PLT VII FINANCE S.à r.l.

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

R.C.S. LUXEMBOURG: B242945

ADDRESS: 18, RUE DICKS, L-1417 LUXEMBOURG

Contents

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.

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 and fixed telecommunication and PayTV, and through TV3 Group also in media sectors. As of 31 December 2022, the group (further – **'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 Telco Lithuania and Latvia business provide mobile and fixed telecommunication services and PayTV services to customers in Lithuania, Latvia and Estonia.

The Group's media and content business includes the media operations in Lithuania, Latvia and Estonia, i.e., TV, commercial radio, streaming radio, video on demand, news and entertainment portals advertising services, as well as content 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 2,681 employees in the Group as of 31 December 2022 (2021: 2,643 employees). In 2022, the average number of employees included:

- 508 technology-based employees,
- 1,534 marketing, customer service and sales representatives,
- 284 content-related employees and
- 355 employed in all other areas.

The key management of the Group are:

- The members of the Supervisory Council,
- The Group Chief Executive Officer ('**the Group CEO**'),
- The Chief Executive Officer ('**the CEO**') in Bitė Lietuva UAB and the CEO in Bite Latvija,
- The Chief Technology Officer ('**the CTO**'), the Chief Financial Officer ('**the CFO**'), from 1 July also the Marketing Director (the 'CMO') in Bitė Lietuva UAB and the Group Sales Director,
- The TV3 Group CEO and CFO.

Acquisitions in 2022

On 1 August 2022 the Group subsidiary Teletower UAB has signed an agreement to acquire Marmast UAB together with its branch in Latvia. Pursuant to the share purchase agreement, the total purchase price is EUR 1,768 thousand. As part of the acquisition the Group has issued EUR 650 thousand loan which was used to repay the debt to former shareholder. Marmast UAB owns towers in Lithuania and Latvia. The transaction costs related to this acquisition amounted to EUR 103 thousand.

Group restructurings in 2022

During 2022 the Group was involved in various Group restructuring processes.

On 14 April 2022 the Group subsidiary Radio Enterprise SIA was reorganized by the way of merging with Star FM SIA, which took over all of its rights and obligations, assets and liabilities.

On 1 December 2021 the Group has signed the partnership termination agreement regarding the shared network development in Lithuania and Latvia. The Group was one of the network sharing contractors owning 50 percent in the joint operation Centuria SIA, which was established in 2019 to build, own and operate mobile networks. However, due to the restricting conditions set by the Regulators on the frequencies sharing in both countries, the partnership on network sharing infrastructure was discontinued as not feasible economically and technically. The exit was fully implemented with the liquidation of the joint operation Centuria SIA on 19 May 2022.

On 14 June 2022 the Group subsidiary Bite Broadcasting Services Ltd has been fully dissolved.

On 8 August 2022 the Group subsidiary Elektrons SIA was reorganized by the way of merging with Baltcom SIA, which took over all of its rights and obligations, assets and liabilities.

On 28 December 2022 the Group subsidiaries B-COM Invest SIA, Microlines Grupa SIA, Microlines SIA, Clouds 365 SIA, Big Telecom SIA, Elcom Valka SIA, Qwerty SIA, Electrons.lv SIA were reorganized by the way of merging with Baltcom SIA, which took over all of their rights and obligations, assets and liabilities.

Group's activities in 2022

Despite many adverse external factors such as tense geopolitical situation, the highest inflation in the last 30 years, the economy slow-down and the record high electricity prices of the modern times, the Group has delivered consistently strong financial results. The Group's service revenue and EBITDA grew at double digit-rates. The growth came from all key services – Mobile, FBB and Pay TV and Media and Content. The main growth drivers were:

- RGU growth in Mobile, FBB and Pay TV services,
- multiple price revisions, through which the Group has shared with the end users an increase in energy and personnel related costs, and
- higher priced sales in Media business.

During 2022 the Group has continued to focus on gaining a leading position in the region in Pay TV services. The main growth vehicle here remains Over-the-Top ('OTT') service Go3, with subscriber number now reaching 434 thousand. The original Group VOD content, strong linear channels and a broad sales channels mix make the Group's Go3 service the fastest growing Pay TV service in the region. This is led both by the organic growth of traditional Pay TV services as well as the gains from the existing subscribers.

The growth of the ICT and IoT services is as well exceptionally strong. Due to strong infrastructure, a complete services portfolio and increased focus on business sales, the growth in ICT revenue has reached 30%. Narrowband (NB)-IoT/Cat. M network technologies are now massively monetized which has brought the Group to an undisputable lead position of the smart metering solutions for utilities business. Only over the second half of 2022, IoT subscriber base RGUs grew by 200 thousand.

The Group has actively participated in regulatory matters, in particular related to resolving the frequencies questions in Lithuania and Latvia. After 2 years of legal litigations process, the Supreme Administrative Court of Lithuania took a favourable decision in a dispute of National Regulatory Authority ('NRA') and Telia Lietuva AB, regarding NRA permission to transfer the frequencies of Lithuanian Radio and Television Centre ('LRTC') to Mezon UAB. This outcome has led to a rapid 5G rollout nationwide ('NW') in Lithuania through Mezon UAB 2.3 GHz frequencies and enabled the Group to complete the last phase of Mezon UAB integration with Bite Lietuva UAB. In 2022 Bite Latvija SIA has submitted a request to NRA to get a permission to share 3.6GHz frequencies within the Group and the permission was received till the day of issue of these consolidated financial statements.

After the completion of the frequency auctions in 2022, the industry wide 5G rollout has started in the whole region. The Group focuses on the initial phase of 5G rollout, which is dedicated to offloading congested 4G NW and bringing fixed wireless access ('FWA') services to uncovered areas of the suburbs. During 2022 the Group has built 120 5G base stations in Latvia and 150 5G base stations in Lithuania.

Due to organic business needs and the changes in geopolitical situation, the Group shall further accelerate investments in Group Cyber security, which is reaching the maturity level 4 based on FTI company security evaluation.

After Russian invasion in Ukraine in February, the economic and financial sanctions were imposed on Russian and Belorussian regime. Simultaneously the Group had taken respective actions supporting the global pressure on the aggressors. The Group adopted the Group Sanctions Policy, reflecting the rules of applicable sanctions regime, steps and tools, such as risk & compliance database, to be used. Also, the Group had taken immediate actions related to its media and content operations in the Baltics. All cooperation with banned Russian channels was stopped, Russian content was being removed from own channels. Acquisitions of any Russian content was terminated. Also, some advertising campaigns that could be related to Russian based capital on own platforms including TV, digital and radio, were removed. It is important to note that it does not conclude major part of overall advertising or media business operations.

Telco Lithuania

Although the Russian invasion of Ukraine and post-COVID economic turbulences have caused a general and energy resources price inflation, Telco Lithuania delivered a solid financial growth in EBITDA and revenue. Telco Lithuania focused on the "more-for-more" approach and continued OTT/ MBB/ Voice portfolio up-sell/ cross-sell activities for the existing customer base. Additionally, due to high electricity costs and inflation, Telco Lithuania has carried two price revisions in a year, which offset the negative impact on the business. Telco Lithuania acquired key commercial 5G frequencies of 3.5GHz and 700MHz bands in the auction and secured these assets for the next 20 years. NRA and Telia Lietuva AB court has ruled in the Group's favour and removed the risk of losing frequencies acquired with the Mezon UAB acquisition. During 2022, the Group has continued Mezon UAB integration to Bite Lietuva UAB. At the beginning of the year, the Group has signed seven (5+2) years deal with Ericsson for 5G network rollout and modernization, which included Mezon UAB Huawei network swap and upgrades to 5G. It has limited the risks related to the growth of mobile network equipment costs.

The year 2022 was rich in the new services launched including:

- significant mobile voice service quality improvement in VoLTE technology which will allow for more efficient usage of the frequency spectrum,
- Cat-M network and expanded NB-LTE network coverage, which connected more than 240 thousand electricity and water meters by the end of the year. Telco Lithuania expects to have more than 1 million connections in the coming years,
- Apple Watch with eSIM technology allowed to introduce Apple watches in the Group's IoT product portfolio,
- 5G commercial network launch at 2.3GHz-3.5GHz frequencies for home internet users. The 5G network was only launched at the end of the year with limited coverage. An active rollout will continue over the next year.
- New Cloud and Domain Centre (DC) services for ICT clients.

The Group had substantial changes in TOP management (CEO, CMO, CTO), which is expected to continue the growth in the future. Bite Lietuva UAB continues to focus on customers and employees, and has been recognised by different institutions and won awards, among which are "Best Baltic Employer" (Kincentric), TOP50 Inspiring Workplaces (EU, Africa, Middle East), "TOP Employer" (CV-Online), "Technology sector leader" (VZ.LT), "Best customer service in LT" (Dive Lietuva).

Telco Latvia

In 2022 Telco Latvia continued to cross-sell customer base with mobile, fixed TV and IoT products. The ICT solutions upsold to business customers included cloud, direct internet, VPN, security products. In order to reduce the impact of higher inflation, Telco Latvia has successfully carried out two price revisions for consumer and business customers in the first quarter and the third quarter of 2022. In 2022 Telco Latvia has further invested into digital channels and grew sales by 20%.

In 2022 Telco Latvia continued hybrid work model, using home and company offices, depending on the needs of each function. Keeping a "home office" approach for such functions like telemarketing allowed to have a bigger selection of work force across all the country. Also, the cost per full-time equivalent ('FTE') was optimized and the KPI of the private/work life balance was improved. High salary pressure in the market had a negative impact on the overall employee engagement KPI, which has declined compared to 2021. Despite this, Telco Latvia is being evaluated higher than other sector companies in the market. In 2022 Bite Latvija SIA was awarded with a Family friendly workplace award, which well proves the focus on employees' wellbeing.

In 2022 Bite Latvija SIA has submitted a request to NRA to get a permission to share 3.6GHz frequencies (which are used for high-speed 5G network rollout) currently allocated to the Group company Unistars. The permission was received till the day of issue of these consolidated financial statements. During 2022 Bite Latvija SIA started to build 5G network and the swap of Huawei equipment to a brand-new Ericsson equipment. Modernization of 2G/3G/4G equipment to Ericsson brand will provide 10% coverage and shall increase the speed by 30% which shall result in the most modern network in Latvia. As a prerequisite for Apple Watch IoT product launch, in 2022 Telco Latvia has launched VoLTE technology for high quality voice calls, which is expected to boost IoT service sales.

Media & Content

The beginning of 2022 was promising for the Group media and content business – with a full recovery that has exceeded the pre-pandemic levels after 2 years of extended restrictions related to Covid19. However, some new challenges occurred after Russian invasion of Ukraine at the end of February 2022. The Group media and content business had to take immediate actions related to its media and content operations in the Baltics. All cooperation with banned Russian channels was stopped, Russian originated content was removed from own channels. Acquisitions of any Russian content was fully terminated. In addition to this, some advertising campaigns that could be related to Russian based capital on own platforms including TV, digital and radio, were discontinued. Additional measures were implemented to ensure compliance with the imposed sanctions related to Russia. It is important to note that it does not conclude major part of overall advertising or media business operations. The above actions implemented by the Group did not have material significant impact on the Group's financial statements for the year ended 31 December 2022.

Group media and content business took decision to expand own-produced assets that could address Russian-speaking audience after the ban of Russian originated channels. In Lithuania, the media and content business launched a new own-produced channel TV3 Plus. In Latvia, the media and content business has strengthened its FreeTV operations through adding Russian language own-production show and Russian language news on its TV3 plus channel. In Estonia, the media and content business decided to continue TV3 Plus channel operations and, in addition, has successfully launched a new Estonian language TV channel TV3 Life, which is mostly targeted at women audience.

The Group's main portfolio channel TV3 has maintained number 1 commercial channel position in Latvia, while in Lithuania it already holds this position for 19 years in a row.

Sustainability - ESG

In 2022 the Group presented ESG progress in the second sustainable business report. It includes a comprehensive evaluation of how well the Group has coped with the management, social and environmental challenges faced in 2021. The report provides a comprehensive review of the Group's actions and the impact the operations had on the environment, communities, customers and employees. The report also examines how the Group is coping with various challenges when responding to climate related risks. The Group outlines steps which are being taken to further strengthen approach to ESG and sustainability. It also lays down ambitious future plans, including a commitment to the Business Ambition for 1.5 °C in order to mitigate the climate change and achievements pursuing this commitment.

The Management Board has a full oversight related to the climate-related risks and opportunities. With the acknowledgment of the Management Board, the Group has assigned climate-related responsibilities to its management-level positions. The Group management has appointed a responsible person for its sustainability ESG strategy – CFO of the Group, ESG Officer was appointed in 2021 and continued to serve in 2022. These management positions are reporting to the Audit Committee of the board and their roles include assessing and managing climate-related issues. The Green House Gas (GHG) emission-reduction targets are incorporated into the annual remuneration schemes of the top management.

The Group is a member of the UN Global Compact. To officially declare our support of 10 principles in the areas of human rights, labour, the environment, and anticorruption the Group took part in an Early Adopters programme by disclosing our achievements through an enhanced Communication on Progress digital platform. The Group's Communication on Progress report was published on 30 June 2022. The Group is committed to take actions that advance societal goals and contribute to good corporate citizenship and sustainable growth through responsible and creative leadership.

The Group has calculated the GHG emissions for the complete value chain of the Group companies across the Baltic states and committed to set Science Based Targets by joining the Business Ambition for 1.5 °C, to limit GHG emissions in line with the latest SBTi requirements. SBTi approved the Group's targets in July 2022. The Group followed the guidance to set science-based targets for GHG emission reduction according to a set of approved decarbonization pathways. The following targets were submitted and validated by the SBTi:

- The Group commits to reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 compared to base year of 2020.
- The Group also commits to reduce scope 3 GHG emissions from purchased goods and services, capital goods and the use of sold products by 51.6% per service subscription within the same timeframe.

According to the data compiled and published in 2022 the Group is progressing 4 times faster than is necessary to decarbonize on an annual basis and has managed to achieve 17% reduction of absolute scope 1 and 2 GHG emissions compared to baseline year of 2020 by sourcing renewable energy in its own operations. The Group successfully reached its commitment for scope 3 GHG emissions reduction intensity target in the committed scope 3 categories and achieved 5.3% reduction.

