Telia

TELIA LIETUVA, AB

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS, CONSOLIDATED ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR 31 DECEMBER 2018

Telia

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Telia Lietuva, AB:

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Telia Lietuva, AB (the Company) and consolidated financial statements of Telia Lietuva, AB and subsidiaries (the Group), which comprise the statements of financial position of the Company and the Group as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, of the financial position of the Company and the Group as at 31 December 2018, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment analysis	
Refer to pages 19, 30-31, 37-38 of the financial statements As at 31 December 2018, the Company and the Group had goodwill amounting to 26,769 thousand Eur. Goodwill with an indefinite useful life is subject to impairment assessments annually and when there is an indication of impairment. The assessment of the value in use requires numerous estimates and judgments made by the Company and the Group, as described in Note 15, and in particular the assessment of the competitive, economic and financial environment of the country in which the Company and the Group operates, the ability to realize operating cash flows from strategic plans, the level of investment to be made and the discount and growth rates used in calculating recoverable amounts.	Our audit procedures in relation to management's impairment assessment included, among others: • assessing the appropriateness of the valuation methodologies used; • challenging the reasonableness of key assumptions utilised in valuing the goodwill based on our knowledge of the business and industry; • performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions against which the value in use calculations are most sensitive to; and

We have considered that the valuation of these assets is a key audit matter given the sensitivity to the assumptions made by management and the significant amount of goodwill in the financial statements.	• testing source data from the business plan used to calculate the recoverable amount to supporting evidence: – comparing business plans from previous financial years with actual earnings over the financial periods in question; – interviewing operational and finance managers at the Company to assess the key assumptions used in the business plans and assess assumptions based on the explanations obtained; – reconciling the data used in the plans submitted to the board of directors. • evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Revenue recognition	
Refer to pages 24-25, 32, 54-57 of the financial statements The Company's and the Group's net sales amounted to 377,728 thousand Eur and 376,494 thousand Eur respectively for the year then ended 2018. The net sales encompass several revenue streams such as traffic charges, including interconnect and roaming, subscription fees, installation fees, other services and sale of equipment. Furthermore, all these services and products give rise to multiple customer offerings (bundle services) which are subject to fair price allocation among the services and related products, incentives and discounts. Multiple billing systems and other interrelated data applications are used to maintain the accurate and complete accounting records within the Company and the Group. The Company's and the Group's adoption of IFRS 15 "Revenue from contracts with customers" during 2018, required the assessment of its impact on financial information, the update of revenue recognition processes. IFRS 15 was adopted 1 January 2018 using the full retrospective method with adjustments to all periods presented. Complex products and services and a combination of those requires significant management judgment about the timing and value of revenue to be recognised and impose the risk of accuracy and completeness of revenue related accounting records. Due to this, we considered this to be a key audit matter.	Our audit procedures in this area included, among others: • assessing the application on the Company's and the Group's accounting policies with the respect to IFRS 15 to services and products delivered and the accounting implication of the new business models to verify that the Group accounting policies were appropriate for these models and were followed; • evaluating the design and operational effectiveness of key internal controls, including relevant IT systems, used for billing and monitoring of revenue recognition; • assessing based on sample of customer bills for accuracy for new products and tariffs introduced in the year; • under multiple-element contractual arrangements (bundled product offers), on a sample evaluating the deliverables to determine whether they represent separate element and testing the value allocated to the undelivered elements based on their respective fair values; • evaluating on a sample basis revenues allocated to undelivered elements (deferred and recognized rateably over the estimated term of provision of these elements); • reconciling revenue accruals to actual data traffic available after month closing; • evaluating the adequacy of disclosures related to the various revenue streams.

Other Information

The other information comprises the information included in the Company's and the Group's annual report, including Corporate Governance statement, and Corporate Social Responsibility Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's and the Group's annual report, including Corporate Governance statement, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's and the Group's annual report, including Corporate Governance statement, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's and the Group's annual report, including Corporate Governance statement, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Group Undertakings of the Republic of Lithuania and the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and 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 management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the decision made by Shareholders on 25 April 2018 we have been chosen to carry out the audit of the Company's and the Group's separate and consolidated financial statements. Our appointment to carry out the audit of the Company's and the Group's separate and consolidated financial statements in accordance with the decision made by Shareholders has been renewed annually and the period of total uninterrupted engagement is five years.

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted to the Company and Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other services except for audit of financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Simonas Rimašauskas.

Deloitte Lietuva UAB
Audit Company License No 001275

Simonas Rimašauskas
Lithuanian Certified Auditor
License No 000466

Vilnius, Republic of Lithuania
2 April 2019

Telia

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

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Approved by
the Annual General Meeting
of Shareholders, as at ___ April 2019

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2018	2017 restated	2018	2017 restated
Revenue	5	**376,494**	**368,636**	**377,728**	**357,809**
Cost of goods and services	6	(151,682)	(148,187)	(162,295)	(143,342)
Employee related expenses		(51,220)	(54,391)	(42,163)	(43,936)
Other operating expenses	8	(46,309)	(46,229)	(46,392)	(55,345)
Other income	7	-	-	295	1,070
Other gain / (loss) – net	9	154	357	98	379
Depreciation, amortisation and impairment of fixed assets and assets classified as held for sale	14	(64,522)	(67,044)	(64,112)	(63,761)
Operating profit		**62,915**	**53,142**	**63,159**	**52,874**
Gain/loss from investment activities		683	-	92	-
Finance income		2,009	1,949	2,009	1,874
Finance costs		(2,373)	(2,405)	(2,373)	(2,349)
Finance and investment activities – net	10	319	(456)	(272)	(475)
Profit before income tax		**63,234**	**52,686**	**62,887**	**52,399**
Income tax	11	(8,534)	(2,609)	(8,440)	(1,821)
Profit for the year		**54,700**	**50,077**	**54,447**	**50,578**
Other comprehensive income:					
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**54,700**	**50,077**	**54,447**	**50,578**
Profit and comprehensive income attributable to:					
Owners of the Parent		54,700	50,077	54,447	50,578
Non-controlling interests		-	-	-	-
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in EUR per share)	12	**0.094**	**0.086**	**0.093**	**0.087**

The notes on pages 12 to 58 form an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 7 to 58 have been approved for issue by the Board of Directors as at 2 April 2019 and signed on their behalf by the CEO and the Head of Finance:

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

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

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

Approved by
the Annual General Meeting
of Shareholders, as at ___ April 2019

	Notes	GROUP 2018	GROUP 2017 restated	GROUP 2016 restated	COMPANY 2018	COMPANY 2017 restated	COMPANY 2017 restated
		As at 31 December					
ASSETS							
Non-current assets							
Property, plant and equipment	14	276,537	290,435	291,818	272,390	285,900	210,403
Goodwill	15	26,769	26,769	26,769	26,769	26,769	-
Intangible assets	15	104,742	95,632	97,743	104,721	95,590	10,147
Investment property	16	-	1,277	1,277	-	-	-
Investments in associates and subsidiaries	17	-	650	-	4,122	6,817	151,434
Costs to obtain contract	31	5,175	3,470	4,015	5,175	3,470	4,015
Contract asset	32	530	544	324	530	544	324
Trade and other receivables	20	8,704	9,459	10,349	8,704	9,459	4,882
		422,457	**428,236**	**432,295**	**422,411**	**428,549**	**381,205**
Current assets							
Inventories	18	8,182	11,242	10,135	8,182	11,242	1,157
Contract asset	32	1,352	1,303	1,408	1,352	1,303	1,408
Trade and other receivables	20	101,566	101,650	93,011	101,638	101,561	35,570
Current income tax assets		-	174	722	-	-	-
Cash and cash equivalents	21	28,725	23,166	56,650	26,612	21,297	31,015
		139,825	**137,535**	**161,926**	**137,784**	**135,403**	**69,150**
Assets classified as held for sale		1,823	2,743	-	1,343	1,973	-
Total assets		**564,105**	**568,514**	**594,221**	**561,538**	**565,925**	**450,355**
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Issued capital	22	168,958	168,958	168,958	168,958	168,958	168,958
Legal reserve	23	16,896	16,896	16,896	16,896	16,896	16,896
Retained earnings		133,922	120,005	87,407	131,617	117,953	70,991
Equity attributable to owners of the Company		319,776	305,859	273,261	317,471	303,807	256,845
Non-controlling interests		-	-	-	-	-	-
Total equity		**319,776**	**305,859**	**273,261**	**317,471**	**303,807**	**256,845**
LIABILITIES							
Non-current liabilities							
Borrowings	25	99,753	130,626	97,500	99,753	130,626	97,500
Deferred tax liabilities	26	21,049	19,080	20,801	20,392	18,384	9,819
Deferred revenue and accrued liabilities	24	8,104	9,151	9,897	8,104	9,151	972
Contract liability	32	-	50	8	-	50	8
Provisions	27	10,934	10,728	6,627	10,934	10,728	-
		139,840	**169,635**	**134,833**	**139,183**	**168,939**	**108,299**
Current liabilities							
Trade, other payables and accrued liabilities	24	43,988	59,018	55,114	44,315	59,177	31,263
Current income tax liabilities		2,024	1,959	1,068	2,092	1,959	1,068
Borrowings	25	58,365	31,385	129,500	58,365	31,385	52,500
Contract liability	32	75	645	42	75	645	42
Provisions	27	37	13	403	37	13	338
		104,489	**93,020**	**186,127**	**104,884**	**93,179**	**85,211**
Total liabilities		**244,329**	**262,655**	**320,960**	**244,067**	**262,118**	**193,510**
Total equity and liabilities		**564,105**	**568,514**	**594,221**	**561,538**	**565,925**	**450,355**

The notes on pages 12 to 58 form an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 7 to 58 have been approved for issue by the Board of Directors as at 2 April 2019 and signed on their behalf by the CEO and the Head of Finance:

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

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

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

Approved by
the Annual General Meeting
of Shareholders as at ___ April 2019

GROUP	Notes	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2017 restated		**168,958**	**16,896**	**87,407**	**273,261**
Profit for the year, restated		-	-	50,077	50,077
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year, restated		**-**	**-**	**50,077**	**50,077**
Dividends paid for 2016	13	-	-	(17,479)	(17,479)
Balance at 31 December 2017 restated		**168,958**	**16,896**	**120,005**	**305,859**
Balance at 1 January 2018		**168,958**	**16,896**	**120,005**	**305,859**
Profit for the year		-	-	54,700	54,700
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**54,700**	**54,700**
Dividends paid for 2017	13	-	-	(40,783)	(40,783)
Balance at 31 December 2018		**168,958**	**16,896**	**133,922**	**319,776**

COMPANY	Notes	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2017 restated		**168,958**	**16,896**	**70,991**	**256,845**
Profit for the year, restated		-	-	50,578	50,578
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year, restated		**-**	**-**	**50,578**	**50,578**
Dividends paid for 2016	13	-	-	(17,479)	(17,479)
Result from legal merger		-	-	13,863	13,863
Balance at 31 December 2017 restated		**168,958**	**16,896**	**117,953**	**303,807**
Balance at 1 January 2018		**168,958**	**16,896**	**117,953**	**303,807**
Profit for the year		-	-	54,447	54,447
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**54,447**	**54,447**
Dividends paid for 2017	13	-	-	(40,783)	(40,783)
Balance at 31 December 2018		**168,958**	**16,896**	**131,617**	**317,471**

The notes on pages 12 to 58 form an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 7 to 58 have been approved for issue by the Board of Directors as at 2 April 2019 and signed on their behalf by the CEO and the Head of Finance:

