



**TEO LT, AB**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2010**  
**(UNAUDITED)**

Beginning of the financial year	1 January 2010
End of reporting period	31 March 2010
Name of the company	<b>TEO LT, AB</b> (hereinafter – TEO or “the Company”)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Code of enterprise	121215434
Name of Register of Legal Entities	State Enterprise Centre of Registers
Registered office	Savanoriu ave. 28, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 15 11
Fax number	+370 5 212 66 65
Internet address	<a href="http://www.teo.lt">www.teo.lt</a>
Main activities	Integrated telecommunication, IT and TV services to residential and business customers in Lithuania

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

## MANAGEMENT REPORT

Management's comment on financial results for the first three months of 2010:

"Despite the general telecommunications market contraction, TEO produced strong results. Although revenue for Q1 was down by 6.4% as compared to Q1 2009, the Company secured similar net profitability which amounted to LTL 43 million. The decline in fixed voice subscriptions was fully compensated by the increase in broadband and TV services subscriptions. TEO continued deployment of its next-generation broadband network – both FTTH and FTTB – which allowed to introduce superfast 200 Mbps Internet plans. The Company is planning even higher investments in FTTH technology than in 2009".

### Key figures of TEO Group

Financial figures	January - March		Change (%)
	2010	2009	
Revenue (LTL thousand)	191,994	205,217	(6.4)
EBITDA (LTL thousand)	81,407	94,006	(13.4)
EBITDA margin (%)	42.4	45.8	
Operating profit (LTL thousand)	48,520	56,567	(14.2)
Operating profit margin (%)	25.3	27.6	
Profit before income tax (LTL thousand)	48,936	57,529	(14.9)
Profit for the period (LTL thousand)	43,049	43,463	(1.0)
Profit for the period margin (%)	22.4	21.2	
Earnings per share (LTL)	0.06	0.06	(1.0)
Number of shares excluding treasury stocks (thousand)	776,818	776,818	
Financial ratios	31 March 2010	31 March 2009	
Return on capital employed (%)	18.7	18.8	
Return on average assets (%)	17.0	16.6	
Return on shareholders' equity (%)	16.9	15.6	
Gearing ratio (%)	(30.5)	(30.0)	
Debt to equity ratio (%)	0.6	0.6	
Current ratio (%)	685.8	671.4	
Rate of turnover of assets (%)	72.3	73.0	
Equity to assets ratio (%)	92.2	92.7	
Operating figures	31 March 2010	31 March 2009	Change (%)
Number of fixed telephone lines in service	711,193	756,338	(6.0)
Digitalisation rate (%)	94.2	94.0	0.3
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi and other)	319,248	304,654	4.8
Number of IP TV customers	58,111	45,215	28.5
Number of DVB-T customers	50,337	34,173	47.3
Number of wireless Internet (WiFi) hot-spots	3,893	4,175	(6.8)
Number of personnel (head-counts) at the end of period	3,104	3,222	(3.7)
Number of full-time employees at the end of the period	2,729	2,870	(4.9)

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

### Breakdown of TEO Group revenue

	January - March		Change (%)
	2010	2009	
Voice telephony services	105,366	118,307	(10.9)
Internet and data communication services	64,905	70,508	(7.9)
TV services	8,705	6,241	39.5
IT services	7,132	4,897	45.6
Other services	5,886	5,264	11.8
<b>Total</b>	<b>191,994</b>	<b>205,217</b>	<b>(6.4)</b>

### Revenue

The total consolidated TEO Group's revenue in January-March of 2010 was LTL 192 million, a decrease by 6.4 per cent over the total revenue of LTL 205 million in the first three months of 2009.

Revenue from TV, IT and other services continued to grow while revenue from voice telephony and Internet and data communication went down.

Share of revenue from voice telephony services from total amount of revenue amounted to 54.9 per cent, Internet and data communications services – 33.8 per cent, television services – 4.5 per cent, IT services – 3.7 per cent and other services – 3.1 per cent of total revenue for the first quarter of 2010.

Revenue from voice telephony services decreased due to decreased number of telephone lines in service, lower traffic volume and lower average revenue per user (ARPU). The main decrease was in the business customer segment.

During January-March 2010, the total number of main telephone lines in service decreased by 10.8 thousand. Lower number of voice telephony service users resulted in decrease of revenue from subscription fees in January-March 2010 by 13.4 per cent compared with the same period a year ago.