For the 2020–2030 period, the main strategy to decarbonise at the pace necessary to align with the 1.5 °C trajectory is by taking simultaneous, vigorous and urgent actions in the following fields:

- Continued implementation of energy-efficiency plans – energy efficiency audit and annual renewal of ISO50001 were completed in 2022.
- Switch to renewable electricity supplies – The Group signed a long-term contract for the purchase of the renewable electricity.
- Encouraging carbon consciousness among suppliers and end-users – Supplier Code of Conduct was implemented, and cooperation begun with the key suppliers to reduce Scope 3 emissions.
- The Group has adopted an Employee Code of Conduct which lists the principles to be followed in practice to maintain the values and standards of the Group.

The Group provides services that assist our customers in reducing their GHG emissions. Our services help our customers and society to act effectively and reduce their environmental impact, for instance by reducing the need for travel through digital services, ICT, IoT, mobile signatures and e-shops. Smart solutions for remote water supply meters are contributing to the saving of natural water resources. By winning a smart metering tender for heating systems, we became the leader of IoT solutions in Lithuania and the region. One important step enhancing the circular economy is the launch of a smartphone rental service. The Group does not quantify the offset of the emissions generated by our sustainable products. However, we firmly believe that our mission to make peoples' lives easier by providing smart solutions for everyday life is contributing to our shared responsibility to protect the planet, the environment and the climate.

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 is 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***	**2022**	**2021**
RGUs*, end of year in thousands		
Mobile services Lithuania	1,250	1,206
Mobile services Latvia	637	620
Fixed broadband	182	198
PayTV	786	730
Total	**2,855**	**2,754**
ARPU, per month in EUR**		
Mobile services Lithuania	10.4	10.0
Mobile services Latvia	11.0	10.9
Fixed broadband	13.9	12.8
PayTV	7.5	7.1

* The Group counts each subscriber as a separate RGU for each of the mobile, PayTV and fixed broadband service. Total RGUs are, therefore, not equal to the total number of subscribers. RGUs count do not include M2M and IOT RGUs. For example, one subscriber who receives handset mobile services and mobile data services over the network and subscribes to PayTV service is counted as two RGUs, and one subscriber who receives handset mobile services, mobile data services, PayTV and OTT services over the network is counted as three RGUs.

** ARPU is a measure the Group uses to evaluate how effectively the potential revenues from subscribers of various services are realized. 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.

*** Not audited figures.

(All amounts in thousands EUR unless otherwise stated)

Results of Operations

	2022	2021
Revenue	**529,817**	**479,544**
Mobile revenue	243,741	227,668
Fixed broadband revenue	30,290	28,932
PayTV revenue	67,472	58,121
Media and content revenue	79,466	73,596
Equipment sale revenue	100,106	83,617
Lease of towers revenue	2,365	1,887
Other revenue	6,377	5,723
Operating profit	**87,143**	**69,842**
Add back: Depreciation and amortization expenses	88,717	86,638
EBITDA*	**175,860**	**156,480**
Changes in organizational structure and other projects	1,648	2,859
Goodwill impairment	488	-
Mezon slow-moving inventory write-off	167	-
Employee share based payment schemes expenses	133	235
Transaction costs	-	7
Revaluation of contingent consideration	(355)	653
Other one-off or exceptional items	433	-
Adjusted EBITDA*	**178,374**	**160,234**
Adjusted EBITDA Margin*	33.7%	33.4%
Adjusted Capital expenditures*	**(46,787)**	**(32,950)**
Adjusted EBITDA less Adjusted capital expenditures*	**131,587**	**127,284**
Adjusted Cash conversion*	73.8%	79.4%

** non-IFRS measure*

Revenue

Total revenue increased by EUR 50.3 million, or 10.5%, from EUR 479.5 million in 2021 to EUR 529.8 million in 2022. Revenue growth was driven by an organic Mobile business growth as well as multiple price revisions. Mobile revenue grew by EUR 16.1 million, or 7.1%, due to successful price revisions, subscriber base upsells and cross-sell of the Data only and IoT products. Mobile revenue was negatively affected by declining interconnect revenue because of reduced official interconnect rates. Fixed broadband and PayTV revenue grew by EUR 1.4 million and EUR 9.4 million respectively due to organic growth of ICT business in both Lithuania and Latvia and growth of OTT product. Equipment sales revenue increased by EUR 16.5 million, or 19.7%, due to a combination of a higher number of devices sold and growing device 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 18.1 million, or 11.3%, from EUR 160.2 million in 2021 to EUR 178.4 million in 2022.

Adjustment items were related to one-off or exceptional items, transaction costs, employee share based payment schemes expenses and revaluation of All Media Digital earnout.

Materials, consumables and maintenance costs have been significantly affected by the record high electricity prices in the region. The costs have increased by EUR 6.4 million, or 39.2%, from EUR 16.3 million in 2021 to EUR 22.7 million in 2022. Employee compensation and benefit expenses grew by EUR 6.8 million, or 9.4%, which reflects the salary inflation. Meanwhile, interconnect and roaming costs were lower by EUR 5.9 million in 2022 compared to 2021 because of lower interconnect rates.

(All amounts in thousands EUR unless otherwise stated)

Capital expenditures have risen by EUR 13.8 million, or 42.0%, from EUR 33.0 million in 2021 to EUR 46.8 million in 2022. The increase was mainly associated with the completion of the frequency auctions in 2022 as the industry wide 5G rollout has started in the whole region. The Group focuses on the initial phase of 5G rollout, which is dedicated to offloading congested 4G NW and bringing fixed wired access (**'FWA'**) services to uncovered areas of the suburbs.

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**
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 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.
Limited business digitalization due to legacy 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.	- Billing platform software version upgrade to the recent one and used by the biggest EU MNO's. Project already started and planned to be finished in early 2024. - After finished ERP system migration from legacy platform, continue with timely software release upgrades.

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 consolidated financial statements.

Legal and regulatory risks		
Risk	**Description**	**Mitigation activities**
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 2023[1]

Despite adverse economic outlook for the region, the Group expects the top line and EBITDA to grow at mid-single digits in 2023. The growth will come from RGUs growth in OTT, IOT, ICT and 5G based FWA services launch, also due to the effect of price revisions for existing customers' base. Media business growth will be moderate due to advertising market sensitivity to slowing economics. The Group will also continue to optimise operations to reduce pressure from further growing labour costs and third parties' services and products costs inflation.

The Group anticipates investing around EUR 67 million of Capex in 2023 to where major part will be dedicated for fast 5G NW rollout. The Group expects to finance the Capex investments from its own operational cash flow.

The Group will continue to look at possibilities to grow business through M&A projects or strategic cooperation in Telco and Media areas.

Subsequent events

On 25 January 2023, the Group subsidiary All Media Lithuania UAB signed an agreement regarding the shares purchase of M-1 Group. The closing of the deal is subject to regulatory approvals due in the second half of year 2023.

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

Signed by the Managers on 21 March 2023:

S. Twi

Stuart Twinberrow
Manager

Claude Larbière
Manager

[1] **Forward-looking statements**
These consolidated financial statements contain 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 these consolidated financial statements 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 these consolidated financial statement.

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 2022, 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 2022;
- 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, 21 March 2023

Electronically signed by:
Malik Lekehal

Lekehal

Malik Lekehal

(All amounts in thousands EUR unless otherwise stated)

THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated statement of profit or loss and other comprehensive income

Note		2022	2021
5, 6	REVENUE	529,817	479,544
13,14,15	Depreciation and amortisation expenses	(88,717)	(86,638)
	Equipment costs	(102,213)	(83,976)
7	Employee compensation and benefit expenses	(79,330)	(72,506)
	Content and programming costs	(49,640)	(49,080)
	Roaming and interconnect costs	(26,530)	(32,431)
	Advertising and marketing costs	(14,743)	(13,282)
	Materials, consumables and maintenance costs	(22,723)	(16,324)
16	Amortization of capitalized contract costs	(12,754)	(11,422)
	Media distribution and transponder costs	(3,594)	(3,410)
20	Net impairment losses on trade receivables and contract assets	(5,571)	(4,595)
	Rental costs	(888)	(1,341)
11	Transaction costs	-	(7)
13	Goodwill impairment	(488)	-
8	Other expenses	(35,483)	(34,690)
	OPERATING PROFIT	**87,143**	**69,842**
9	Finance income	565	50
9	Finance costs	(40,906)	(38,220)
	Total finance income and costs	**(40,341)**	**(38,170)**
	PROFIT BEFORE INCOME TAX	**46,802**	**31,672**
10	Income tax	(13,301)	(8,676)
	NET PROFIT	**33,501**	**22,996**
	Net profit attributable to:		
	Equity holders of the parent	33,501	22,997
	Non-controlling interests	-	(1)
	Profit for the year	**33,501**	**22,996**
	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	510	1,350
	Income tax relating to this item	-	-
	Other comprehensive income for the year, net of tax	**510**	**1,350**
	Total comprehensive income for the year	**34,011**	**24,346**
	Total comprehensive income for the year attributable to:		
	Equity holders of the parent	34,011	24,347
	Non-controlling interests	-	(1)

The accompanying notes on pages 21 to 81 are an integral part of these consolidated financial statements.

(All amounts in thousands EUR unless otherwise stated)

The consolidated statement of financial position

Note		31 December 2022	31 December 2021 Reclassified*
	ASSETS		
	NON-CURRENT ASSETS		
13	Intangible assets:		
	Goodwill	154,771	155,259
	Software	12,894	9,294
	License costs	33,094	35,131
	Other intangible assets	95,890	114,614
	Software under development	3,657	4,300
	Total intangible assets	**300,306**	**318,598**
14	Property, plant and equipment:		
	Land and buildings	4,827	4,882
	Network equipment*	82,664	78,095
	Other property, plant and equipment	14,300	14,600
	Construction in progress	20,391	7,642
	Total property, plant and equipment	**122,182**	**105,219**
15	Right of use assets*	65,933	70,743
16	Capitalized contract costs	15,627	13,843
6	Contract assets	492	781
12	Other investments at fair value through other comprehensive income	5,970	5,460
	Interest in joint ventures	6	6
17	Long-term loans at amortised cost	116	155
10	Deferred tax assets	1,435	1,147
22	Other non-current assets and receivables at amortised cost	5,810	5,432
	TOTAL NON-CURRENT ASSETS	**517,877**	**521,384**
	CURRENT ASSETS		
18	Inventory	45,458	38,848
6	Contract assets	1,390	2,905
23	Financial assets at fair value through profit or loss	6,552	7,420
17	Current portion of loans receivable at amortised cost	42	62
20	Trade accounts receivable at amortised cost	75,599	64,117
	Current income tax prepayment	19	35
24	Other current assets at amortised cost	7,163	6,580
	Cash and cash equivalents	42,606	56,751
	TOTAL CURRENT ASSETS	**178,829**	**176,718**
	TOTAL ASSETS	**696,706**	**698,102**

* Information on the reclassification item is provided in note 14.

The accompanying notes on pages 21 to 81 are an integral part of these consolidated financial statements.

(All amounts in thousands EUR unless otherwise stated)

The consolidated statement of financial position (continued)

Note		31 December 2022	31 December 2021
	LIABILITIES AND SHAREHOLDER'S EQUITY		
	SHAREHOLDER'S EQUITY		
	Capital and reserves attributable to holders of the Company:		
25	Share capital	33,585	33,585
25	Share premium	7,190	1,700
25	Reorganization reserve	(336,653)	(336,653)
	Legal reserve	9,213	9,213
	Retained earnings	3,696	43,952
	TOTAL SHAREHOLDER'S EQUITY	**(282,969)**	**(248,203)**
	NON-CURRENT LIABILITIES		
26	Borrowings	716,273	713,716
27	Lease liabilities	42,334	49,723
30	Provisions	15,315	14,779
6	Contract liabilities	3,493	2,133
10	Deferred tax liability	18,825	15,941
29	Other non-current liabilities	7,621	6,199
	TOTAL NON-CURRENT LIABILITIES	**803,861**	**802,491**
	CURRENT LIABILITIES		
26	Borrowings	13,468	12,748
27	Lease liabilities	17,225	16,854
28	Supplier financing arrangements	22,562	16,539
	Trade accounts payable	79,263	54,109
6	Contract liabilities	10,856	9,714
	Deferred revenue	386	451
	Current income tax liabilities	2,125	3,378
29	Accrued expenses and other liabilities	29,929	30,021
	TOTAL CURRENT LIABILITIES	**175,814**	**143,814**
	TOTAL LIABILITIES	**979,675**	**946,305**
	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**696,706**	**698,102**

The accompanying notes on pages 21 to 81 are an integral part of these consolidated financial statements.

(All amounts in thousands EUR unless otherwise stated)

The consolidated statement of changes in equity

		Attributable to equity holders of the Company							
		Share capital	**Share premium**	**Legal reserve**	**Reorganization reserve**	**Retained earnings/ (accumulated deficit)**	**Total**	**Non-controlling interest**	**Total equity**
	31 December 2020	**137,485**	**1,700**	**9,213**	**(336,653)**	**18,987**	**(169,268)**	**384**	**(168,884)**
	Net profit for the year	-	-	-	-	22,997	22,997	(1)	22,996
12	Other comprehensive income	-	-	-	-	1,350	1,350	-	1,350
	Total comprehensive income for the year	-	-	-	-	24,347	24,347	(1)	24,346
	Transactions with owners in their capacity as owners								
25	Decrease in share capital	(103,900)	-	-	-		(103,900)	-	(103,900)
25	Decrease in non-controlling interest	-	-	-	-	383	383	(383)	-
	Employee share based payment scheme expenses	-	-	-	-	235	235	-	235
	31 December 2021	**33,585**	**1,700**	**9,213**	**(336,653)**	**43,952**	**(248,203)**	**-**	**(248,203)**
	Net profit for the year	-	-	-	-	33,501	33,501	-	33,501
12	Other comprehensive income	-	-	-	-	510	510	-	510
	Total comprehensive income for the year	-	-	-	-	34,011	34,011	-	34,011
	Transactions with owners in their capacity as owners								
25	Increase in share premium	-	5,490	-	-	-	5,490	-	5,490
25	Dividends to shareholder	-	-	-	-	(74,400)	(74,400)	-	(74,400)
	Employee share based payment scheme expenses	-	-	-	-	133	133	-	133
	31 December 2022	**33,585**	**7,190**	**9,213**	**(336,653)**	**3,696**	**(282,969)**	**-**	**(282,969)**

The accompanying notes on pages 21 to 81 are an integral part of these consolidated financial statements.