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

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

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

Approved by
the Annual General Meeting
of Shareholders as at ___ April 2019

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2018	2017 restated	2018	2017 restated
Operating activities					
Profit for the year		54,700	50,077	54,447	50,577
Adjustments for:					
Income tax expenses recognized in profit or loss	11	8,534	2,609	8,440	1,821
Depreciation, amortisation and impairment charge	14	65,402	67,044	64,992	63,761
Dividends received from subsidiaries	7	-	-	(295)	(1,070)
Other gain / (loss) – net	9	-	(407)	-	373
Write off of property, plant and equipment and intangible assets		927	393	927	365
Impairment of investments in subsidiaries	17	-	-	-	-
Interest income	10	(467)	(150)	(467)	(150)
Interest expenses		1,782	1,991	1,782	1,991
Other non-cash transactions		617	(48)	663	-
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):					
Inventories / Assets held for sale		5,204	(3,006)	5,237	(599)
Trade and other receivables		(222)	(7,749)	(175)	(5,150)
Decrease/(increase) in contract assets	32	(1,705)	545	(1,705)	545
Decrease/(increase) in contract costs	33	(35)	(115)	(35)	(115)
Trade, other payables and accrued liabilities, deferred tax liability		(18,748)	4,530	(21,344)	9,853
Increase/(decrease) in contract liabilities	33	(620)	645	(620)	645
Increase/(decrease) in deferred income	33	(1,047)	(746)	(1,047)	8,179
Provisions	27	230	3,710	230	3,740
Cash generated from operations		**114,552**	**119,323**	**111,030**	**134,767**
Interest paid		(1,766)	(2,073)	(1,766)	(2,073)
Interest received		467	150	467	150
Income taxes paid		(6,486)	(2,890)	(6,300)	(2,564)
Net cash generated by operating activities		**106,767**	**114,510**	**103,431**	**130,280**
Investing activities					
Purchase of property, plant and equipment (PPE) and intangible assets		(57,267)	(61,929)	(55,496)	(60,629)
Proceeds from disposal of PPE and intangible assets		599	1,292	325	1,353
Disposal of subsidiary	30, 34	836	-	2,086	-
Acquisition of subsidiaries and investment in an associate	30	(700)	-	(650)	5,565
Legal merger (cash acquired)		-	-	-	-
Dividends received	7	-	-	295	1,070
Net cash used in investing activities		**(56,532)**	**(60,637)**	**(53,440)**	**(52,641)**

(Continued in the next page)

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

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)

		Year ended 31 December			
		GROUP		COMPANY	
	Note	2018	2017 restated	2018	2017 restated
Financing activities					
Repayment of borrowings	25	(41,430)	(144,879)	(41,430)	(144,879)
Proceeds from borrowings	25	37,537	75,000	37,537	75,000
Dividends paid to shareholders	13	(40,783)	(17,478)	(40,783)	(17,478)
Net cash received in financing activities		**(44,676)**	**(87,357)**	**(44,676)**	**(87,357)**
Increase (decrease) in cash and cash equivalents		**5,559**	**(33,484)**	**5,315**	**(9,718)**
Movement in cash and cash equivalents					
At the beginning of the financial year		**23,166**	**56,650**	**21,297**	**31,015**
Increase (decrease) in cash and cash equivalents		5,559	(33,484)	5,315	(9,718)
At the end of the financial year	21	**28,725**	**23,166**	**26,612**	**21,297**

(Concluded)

The notes on pages 12 to 58 form an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 7 to 58 have been approved for issue by the Board of Directors as at 2 April 2019 and signed on their behalf by the CEO and the Head of Finance:

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1 General information

Telia Lietuva, AB (hereinafter – the Company) is a public company (joint-stock company) incorporated on 6 February 1992. The Company is domiciled in Vilnius, the capital of the Republic of Lithuania. Address of its registered office is Lvovo St. 25, LT-03501, Vilnius, Lithuania.

The Company's shares are traded on Nasdaq Vilnius stock exchange from 16 June 2000. Nasdaq Vilnius stock exchange is a home market for the Company's shares. From January 2011, the Company's shares are included into the trading lists of the Berlin Stock Exchange, the Frankfurt Stock Exchange, the Munich Stock Exchange and the Stuttgart Stock Exchange.

The shareholders' structure of the Company was as follows:

	31 December 2018		31 December 2017	
	Number of shares	%	Number of shares	%
Telia Company AB (Sweden)	513,594,774	88.15	513,594,774	88.15
Other shareholders	69,018,364	11.85	69,018,364	11.85
	582,613,138	**100.00**	**582,613,138**	**100.00**

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

The Communication Regulatory Authority (CRA) of Lithuania has designated the Company together with its related legal entities as an operator with significant market power (SMP) in 8 telecommunications markets.

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

The number of full time staff employed by the Group at the end of 2018 amounted to 2,482 (2017: 2,733). The number of full time staff employed by the Company at the end of 2018 amounted to 1,864 (2017: 1,981).

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

Subsidiary / associate	Country of incorporation	Ownership interest in % 31 December 2018	31 December 2017	Profile
Telia Customer Service LT, UAB	Lithuania	100%	100%	The subsidiary provides Directory Inquiry Service 118 and customer care services to customers of the Company.
Telia Global Services Lithuania, UAB	Lithuania	-	100%	On 1 June 2018, 196 employees of the Company were moved to earlier dormant subsidiary (until 30 January 2018 known as UAB Kompetencijos Ugdymo Centras) and on 1 June 2018 subsidiary was acquired by Telia Company AB, which holds 88.15% of the Company's shares.
UAB Verslo Investicijos	Lithuania	-	100%	On 26 October 2018, the subsidiary that was implementing an investment project in Vilnius, at Lvovo str. 21A, was disposed to the third party.

Subsidiary / associate	Country of incorporation	Ownership interest in % 31 December 2018	31 December 2017	Profile
VšĮ Numerio Perkėlimas	Lithuania	50%	50%	A non-profit organization established by Lithuanian telecommunications operators administers central database to ensure telephone number portability.
UAB Mobilieji Mokėjimai	Lithuania	33.3%	33.3%	An associated company is equally owned by three Lithuanian telecommunications operators operates instant payment platform.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

The following standards have been adopted by the Company and the Group for the first time for the financial year beginning on or after January 2018.

IFRS 15 “Revenue from Contracts with Customers” and amendments to IFRS 15 “Effective date of IFRS 15” – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018). The Group and the Company has applied the standard using the full retrospective method (subject to practical expedients in the standard), with adjustments to all periods presented. IFRS15 is applied on financial statements of the year 2018 in full. Previous year reported figures are restated in year 2018 financial statements accordingly.

In IFRS 15 the terms ‘contract asset’ and ‘contract liability’ to describe what might more commonly be known as ‘accrued revenue’ and ‘deferred revenue’ are used, however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances.

IFRS 15 specifies how and when revenue should be recognized as well as requires more detailed revenue disclosures. The standard provides a single, principle based five-step model to be applied to all contracts with customers. Revenue is allocated to performance obligations (equipment and services) in proportion to stand-alone selling prices of the individual items. Revenue is recognized when (at a point in time) or as (over a period of time) the performance obligations are satisfied, which is determined by the manner in which control passes to the customer. Among others the new revenue standard gives detailed guidance on the accounting for:

Bundled offerings: The Group’s and the Company’s prior accounting and recognition of revenue for bundled offerings and allocation of the consideration between equipment and service was in line with IFRS 15. A detailed analysis of the performance obligations and the revenue recognition for each type of customer contract has been performed and the model previously used has been slightly refined for some types of customer contracts.

Incremental costs for obtaining a contract: sales commissions and equipment granted to dealers for obtaining a specific contract should be capitalized and deferred over the period over which the Group and the Company expects to provide services to the customer. The amortization of capitalized contract costs over the service period is classified as operating expenses within EBITDA. Under the Group’s and the Company’s prior accounting principles, costs for obtaining contracts were expensed as incurred. The main effect of implementing IFRS 15 for the Group and the Company is related to capitalization of costs.

Financing: If the period between payment and transfer of goods and services is beyond one year, adjustments for the time value of money are made at the prevailing interest rates in the relevant market. The Group and the Company currently was applying discounting, using the rate close to market discount rate. Therefore, no effect on implementing of IFRS 15.

Contract combination, contract modifications arising from various orders, variable consideration: guidance is included on when to account for modifications retrospectively or progressively. The new guidance had no material revenue effect for the Group and the Company.

Disclosures: IFRS 15 adds a number of disclosure requirements in annual reports, e.g. to disaggregate revenues into categories that depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors.

The amount of adjustment for each financial statement line item affected by the application of IFRS 15 illustrated in Note 35.

IFRS 9 "Financial instruments" is effective as of 1 January 2018, and replaces IAS 39 "Financial instruments: Recognition and Measurement". As permitted by IFRS 9, the Group and the Company has chosen to implement the new standard without restating comparative figures for 2017. The standard's three main projects have been classification and measurement, impairment and hedge accounting. The Group and the Company performed an analysis of the effects on the financial assets and financial liabilities and the impact is not material to the Group's and the Company's financial statements.

The following new and amended standards and interpretations relevant to the Group and the Company are in certain cases in line with already applied interpretations and otherwise have had no or very limited impact on the financial statements:

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 -2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

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

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

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The Group and the Company has elected not to adopt new standard, amendments to existing standard and interpretation in advance of their effective dates. The Group and the Company anticipates that except for IFRS 16 the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Group and the Company in the period of initial application. The effect of IFRS 16 implementation is presented in Note 29.

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).

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

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

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

2.2 Consolidated financial statements

Basis of consolidation
The consolidated financial statements comprise the parent company Telia Lietuva, AB and all entities over which Telia Lietuva, AB 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. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled or not. Telia Lietuva, AB is assumed to have control if the group owns the majority of shares and the shares have equal voting rights attached, and a proportionate entitlement to a share of the returns of the entity and decisions about relevant activities are determined by majority votes.

Subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group 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 de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interest 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 value at the acquisition date.

The excess of the consideration transferred over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net identifiable assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of profit or loss.

Inter-company transactions, balances, income and expenses on transaction between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates
Associates are all entities over which the Group has significant influence (the power to participate in the financial and operating policy decisions of the investee) but not control. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investments is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment. The Group’s investment in associates includes goodwill identified on acquisition.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent in statement of profit or loss.

Business combination
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition – date fair values of the assets transferred by the Group, liabilities incurred by Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition – related costs are generally recognised in profit or loss as incurred.

Though business combinations involving entities under common control are outside the scope of IFRS 3. If there is a commercial substance, the Group’s and the Company’s accounting policy for such business combinations is based on the requirements of IFRS 3. If there is no commercial substance, the Group’s and the Company’s accounting policy for such business combinations is based on a method similar to pooling of interest where carrying amounts from consolidated financial statements of the Group are used.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

2.3 Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group’s entities as well as the separate and consolidated financial statements are presented in Euro (EUR), which is the functional currency of the Company and all subsidiaries.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and

liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

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

2.4 Property, plant and equipment

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

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

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

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

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

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

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

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

2.5 Intangible assets

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

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

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

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

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

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

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

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

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

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company and 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 ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

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

2.6 Investment property

Property that is held for undetermined use and that are not occupied by the entities in the consolidated Group, are classified as investment property. Investment property comprises construction in progress.

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

Investment properties of the Group are stated at cost less accumulated depreciation and any accumulated impairment losses. Transaction costs are included on initial recognition. The fair values of investment properties are disclosed in the Note 16.

2.7 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

2.8 Goodwill

Goodwill is initially recognised and measured as set out above.

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

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

2.9 Financial assets

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

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

2.9.1 Classification of financial assets

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

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

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

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

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

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

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

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

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

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

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

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (Note 10).

2.9.2 Impairment of financial assets

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

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

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

2.9.3 Derecognition of financial assets

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

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

2.10 Financial liabilities

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

2.10.1 Financial liabilities measured subsequently at amortised cost

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

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

2.10.2 Derecognition of financial liabilities

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

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

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

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

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

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

2.12 Inventories

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

2.13 Cash and cash equivalents

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

2.14 Assets held for sale

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

2.15 Issued capital

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

2.16 Trade payables

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

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

2.17 Borrowings

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

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

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

Borrowings are disclosed in the Note 25.

2.18 Accounting for leases – where the Company or the Group is the lessee

Finance lease
Where the Company or the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Company or the Group is classified as finance lease. The assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the statement of profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term if the Company or the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

If sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not recognised immediately and is deferred and amortised over the lease term. The deferred amount is carried as deferred revenue included in line ‘Deferred revenue and accrued liabilities’ in the statement of financial position.

