**	**20,291**	**6,199**	**159,019**
ACCUMULATED DEPRECIATION:					
1 January 2019	(600)	(43,243)	(6,309)	-	(50,152)
Charge for the year	(238)	(18,888)	(5,156)	-	(24,282)
Disposals	-	413	505	-	918
Assets no longer in use	-	15,462	3,241	-	18,703
31 December 2019	**(838)**	**(46,256)**	**(7,719)**	**-**	**(54,813)**
NET BOOK VALUE 31 December 2019	**5,113**	**80,322**	**12,572**	**6,199**	**104,206**
COST:					
1 January 2020	5,951	126,578	20,291	6,199	159,019
Acquisition of subsidiary (note 11)	54	10,243	147	-	10,444
Additions	2	6,524	2,962	14,859	24,347
Transfers from construction in progress	79	11,684	2,665	(14,428)	-
Transfers to intangible assets (note 14)	-	-	-	(82)	(82)
Disposals	(5)	(1,234)	(353)	(86)	(1,678)
Assets no longer in use	(56)	(10,607)	(1,865)	(6)	(12,534)
31 December 2020	**6,025**	**143,188**	**23,847**	**6,456**	**179,516**
ACCUMULATED DEPRECIATION:					
1 January 2020	(838)	(46,256)	(7,719)	-	(54,813)
Charge for the year	(247)	(23,909)	(5,140)	-	(29,296)
Disposals	-	1,092	218	-	1,310
Assets no longer in use	56	10,503	1,836	-	12,395
31 December 2020	**(1,029)**	**(58,570)**	**(10,805)**	**-**	**(70,404)**
NET BOOK VALUE 31 December 2020	**4,996**	**84,618**	**13,042**	**6,456**	**109,112**

If estimated useful lives of property, plant and equipment have been one year longer, the Group's annual depreciation costs would have decreased approximately by EUR 2,524 thousand over the year ended 31 December 2020.

(All amounts in thousands EUR unless otherwise stated)

16. Right of use assets

	Buildings and premises	Network equipment	Vehicles	Lease lines	Satellite	Total right of use assets
COST:						
1 January 2019	12,793	31,486	3,076	2,941	21,816	72,112
Additions and remeasurements	3,548	1,785	761	678	(7)	6,765
Write-offs due to early termination	(244)	(1,273)	(157)	(190)	(29)	(1,893)
31 December 2019	**16,097**	**31,998**	**3,680**	**3,429**	**21,780**	**76,984**
ACCUMULATED DEPRECIATION:						
1 January 2019	(2,779)	(5,136)	(827)	(943)	(1,244)	(10,929)
Charge for the year	(3,098)	(5,500)	(980)	(1,223)	(3,213)	(14,014)
Write-offs due to early termination	244	1,273	157	190	29	1,893
31 December 2019	**(5,633)**	**(9,363)**	**(1,650)**	**(1,976)**	**(4,428)**	**(23,050)**
NET BOOK VALUE 31 December 2019	**10,464**	**22,635**	**2,030**	**1,453**	**17,352**	**53,934**
COST:						
1 January 2020	16,097	31,998	3,680	3,429	21,780	76,984
Acquisition of subsidiary (note 11)	1,512	-	72	-	-	1,584
Additions and remeasurements	8,459	529	1,361	27	(78)	10,298
Write-offs due to early termination	(49)	(892)	(106)	(19)	(104)	(1,170)
31 December 2020	**26,019**	**31,635**	**5,007**	**3,437**	**21,598**	**87,696**
ACCUMULATED DEPRECIATION:						
1 January 2020	(5,633)	(9,363)	(1,650)	(1,976)	(4,428)	(23,050)
Charge for the year	(4,222)	(5,650)	(1,077)	(748)	(3,145)	(14,842)
Write-offs due to early termination	49	892	93	19	104	1,157
31 December 2020	**(9,806)**	**(14,121)**	**(2,634)**	**(2,705)**	**(7,469)**	**(36,735)**
NET BOOK VALUE 31 December 2020	**16,213**	**17,514**	**2,373**	**732**	**14,129**	**50,961**

The expense relating to leases of low value or short-term assets amounted to EUR 526 thousand (2019: EUR 408 thousand) and is included under rental costs in the consolidated statement of profit or loss and other comprehensive income.

During 2020 the Group has applied the practical expedient (note 2.1) to Covid-19 discounts and subsidies received from the lessors of the rented buildings and premises. In the months the Covid-19 discounts were received the Group has accounted them as variable lease payments not included in the measurement of the lease liability, i.e., recorded the discounts and subsidies in the statement of profit or loss and other comprehensive income with the corresponding decrease in the lease liability. In 2020, the amount of Covid-19 discounts recorded in the consolidated statement of profit or loss and other comprehensive income amounted to EUR 272 thousand.

(All amounts in thousands EUR unless otherwise stated)

17. Capitalized contract costs

As at 31 December 2020, the capitalized contract costs amounted to EUR 12,683 thousand (31 December 2019: EUR 11,642 thousand) and consisted of EUR 4,512 thousand (31 December 2019: EUR 3,791 thousand) capitalized bonuses paid to employees for signing new or extending contracts, EUR 1,190 thousand (31 December 2019: EUR 429 thousand) capitalized commissions paid to external parties for signing MBB/voice rate plans for Bite (incl. capitalized commissions in acquired subsidiary EUR 885 thousand) and EUR 6,981 thousand (31 December 2019: EUR 7,422 thousand) capitalized costs to obtain the contract for PayTV, mainly associated with STB boxes, installation costs, etc.

Part of capitalized commissions paid to external parties amounting to EUR 885 thousand were acquired as part of acquisition of subsidiary in 2020 (note 11).

Capitalized contract costs amortization expenses are classified separately from depreciation and amortisation expense in the statement of profit or loss and other comprehensive income and amounted EUR 10,652 thousand in 2020 (2019: EUR 9,136 thousand).