(All amounts in thousands EUR unless otherwise stated)

The consolidated statement of cash flows

Note		2022	2021
	Cash flows from operating activities:		
	Profit before income tax	**46,802**	**31,672**
	Adjustments to reconcile profit before income tax to the net cash flows from operating activities:		
13,14,15	Depreciation and amortisation	88,717	86,638
16	Amortisation of capitalised contract costs	12,754	11,422
	(Profit)/Loss on disposal of property, plant and equipment	190	(282)
	Allowances and other provisions	5,677	4,641
	Employee share based payment scheme expenses	133	235
13	Goodwill impairment charge	488	-
	Finance costs	37,478	35,825
	Changes in working capital (excluding effects of acquisition):		
	(Increase) in trade receivables	(15,661)	(11,610)
	(Increase)/decrease in trading inventory	(6,715)	(3,551)
	(Increase) in contract assets	1,804	(2,134)
	(Decrease)/increase in contract liabilities	2,501	(396)
2.20	Change in other assets, provisions, accounts payable and other liabilities	(6,032)	(14,818)
2.20	(Decrease)/increase in supplier financing arrangement	5,999	10,298
	Borrowing transaction costs/Arrangement fee	-	341
	Interest paid	(37,635)	(34,110)
	Income tax paid	(11,940)	(7,690)
	Net cash flows from operating activities	**124,560**	**106,481**

The accompanying notes on pages 21 to 81 are an integral part of these consolidated financial statements.

(All amounts in thousands EUR unless otherwise stated)

The consolidated statement of cash flows (continued)

Note		2022	2021
	Cash flows from investing activities:		
11	Acquisition of subsidiaries, net of cash acquired, and investment in joint ventures	(4,771)	(20,414)
	Acquisition of intangible assets and property, plant and equipment for cash	(46,787)	(35,150)
	Proceeds from sale of intangible assets and property, plant and equipment	274	187
	Interest received	48	27
	Loans granted	69	-
	Net cash flows used in investing activities	**(51,167)**	**(55,350)**
	Cash flows from financing activities:		
25	Repayment of share capital	-	(103,900)
26	Borrowings from bondholders	-	75,000
25	Dividends to shareholders	(68,910)	-
	Principal element of lease payments	(18,563)	(16,832)
11,26	Repayments of borrowings to banks	(65)	(54)
	Net cash flows used in financing activities	**(87,538)**	**(45,786)**
	Net increase/(decrease) in cash and cash equivalents	(14,145)	5,345
	Cash and cash equivalents at the beginning of the year	56,751	51,406
	Cash and cash equivalents at the end of the year	**42,606**	**56,751**

The accompanying notes on pages 21 to 81 are an integral part of these consolidated financial statements.

Notes to the 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 (note 2), on 30 April 2020 the Company became an ultimate parent to PLT VII Finance B.V. and its direct and indirect subsidiaries. On 30 April 2020 PLT VII International S.à r.l. has received the shares and control over PLT VII Finance B.V. as a share capital contribution from the previous shareholder PLT VII Holdco B.V. In September 2020 the Group has completed the legal mergers 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 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 2022, **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. During 2020-2021 the Group through Baltcom SIA has made several investments and reorganizations, forming the Baltcom Group.

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.

Acquisitions in 2022

On 1 August 2022 the Group subsidiary Teletower UAB has signed an agreement to acquire Marmast UAB together with its branch in Latvia. Pursuant to the share purchase agreement, the total purchase price is EUR 1,768 thousand. As part of the acquisition the Group has issued EUR 650 thousand loan which was used to repay the debt to former shareholder. Marmast UAB owns towers in Lithuania and Latvia. The transaction costs related to this acquisition amounted to EUR 103 thousand.

Group restructurings in 2022

On 14 April 2022 the Group subsidiary Radio Enterprise SIA was reorganized by the way of merging with Star FM SIA, which took over all of its rights and obligations, assets and liabilities.

On 1 December 2021 the Group has signed the partnership termination agreement regarding the shared network development in Lithuania and Latvia. The Group was one of the network sharing contractors owning 50 percent in the joint operation Centuria SIA, which was established in 2019 to build, own and operate mobile networks. However, due to the restricting conditions set by the Regulators on the frequencies sharing in both countries, the partnership on network sharing infrastructure was discontinued as not feasible economically and technically. The exit was fully implemented with the liquidation of the joint operation Centuria SIA on 19 May 2022.

On 14 June 2022 the Group subsidiary Bite Broadcasting Services Ltd has been fully dissolved.

On 8 August 2022 the Group subsidiary Elektrons SIA was reorganized by the way of merging with Baltcom SIA, which took over all of its rights and obligations, assets and liabilities.

On 28 December 2022 the Group subsidiaries B-COM Invest SIA, Microlines Grupa SIA, Microlines SIA, Clouds 365 SIA, Big Telecom SIA, Elcom Valka SIA, Qwerty SIA, Electrons.lv SIA were reorganized by the way of merging with Baltcom SIA, which took over all of their rights and obligations, assets and liabilities.

As a core part of Mezon business acquisition in 2021, the Group 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 acquisition of spectrum. On 16 June 2021 Vilnius District Administrative Court has fully rejected Telia Lietuva AB claim. On 16 July 2021 Telia Lietuva AB has filed an appeal to the Supreme Administrative Court, which was fully rejected as well on 19 October 2022. This is the final decision of the court, therefore the decision of the Communications Regulatory Authority to allow the acquisition of spectrum remains in place.

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

Additional information

End of February 2022 the Russian Federation had announced a military operation in Ukraine. Soon the conflict had evolved into an aggressive invasion which was condemned by the World. The economic and financial sanctions were imposed on Russian and Belorussian regime. Simultaneously the Group had taken respective actions supporting the global pressure on the aggressors. The Group adopted the Group Sanctions Policy, reflecting the rules of applicable sanctions regime, steps and tools, such as risk & compliance database, to be used. Also, the Group had taken immediate actions related to its media and content operations in the Baltics. All cooperation with banned Russian channels was stopped, Russian content was being removed from own channels. Acquisitions of any Russian content was terminated. Also, some advertising campaigns that could be related to Russian based capital on own platforms including TV, digital and radio, were removed. It is important to note that it does not conclude major part of overall advertising or media business operations. The above actions implemented by the Group did not have significant impact on the Group’s financial statements for the year ended 31 December 2022.

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 and 2021, 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 25) in the consolidated statement of financial position.

2.1. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('**IFRS**') and interpretations issued by the IFRS Interpretations Committee (IFRS IC applicable to companies reporting under IFRS, as adopted by the European Union ('**the EU**'), issued and effective as at 31 December 2022.

The consolidated financial statements have been authorized by the Managers and approved for issue on 21 March 2023.

The consolidated 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 2022 includes figures of the Company, and its subsidiaries starting from 1 January 2022, except of Marmast UAB – starting from 1 August 2022 (note 14).

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 includes figures of the Company, and its subsidiaries starting from 1 January 2021, except of Radio Enterprise SIA – starting from 1 July 2021, Microlines group – from 1 December 2021 (note 11).

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 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3.

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

New standards and interpretations not yet adopted

The amendments that were issued and shall become effective from 1 January 2023 or later:

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies
  IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The Group is assessing the impact of the amendments to the consolidated financial statements of the Group.

- Amendments to IAS 8: Definition of Accounting Estimates
  The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group is assessing the impact of the amendments to the consolidated financial statements of the Group.
- Insurance Contracts – Amendments to IFRS 17
  IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. The Group does not expect a material impact on the consolidated financial statements of the Group.
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12
  The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. 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 2023 or later, but are not yet endorsed by the EU include:

- Amendment to IFRS 16 – Leases on sale and leaseback
  These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The Group is assessing the impact of the amendments to the consolidated financial statements of the Group.
- 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.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
  These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group does not expect a material impact on the consolidated financial statements of the Group.
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17
  The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The standard does is not have impact to 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.

Accounting for asset acquisitions

In the acquisition of an asset or a group of assets that does not constitute a business the Group identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

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 resulting difference between the issued share capital of the new company and the carrying value of the net assets of the previous Group 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 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 consolidated financial statements are presented in Euros (EUR), rounded to the nearest thousand.

Items included in the consolidated 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 consolidated 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. Except for 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 (1-19 years) from the date when services can be provided to the customers (available for use). 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 consolidated statement of financial position.

Software

Acquired software licenses are capitalised based on 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.

Research and development expenditures that do not meet the criteria above are recognised as an expense as incurred. Research and 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). The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. 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 consolidated 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. 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 consolidated 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 consolidated statement of profit or loss and other comprehensive income.

Repairs and maintenance are charged to the consolidated 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	2-10 years
Computer equipment	2-5 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 consolidated 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 consolidated 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 consolidated 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.

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.

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 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 inventories. 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 inventories by FreeTV refers to the TV channels’ catalogue of programme rights. Programme rights are reported as inventories 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 inventories are reported as prepaid expenses. FreeTVs 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 the program broadcast schedule during the license period. The recognition of sports rights in the inventories begins either when the contractual period starts or when an advance payment is made. Sports rights expenses are allocated during the sport season of the sports rights or as per specific event schedule.

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 consolidated 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 expenses 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.

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 as further detailed 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	3-5 years
Vehicles	1-7 years
Lease lines	1-14 years
Satellite	7 years
Other tangibles	2-5 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 consolidated 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 consolidated 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 right of use assets. 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. In subsequent periods, capitalized asset retirement costs are amortized over the expected remaining useful lives of the assets, and the provision is accreted to its present value on an annual basis. The further information is provided in note 30.

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 (the Factor) 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. Based on the agreements the Group authorises the Factor to repay the invoices to the Supplier. If the Factor would repay the invoice, the Group assumes an unconditional obligation to repay to the Factor. This represents a change of the creditor with a written consent of the Group. The moment of legal release of a debtor under obligation which is being assigned by way of factoring transaction is defined by Article 6.909, part 3, of the Lithuanian Civil Code. It establishes that in the case of factoring, only the payment of outstanding monetary claim releases the original debtor from its obligations towards the supplier. Therefore, while the factored amounts are still unpaid and remain on the Group's balance sheet, the Group is not legally released from its obligations towards the original suppliers, even if they have transferred those amounts to a Factor (third party) by way of factoring transaction. Based on the above, the Group continues recognising liabilities until it is unconditionally and legally released from obligations towards original suppliers.

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 consolidated 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 consolidated statement of cash flows.

In the prior year, the amount paid for supplier financing arrangement was shown in separate line, while supplier financing arrangement related payable was included in line “Change in other assets, provisions, accounts payable and other liabilities”. The presentation was changed in 2022 from gross to net. A reclassification of supplier financing arrangement related payable was performed in the prior year figures as well, as to show net of invoices paid and factored.

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 telecommunication and media and content businesses. It also sells related equipment.

2.21.1. Revenue recognition

Telecommunication and PayTV 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 consolidated 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 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.

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 consolidated 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.

Revenue from fixed telecommunication services and PayTV subscription are recognized in the accounting period in which the services are rendered. The PayTV subscription fees are derived over the subscription period.

Media and content revenue

The Group's revenues from media business are mainly derived from the selling of advertising, subscription fees, content production, and various services. Revenue is recognised in the period 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 recognises revenue from TV and radio advertising at the time of broadcast. Sale of services and content distribution 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 services for a defined period. Contracts for bundled sales of equipment and services are to be considered comprised of two performance obligations because the promises to transfer equipment and provide 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 the entity recognises revenue for the transfer of the related goods or services to the customer.

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 consolidated 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: 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 Supervisory Council members, the Group CEO, the CTO, the CFO and the CEO of Bitė Lietuva UAB. Other members of the senior management include the CEO of Bitė Latvija SIA and TV3 Group CEO and CFO, from 1 July 2022 also the Marketing Director in Bitė Lietuva UAB and the Group Sales Director.

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

- Telco Lithuania – the segment includes mobile and fixed telecommunication services and PayTV services provided to customers in Lithuania.
- Telco Latvia – the segment includes mobile and fixed telecommunication services provided to customers in Latvia and PayTV services provided to customers in Latvia and Estonia.
- Media and Content – the segment includes the media operations in Lithuania, Latvia and Estonia, i.e., TV, commercial radio, streaming radio, video on demand, news and entertainment portals advertising services, wholesale and open market OTT services, content 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 consolidated 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 consolidated 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. Consolidated statement of cash flows

Consolidated statement of cash flows is prepared using the indirect method. For purposes of the consolidated 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 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 consolidated 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 2022 and 2021.

The Group's sensitivity analysis of interest rates to changes in basic points ('**bp**') in borrowings' variable interest rate for the years 2022 and 2021 is as follows:

Borrowings	**Principal amount as of 31 December 2022**	**Impact on 2022 profit or loss**	
		+ 100 bp	**- 100 bp**
Senior secured floating rate notes	250,000	(2,535)	2,535

Borrowings	**Principal amount as of 31 December 2021**	**Impact on 2021 profit or loss**	
		+ 100 bp	**- 100 bp**
Senior secured floating rate notes	250,000	(2,535)	2,535

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 26.

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 42,606 thousand as of 31 December 2022 (2021: EUR 56,751 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. Since December 2020 the Group has a supplier financing arrangement with a financing institution and as at 31 December 2022 the unused supplier financing limit amounted to EUR 4,508 thousand (2021: EUR 1,007 thousand).

(All amounts in thousands EUR unless otherwise stated)

As at 31 December 2021 the Group had a share of liquid funds in joint operations, for which the Group has limited disposal rights, in amount of EUR 994 thousand. It was included in the Group's cash and cash equivalents. The amount is nil as at 31 December 2022 as joint operation entity was liquidated in 2022 (note 31).

