



TEO LT, AB
FINANCIAL STATEMENTS, CONSOLIDATED ANNUAL AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

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Independent auditor's report

Independent auditor’s report (continued)

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Approved by the Annual General Meeting
of Shareholders as at ___ April 2014

		Year ended 31 December			
		GROUP		COMPANY	
Note		2013	2012	2013	2012
	Revenue	720,589	760,174	671,983	696,919
	Cost of goods and services	(174,249)	(201,572)	(164,314)	(177,991)
	Employee related expenses	(170,194)	(170,465)	(125,895)	(124,213)
	Other operating expenses	(84,863)	(83,216)	(109,926)	(112,933)
	Other income	361	994	3,643	6,375
	Other gain/ (loss) - net	1,093	1,166	952	1,054
	Depreciation, amortisation and impairment of fixed assets	(127,654)	(130,562)	(117,177)	(118,564)
	Operating profit	165,083	176,519	159,266	170,647
	Finance income	865	1,317	863	1,289
	Finance costs	(376)	(534)	(358)	(469)
	Finance income/ costs - net	489	783	505	820
	Profit before income tax	165,572	177,302	159,771	171,467
	Income tax	(16,421)	(18,235)	(14,930)	(16,598)
	Profit for the year	149,151	159,067	144,841	154,869
	Other comprehensive income:				
	Other comprehensive income for the year	-	-	-	-
	Total comprehensive income for the year	149,151	159,067	144,841	154,869
	Profit and comprehensive income attributable to:				
	Owners of the Parent	149,151	159,067	144,841	154,869
	Minority interests	-	-	-	-
	Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in Litas per share)	0.192	0.205	0.186	0.199

The notes on pages 10 to 50 form an integral part of these financial statements.

The financial statements on pages 5 to 50 have been approved for issue by the Board of Directors as at 20 March 2014 and signed on their behalf by the General Manager and the Chief Financial Officer:

Kęstutis Šliužas
General Manager

Giedrius Vegys
Chief Financial Officer

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

BALANCE SHEET

Approved by the Annual General Meeting of
Shareholders as at ____ April 2014

		As at 31 December				
		GROUP		COMPANY		
Note		2013	2012	2013	2012	
ASSETS						
Non-current assets						
	Property, plant and equipment	14	771,895	755,137	735,400	715,547
	Intangible assets	15	50,259	41,797	36,205	26,085
	Investment property	16	10,794	10,794	-	-
	Investments in subsidiaries	17	-	-	43,527	43,527
	Trade and other receivables	19	3,987	2,322	8,967	6,784
	Deferred tax assets	26	236	364	-	-
			837,171	810,414	824,099	791,943
Current assets						
	Inventories		2,203	4,073	2,187	4,044
	Trade and other receivables	19	96,174	109,160	88,486	100,612
	Current income tax receivable		166	52	113	-
	Held-to-maturity investments	20	79,698	60,045	79,698	60,045
	Cash and cash equivalents	21	144,891	175,598	123,870	159,736
			323,132	348,928	294,354	324,437
	Total assets		1,160,303	1,159,342	1,118,453	1,116,380
EQUITY						
Capital and reserves attributable to equity holders of the Company						
	Share capital	22	776,818	776,818	776,818	776,818
	Legal reserve	23	77,682	77,682	77,682	77,682
	Retained earnings		184,087	190,300	150,145	160,668
	Total equity		1,038,587	1,044,800	1,004,645	1,015,168
LIABILITIES						
Non-current liabilities						
	Borrowings	25	1,266	2,282	1,266	2,282
	Deferred tax liabilities	26	22,183	18,581	18,998	15,333
	Deferred revenue and accrued liabilities	24	5,479	3,463	5,386	3,275
			28,928	24,326	25,650	20,890
Current liabilities						
	Trade, other payables and accrued liabilities	24	91,700	88,647	87,142	79,167
	Current income tax liabilities		72	592	-	178
	Borrowings	25	1,016	977	1,016	977
			92,788	90,216	88,158	80,322
	Total liabilities		121,716	114,542	113,808	101,212
	Total equity and liabilities		1,160,303	1,159,342	1,118,453	1,116,380

The notes on pages 10 to 50 form an integral part of these financial statements.

Kęstutis Šliužas
General Manager

Giedrius Vegys
Chief Financial Officer

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

STATEMENT OF CHANGES IN EQUITY

Approved by the Annual General Meeting of Shareholders as at ____ April 2014

GROUP	Note	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2012		776,818	77,682	186,597	1,041,097
Net profit		-	-	159,067	159,067
Total comprehensive income for the 2012		-	-	159,067	159,067
Dividends paid for 2011	13	-	-	(155,364)	(155,364)
Balance at 31 December 2012		776,818	77,682	190,300	1,044,800
Balance at 1 January 2013		776,818	77,682	190,300	1,044,800
Net profit		-	-	149,151	149,151
Total comprehensive income for the 2013		-	-	149,151	149,151
Dividends paid for 2012	13	-	-	(155,364)	(155,364)
Balance at 31 December 2013		776,818	77,682	184,087	1,038,587
COMPANY	Note	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2012		776,818	77,682	161,163	1,015,663
Net profit		-	-	154,869	154,869
Total comprehensive income for the 2012		-	-	154,869	154,869
Dividends paid for 2011	13	-	-	(155,364)	(155,364)
Balance at 31 December 2012		776,818	77,682	160,668	1,015,168
Balance at 1 January 2013		776,818	77,682	160,668	1,015,168
Net profit		-	-	144,841	144,841
Total comprehensive income for the 2013		-	-	144,841	144,841
Dividends paid for 2012	13	-	-	(155,364)	(155,364)
Balance at 31 December 2013		776,818	77,682	150,145	1,004,645

The notes on pages 10 to 50 form an integral part of these financial statements.

Kęstutis Šliužas
General Manager

Giedrius Vegys
Chief Financial Officer

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

STATEMENT OF CASH FLOWS

Approved by the Annual General Meeting of
Shareholders as at ___ April 2014

	Notes	Year ended 31 December			
		GROUP		COMPANY	
		2013	2012	2013	2012
Operating activities					
Profit for the year		149,151	159,067	144,841	154,869
Income tax	11	16,421	18,235	14,930	16,598
Depreciation, amortisation and impairment charge	14	127,654	130,562	117,177	118,564
Dividends received from subsidiaries	7	-	-	(3,130)	(4,800)
Other gains and losses	9	(1,093)	(1,166)	(952)	(1,054)
Write off of property, plant and equipment and intangible assets		873	643	868	633
Impairment of investments in subsidiaries	17	-	-	30	-
Interest income	7,10	(1,226)	(2,311)	(1,376)	(2,864)
Interest expenses		118	206	117	155
Other non-cash transactions		506	539	359	406
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):					
Inventories		1,870	(720)	1,857	(744)
Trade and other receivables		11,321	2,043	6,453	4,085
Trade, other payables and accrued liabilities		(1,170)	4,141	4,245	1,978
Cash generated from operations		304,425	311,239	285,419	287,826
Interest paid		(118)	(206)	(117)	(155)
Interest received		1,196	2,447	1,347	3,003
Tax paid		(13,326)	(4,991)	(11,556)	(3,900)
Net cash from operating activities		292,177	308,489	275,093	286,774