18. Long-term loans at amortised cost

	31 December 2020	31 December 2019
Loan to Rpax One S.A.	-	14,240
Loan to Mobilūs mokėjimai UAB	-	45
Intercompany loan (note 32)	149	144
Other loans	66	91
Outstanding balance at the end of the year	**215**	**14,520**
Less: current portion	(62)	(54)
Total short-term loans	**(62)**	**(54)**
Less: loss allowance for long-term loans at amortised cost	-	(45)
Total long-term loans	**153**	**14,421**

On 1 June 2016 Bite Latvija SIA acquired 50,000 non-voting redeemable preferred shares of Rpax One S.A. at par value of EUR 1 each for a consideration of EUR 3,500 thousand and issued a loan of EUR 7,000 thousand. Both, preferred shares and the loan were initially redeemable after four years. On 20 September 2019 Bite Latvija SIA signed amendment agreements with Rpax One S.A. according to which the maturity terms were extended until 31 July 2021. The loan bore interest at a rate per annum equal to 9.00%. The receivables from Rpax One S.A. have been fully settled with the purchase price payable for acquisition of Baltcom SIA shares on 28 February 2020 (note 11).

As of 31 December 2019, the Group formed EUR 45 thousand loss allowance for the loan granted to Mobilūs Mokėjimai UAB. On 18 June 2020 the Group has disposed of the investment in Mobilūs Mokėjimai UAB (note 13) and has fully reversed the provision as disclosed in line ‘Reversal of provision on loan at amortised cost’ in the statement of profit or loss and other comprehensive income.

As of 31 December 2020 and 31 December 2019, the fair value of the long-term loans at amortised cost approximates their carrying value, as there were no significant changes in the market and the performance of the counterparty.

(All amounts in thousands EUR unless otherwise stated)

19. Inventory

	31 December 2020	31 December 2019
Programming rights	17,121	15,782
Equipment	11,469	12,804
Accessories and finished goods	4,139	2,357
Prepaid products and other inventory	1,937	2,069
Computers	380	981
	35,046	**33,993**
Less: loss allowance on slow moving inventory	(193)	(35)
Total inventory	**34,853**	**33,958**

20. Financial instruments by category

The Group holds the following financial instruments:

	31 December 2020	31 December 2019
Financial assets		
Financial assets at amortised cost		
Trade accounts and other receivable	59,049	57,273
Contract assets	1,552	733
Loans receivable	215	14,475
Cash and cash equivalents	51,406	80,621
	112,222	**153,102**
Financial assets at fair value through profit or loss		
Accounts receivable held to sell	6,469	6,005
	6,469	**6,005**
Total financial assets	**118,691**	**159,107**
Financial liabilities		
Financial liabilities at amortised cost		
Borrowings	647,086	446,799
Supplier financing arrangement	6,218	-
Lease liabilities	51,101	54,326
Contract liabilities	12,224	8,846
Contingent and deferred payables for shares	6,295	3,732
Trade and other payables excluding statutory liabilities	68,406	62,140
Total financial liabilities	**791,330**	**575,843**

The impairment losses in relation to financial assets are disclosed in note 3.1.5.

(All amounts in thousands EUR unless otherwise stated)

21. Trade receivables

	31 December 2020	31 December 2019
Gross trade accounts receivable	65,425	61,568
Allowance for uncollectible accounts	(6,941)	(4,295)
Trade accounts receivable, net	**58,484**	**57,273**
Less: non-current portion (note 23)	(2,829)	(2,617)
Current portion of trade accounts receivable, net	**55,655**	**54,656**

The fair values of trade accounts receivable approximate the carrying values as of 31 December 2020 and 31 December 2019.

The Group has applied the IFRS 9 simplified approach of measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group has disclosed the credit quality of trade receivables by classification to individual stages of the impairment model in note 3.1.5.

As of 31 December 2020, trade receivables of EUR 10,979 thousand (2019: EUR 8,591 thousand) were over 90 days past due. The allowance for those receivables was EUR 6,497 thousand (2019: EUR 3,884 thousand). The ageing of these receivables is as follows:

	More than 90 days past due	Impaired
Receivables as at 31 December 2020	5,648	5,331
Loss allowance as at 31 December 2020	(1,166)	(5,331)
Receivables as at 31 December 2019	5,624	2,967
Loss allowance as at 31 December 2019	(917)	(2,967)

Movements on the allowance for impairment of trade receivables are as follows:

	2020	2019
Beginning balance as at 1 January	4,295	3,131
Loss allowance during the year	2,646	1,163
Amounts written-off	-	1
Closing balance as at 31 December	**6,941**	**4,295**

The Group provides customers with an option to purchase equipment through instalment payments over a period of 6, 12, 24 or 36 months in Lithuania and 6, 12, 18, 24, 36 or 48 months in Latvia which increases customer volatility for repayments.

There are also longstanding arrangements between the Group and customer financing entities for the receivables on the Group customers to be transferred to the customer financing entities at the time the equipment is sold to the customer. Consistent with this arrangement, since 2017 Bitė Lietuva UAB and Bite Latvija SIA have been selling the full portfolio of not-due accounts receivable from the residential customers for equipment bought in instalments to customer financing entities at regular intervals, rather than at the time of sale. Since 2020 TV Play Baltics AS also has similar arrangements for selling the portfolio of not-due receivables for TVs that are sold to customers in Lithuania and Latvia with a deferred payment. The accounts receivable sold to customer financing entities are less than 1 month old at the time of sale and all credit risk on the sold receivables is transferred to the customer financing entities at that time. The Group has classified these receivables as financial assets at fair value through profit or loss (note 24).

During 2020 the Group has sold trade receivables to third parties comprising EUR 3,467 thousand (2019: EUR 4,556 thousand) of original value for a commission of 29%-86.40%, receiving EUR 2,081 thousand (2019: EUR 2,363 thousand) in total. The debts sold were originated during the 2016-2020.