Operating lease
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

On 1 January 2019 the new IFRS 16 “Leases” is introduced. The future effect of IFRS16 is presented in Note 29.

2.19 Accounting for leases – where the Company or the Group is the lessor

Operating lease
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases (net of any incentives provided to the lessee) are credited to the statement of profit or loss on a straight-line basis over the period of the lease. When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of asset.

On 1 January 2019 the new IFRS 16 “Leases” is introduced. The future effect of IFRS16 is presented in Note 29.

2.20 Provisions

Provisions are recognised when the Company or the Group has 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.

Restructuring provisions are recognised in the period in which the Company or the Group becomes legally or constructively committed to payment. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the present obligation at the end of the reporting period.

2.21 Income tax

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

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

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

Profit for 2018 is taxable at a rate of 15% (2017: 15%) in accordance with Lithuanian regulatory legislation on taxation.

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

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

According to Lithuanian legislation, tax losses accumulated as at 31 December 2018 are carried forward indefinitely except for tax loss arising from the transfer of securities.

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

2.22 Revenue recognition

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

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

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

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

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

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

Some bundled offerings include lease components, e.g. TV boxes, as well as non-lease components, e.g. subscription. In those arrangements, the transaction price is allocated to both the lease components and non-lease

components identified as separate performance obligations. The lease components are then accounted for as either an operating lease or a finance lease depending on the lease classification. Revenue for the non-lease components are recognized when or as the performance obligations are satisfied. Equipment that can be used only in connection with services provided by the Group and the Company and that have no other significant function for the customer than delivering the service, e.g. routers, is not accounted for as a separate performance obligation. In such arrangements, the transaction price is allocated to the performance obligations identified, i.e. no part of the transaction price is allocated to the equipment. Any consideration received upfront, when the equipment is delivered, is recognized as a contract liability and recognized as revenue when or as the identified performance obligations are satisfied.

2.23 Interest income

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

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

2.24 Dividend income

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

2.25 Employee benefits

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

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

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

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

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

2.26 Dividend distribution

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

Withholding tax on dividends paid to legal entities amounts to 15% (2017: 15%). According to statutory law, participation exemption (i.e. no withholding tax on dividends) could be applied when shareholder holds more than 10% of share capital and retains the holding for more than one year. There is also withholding tax exemption on dividends paid to pension and investment funds.

2.27 Segment information

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

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

Other segment includes technology division and support units financial performance.

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

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

Group's segment reporting 2017 restated:

	January – December 2017			
	B2B	**B2C**	**Other**	**Total**
Revenue from external customers	**157,928**	**208,042**	**2,666**	**368,636**
Operating expenses external	(82,256)	(94,006)	(72,545)	(248,807)
Operational result	**75,672**	**114,036**	**(69,879)**	**119,829**
Impairment of fixed assets		-	-	-
Other income				-
Other gain/ (loss) – net				357
Depreciation and amortisation of non-current assets				(67,044)
Operating profit				**53,142**

Group's segment reporting 2018:

	January – December 2018			
	B2B	**B2C**	**Other**	**Total**
Revenue from external customers	**155,051**	**218,518**	**2,925**	**376,494**
Operating expenses external	(76,893)	(92,100)	(80,218)	(249,211)
Operational result	**78,158**	**126,418**	**(77,293)**	**127,283**
Impairment of fixed assets	-	-	-	-
Other income				-
Other gain / (loss) – net				154
Depreciation and amortisation of non-current assets				(64,522)
Operating profit				**62,915**

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3 Financial risk management

3.1 Financial risk factors

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

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

Market risk

Foreign exchange risk
The Group and the Company operates in euro zone and main stream of revenue and payments are in euro therefore its exposure to currency risk is not significant. Certain foreign exchange risk exposure arises from the Company’s international activities with foreign telecommunication operators and suppliers from outside the euro zone and is primarily related to settlements in US Dollars (USD). Substantially all the Company’s and the Group’s trade payables and trade receivables in foreign currency are short-term and insignificant as compared to total cash pool in EUR. As the foreign exchange risk is insignificant, the sensitivity analysis of foreign exchange risk is not disclosed. The Group manages foreign exchange risk by minimising the net exposure to open foreign currency position. Further exposure to foreign exchange risk is disclosed in Notes 20, 21, 24 and 25.

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

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

	2018
Financial assets	
Accounts receivables with differed payments	61,081
Financial liabilities	
Loans with variable interest rate	60,000
ARO	10,934
Pensions accruals	259
Accounts payables with differed payment	8,573

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

	Interest rate applied	Change in interest rate (-100 basis points)	Change in interest rate (+100 basis points)	Delta, KEUR
Financial assets				
Accounts receivables with differed payments	5,21%	61,726	60,436	645
Financial liabilities				
Loans with variable interest rate	0,84%	62,988	56,988	2,988 / (3,012)
ARO	2,70%	12,584	10,106	1,650 / (828)
Pensions accruals	2,70%	237	262	22 / (3)
Accounts payables with differed payment	2,21%	9,147	8,047	574 / (526)
Total				

Credit risk

The financial assets exposed to credit risk represent cash deposits and trade receivables. The Company and the Group did not have any held-to-maturity investments at the end of 2018.

All the new customers (corporate and private) are being investigated for creditworthiness before contract signing in both mobility and broadband parts. Customer bill payment control consists of a number of various reminders regarding bill payment term expiration and consequently services are limited after 3-6 days since the last reminder for all indebted customers, and after further 33-36 days provision of services is fully terminated and penalties are issued. Debts are transferred to credit bureau. After sending additional reminding letters bad debts are handed over to external bad debt collection agencies for debt recovery. There is possibility to sell B2C debts after unsuccessful recovery.

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

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

Liquidity risk

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

Liquidity risk relates to the availability of sufficient funds for debt service, capital expenditure and working capital requirement or dividend payment. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Accordingly, the Group’s management implemented formal procedures for liquidity risk management, where minimum required liquidity position (calculated as cash and cash equivalents plus undrawn committed credit facilities) should at any time exceed the level of 2% of planned annual revenue.

The Group and the Company has internal control processes and contingency plans for managing liquidity risk. The short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from operations.
For the maturity analysis of the undiscounted cash flows of the Company’s and the Group’s borrowings, into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date see Note 25.

Operational transaction exposure sensitivity

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

The sensitivity analysis based on the assumption that the operational transaction exposure is equivalent to that in 2018 did not reveal any significant interest rate or currency exchange risk, no hedging measures were taken.

Fair value estimation

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

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

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

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

The classification of financial instruments in the fair value hierarchy is a two-step process:
1) Classifying each input used to determine the fair value into one of the three levels;
2) Classifying the entire financial instrument based on the lowest level input that is significant to the fair value in its entirety.

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

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

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

Assets and liabilities for which fair value is disclosed

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

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Company and the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares.

The Company and the Group defines capital as equity which is disclosed in the statement of financial position.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a joint stock company must be not less than EUR 40,000, and the shareholders' equity should not be lower than 50% of the company's registered share capital. As at 31 December 2018 and as at 31 December 2017 the Company complied with these requirements.

The Company's and the Group's operations are financed by the external parties as well as by the shareholders' capital. The Group had finance lease and vendor financing liabilities plus outstanding EUR 127.5 million external loans with Lithuanian and foreign banks and outstanding EUR 10 million internal loan from Telia Company AB at the end of 2018. For more detailed borrowings related information see Note 25.

The Company and the Group is not subject to any externally imposed capital requirements.

3.3 Fair value estimation

The carrying value less impairment losses of trade receivables and carrying value of payables are assumed to approximate their fair value (as market rates are used).

3.4 Offsetting financial assets and financial liabilities

Financial assets

The following financial assets are subject to offsetting, according to criteria described in Note 2.11:

	GROUP		COMPANY	
	2018	**2017 restated**	**2018**	**2017 restated**
Trade and other receivable				
Gross amounts of recognized financial assets	110,359	109,507	110,431	109,567
Gross amounts of recognized financial liabilities set off in the statement of financial position	(2,269)	(3,892)	(2,269)	(3,892)
Net amounts of financial assets presented in the statement of financial position	**108,090**	**105,615**	**108,162**	**105,675**
Related amounts not set off in the statement of financial position	-	-	-	-
Net amount	**108,090**	**105,615**	**108,162**	**105,675**

Financial liabilities

The following financial liabilities are subject to offsetting, according to criteria described in Note 2.11:

	GROUP		COMPANY	
	2018	**2017 restated**	**2018**	**2017 restated**
Trade payables				
Gross amounts of recognized financial liabilities	190,810	209,767	191,137	210,145
Gross amounts of recognized financial assets set off in the statement of financial position	(2,269)	(3,892)	(2,269)	(3,892)
Net amounts of financial liabilities presented in the statement of financial position	**188,541**	**205,875**	**188,868**	**206,253**
Related amounts not set off in the statement of financial position	-	-	-	-
Net amount	**188,541**	**205,875**	**188,868**	**206,253**

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.5 and Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 15).

The purpose of impairment test is to ensure that assets are carried at no more than their recoverable amount. The recoverable amounts (that is, the higher of value in use and fair value less cost to sell) are normally determined on the basis of value in use, applying discounted cash flow calculations. In the recoverable amount calculations, management used assumptions that it believes are reasonable based on the best information available. The key assumptions in the value in use calculations were sales growth, EBITDA margin development, the weighted average return on assets (WARA), CAPEX-to-sales ratio, and the terminal growth rate of free cash flow. The value in use calculations were based on forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information. The forecasted cash flows were discounted at the weighted average return on assets (WARA). It represents a method of calculating a company's average cost of capital, in which each

category of capital is weighted in accordance with the share of that particular category of capital in overall company's financing. WARA mirrors the Internal rate of return (IRR), which is the expected result of the purchase price allocation (PPA). Weighted average cost of capital (WACC) is lower than IRR as a rational and knowledgeable market investor does not invest in projects, which yield is below WACC. Therefore, WACC is usually below WARA and IRR.

Goodwill was tested for impairment at 31 December 2018 and at 31 December 2017. Calculations were done using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Management determined budgeted profit after tax based on past performance, valued contracts with customers and its expectations of market development. Cash flows beyond the five-year period were extrapolated using the estimated rates as follows: for client base - growth rate perpetuity: 2%, discount rate: 13.6%; for trademarks: growth rate perpetuity: 0%, discount rate: 13%. Based on analysis performed, the management concluded no impairment loss.

Intangibles
Estimates concerning useful lives of intangibles are disclosed above and amortization charge for the year is disclosed in Note 15. Intangible assets with the estimated useful life and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. The estimations are done based on the entity's consideration of its own historical experience consistent with the highest and best use of the asset and with the expected use of the asset in future. Recognized intangible asset reflects the period over the asset will contribute. The estimation of the useful life for customer data basis was done based on the statistics of current amount of customers and the disconnected amount of customers over the period.

Based on the assumptions above no changes of useful lives for intangible assets were made over 2018.

Property, plant and equipment
Estimates concerning useful lives of property, plant and equipment due to constant technology advances – useful lives are disclosed above and depreciation charge for the year is disclosed in Note 14. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation charge. The useful lives of property, plant and equipment are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Furthermore, network infrastructure cannot be depreciated over a period that extends beyond the expiry of the associated license under which services are provided.

Impairment allowance for accounts receivable
Impairment allowance for accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgment. Judgment is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments. Current estimates of the Company and the Group could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

Allowance for doubtful receivables reflects estimated losses that result from the inability of customers to make required payments. Management determines the size of the allowance based on the likelihood of recoverability of accounts receivable taking into account actual losses in prior years and current collection trends.