Traffic volume generated by residential customers increased by 1.3 per cent, but traffic volume of business customers was lower by 18.3 per cent during the first three months of 2010. As a result, over the year revenue from traffic charges went down by 21.3 per cent.

Due to decreased interconnection rates TEO offered lower prices for calls to mobile and other fixed networks of Lithuania for residential and business customers of the Company using flat-fee payment plans.

From 1 January 2010 prices for calls termination in the fixed network during peak hours were reduced from 6 cents to 5.42 cents (excluding VAT) and during off-peak hours – from 3.6 cents to 2.79 cents (excluding VAT) per minute.

Revenue from networks' interconnection services (mainly international transit) increased by 8.4 per cent.

According to the Report of the Communications Regulatory Authority (CRA) for the fourth quarter of 2009, TEO market share of the fixed-line telephony market in terms of customers amounted to 93.2 per cent and in terms of revenue – to 94.3 per cent. In terms of revenue TEO had 16.9 per cent of the network interconnection market.

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

During January-March 2010, the total number of broadband Internet access users increased by 5.8 thousand, while over the last twelve months – by 14.6 thousand.

Internet connections over the next generation fiber optic network using FTTH (Fiber to the home) and FTTB (Fiber to the building) technologies continued to substitute connections over copper lines (DSL technology). By the end of March 2010, 23 per cent of the total number of TEO broadband Internet access users had fiber optic access.

Over the year the number of FTTH and FTTB connections increased 2.3 times to 74 thousand, while the number of copper DSL connections used by retail customers went down by 10.2 per cent.

At the end of March 2010 out of total 319 thousand broadband connections, 221 thousand were copper DSL connections sold to retail customers, 74 thousand – fiber optic connections, 23 thousand – wireless connections via WiFi network and 1 thousand DSL connections were the ones sold to wholesale customers.

From March, the Company increased the speed of FTTH Internet payment plans two-fold and introduced the new payment plan of 200 Mbps. Also, TEO increased the speed of international Internet connections.

Compared with the first three months of 2009, revenue from Internet services for the first three months of 2010 went down by 8.4 per cent and revenue from data communication services decreased by 7.2 per cent mainly due to lower average revenue per user (ARPU).

According to the CRA Report, the Company's market share of the total Internet providers market in terms of revenue during the fourth quarter of 2009 amounted to 39.3 per cent while its share on the market of broadband Internet using fixed connection was 49.8 per cent. On 31 December 2009 Internet penetration per 100 residents of Lithuania was 23.9 per cent, while the penetration of broadband Internet using fixed connection was 19 per cent. In terms of revenue TEO had 63.2 per cent of the leased lines market and 70.2 per cent of the data communications market.

During January-March 2010 number of television service users continued to grow. The total number of customers increased by 6.1 thousand: number of digital terrestrial television (DVB-T) service *Digital GALA* users increased by 3.9 thousand and number of IPTV service *Interactive GALA* increased by 2.2 thousand.

According to the CRA Report, at the end of 2009 TEO market share of the digital television service market in terms of customers amounted to 45.1 per cent and in terms of revenue – 35.9 per cent. TEO market share of the total pay-TV services market in terms of customers was 17.1 per cent.

Revenue from IT services was mainly generated by the Company's subsidiary UAB Baltic Data Center that provides data center and information system management services.

In February, Baltic Data Center secured a contract for provision of IT Service Desk service to three companies of the Carlsberg Group in Lithuania, Latvia and Estonia.

TEO Group revenue from other services consists of the following non-telecommunication services: lease of premises, fines for termination of agreements, Contact Center services of UAB Lintel and other. During the second quarter of 2009 Kompetencijos Ugdymo Centras (Competence Development Center) terminated provision of its consultancy and training services due to lack of demand.

Revenue from Contact Center services increased by 8.5 per cent and from other non-core business services – by 15.6 per cent.

In March 2010, Lintel offered a new service – free inquiries for continuously-updated information about companies and services by calling 1808. Calls are charged for the communication cost only according to the rates applied by a respective operator.

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Other income, that consist of interest income from held to maturity investments and loans, for January-March 2010 decreased by 88 per cent over the other income a year ago. Other gain (loss) from sale of property during the year decreased by 83.6 per cent.