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 2022			
Senior secured notes (principal and interest)	46,914	792,528	-
Supplier financing arrangement	22,810	-	-
Lease liabilities	17,836	44,903	5,972
Contingent and deferred liabilities related to acquisitions	718	133	-
Trade and other payables	86,308	4,185	5,305
Total	**174,586**	**841,749**	**11,277**

	Less than 1 year	1 to 5 years	Over 5 years
31 December 2021			
Senior secured notes (principal and interest)	46,166	826,059	-
Supplier financing arrangement	16,539	-	-
Lease liabilities	17,470	53,765	5,852
Contingent and deferred liabilities related to acquisitions	2,312	1,206	-
Other financing arrangement	16	50	-
Trade and other payables	59,250	3,135	2,693
Total	**141,753**	**884,215**	**8,545**

(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. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including. outstanding receivables. The carrying amount of financial assets represents the maximum credit risk 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:

	2022	2021
Aa2 (1 banking institution)	5,458	7,070
Aa3 (3 banking institutions)	35,290	42,337
A2 (1 banking institution)	-	4,514
A3 (2 banking institutions)	797	28
Baa1 (1 banking institution)	518	2,210
Rating not provided*	443	496
Total	**42,506**	**56,655**

* Cash at 5 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 21.

Group's financial assets at amortised cost also 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 services customers are made in cash, via major credit cards or with deferred payment for 6, 12, 18, 24 or 36 months. There are controls implemented in the Group to manage this risk: restricted sales of equipment with deferred payment through high-risk sales channels, customers wishing to acquire equipment are verified against the GOscore credit risk model through Scorify UAB database (until October 2022 – 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.

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, the Group has been selling the 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 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	**42,699**	**82,308**	**12,350**	**137,357**
Trade and other receivables at amortised cost	-	78,489	12,350	90,839
Other prepayments	-	1,434	-	1,434
Accrued income	-	438	-	438
Contract assets	-	1,882	-	1,882
Loans receivable	93	65	-	158
Cash and cash equivalents	42,606	-	-	42,606
Loss allowances	**-**	**(1,830)**	**(10,010)**	**(11,840)**
Trade and other receivables at amortised cost	-	(1,830)	(10,010)	(11,840)
Contract assets	-	-	-	-
Loans receivable	-	-	-	-
Cash and cash equivalents	-	-	-	-
Net carrying amount	**42,699**	**80,478**	**2,340**	**125,517**

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	**56,906**	**73,030**	**10,519**	**140,455**
Trade and other receivables at amortised cost	-	66,830	10,519	77,349
Other prepayments	-	1,999	-	1,999
Accrued income	-	453	-	453
Contract assets	-	3,686	-	3,686
Loans receivable	155	62	-	217
Cash and cash equivalents	56,751	-	-	56,751
Loss allowances	**-**	**(926)**	**(8,960)**	**(9,886)**
Trade and other receivables at amortised cost	-	(926)	(8,960)	(9,886)
Contract assets	-	-	-	-
Loans receivable	-	-	-	-
Cash and cash equivalents	-	-	-	-
Net carrying amount	**56,906**	**72,104**	**1,559**	**130,569**

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 90 days 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 the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade and other receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over 2018-2021 years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the unemployment level and inflation of the countries in which it sells its goods and services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected change in this factor.

(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	Individually identified as impaired
Loss rate, %	0.48%-10.43%	5.17%-28.14%	14.05%-100%	100%
Receivables as at 31 December 2022	70,550	7,939	3,868	8,482
Loss allowance as at 31 December 2022	(236)	(1,594)	(1,528)	(8,482)

	Not due or less than 30 days past due	31-90 days past due	More than 90 days past due	Individually identified as impaired
Loss rate, %	0.88%-5.99%	3.17%-55.79%	4.62%-100%	100%
Receivables as at 31 December 2021	62,271	4,559	2,724	7,795
Loss allowance as at 31 December 2021	(363)	(563)	(1,165)	(7,795)

The movements in the accumulated impairment losses on trade accounts receivable is presented in note 20.

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 to have Stage 1 credit risk. The credit losses determined based on probability of default within 12 months resulted in immaterial impairment loss.

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 maximum credit risk exposure in relation to financial assets measured at FVPL at 31 December 2022 is equal to the carrying amount of these assets EUR 6,552 thousand (2021: EUR 7,420 thousand).

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

3.2. Climate-related risks

In 2022 the Group presented ESG progress in the second sustainable business report. It includes a comprehensive evaluation of how well the Group coped with the management, social and environmental challenges faced in 2021. The report provides a comprehensive review of the Group's actions and the impact the operations had on the environment, communities, customers and employees. The report also examines how the Group is coping with various challenges when responding to climate related risks. The Group outlines steps which are being taken to further strengthen approach to ESG and sustainability. It also lays down ambitious future plans, including a commitment to the Business Ambition for 1.5 °C in order to mitigate the climate change and achievements pursuing this commitment.

3.3. 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.

The capital management strategy aims to continually optimise its financial structure by maintaining an optimum balance between net debt and EBITDA also equity and total assets in order to minimise the cost of capital and maintain the Group's credit rating at a level that allows it to access a wide range of financing sources and instruments.

The Group's equity is comprised of issued share capital, share premium, legal reserve, reorganisation reserve and retained earnings attributable to equity holders. Management's focus is to ensure the Group companies have sufficient equity capital to comply with capital adequacy ratios, the minimum capital rules set by local legislation and meet covenants set in Super Senior Facility Agreement.

Pursuant to the Lithuanian Law on Companies the authorized share capital of a private limited liability company must be not less than EUR 2,500 and the shareholders' equity should not be lower than 50% of the company's registered share capital. All Lithuanian entities complied with these requirements, except of Mezon UAB, which had a capital deficiency as of 31 December 2022[2]. Pursuant to the Latvian Commercial Law the authorized share capital of a private limited liability company must be not less than EUR 2,800. All Latvian entities complied with this requirement. Pursuant to Estonian Commercial Code the share capital of private limited company (OU) shall be at least EUR 2,500 and the share capital of public limited company (AS) shall be at least EUR 25,000. All Estonian entities complied with this requirement. There is also the requirement for private limited company and public limited company for net assets to be more than one-half of share capital. All Estonian companies complied with this requirement.

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 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 these consolidated financial statements the margin rate is 2.75%. As at 31 December 2022, part of Super Senior Facility limit is reserved for issuing guarantees and amounts to EUR 992 thousand (2021: EUR 980 thousand).

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 notes are listed on the International Stock Exchange (**'TISE'**). 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.

On 8 July 2021 the Company has issued additional fixed rate senior secured notes with a principal amount of EUR 75,000 thousand and maturity on 5 January 2026. The notes bear interest at an annual rate of 4.625% which is payable semi-annually on 15 January and 15 July of each year.

The transaction costs related to senior secured notes issue amount to EUR 14,694 thousand (as adjusted by the premium related to additional senior secured notes) and are amortized to the finance costs over the notes' term (note 9).

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 2021 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. As at 31 December 2022 the Group does not have any principal amount outstanding, therefore test condition is not met. 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. No balances were withdrawn under the above agreement as of 31 December 2022 and 31 December 2021, therefore no covenants were applied.

3.4. 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 consolidated 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);

[2] The capital deficiency shall be remedied early in 2023 through the reorganization of the subsidiary.

- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

During 2022 and 2021 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. 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's 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.

The fair value of the senior secured notes was EUR 691,290 thousand as of 31 December 2022 (2021: EUR 722,861 thousand). The carrying value of the borrowings is disclosed in note 26. This is a level 1 fair value measurement.

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 consolidated 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 acquisition 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 allocation of the final purchase price requires management to make multiple estimates, judgments and assumptions, some of which may have a long lasting impact on the Group's financial position and operating results. Among these are the useful lives of assets, including intangible assets that may have an indefinite life, and the fair value of those assets. The further details on the fair values in business combinations are disclosed in note 11.

- Estimations concerning the useful lives of intangible assets acquired through business combination and property, plant and equipment change over time due to constant technology advances – useful lives are disclosed in notes 2.4 and 2.6 and the depreciation/amortisation charge for the year is disclosed in notes 13 and 14. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation/amortisation charge. The useful lives 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 14.

- 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 13.

- 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 20). 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 1,478 thousand higher or 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 3,956 thousand lower or EUR 3,120 thousand higher. 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 291 thousand lower or EUR 284 thousand higher.

- 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. Following the termination of network sharing project, the Group has re-assessed the lease term for the specific assets as at 31 December 2021 considering the business plan, technology changes and the expected useful lives of the related assets.

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

- 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.

- Judgement applied in the assessment of the control transfer date in the acquisition of Mezon business (note 11). The transaction closing certificate was signed at the notary on 30 December 2020. The transfer of the business date is 1 January 2021 as per Closing certificate signed by all parties. Following the procedure established in the sale purchase agreement, the control transfer took place on the Transfer Date at the Effective Time (i.e. 00:01 a. m. on 1 January 2021 Lithuanian time) and is confirmed by the deed(s) of transfer signed by the parties.

(All amounts in thousands EUR unless otherwise stated)

5. Segment reporting

From 1 November 2021, the Group has introduced a modified segment structure, redistributing the Mobile and the Fixed Broadband and PayTV segment into Telco Lithuania and Telco Latvia segments. These changes were a result of internal reorganizations and acquisitions of assets strengthening Bite's position as an integrated operator in both Lithuania and Latvia. The new structure is aligned with legal entities and management responsibilities. 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:

- Telco Lithuania – the segment includes mobile and fixed telecommunication services and PayTV services provided to customers in Lithuania.
- Telco Latvia – the segment includes mobile and fixed telecommunication services provided to customers in Latvia and PayTV services provided to customers in Latvia and Estonia.
- Media and Content – the segment includes the media operations in Lithuania, Latvia and Estonia, i.e., TV, commercial radio, streaming radio, video on demand, news and entertainment portals advertising services, wholesale and open market OTT services, content production and distribution services.

Information on reportable segments for the year ended 31 December 2022:

2022	Telco Lithuania	Telco Latvia	Media and content	Eliminations and reconciling items	Total
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Internal	47,053	2,182	19,311	(68,546)	-
External	254,886	175,667	98,790	90	529,433
Revenue	**301,939**	**177,849**	**118,101**	**(68,456)**	**529,433**
ADJUSTED EBITDA	**97,708**	**57,087**	**24,730**	**(1,151)**	**178,374**

Information on reportable segments for the year ended 31 December 2021:

2021	Telco Lithuania	Telco Latvia	Media and content	Eliminations and reconciling items	Total
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Internal	37,632	1,584	17,104	(56,320)	**-**
External	228,330	163,408	86,700	-	**478,438**
Revenue	**265,962**	**164,992**	**103,804**	**(56,320)**	**478,438**
ADJUSTED EBITDA	**87,689**	**51,438**	**21,672**	**(565)**	**160,234**

(All amounts in thousands EUR unless otherwise stated)

The reconciling items to reported revenue are as follows:

	2022	2021
Total segment revenue	529,433	478,438
Reconciling items to reported segment revenue:		
Other media and content related items	-	680
Activation fee	384	426
Total revenue in the consolidated statement of profit or loss and other comprehensive income	**529,817**	**479,544**

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 consolidated 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 consolidated statement of profit or loss and other comprehensive income.

A reconciliation of adjusted EBITDA to reported operating profit and profit before income tax is as follows:

	2022	2021
Operating profit*	**87,143**	**69,842**
Add back: Depreciation and amortization expenses	88,717	86,638
EBITDA**	**175,860**	**156,480**
Changes in organizational structure and other projects	1,648	2,859
Goodwill impairment	488	-
Mezon slow-moving inventory write-off	167	-
Employee share based payment scheme expenses	133	235
Transaction costs	-	7
Revaluation of contingent consideration	(355)	653
Other one-off reconciling items	433	-
Adjusted EBITDA*	**178,374**	**160,234**

** non-IFRS measure*

*** EBITDA is a non-IFRS measure, calculated as profit before tax adjusted for depreciation and amortisation, finance income and finance costs and some other non-cash and extraordinary items.*

Since EBITDA/ Adjusted EBITDA is not a standard IFRS measure, the Group's definition may differ from that of other companies.

(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:

	2022	2021
Mobile revenue	243,741	227,668
thereof: Postpaid revenue	168,031	161,642
thereof: Prepaid revenue	12,148	12,589
Equipment sale revenue	100,106	83,617
Media and content revenue	79,466	73,596
thereof: FreeTV advertising revenue	71,726	66,273
PayTV revenue	67,472	58,121
Fixed broadband revenue	30,290	28,932
Lease of towers revenue	2,365	1,887
Other revenue	6,377	5,723
Total revenue	**529,817**	**479,544**

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

2022	At a point of time	Over time	Total
Mobile revenue	-	243,741	243,741
Equipment sale revenue	100,106	-	100,106
Media and content revenue	-	79,466	79,466
PayTV revenue	-	67,472	67,472
Fixed broadband revenue	-	30,290	30,290
Lease of towers revenue	-	2,365	2,365
Other revenue	3,207	3,170	6,377
Total revenue	**103,313**	**426,504**	**529,817**

2021	At a point of time	Over time	Total
Mobile revenue	-	227,668	227,668
Equipment sale revenue	83,617	-	83,617
Media and content revenue	-	73,596	73,596
PayTV revenue	-	58,121	58,121
Fixed broadband revenue	-	28,932	28,932
Lease of towers revenue	-	1,887	1,887
Other revenue	3,700	2,023	5,723
Total revenue	**87,317**	**392,227**	**479,544**

(All amounts in thousands EUR unless otherwise stated)

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

	2022	2021
Lithuania	298,352	266,039
Latvia	196,637	180,382
Estonia	34,828	33,123
Total revenue	**529,817**	**479,544**

Non-current assets

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

31 December 2022	Lithuania	Latvia	Estonia	Total
Intangible assets	151,738	116,619	31,949	**300,306**
Property, plant and equipment	59,444	58,385	4,353	**122,182**
Right of use assets	32,676	24,800	8,457	**65,933**
Capitalized contract costs	6,533	5,730	3,364	**15,627**

31 December 2021	Lithuania	Latvia	Estonia	Total
Intangible assets	159,562	125,012	34,024	**318,598**
Property, plant and equipment	54,269	50,706	4,732	**109,707**
Right of use assets	30,192	24,436	11,627	**66,255**
Capitalized contract costs	4,873	4,207	4,763	**13,843**

Contract balances

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

	31 December 2022	31 December 2021
Current contract assets	1,390	2,905
Non-current contract assets	492	781
Total contract assets	**1,882**	**3,686**
Current contract liabilities	10,856	9,714
Non-current contract assets	3,493	2,133
Total contract liabilities	**14,349**	**11,847**

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. Due to the changes in offers bundle to customers during 2022, there was a decrease 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 2,502 thousand (2021: decreased by EUR 377 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 10,856 thousand of unsatisfied performance obligations as at 31 December 2022 (2021: EUR 9,714 thousand) will be recognised as revenue during the next reporting period. The revenue recognized in 2022 that was included in the contract liability balance at the beginning of the year amounted to EUR 9,714 thousand (2021: EUR 10,264 thousand).