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

5 Revenue

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Mobile services	121,120	106,957	121,305	98,130
Voice telephony services	59,076	76,302	58,779	77,440
Equipment sales revenue	77,732	69,115	77,735	66,134
Internet services	57,839	58,388	57,839	58,431
TV services	26,076	23,810	26,076	23,809
Data communication and network capacity services	19,125	19,157	19,128	19,271
IT services	10,204	9,574	10,519	9,472
Other services	5,322	5,333	6,347	5,122
Total	**376,494**	**368,636**	**377,728**	**357,809**

6 Cost of goods and services

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Costs of goods and services purchased	88,895	74,427	99,508	71,537
Network's interconnection	49,872	60,066	49,872	58,695
Network capacity costs	12,915	13,694	12,915	13,110
Total	**151,682**	**148,187**	**162,295**	**143,342**

7 Other income

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Income from dividends (Note 30)	-	-	295	1,070
Total	**-**	**-**	**295**	**1,070**

8 Other operating expenses and employee related expenses

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Energy, premises and transport costs	15,131	14,381	15,422	14,676
Marketing expenses	12,639	13,732	12,639	13,234
Maintenance and other services	6,795	7,593	6,686	7,252
Consultations and other services from group	5,936	5,589	5,936	4,909
Impairment of accounts receivable	1,627	1,211	1,627	1,200
Other expenses	4,181	3,723	4,082	14,074
Total	**46,309**	**46,229**	**46,392**	**55,345**

The social security contributions amounting to EUR 15.1 million for the Group and EUR 12.7 million for the Company (2016: EUR 14.7 million for the Group and EUR 10.3 million for the Company) are recognised as an expense on an accrual basis and are included within employee related expenses.

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

9 Other gain (loss)

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Gain on sales of property, plant and equipment	926	853	927	825
Loss on sales of property, plant and equipment	-	(460)	-	(460)
Gain/loss from investments in associates	(697)	-	(754)	-
Other gain (loss)	(75)	(36)	(75)	14
Total	**154**	**357**	**98**	**379**

10 Financial and investment activities

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Gain/loss from investments in subsidiaries	**683**	**-**	**92**	**-**
Interest income from instalments amortisation	1,367	1,314	1,367	1,239
Interest income on cash and cash equivalents	467	488	467	488
Foreign exchange gain (loss) on financing activities	58	-	58	-
Other finance income	117	147	117	147
Finance income	**2,009**	**1,949**	**2,009**	**1,874**
Interest expenses	(1,782)	(1,839)	(1,782)	(1,829)
Foreign exchange gain (loss) on financing activities	(422)	(158)	(422)	(157)
Other finance costs	(169)	(408)	(169)	(363)
Finance costs	**(2,373)**	**(2,405)**	**(2,373)**	**(2,349)**
Financial and investment activities – net	**319**	**(456)**	**(272)**	**(475)**

11 Income tax

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Current tax expenses	6,565	3,813	6,433	3,252
Deferred tax change (Note 26)	1,969	(1,204)	2,007	(1,431)
Income tax expenses	**8,534**	**2,609**	**8,440**	**1,821**

As at 1 January 2009, amendments to Law on Corporate Profit Tax came into effect which provides tax relief for investments in new technologies. As a result, the Company's calculated profit tax relief amounts for 2018 to EUR 3.4 million (2017: EUR 4.7 million). Investments in new technologies are capitalised as property, plant and equipment, and their depreciation is deductible for tax purposes, therefore, the tax relief does not create any deferred tax liability.

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties.

The Company's and the Group's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

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

11 Income tax (continued)

The tax on the Company's and the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Profit before income tax	**63,234**	**52,686**	**62,887**	**52,399**
Tax calculated at a tax rate of 15% (2017: 15%)	9,485	7,903	9,433	7,860
Non-taxable dividends received (tax effect)	-	-	(44)	(161)
Income not subject to tax (-) and expenses not deductible for tax purposes (+)	2,337	(10)	2,337	(779)
Tax relief	(3,363)	(4,698)	(3,363)	(4,546)
Other	75	(586)	77	(553)
Income tax expense recognized in profit or loss and other comprehensive income statement	**8,534**	**2,609**	**8,440**	**1,821**
Effective tax rate	13.50%	4.95%	13.42%	3.48%

12 Earnings per share

Basic earnings per share are calculated by dividing the net profit (loss) for the period by the weighted average number of ordinary shares in issue during the period. The Company and the Group has no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share.

The weighted average number of shares for both reporting periods amounted to 582,613 thousand.

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Net profit	**54,700**	**50,077**	**54,447**	**50,578**
Weighted average number of ordinary shares in issue (thousands)	582,613	582,613	582,613	582,613
Basic earnings per share (EUR)	**0.094**	**0.086**	**0.093**	**0.087**

13 Dividends per share

The dividends per share declared in respect of 2017 and 2016 and paid in 2018 and 2017 were EUR 0.07 and EUR 0.03 respectively.

14 Property, plant and equipment

The depreciation, amortisation and impairment charge in the statement of profit or loss items:

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Depreciation of property, plant and equipment	49,723	48,401	49,436	46,144
Impairment of property, plant and equipment	1,178	1,518	1,074	1,518
Amortisation of intangible assets (Note 15)	13,621	12,637	13,602	12,246
Impairment of intangible assets (Note 15)	-	3,584	-	3,584
Impairment of investment property (Note 16)	-	-	-	-
Total	**64,522**	**66,140**	**64,112**	**63,492**
Impairment of assets classified as held for sale	132	904	28	269
Total	**64,654**	**67,044**	**64,140**	**63,761**

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

14 Property, plant and equipment (continued)

In 2018, the Company revised useful lives of its property, plant and equipment.

GROUP	Land and buildings	Ducts and telecommu-nication equipment	Other tangible fixed assets	Construction in progress	Total
Year ended 31 December 2017 restated					
Opening net book amount	**22,704**	**238,257**	**4,852**	**26,005**	**291,818**
Additions	-	4,118	282	48,311	52,711
Reclassifications	(2,741)	68	-	183	(2,490)
Disposals and write-offs	(1,407)	(254)	(24)	-	(1,685)
Transfers from construction in progress	58	37,736	4,851	(42,645)	-
Depreciation charge	(1,079)	(45,276)	(2,046)	-	(48,401)
Impairment charge	(248)	(1,270)	-	-	(1,518)
Closing net book amount	**17,287**	**233,379**	**7,915**	**31,854**	**290,435**
At 31 December 2017 restated					
Cost	40,021	973,008	32,445	31,854	1,077,328
Accumulated depreciation	(22,734)	(736,730)	(24,530)	-	(783,994)
Impairment Charge	-	(2,899)	-	-	(2,899)
Net book amount	**17,287**	**233,379**	**7,915**	**31,854**	**290,435**
Year ended 31 December 2018					
Opening net book amount	**17,287**	**233,379**	**7,915**	**31,854**	**290,435**
Additions	-	156	-	39,086	39,242
Reclassifications	311	(40)	(4)	(980)	(713)
Disposals and write-offs	(1,272)	(196)	(58)	-	(1,526)
Transfers from construction in progress	988	52,471	512	(53,971)	-
Depreciation charge	(990)	(46,290)	(2,443)	-	(49,723)
Impairment charge	(132)	(1,033)	(13)	-	(1,178)
Closing net book amount	**16,192**	**238,447**	**5,909**	**15,989**	**276,537**
At 31 December 2018					
Cost	38,434	869,521	29,083	15,989	953,027
Accumulated depreciation	(22,242)	(628,460)	(23,174)	-	(673,876)
Impairment Charge	-	(2,614)	-	-	(2,614)
Net book amount	**16,192**	**238,447**	**5,909**	**15,989**	**276,537**

14 Property, plant and equipment (continued)

COMPANY	Land and buildings	Ducts and telecommuni-cation equipment	Other tangible fixed assets	Construction in progress	Total
Year ended 31 December 2017 restated					
Opening net book amount	**8,531**	**177,270**	**2,553**	**22,049**	**210,403**
Legal merger	8,227	59,390	2,271	4,563	74,451
Additions	-	4,115	282	47,142	51,539
Disposals and write-offs	(1,434)	(260)	(24)	-	(1,718)
Reclassifications	(1,319)	23	-	183	(1,113)
Transfers from construction in progress	58	37,368	4,658	(42,084)	-
Depreciation charge	(873)	(43,327)	(1,944)	-	(46,144)
Impairment charge	(248)	(1,270)	-	-	(1,518)
Closing net book amount	**12,942**	**233,309**	**7,796**	**31,853**	**285,900**
At 31 December 2017 restated					
Cost	32,778	970,244	30,617	31,853	1,065,492
Accumulated depreciation	(19,836)	(734,036)	(22,821)	-	(776,693)
Impairment charge	-	(2,899)	-	-	(2,899)
Net book amount	**12,942**	**233,309**	**7,796**	**31,853**	**285,900**
Year ended 31 December 2018					
Opening net book amount	**12,942**	**233,309**	**7,796**	**31,853**	**285,900**
Additions	-	156	-	39,085	39,241
Disposals and write-offs	(1,002)	(196)	(54)	-	(1,252)
Reclassifications	35	(42)	(4)	(979)	(990)
Transfers from construction in progress	988	52,453	531	(53,971)	1
Depreciation charge	(788)	(46,232)	(2,416)	-	(49,436)
Impairment charge	(28)	(1,033)	(13)	-	(1,074)
Closing net book amount	**12,147**	**238,415**	**5,840**	**15,988**	**272,390**
At 31 December 2018					
Cost	31,024	866,888	27,314	15,988	941,214
Accumulated depreciation	(18,877)	(625,859)	(21,474)	-	(666,210)
Impairment charge	-	(2,614)	-	-	(2,614)
Net book amount	**12,147**	**238,415**	**5,840**	**15,988**	**272,390**

During 2018, the Company reviewed the write-off principles of fully depreciated assets based on economical benefits criteria as disclosed in the accounting policy. Based on a new criterias the Company has written-off fully depreciated assets for EUR 137,698 thousand of acquisition cost.

The Company still uses depreciated property, plant and equipment with acquisition cost as at 31 December 2018 amounting to EUR 400,452 thousand (2017: EUR 495,889 thousand), comprising buildings with acquisition cost as at 31 December 2018 amounting to EUR 5,847 thousand (2017: EUR 6,265 thousand), plant and machinery with acquisition cost of EUR 377,959 thousand (2017: EUR 473,441 thousand) and other fixtures, fitting, tools and equipment with acquisition cost of EUR 16,646 thousand (2017: EUR 16,182 thousand).

14 Property, plant and equipment (continued)

The category 'Ducts and telecommunication equipment' includes terminal equipment leased by the group to third parties under operating leases with the following carrying amounts:

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Cost	53,312	52,026	53,312	52,026
Accumulated depreciation at 1 January	(33,233)	(30,263)	(33,233)	(30,263)
Depreciation charge for the year	(7,890)	(7,449)	(7,890)	(7,449)
Disposals and write-offs accumulated depreciation	8,467	4,479	8,467	4,479
Net book amount	**20,656**	**18,793**	**20,656**	**18,793**

15 Intangible assets

GROUP	Licenses and software	Goodwill	Other intangible assets*	Construction in progress*	Total
Year ended 31 December 2017					
Opening net book amount restated	**40,182**	**26,769**	**53,044**	**4,517**	**124,512**
Additions	5	-	-	11,182	11,187
Transfer from assets in construction	5,914	-	13	(5,927)	-
Reclassifications	-	-	-	2,923	2,923
Amortisation charge	(8,599)	-	(4,038)	-	(12,637)
Impairment charge	-	-	(3,584)	-	(3,584)
Closing net book amount	**37,502**	**26,769**	**45,435**	**12,695**	**122,401**
At 31 December 2017 restated					
Cost	109,998	29,408	61,733	12,695	213,834
Accumulated amortisation	(72,496)	(2,639)	(12,714)	-	(87,849)
Impairment charge	-	-	(3,584)	-	(3,584)
Net book amount	**37,502**	**26,769**	**45,435**	**12,695**	**122,401**
Year ended 31 December 2018					
Opening net book amount	**37,502**	**26,769**	**45,435**	**12,695**	**122,401**
Additions	-	-	-	22,722	22,722
Reclassifications	28,545	-	44	(28,580)	9
Amortisation charge	(9,919)	-	(3,702)	-	(13,621)
Closing net book amount	**56,128**	**26,769**	**41,777**	**6,837**	**131,511**
At 31 December 2018					
Cost	117,965	29,408	58,586	6,837	212,796
Accumulated amortisation	(61,837)	(2,639)	(13,225)	-	(77,701)
Impairment charge	-	-	(3,584)	-	(3,584)
Net book amount	**56,128**	**26,769**	**41,777**	**6,837**	**131,511**

*Construction in progress comprise intangible assets developed for internal use and provision of services, are expected to be completed within 2019.