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

STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	Year ended 31 December			
		GROUP		COMPANY	
		2013	2012	2013	2012
Investing activities					
Purchase of property, plant and equipment (PPE) and intangible assets		(148,029)	(136,213)	(142,653)	(121,330)
Proceeds from disposal of PPE and intangible assets		1,110	1,071	1,039	1,005
Acquisition of held-to-maturity investments		(144,802)	(196,068)	(138,802)	(194,569)
Disposal of held-to-maturity investments		125,178	166,068	119,178	164,569
Loans granted	29	-	-	(986)	(12,000)
Loans repaid	29	-	-	4,476	10,000
Dividends received	7	-	-	3,130	4,800
Net cash used in investing activities		(166,543)	(165,142)	(154,618)	(147,525)
Financing activities					
Repayment of borrowings		(977)	(974)	(977)	(940)
Dividends paid to shareholders of the Company	13	(155,364)	(155,364)	(155,364)	(155,364)
Net cash used in financing activities		(156,341)	(156,338)	(156,341)	(156,304)
Increase (decrease) in cash and cash equivalents		(30,707)	(12,991)	(35,866)	(17,055)
Movement in cash and cash equivalents					
At the beginning of the year		175,598	188,589	159,736	176,791
Increase (decrease) in cash and cash equivalents		(30,707)	(12,991)	(35,866)	(17,055)
At the end of the year	21	144,891	175,598	123,870	159,736

The notes on pages 10 to 50 form an integral part of these financial statements.

Kęstutis Šliužas
General Manager

Giedrius Vegys
Chief Financial Officer

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

NOTES TO THE FINANCIAL STATEMENTS

1 General information

TEO LT, 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 str. 25, LT-03501, Vilnius, Lithuania.

The Company's shares are traded on NASDAQ OMX Vilnius stock exchange from 16 June 2000. NASDAQ OMX Vilnius stock exchange is a home market for the Company's shares. From January 2011, TEO 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 as on 31 December 2013 and on 31 December 2012 was as follows:

	Number of shares	%
TeliaSonera AB (Sweden)	684,791,575	88.15
Other shareholders	92,025,943	11.85
	776,817,518	100.00

The Company's principal activity is the provision of fixed voice, Internet access, data communication, digital television, IT and telecommunications network services to both 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 15 (from 1 January 2014 – 11) telecommunications markets. The Company and UAB Omnitel as members of TeliaSonera Group are regarded as related entities in Lithuania, therefore the Company is considered as SMP in the market of voice call termination in public mobile network of UAB Omnitel.

The number of full time staff employed by the Group at the end of 2013 amounted to 2,727 (2012: 2,875). The number of full time staff employed by the Company at the end of 2013 amounted to 1,823 (2012: 1,881).

The subsidiaries included in the Group's consolidated financial statements are indicated below:

Subsidiary/ associate	Country of incorporation	Ownership interest in %		Profile
		31 December 2013	31 December 2012	
UAB Lintel	Lithuania	100%	100%	The subsidiary provides Directory Inquiry Service 118 and Contact Center services.
UAB Baltic Data Center	Lithuania	100%	100%	The subsidiary provides information technology infrastructure services to the Group and third parties.
UAB Hostex	Lithuania	100%	100%	The web hosting and data center services providing subsidiary of UAB Baltic Data Center.

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UAB Interdata	Lithuania	-	100%	The web hosting services providing subsidiary of UAB Hostex in April 2013 was merged into UAB Hostex.
UAB Hosting	Lithuania	100%	100%	In April 2013 became a dormant subsidiary of UAB Hostex. Before that was a dormant subsidiary of UAB Interdata.
Baltic Data Center SIA	Latvia	100%	100%	The dormant subsidiary of UAB Baltic Data Center.
UAB Kompetencijos Ugdymo Centras	Lithuania	100%	100%	The dormant subsidiary of the Company.
UAB Verslo Investicijos	Lithuania	100%	100%	The subsidiary for implementation of the investment project.
VšĮ Ryšių Istorijos Muziejus	Lithuania	100%	100%	A not for profit organisation established by the Company for management of the Company's Communications History Museum.

2 Summary of significant accounting policies

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

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 judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New and emended standards and interpretations adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after January 2013:

IFRS 13, Fair value measurement, (effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The amendments did not have any material effect on the Group's financial statements.

Presentation of Items of Other Comprehensive Income, amendments to IAS 1, (effective for annual periods beginning on or after 1 July 2012). The amendments require entities to separate items presented

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in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The amended standard resulted in change presentation of financial statements, but did not have any impact on measurement of transactions and balances.

Amended IAS 19, Employee Benefits, (effective for annual periods beginning on or after 1 January 2013), makes significant changes (i) to the recognition and measurement of defined benefit pension expense and termination benefits, and (ii) to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The amendments did not have any material effect on the Group's financial statements.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amended standard resulted in additional disclosure in these financial statements (Note 3.4), but did not have any impact on measurement of transactions and balances.

Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. The amendment did not have any material effect on the Group's financial statements.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards, which did not have any material effect on the Group's financial statements.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011), IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013) and Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards - Government loans had no impact on the Group's financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group does not expect this standard to have any material effect on its financial statements.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014), applies to entities that have an interest in a subsidiary, a joint

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arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the standard on its financial statements.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014). The objective of the revised standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Group is currently assessing the impact of the standard on its financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board’s project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Group does not expect this standard to have any material effect on its financial statements.

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group does not expect the amendments to have any material effect on its financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The Group does not expect the amendments to have any material effect on its financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 *Consolidated Financial Statements*. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The Group does not expect the amendments to have any material effect on its financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a

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fair value basis. The Group does not expect the amendments to have any material effect on its financial statements.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group does not expect the amendments to have any material effect on its financial statements.

The following standards and interpretations are not yet endorsed by the EU therefore did not have impact on the Group's financial statements: **IFRS 9, Financial Instruments: Classification and Measurement, IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014), Amendments to IAS 19 – Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014), Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014) and Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014)**

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Group accounting

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 uses the acquisition method of accounting 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 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 assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of profit or loss and other comprehensive income.

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.

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

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 consolidated financial statements are presented in Lithuanian Litas (LTL), which is the functional currency of 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 and other comprehensive income.

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

2.4 Property, plant and equipment

Property, plant and equipment is carried at its historical cost less any accumulated depreciation and any accumulated impairment loss. Historical cost includes expenditures that is 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 Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income 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
Plant and machinery	3 – 10 years
Switches, lines and related telecommunication equipment	3 – 30 years
Computers and computer network	3 – 20 years
Motor vehicles	2 – 10 years
Other tangible fixed assets	5 – 10 years

The assets' residual values and useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included within 'Other gain/ (loss) - net' in the statement of profit or loss and other comprehensive income.

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

2.5 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition 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'. 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 Group and the Company in future periods have finite useful life and are valued 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:

Licences	3 - 10 years
Software	2-5 years
Other intangible fixed assets	5 years

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

Contractual customer relationships acquired in the business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using straight-line method over the expected life of the customer relationship

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

Costs associated with maintaining computer software programmes 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 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.

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

2.6 Investment property

Properties that are held for undetermined use and that are not occupied by the entities in the consolidated Group, are classified as investment properties. Investment properties comprise construction in progress.

Recognition of investment properties 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 and other comprehensive income 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 measurement. The fair values of investment properties are disclosed in the Note 16. These are assessed using method of residual value.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets into the following measurement categories: at fair value through profit or loss, available-for-sale, held to maturity and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During the current period the Group and the Company did not hold any investments in available-for-sale and at fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's and the Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Held to maturity investments

Held to maturity classification includes non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturities that the Group and the Company has both the intention and ability to hold to maturity.