### **Operating expenses**

In 2010, the Company continues its cost control policy. Total operating expenses of the Group for the first quarter of 2010 were 3.5 per cent lower than total operating expenses a year ago.

Employee-related expenses decreased by 16.8 per cent. During January–March 2010 the total number of employees (headcount) in TEO Group increased by 44 (mainly in Lintel) from 3,060 to 3,104, while over the year the total number of employees went down by 118. In terms of full-time employees, the total number of employees in TEO Group over the year went down by 141.

Interconnection expenses increased by 6.3 per cent due to higher international transit traffic volumes, while national interconnection fees went down.

Other expenses increased 5.1 per cent due to growth of television and IT businesses. The increased number of television service users resulted in higher payments to TV content providers and costs of customer end equipment, while the expansion of the DVB-T network caused higher expenses for TV program broadcasting over the DVB-T network.

Provisions for bad debt amounted for less than 1 per cent of total revenue due to the Company's strict control and bad debt prevention tools used by the Company.

### **Earnings**

In spite of strong cost control, but due to decline in revenue, EBITDA for the first three months of 2010 went down by 13.4 per cent to LTL 81 million over LTL 94 million in the first three months of 2009. Nevertheless, EBITDA margin stood above 40 per cent and amounted to 42.4 per cent (45.8 per cent in 2009).

Depreciation and amortisation charges decreased by 12.2 per cent and in January-March of 2010 amounted to 17.1 per cent of total revenue (18.2 a year ago). Operating profit was by 14.2 per cent lower than a year ago and the operating profit margin decreased from 27.6 per cent a year ago to 25.3 per cent.

Net financial income in January-March of 2010 was by 56.8 per cent lower than year ago due to lower interest rates.

Profit before income tax in the first three months of 2010 was down by 14.9 per cent and amounted to LTL 49 million (LTL 58 million a year ago).

From 1 January 2009 the profit tax rate in Lithuania was increased from 15 to 20 per cent and from 1 January 2010 it was reduced back to 15 per cent.

Profit for the period amounted to LTL 43 million and was almost the same as a year ago, a slight decline by 1 per cent over LTL 43.5 million. Over the year, the profit margin slightly increased from 21.2 per cent to 22.4 per cent.

### **Balance sheet and cash flow**

During January–March 2010 total assets of TEO Group slightly increased by 0.8 per cent due to increase in cash and cash equivalents.

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

Due to depreciation and amortisation total non-current assets decreased by 2.4 per cent and amounted to 59.5 per cent of total assets. Total current assets increased by 6 per cent and amounted to 40.5 per cent of the total assets, whereof cash, held-to-maturity investments and loans to banks alone represented 28.6 per cent of the total assets.

Shareholders' equity increased by 4.2 per cent and amounted to 92.2 per cent of the total assets. The Board of the Company proposed to the Annual General Meeting of Shareholders that will be held on 26 April 2010 to pay dividend of LTL 0.21 per share (in total LTL 163 million) for the year 2009.

From 1 January 2010 dividends paid to legal entities (residents and non-residents) will be subject to reduced withholding Corporate income tax of 15 per cent. Dividends paid to natural persons (residents and non-residents) will be subject to unchanged withholding Personal income tax of 20 per cent, but residents of Lithuania will not be charged the Compulsory Health Insurance tax of 6 per cent as it was in 2009.

At the end of March 2010 the total amount of borrowings included mainly financial liabilities related to financial leasing of premises and amounted to LTL 5.9 million. Net debt was negative and amounted to LTL 326 million. The net debt to equity ratio was negative and amounted to 30.5 per cent.

Net cash flow from operating activities in the first three months of 2010 was almost exactly the same as a year ago.

The major portion (LTL 26 million) of cash spent during January-March of 2010 for capital investments was payments for investments made in 2009.

During the first three months of 2010 capital investments amounted to LTL 19.1 million. The majority of capital investments (84.8 per cent or LTL 13.9 million) went to expansion of the core network and development of the next generation fiber-optic access network. The remaining part was invested into upgrading of IT systems (LTL 0.3 million), transport (LTL 0.3 million) and buildings (LTL 1.9 million). In March, TEO opened a new customer care centre in one of the residential districts of Vilnius.

Cash and cash equivalents during the period of the first three months of 2010 increased by LTL 47 million.

### **Share capital and shareholders**

The share capital of the Company remains unchanged since 1997 and amounts to 814,912,760 Litass. It consists of 814,912,760 ordinary registered shares with a nominal value of one Litass each.