Management determined budgeted profit after tax based on past performance, valued contracts with customers and its expectations of market development. Cash flows beyond the five-year period are extrapolated using the estimated rates as follows: for client base - growth rate perpetuity: 2%, discount rate: 13.6%; for trademarks: growth rate perpetuity: 0%, discount rate: 13%. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash generating units. Based on analysis performed, the management concluded no impairment loss.

15 Intangible assets (continued)

COMPANY	Licenses and software	Goodwill	Other intangible assets	Construction in progress	Total
Year ended 31 December 2017					
Opening net book amount restated	**7,114**	**-**	**354**	**2,679**	**10,147**
Legal merger	32,673	26,769	52,680	1,940	114,062
Additions	-	-	-	11,057	11,057
Transfer from assets in construction	5,898	-	13	(5,911)	-
Reclassifications	-	-	-	2,923	2,923
Amortisation charge	(8,214)	-	(4,032)	-	(12,246)
Impairment charge	-	-	(3,584)	-	(3,584)
Closing net book amount	**37,471**	**26,769**	**45,431**	**12,688**	**122,359**
At 31 December 2017 restated					
Cost	107,809	29,408	61,578	12,688	211,483
Accumulated amortisation	(70,338)	(2,639)	(12,563)	-	(85,540)
Impairment charge	-	-	(3,584)	-	(3,584)
Net book amount	**37,471**	**26,769**	**45,431**	**12,688**	**122,359**
Year ended 31 December 2018					
Opening net book amount	**37,941**	**26,769**	**45,431**	**12,688**	**122,359**
Additions	-	-	-	22,722	22,722
Reclassifications	28,542	-	42	(28,573)	11
Amortisation charge	(9,903)	-	(3,699)	-	(13,602)
Closing net book amount	**56,110**	**26,769**	**41,774**	**6,837**	**131,490**
At 31 December 2018					
Cost	115,772	29,408	58,430	6,837	210,447
Accumulated amortisation	(59,662)	(2,639)	(13,072)	-	(75,373)
Impairment charge	-	-	(3,584)	-	(3,584)
Net book amount	**56,110**	**26,769**	**41,774**	**6,837**	**131,490**

Provision of fixed, long distance and international telecommunication services (including transmission) is not a subject to licensing in Lithuania.

During 2018 year the Company reviewed the write-off principles of fully depreciated assets based on economical benefits criteria. Based on a new criterias the Company has written-off fully depreciated assets for EUR 23,759 thousand of acquisition cost.

The Company still uses amortised software and licenses with acquisition cost as at 31 December 2018 amounting to EUR 42,137 thousand (2017: EUR 41,910 thousand).

16 Investment property

As at 31 December 2018, the Company did not have any investment property.

As at 31 December 2017, the Group disclosed construction in progress as investment property. Management applied judgment in determining the classification of the construction in progress as investment property and, based on experience, considered that, since the future use of the asset is undetermined, it was appropriate to classify it as investment property. The actual outcome of the use was the sale of the asset in 2018 since it was not completed for use of the Group.

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

17 Investments in associates and subsidiaries

The movement in Investments in associates and subsidiaries during the period is as follows:

	GROUP		COMPANY	
	2018	**2017 restated**	**2018**	**2017 restated**
At the beginning of year	**650**	**-**	**6,817**	**151,434**
Acquisition / increase of share capital of associates[1]	650	700	650	700
Legal merger	-	-	-	(145,317)
Divestment/ reclass of subsidiaries and associates[1]	(637)	-	(3,345)	-
Result of associates	(663)	(50)	-	-
At end of year	**-**	**650**	**4,122**	**6,817**

[1]In December 2017, Telia Lietuva, AB together with other two largest Lithuanian mobile operators – UAB Bitė Lietuva and UAB Tele2 – each acquired a 33.3 per cent stake in UAB Mobilieji Mokėjimai. The authorized capital of the company amounts to EUR 2.1 million. Mobilieji Mokėjimai is creating the first instant payments platform in the Baltic States, which will be called MoQ ("móku") and will function as a means of payment at points of sale, on the Internet, and will allow customers to make money transfers between themselves. All payments between MoQ users will be made instantaneously and at any time of the day. In May 2017, the Bank of Lithuania granted a limited activity electronic money institution license to Mobilieji Mokėjimai required for activities related to instant payments. In July, the mobile operators got the permission of the European Commission to jointly create a common platform for the provision of the mobile payments service. In 2018 UAB Mobilieji Mokėjimai was reclassified as held for sale.

On 1 June 2018, the Company sold a 100 per cent stake in subsidiary Telia Global Services Lithuania UAB to Telia Company AB.

On 26 October 2018, the Company sold a 100 per cent stake in subsidiary UAB Verslo Investicijos to UAB Netfundus (Lithuania). UAB Verslo Investicijos was developing project at Lvovo str. 21A in Vilnius.

18 Inventories

	GROUP		COMPANY	
	2018	**2017 restated**	**2018**	**2017 restated**
Goods for resale	2,230	6,307	2,230	6,307
Supplies and consumables	5,952	4,935	5,952	4,935
Total	**8,182**	**11,242**	**8,182**	**11,242**

19 Financial instruments by category

The accounting policies for the financial instruments have been applied to the line item below:

	GROUP	
	2018	**2017 restated**
Assets as per statement of financial position		
Available-for-sale financial assets	596	-
Trade and other receivables	108,090	105,615
Cash and cash equivalents	28,725	23,166
Total	**137,411**	**128,781**

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

19 Financial instruments by category (continued)

	COMPANY	
	2018	2017 restated
Assets as per statement of financial position		
Available-for-sale financial assets	596	-
Trade and other receivables	108,162	105,675
Cash and cash equivalents	26,612	21,297
	135,370	**126,972**

All financial liabilities of the Group amounting to EUR 188,541 thousand (2017: EUR 205,875 thousand) and of the Company amounting to EUR 188,868 thousand (2017: EUR 206,253 thousand) fell under the category of other financial liabilities, there are no liabilities at fair value through profit and loss.

20 Trade and other receivables

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Trade receivables from business customers and residents	107,356	103,956	107,322	103,735
Trade receivables from other operators	3,032	4,029	3,032	4,029
Total trade receivables	**110,388**	**107,985**	**110,354**	**107,764**
Less: provision for impairment of receivables	(9,194)	(8,341)	(9,194)	(8,341)
Trade receivables – net	**101,194**	**99,644**	**101,160**	**99,423**
Receivables from companies collecting payments for telecommunication services	357	453	357	453
Prepaid expenses and other receivables	4,938	8,474	4,918	8,474
Receivables from related parties (Note 30)	3,781	2,538	3,907	2,670
	110,270	**111,109**	**110,342**	**111,020**
Less: non-current portion	(8,704)	(9,459)	(8,704)	(9,459)
Current portion	**101,566**	**101,650**	**101,638**	**101,561**

All non-current receivables are due within five years from the reporting date.

The fair values of trade and other receivables are approximate to their carrying values.

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

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As at 31 December 2018, the Group's trade receivables of EUR 110,388 thousand (2017: EUR 9,262 thousand) and the Company's trade receivable of EUR 110,354 thousand (2017: EUR 9.261 thousand) were impaired and provided for. The amount of the Group's provision was EUR 9,194 thousand as at 31 December 2018 (2017: EUR 8,341 thousand) and the amount of the Company's provision was EUR 9,194 thousand as at 31 December 2018 (2017: EUR 8,341 thousand). Impairment allowance by major part has been recognised on an issued invoices, based on the impairment rates assessed by management.

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

20 Trade and other receivables (continued)

The ageing of these receivables is as follows:

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Trade receivable total	**110,388**	**107,985**	**110,354**	**107,764**
Of which not overdue	97,062	89,225	97,028	89,004
Overdue up to 3 months	6,809	9,499	6,809	9,499
4 to 6 months	1,373	1,168	1,373	1,168
7 to 12 months	2,068	1,244	2,068	1,244
Over 12 months	3,076	6,849	3,076	6,849

The age of past due but not impaired accounts receivable is as follows:

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Total	**1,620**	**2,449**	**1,620**	**2,449**
Overdue up to 3 months	1,336	1,805	1,336	1,805
4 to 6 months	73	407	73	407
7 to 12 months	148	124	148	124
Over 12 months	63	113	63	113

The age of fully and partially impairment accounts receivables is as follows:

Total	**80,008**	**83,713**	**79,968**	**83,713**
Of which not overdue	68,302	67,402	68,262	67,402
Overdue up to 3 months	5,473	7,694	5,473	7,694
4 to 6 months	1,300	761	1,300	761
7 to 12 months	1,920	1,120	1,920	1,120
Over 12 months	3,013	6,736	3,013	6,736

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Currency				
EUR	109,391	107,829	109,463	107,740
Other currency	879	3,280	879	3,280
Total	**110,270**	**111,109**	**110,342**	**111,020**

Movements of impairment for trade receivables are as follows:

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
At the beginning of year	**8,341**	**8,666**	**8,341**	**3,454**
Acquirement during business combination	-	-	-	5,212
Receivables written off during the year as uncollectible	(945)	(1,231)	(945)	(1,231)
Provision for receivables impairment / Unused amount reversed (-)	1,798	906	1,798	906
At the end of year	**9,194**	**8,341**	**9,194**	**8,341**

20 Trade and other receivables (continued)

The recognition and release of provision for impaired receivables have been included in ‘Other operating expenses’ in the profit or loss (Note 8).

The other classes within trade and other receivables do not contain impaired assets.

21 Cash and cash equivalents

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Cash in hand and at bank	28,725	23,166	26,612	21,297
Total	**28,725**	**23,166**	**26,612**	**21,297**

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Currency				
EUR	28,709	23,163	26,596	21,294
USD	16	3	16	3
Total	**28,725**	**23,166**	**26,612**	**21,297**

The credit quality of cash in hand and at bank can be assessed by reference to Fitch long-term credit ratings (or equivalent by Standard & Poor’s):

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
AA-	21,336	10,477	21,336	10,464
A+	5,827	7,380	3,714	5,524
A	223	3,057	223	3,057
Other	1,339	2,252	1,339	2,252
Total	**28,725**	**23,166**	**26,612**	**21,297**

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents classified as other cash and cash equivalents.

22 Share capital

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

23 Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of 5% of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, is compulsory until the reserve including share premium reaches 10% of the share capital. The legal reserve can be used to cover the accumulated losses. The amount of the legal reserve surplus which exceeds the size of legal reserve required by the legislation can be added to retaining earnings for the profit distributing purpose.

At the end of year 2018 legal reserve – EUR 16.9 million.