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Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group or the Company fails to keep these investments to maturity other than for certain specific circumstances – for example, selling more than an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group or the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group or the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method. Held to maturity investments are carried at amortised cost using the effective interest method, net of a provision for incurred impairment losses.

2.8.3 Impairment of financial assets

The Group and the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence that the Group or the Company will not be able to collect all amounts due according to the original terms of receivables, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the loans and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within 'other operating expenses'. When a loans and receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the statement of profit or loss and other comprehensive income.

2.9 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 provision. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

2.10 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 Group and the Company from the tax authorities), transport, 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 attribute to the materials category.

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

2.11 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or service performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets, if not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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.

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Trade payables

Trade payable 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.

2.15 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 and other comprehensive income over the period of the borrowings using the effective interest method.

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

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

Finance lease

Where the Group or the Company is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group or the Company 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 and

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other comprehensive income 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 Group or the Company 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 income included in line 'Deferred revenue and accrued liabilities' in the balance sheet.

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 and other comprehensive income on a straight-line basis over the period of the lease.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

2.17 Accounting for leases – where the Group or the Company 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 and other comprehensive income 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.

2.18 Income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, 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 income 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, the deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Profit for 2013 is taxable at a rate of 15% (2012: 15%) in accordance with Lithuanian regulatory legislation on taxation.

Income tax expense is calculated and accrued for in the financial statements on the basis of information available at the moment of the preparation of the financial statements, and estimates of

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

income tax performed by the management in accordance with Lithuanian regulatory legislation on taxation.

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

According to Lithuanian legislation, tax losses accumulated as of 31 December 2013 are carried forward indefinitely.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

2.19 Revenue recognition

Sales of services and goods

Telecommunications services' revenue is recognised when the services are rendered based on usage of the network and facilities net of value added tax and price discounts directly related to the sales. Other revenues are recognized when i) products are delivered and significant risks and rewards of ownership of the products have passed to the customer and the amount of revenue can be measured reliably ii) services are rendered to customers. At the end of each accounting period a revenue accrual is performed to record amounts not yet billed.

Revenue from interconnection is accrued at the end of each accounting period based on the actual traffic of incoming calls from different carriers. Accrued revenue is adjusted to actual after reconciliation with the carrier is performed.

Service activation fees are recognised as income and related costs are expensed at the moment of activating the service.

Multiple element arrangements

The Company offers certain arrangements whereby, together with a defined period of servicing agreement, customer is offered goods or services free of charge or at a price significantly below market price of these goods or services. When such multiple element agreements exits, the amount recognised as revenue upon the sale of the goods is the fair value of the offered goods in relation to the fair value of the arrangement taken as a whole. The revenue relating to the service element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement, is recognised over service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately. When there is no objective and reliable evidence of the fair value of the delivered element, the fair value of undelivered element is used as a basis. To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such manner as to reflect fair value of the elements.

Arrangements of discounts

The Company offers certain arrangements whereby, together with a defined period of servicing agreement, customer is offered discount for the services for a certain period. When such discount exits, such discount is allocated over defined period of servicing.

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2.20 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group and the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Interest income on held-to-maturity investments and loans granted are classified into 'other income', while interest income on cash and cash equivalents are classified into 'finance income'.

2.21 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.22 Employee benefits

Social security contributions

The Company pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group and the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions amounting to LTL 39.0 million for the Group and LTL 28.9 million for the Company (2012: LTL 39.1 million for the Group and LTL 28.6 million for the Company) are recognised as an expense on an accrual basis and are included within employee related expenses.

Termination benefits

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

Bonus plans

The Group and the Company recognises a liability and an expense for bonuses based on predefined targets. The Group and the Company recognises 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.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the

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

Company's financial statements in the period in which the dividends are approved by the company's shareholders.

Withholding tax on dividends paid to legal entities amounts to 15% (2012: 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.

2.24 Segment information

The Company's TOP management consisting of General Manager and 5 Chief Officers considers the business from Group perspective and considers the performance of the company and each subsidiary separately. The management assesses the performance of the company and its subsidiaries based on measure of Net profit, which is measured using the same accounting policies than used in preparation of these consolidated financial statements.

The Company's activity is the operating segment that meets the quantitative thresholds required by IFRS 8 and it is reported as Broadband segment. This segment uses the national fixed telecommunications network to provide voice telephony, data communication and network capacity, internet, IT and TV services and other services.

The Company's subsidiaries do not meet the quantitative thresholds required by IFRS 8. The results of subsidiaries are combined and disclosed in the 'other segment' column. The profile of each subsidiary is described in Note 1.

	Broadband segment		Other segment		Eliminations		Total Group	
	2013	2012	2013	2012	2013	2012	2013	2012
Segment revenue	671,983	696,919	92,077	110,196	(43,471)	(46,941)	720,589	760,174
Inter-segment revenue	(10,922)	(10,933)	(32,549)	(36,008)	43,471	46,941	-	-
Revenue from external customers	661,061	685,986	59,528	74,188	-	-	720,589	760,174
Depreciation and amortisation	(117,177)	(118,564)	(10,482)	(12,045)	5	47	(127,654)	(130,562)
Income tax	(14,930)	(16,598)	(1,491)	(1,637)	-	-	(16,421)	(18,235)

The Group is domiciled in Lithuania. The result of its revenue from external customers in the Lithuania is LTL 603.0 million (2012: LTL 598.7 million), and the total of revenue from external customers from other countries is LTL 117.6 million (2012: LTL 161.5 million).

Eliminations between segments comprise related party transactions, carried out at arm's length and other adjustments relating to consolidation.

All non-current assets are located in the Group's country of domicile.

For the Group's and the Company's revenue specification by products see Note 5.

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3 Financial risk management

3.1 Financial risk factors

The Group's and the Company's activities expose it to financial risks: market risk (including foreign exchange risk, and fair value 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 operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euro (EUR) and US Dollar (USD). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. Substantially all the Group's trade payables and trade receivables are short-term and in addition revenues and expenses in foreign currencies are insignificant as compared to those in Lithuanian Litas. 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 19, 20, 21 and 24.

From February 2002 the exchange rate of Lithuanian Litas has been pegged to the Euro at a rate of Lithuanian Litas 3.4528 = Euro 1.

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Held-to-maturity investments carry fixed interest rates, therefore they are not subject to cash flow or fair value interest rate risk.

The most significant interest bearing asset is bonds amounting to LTL 79,698 thousand for the Group and the same amount for the Company (2012: LTL 60,045 thousand for the Group and the same amount for the Company). For further information on held-to-maturity investments see Note 20.

Credit risk

The financial assets exposed to credit risk represent cash deposits and held-to-maturity investments with banks and trade receivables. The Group has no significant concentrations of credit risk, except that as at 31 December 2013 all held-to-maturity investments are held in the two Lithuanian commercial banks (Note 20). These held-to-maturity investments are made within the frames of TEO Group Treasury policy, approved by the Board of directors. Credit risks or the risks of counter-parties defaulting, are controlled by the application of credit terms and monitoring procedures.

All the new customers (corporate and private) are investigated for creditworthiness before contract signing. Customer bill payment control consists of a number of various reminders regarding bill payment term expiration, and consequently services are limited after 7-10 days since the last reminder for all indebted customers, and after further 30-35 days provision of services is fully terminated. After sending additional reminding letters bad debts are handed over to external bad debt collection agencies for debt recovery.