The creation and release of impairment losses of trade receivables is included into a line item 'Net impairment losses on trade receivables and contract assets' in the statement of profit or loss and other comprehensive income.

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

(All amounts in thousands EUR unless otherwise stated)

22. Cash and cash equivalents

	31 December 2020	31 December 2019
Cash at bank and in hand	51,406	80,621
Total	**51,406**	**80,621**

The Group share of liquid funds in joint operations, for which the Group has limited disposal rights, amounted to EUR 994 thousand as at 31 December 2020 (31 December 2019: EUR 978 thousand) and was included in the Group's cash and cash equivalents.

The credit risk associated with the cash at bank is disclosed in note 3.1.4.

23. Other non-current assets and receivables

Other non-current assets and receivables comprise of:

	31 December 2020	31 December 2019
Prepayment for Mezon business acquisition (note 35)	14,937	-
Non-current part of trade receivables for equipment	2,829	2,617
Long term deferred borrowing costs (note 27)	750	735
Acquired non-current part of dividend receivable from other investments	358	-
Acquired non-current part of advance payments for lease of cable network	207	-
Prepayments for rent of land and buildings	9	10
Other non-current prepayments and assets	815	581
Total	**19,905**	**3,943**

The Group offers to customers instalment payments for equipment purchase over a period of 6, 12, 18, 24, 36 or 48 months. As of 31 December 2020, outstanding trade receivables from such equipment sales totals EUR 8,517 thousand (31 December 2019: EUR 8,242 thousand). The non-current part of trade receivables for equipment amounts to EUR 2,829 thousand (31 December 2019: EUR 2,617 thousand). The current portion of receivables from the sales amounts to EUR 5,688 thousand (31 December 2019: EUR 5,625 thousand) and is included into a line item 'Trade accounts receivable' in the statement of financial position.

The fair value of trade receivables is disclosed in note 21.

24. Financial assets at fair value through profit or loss

There are longstanding arrangements between the Group and customer financing entities for the receivables owed by customers to be transferred to the customer financing entities at the time the equipment is sold to the customer. Consistent with this arrangement the Group has been selling the full portfolio of not-due accounts receivable from the residential customers for equipment bought in instalments to customer financing entities at regular intervals, rather than at the time of sale. The accounts receivables sold to customer financing entities are less than 1 month old at the time of sale and all credit risk on the sold receivables is transferred to the customer financing entities at that time. The Group has classified these receivables as financial assets at fair value through profit or loss and the balance as at 31 December 2020 amounted to EUR 6,469 thousand (31 December 2019: EUR 6,005 thousand).

(All amounts in thousands EUR unless otherwise stated)

25. Other current assets at amortised cost

The current portion of the other assets and prepayments is specified below:

	31 December 2020	31 December 2019
Accrued income	1,594	1,884
Current part of PayTV prepaid expenses	88	477
Other prepayments and deferred expenses	2,499	2,902
Other current assets	1,084	721
Total	**5,265**	**5,984**

26. Equity

Share capital

PLT VII Finance S.à r.l. was incorporated on 3 March 2020 in Luxembourg as a private limited liability company (société à responsabilité limitée) with the issued share capital set at EUR 12 thousand, divided into 12,000 ordinary shares each with a nominal value of EUR 1. The share capital was subscribed and fully paid up by the sole shareholder PLT VII Holding S.à r.l. Pursuant to the Articles of the Company, the authorised share capital (including the authorised unissued share capital and the issued share capital) amounts to EUR 500,000 thousand.

On 30 April 2020 the issued share capital of the Company was increased by an amount of EUR 351,478 thousand from EUR 12 thousand to EUR 351,490 thousand by issue of 351,477,997 new shares with a nominal value of EUR 1 each. The increase in share capital was subscribed and fully paid up by the sole shareholder PLT VII Holding S.à r.l. by contribution in kind of 148,250,000 PLT VII Finance B.V. shares with a nominal value of EUR 0.10 cents each.

On 16 July 2020 the issued share capital of the Company was decreased by an amount of EUR 214,005 thousand from EUR 351,490 thousand to EUR 137,485 thousand by cancelation of 214,005,442 ordinary shares at par value of EUR 1 each. The share capital repayment to the sole shareholder PLT VII Holding S. à r.l. was partially financed from the issued senior secured notes.

On 17 July 2020 the sole shareholder of the Company has carried out a share capital contribution in amount of EUR 1,700 thousand without an issue of shares to the freely distributable account of the Company. The share capital increase was allocated to the share premium in the Company's statement of financial position.

As of 31 December 2020, the share capital of PLT VII Finance S.à r.l. amounts to EUR 137,485 thousand and consists of 137,484,555 fully paid ordinary shares at par value of EUR 1 each. The share premium of the Company amounts to EUR 1,700 thousand.

Reorganization reserve

In the course of the Group's restructuring, on 30 April 2020 the Company became an ultimate parent of PLT VII Finance B.V. and PLTF Group. The transaction was accounted for as a legal reorganization of the Company by PLT VII Finance B.V., therefore these consolidated financial statements are presented using the values from the consolidated financial statements of the previous group holding company. The reorganization reserve was formed due to the elimination of the share capital of PLT VII Finance B.V. (EUR 14,825 thousand) and Company's investment in PLTF Group. Since the shareholders of PLT VII Finance S.à r.l. became the ultimate shareholders of PLT VII Finance B.V. and PLTF Group through contribution in kind as described above, the combination is accounted for as though there is a continuation of the legal subsidiary's financial information.

(All amounts in thousands EUR unless otherwise stated)

27. Borrowings

	31 December 2020	31 December 2019
Senior secured notes (1)	647,033	-
Facility A and Facility B (2)	-	187,296
Additional Facility A and Facility B (3)	-	94,827
2018 Additional Facility A and Facility B (4)	-	115,211
2018 Second Additional Facility A and Facility B (5)	-	24,369
Revolving credit facilities (6)	-	24,937
Other financing arrangements	53	159
Outstanding balance at the end of year	**647,086**	**446,799**

(1) As of 31 December 2020, the carrying amount of senior secured notes includes accrued interest of EUR 11,081 thousand and an unamortised arrangement fee of EUR 14,048 thousand.