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

24 Trade, other payables and accrued liabilities

	GROUP		COMPANY	
	2018	**2017 restated**	**2018**	**2017 restated**
Trade payables	18,200	31,038	16,831	30,862
Taxes, salaries and social security payable	8,959	10,297	9,815	9,912
Accrued liabilities	5,612	6,445	5,612	6,445
Amounts payable to related parties (Note 30)	1,605	2,080	2,747	3,158
Accruals to operators	1,981	1,841	1,981	1,841
Trade payables to operators	363	1,783	363	1,783
Other payables and deferred revenue	15,372	14,685	15,070	14,327
	52,092	**68,169**	**52,419**	**68,328**
Less non-current portion	(8,104)	(9,151)	(8,104)	(9,151)
Current portion	**43,988**	**59,018**	**44,315**	**59,177**

The carrying amounts of the trade and other payables are denominated in the following currencies:

	GROUP		COMPANY	
	2018	**2017 restated**	**2018**	**2017 restated**
Currency				
EUR	51,213	64,479	51,540	64,638
Other currency	879	3,690	879	3,690
Total	**52,092**	**68,169**	**52,419**	**68,328**

25 Borrowings

	GROUP		COMPANY	
	2018	**2017 restated**	**2018**	**2017 restated**
Current				
Borrowings	40,000	30,000	40,000	30,000
Reverse factoring	17,538		17,538	
Finance lease liabilities	827	1,385	827	1,385
	58,365	**31,385**	**58,365**	**31,385**
Non-current (due between 2 and 5 years)				
Borrowings	97,500	127,500	97,500	127,500
Finance lease liabilities	2,253	3,126	2,253	3,126
	99,753	**130,626**	**99,753**	**130,626**
Total borrowings	**158,118**	**162,011**	**158,118**	**162,011**

In 2018, the Company did not conclude any new lease agreements. In 2017, the Company concluded five lease agreements with SEB bank AB. Company’s finance leases concern company cars for employees, and other vehicles. There is subleasing. Cars lease agreements are for 5 years. All the borrowings denominated in EUR.

In 2018, the Company concluded new agreements with SEB Enskilda Banken (Sweden).

Reverse factoring or Supplier Invoice Financing (SIF) is a program where invoices are paid by 3rd party bank per 7days for the agreed fee which is covered by supplier. Company does not pay any credit fees and does not provide any additional collateral or guarantee to the bank. Company pays bank full amount in approximately one year period (actual term depends on few variables agreed between all 3 parties). There are 15 suppliers which participated in SIF program during 2018 and generated over 15 million Eur cash flow.

25 Borrowings (continued)

Company’s minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Minimum lease payments at 31 December 2017	872	3,940	-	4,812
Less future finance charges	(14)	(78)	-	(92)
Present value of minimum lease payments at 31 December 2017 restated	**858**	**3,862**	**-**	**4,720**
Minimum lease payments at 31 December 2018	854	3,089		3,943
Less future finance charges	(31)	(51)	-	(82)
Present value of minimum lease payments at 31 December 2018	**823**	**3,038**	**-**	**3,861**

26 Deferred income taxes

On 1 February 2017 AB Omnitel was merged into AB TEO LT, therefore, tax goodwill of 71,2 mio EUR was recognised upon the merger. The Company calculated deferred tax asset on the whole amount of goodwill of 10,7 million EUR, however, due to the negative binding ruling received from the Tax Authorities, allowance for the whole amount of deferred tax asset was also calculated. The negative binding ruling was appealed to the Supreme Administrative Court.

The net movement on the deferred tax liabilities and deferred tax assets is as follows:

	GROUP		COMPANY	
Deferred tax liabilities	**2018**	**2017 restated**	**2018**	**2017 restated**
At the beginning of year	**19,080**	**20,284**	**18,384**	**9,302**
Deferred tax liability from a business combination	-	-	-	10,513
Charged/ (credited) to profit or loss (Note 11)	1,969	(1,204)	2,008	(1,431)
At the end of year	**21,049**	**19,080**	**20,392**	**18,384**

The analysis of deferred tax assets and deferred tax liabilities is as the follows:

	GROUP		COMPANY	
Deferred tax liabilities	**2018**	**2017 restated**	**2018**	**2017 restated**
Deferred tax asset to be recovered / liability settled after more than 12 months	20,647	18,741	19,985	18,038
Deferred tax asset to be recovered / liability settled within 12 months	402	339	407	346
	21,049	**19,080**	**20,392**	**18,384**

According to Lithuanian tax legislation, investments in subsidiaries of the Company qualify for participation exemption, therefore deferred income tax liabilities have not been established on the unremitted earnings of subsidiaries.

The movement in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the period is as follows:

GROUP – deferred tax liabilities	**Investment relief[1]**	**Difference in useful lives[2]**	**Other**	**Total**
At 31 December 2017 restated	**2,998**	**9,169**	**9,517**	**21,684**
Charged / (credited) to profit or loss	(417)	872	1,245	1,700
At 31 December 2018	**2,581**	**10,041**	**10,762**	**23,384**

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

26 Deferred income taxes (continued)

GROUP – deferred tax asset	Tax losses	Other	Total
At 31 December 2017 restated	**-**	**(2,604)**	**(2,604)**
Charged / (credited) to profit or loss	-	269	269
At 31 December 2018	**-**	**(2,335)**	**(2,335)**

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of insignificant amount of losses that can be carried forward without expiry against future taxable income.

The movement in deferred tax asset and liabilities of the Company (prior to offsetting of balances) during the period is as follows:

COMPANY – deferred tax liabilities	Investment relief[1]	Difference in useful lives[2]	Other	Total
At 31 December 2017 restated	**2,379**	**18,209**	**392**	**20,980**
Charged / (credited) to profit or loss	(305)	1,118	928	1,741
At 31 December 2018	**2,074**	**19,327**	**1,320**	**22,721**

COMPANY – deferred tax asset	Tax losses	Other	Total
At 31 December 2017 restated	**-**	**(2,596)**	**(2,596)**
Charged / (credited) to profit or loss	-	267	267
At 31 December 2018	**-**	**(2,329)**	**(2,329)**

[1] under investments relief applied till year 2001, value of assets invested was deducted for income tax purpose in the year of investment. Further depreciation expenses of these assets are not tax-deductible therefore deferred tax liability was created. It will be fully utilized during useful lives of these assets.

[2] when depreciation is prolonged for accounting purposes, as useful lives set by tax laws are shorter than normal wear-and-tear rates.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	GROUP		COMPANY	
	2018	**2017 restated**	**2018**	**2017 restated**
Deferred tax asset	(2,335)	(2,604)	(2,329)	(2,492)
Offset with deferred tax liabilities	2,335	2,604	2,329	2,492
Deferred tax asset as per statement of financial position	**-**	**-**	**-**	**-**
Deferred tax liabilities	23,384	21,684	22,721	20,980
Offset with deferred tax asset	(2,335)	(2,604)	(2,329)	(2,596)
Deferred tax liabilities as per statement of financial position	**21,049**	**19,080**	**20,392**	**18,384**

27 Provisions

Group provisions movement during January-December 2018:

	Provision for restructuring	Assets retirement obligation	Total
Opening net book amount at 31 December 2017 restated	**13**	**10,728**	**10,741**
quisition of subsidiaries	-	-	-
Additions	37	247	284
Used provisions	(13)	(41)	(54)
Closing net book amount at 31 December 2018	**37**	**10,934**	**10,971**

The restructuring provision comprises of compensation to employees as a result of the restructuring plan approved by the Company and the Group. Provisions for restructuring are expected to be fully utilized during the year 2019.

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

28 Contingent liabilities and contingent assets

Guarantees
As at 31 December 2018, the aggregate guarantees (obligations guaranteed under tender and agreement performance arrangements) provided by AB SEB Bankas and AB Lietuvos Draudimas (Lithuanian Insurance) on behalf of the Company and the Group amounts to EUR 625 million (2017: EUR 1,187 million).

As at 31 December 2018, tender and performance guarantees represented the following expected maturities:

Expected maturity EUR in thousand	Jan-Mar 2019	Apr-Jun 2019	Jul-Sep 2019	Oct-Dec 2019	2020	2021	2022	2023 and later	Total
Guarantees	196	10	34	79	119	67	20	100	**625**

Minimum lease payments receivable
The future minimum lease payments to be received under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Not later than 1 year	5,372	3,954	5,372	3,954
Later than 1 year but not later than 5 years	2,749	1,761	2,749	1,761
Total	**8,121**	**5,715**	**8,121**	**5,715**

Minimum lease payments recognized in the statement of profit or loss and other comprehensive income during 2018 were EUR 7,527 thousand (2017: EUR 3,539 thousand).

Capital commitments
Capital expenditure contracted for at the reporting date but not recognized in the financial statements is as follows:

	GROUP		COMPANY	
	2018	2017 restated	2018	2017 restated
Property, plant and equipment	8,848	10,227	8,848	10,227
Intangible assets	656	1,179	656	1,179
	9,504	**11,406**	**9,504**	**11,406**

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

Operating lease commitments – where the Group is the lessee (AP)
The Company and the Group lease passenger cars, IT equipment and premises under operating lease agreements.

The operating lease expenditure charged to the statement of profit or loss are as follows:

	GROUP		COMPANY	
	2018	**2017 restated**	**2018**	**2017 restated**
Minimum lease payments	9,982	8,638	9,743	8,495
	9,982	**8,638**	**9,743**	**8,495**

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2018	**2017 restated**	**2018**	**2017 restated**
Not later than 1 year	10,447	7,908	10,380	7,908
Later than 1 year but not later than 5 years	11,582	11,783	11,314	11,783
Later than 5 years	9,767	10,532	9,748	10,532
Total	**31,796**	**30,223**	**31,442**	**30,223**

The Company's operating lease agreements primarily concern office and server space, leased buildings, land, vehicles and IT equipment. Certain contracts include renewal options for various periods of time. Subleasing consists mainly of office and server premises.

29 IFRS 16 "Leases"

IFRS 16 "Leases" replaces the current IAS 17 "Leases" and its associated interpretative guidance. The new standard is effective as at 1 January 2019. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the lessee. The new standard removes the classification of leases as operating leases or finance leases, for lessees, as is required by IAS 17 and, instead introduces a single accounting model. According to the new model, leases result in the lessee obtaining the right to use an asset during the estimated leas term and, if lease payments are made over time, also obtaining financing. The Group's and the Company's long term operating leases will be recognized as non-current assets and financial liabilities in the consolidated statement of financial position. Instead of operating lease expenses. The Group and the Company will recognize depreciation and interest expenses in the consolidated statement of comprehensive income. Lease payments will affect cash flow from operating activities (e.g. interest, low value asset leases and short-term leases), and cash flow from financing activities (repayment of the lease liability) in the cash flow statement. The new standard does not include significant changes to the requirements for accounting by lessors.

The Group and the Company will apply the new standard using the modified retrospective approach, which means that comparative figures will not be restated. The cumulative effect of applying IFRS 16 will be recognized at 1 January 2019. The lease liabilities attributable to leases which have previously been classified as operating leases under IAS 17 will be measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The Group and the Company will recognize a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to the lease, recognized as at 31 December 2018.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability under IFRS 16 at 1 January 2019, will be the carrying amount of the lease asset and lease liability accounted for under IAS 17 immediately before transition to IFRS 16.

29 IFRS 16 "Leases" (continued)

The initial application of IFRS 16 will have the following preliminary effects on the consolidated statement of financial position at the date of initial application 1 January 2019.

Preliminary IFRS 16 effects Eur in thousand	1 January, 2019
Right-of-use-asset	31,442
Deferred tax asset	4,716
Increase total assets	**36,158**
Lease liability, non-current	26,561
Deferred tax liability	4,716
Lease liability, current	4,881
Increase total liabilities	**36,158**

In the table above, deferred tax assets and tax liabilities attributable to the right of use asset and lease liability, have been offset where there is a legal enforceable right to set off the deferred taxes.

The Company has identified lease contracts relating to e.g. network equipment (e.g. copper, dark fiber, IRU and ducts), technical and non-technical space, technical and non-technical equipment, shops, land and cars.

In determining the balances above, the main judgements made are related to determining the lease terms and whether a contract is or contains a lease. Regarding lease terms, a majority of the lease contracts in the group includes options for the Company either to extend or to terminate the contract. When determining the lease term, the Company considers all facts and circumstances that creates an economic incentive to exercise an extension option, or not to exercise a termination option. Example of factors that are considered are; strategic plans, assessment of future technology changes, the importance of the underlying asset to the Company’s operations and/or costs associated with not extending or not terminating the lease.
The Company has reassessed whether a contract is or contains a lease at the date of initial application of IFRS 16. The Company has concluded that some agreements that were assessed to be a service contracts under IAS 17, meet the definition of a lease agreement and are in scope of IFRS 16.