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Impairment provision for trade receivables is calculated on a monthly basis according to the Group's internal policy for trade receivable impairment. Estimation of impairment provision is based on classification of trade receivables into categories according to the payment overdue period and application of certain impairment rates to each category. The impairment rates and the Group's internal policy for trade receivable impairment estimation are updated on half yearly basis.

Debtors of 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 relates to the availability of sufficient funds for debt service, capital expenditure and working capital requirement and dividend payment. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group's short-term assets significantly exceed short term liabilities and therefore liquidity risk is considered to be very low. 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 2.5% of planned annual turnover.

The Group's and the Company's short term liabilities do not involve any interest and payment of them is due within one year, therefore undiscounted cash flows table was not prepared for them. For the analysis of the undiscounted cash flows of the Group's and the Company's borrowings, into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date see Note 25.

3.2 Capital management

The group's objectives when managing capital are to safeguard 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares. Capital is calculated as 'Equity' as shown in the balance sheet.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a joint stock company must be not less than LTL 100,000, and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2013 and as at 31 December 2012 the Company complied with these requirements.

The Group's operations are financed mostly by the shareholders' capital. The Company did not have any borrowings, except finance lease liabilities during 2013 and 2012.

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market for the disclosure purpose is estimated by discounting the cash flows from the financial instrument. The fair value of the held-to-maturity investments traded in active market is based on quoted market prices at the balance sheet date.

The carrying value less impairment losses of trade receivables and carrying value of payables are assumed to approximate their fair value.

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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	
	2013	2012	2013	2012
<i>Trade and other receivable</i>				
Gross amounts of recognised financial assets	96,507	104,005	94,927	103,724
Gross amounts of recognized financial liabilities set off in the balance sheet	(3,155)	(3,571)	(3,155)	(3,571)
Net amounts of financial assets presented in the balance sheet	93,352	100,434	91,772	100,153
Related amounts not set off in the balance sheet	-	-	-	-
Net amount	93,352	100,434	91,772	100,153

Financial liabilities

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

	GROUP		COMPANY	
	2013	2012	2013	2012
<i>Trade payables</i>				
Gross amounts of recognised financial liabilities	70,992	64,723	73,019	66,806
Gross amounts of recognized financial assets set off in the balance sheet	(3,155)	(3,571)	(3,155)	(3,571)
Net amounts of financial liabilities presented in the balance sheet	67,837	61,152	69,864	63,235
Related amounts not set off in the balance sheet	-	-	-	-
Net amount	67,837	61,152	69,864	63,235

4 Critical Accounting Estimates

Estimated 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)

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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 licence under which services are provided.

Impairment provision for accounts receivable

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

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5 Revenue

	GROUP		COMPANY	
	2013	2012	2013	2012
Voice telephony services	303,933	354,880	300,923	351,668
Internet services	178,268	171,836	178,780	172,186
Data communication and network capacity services	84,015	87,424	85,758	89,258
TV services	61,668	57,059	61,668	57,059
IT services	69,930	64,271	27,674	9,332
Other services	22,775	24,704	17,180	17,416
Total	720,589	760,174	671,983	696,919

6 Cost of goods and services

	GROUP		COMPANY	
	2013	2012	2013	2012
Costs of goods and services purchased	49,186	48,473	39,455	25,103
Network's interconnection	88,130	112,852	88,130	112,852
Network capacity costs	36,933	40,247	36,729	40,036
Total	174,249	201,572	164,314	177,991

7 Other income

	GROUP		COMPANY	
	2013	2012	2013	2012
Interests income on held –to – maturity investments	361	994	513	1,575
Income from dividends (Note 29)	-	-	3,130	4,800
	361	994	3,643	6,375

8 Other operating expenses

	GROUP		COMPANY	
	2013	2012	2013	2012
Maintenance and other services	20,127	16,755	49,134	48,802
Energy, premises and transport costs	42,846	42,208	40,926	41,094
Marketing expenses	9,698	9,982	8,664	9,626
Impairment of accounts receivable	2,396	1,592	2,401	1,562
Other expenses	9,796	12,679	8,801	11,849
	84,863	83,216	109,926	112,933

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

9 Other gain/loss – net

	GROUP		COMPANY	
	2013	2012	2013	2012
Gain on sales of property, plant and equipment	1,344	1,212	1,179	1,109
Loss on sales of property, plant and equipment	(192)	(132)	(191)	(132)
Other gain (loss)	(59)	86	(36)	77
	1,093	1,166	952	1,054

10 Finance income and costs

	GROUP		COMPANY	
	2013	2012	2013	2012
Interest income on cash and cash equivalents	368	853	366	827
Other finance income	497	464	497	462
Finance income	865	1,317	863	1,289
Interest expenses	(109)	(147)	(109)	(147)
Foreign exchange gain (loss) on financing activities	(125)	(187)	(108)	(173)
Other finance costs	(142)	(200)	(141)	(149)
Finance costs	(376)	(534)	(358)	(469)
Finance income/costs– net	489	783	505	820

11 Income tax

	GROUP		COMPANY	
	2013	2012	2013	2012
Current tax	12,691	13,428	11,265	11,951
Deferred tax (Note 26)	3,730	4,807	3,665	4,647
Income tax expense	16,421	18,235	14,930	16,598

As of 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 to LTL 10.2 million (2012: 10.9 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 Group's and the Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

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11 Income tax (continued)

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Profit before income tax	165,572	177,302	159,771	171,467
Tax calculated at a tax rate of 15% (2012: 15%)	24,836	26,595	23,966	25,720
Non-taxable dividends received	-	-	(470)	(720)
Income not subject to tax (-) and expenses not deductible for tax purposes (+)	723	1,582	651	1,427
Tax relief	(10,241)	(10,928)	(10,241)	(10,890)
Other	1,103	986	1,024	1,061
Tax charge	16,421	18,235	14,930	16,598

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 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 the both reporting periods amounted to 776,818 thousand.

	GROUP		COMPANY	
	2013	2012	2013	2012
Net profit	149,151	159,067	144,841	154,869
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818	776,818	776,818
Basic earnings per share (LTL)	0.192	0.205	0.186	0.199

13 Dividends per share

The dividends per share declared in respect of 2012 and 2011 and paid in 2013 and 2012 were LTL 0.20 and LTL 0.20 respectively. As at the date of approval of these financial statements dividends amounting to LTL 147,595 thousand are proposed in respect of 2013.

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

14 Property, plant and equipment

The depreciation and amortisation charge in the statement of profit or loss and other comprehensive income consists of the following items:

	GROUP		COMPANY	
	2013	2012	2013	2012
Depreciation of property, plant and equipment	118,486	121,603	109,730	111,837
Amortisation of intangible assets (Note 15)	9,168	8,959	7,447	6,727
	127,654	130,562	117,177	118,564

In 2013 the Company revised the useful lives of its property, plant and equipment. After the above revision the useful lives of particular items in telecommunication equipment group were mostly prolonged, therefore the depreciation charge for 2013 for the telecommunication equipment group decreased by LTL 1.3 million as compared to previously used useful lives for property, plant and equipment. Useful life for intangible assets was also revised and mostly prolonged in 2013, the amortization charge for intangible assets decreased by LTL 0.6 million.

The effect of the revision of the useful lives resulted in the decreased depreciation and amortization charge by LTL 1.9 million in 2013 and will also result to the decrease of depreciation and amortisation charge by LTL 1.2 million in 2014.