38,095,242 shares are treasury stocks that have no rights to exercise any property and non-property rights provided by the Law of the Republic of Lithuania on Companies. Therefore, the number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders is 776,817,518.

On 25 March 2010, the Board proposed to the Annual General Meeting of Shareholders which will be held on 26 April 2010 to consider two alternative proposals regarding treasury shares: (1) regarding cancelation of treasury shares and related to that reduction of the Company's authorised share capital by 38,095,242 Litass and amendment of the By-laws, and (2) regarding sale of treasury shares.

Since June 2000 TEO runs a Global Depository Receipts (GDR) programme. According to the programme, one GDR represents 10 ordinary registered shares of the Company. Shares are held by the depository bank, Deutsche Bank Trust Company Americas, 60 Street, New York, NY 10005, U.S.A.

On 25 March 2010 the Board decided to terminate the Global Depository Receipts programme, including delisting of GDRs from the London Stock Exchange. The programme will be terminated as of 1 July 2010.



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As on 31 March 2010, 30,252,470 ordinary shares of the Company (3.71% of the total share capital) were represented by 3,025,247 GDRs. During January-March 2010 26,419 GDRs were cancelled and converted into ordinary registered shares.

Shares of TEO are listed on the Main List of NASDAQ OMX Vilnius stock exchange (code: TEO1L) and GDRs are traded on the London Stock Exchange (LSE) (code: TEOL).

The number of shareholders on the shareholders registration day for the Annual General Meeting of Shareholders, which was held on 28 April 2009, was 15,994.

Shareholders of TEO LT, AB as on 31 March 2010:

<b>Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)</b>	<b>Number of ordinary registered shares owned by the shareholder</b>	<b>Share of the share capital (%)</b>	<b>Share of votes given by the shares owned by the right of ownership (%)</b>	<b>Share of votes held together with persons acting in concert (%)</b>
Amber Teleholding A/S (a), c/o TeliaSonera Danmark A/S, Holmbladsgade 139, DK-2300 Copenhagen S, Denmark, code 20758694	488,947,656	60.00	62.94	68.08
TeliaSonera AB (publ) (a), Stureplan 8, Stockholm, SE- 106 63, Sweden, code 556103-4249	39,895,616	4.90	5.14	68.08
East Capital Asset Management AB, Kungsgatan 33, Stockholm, SE-111 93, Sweden, code 556564-5370	47,985,061	5.89	6.18	-
TEO LT, AB, Savanorių pr. 28, LT-03501 Vilnius, Lithuania, code 121215434 (treasury stocks)	38,095,242 (b)	4.67	-	-
Republic of Lithuania, represented by State Enterprise State Property Fund, Vilniaus g. 16, LT- 01507, Vilnius, Lithuania, code 110073154	3,585,463	0.44	0.46	-
Republic of Lithuania, represented by State Tax Inspectorate, Vasario 16-osios g. 15, LT-01514 Vilnius, Lithuania, code 188659752	362,630	0.04	0.05	-
Other shareholders	196,041,092	24.06	25.23	-
<b>TOTAL:</b>	<b>814,912,760</b>	<b>100.00</b>	<b>100.00</b>	<b>-</b>

NOTES: (a) Amber Teleholding A/S is a fully owned subsidiary of TeliaSonera AB (publ); (b) 12,698,412 ordinary registered shares and 2,539,683 Global Depository Receipts.

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

TEO market capitalisation as of 31 March 2010 was LTL 1,899 million.

Information about trading in TEO shares on NASDAQ OMX Vilnius stock exchange in January–March 2010:

Opening price (LTL)	Lowest price (LTL)	Highest price (LTL)	Last price (LTL)	Average price (LTL)	Turnover (units)	Turnover (LTL)
1.86	1.85	2.47	2.33	2.27	26,813,509	60,926,761

Information about trading in TEO GDRs on London stock exchange in January–March 2010:

Opening price (USD)	Lowest price (USD)	Highest price (USD)	Last price (USD)	Average price (USD)	Turnover (units)	Turnover (USD)
7.78	7.77	9.91	9.13	8.84	0	0

### Other material information

The Company will no longer support the women's basketball team from the next season starting Autumn 2010. An amount of more than LTL 2 million per year used to be allocated through associated non-profit organization TEO Sportas to the above mentioned team.