The difference between the Company’s future minimum leasing fees under operating lease agreements in accordance with IAS 17 and the lease liability which will be recognized as of January 1, 2019, in accordance with IFRS 16 is mainly related to finance leases, estimated lease term extension periods and reassessments of whether a contract is or contains a lease.

Subleases
An intermediate lessor has to account for a head lease and a sublease as two separate contracts, applying both the lessee and lessor accounting requirements. This approach is considered to be appropriate because, in general, each contract is negotiated separately, with the counterparty to the sublease being a different entity from the counterparty to the head lease. Accordingly, for an intermediate lessor, the obligations that arise from the head lease are generally not extinguished by the terms and conditions of the sublease.

When the intermediate lessor enters into the sublease, the intermediate lessor:

- derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognises the net investment in the sublease;
- recognises any difference between the right-of-use asset and the net investment in the sublease in profit or loss; and
- retains the lease liability relating to the head lease in its statement of financial position, which represents the lease payments owed to the head lessor.

During the term of the sublease, the intermediate lessor recognises both finance income on the sublease and interest expense on the head lease.

29 IFRS 16 "Leases" (continued)

The initial application of IFRS 16 will have the following preliminary effects on the consolidated statement of financial position at the date of initial application 1 January 2019.

Preliminary IFRS 16 effects
Eur in thousand

	1 January, 2019
Right-of-use-asset	(2,797)
Trade receivables	3,077
Deferred tax asset	(420)
Increase total assets	**(140)**
Equity	322
Deferred tax liability	(462)
Increase total liabilities	**(140)**

30 Related party transactions

The Group is controlled by Telia Company AB (Sweden) which owns 88.15% of the Company’s shares and votes. The largest shareholder of Telia Company AB is Government of Sweden.

On 1 February 2017, the Company’s subsidiaries AB Omnitel (mobile telecommunications services) and AB Baltic Data Center (IT infrastructure services) were merged into the Company and the Company changed its name from TEO LT, AB to Telia Lietuva, AB. On 1 February 2017, the Company’s subsidiary UAB Lintel (Contact Center services) changed its name into Telia Customer Service LT, UAB.

On 6 December 2017, the Company together with UAB Tele2 and UAB Bitė Lietuva acquired an equal 33.3 per cent stakes in UAB Mobilieji Mokėjimai, each. In July 2017, the mobile operators got the permission of the European Commission to jointly create a common platform for the provision of the mobile payments service. The entity holds a limited activities electronic money institution license issued by the Bank of Lithuania for activities related to instant payments. In August 2018, UAB Mobilieji Mokėjimai started to provide instant payments service.

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

The following transactions were carried out with related parties:

Sales of telecommunication and other services to:

	GROUP		COMPANY	
	2018	2017	2018	2017
Telia Company AB and its subsidiaries	7,884	6,889	7,884	6,889
Sales of assets	983		983	
Divestment of subsidiary	151		151	
Subsidiaries of the Company	-	-	1,684	1,313
Total sales of telecommunication and other services	**9,018**	**6,889**	**10,702**	**8,202**
Sales of assets to subsidiaries	-	-	-	68
Total sales of assets and services	**9,018**	**6,889**	**10,702**	**8,270**

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

30 Related party transactions (continued)

Purchases of assets and services:

	GROUP		COMPANY	
	2018	**2017**	**2018**	**2017**
Purchases of assets from:				
Telia Company AB and its subsidiaries	2,176	356	2,176	356
Subsidiaries of the Company	-	-	-	-
	2,176	**356**	**2,176**	**356**
Purchases of services from:				
Telia Company AB and its subsidiaries	14,159	13,860	14,159	13,860
Subsidiaries of the Company	-	-	8,625	11,927
	14,159	**13,860**	**22,784**	**25,787**
Total purchases of assets and services	**16,335**	**14,216**	**24,960**	**26,143**

Year-end balances arising from sales / purchases of assets / services:

Receivables and accrued revenue from related parties:

	GROUP		COMPANY	
Receivables from related parties:	**2018**	**2017**	**2018**	**2017**
Long term receivables:				
Telia Company AB and its subsidiaries	195	251	195	251
Short-term receivables:				
Telia Company AB and its subsidiaries	4,490	1,974	4,490	1,974
Subsidiaries of the Company	-	-	195	132
	4,685	**2,225**	**4,880**	**2,357**
Accrued revenue from related parties:				
Telia Company AB and its subsidiaries	401	313	401	313
	401	**313**	**401**	**313**
Total receivables and accrued revenue from related parties	**5,086**	**2,538**	**5,281**	**2,670**

The receivables from related parties arise mainly from sale transactions and due one month after the date of sale. The receivables are unsecured in nature and bear no interest. No provision are held against receivables from related parties as at 31 December 2018 and 2017.

Payables and accrued expenses to related parties:

	GROUP		COMPANY	
	2018	**2017**	**2018**	**2017**
Payables to related parties:				
Telia Company AB and its subsidiaries	2,521	1,946	2,521	1,946
Subsidiaries of the Company	-	-	1,145	1,078
	2,521	**1,946**	**3,666**	**3,024**
Accrued expenses to related parties:				
Telia Company AB and its subsidiaries	14	134	14	134
	14	**134**	**14**	**134**
Total payables and accrued expenses to related parties	**2,535**	**2,080**	**3,680**	**3,158**

The payable to related parties arise mainly from purchase transactions and are due one month after date of purchase. The payables bear no interest.

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

30 Related party transactions (continued)

Borrowings from related parties:

	GROUP		COMPANY	
	2018	**2017**	**2018**	**2017**
Beginning of the year	**-**	**77,004**	**-**	**-**
Acquisition of subsidiaries	-	-	-	77,004
Borrowings	20,000	20,000	20,000	20,000
Repayments of borrowings (in cash)	(10,000)	(97,000)	(10,000)	(97,000)
Interest charged (including VAT)	73	150	73	150
Interest paid (including VAT)	(59)	(154)	(59)	(154)
End of the year	**10,014**	-	**10,014**	-

The borrowings from related parties have the following terms and conditions:

Name of the related party	Date of agreement	Original currency of agreement	Outstanding balance	Maturity	Interest rate
Year ended 31 December 2018					
Telia Company AB	21 May 2018	EUR	10,000	21 August 2018	0.324%
Telia Company AB	21 May 2018	EUR	10,000	21 November 2018	0.38%
Telia Company AB	21 August 2018	EUR	10,000	21 February 2019	0.384%
Year ended 31 December 2017					
AB Omnitel[2]	2 January 2017	EUR	1,200	1 February 2017	0.83%
AB Omnitel[2]	4 January 2017	EUR	3,800	1 February 2017	0.83%
Telia Company AB[3]	30 January 2017	EUR	70,000	30 May 2017	0.30%
Telia Company AB	29 May 2017	EUR	2,000	29 August 2017	0.321%
Telia Company AB	30 May 2017	EUR	10,000	30 November 2017	0.40%
Telia Company AB	3 July 2017	EUR	3,000	3 October 2017	0.32%

[2] As at 1 February 2018, AB Omnitel was merged into the Company.
[3] Prolongation of outstanding 29 December 2016 loan from Telia Company AB of EUR 77 million minus repayment of EUR 7 million.

As of 31 December 2018, the Company had an outstanding short-term internal loan of EUR 10 million provided by Telia Company AB under the Revolver Loan Agreement signed on 23 May 2017.

During 2018, the Company extended loans in total of EUR 350 thousand to UAB Mobilieji Mokėjimai, an associated entity where the Company holds 33.3 per cent. On 28 September 2018, the loan was converted into the share capital of UAB Mobilieji Mokėjimai and additional contribution to the share capital of EUR 300 thousand was made.

All transactions with related parties are carried out based on an arm’s length principle.

During 2018, dividends paid out to Telia Company AB amounted to EUR 35,952 thousand (2017: EUR 15,408 thousand dividends).

During 2018, dividends received by the Company from subsidiaries amounted to EUR 295 thousand (2017: EUR 1,070 thousand).

Remuneration of the Company’s and the Group’s key management

	2018	**2017**
Remuneration of key management personnel	3,487	3,919
Social security contributions on remuneration	1,087	1,181
Total remuneration	**4,574**	**5,100**

Key management includes CEO, Heads of Units directly reporting to CEO and Heads of the largest Units of the Company. The total number of top management personnel employed as at 31 December 2018 was 53 (as at 31 December 2017: 50).

30 Related party transactions (continued)

The total amount of annual payments (tantiemes) assigned to two independent members of the Board of the Company for the year 2017 during 2018 amounted to EUR 31 thousand (2017: for two members amounted to EUR 31 thousand). As at 31 December 2018, the amount of EUR 15.6 thousand of tantiemes assigned for the year 2010, was not paid to one member of the Board. All remuneration of the Company’s and the Group’s key management falls under short term employee benefits.

31 Costs to obtain a contract

Contract cost assets balance roll forward:

	Company	
	2018	2017 restated
Contract cost assets at the beginning of the year	**3,470**	**4,015**
Increase of contract assets due to new contracts within the year	6,762	4,319
Amortization expense of costs to obtain contracts	(5,057)	(4,864)
Contract cost assets as at 31 December	**5,175**	**3,470**

Costs to obtain a contract are incremental costs incurred resulting in obtaining a contract with a customer, where the Company would not have incurred if the contract had not been obtained. These costs are typically external commissions paid or internal commission or bonus paid related to obtaining a new contract. The asset is amortized on a straight-line basis over the average customer life period, assessed at a portfolio level. If the Company pays a significant commission on contract renewal, the asset is amortized over the minimum contract term.

32 Contract assets and liabilities

Contract assets balance roll forward:

	Company	
	2018	2017 restated
Current contract assets at 1 January	**1,303**	**1,408**
Increase in the balance due to new contract modification	1,626	1,024
Decrease in balance due to normal unwind or contract modification	(1,577)	(1,842)
Balance transfer from non-current to current contract assets	-	713
Current contract assets as at 31 December	**1,352**	**1,303**
Non-current contract assets at 1 January	**543**	**324**
Increase in the balance due to new contract modification	153	984
Decrease in balance due to normal unwind or contract modification	(166)	-
Balance transfer from non-current to current contract assets	-	(764)
Non-current contract assets as at 31 December	**530**	**544**
Total contract assets as at 31 December	**1,882**	**1,847**

Contract liability balance rollforward:	Company	
	2018	2017 restated
Current contract liabilities at 1 January	**645**	**42**
Increase in contract liability during the year	86	635
Derecognition of contract liability	(656)	(61)
Balance transfer from non-current to current contract liabilities	-	29
Current contract liabilities as at 31 December	**75**	**645**

32 Contract assets and liabilities (continued)

	Company	
	2018	2017 restated
Non-current contract liabilities at 1 January	**50**	**8**
Increase in the balance due to new contract modification	**-**	**71**
Decrease in balance due to normal unwind or contract modification	**-**	**-**
Balance transfer from non-current to current contract liabilities	(50)	(29)
Non-current contract liabilities as at 31 December	**-**	**50**
Total contract liabilities as at 31 December	**75**	**695**

33 Notes to the cash flow statement

	Group		Company	
	2018	2017 restated	2018	2017 restated
Cash in hand and at bank	28,725	23,166	26,612	21,297

	Group		Company	
	2018	2017 restated	2018	2017 restated
Dividends received	-	-	295	1,070
Interest received	467	150	467	150
Interest paid	1,766	(2,073)	1,766	(2,073)
Income taxes paid	(6,486)	(2,890)	(6,300)	(2,564)

34 Disposal of subsidiary

As referred to in note 17, on 1 June 2018 the Group disposed of its interest in Telia Global Services Lithuania, UAB and on 28 October 2018 the Group disposed of its interest in UAB Verslo Investicijos.