GROUP	Land and buildings	Ducts and telecommunication equipment	Other tangible fixed assets	Construction in progress	Total
At 31 December 2011					
Cost	122,484	2,639,113	85,072	25,782	2,872,451
Accumulated depreciation	(52,764)	(2,019,656)	(65,105)	-	(2,137,525)
Net book amount	69,720	619,457	19,967	25,782	734,926
Year ended 31 December 2012					
Opening net book amount	69,720	619,457	19,967	25,782	734,926
Additions	-	11,065	746	131,075	142,886
Reclassifications	(405)	49	187	1	(168)
Disposals and retirements	(38)	(850)	(16)	-	(904)
Transfers from construction in progress	3,007	132,205	3,584	(138,796)	-
Depreciation charge	(4,228)	(109,471)	(7,904)	-	(121,603)
Closing net book amount	68,056	652,455	16,564	18,062	755,137

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

14 Property, plant and equipment (continued)

At 31 December 2012

Cost	125,276	2,687,391	77,402	18,062	2,908,131
Accumulated depreciation	(57,220)	(2,034,936)	(60,838)	-	(2,152,994)
Net book amount	68,056	652,455	16,564	18,062	755,137

Year ended 31 December 2013

Opening net book amount	68,056	652,455	16,564	18,062	755,137
Additions	-	4,898	883	131,536	137,317
Reclassifications	(405)	(56)	52	(578)	(987)
Disposals and retirements	(7)	(902)	(177)	-	(1,086)
Transfers from construction in progress	511	110,913	5,928	(117,352)	-
Depreciation charge	(4,258)	(107,245)	(6,983)	-	(118,486)
Closing net book amount	63,897	660,063	16,267	31,668	771,895

At 31 December 2013

Cost	125,716	2,678,437	80,857	31,668	2,916,678
Accumulated depreciation	(61,819)	(2,018,374)	(64,590)	-	(2,144,783)
Net book amount	63,897	660,063	16,267	31,668	771,895

COMPANY	Land and buildings	Ducts and telecommunication equipment	Other tangible fixed assets	Construction in progress	Total
At 31 December 2011					
Cost	85,733	2,607,614	75,066	25,779	2,794,192
Accumulated depreciation	(43,348)	(1,995,011)	(56,707)	-	(2,095,066)
Net book amount	42,385	612,603	18,359	25,779	699,126
Year ended 31 December 2012					
Opening net book amount	42,385	612,603	18,359	25,779	699,126
Additions	-	-	284	128,947	129,231
Disposals and write-offs	(38)	(753)	(16)	-	(807)
Reclassifications	(406)	(5)	230	15	(166)
Transfers from construction in progress	3,007	130,089	3,584	(136,680)	-
Depreciation charge	(3,272)	(101,096)	(7,469)	-	(111,837)
Closing net book amount	41,676	640,838	14,972	18,061	715,547
At 31 December 2012					
Cost	88,526	2,643,139	67,170	18,061	2,816,896
Accumulated depreciation	(46,850)	(2,002,301)	(52,196)	-	(2,101,349)
Net book amount	41,676	640,838	14,972	18,061	715,547

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

14 Property, plant and equipment (continued)

	Land and buildings	Ducts and telecommunication equipment	Other tangible fixed assets	Construction in progress	Total
Year ended 31 December 2013					
Opening net book amount	41,676	640,838	14,972	18,061	715,547
Additions	-	-	103	131,388	131,491
Disposals and write-offs	(7)	(762)	(160)	-	(929)
Reclassifications	(404)	5	-	(580)	(979)
Transfers from construction in progress	511	110,912	5,883	(117,306)	-
Depreciation charge	(3,301)	(100,018)	(6,411)	-	(109,730)
Closing net book amount	38,475	650,975	14,387	31,563	735,400
At 31 December 2013					
Cost	88,965	2,632,427	70,405	31,563	2,823,360
Accumulated depreciation	(50,490)	(1,981,452)	(56,018)	-	(2,087,960)
Net book amount	38,475	650,975	14,387	31,563	735,400

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

	As at 31 December			
	GROUP		COMPANY	
	2013	2012	2013	2012
Cost	17,124	18,857	17,124	18,857
Accumulated depreciation at 1 January	(2,389)	(2,182)	(2,389)	(2,182)
Depreciation charge for the year	(2,978)	(2,990)	(2,978)	(2,990)
Net book amount	11,757	13,685	11,757	13,685

15 Intangible assets

GROUP	Licences	Software	Goodwill	Other intangible assets	Assets in the course of construction*	Total
At 31 December 2011						
Cost	17,843	169,819	10,833	20,190	1,662	220,347
Accumulated amortisation	(7,097)	(159,084)	-	(11,244)	-	(177,425)
Net book amount	10,746	10,735	10,833	8,946	1,662	42,922

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

15 Intangible assets (continued)

	Licences	Software	Goodwill	Other intangible assets	Assets in the course of construction*	Total
Year ended 31 December 2012						
Opening net book amount	10,746	10,735	10,833	8,946	1,662	42,922
Additions	-	206	-	44	7,594	7,844
Disposals and write-offs	-	-	-	-	-	-
Reclassification	-	(80)	-	-	70	(10)
Transfer from assets in the course of construction	-	3,377	-	150	(3,527)	-
Amortisation charge	(1,767)	(5,033)	-	(2,159)	-	(8,959)
Closing net book amount	8,979	9,205	10,833	6,981	5,799	41,797
At 31 December 2012						
Cost	17,843	169,145	10,833	18,797	5,799	222,417
Accumulated amortisation	(8,864)	(159,940)	-	(11,816)	-	(180,620)
Net book amount	8,979	9,205	10,833	6,981	5,799	41,797
Year ended 31 December 2013						
Opening net book amount	8,979	9,205	10,833	6,981	5,799	41,797
Additions	-	35	-	26	17,003	17,064
Disposals and write-offs	-	(4)	-	-	-	(4)
Reclassification	-	(8)	-	-	578	570
Transfer from assets in the course of construction	-	15,751	-	562	(16,313)	-
Amortisation charge	(1,767)	(5,116)	-	(2,285)	-	(9,168)
Closing net book amount	7,212	19,863	10,833	5,284	7,067	50,259
At 31 December 2013						
Cost	17,843	173,726	10,833	16,208	7,067	225,677
Accumulated amortisation	(10,631)	(153,863)	-	(10,924)	-	(175,418)
Net book amount	7,212	19,863	10,833	5,284	7,067	50,259

* Assets in the course of construction comprise intangible assets developed for internal use and provision of services, are expected to be completed within 2014.

Goodwill was tested for impairment at 31 December 2013. For the purposes of impairment testing, goodwill is allocated to group's cash-generating units (CGUs). As of 31 December 2013, there were 2 cash generating units identified (with the goodwill amount allocated to them): UAB Baltic Data Center (LTL 2,658 thousand) and UAB Hostex (LTL 8,175 thousand) which comprise also goodwill from UAB Interdata acquisition, company which was merged into UAB Hostex. (2012: 2 cash generating units identified with the goodwill amount allocated to them: UAB Baltic Data Center LTL 2,658 thousand, and UAB Hostex LTL 8,175 thousand). The Recoverable amount of both CGUs has been determined based on value-in-use calculations. These calculations use post-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

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

15 Intangible assets (continued)

The key assumptions used for value-in-use calculations are as follows:

	2013		2012
	BDC	Hostex	BDC and Hostex
Growth rate in 2014-2018, %	6	0	5
Growth rate perpetuity, %	2	0	2
Discount rate, %	10	10	12

Management determined budgeted profit after tax based on past performance and its expectations of market development. The weighted average growth rates are consistent with the forecasts for IT industry. The discount rates used are post-tax and reflect specific risks relating to the relevant operating segments. Based on analysis performed, the management concluded that no impairment charge is needed as at 31 December 2013 (2012: no impairment loss).