(2) As of 31 December 2019, the carrying amount of Facilities A and B included accrued interest of EUR 2,217 thousand and an unamortised arrangement fee of EUR 2,920 thousand.

(3) As of 31 December 2019, the carrying amount of Additional Facilities A and B included accrued interest of EUR 12 thousand and an unamortised borrowing transaction costs of EUR 3,182 thousand.

(4) As of 31 December 2019, the carrying amount of 2018 Additional Facilities A and B included accrued interest of EUR 1,362 thousand and an unamortised arrangement fee of EUR 1,916 thousand.

(5) As of 31 December 2019, the carrying amount of 2018 Second Additional Facilities A and B included accrued interest of EUR 286 thousand and an unamortised arrangement fee of EUR 292 thousand.

(6) As of 31 December 2019, the carrying amount of revolving credit facilities included accrued interest of EUR 125 thousand and an unamortised arrangement fee of EUR 188 thousand.

The contractual maturity of the borrowings was as follows:

	31 December 2020	31 December 2019
Not later than 1 year	11,134	36,037
Later than 1 year but not later than 5 years	-	410,762
Later than 5 years	635,952	-
Outstanding balance at the end of year	**647,086**	**446,799**
Less: current portion	(11,134)	(36,037)
Total non-current borrowings	**635,952**	**410,762**

Under the Super Senior Facility Agreement the Group is obliged to comply with the covenants that are disclosed in note 3.2.

The fair value of the borrowings is disclosed in note 3.3.

Super Senior Facility Agreement

On 8 July 2020 PLT VII Finance S.à r.l. as an original borrower entered into a new Super Senior Facility Agreement with a consortium of banks (ING bank N.V., London branch is acting as agent of the other finance parties) to obtain revolving credit facility in amount of EUR 50 million with maturity in April 2025. The revolving credit facility bears interest at an annual rate of three months EURIBOR (in case of facility utilization in other currencies – LIBOR) plus applicable margin, which depends on the Group's Leverage Ratio and can be set in the range from 2% to 3%. As of the date of this consolidated financial statements the margin rate is 3%. The Group is charged with a commitment fee to maintain the facility availability. The commitment fee is calculated at the rate of 30% of the applicable margin on the un-drawn part of the respective facility. The amortization of the commitment fee is only due after the credit withdrawal date. As at 31 December 2020 the commitment fee amounting to EUR 750 thousand is associated with the undrawn balance of the facility and is included into a line item 'Other non-current assets and receivables' in the statement of financial position (note 23). The facility under the Super Senior Facility Agreement was not used in 2020 and the balance remains nil as at 31 December 2020.

Senior Secured Notes

On 16 July 2020 the Company as an original Issuer has issued senior secured notes in amount of EUR 650,000 thousand, with maturity on 5 January 2026. The Senior secured floating rate notes in amount of EUR 250,000 thousand bear interest at an annual rate of three months EURIBOR (subject to a 0% floor) plus margin 4.625%. The interest on the Senior secured floating rate notes is payable quarterly on 15 January, 15 April, 15 July and 15 October of each year. The Senior secured fixed rate notes in amount of EUR 400,000 thousand bear interest at an annual rate of 4.625%; the interest on the Senior secured fixed rate notes is payable semi-annually on 15 January and 15 July of each year. The transaction costs related to notes issue amount to EUR 15,036 thousand and are amortized to the finance costs over the notes' term.

On 16 July 2020 part of the issued senior secured notes were used to fully repay the Group's line of facilities under the Senior Term and Revolving Facilities Agreement with a consortium of banks (ING bank N.V., London branch is acting as agent of the other finance parties), including the EUR 15,000 thousand RCF that has been fully utilized in March 2020. Pursuant to repayment, the unamortized part of the Arrangement fees related to this agreement were fully written off to finance cost (note 9).

Senior Term and Revolving Facilities

In 2016 the Group through PLT VII B.V. as an original borrower entered into a Senior Term and Revolving Facilities agreement with a consortium of banks (ING bank N.V., London branch is acting as agent of the other finance parties) to obtain a line of credit facilities. The details of the fully repaid facilities under the Senior Term and Revolving Facilities are provided below:

- In 2016 the Group had been made available a EUR 40,000 thousand term loan facility (**'Facility A'**) which followed a repayment schedule with instalments twice a year and final maturity in February 2022, a EUR 160,000 thousand term loan facility (**'Facility B'**) repayable in full in February 2023, a EUR 15,000 revolving credit facility (**'RCF'**) and a EUR 25,000 thousand revolving acquisition/capex facility (**'CAPEX facility'**) each with maturity in February 2022. As of 31 December 2019, EUR 25,000 thousand was drawn down under CAPEX facility and there were no borrowings drawn down under RCF. In addition, the Group was charged with a commitment fee to maintain the facilities' availability. The commitment fee was calculated at the rate of 35% of the applicable margin on the un-drawn part of the respective facility. The Facility A, Facility B and CAPEX facility borrowing transaction costs included the Arrangement fee in amount of EUR 6,572 thousand, which was amortised to the finance costs over the facility term based on the amount actually withdrawn. The remaining part of the Arrangement fee amounting to EUR 735 thousand was associated with the undrawn balance of the credit facilities and therefore was not amortised until credit withdrawal date. This part of Arrangement fee was included into a line item 'Other non-current assets and receivables' in the statement of financial position as at 31 December 2019 (note 23).
- On 17 October 2017, an Additional Facility accession deed was signed to the Senior Term and Revolving Facilities agreement under which the additional loan facility of EUR 21,000 thousand to Facility A ('**Additional Facility A**') which followed a repayment schedule with instalments twice a year and final maturity in February 2022 and additional loan facility of EUR 84,000 thousand to Facility B ('**Additional Facility B**') repayable in full in February 2023 became available to the Group. Borrowing transaction costs relating to Additional Facility A and Additional Facility B amounted to EUR 5,503 thousand and were amortised to the finance costs over the facility term.
- On 25 June 2018, the Group signed an Additional Facility accession deed to the Senior Term and Revolving Facilities agreement, under which the Group was granted EUR 24,000 thousand additional loan to Facility A (**'2018 Additional Facility A'**) with semi-annual repayments and final maturity in February 2022; as well as EUR 96,000 thousand additional loan to Facility B (**'2018 Additional Facility B'**) repayable in full in February 2023. Borrowing transaction costs relating to obtaining 2018 Additional Facility A and 2018 Additional Facility B amounted to EUR 3,261 thousand and were amortised to the finance costs over the facility term.
- On 12 December 2018, the Group signed an Additional Facility accession deed to the Senior Term and Revolving Facilities agreement, under which the Group was granted EUR 5,000 thousand additional loan to Facility A (**'2018 Second Additional Facility A'**) with semi-annual repayments and final maturity in February 2022; as well as EUR 20,000 thousand additional loan to Facility B (**'2018 Second Additional Facility B'**) repayable in full in February 2023. Borrowing transaction costs relating to obtaining 2018 Second Additional Facility A and 2018 Second Additional Facility B amounted to EUR 448 thousand and were amortised to the finance costs over the facility term.

The unpaid principal amounts of all 'A' facilities bore interest at an annual rate of three months EURIBOR plus the applicable margin, which depended on the Group's Leverage Ratio and could be set in the range from 3.25% to 4.25%. As of 31 December 2019, the margin rate was 4.00%. All 'B' facilities bore an interest at an annual rate of three months EURIBOR plus the applicable margin, which depended on the Group's Leverage Ratio and could be set in the range from 4.25% to 4.75%. As of 31 December 2019, the margin rate was 4.50%. Quarterly interest payments were set on 31 March, 30 June, 30 September and 31 December of each year. RCF and CAPEX facility bore interest at an annual rate of three months EURIBOR plus the applicable margin, which depended on the Group's Leverage Ratio and could be set in the range from 3.25% to 4.25%. As of 31 December 2019, the margin rate was 4.00%.

Pursuant to facilities repayment in 2020, the unamortized part of the Arrangement fees related to this agreement was fully written off to finance cost (note 9).

(All amounts in thousands EUR unless otherwise stated)

Negative EURIBOR is deemed to be zero as per the contractual stipulations.

Net debt reconciliation is as follows:

	31 December 2020	31 December 2019
Cash and cash equivalents	51,406	80,621
Borrowings – repayable within 1 year	(11,134)	(36,037)
Borrowings – repayable after 1 year	(635,952)	(410,762)
Lease – repayable within 1 year	(14,365)	(13,226)
Lease – repayable after 1 year	(36,736)	(41,100)
Net debt	**(646,781)**	**(420,504)**

	31 December 2020	31 December 2019
Cash and cash equivalents	51,406	80,621
Gross debt – fixed interest rates	(445,681)	(54,326)
Gross debt – variable interest rates	(252,506)	(446,799)
Net debt	**(646,781)**	**(420,504)**

	Other assets	Liabilities from financing activities				
	Cash and cash equivalents	Lease due within 1 year	Lease due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as of 1 January 2019	14,741	(11,246)	(49,752)	(14,827)	(422,646)	(483,730)
Cash flows	65,726	(13,349)	-	(21,210)	14,929	46,096
Acquisition – Artist Media (note 11)	154	-	-	-	-	154
Other non-cash movements	-	11,369	8,652	-	(3,045)	16,976
Net debt as of 31 December 2019	**80,621**	**(13,226)**	**(41,100)**	**(36,037)**	**(410,762)**	**(420,504)**
Net debt as of 1 January 2020	80,621	(13,226)	(41,100)	(36,037)	(410,762)	(420,504)
Cash flows	(31,002)	15,364	7	37,600	(230,739)	(208,770)
Acquisition – Baltcom (note 11)	1,130		-	(12,696)	-	(11,566)
Acquisition – Mits/ Esteria (note 11)	3	-	-	-	-	3
Acquisition – Elektrons S (note 11)	31	-	-	-	-	31
Acquisition – Dautkom TV (note 11)	623	-	-	-	-	623
Acquisition – lease	-	(277)	(1,354)	-	-	(1,631)
Other non-cash movements	-	(16,226)	5,711	(1)	5,549	(4,967)
Net debt as of 31 December 2020	**51,406**	**(14,365)**	**(36,736)**	**(11,134)**	**(635,952)**	**(646,781)**

(All amounts in thousands EUR unless otherwise stated)

28. Lease liabilities

The contractual maturity of lease liabilities are as follows:

	31 December 2020	31 December 2019
Not later than 1 year	14,365	13,226
Later than 1 year but not later than 5 years	32,876	37,885
Later than 5 years	3,860	3,215
Outstanding balance at the end of year	**51,101**	**54,326**
Less: current portion	(14,365)	(13,226)
Total non-current lease liabilities	**36,736**	**41,100**

Net lease liability reconciliation is provided in note 27.

29. Supplier financing arrangement

From 1 December 2020 the Group is using a supplier financing arrangement with the financial institution which offers to a supplier of the Group an option to receive earlier payment of the Group's accounts payable. The Group does not provide any additional collateral or guarantee to the financial institution. As at 31 December 2020, the payable under the supplier financing arrangement amounted to EUR 6,218 thousand.