The net assets of Telia Global Services Lithuania, UAB and UAB Verslo Investicijos at the date of disposal were as follows:

	Telia Global Services Lithuania, UAB	UAB Verslo Investicijos
Property, plant and equipment	942	1,634
Intangible assets	576	-
Trade and other receivables	200	9
Cash and cash equivalents	856	394
Trade and other payables	(2,566)	(39)
Gain on disposal	142	(62)
Total consideration	**150**	**1,936**
Satisfied by:		
Cash and cash equivalents	150	1,936
Net cash inflow arising on disposal:		
Consideration received in cash and cash equivalents	150	1,936

34 Disposal of subsidiary (continued)

The impact of Telia Global Services Lithuania, UAB and UAB Verslo Investicijos on the Group's results in the current and prior years is disclosed in Note 17.

The gain on disposal is included in the profit for the year from discontinued operations (Note 17).

35 Restatement effects on consolidated and separate statement of financial position

The tables below present the impact of initial application of IFRS 15 on consolidated and separate financial statements for 2016 and 2017:

IFRS 15 effects on Consolidated and separate statements of financial position

	Group							
EUR in thousands	**Reported 2016**	**Change IFRS 15**	**Ref**	**Restated Jan 1, 2017**	**Reported 2017**	**Change IFRS 15**	**Ref**	**Restated 2017**
ASSETS								
Non-current assets								
Property, plant and equipment	291,818			291,818	290,435			290,435
Goodwill	26,769			26,769	26,769			26,769
Intangible assets	97,743			97,743	95,632			95,632
Investment property	1,277			1,277	1,277			1,277
Investments in associates and subsidiaries	-			-	650			650
Costs to obtain a contract (non-current)	-	4,015	a	4,015	-	3,470	a	3,470
Contract asset (non-current)	-	324	b	324	-	544	b	544
Trade and other receivables (non-current)	10,944	(595)	b	10,349	10,385	(926)	b	9,459
Deferred tax asset	-	8	c	8	-	104	c	104
	428,551	**3,752**		**432,303**	**425,148**	**3,192**	**-**	**428,340**
Current assets								
Inventories	10,135			10,135	11,242			11,242
Contract asset (current)	-	1,408	b	1,408	-	1,303	b	1,303
Trade and other receivables (current)	94,661	(1,650)	b	93,011	103,926	(2,276)	b	101,650
Current income tax receivable	722			722	174			174
Cash and cash equivalents	56,650			56,650	23,166			23,166
	162,168	**(242)**		**161,926**	**138,508**	**(973)**	**-**	**137,535**
Assets classified as held for sale	-			-	2,743			2,743
Total assets	**590,719**	**3,510**		**594,229**	**566,399**	**2,219**	**-**	**568,618**
EQUITY								
Capital and reserves attributable to equity holders of the Company								
Share capital	168,958			168,958	168,958			168,958
Legal reserve	16,896			16,896	16,896			16,896
Retained earnings	84,472	2,935	d	87,407	118,798	1,207	d	120,005
Total equity	**270,326**	**2,935**		**273,261**	**304,652**	**1,207**	**-**	**305,859**
LIABILITIES								
Non-current liabilities								
Borrowings (non-current)	97,500			97,500	130,626			130,626
Deferred tax liabilities	20,284	525	c	20,809	18,867	317	c	19,184
Deferred revenue and accrued liabilities	9,897			9,897	9,151			9,151
Contract liability (non-current)	-	8	b	8	-	50	b	50
Provisions (non-current)	6,627			6,627	10,728			10,728
	134,308	**533**		**134,841**	**169,372**	**367**	**-**	**169,739**
Current liabilities								
Trade, other payables and accrued liabilities	55,114			55,114	59,018			59,018
Current income tax liabilities	1,068			1,068	1,959			1,959
Borrowings (current)	129,500			129,500	31,385			31,385
Contract liability (current)	-	42	b	42	-	645	b	645
Provisions (current)	403			403	13			13
	186,085	**42**		**186,127**	**92,375**	**645**	**-**	**93,020**
Total liabilities	**320,393**	**575**		**320,968**	**261,747**	**1,012**	**-**	**262,759**
Total equity and liabilities	**590,719**	**3,510**		**594,229**	**566,399**	**2,219**	**-**	**568,618**

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

35 Restatement effects on consolidated and separate statement of financial position (continued)

IFRS 15 effects on Consolidated and separate statement of profit or loss and other comprehensive income

	Group				
EUR in thousands	**Reported 2016**	**Reported 2017**	**Change IFRS 15**	**Ref**	**Restated 2017**
Revenue	345,906	370,123	(1,487)	b	368,636
Cost of goods and services	(128,878)	(148,187)			(148,187)
Employee related expenses	(59,446)	(57,781)	3,390	a	(54,391)
Other operating expenses	(46,211)	(42,294)	(3,935)	a	(46,229)
Other income	-	-			-
Other gain / (loss) – net	9	357			357
Depreciation, amortization and impairment of fixed assets	(63,233)	(67,044)			(67,044)
Impairment of investments in subsidiaries	-	-			-
Operating profit	**48,147**	**55,174**	**(2,032)**		**53,142**
Finance income	1,415	1,949			1,949
Finance costs	(2,485)	(2,405)			(2,405)
Finance income (costs) – net	(1,070)	(456)	-		(456)
Profit before income tax	**47,077**	**54,718**	**(2,032)**		**52,686**
Income tax	(5,583)	(2,913)	304	c	(2,609)
Profit for the year	**41,494**	**51,805**	**(1,728)**		**50,077**
Other comprehensive income:					
Other comprehensive income for the year	-	-			-
Total comprehensive income for the year	**41,494**	**51,805**	**(1,728)**		**50,077**

35 Restatement effects on consolidated and separate statement of financial position (continued)

IFRS 15 effects on Consolidated and separate statements of financial position

EUR in thousands	Company							
	Reported 2016	Change IFRS 15	Ref	Restated Jan 1, 2017	Reported 2017	Change IFRS 15	Ref	Restated 2017
ASSETS								
Non-current assets								
Property, plant and equipment	210,403			210,403	285,900			285,900
Goodwill	-			-	26,769			26,769
Intangible assets	10,147			10,147	95,590			95,590
Investment property	-			-	-			-
Investments in associates and subsidiaries	151,434			151,434	6,817			6,817
Costs to obtain a contract (non-current)	-	4,015	a	4,015	-	3,470	a	3,470
Contract asset (non-current)	-	324	b	324	-	544	b	544
Trade and other receivables (non-current)	5,477	(595)	b	4,882	10,385	(926)	b	9,459
Deferred tax asset	-	8	c	8	-	104	c	104
	377,461	**3,752**		**381,213**	**425,461**	**3,192**	**-**	**428,653**
Current assets								
Inventories	1,157			1,157	11,242			11,242
Contract asset (current)	-	1,408	b	1,408	-	1,303	b	1,303
Trade and other receivables (current)	37,220	(1,650)	b	35,570	103,837	(2,276)	b	101,561
Current income tax receivable	-			-	-			-
Cash and cash equivalents	31,015			31,015	21,297			21,297
	69,392	**(242)**		**69,150**	**136,376**	**(973)**	**-**	**135,403**
Assets classified as held for sale	-			-	1,973			1,973
Total assets	**446,853**	**3,510**		**450,363**	**563,810**	**2,219**	**-**	**566,029**
EQUITY								
Capital and reserves attributable to equity holders of the Company								
Share capital	168,958			168,958	168,958			168,958
Legal reserve	16,896			16,896	16,896			16,896
Retained earnings	68,056	2,935	d	70,991	116,746	1,207	d	117,953
Total equity	**253,910**	**2,935**		**256,845**	**302,600**	**1,207**	**-**	**303,807**
LIABILITIES								
Non-current liabilities								
Borrowings (non-current)	97,500			97,500	130,626			130,626
Deferred tax liabilities	9,302	525	c	9,827	18,171	317	c	18,488
Deferred revenue and accrued liabilities	972			972	9,151			9,151
Contract liability (non-current)	-	8	b	8	-	50	b	50
Provisions (non-current)	-			-	10,728			10,728
	107,774	**533**		**108,307**	**168,676**	**367**	**-**	**169,043**
Current liabilities								
Trade, other payables and accrued liabilities	31,263			31,263	59,177			59,177
Current income tax liabilities	1,068			1,068	1,959			1,959
Borrowings (current)	52,500			52,500	31,385			31,385
Contract liability (current)	-	42	b	42	-	645	b	645
Provisions (current)	338			338	13			13
	85,169	**42**		**85,211**	**92,534**	**645**	**-**	**93,179**
Total liabilities	**192,943**	**575**		**193,518**	**261,210**	**1,012**	**-**	**262,222**
Total equity and liabilities	**446,853**	**3,510**	**-**	**450,363**	**563,810**	**2,219**	**-**	**566,029**

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

35 Restatement effects on consolidated and separate statement of financial position (continued)

IFRS 15 effects on Consolidated and separate statement of profit or loss and other comprehensive income

	Company				
EUR in thousands	**Reported 2016**	**Reported 2017**	**Change IFRS 15**	**Ref**	**Restated 2017**
Revenue	**204,065**	**359,296**	**(1,487)**	**b**	**357,809**
Cost of goods and services	(63,425)	(143,342)			(143,342)
Employee related expenses	(39,862)	(47,326)	3,390	a	(43,936)
Other operating expenses	(28,186)	(51,410)	(3,935)	a	(55,345)
Other income	4,400	1,070			1,070
Other gain / (loss) – net	103	379			379
Depreciation, amortization and impairment of fixed assets	(35,204)	(63,761)			(63,761)
Impairment of investments in subsidiaries	(1,850)	-			-
Operating profit	**40,041**	**54,906**	**(2,032)**		**52,874**
Finance income	338	1,874			1,874
Finance costs	(1,707)	(2,349)			(2,349)
Finance income (costs) – net	**(1,369)**	**(475)**	**-**		**(475)**
Profit before income tax	**38,672**	**54,431**	**(2,032)**		**52,399**
Income tax	(4,682)	(2,125)	304	c	(1,821)
Profit for the year	**33,990**	**52,306**	**(1,728)**		**50,578**
Other comprehensive income:					
Other comprehensive income for the year	-	-			-
Total comprehensive income for the year	**33,990**	**52,306**	**(1,728)**		**50,578**

a) Employee related and other operating expenses in 2017 increased due to capitalization of costs to obtain a contract. The net effect of EUR 545 thousand was led by 2017 amortization of the capitalized contract costs which is included in other operating expenses.

b) The effect on revenue is related to refining of the Group's and the Company's current revenue model for bundled offerings which resulted in the recognition of contract asset and contract liability.

c) The deferred tax relating to the IFRS 15 adjustments increased deferred tax liabilities and assets at the date of transition 1 January 2017 and decreased deferred tax liabilities at 31 December 2017. The tax effect on net income 2017 was EUR 304 thousand.

d) The implementation of IFRS 15 had a negative profit or loss effect of EUR 1,728 thousand for 2017. The decrease is mainly related to refined revenue model calculation for bundled mobility offerings.

36 Events after the reporting period

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

On 8 January 2019, the Company signed a Share subscription agreement regarding an increase of share capital of UAB Mobilieji Mokėjimai by additional contribution of EUR 350 thousand.

On 14 January, 2019 there was received a recommendation from Bank of Lithuania to review and where necessary adjust useful lives of assets so that they comply with IAS 17 and 38.

There is a standard and regular process performed in a Company regarding assets useful lives review according international accounting standards. As a usual step, Company performed the review at the year end and starting from 2019 January there were changes in some of assets useful lives categories. After a Company received Bank of Lithuania recommendation, there was performed additional check and validation and by the time of financial statements issue major part of assets categories review process was completed. Estimated impact of changes of assets useful lives will not have any material impact on a Company costs.

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No 22 of the Law on Securities of the Republic of Lithuania and Rules on Information Disclosure of the Bank of Lithuania, we, Dan Strömberg, CEO of Telia Lietuva, AB, and Arūnas Lingė, Head of Finance of Telia Lietuva, AB, hereby confirm that, to the best of our knowledge, Telia Lietuva, AB Consolidated and Separate Financial Statements as of and for the year ended 31 December 2018 as set out on above are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of the Company and the Group of undertakings.

Dan Strömberg
CEO

Arūnas Lingė
Head of Finance