(All amounts in thousands EUR unless otherwise stated)

7. Employee compensation and benefit expenses

	2022	2021
Employee compensation and benefit expenses:		
Wages and salaries	(59,921)	(54,664)
Bonuses	(9,779)	(8,791)
Employee share based payment scheme expenses	(132)	(235)
Termination benefits	(614)	(820)
Social Security contributions	(8,884)	(7,996)
Total employee compensation and benefit expenses	**(79,330)**	**(72,506)**

There were 2,681 employees in the Group as of 31 December 2022 (2021: 2,643 employees), with 508 (2021: 506 employees) technology-based employees, 1,534 (2021: 1,510 employees) marketing, customer service and sales representatives, 284 (2021: 225 employees) content-related employees and 355 (2021: 402 employees) employed in all other areas.

Employee compensation and benefit expenses related to joint operations for year 2022 amounted to nil EUR (2021: EUR 256 thousand) as the joint operations entity was liquidated in 2022.

8. Other expenses

	2022	2021
Frequency and other charges payable to regulatory authorities	(5,325)	(4,947)
TV related costs	(5,191)	(6,599)
TV technical and operations costs	(4,241)	(3,503)
Dealer commission costs	(3,728)	(3,652)
Lease lines costs	(2,636)	(2,676)
Audit, tax and other consultancy fees	(2,291)	(2,388)
Mobile number portability and other direct costs	(2,284)	(2,453)
Data and internet costs	(2,086)	(2,262)
Corporate events expenses	(1,775)	(427)
Billing costs	(1,414)	(1,486)
SIM cards and related costs	(1,173)	(363)
Training and travel costs	(1,155)	(438)
Insurance costs	(1,083)	(965)
Representation expenses	(1,022)	(632)
Revaluation of contingent consideration (note 29)	355	(653)
Other expenses	(434)	(1,246)
Total other expenses	**(35,483)**	**(34,690)**

Fees to the independent auditors of the Group amounted to EUR 634 thousand (2021: EUR 355 thousand) and comprise of EUR 390 thousand audit fees (2021: EUR 319 thousand), EUR 72 thousand tax advisory services (2021: EUR 31 thousand) and EUR 171 thousand other non-audit related services (2021: EUR 5 thousand).

(All amounts in thousands EUR unless otherwise stated)

9. Finance costs and income

	2022	2021
Finance costs		
Senior secured notes interest expenses	(37,045)	(34,263)
Lease interest expenses	(2,864)	(2,345)
Amortization of revolving credit facility fee (note 22)	(216)	-
Bank and other interest expenses	(561)	(1,357)
Deferred payment liability for frequency charges - discounting costs	(220)	(190)
Assets' retirement obligation unwinding of the present value discount	-	14
Other finance costs	-	(79)
Total finance costs	**(40,906)**	**(38,220)**
Finance income		
Interest from financial assets held for cash management	48	27
Assets' retirement obligation unwinding of the present value discount	311	-
Other finance income	206	23
Total finance income	**565**	**50**
Total finance costs and income	**(40,341)**	**(38,170)**

On 8 July 2021 the Company has issued additional fixed rate senior secured notes with a principal amount of EUR 75,000 thousand. The total transaction costs related to Senior secured notes are amortized to the finance costs over the notes' term.

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 (considering the solidarity surtax of 7% on the CIT rate and including the 6.75% municipal business tax rate applicable).
- Lithuania: 15% 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 (25% effective rate, applying 20/80 to the taxable base).
- 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:	2022	2021
Current tax:		
Current tax	10,873	9,626
Adjustments in respect of prior years	(160)	14
Total current tax	**10,713**	**9,640**
Deferred tax:		
Origination and reversal of temporary differences	2,588	(964)
Total deferred tax	**2,588**	**(964)**
Total income tax	**13,301**	**8,676**

(All amounts in thousands EUR unless otherwise stated)

Numerical reconciliation of income tax expense is as follows:

	2022	2021
Profit before tax	46,802	31,672
Tax calculated at domestic tax rates applicable to profits in the respective countries	4,925	1,170
Adjustments recognised for the current income tax of prior periods	(160)	14
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	9,629	7,647
Tax incentives used	(1,824)	(555)
Utilisation of previously unrecognised tax loss	(225)	(766)
Effect of tax losses for which no deferred income tax asset is recognised in the current year	391	1,181
Previously unrecognised deferred tax from taxable losses/restatement of deferred tax from taxable losses	-	86
Tax paid on undistributed earnings for which deferred tax liability was not recognised	565	-
Total	**13,301**	**8,676**

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

Company	Expiry term	31 December 2022	31 December 2021
PLT VII Finance S.à r.l.	Unlimited	7,012	7,346
PLT VII International S.à r.l.	Unlimited	346	366
TV Play Baltics AS permanent establishment in Lithuania	Unlimited	6,013	6,796
Mezon UAB	Unlimited	4,969	3,071
Total		**18,340**	**17,579**

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

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

	31 December 2022	31 December 2021
Accruals and inventory write-down	5,711	6,243
Accelerated tax depreciation	(948)	(3,835)
Difference in tax and accounting base of implementing IFRS 15 and IFRS 16	1,313	512
Tax losses and Tax incentives reliefs	-	2,354
Taxable undistributed earnings	(17,742)	(3,046)
Difference in tax and accounting base of goodwill	(41,263)	(36,805)
Fair value adjustments due to business combination related to other intangible assets	(51,180)	(63,585)
Total	**(104,109)**	**(98,162)**
Tax at 15%/25% (applied for tax incentives and undistributed earnings amounts) rate	**(17,390)**	**(14,794)**

(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 and invention write-down	Accelerated tax depreciation	Difference in tax and accounting base of implementing IFRS 15 and IFRS 16	Tax losses and tax incentive reliefs	Tax on undistributed earnings	Difference in tax and accounting base of goodwill	Fair value adjustments due to business combination related to other intangible assets	Total
31 December 2020	**919**	**(1,119)**	**(343)**	**774**	**-**	**(4,524)**	**(11,465)**	**(15,758)**
Credited/ (charged) to consolidated statement of profit or loss and other comprehensive income	17	544	420	(185)	(762)	(997)	1,927	964
31 December 2021	**936**	**(575)**	**77**	**589**	**(762)**	**(5,521)**	**(9,538)**	**(14,794)**
Acquired as part of Marmast liabilities (Note 11)	-	-	-	-	(8)	-	-	(8)
Credited/ (charged) to consolidated statement of profit or loss and other comprehensive income	(79)	433	120	(589)	(3,666)	(668)	1,861	(2,588)
31 December 2022	**857**	**(142)**	**197**	**-**	**(4,436)**	**(6,189)**	**(7,677)**	**(17,390)**

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 and inventory write-down	Accelerated tax depreciation	Difference in tax and accounting base of implementing IFRS 15 and IFRS 16	Tax losses and tax incentive reliefs	Tax on undistributed earnings	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 2021	578	536	33	-	-	-	-	1,147
DTL as of 31 December 2021	358	(1,111)	44	589	(762)	(5,521)	(9,538)	(15,941)
Total as of 31 December 2021	**936**	**(575)**	**77**	**589**	**(762)**	**(5,521)**	**(9,538)**	**(14,794)**
DTA as of 31 December 2022	661	658	116	-	-	-	-	1,435
DTL as of 31 December 2022	196	(800)	81	-	(4,436)	(6,189)	(7,677)	(18,825)
Total as of 31 December 2022	**857**	**(142)**	**197**	**-**	**(4,436)**	**(6,189)**	**(7,677)**	**(17,390)**

11. Investment in subsidiaries (business combinations and asset acquisitions)

The Group’s principal subsidiaries as of 31 December 2022 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 2022 the Group was involved in various Group restructuring processes. The transactions had no effect on the consolidated financial statements:

- On 14 April 2022 the Group subsidiary Radio Enterprise SIA was reorganized by the way of merging with Star FM SIA, which took over all of its rights and obligations, assets and liabilities.
- On 8 August 2022 the Group subsidiary Elektrons SIA was reorganized by the way of merging with Baltcom SIA, which took over all of its rights and obligations, assets and liabilities.
- On 28 December 2022 the Group subsidiaries B-COM Invest SIA, Microlines Grupa SIA, Microlines SIA, Clouds 365 SIA, Big Telecom SIA, Elcom Valka SIA, Qwerty SIA, Electrons.lv SIA were reorganized by the way of merging with Baltcom SIA, which took over all of their rights and obligations, assets and liabilities.

On 14 June 2022 the Group subsidiary Bite Broadcasting Services Ltd has been fully dissolved.

During 2022 the Group subsidiary All Media Lithuania UAB has paid EUR 893 thousand deferred purchase price for All Media Digital UAB shares (acquired in 2018). Also, in 2022, the Group subsidiary Star FM SIA has paid deferred purchase price of EUR 125 thousand for Radio Enterprise SIA shares, acquired in 2021, and the Group subsidiary Baltcom SIA - EUR 1,268 thousand deferred purchase price for Microlines Grupa SIA, acquired in 2021.

(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 2022	Proportion of ordinary shares held by the Group (%) 31 December 2021
PLT VII Finance S.à r.l.	Luxembourg	Holding and financing company	100	100
PLT VII International S.à r.l.	Luxembourg	Holding and financing company	100	100
Bitė Lietuva UAB	Lithuania	Mobile telecommunication services provider	100	100
Mezon UAB	Lithuania	Internet and IPTV service provider	100	100
Bite Latvija SIA	Latvia	Mobile telecommunication services provider	100	100
TeleTower UAB	Lithuania	Towers and masts owner and lessor	100	100
Marmast UAB	Lithuania	Towers and masts owner and lessor	100	-
TeleTower SIA	Latvia	Towers and masts owner and lessor	100	100
Unistars SIA	Latvia	Internet services provider	100	100
Bite Broadcasting Services Ltd*	United Kingdom	Television programming and broadcast	-	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	100	100
All Media Latvia SIA	Latvia	FreeTV broadcasting company	100	100
Star FM SIA	Latvia	Radio broadcasting company	100	100
Radio Enterprise SIA**	Latvia	Radio broadcasting company	-	100
TV Play Baltics AS	Estonia	Satellite television broadcast and PayTV	100	100
Baltcom SIA	Latvia	Internet and data transmission services	100	100
B-Com Holding SIA	Latvia	Holding company	100	100
B-COM Invest SIA**	Latvia	Holding company	-	100
Microlines Grupa SIA**	Latvia	Holding company	-	100
Microlines SIA**	Latvia	TV, internet and telephony services	-	100
Clouds 365 SIA**	Latvia	Data processing and hosting activities	-	100
Big Telecom SIA**	Latvia	TV and internet services	-	100
Qwerty SIA**	Latvia	TV and internet services	-	100
Electrons.lv SIA**	Latvia	TV, internet and telephony services	-	100
Elektrons SIA**	Latvia	TV services	-	75
Elcom Valka SIA**	Latvia	Wired telecommunications activities	-	100

** Dissolved*

*** Restructured by the way of merger*

Asset acquisition in 2022

Marmast UAB

On 1 August 2022 the Group subsidiary Teletower UAB has signed an agreement to acquire Marmast UAB together with its branch in Latvia. Pursuant to the share purchase agreement, the total purchase price is EUR 1,768 thousand. As part of the acquisition the Group has issued EUR 650 thousand loan which was used to repay the debt to former shareholder. Marmast UAB owns towers in Lithuania and Latvia. The transaction costs related to this acquisition amounted to EUR 103 thousand. This acquisition was accounted as an acquisition of a group of assets. The Group has concluded that the acquisition constitutes an acquisition of assets, as substantially all of the fair value is concentrated in a single property, plant and equipment group (towers classified as network equipment in the consolidated statement of financial position).

(All amounts in thousands EUR unless otherwise stated)

The assets and liabilities recognised in the consolidated statement of financial position on the date of acquisition were:

	Fair value
Property, plant and equipment	2,447
Trade and other receivables	80
Cash and cash equivalents	36
Borrowings	(650)
Trade payables	(27)
Deferred tax liability	(8)
Other liabilities	(7)
Net identifiable assets acquired	**1,871**

Outflow of cash to acquire Marmast, net of cash acquired was as follows:

Purchase consideration, settled in cash	1,768
Loan issued to Marmast for repayment of loans to former shareholders’	650
Transaction costs	103
Less: cash and cash equivalents acquired	(36)
Net cash outflow on acquisition	**2,485**

Business combinations in 2021

Radio Enterprise SIA

On 14 July 2021 the Group subsidiary Star FM SIA has signed an agreement to acquire Radio Enterprise SIA. Pursuant to the share purchase agreement, the total purchase price is EUR 350 thousand, of which initial payment was EUR 175 thousand, EUR 50 thousand paid in October 2021, with the residual amount of EUR 50 thousand deferred until January 2022 and EUR 75 thousand is the contingent consideration payable subject to fulfilment of certain agreement conditions until April 2022. Deferred purchase price in amount of EUR 50 thousand was settled in January 2022. Radio Enterprise SIA owns Latvian local radio brand Top Radio, which mainly targets Russian audience. As part of this acquisition the Group has increased its assets portfolio by two new radio licenses.