If long term growth would be negative and discount rate would rise to 14%, remaining headroom would be removed for Hostex; discount rate should increase more than 30% to remove remaining headroom for BDC.

COMPANY	Licences	Software	Other intangible assets	Assets in the course of construction	Total
At 31 December 2011					
Cost	17,843	143,162	11,057	1,595	173,657
Accumulated amortisation	(7,089)	(135,659)	(4,699)	-	(147,447)
Net book amount	10,754	7,503	6,358	1,595	26,210
Year ended 31 December 2012					
Opening net book amount	10,754	7,503	6,358	1,595	26,210
Additions	-	-	-	6,617	6,617
Reclassifications	-	-	-	(15)	(15)
Transfer from assets in the course of construction	-	2,422	-	(2,422)	-
Amortisation charge	(1,767)	(3,464)	(1,496)	-	(6,727)
Closing net book amount	8,987	6,461	4,862	5,775	26,085
At 31 December 2012					
Cost	17,843	143,856	11,057	5,775	178,531
Accumulated amortisation	(8,856)	(137,395)	(6,195)	-	(152,446)
Net book amount	8,987	6,461	4,862	5,775	26,085
Year ended 31 December 2013					
Opening net book amount	8,987	6,461	4,862	5,775	26,085
Additions	-	-	-	17,003	17,003
Reclassifications	-	(16)	-	580	564
Transfer from assets in the course of construction	-	15,751	562	(16,313)	-
Amortisation charge	(1,767)	(4,104)	(1,576)	-	(7,447)
Closing net book amount	7,220	18,092	3,848	7,045	36,205

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

15 Intangible assets (continued)

At 31 December 2013

Cost	17,843	156,544	11,440	7,045	192,872
Accumulated amortisation	(10,623)	(138,452)	(7,592)	-	(156,667)
Net book amount	7,220	18,092	3,848	7,045	36,205

In Lithuania provision of fixed, long distance and international telecommunication services (including data transmission) is not subject to licensing.

16 Investment property

As at 31 December 2013 the Group as investment property accounted construction in progress (2012: construction in progress).

At 31 December 2013 and 2012 the fair value of the investment property approximates the carrying value. The investment properties were externally valued as at 30 December 2011 by Re&Solution, by using method of residual value. By Management assessment there have been no significant changes in situation in the market and the economy as a whole during 2013; therefore the fair value of the property has not changed significantly since 31 December 2011. No valuation of the investment property was performed by external valuator at the end of Year 2013.

Management applied judgment in determining the classification of the construction in progress as investment property and, based on past experience, considered that, since the future use of the asset is undetermined, it is appropriate to classify it as investment property. Possible outcomes of the future use are selling the asset or completing it and using it by the Group as an office building.

17 Investments in subsidiaries

As at 31 December 2013 the investments accounted by the Company under Investments in subsidiaries amounted to LTL 43,527 thousand (2012: LTL 43,527 thousand). During 2013 there were no material movements in balance of the investments accounted under Investments in subsidiaries by the Company.

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

18 Financial instruments by category

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

GROUP	Loans and receivables	Held-to-maturity investments	Total
31 December 2013			
Assets as per balance sheet			
Trade and other receivables	93,352	-	93,352
Held-to-maturity investment	-	79,698	79,698
Cash and cash equivalents	144,891	-	144,891
Total	238,243	79,698	317,941
	Loans and receivables	Held-to-maturity investments	Total
31 December 2012			
Assets as per balance sheet			
Trade and other receivables	100,434	-	100,434
Held-to-maturity investment	-	60,045	60,045
Cash and cash equivalents	175,598	-	175,598
Total	276,032	60,045	336,077
	Loans and receivables	Held-to-maturity investments	Total
COMPANY			
31 December 2013			
Assets as per balance sheet			
Trade and other receivables	91,772	-	91,772
Held-to-maturity investment	-	79,698	79,698
Cash and cash equivalents	123,870	-	123,870
Total	215,642	79,698	295,340
	Loans and receivables	Held-to-maturity investments	Total
31 December 2012			
Assets as per balance sheet			
Trade and other receivables	100,153	-	100,153
Held-to-maturity investment	-	60,045	60,045
Cash and cash equivalents	159,736	-	159,736
Total	259,889	60,045	319,934

All financial liabilities of the Group amounting to LTL 67,837 thousand (2012: LTL 61,152 thousand) and of the Company amounting to LTL 69,864 thousand (2012: LTL 63,235 thousand) fell under the category of other financial liabilities, there are no liabilities at fair value through profit and loss.

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

19 Trade and other receivables

	GROUP		COMPANY	
	2013	2012	2013	2012
Trade receivables from business customers and residents	103,666	102,356	97,900	94,410
Trade receivables from other operators	7,971	14,295	6,668	13,049
Total trade receivables	111,637	116,651	104,568	107,459
Less: provision for impairment of receivables	(24,661)	(25,378)	(24,581)	(25,285)
Trade receivables - net	86,976	91,273	79,987	82,174
Receivables from companies collecting payments for telecommunication services	1,301	2,110	1,301	2,110
Prepaid expenses and other receivables	6,650	10,482	5,680	7,242
Receivables from related parties (Note 29)	5,234	7,617	5,490	7,373
Loans to related parties (Note 29)	-	-	4,995	8,497
	100,161	111,482	97,453	107,396
Less non-current portion	(3,987)	(2,322)	(8,967)	(6,784)
Current portion	96,174	109,160	88,486	100,612

All non-current receivables are due within three years from balance sheet 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 does not hold any collateral as security.

Trade receivables that are not overdue are considered as fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2013, the Group's trade receivables of LTL 9,172 thousand (2012: LTL 9,300 thousand) and the Company's trade receivables of LTL 8,921 thousand (2012: LTL 6,840 thousand) were past due but not impaired.

As of 31 December 2013, the Group's trade receivables of LTL 25,577 thousand (2012: LTL 26,602 thousand) and the Company's trade receivable of LTL 25,523 thousand (2012: LTL 26,530 thousand) were impaired and provided for. The amount of the Group's provision was LTL 24,661 thousand as of 31 December 2013 (2012: LTL 25,378 thousand) and the amount of the Company's provision was LTL 24,581 thousand as of 31 December 2013 (2012: LTL 25,285 thousand). Impairment allowance by major part has been recognised on a collective basis, based on the impairment rates used by management.

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

19 Trade and other receivables (continued)

The ageing of these receivables is as follows:

	GROUP		COMPANY	
	2013	2012	2013	2012
Trade receivable total	111,637	116,651	104,568	107,459
Of which not overdue	76,888	80,749	70,124	74,089
Overdue up to 3 months	9,172	9,300	8,921	6,840
4 to 6 months	1,567	2,090	1,551	2,057
7 to 12 months	2,403	2,040	2,400	2,024
Over 12 months	21,607	22,472	21,572	22,449

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Currency				
LTL	84,037	81,508	83,648	83,827
EUR	14,103	25,698	11,830	20,359
Other currency	2,021	4,276	1,975	3,210
	100,161	111,482	97,453	107,396

Movements of impairment for trade receivables are as follows:

	GROUP		COMPANY	
	2013	2012	2013	2012
At the beginning of year	25,378	25,619	25,285	25,500
Receivables written off during the year as uncollectible	(3,164)	(1,818)	(3,114)	(1,795)
Provision for receivables impairment/ Unused amount reversed (-)	2,447	1,577	2,410	1,580
At the end of year	24,661	25,378	24,581	25,285

The creation and release of provision for impaired receivables have been included in 'Other operating expenses' in the Statement of profit or loss and other comprehensive income (Note 8).