30. Non-current and current liabilities and accrued expenses

Other non-current liabilities comprise of:

	31 December 2020	31 December 2019
Deferred payment liabilities for frequency charges	4,375	4,724
Contingent consideration for business combinations	2,129	3,732
Other non-current liabilities	1,034	641
Total	**7,538**	**9,097**

The non-current contingent consideration EUR 2,129 thousand relates to the acquisition of All Media Digital UAB and during 2020 has decreased by EUR 1,137 thousand due to carried earn-out payments to the previous shareholders of the subsidiary. The current deferred purchase price payable as at 31 December 2020 relates to acquisitions in Baltcom SIA (note 11).

On 11 July 2016, Bitė Lietuva UAB has received a right to use 900-1800 MHz bands until year 2032 for a fee in the amount of EUR 10,100 thousand. The initial payment is equal to 20% of the fee and was paid on 7 March 2016, with the remaining portion of the fee payable spread proportionally over 15 years. As payment of the consideration is deferred beyond normal credit terms (i.e., was not initially paid in full), the asset has been recognised at the equivalent of cash paid, and the difference between this amount and the amount to be paid over time will be recognised as interest expense during the period of the credit.

(All amounts in thousands EUR unless otherwise stated)

Deferred payment liabilities related to frequency charges as described above are as follows:

	31 December 2020	31 December 2019
Not later than 1 year	348	335
Later than 1 year but not later than 5 years	1,542	1,482
Later than 5 years	2,833	3,242
Outstanding balance at the end of year	**4,723**	**5,059**
Less: current portion	(348)	(335)
Total non-current liability	**4,375**	**4,724**

The current accrued expenses and other liabilities comprise of the following:

	31 December 2020	31 December 2019
Salaries, bonuses and related social security tax payable	8,236	6,960
Vacation reserve	4,458	3,071
Deferred purchase price payable (note 11)	4,166	-
Current liabilities	1,714	1,410
Other taxes payable	7,010	5,576
Other accrued expenses	3,789	2,589
Total	**29,373**	**19,606**

31. Provisions

	31 December 2020	31 December 2019
Asset retirement obligation	11,286	11,407
Provisions for legal claims	1,020	1,542
Total	**12,306**	**12,949**

Asset retirement obligation

Operating companies Bitė Lietuva UAB, Bite Latvija SIA, TeleTower UAB and TeleTower SIA record the fair value of an asset retirement obligation as a liability in the period in which it incurs an obligation associated with the retirement of tangible long-lived assets that result from acquisition, construction, development and/or normal use of assets; also record a corresponding asset, which is depreciated over the life of the underlying asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time and changes in estimated future cash flows underlying the obligation. The asset retirement obligation is recorded on owned mobile telecommunication towers, masts and telecommunication equipment where there is an obligation to remove and dismantle the asset at the time the entity discontinues its use.

The following table indicates the changes to the Group's asset retirement obligation:

	31 December 2020	31 December 2019
Opening provision	11,407	11,357
Accretion expense (finance cost)	84	2
Dismantling costs incurred	(22)	(9)
Liability re-estimation at the end of the year	(183)	57
Closing provision	**11,286**	**11,407**

(All amounts in thousands EUR unless otherwise stated)

The main estimates used in the calculation of the provision are:

- estimated dismantling costs discount rate is credit-adjusted risk-free rate of 0.19% (2019: 0.52%) in Lithuania and 0.11% (2019: 0.63%) in Latvia,
- inflation rate of 0.47% (2019: 1.36%).

Provisions for legal claims

The provisions for legal claims comprise of the amount provided for claim relating to copyrights usage as per the claim received from Estonian copyright protection body. The maximum potential of liability was accrued in All Media Eesti AS based on the expected outcome. The provision for legal claims was formed also in TV Play Baltics AS for the dispute regarding the channel distribution and in All Media Lithuania UAB in relation to termination of office premises rental agreements.

32. Joint operations and transactions with related parties

Joint operations

The Group is one of the two network sharing contractors in the joint operation Centuria SIA to build, own and operate mobile networks in Latvia and Lithuania. The Group and another mobile provider each own 50 percent and have both contributed initial capital to Centuria SIA in September 2019. The partnership includes sharing of network infrastructure and transmission as well as faster development of upcoming 5G network. The aim is to provide better quality with larger network coverage and improved capacity, while reducing energy consumption and operational costs. The implementation of the joint network is scheduled to start in middle of 2021 and to be completed by the end of December 2023.

The amounts below show summarized financial information for the joint operations before inter-company eliminations:

Income statement	**17 September 2019 to 31 December 2020**
Operating profit	(1)
Financing expenses	(1)
Profit before tax	**(2)**
Income tax	-
NET PROFIT	**(2)**

Statement of financial position	**31 December 2020**
Fixed assets	5
Right of use assets	49
Other current assets	106
Cash and cash equivalents	2,002
Total assets	**2,162**
Equity	1,998
Lease liabilities	49
Trade accounts payable	5
Accrued expenses and other liabilities	110
Total equity and liabilities	**2,162**

Transactions with related parties

On 30 April 2020 the issued share capital of the Company was increased and fully paid up by the sole shareholder PLT VII Holding S.à r.l. by contribution in kind of 148,250,000 PLT VII Finance B.V. shares with a nominal value of EUR 0.10 cents each (note 26). Simultaneously, on 30

(All amounts in thousands EUR unless otherwise stated)

April 2020 the Company has subscribed to share capital increase in subsidiary PLT VII International S.à r.l. which was paid up by contribution in kind of the same PLT VII Finance B.V. shares.

Consequently, on 30 April 2020 PLT VII International S.à r.l. has received the shares and control of PLT VII Finance B.V. as share capital contribution from the previous shareholder PLT VII Holdco B.V., a private limited liability company with registered address at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands, registration number 65086120 (on 25 June 2020 restructured in the way of a merger into PLT VII Baltic Topco S.à r.l.).

On 16 July 2020 the issued share capital of the Company was decreased by the sole shareholder PLT VII Holding S.à r.l. in amount of EUR 214,005 thousand by cancelation of 214,005,442 ordinary shares at par value of EUR 1 each (note 26).