Details of Net Assets Acquired and goodwill are as follows:

Purchase price consideration of investment by Star FM SIA	350
Fair value of identifiable net assets in acquired Radio Enterprise SIA	13
Goodwill	**337**

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

	Fair value
Other intangible assets (note 13)	1
Property, plant and equipment (note 14)	3
Trade and other receivables	57
Cash and cash equivalents	18
Trade payables	(12)
Other liabilities	(54)
Fair value of identifiable net assets acquired	**13**

(All amounts in thousands EUR unless otherwise stated)

Outflow of cash to acquire Radio Enterprise SIA, net of cash acquired:

Purchase consideration, settled in cash	225
Deferred purchase price	50
Contingent consideration payable	75
Less: cash and cash equivalents acquired	(18)
Net cash outflow on acquisition	**332**

Goodwill is attributable to the economies of scale and expected synergies between the acquired and existing businesses and the workforce.

There have been no acquisition-related costs to be included in the consolidated statement of comprehensive income. The deferred purchase price and contingent consideration payable is classified as ‘Accrued expenses and other liabilities’ in the consolidated statement of financial position (note 29).

Purchase price allocation has been finalised in 2021.

Mezon business acquisition

On 21 May 2020, BITĖ 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 purchase price was deferred for a period of 12 months but not later than 30 December 2021. The purchase price is fully paid as at 31 December 2021. The acquisition of the business was carried through BITĖ Group’s subsidiary Mezon UAB. The acquisition allows BITĖ 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 BITĖ 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 acquisition of spectrum and on 16 June 2021 the first instance court has rejected claim in full. Telia Lietuva AB appealed the decision to the Supreme Administrative Court and till the issue of these consolidated financial statements the outcome of this complaint is pending.

Details of Net Assets Acquired and goodwill are as follows:

Purchase price consideration of investment by Mezon UAB	29,925
Fair value of identifiable net assets in acquired Mezon business	28,459
Goodwill	**1,466**

(All amounts in thousands EUR unless otherwise stated)

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

	Fair value
Other intangible assets recognized at acquisition (note 13)	16,115
Intangible assets (note 13)	329
Property, plant and equipment (note 14)	9,921
Right of use assets (note 15)	9,329
Contract assets	20
Inventory	478
Trade receivables	2,221
Advance payments	91
Cash and cash equivalents	270
Lease liabilities	(9,329)
Trade payables	(578)
Deferred income	(112)
Other liabilities	(296)
Fair value of identifiable net assets acquired	**28,459**

Outflow of cash to acquire Mezon business, net of cash acquired:

Purchase consideration settled in cash (prepaid on 30 December 2020)	14,937
Deferred purchase price	14,988
Less: cash and cash equivalents acquired	(270)
Net cash outflow on acquisition	**29,655**

Goodwill is attributable to the economies of scale and expected synergies between the acquired and existing businesses and the workforce and is deductible for tax purposes.

There have been no acquisition-related costs to be included in the consolidated statement of comprehensive income. The deferred part of purchase price was fully paid till 31 December 2021.

Purchase price allocation has been finalised in 2021.

Microlines Group acquisition

On 1 December 2021 Microlines Grupa SIA (subsidiary of Baltcom SIA) acquired 100% of the issued share capital of Microlines group companies. Acquired Group consists of three directly owned companies (Microlines SIA, Clouds 365 SIA, Big Telecom SIA) and four subsidiaries of Microlines SIA (Qwerty SIA, Electrons.lv SIA, Elektrons SIA (75% ownership), Elcom Valka SIA). Microlines group companies are engaged in providing TV, internet and telephony services in Latgale and Eastern part of Vidzeme, Latvia (HQ in Rēzekne). Pursuant to Share Purchase Agreement the total purchase price was EUR 1,618 thousand of which initial payment was EUR 340 thousand and EUR 1,278 thousand is a deferred payment to be paid in two instalments during a year.

This acquisition allows higher penetration of Baltcom SIA provided services in regions of Eastern part of Latvia that have not been covered yet and also provides wider and higher quality services to existing customers of acquired companies.

(All amounts in thousands EUR unless otherwise stated)

Details of Net Assets Acquired and goodwill are as follows:

Purchase price consideration of investment by Microlines Grupa SIA	1,592
Fair value of identifiable net assets in acquired Microlines Group	1,164
Goodwill	**428**

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

	Fair value
Other intangible assets recognized at acquisition (note 13)	1,183
Intangible assets (note 13)	1
Property, plant and equipment (note 14)	145
Inventory and prepayments	13
Trade and other receivables	31
Cash and cash equivalents	22
Trade and other payables	(231)
Fair value of identifiable net assets acquired	**1,164**

Outflow of cash to acquire Microlines Group, net of cash acquired:

Purchase consideration settled in cash	340
Deferred purchase price (less interest)	1,252
Less: cash and cash equivalents acquired	(22)
Net cash outflow on acquisition	**1,570**

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.

There have been no acquisition-related costs to be included in the consolidated statement of comprehensive income. The deferred purchase price and contingent consideration payable is classified as 'Accrued expenses and other liabilities' in the consolidated statement of financial position (note 29).

Purchase price allocation has been finalised in 2021.

The acquired Radio Enterprise SIA, Microlines Group and Mezon contributed revenues of EUR 11,563 thousand and net loss of EUR 3,752 thousand to the Group for the period from 1 July 2021 (Radio Enterprise SIA consolidation start date), 1 December 2021 (Microlines Group consolidation start date), 1 January 2021 (Mezon business consolidation start date). If the acquisition of Radio Enterprise SIA, Microlines Group and Mezon had occurred on 1 January 2021 and all purchase price allocation adjustments would have been recorded on that date, the Group's revenue would have been EUR 480,494 thousand; net profit – EUR 23,081 thousand (incl. the impact from amortisation of newly identified intangible assets).

Other payments during 2021 and acquisition of non-controlling interest of Artist Media OÜ

During 2021 the Baltcom Group has paid the deferred purchase prices for Mīts LV SIA and Esteria 79 SIA, Elektrons S SIA and Dautkom SIA, in total amounting to EUR 4,257 thousand.

During 2021 All Media Lithuania UAB has paid EUR 683 thousand amount for All Media Digital UAB shares, acquired in 2018.

On 29 March 2021 All Media Eesti AS acquired from the non-controlling shareholder the remaining 10% of the issued share capital in Artist Media OÜ for an amount of EUR 231 thousand. The shares were fully paid on 29 March 2021.

(All amounts in thousands EUR unless otherwise stated)

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 2022	Carrying amount as of 31 December 2021
Balticom AS	Latvia	Equity instrument	Fair value through other comprehensive income (‘**FVOCI**’)	32.12	Mobile telecommunication services provider	5,970	5,460

As at 31 December 2022 the fair value of the other investment was remeasured and amounted to EUR 5,970 thousand (2021: EUR 5,460 thousand), with the gain on the change in the fair value EUR 510 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 3.4.

(All amounts in thousands EUR unless otherwise stated)

13. Intangible assets

	Goodwill	License costs	Software	Other intangible assets	Software under development	Total intangible assets
COST:						
1 January 2021	153,028	30,674	21,917	226,656	2,013	434,288
Acquisition of subsidiary (note 11)	2,231	15,167	329	2,133	-	19,860
Additions	-	1,857	4,458	536	7,074	13,925
Transfers from software under development	-	2,291	1,040	1,300	(4,631)	-
Transfers from property, plant and equipment (note 14)	-	-	-	-	(156)	(156)
Assets no longer in use	-	-	(1,878)	(2,613)	-	(4,491)
31 December 2021	**155,259**	**49,989**	**25,866**	**228,012**	**4,300**	**463,426**
ACCUMULATED AMORTISATION:						
1 January 2021	-	(8,596)	(10,737)	(95,365)	-	(114,698)
Charge for the year	-	(6,262)	(7,713)	(20,646)	-	(34,621)
Assets no longer in use	-	-	1,878	2,613	-	4,491
31 December 2021	**-**	**(14,858)**	**(16,572)**	**(113,398)**	**-**	**(144,828)**
NET BOOK VALUE 31 December 2021	**155,259**	**35,131**	**9,294**	**114,614**	**4,300**	**318,598**
COST:						
1 January 2022	155,259	49,989	25,866	228,012	4,300	463,426
Additions	-	5,276	6,314	622	3,369	15,581
Transfers from software under development	-	200	4,060	932	(5,192)	-
Transfers from property, plant and equipment (note 14)	-	-	-	-	1,180	1,180
Transfers between asset groups	-	(10,888)	10,888	-	-	-
Disposals	-	-	-	(99)	-	(99)
Assets no longer in use	-	-	(5,876)	(39)	-	(5,915)
31 December 2022	**155,259**	**44,577**	**41,252**	**229,428**	**3,657**	**474,173**
ACCUMULATED AMORTISATION:						
1 January 2022	-	(14,858)	(16,572)	(113,398)	-	(144,828)
Charge for the year	-	(5,660)	(8,627)	(20,313)	-	(34,600)
Transfers between asset groups	-	9,035	(9,035)	-	-	-
Goodwill impairment	(488)	-	-	-	-	(488)
Disposals	-	-	-	99	-	99
Assets no longer in use	-	-	5,876	74	-	5,950
31 December 2022	**(488)**	**(11,483)**	**(28,358)**	**(133,538)**	**-**	**(173,867)**
NET BOOK VALUE 31 December 2022	**154,771**	**33,094**	**12,894**	**95,890**	**3,657**	**300,306**

(All amounts in thousands EUR unless otherwise stated)

Goodwill and trademarks with indefinite life

The Trademark 'bitė' with indefinite life, recorded under Other intangible assets, is allocated to the Group's CGUs based on the country of operations: Lithuania and Latvia. As of 31 December 2022 and 31 December 2021, the carrying amount of trademark allocated to Lithuanian mobile CGU amounted to EUR 12,545 thousand (31 December 2021: EUR 12,545 thousand) and to Latvian mobile CGU – EUR 4,807 thousand (31 December 2021: EUR 4,807 thousand).

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 2022 and the impairment test performed for Group's Lithuanian and Latvian CGUs has confirmed that the trademark was not impaired as of 31 December 2022.

Goodwill is allocated to the Group's cash-generated units ('**CGU's**') based on services provided and country of operations. As of 31 December 2022 and 2021, the carrying amount of goodwill was allocated to:

	31 December 2022	31 December 2021
Telco		
Lithuanian mobile CGU	57,382	57,382
Baltcom CGU*	25,958	25,958
Latvian mobile CGU	25,160	25,160
TV Play CGU	7,183	7,183
Mezon CGU	1,466	1,466
Media and content		
Lithuanian FreeTV CGU	15,762	15,762
Latvian FreeTV CGU**	11,689	11,689
Estonian FreeTV CGU	5,783	5,783
Artist Media CGU	2,770	2,770
All Media Digital UAB CGU	1,618	1,618
Buduaar Media CGU	-	488
Total goodwill	**154,771**	**155,259**

* Includes Baltcom CGU and the CGUs of Mits, Elektrons, Dautkom, Microlines Grupa after the merger executed on 28 December 2022 (Note 11).

** Includes Latvian FreeTV CGU and Top Radio CGU after the merger, executed on 14 April 2022 (Note 11).

(All amounts in thousands EUR unless otherwise stated)

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:

2022	Total Revenue (% annual growth rate)	EBITDA margin (%)	Capital expenditures (thousand EUR)	Perpetuity growth rate (%)	Pre-tax WACC rate (%)
Lithuanian mobile CGU	1%	36%	(36,042)	2%	9.7%
Latvian mobile CGU	1%	35%	(25,736)	2%	9.9%
TV Play CGU	9%	13%	(2,332)	2%	11.6%
Baltcom CGU	5%	30%	(3,920)	2%	9.9%
Mezon CGU	1%	31%	-	2%	9.7%
Lithuanian FreeTV CGU	3%	32%	(444)	2%	11.6%
Latvian FreeTV CGU	3%	25%	(336)	2%	11.9%
Estonian FreeTV CGU	5%	10%	(209)	2%	10.9%
Buduaar Media CGU	4%	7%	(2)	2%	10.9%
All Media Digital CGU	5%	18%	(3)	2%	10.9%
Artist Media CGU	7%	17%	(19)	2%	10.9%

2021	Total Revenue (% annual growth rate)	EBITDA margin (%)	Capital expenditures (thousand EUR)	Perpetuity growth rate (%)	Pre-tax WACC rate (%)
Lithuanian mobile CGU	2%	36%	(18,642)	2%	6.5%
Latvian mobile CGU	1%	34%	(14,960)	2%	6.7%
TV Play CGU	13%	9%	(2,942)	2%	7.5%
Baltcom CGU	2%	37%	(3,335)	2%	6.7%
Mezon CGU	(1%)	32%	(400)	2%	6.5%
Lithuanian FreeTV CGU	4%	29%	(165)	2%	7.5%
Latvian FreeTV CGU	6%	25%	(379)	2%	7.7%
Estonian FreeTV CGU	4%	11%	(476)	2%	7.1%
Buduaar Media CGU	8%	10%	(9)	2%	7.1%
All Media Digital CGU	5%	1%	(2)	2%	7.1%
Artist Media CGU	4%	5%	(78)	2%	7.1%

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 2022, 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 2022 were based on the latest budget for 2023 approved by the Group's management and estimate for 2024-2027 (in 2021 calculations were based on budget for 2022 and 2023-2026 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.

(All amounts in thousands EUR unless otherwise stated)

Management has used PGF of 2% (2021: 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 the value of key assumption, all else being equal, in order for the recoverable amounts of CGUs to equal to their carrying values as of 31 December 2022 and 31 December 2021:

31 December 2022	Mezon CGU	Baltcom CGU	FreeTV EE CGU
Pre-tax WACC rate	10%	11%	12%
Perpetuity growth factor (PGF)	1%	1%	0.2%
Total revenue growth factor	(2%)	(1%)	(2%)
Carrying amount	26,457	53,932	16,768
Recoverable amount (base case)	29,319	58,552	19,939

31 December 2021	Buduaar Media CGU	All Media Digital CGU	Artist Media CGU	FreeTV EE CGU
Pre-tax WACC rate	11%	8%	8%	9%
Perpetuity growth factor (PGF)	(3%)	1%	1%	(0.9%)
Total revenue growth factor	(4%)	(0.5%)	(1%)	(2%)
Carrying amount	569	1,754	3,346	17,761
Recoverable amount (base case)	1,011	1,986	3,804	28,226

Based on the above assessment the Group concluded that no impairment should be recorded against goodwill of Estonian Free TV CGU, Baltcom CGU, Mezon CGU as of 31 December 2022. During 2022 the carrying amount of the Buduaar Media CGU has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. The loss amounting to EUR 488 thousand is included in impairment loss line in the consolidated statement of profit or loss and other comprehensive income.