On 24 February 2010, Lithuanian Communications Regulatory Authority (CRA) recognised TEO having significant market power on the market of digital terrestrial television (DVB-T) broadcasting transmission services for end-users of content provision services using radio frequencies (channels) assigned to TEO. The Company operates two national digital terrestrial television transmission networks. There are four national networks of DVB-T transmitters. One network transmits 10 television programs.

In March 2010, Håkan Dahlström, the Chairman of the Board of TEO LT, AB, was elected as a member of the Board of UAB Omnitel (Lithuania). UAB Omnitel is 100 per cent owned by TeliaSonera Group.

On 25 March 2010 the Board decided to convoke the Annual General Meeting of Shareholders on 26 April 2010 and to propose to the Annual General Meeting of Shareholders to allocate from the Company's distributable profit LTL 163,132 thousand for the dividend payment for the year 2009 (LTL 0.21 dividend per share), to allocate LTL 378 thousand for annual payments (tantiemes) to seven members of the Board for the year 2009, to elect UAB PricewaterhouseCoopers as the Company's audit enterprise, to consider two alternative proposals regarding treasury shares: (1) regarding cancelation of treasury shares and related to that reduction of the Company's authorised share capital and amendment of the By-laws, and (2) regarding sale of treasury shares, to elect Malin Frenning to the Board of the Company for the current term of the Board instead of Anders Gylder who resigns from the Board as of 26 April 2010.

On 25 March 2010 the Board decided to terminate the programme of Global Depository Receipts (GDRs), representing the Company's shares, including delisting of GDRs from the London Stock Exchange.

### Members of the managing bodies

According to the By-laws of TEO LT, AB the managing bodies of the Company are General Meeting, Board and General Manager. The Company does not have a Supervisory Council.

Members of the Board as of 31 March 2010:

Name, surname	Position in the Board	Employment	Ownership of TEO shares
Håkan Dahlström	Chairman of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), President of Business Area Mobility Services	-

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

Anders Gylder	Member of the Board (will resign as of 26 April 2010), member of the Remuneration Committee	TeliaSonera AB (Sweden), President of Business Area Broadband Services	-
Ove Alm	Member of the Board	TeliaSonera AB (Sweden), Business Area Broadband Services, Head of Networks	-
Joakim Sundström	Member of the Board, Chairman of the Audit Committee	TeliaSonera AB (Sweden), Business Area Broadband Services, Vice President of Business Control	-
Tiia Tuovinen	Member of the Board, member of the Audit Committee	TeliaSonera Finland Oyj (Finland), General Counsel for Broadband Services and Vice President for Real Estates and Property Planning in Finland	-
Lars Ohnemus	Member of the Board, member of the Remuneration Committee	Baltic Property Trust Partner Services A/S (Denmark), Chief Executive Officer; Baltic Management Institute (Lithuania) and Copenhagen Business School (Denmark), Visiting Assoc. Professor	-
Martynas Česnavičius	Member of the Board, member of the Audit Committee	Investment funds Amber Trust I and Amber Trust II (Luxemburg), Advisors	UAB Profinance, a 50 per cent owned company, holds 45,000 shares of TEO LT, AB

Following provisions of The Governance Code for the Companies Listed on NASDAQ OMX Vilnius stock exchange, all members of the Board are regarded as non-executive members of the Board, and Lars Ohnemus and Martynas Česnavičius are regarded as independent members of the Board. Information about other Board assignments of the members of the Company's Board is provided at the Company's webpage [www.teo.lt](http://www.teo.lt).

Members of Administration:

Name, surname	Position in the Company	Current Board Assignments	Ownership of TEO shares
Arūnas Šikšta	General Manager (CEO)	International Business School at Vilnius University, member of the Council and lector; Big Brothers Big Sisters International, Philadelphia, U.S.A., member of the Board	-
Darius Gudačiauskas	Chief Sales Officer and Deputy General Manager	UAB Lintel, a subsidiary of TEO LT, AB, Chairman of the Board	-
Nerijus Ivanauskas	Chief Marketing Officer and Deputy General Manager	-	-
Darius Didžgalvis	Chief Technology Officer and Deputy General Manager	UAB Baltic Data Center, a subsidiary of TEO LT, AB, Chairman of the Board; UAB Interdata, a subsidiary of UAB Baltic Data Center, member of the Board	-
Giedrius Vegys	Chief Financial Officer	UAB Baltic Data Center, a subsidiary of TEO LT, AB, member of the Board	-