On 17 July 2020 the sole shareholder of the Company has carried out a share capital contribution in amount of EUR 1,700 thousand without an issue of shares to the freely distributable account of the Company. The share capital increase was allocated to the share premium in the Company's statement of financial position (note 26). The funds were used to issue an intercompany loan to Group subsidiary.

The ultimate parent entity and controlling parties of the Company are Providence Equity Partners VII-A LP and Providence VII Global Holdings LP which are both registered in the Cayman Islands.

As of 31 December 2019, the Group consisted of PLT VII Finance B.V. and its 100% owned subsidiary PLT VII B.V. which owned 100% of Bite Finance International B.V. shares. Bite Finance International B.V. owned 100% of Bitė Lietuva UAB and TeleTower UAB shares. As at 31 December 2020, 100% of Bitė Lietuva UAB and TeleTower UAB shares are owned by PLT VII International S.à r.l.

Bitė Lietuva UAB owns 100% of Bite Latvija SIA, EUROCOM UAB, Bitės salonų tinklas UAB, All Media Lithuania UAB, All Media Eesti AS, All Media Latvia SIA, TV Play Baltics AS, Bite Broadcasting Services Ltd shares. Bite Latvija SIA owns 100% of TeleTower SIA, Unistars SIA, Latnet SIA and Baltcom SIA shares. Bitės salonų tinklas UAB owns 100% of Bite Latvija Retail SIA shares. All Media Lithuania owns 100% of All Media Radijas UAB and All Media Digital UAB shares. All Media Eesti AS owns 100% of All Media Digital OÜ, Mediainvest Holding AS, Buduaar Media OÜ and Artist Media OÜ shares. All Media Latvia owns 100% of Star FM SIA shares. Baltcom SIA owns 100% of Mīts LV SIA and Esteria 79 SIA, Elektrons S SIA and Dautkom TV SIA shares.

In 2016-2020 Bite Finance International B.V. granted loans to PLT VII Holdco B.V. (on 25 June 2020 restructured in the way of a merger into PLT VII Baltic Topco S.à r.l.) in the total amount of EUR 131 thousand. The loans amounting to EUR 131 thousand remain outstanding in PLT VII International S.à r.l. as of 31 December 2020 (31 December 2019: EUR 131 thousand). The loans matured on 16 February 2021 and bear interest at an annual rate of three months EURIBOR plus margin 4.25%. No repayment of the loan was executed at the date of these financial statements.

During 2019 the Group has compensated insurance related to the Group to PLT VII Holdco S.a r.l.

Until the restructuring in July 2020, Intertrust Netherlands B.V. provided management and administrative services to PLT VII Finance B.V., PLT VII B.V. and Bite Finance International B.V. During the year 2020 the Group has purchased services of EUR 82 thousand (2019: EUR 121 thousand) from Intertrust Netherlands B.V.

The following transactions were carried out with related parties:

	2020	2019
Interest income from PLT VII Baltic Topco S.à r.l.	5	5
Insurance expense reinvoiced from PLT Holdco S. a r.l.	-	(51)
Purchase of services from Intertrust Netherlands B.V.	(82)	-
Total	**(77)**	**(46)**

The receivables from related parties:

	31 December 2020	31 December 2019
Loan granted to PLT VII Baltic Topco S.à r.l. (note 18)	131	131
Interest receivable from PLT VII Baltic Topco S.à r.l. (note 18)	18	17
Total	**149**	**148**

(All amounts in thousands EUR unless otherwise stated)

33. Key management compensation

The key management of the Group are as follows:

- The Supervisory Council and Management Board, which comprises of the Group Chief Executive Officer (‘**the Group CEO**’), the Chief Technology Officer (‘**the CTO**’), the Chief Financial Officer (‘**the CFO**’) and the Chief Executive Officer (‘**the CEO**’, in 2019 referred to as Chief Operations Officer) in Bitė Lietuva UAB;
- The Chairman of the Management Board and the CEO (in 2019 referred to as Chief Operations Officer) in Bite Latvija SIA;
- The TV3 Group CEO and CFO.

Remuneration (salaries, bonuses and other compensations) to respective management in respect of their work performed for the Group is shown below:

	2020	2019
Remuneration	1,825	1,807
Bonuses	1,156	1,774
Social security contributions	86	79
Total	**3,067**	**3,660**

The outstanding payable balances to respective management in respect of their work performed to the Group were EUR 1,092 thousand as of 31 December 2020 (31 December 2019: EUR 1,578 thousand).

Transactions with key management other than compensation

The Group key management is minority shareholder of PLT VII Baltic Topco S.à r.l., holding 10% of total share capital of this entity. Shares were acquired at the market price. In addition, the Group key management owns EUR 1 million value Senior Secured Floating Notes issued by the Group.

During the year ended 31 December 2020, and as of 10 March 2021, neither manager nor any other executive officer, nor any associate of any director or any other executive officer, was indebted to the Group’s companies.

During the year ended 31 December 2020, and as of 10 March 2021, the Company and its consolidated subsidiaries have not been a party to any other material transaction, or proposed transactions, in which any member of the key management (including members of Supervisory Council, managers, any other executive officer, any spouse or relative of any of foregoing or any relative of such spouse) had or was to have a direct or indirect material interest.

34. Commitments and contingencies

Purchase commitments

As of 31 December 2020, the Group has placed orders for network equipment and IT systems to be purchased in 1 year for an amount of EUR 5,276 thousand. Also, the Group has signed contracts in relation to sports rights for an amount of EUR 5,969 thousand and other FreeTV and PayTV content rights for an amount of EUR 3,364 thousand. The Group has ordered external services for IT and network maintenance, support and other services for a total amount of EUR 1,416 thousand.