License costs

License costs include the net book value of EUR 10,964 thousand of 2G/3G licenses with a remaining amortisation period of 1-9 years (2021: EUR 13,148 thousand), EUR 12,966 thousand of 4G licenses with a remaining amortisation period of 8-11 years (2021: EUR 14,816 thousand), EUR 4,499 thousand of 5G licenses with a remaining amortisation period of 19 years (2021: nil EUR) and EUR 4,665 thousand of other licenses (2021: EUR 7,167 thousand).

Other intangible assets

Other intangible assets include the net book value of EUR 47,905 thousand of customers' contracts and relationships with a remaining amortisation period of 1-12 years (2021: EUR 63,225); EUR 17,352 thousand of trademarks that have an indefinite useful life (2021: EUR 17,352 thousand), EUR 26,244 thousand of trademarks with a remaining amortisation period of 10 years (2021: EUR 28,917 thousand) and EUR 317 thousand of trademarks with a remaining amortisation period of 8 years; other intangible assets EUR 4,072 thousand (2021: EUR 4,763 thousand).

(All amounts in thousands EUR unless otherwise stated)

14. Property, plant and equipment

	Land and buildings	Network equipment	Other property, plant and equipment	Construction in progress	Total property, plant and equipment
COST:					
1 January 2021	6,025	143,188	23,847	6,456	179,516
Acquisition through subsidiary (note 11)	25	8,140	1,543	361	10,069
Additions	22	7,256	4,022	14,515	25,815
Transfers from construction in progress	93	10,903	2,766	(13,762)	-
Transfers to intangible assets (note 13)	-	-	-	156	156
ARO reclassification to right of use assets (note 15)	-	(12,292)	-	-	(12,292)
Disposals	-	(4,865)	(333)	(2)	(5,200)
Assets no longer in use	-	(3,771)	(4,254)	(82)	(8,107)
31 December 2021 (reclassified)	**6,165**	**148,559**	**27,591**	**7,642**	**189,957**
ACCUMULATED DEPRECIATION:					
1 January 2021	(1,029)	(58,570)	(10,805)	-	(70,404)
Charge for the year	(254)	(28,223)	(6,517)	-	(34,994)
Disposals	-	4,794	324	-	5,118
ARO reclassification to right of use assets (note 15)	-	7,804	-	-	7,804
Assets no longer in use	-	3,731	4,007	-	7,738
31 December 2021 (reclassified)	**(1,283)**	**(70,464)**	**(12,991)**	**-**	**(84,738)**
NET BOOK VALUE 31 December 2021 (reclassified)	**4,882**	**78,095**	**14,600**	**7,642**	**105,219**
COST:					
1 January 2022 (reclassified)	6,165	148,559	27,591	7,642	189,957
Acquisition through subsidiary other than business combination (note 11)	18	3,269	-	-	3,287
Additions	48	8,146	3,632	40,688	52,514
Transfers from construction in progress	152	23,072	2,598	(25,822)	-
Transfers to intangible assets (note 13)	-	-	-	(1,180)	(1,180)
Disposals	-	(1,844)	(576)	(663)	(3,083)
Assets no longer in use	11	(8,412)	(4,166)	(274)	(12,841)
31 December 2022	**6,394**	**172,790**	**29,079**	**20,391**	**228,654**
ACCUMULATED DEPRECIATION:					
1 January 2022 (reclassified)	(1,283)	(70,464)	(12,991)	-	(84,738)
Acquisition through subsidiary other than business combination (note 11)	-	(840)	-	-	(840)
Charge for the year	(273)	(29,074)	(6,311)	-	(35,658)
Disposals	-	1,844	440	-	2,284
Assets no longer in use	(11)	8,408	4,083	-	12,480
31 December 2022	**(1,567)**	**(90,126)**	**(14,779)**	**-**	**(106,472)**
NET BOOK VALUE 31 December 2022	**4,827**	**82,664**	**14,300**	**20,391**	**122,182**

The additions during 2022 mainly include network and construction in progress assets acquired for 5G rollout.

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 7,383 thousand over the year ended 31 December 2022 (2021: EUR 6,393 thousand).

Reclassification of ARO

The Group has previously presented its asset restoration obligation (ARO) costs related to the liability to return the network equipment sites to a specific condition as property, plant and equipment. However, the Group considers it to be more relevant if the ARO costs are presented together with the right of use assets in the consolidated statement of financial position. The obligation arises from terms of the lease agreements, therefore the asset restoration obligation costs should be accounted within right of use assets. The cost of the right of use asset shall comprise an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Prior year comparatives as at 31 December 2021 have been restated by reclassifying EUR 12,292 thousand of the network equipment acquisition cost and EUR 7,804 thousand of accumulated depreciation to right of use assets.

(All amounts in thousands EUR unless otherwise stated)

15. Right of use assets

	Buildings and premises	Network equipment	Vehicles	Lease lines	Satellite	Total right of use assets
COST:						
1 January 2021	26,019	31,635	5,007	3,437	21,598	87,696
Acquisition of subsidiary (note 11)	2,936	6,126	-	267	-	9,329
Additions and remeasurements	2,660	16,463	1,490	1,840	584	23,037
ARO reclassification to right of use assets (Note 14)	-	12,292	-	-	-	12,292
Write-offs due to early termination	(158)	(7)	(42)	-	-	(207)
31 December 2021 (reclassified)	**31,457**	**66,509**	**6,455**	**5,544**	**22,182**	**132,147**
ACCUMULATED DEPRECIATION:						
1 January 2021	(9,806)	(14,121)	(2,634)	(2,705)	(7,469)	(36,735)
Charge for the year	(4,259)	(7,036)	(1,226)	(1,384)	(3,118)	(17,023)
ARO reclassification to right of use assets (Note 14)	-	(7,804)	-	-	-	(7,804)
Write-offs due to early termination	126	7	25	-	-	158
31 December 2021 (reclassified)	**(13,939)**	**(28,954)**	**(3,835)**	**(4,089)**	**(10,587)**	**(61,404)**
NET BOOK VALUE 31 December 2021 (reclassified)	**17,518**	**37,555**	**2,620**	**1,455**	**11,595**	**70,743**
COST:						
1 January 2022 (reclassified)	31,457	66,509	6,455	5,544	22,182	132,147
Additions and remeasurements	3,189	9,753	1,462	2,697	103	17,204
Write-offs due to early termination	(82)	(5,741)	(560)	(71)	(41)	(6,495)
31 December 2022	**34,564**	**70,521**	**7,357**	**8,170**	**22,244**	**142,856**
ACCUMULATED DEPRECIATION:						
1 January 2022 (reclassified)	(13,939)	(28,954)	(3,835)	(4,089)	(10,587)	(61,404)
Charge for the year	(5,597)	(6,936)	(1,159)	(1,586)	(3,181)	(18,459)
Write-offs due to early termination	80	2,506	278	43	33	2,940
31 December 2022	**(19,456)**	**(33,384)**	**(4,716)**	**(5,632)**	**(13,735)**	**(76,923)**
NET BOOK VALUE 31 December 2022	**15,108**	**37,137**	**2,641**	**2,538**	**8,509**	**65,933**

The expense relating to leases of low value or short-term assets amounted to EUR 456 thousand (2021: EUR 973 thousand) and is included under rental costs in the consolidated statement of profit or loss and other comprehensive income.

In 2021 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 consolidated statement of profit or loss and other comprehensive income with the corresponding decrease in the lease liability. In 2021, the amount of Covid-19 discounts recorded in the consolidated statement of profit or loss and other comprehensive income amounted to EUR 100 thousand. There were no Covid-19 discounts recorded in 2022.

(All amounts in thousands EUR unless otherwise stated)

16. Capitalized contract costs

As at 31 December 2022, the capitalized contract costs amounted to EUR 15,627 thousand (31 December 2021: EUR 13,843 thousand) and consisted of EUR 6,855 thousand (31 December 2021: EUR 5,675 thousand) capitalized bonuses paid to employees for signing new or extending contracts, EUR 5,407 thousand (31 December 2021: EUR 3,405 thousand) capitalized commissions paid to external parties for signing MBB/voice rate plans for Bite and EUR 3,365 thousand (31 December 2021: EUR 4,763 thousand) capitalized costs to obtain the contract for PayTV, mainly associated with STB boxes, installation costs, etc.

Capitalized contract costs amortization expenses are classified separately from depreciation and amortisation expense in the consolidated statement of profit or loss and other comprehensive income and amounted EUR 12,754 thousand in 2022 (2021: EUR 11,422 thousand).

17. Long-term loans at amortised cost

	31 December 2022	31 December 2021
Loan to related party (note 31)	93	155
Other loans	65	62
Outstanding balance at the end of the year	**158**	**217**
Less: current portion	(42)	(62)
Total long-term loans	**116**	**155**

As of 31 December 2022 and 31 December 2021, 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.

18. Inventories

	31 December 2022	31 December 2021
Programme rights	28,509	19,253
Equipment	9,452	11,168
IoT and related goods	3,739	4,722
Prepaid products and other inventories	4,103	3,945
	45,803	**39,088**
Less: loss allowance on slow moving inventories	(345)	(240)
Total inventories	**45,458**	**38,848**

During 2022 programme rights have increased due to continued investments into GO3 – new original productions, international titles and sport rights. The Group has signed a new long-term FreeTV contract and launched two new channels.

(All amounts in thousands EUR unless otherwise stated)

19. Financial instruments by category

The Group holds the following financial instruments:

	31 December 2022	31 December 2021
Financial assets		
Financial assets at amortised cost		
Trade accounts and other receivable	80,433	69,462
Accrued income	438	453
Contract assets	1,882	3,686
Loans receivable	158	217
Cash and cash equivalents	42,606	56,751
	125,517	**130,569**
Financial assets at fair value though profit or loss	6,552	7,420
Total financial assets	**132,069**	**137,989**
Financial liabilities		
Financial liabilities at amortised cost		
Borrowings	729,741	726,464
Supplier financing arrangement	22,562	16,539
Lease liabilities	59,559	66,577
Contract liabilities	14,349	11,847
Contingent and deferred payables for shares	851	3,518
Trade and other payables excluding statutory liabilities	95,798	65,078
Total financial liabilities	**922,860**	**890,023**

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

(All amounts in thousands EUR unless otherwise stated)

20. Trade receivables

	31 December 2022	31 December 2021
Gross trade accounts receivable	90,839	77,349
Allowance for expected credit losses	(11,840)	(9,886)
Trade accounts receivable, net	**78,999**	**67,463**
Less: non-current portion (note 22)	(3,400)	(3,346)
Current portion of trade accounts receivable, net	**75,599**	**64,117**

The fair values of trade accounts receivable approximate the carrying values as of 31 December 2022 and 31 December 2021.

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 2022, trade receivables of EUR 12,350 thousand (2021: EUR 10,519 thousand) were over 90 days past due. The allowance for those receivables was EUR 10,010 thousand (2021: EUR 8,960 thousand):

	More than 90 days past due	Individually identified as impaired
Receivables as at 31 December 2022	3,868	8,482
Loss allowance as at 31 December 2022	(1,528)	(8,482)
Receivables as at 31 December 2021	2,724	7,795
Loss allowance as at 31 December 2021	(1,165)	(7,795)

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

	2022	2021
Beginning balance as at 1 January	9,886	6,941
Loss allowance during the year	5,571	4,595
Amounts written-off	(3,617)	(1,650)
Closing balance as at 31 December	**11,840**	**9,886**

The Group provides customers with an option to purchase equipment through instalment payments over a period of 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 the Group has been selling the 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 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 23).

During 2022 the Group has sold trade receivables to third parties comprising EUR 3,277 thousand (2021: EUR 4,262 thousand) of original value for a commission of 20%-78%, receiving EUR 1,832 thousand (2021: EUR 2,511 thousand) in total. The debts sold were originated during the 2018-2022.

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 consolidated 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)

21. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash at bank and in hand	42,606	56,751
Total	**42,606**	**56,751**

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 2021. The joint operations entity was liquidated in 2022 (note 31).

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

22. Other non-current assets and receivables

Other non-current assets and receivables comprise of:

	31 December 2022	31 December 2021
Non-current part of trade receivables for equipment	3,400	3,346
Revolving credit facility fee (note 26)	534	750
Non-current part of dividend receivable from other investments	92	225
Non-current part of advance payments for lease of cable network	140	173
Other non-current prepayments and assets	1,644	938
Total	**5,810**	**5,432**

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 2022, outstanding trade receivables from such equipment sales totals EUR 11,925 thousand (31 December 2021: EUR 8,731 thousand). The non-current part of trade receivables for equipment amounts to EUR 3,400 thousand (31 December 2021: EUR 3,346 thousand). The current portion of receivables from the sales amounts to EUR 8,525 thousand (31 December 2021: EUR 5,385 thousand) and is included into a line item 'Trade accounts receivable' in the consolidated statement of financial position.

The fair value of trade receivables is disclosed in note 20.

23. 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 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 is paying one-off fixed rate commission to the financing entity at the moment of every sale and carries no further cash flow risk, as commissions paid cannot be adjusted subsequently, depending on default rates or any other factors. The gross amount of receivables sold during 2022 by Bite Lietuva UAB and Bite Latvija SIA was EUR 71,111 thousand (2021: EUR 63,192 thousand) and cash received for those sales during 2022 was EUR 63,832 thousand (2021: EUR 56,930 thousand). The Group has classified these receivables as financial assets at fair value through profit or loss and the balance as at 31 December 2022 amounted to EUR 6,552 thousand (31 December 2021: EUR 7,420 thousand).

(All amounts in thousands EUR unless otherwise stated)

24. Other current assets at amortised cost

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

	31 December 2022	31 December 2021
Accrued income	438	453
Current part of PayTV prepaid expenses	395	294
Other prepayments and deferred expenses	4,988	4,232
Other current assets	1,342	1,601
Total	**7,163**	**6,580**

25. 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.