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	January - March	
		2010	2009
<b>Revenue</b>		<b>191,994</b>	<b>205,217</b>
Other income		423	3,516
Employee related expenses		(38,875)	(46,712)
Interconnection expenses		(26,558)	(24,995)
Other operating expenses		(45,647)	(43,446)
Depreciation, amortisation and impairment of fixed assets	3	(32,887)	(37,439)
Other gain/ (loss) - net		70	426
<b>Operating profit</b>		<b>48,520</b>	<b>56,567</b>
Finance income		471	1,056
Finance costs		(55)	(94)
Finance income/ costs - net		416	962
<b>Profit before income tax</b>		<b>48,936</b>	<b>57,529</b>
Income tax	8	(5,887)	(14,066)
<b>Profit for the period</b>		<b>43,049</b>	<b>43,463</b>
<b>Other comprehensive income:</b>			
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<b>43,049</b>	<b>43,463</b>
Profit and comprehensive income attributable to:			
Owners of the Parent		<b>43,049</b>	<b>43,463</b>
Minority interests		-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in Litas per share)	9	0.06	0.06

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## CONSOLIDATED BALANCE SHEET

	Note	31 March 2010	31 December 2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	639,966	651,712
Intangible assets	3	34,855	37,076
Investment property	4	10,794	10,794
Trade and other receivables		4,321	7,343
		<b>689,936</b>	<b>706,925</b>
<b>Current assets</b>			
Inventories		6,438	5,528
Trade and other receivables		119,002	111,230
Current income tax receivable		12,834	19,792
Held-to-maturity investments		99,092	100,561
Loans to banks		3,711	24,738
Cash and cash equivalents		229,317	181,943
		<b>470,394</b>	<b>443,792</b>
<b>Total assets</b>		<b>1,160,330</b>	<b>1,150,717</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	6	814,913	814,913
Treasury shares		(120,000)	(120,000)
Legal reserve		81,499	81,499
Retained earnings		293,271	250,222
<b>Total equity</b>		<b>1,069,683</b>	<b>1,026,634</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		4,899	5,121
Deferred tax liabilities		6,607	6,551
Grants		359	560
Deferred revenue and accrued liabilities		3,765	3,828
		<b>15,630</b>	<b>16,060</b>
<b>Current liabilities</b>			
Trade, other payables and accrued liabilities		68,595	100,854
Current income tax liabilities		315	277
Borrowings		997	1,042
Provisions	7	5,110	5,850
		<b>75,017</b>	<b>108,023</b>
<b>Total liabilities</b>		<b>90,647</b>	<b>124,083</b>
<b>Total equity and liabilities</b>		<b>1,160,330</b>	<b>1,150,717</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Treasury shares	Legal reserve	Retained earnings	Total equity
<b>Balance at 1 January 2009</b>	<b>814,913</b>	<b>(120,000)</b>	<b>81,499</b>	<b>259,818</b>	<b>1,036,230</b>
Net profit	-	-	-	43,463	43,463
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,463</b>	<b>43,463</b>
Dividends paid for 2008	-	-	-	-	-
<b>Balance at 31 March 2009</b>	<b>814,913</b>	<b>(120,000)</b>	<b>81,499</b>	<b>303,281</b>	<b>1,079,693</b>
<b>Balance at 1 January 2010</b>	<b>814,913</b>	<b>(120,000)</b>	<b>81,499</b>	<b>250,222</b>	<b>1,026,634</b>
Net profit	-	-	-	43,049	43,049
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,049</b>	<b>43,049</b>
Dividends paid for 2009	-	-	-	-	-
<b>Balance at 31 March 2010</b>	<b>814,913</b>	<b>(120,000)</b>	<b>81,499</b>	<b>293,271</b>	<b>1,069,683</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOW

	January - March	
	2010	2009
<b>Operating activities</b>		
Profit for the period	43,049	43,463
Income tax	5,887	14,066
Depreciation, amortisation and impairment of fixed assets	32,887	37,439
Other gains and losses	(70)	(426)
Interest income	(893)	(4,572)
Interest expenses	62	72
Other non-cash transactions	(30)	(109)
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	(910)	1,617
Trade and other receivables	(4,736)	2,506
Trade, other payables and accrued liabilities	(14,312)	(21,884)
Cash generated from operations	<b>60,934</b>	<b>72,172</b>
Interest paid	(62)	(72)
Interest received	1,450	1,056
Tax paid	(385)	(11,231)
Net cash from operating activities	<b>61,937</b>	<b>61,925</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment (PPE) and intangible assets	(36,269)	(56,947)
Proceeds from disposal of PPE and intangible assets	33	386
Acquisition of held-to-maturity investments, amounts loaned to banks	(98,942)	(190,000)
Disposal of held-to-maturity investments, repayment of amounts loaned to banks	120,882	174,427
Net cash used in investing activities	<b>(14,296)</b>	<b>(72,134)</b>
<b>Financing activities</b>		
Repayment of borrowings	(267)	(205)
Net cash used in financing activities	<b>(267)</b>	<b>(205)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>47,374</b>	<b>(10,414)</b>
<b>Movement in cash and cash equivalents</b>		
At the beginning of the year	181,943	149,898
Increase (decrease) in cash and cash equivalents	47,374	(10,414)
At the end of the period	<b>229,317</b>	<b>139,484</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

The consolidated interim financial statements for the three months period ending 31 March 2010 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2009.

The presentation currency is Litas. The financial statements are presented in thousand of Litas, unless indicated otherwise. The financial statements are prepared under the historical cost convention.

Financial statements for the period ended 31 March 2010 are not audited. Financial statements for the year ended 31 December 2009 are audited by the external auditor UAB Pricewaterhouse-Coopers.

### 2 Segment information

The Company's management 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.

The Company's activity is the 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 fixed voice, broadband and data communications, TV broadcasting services and related value-added services.

The Company's subsidiaries do not meet the quantitative thresholds required by IFRS 8. The results of the subsidiaries are combined and disclosed in the 'other segment' column. The profile of each subsidiary is described in Note 5.

	<b>Broadband segment</b>		<b>Other segment</b>		<b>Eliminations</b>		<b>Total Group</b>	
	<b>January-March</b>		<b>January-March</b>		<b>January-March</b>		<b>January-March</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Segment revenue	183,848	200,140	21,722	19,719	(13,576)	(14,642)	191,994	205,217
Inter-segment revenue	(2,462)	(2,752)	(11,114)	(11,890)	13,576	14,642	-	-
Revenue from external customers	<b>181,386</b>	<b>197,388</b>	<b>10,608</b>	<b>7,829</b>	-	-	<b>191,994</b>	<b>205,217</b>
Profit for the period	40,473	55,019	2,446	512	130	(12,068)	43,049	43,463
Total Assets	1,126,983	1,157,010	90,003	98,733	(56,656)	(91,429)	1,160,330	1,164,314



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

### 3 Property, plant and equipment and intangible assets

	Property, plant and equipments	Intangible assets
<b>Three months ended 31 March 2009</b>		
<b>Opening net book amount as at 31 December 2008</b>	<b>669,413</b>	<b>41,792</b>
Additions	16,059	352
Disposals and retirements	43	-
Reclassification	(257)	-
Depreciation and amortisation charge	34,535	2,904
<b>Closing net book amount as at 31 March 2009</b>	<b>650,637</b>	<b>39,240</b>
<b>Three months ended 31 March 2009</b>		
<b>Opening net book amount as at 31 December 2009</b>	<b>651,712</b>	<b>37,076</b>
Additions	18,853	280
Disposals and retirements	91	-
Reclassification	(73)	(49)
Depreciation and amortisation charge	30,435	2,452
<b>Closing net book amount as at 31 March 2010</b>	<b>639,966</b>	<b>34,855</b>

### 4 Investment property

As at 31 March 2010 the Group as investment property accounted construction in progress, which was reclassified from assets held for sale in end of 2009.

### 5 Investments in subsidiaries and associates

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

Subsidiary	Country of incorporation	Ownership interest in %		Profile
		31 March 2010	31 December 2009	
UAB Lintel	Lithuania	100%	100%	Provider of 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 Interdata	Lithuania	100%	100%	The webhosting services providing subsidiary of UAB Baltic Data Center.
UAB Hosting	Lithuania	100%	100%	The webhosting services providing subsidiary of UAB Interdata.
Baltic Data Center SIA	Latvia	100%	100%	The dormant subsidiary of UAB Baltic Data Center.