Collaterals

At the date of the senior secured notes issue, the obligations of the Group were secured with the following first-ranking collaterals:

- Pledge over the shares of PLT VII International S. à r.l., Bitė Lietuva UAB, Teletower UAB, All Media Lithuania UAB, Eurocom UAB, Bite Latvija SIA, All Media Latvia SIA, Teletower SIA, TV Play Baltics AS;
- Pledge over the existing and future funds in material bank accounts of the Company, PLT VII International S.à r.l., Bitė Lietuva UAB, Teletower UAB, Eurocom UAB, All Media Lithuania UAB, TV Play Baltics AS;
- Pledge over the existing and future claims in respect of material intragroup loans owing by the Group to the Company, PLT VII International S.à r.l., Bitė Lietuva UAB, Teletower UAB, Eurocom UAB, All Media Lithuania UAB, Bite Latvija SIA, Teletower SIA, All Media Latvia SIA, TV Play Baltics AS.

35. Events occurring after the reporting period

On 21 May 2020, the Group has signed an agreement to purchase the "Mezon" business from Lietuvos radijo ir televizijos centras AB. The Lithuanian regulatory approvals to proceed with the business acquisition were received on 27 November 2020. The business transfer was finalized on 1 January 2021. Pursuant to Business Purchase Agreement, the total purchase price was EUR 30 million, of which initial payment of EUR 14.9 million was made on 30 December 2020. The residual payment of EUR 15.1 million should be completed within a period of 12 months. The acquisition of the business was carried through a Group subsidiary Mezon UAB. The acquisition allows the Group to grow its customer base as well as expand the fixed broadband business via integration of multifunctional digital channels.

As a core part of business the Group also acquired the spectrum which was used by Lietuvos radijo ir televizijos centras AB in Mezon business, following the approval received from the Lithuanian Competition Council as well as Communications Regulatory Authority. On 1 December 2020, Telia Lietuva AB has filled the complaint disputing the decision of the Communications Regulatory Authority to allow the transfer of spectrum, and till the issue of these financial statements the outcome of this complaint is pending.

Despite the control over the above mentioned business has passed to the Group on 1 January 2021, at the date of sign-off of these consolidated financial statements, the Group has not yet finalized the acquired assets and liabilities acquisition statement. As the purchase price allocation procedures have not yet been started, the management could not conclude on the purchase price allocation as of sign-off date of these financial statements.

In February 2021, Baltcom SIA has executed the final EUR 589 thousand payment (including interest) for acquisition of Mīts LV SIA and Esteria 79 SIA which was deferred pursuant to share purchase agreement signed in July 2020 (note 11).

There were no other subsequent events or transactions that required recognition or disclosure in the consolidated financial statements.

36. Additional information – Covid-19

The Covid-19 infection outbreak has developed rapidly in 2020. At the time of issuing these consolidated financial statements the second wave of Covid-19 has again increased the cases all over the world, including Baltic States, and the negative impact on global trade and on the Group may be more severe than originally expected due to measures to be taken by various governments to contain the virus. The measures affected the economic activity and the business of the Group as follows:

- Mobile business in Lithuania and Latvia.
  As at 31 December 2020 the mobile business activities are fully recovered with sales growing or being in line with the pre-pandemic levels.
- Media and content business in Lithuania, Latvia and Estonia.
  During the last quarter of 2020 the media business, especially TV advertising sales, have started to catch-up with previous year advertising sales mainly driven by returning clients with campaigns money postponed due to lockdown period. In December, FreeTV business revenue level was largely in line with 2019 same period, which indicated rather fast recovery of Baltic markets after the first Covid-19 wave.
- PayTV business.
  The sales activities in PayTV business were fully recovered after lockdown period end and continued to grow during 2020.
- Sale of equipment.
  The Group did not observe any critical reduction in the supply of equipment.

Generally, the government requirement to reduce people movement has been successfully adopted with most of the Group employees working from home during the first wave March to May 2020. Similar measures were taken during the second wave starting October 2020.

Management has taken the following mitigating actions to monitor and prevent the effects of the Covid-19 virus, including:

- safety and health measures for Group people (like social distancing and working from home).
- as a consequence of the expected drop in FreeTV advertising revenue in 2020, management has reviewed the significant estimates related to goodwill impairment in FreeTV, more details provided in note 14.
- decrease of both direct and operational costs by postponing discretionary cost disbursements, such as consultancy projects, frozen hiring of additional staff and various employee's development/ benefit programs. Also, further decreases of costs are considered that relate to reduction of advertisement spending, review of costs related to the biggest suppliers.
- Postponed or cancelled capital expenditures in Voice Over LTE and IT.

As part of state funding the Baltic states governments proposed different tax aid and costs compensation measures. Management has decided not to use the tax aid funding for mobile business of the Group. The Group media and content business in Lithuania has received the tax aid measures from the Lithuanian Tax Authorities which involves the tax payment terms extension with no default interest calculated until extreme situation is recalled. The repayment of the accumulated Lithuanian tax due amount was started end of 2020 and will be fully covered in 2021. The Group media and content business in Latvia received funding from Latvian state government for infotainment media support and compensation for playout technical costs. In addition, it has received tax aid measures for tax payment term extension during the emergency period from Latvian Tax Authorities. Accumulated due Latvian tax amount for the period will have to be paid in equal instalments until end of the year 2021.

(All amounts in thousands EUR unless otherwise stated)

As disclosed in note 3.1.3 the Group manages the liquidity risks using the cash and cash equivalents and revolving credit facilities. The Group's cash and cash equivalents amounted to EUR 51,406 thousand as of 31 December 2020. Moreover, the Group has undrawn revolving credit facilities amounting to EUR 50,000 thousand that are valid until 16 April 2025.

Management believes that the impact is limited as a result of the industry the Group is operating in as well as the stable and continued demand for the service the Group is offering. Therefore, management has concluded that Covid-19 does not compound to a material uncertainty.

Saisissez du texte ici

These consolidated financial statements were adopted and signed by the mangers of PLT VII Finance S.à r.l. on 10 March 2021:

Siniša Krnic	Claude Larbière
Manager	Manager