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

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

20 Held-to-maturity investments

Held-to-maturity investments accounted by the Group and the Company consist of short-term bonds issued by the Lithuanian commercial banks with Fitch long-term credit rating A+, denominated in LTL amounting to LTL 60,055 thousand (2012: in EUR) and short-term bonds issued by the Government of Lithuania with Fitch long-term credit rating BBB+, denominated in EUR amounting to LTL 19,643 thousand (2012: none). The effective interest rate on the bonds was 0.53% (2012: 0.56%). As of 31 December 2013, average maturity of bonds is 137 days (2012: 177 days). Fair value of bonds approximate to their carrying values.

As of the date of approval of these financial statements held-to-maturity investments amounting to LTL 20,038 thousand have been redeemed. Held-to-maturity investments amounting to LTL 59,660 thousand will be redeemed in 2014 after the date of approval of these financial statements (2012: all held-to-maturity investments amounting to LTL 60,045 thousand were redeemed till June 2013).

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as held-to-maturity investments.

21 Cash and cash equivalents

	GROUP		COMPANY	
	2013	2012	2013	2012
Cash in hand and at bank	60,479	49,056	39,458	33,194
Short term bank deposits	84,412	126,542	84,412	126,542
	144,891	175,598	123,870	159,736

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

Currency	GROUP		COMPANY	
	2013	2012	2013	2012
LTL	88,427	156,205	77,368	145,903
EUR	55,939	19,126	46,285	13,764
USD	456	198	217	69
Other currencies	69	69	-	-
	144,891	175,598	123,870	159,736

The effective interest rate on the Group's and the Company's short-term bank deposits held with Lithuanian banks was 0.35% (2012: 0.46%).

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

	GROUP		COMPANY	
	2013	2012	2013	2012
AA-	39,594	75,246	39,574	75,240
A+	103,786	55,555	82,828	42,134
A	1,161	44,389	1,161	42,191
Other	350	408	307	171
	144,891	175,598	123,870	159,736

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

21 Cash and cash equivalents (continued)

As of the date of approval of these financial statements all deposits amounting to LTL 84.4 million have matured and were repaid to the Company.

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

22 Share capital

The share capital of the Company amounts to 776,817,518 litas and consists of 776,817,518 ordinary registered shares with a nominal value of one litas 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.

24 Trade, other payables and accrued liabilities

	GROUP		COMPANY	
	2013	2012	2013	2012
Trade payables	47,231	38,527	45,720	34,698
Trade payables to operators	4,041	7,160	4,041	7,160
Taxes, salaries and social security payable	25,063	26,574	19,719	19,469
Accruals to operators	6,570	8,626	6,570	8,626
Accrued liabilities	6,433	2,043	6,265	1,478
Other payables and deferred revenue	7,201	8,462	5,855	3,765
Amounts payable to related parties (Note 29)	640	718	4,358	7,246
	97,179	92,110	92,528	82,442
Less non-current portion	(5,479)	(3,463)	(5,386)	(3,275)
Current portion	91,700	88,647	87,142	79,167

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

Currency	GROUP		COMPANY	
	2013	2012	2013	2012
LTL	78,145	73,944	73,879	64,338
EUR	17,586	14,851	17,207	14,845
XDR	392	410	392	410
Other currency	1,056	2,905	1,050	2,849
	97,179	92,110	92,528	82,442

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

25 Borrowings

	GROUP		COMPANY	
	2013	2012	2013	2012
Current				
Finance lease liabilities	1,016	977	1,016	977
	1,016	977	1,016	977
Non-current				
Finance lease liabilities	1,266	2,282	1,266	2,282
	1,266	2,282	1,266	2,282
Total borrowings	2,282	3,259	2,282	3,259

Fair value of borrowings approximate to their carrying values.

In 2005 the Company concluded an agreement with a third party for sales and leaseback of certain technical and administrative premises. Leaseback of three administrative premises in substance qualified as a finance lease, whereas leaseback of other premises is accounted for as operating lease. All technical premises rented for 10 year period, at end of which all mentioned contracts could be renewed for an additional 10 years at agreed rent fee. If agreements are cancelled before the end of rent as stated in agreements, the forfeit should be paid.

Group's and 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 2012	1,086	2,384	-	3,470
Less future finance charges	(109)	(102)	-	(211)
Present value of minimum lease payments at 31 December 2012	977	2,282	-	3,259
Minimum lease payments at 31 December 2013	1,086	1,298	-	2,384
Less future finance charges	(70)	(32)	-	(102)
Present value of minimum lease payments at 31 December 2013	1,016	1,266	-	2,282

Net carrying amount of assets owned by the Group and the Company under the finance leases is as follows:

	As at 31 December			
	GROUP		COMPANY	
	2013	2012	2013	2012
Premises	1,975	2,873	1,975	2,873
	1,975	2,873	1,975	2,873

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

26 Deferred income taxes

The gross movement on the deferred income tax liabilities and deferred tax assets accounts is as follows:

	GROUP		COMPANY	
	2013	2012	2013	2012
Deferred tax liabilities				
At the beginning of year	18,581	13,993	15,333	10,686
Charged/ (credited) to statement of profit or loss and other comprehensive income (Note 11)	3,602	4,588	3,665	4,647
At the end of year	22,183	18,581	18,998	15,333
	GROUP		COMPANY	
	2013	2012	2013	2012
Deferred tax assets				
At the beginning of year	(364)	(583)	-	-
Charged/ (credited) to statement of profit or loss and other comprehensive income (Note 11)	128	219	-	-
At the end of year	(236)	(364)	-	-

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Deferred tax liabilities				
Deferred income tax asset to be recovered / liability settled after more than 12 months	13,928	18,511	10,820	15,339
Deferred income tax asset to be recovered / liability settled (-) within 12 months	8,255	70	8,178	(6)
	22,183	18,581	18,998	15,333
	GROUP		COMPANY	
	2013	2012	2013	2012
Deferred tax assets				
Deferred income tax asset to be recovered / liability settled after more than 12 months	(34)	(59)	-	-
Deferred income tax asset to be recovered / liability settled (-) within 12 months	(202)	(305)	-	-
	(236)	(364)	-	-

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

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

26 Deferred income taxes (continued)

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 relief¹	Difference in useful lives²	Other	Total
At 31 December 2012	21,259	-	1,293	22,552
Charged/ (credited) to statement of profit or loss and other comprehensive income	(3,368)	4,664	(233)	1,063
At 31 December 2013	17,891	4,664	1,060	23,615
GROUP – deferred tax assets	Difference in useful lives³	Tax losses	Other	Total
At 31 December 2012	(2,777)	(196)	(1,362)	(4,335)
Charged/ (credited) to statement of profit or loss and other comprehensive income	2,777	44	(154)	2,667
At 31 December 2013	-	(152)	(1,516)	(1,668)

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 assets and liabilities of the Company (prior to offsetting of balances) during the period is as follows:

COMPANY – deferred tax liabilities	Investment relief¹	Difference in useful lives²	Other	Total
At 31 December 2012	18,432		855	19,287
Charged/ (credited) to statement of profit or loss and other comprehensive income	(3,254)	4,641	(267)	1,120
At 31 December 2013	15,178	4,641	588	20,407
COMPANY – deferred tax assets	Difference in useful lives³	Tax losses	Other	Total
At 31 December 2012	(2,778)	-	(1,176)	(3,954)
Charged/ (credited) to statement of profit or loss and other comprehensive income	2,778	-	(233)	2,545
At 31 December 2013	-	-	(1,409)	(1,409)

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-deductable 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

³ when depreciation is accelerated for accounting purposes, as useful lives set by tax laws are longer than normal wear-and-tear rates.