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

UAB Kompetencijos Ugdymo Centras	Lithuania	100%	100%	The dormant subsidiary that used to provide training and consultancy services.
UAB Verslo Investicijos	Lithuania	100%	100%	The subsidiary for implementation of the investment project.
VšĮ TEO Sportas	Lithuania	100%	100%	This non-profit organisation supports a women's basketball team.

## 6 Share capital and treasury shares

Authorised share capital comprises 814,912,760 ordinary shares of LTL 1 par value each. All shares are fully paid up.

The Group treats the Company's shares held by the Company as treasury shares and directly deducts them from shareholders' equity in the Group's balance sheet at their purchase cost of LTL 120.0 million as at 31 March 2010.

The Annual General Meeting of Shareholders on 26 April 2010 shall consider two alternative proposals regarding treasury shares: (1) regarding cancelation of treasury shares and related to that reduction of the Company's authorised share capital by LTL 38,095,242 and amendment of the By-laws, and (2) regarding sale of treasury shares.

## 7 Provisions

The Group and the Company established a provision as of 31 December 2009 for restructuring costs. The restructuring provision comprises compensations to employees as a result of the planned Company restructuring.

Provisions for restructuring utilization during January – March 2010:

<b>Opening net book amount at 31 December 2009</b>	<b>5,850</b>
Additions	-
Used provisions	740
<b>Closing net book amount at 31 March 2010</b>	<b>5,110</b>

## 8 Income tax

The tax expenses for the period comprise current and deferred tax.

Profit for 2010 is taxable at a rate of 15% in accordance with Lithuanian regulatory legislation on taxation (2009: 20%). A new profit tax rate at 15% was adopted by the Lithuanian Parliament on 28 December of 2009.

## 9 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

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

The weighted average number of shares in issue (thousands) for the period ended 31 March 2010 is calculated as follows: 814,913 (ordinary shares) less 38,095 (treasury shares) results in 776,818. The weighted average number of shares for the year ended 31 December 2009 was the same – 776,818.

	<b>January - March</b>	
	<b>2010</b>	<b>2009</b>
<b>Net profit</b>	<b>43,049</b>	<b>43,463</b>
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
<b>Earnings per share (LTL)</b>	<b>0.06</b>	<b>0.06</b>

## 10 Dividends per share

A dividend that relates to the period to 31 December 2009 was proposed by the Board on 25 March 2010. The total proposed amount is 163,132 thousand Litass or 0.21 Litass per ordinary share.

## 11 Related party transactions

The Group is controlled by TeliaSonera AB (publ) which directly owns 4.90% and indirectly, through its subsidiary Amber Teleholding A/S, 60% of the Company's shares. In total, the ultimate parent of the Group, TeliaSonera AB (publ), owns 64.90% of the Company's shares. The following transactions were carried out with related parties:

Sales and purchases from TeliaSonera AB (publ) and its subsidiaries:

	<b>January - March</b>	
	<b>2010</b>	<b>2009</b>
Sales of telecommunication and other services	9,300	11,488
<b>Total sales of telecommunication and other services</b>	<b>9,300</b>	<b>11,488</b>
Purchases of assets	-	10
Purchases of services	7,004	7,702
<b>Total purchases of assets and services</b>	<b>7,004</b>	<b>7,712</b>

Balances arising from sales/purchase of assets/services to/from TeliaSonera AB (publ) and its subsidiaries:

	<b>As at 31 March</b>	
	<b>2010</b>	<b>2009</b>
Receivables from related parties	2,074	2,604
Accrued revenue from related parties	2,843	1,299
<b>Total receivables and accrued revenue from related parties</b>	<b>4,917</b>	<b>3,903</b>
Payables to related parties	866	1,328
Accrued expenses to related parties	134	139
<b>Total payables and accrued expenses to related parties</b>	<b>1,000</b>	<b>1,467</b>

TEO Group does not have loans granted/received to/from related parties.

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

## **MANAGEMENT CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Following Article 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Arūnas Šikšta, 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, the not audited TEO LT, AB Interim Consolidated Financial Statements for the period ended 31 March 2010, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of TEO LT, AB and the Group of undertakings.

General Manager

A handwritten signature in black ink, consisting of a stylized, angular shape.

Arūnas Šikšta

Chief Financial Officer

A handwritten signature in blue ink, appearing as a cursive, flowing line.

Giedrius Vegys

Vilnius, 19 April 2010