On 9 July 2021 the issued share capital of the Company was decreased by an amount of EUR 103,899 thousand from EUR 137,485 thousand to EUR 33,585 thousand by cancelation of 103,899,445 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 financed from operating cashflows and issued senior secured notes.

On 8 November 2022 the sole shareholder of the Company has carried out a share capital contribution in amount of EUR 5,490 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 2022, the share capital of PLT VII Finance S.à r.l. amounts to EUR 33,585 thousand (31 December 2021: EUR 33,585 thousand) and consists of 33,585,110 fully paid ordinary shares (31 December 2021: 33,585,110 shares) at par value of EUR 1 each. The share premium of the Company amounts to EUR 7,190 thousand as of 31 December 2022 (31 December 2021: EUR 1,700 thousand).

Dividend distribution

On 30 September 2022 the Company has declared EUR 74,400 thousand of interim dividends to its sole shareholder PLT VII Holding S.à r.l. On 7 October 2022 interim dividends in amount of EUR 68,910 thousand was paid in cash. On 8 November 2022 interim dividends in amount of EUR 5,490 thousand were offset against share premium amount payable by the sole shareholder. The interim dividends are considered fully paid as of 31 December 2022.

Non-controlling interest

On 29 March 2021 All Media Eesti AS acquired from the minority shareholder the remaining 10% of the issued share capital in Artist Media OÜ for an amount of EUR 231 thousand. The shares were fully paid on 29 March 2021.

(All amounts in thousands EUR unless otherwise stated)

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.

26. Borrowings

	31 December 2022	31 December 2021
Senior secured notes (1)	729,655	726,301
Revolving credit facilities (2)	86	97
Other financing arrangements	-	66
Outstanding balance at the end of year	**729,741**	**726,464**

(1) As of 31 December 2022, the carrying amount of senior secured notes includes accrued interest of EUR 13,383 thousand and net unamortised arrangement fee of EUR 8,727 thousand.

(2) As of 31 December 2022, the carrying amount of revolving credit facilities includes accrued interest of EUR 86 thousand.

The contractual maturity of the borrowings was as follows:

	31 December 2022	31 December 2021
Not later than 1 year	13,468	12,748
Later than 1 year but not later than 5 years	716,273	713,716
Later than 5 years	-	-
Outstanding balance at the end of year	**729,741**	**726,464**
Less: current portion	(13,468)	(12,748)
Total non-current borrowings	**716,273**	**713,716**

Under the Super Senior Facility Agreement the Group is obliged to comply with the covenants that are disclosed in note 3.3.

The fair value of the borrowings is disclosed in note 3.4.

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 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 these consolidated financial statements the margin rate is 2.75%. 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.

Fee paid upon the signing of the Super Senior Facility agreement that is associated with the undrawn balance of the facility is capitalized as revolving credit facility fee and included into a line item 'Other non-current assets and receivables' in the consolidated statement of financial position (note 22). The revolving credit facility fee is amortized till the end of the agreement into a line item "Financial costs" in the statement of profit or loss and other comprehensive income (note 9). The balance of the facility under the Super Senior Facility Agreement remains nil as at 31 December 2022 and 2021.

(All amounts in thousands EUR unless otherwise stated)

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.

Additional senior secured notes

On 8 July 2021 the Company as an original issuer has issued additional fixed rate senior secured notes with a principal amount of EUR 75,000 thousand and maturity on 5 January 2026. The notes bear interest at an annual rate of 4.625% which is payable semi-annually on 15 January and 15 July of each year.

The transaction costs related to senior secured notes issue amount to EUR 14,694 thousand (as adjusted by the premium related to additional senior secured notes) and are amortized to the finance costs over the notes' term (note 9).

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

Net debt reconciliation is as follows:

	31 December 2022	31 December 2021
Cash and cash equivalents	42,606	56,751
Borrowings – repayable within 1 year	(13,468)	(12,748)
Borrowings – repayable after 1 year	(716,273)	(713,716)
Lease – repayable within 1 year	(17,225)	(16,854)
Lease – repayable after 1 year	(42,334)	(49,723)
Net debt	**(746,694)**	**(736,290)**

	31 December 2022	31 December 2021
Cash and cash equivalents	42,606	56,751
Gross debt – fixed interest rates	(536,047)	(540,509)
Gross debt – variable interest rates	(253,253)	(252,532)
Net debt	**(746,694)**	**(736,290)**

	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 2021	51,406	(14,365)	(36,736)	(11,134)	(635,952)	(646,781)
Cash flows	5,035	16,788	44	(1,548)	(75,049)	(54,730)
Acquisition – Mezon (note 11)	270	(9,329)	-	-	-	(9,059)
Acquisition – Top Radio (note 11)	18	-	-	-	-	18
Acquisition – Microlines Grupa (note 11)	22	-	-	(66)	-	(44)
Other non-cash movements	-	(9,948)	(13,031)	-	(2,715)	(25,694)
Net debt as of 31 December 2021	**56,751**	**(16,854)**	**(49,723)**	**(12,748)**	**(713,716)**	**(736,290)**
Net debt as of 1 January 2022	56,751	(16,854)	(49,723)	(12,748)	(713,716)	(736,290)
Cash flows	(14,181)	18,561	2	(720)	49	3,711
Acquisition – Marmast (note 11)	36	-	-	-	-	36
Other non-cash movements	-	(18,932)	7,387	-	(2,606)	(14,151)
Net debt as of 31 December 2022	**42,606**	**(17,225)**	**(42,334)**	**(13,468)**	**(716,273)**	**(746,694)**

(All amounts in thousands EUR unless otherwise stated)

27. Lease liabilities

The contractual maturity of lease liabilities are as follows:

	31 December 2022	31 December 2021
Not later than 1 year	17,225	16,854
Later than 1 year but not later than 5 years	38,379	45,953
Later than 5 years	3,955	3,770
Outstanding balance at the end of year	**59,559**	**66,577**
Less: current portion	(17,225)	(16,854)
Total non-current lease liabilities	**42,334**	**49,723**

Net lease liability reconciliation is provided in note 26.

28. 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 2022, the payable under the supplier financing arrangement amounted to EUR 22,562 thousand (2021: EUR 16,539 thousand).

29. Non-current and current liabilities and accrued expenses

Other non-current liabilities comprise of:

	31 December 2022	31 December 2021
Deferred payment liabilities for frequency charges	6,298	4,013
Contingent consideration for business combinations	133	1,206
Other non-current liabilities	1,190	980
Total	**7,621**	**6,199**

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.

On 19 August 2022, Bitė Lietuva UAB has received a right to use 3600-3700 MHz bands until year 2042 for a fee in the amount of EUR 3,000 thousand. The initial payment is equal to 30% of the fee and was paid on 30 August 2022, with the remaining portion of the fee payable spread proportionally over 20 years

On 12 September 2022, Bitė Lietuva UAB has received a right to use 723-728 MHz and 778-783 MHz bands until year 2042 for a fee in the amount of EUR 3,000 thousand. The initial payment is equal to 30% of the fee and was paid on 26 September 2022, with the remaining portion of the fee payable spread proportionally over 20 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 overtime 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 2022	31 December 2021
Not later than 1 year	462	363
Later than 1 year but not later than 5 years	2,053	1,606
Later than 5 years	4,245	2,407
Outstanding balance at the end of year	**6,760**	**4,376**
Less: current portion	(462)	(363)
Total non-current liability	**6,298**	**4,013**

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

	31 December 2022	31 December 2021
Salaries, bonuses and related social security tax payable	10,182	8,541
Vacation reserve	5,475	5,201
Contingent consideration for business combinations (note 11)	718	968
Current liabilities	182	465
Deferred purchase price payable for business combinations (note 11)	-	1,344
Other accrued expenses	6,863	6,184
Other taxes payable	6,509	7,318
Total	**29,929**	**30,021**

The non-current part of contingent consideration in amount of EUR 133 thousand (2021: EUR 1,206 thousand) relates to the acquisition of All Media Digital UAB. During 2022 the Group has carried EUR 893 thousand earn-out payments to the previous shareholders of All Media Digital UAB. The current part of contingent consideration related to All Media Digital UAB amounts to EUR 718 thousand as at 31 December 2022.

30. Provisions

	31 December 2022	31 December 2021
Asset retirement obligation	14,776	13,159
Provisions for legal claims	457	1,593
Other provisions	82	27
Total	**15,315**	**14,779**

Asset retirement obligation

Operating companies Bitė Lietuva UAB, Bite Latvija SIA, Mezon UAB, 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.

(All amounts in thousands EUR unless otherwise stated)

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

	31 December 2022	31 December 2021
Opening provision	13,159	11,286
Accretion expense (finance cost)	(311)	(16)
Dismantling costs incurred	(13)	(16)
Liability re-estimation at the end of the year	1,941	1,905
Closing provision	**14,776**	**13,159**

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

- estimated dismantling costs discount rate is credit-adjusted risk-free rate of 4.63% (2021: 2.46%) in Lithuania and 4.07% (2021: 2.12%) in Latvia,
- inflation rate of 8.56% (2021: 2.99%).

Following the termination of network sharing project the Group has re-assessed the dismantling period as at 31 December 2021 considering the business plan, technology changes and the expected useful lives of the related assets.

Provisions for legal claims

The provisions for legal claims comprise of the amount provided for the dispute regarding channel distribution in TV Play Baltics AS, and couple disputes in relation to reports showed in the news program in All Media Latvia SIA.

31. Joint operations and transactions with related parties

Joint operations

On 1 December 2021 the Group has signed the partnership termination agreement regarding the shared network development in Lithuania and Latvia. The Group was one of the network sharing contractors owning 50 percent in the joint operation Centuria SIA, which was established in 2019 to build, own and operate mobile networks. However, due to the restricting conditions set by the Regulators on the frequencies sharing in both countries, the partnership on network sharing infrastructure was discontinued as not feasible economically and technically. The exit was fully implemented with the liquidation of the joint operation Centuria SIA on 19 May 2022.

Transactions with related parties

On 9 July 2021 the sole shareholder of the Company has approved the reduction of the issued share capital of the Company by an amount of EUR 103,900 thousand by cancellation of 103,899,445 ordinary shares of a nominal value of one euro each. The share capital repayment to the sole shareholder PLT VII Holding S.à r.l. was financed from operating cashflows and issued senior secured notes.

On 8 November 2022 the sole shareholder of the Company has carried out a share capital contribution in amount of EUR 5,490 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.

On 30 September 2022 the Company has declared EUR 74,400 thousand of interim dividends to its sole shareholder PLT VII Holding S.à r.l.

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.

PLT VII International S.à r.l. has granted loans to 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 2022 (31 December 2020: EUR 131 thousand). The original maturity date for these loans was on 16 February 2021 and bear interest at an annual rate of three months EURIBOR plus margin 4.25%. On 16 February 2021 the amendment to loan agreement was signed by both parties to extend the maturity date for EUR 131 thousand loan to 14 February 2024.

(All amounts in thousands EUR unless otherwise stated)

The following transactions were carried out with related parties:

	2022	2021
Interest income from PLT VII Baltic Topco S.à r.l.	5	6
Total	**5**	**6**

The receivables from related parties:

	31 December 2022	31 December 2021
Loan granted to PLT VII Baltic Topco S.à r.l. (note 17)	92	131
Interest receivable from PLT VII Baltic Topco S.à r.l. (note 17)	1	24
Total	**93**	**155**

32. Key management compensation

The key management of the Group are as follows:
- The members of the Supervisory Council,
- The Group Chief Executive Officer (‘**the Group CEO**’),
- The Chief Executive Officer (‘**the CEO**’) in Bitė Lietuva UAB and the CEO in Bite Latvija,
- The Chief Technology Officer (‘**the CTO**’), the Chief Financial Officer (‘**the CFO**’), from 1 July also the Marketing Director in Bitė Lietuva UAB and the Group Sales Director,
- 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:

	2022	2021
Remuneration	2,098	1,670
Bonuses	1,253	1,171
Social security contributions	143	80
Total	**3,494**	**2,921**

The outstanding payable balances to respective management in respect of their work performed to the Group were EUR 1,178 thousand as of 31 December 2022 (31 December 2021: EUR 1,122 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 9% of total share capital of this entity.

During the year ended 31 December 2022, and as of 21 March 2023, 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 2022, and as of 21 March 2023, 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.

(All amounts in thousands EUR unless otherwise stated)

33. Commitments and contingencies

Purchase commitments

As of 31 December 2022, the Group has placed orders for network equipment and IT systems to be purchased in 1 year for an amount of EUR 9,108 thousand. Also, the Group has signed contracts in relation to sports rights for an amount of EUR 20,774 thousand and other FreeTV and PayTV content rights for an amount of EUR 24,642 thousand. The Group has ordered external services for IT and network maintenance, support and other services for a total amount of EUR 21,108 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, Bite Latvija SIA, All Media Latvia SIA, Teletower SIA, TV Play Baltics AS;
- Pledge over the existing and future funds in material[3] bank accounts of PLT VII Finance S.à r.l., PLT VII International S.à r.l., Bitė Lietuva UAB, Teletower UAB, All Media Lithuania UAB, TV Play Baltics AS;
- Pledge over the existing and future claims in respect of material intragroup loans owing by PLT Group to the PLT VII Finance S.à r.l., PLT VII International S.à r.l., Bitė Lietuva UAB, Teletower UAB, All Media Lithuania UAB, Bite Latvija SIA, Teletower SIA, All Media Latvia SIA, TV Play Baltics AS.

34. Events occurring after the reporting period

On 25 January 2023, the Group subsidiary All Media Lithuania UAB signed an agreement regarding the shares purchase of M-1 Group. The closing of the deal is subject to regulatory approvals due in the second half of year 2023.

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

These consolidated financial statements were adopted and signed by the Managers of PLT VII Finance S.à r.l. on 21 March 2023:

Stuart Twinberrow	Claude Larbière
Manager	Manager

[3] Material bank account means any account with an account balance which is the greater of (x) EUR 1,750,000 (or its equivalent in other currencies) and (y) 1.3 per cent of Consolidated EBITDA for a period of 15 consecutive Business Days other than any account.