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

26 Deferred income taxes (continued)

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

	As at 31 December			
	GROUP		COMPANY	
	2013	2012	2013	2012
Deferred tax assets	(1,668)	(4,335)	(1,409)	(3,954)
Deferred tax liabilities	23,615	22,552	20,407	19,287
	21,947	18,217	18,998	15,333

27 Contingent liabilities and contingent assets

Guarantees

As at 31 December 2013 the aggregate of bank guarantees (obligations guaranteed under tender, agreement performance arrangements) provided by AB SEB bankas on behalf of the Company and the Group amounts to LTL 3.99 million (2012: LTL 5.18 million).

Minimum lease payments receivable

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Not later than 1 year	16,278	19,332	16,278	19,332
Later than 1 year but not later than 5 years	8,916	13,048	8,916	13,048
	25,194	32,380	25,194	32,380

Minimum lease payments recognized in the statement of profit or loss and other comprehensive income during 2013 were LTL 22,460 thousand (2012: LTL 20,615 thousand).

The Company lease terminal telecommunication equipment under various agreements which terminate in 2016.

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

28 Commitments

Capital commitments

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Property, plant and equipment	8375	13,582	8004	13,582
	8375	13.582	8004	13.582

Operating lease commitments – where the Group is the lessee

The Group and the Company leases passenger cars, IT equipment and premises under operating lease agreements.

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Minimum lease payments	10,940	15,319	9,073	8,631

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Not later than 1 year	6,948	7,380	6,305	6,696
Later than 1 year but not later than 5 years	7,057	12,514	6,140	11,580
Later than 5 years	1,206	1,269	1,206	1,268
	15,211	21,163	13,651	19,544

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

29 Related party transactions

The Group is controlled by TeliaSonera AB (Sweden) which owns 88.15% of the Company's shares and votes. Majority shareholders of TeliaSonera AB are Governments of Sweden and Finland. The following transactions were carried out with related parties:

Sales of telecommunication and other services to:

	GROUP		COMPANY	
	2013	2012	2013	2012
TeliaSonera AB and its subsidiaries	32,473	47,330	25,945	39,743
Subsidiaries of the Company	-	-	10,930	10,971
Total sales of telecommunication and other services	32,473	47,330	36,875	50,714

Purchases of assets and services:

	GROUP		COMPANY	
	2013	2012	2013	2012
<i>Purchases of assets from:</i>				
TeliaSonera AB and its subsidiaries	-	4,715	-	4,715
Subsidiaries of the Company	-	-	487	420
	-	4,715	487	5,135

	GROUP		COMPANY	
	2013	2012	2013	2012
<i>Purchases of services from:</i>				
TeliaSonera AB and its subsidiaries	14,998	19,983	12,265	13,778
Subsidiaries of the Company	-	-	32,093	35,576
	14,998	19,983	44,358	49,354
Total purchases of assets and services	14,998	24,698	44,845	54,489

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

Receivables and accrued revenue from related parties:

	GROUP		COMPANY	
	2013	2012	2013	2012
<i>Receivables from related parties:</i>				
<i>Long term receivables:</i>				
TeliaSonera AB and its subsidiaries	1,157	1,253	1,157	1,253
<i>Short-term receivables:</i>				
TeliaSonera AB and its subsidiaries	2,686	3,534	1,596	2,495
Subsidiaries of the Company	-	-	1,350	1,362
	3,843	4,787	4,103	5,110

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

29 Related party transactions (continued)

	GROUP		COMPANY	
	2013	2012	2013	2012
<i>Accrued revenue from related parties:</i>				
TeliaSonera AB and its subsidiaries	1,391	2,830	1,387	2,264
	1,391	2,830	1,387	2,264
Total receivables and accrued revenue from related parties	5,234	7,617	5,490	7,374

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 (2012: nil)

Payables and accrued expenses to related parties

	GROUP		COMPANY	
	2013	2012	2013	2012
<i>Payables to related parties:</i>				
TeliaSonera AB and its subsidiaries	630	718	611	651
Subsidiaries of the Company	-	-	3,737	6,558
	630	718	4,348	7,209

	GROUP		COMPANY	
	2013	2012	2013	2012
<i>Accrued expenses to related parties:</i>				
Subsidiaries of the Company	10	-	10	37
	10	-	10	37
Total payables and accrued expenses to related parties:	640	718	4,358	7,246

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

Loans to related parties:

	GROUP		COMPANY	
	2013	2012	2013	2012
Beginning of the year	-	-	8,497	6,499
Loans advanced during year	-	-	986	12,000
Loan repayments received (in cash)	-	-	(4,476)	(10,000)
Interest charged (including VAT)	-	-	193	705
Interest received (including VAT)	-	-	(205)	(707)
End of the year	-	-	4,995	8,497

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

29 Related party transactions (continued)

The loans advanced to 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 2013					
UAB Hostex	19 April 2011	LTL	3,994	due on 19 April 2016	3.35%
UAB Hostex	06 August 2013	LTL	986	due on 06 August 2016	1.04%
Year ended 31 December 2012					
UAB Baltic Data Center	20 July 2007	LTL	4,000	due on 21 Jun 2013	1.89%
UAB Hostex	19 April 2011	LTL	4,470	due on 19 April 2016	4.43%

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

During 2013 dividends paid out to TeliaSonera AB amounted to LTL 136,958 thousand (2012: LTL 106,101 thousand).

During 2013 dividends received by the Company from subsidiaries amounted to LTL 3,130 thousand (2012: LTL 4,800 thousand).

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

	2013	2012
Remuneration of key management personnel	9,045	8,924
Social security contributions on remuneration	2,776	2,764
Total remuneration	11,821	11,688

Key management includes General Manager, Chief Officers, and Directors of main units, departments and regional centers. The total number of top management personnel employed as of 31 December 2013 was 29 (as of 31 December 2012: 29).

The total amount of annual compensations (tantiems) assigned to the six members of the Board of the Company during 2013 amounted to LTL 324 thousand (2012: LTL 324 thousand). As of 31 December 2013 the amount of LTL 54 thousand of tantiemes assigned for the year 2010 was not paid (2012: LTL 54 thousand).

30 Events after balance sheet day

On January 8, 2014 the Company started its efficiency improvement program under which up to 130 employees of TEO Group will terminate their employment contracts on the base of mutual agreement. This will allow the Company to save up to LTL 8 million annually. The cost of redundancy pay-outs is estimated to be LTL 6.8 million. This charge will be reflected in year 2014 year accounts.

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

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Kęstutis Šliužas, General Manager of TEO LT, AB, and Giedrius Vegys, Chief Financial Officer of TEO LT, AB, hereby confirm that, to the best of our knowledge, TEO LT, AB Financial Statements as of and for the year ended 31 December 2013 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.

Kęstutis Šliužas
General Manager

Giedrius Vegys
Chief Financial Officer