



TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2011
(UNAUDITED)

Beginning of the financial year	1 January 2011
End of reporting period	30 September 2011
Name of the company	TEO LT, AB (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	Lvovo str. 25, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 1511
Fax number	+370 5 212 6665
Internet address	www.teo.lt
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 nine months of 2011:

"TEO revenue decline is easing – for the first 9 months of 2011 the Company generated LTL 554 million in sales, which is by 4.6% lower than during the same period in 2010. Due to rigorous cost control, operating expenses were decreasing accordingly. This allowed TEO to maintain a high EBITDA level of over 41%.

Substantial investments into the next-generation fiber-optic network allowed TEO to increase its broadband customer base to 367 thousand. The total increase during the last 12 months was 9.7%. Over the 9 month period in 2011, the net broadband customer increase was by 0.9% higher than the corresponding increase in 2010. The number of TV customers increased by 21%. TEO modern broadband technology solutions also contributed to successful operation of the EuroBasket 2011 competition. The Company installed and maintained a secure network of over 3000 working places providing direct high-speed connection to more than 27 countries."

Key figures of TEO Group

Financial figures	January - September		Change (%)
	2011	2010	
Revenue (LTL thousand)	554,307	580,882	(4.6)
EBITDA (LTL thousand)	227,761	239,616	(4.9)
EBITDA margin (%)	41.1	41.3	
Operating profit (LTL thousand)	129,491	141,237	(8.3)
Operating profit margin (%)	23.4	24.3	
Profit before income tax (LTL thousand)	130,917	142,010	(7.8)
Profit before income tax (%)	23.6	24.4	
Profit for the period (LTL thousand)	117,291	125,154	(6.3)
Profit for the period margin (%)	21.2	21.5	
Earnings per share (LTL)	0.151	0.161	
Number of shares excluding treasury stocks (thousand)	776,818	776,818	
Financial ratios	30 September 2011	30 September 2010	
Return on capital employed (%)	16.9	16.5	
Return on average assets (%)	15.0	14.9	
Return on shareholders' equity (%)	15.5	16.1	
Gearing ratio (%)	(18.1)	(24.5)	
Debt to equity ratio (%)	0.4	0.6	
Current ratio (%)	449.0	377.0	
Rate of turnover of assets (%)	67.0	70.3	
Equity to assets ratio (%)	91.7	90.5	
Operating figures	30 September 2011	30 September 2010	Change (%)
Number of fixed telephone lines in service	660,767	696,444	(5.1)
Number of broadband Internet connections (DSL, FTTB, FTTH and other, excluding WiFi)	333,122	308,419	8.0
Number of IP TV customers	75,758	63,236	19.8
Number of DVB-T customers	71,346	58,404	22.2
Number of personnel (head-counts) at the end of period	3,379	3,545	(4.7)
Number of full-time employees at the end of the period	2,984	3,045	(2.0)

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

Breakdown of TEO Group revenue

	July - September		Change (%)	January - September		Change (%)
	2011	2010		2011	2010	
Voice telephony services	89,039	104,113	(14.5)	279,567	316,253	(11.6)
Internet and data communication services	62,459	64,127	(2.6)	187,176	193,500	(3.3)
TV services	11,942	9,489	25.9	34,347	27,264	26.0
IT services	12,867	8,825	45.8	33,116	24,600	34.6
Other services	8,191	7,331	11.7	20,101	19,265	4.3
Total	184,498	193,885	(4.8)	554,307	580,882	(4.6)

Revenue

The total consolidated TEO Group's revenue for the nine months of 2011 was LTL 554 million, a decrease by 4.6 per cent over the total revenue of LTL 581 million for the nine months of 2010. The total revenue for the third quarter of 2011 was LTL 184.5 million, a slight increase of 0.3 per cent over the total revenue of LTL 184 million for the second quarter of 2011.

Revenue from TV, IT and other services continued to grow and partially offset the decline in revenue from voice telephony, and Internet and data communication services.

Share of revenue from voice telephony services from total amount of revenue continued to shrink and amounted to 50.4 per cent of total revenue for January-September of 2011. Share of revenue from Internet and data communications services reached 33.8 per cent, television services – 6.2 per cent, IT services – 6 per cent and other services – 3.6 per cent.

Lower usage and decreased number of telephone lines in service had a negative effect on revenue from voice telephony services.

During January-September 2011, the total number of main telephone lines in service decreased by 28 thousand. Lower number of voice telephony service users resulted in a decrease of revenue from subscription fees in January-September 2011 by 7.1 per cent compared with the same period a year ago.

Favourable conditions of flat-fee payment plans and reduced national networks' interconnection fees resulted in increased volumes of both business and residential customers' calls to mobile operator networks by 2.9 and 26.1 per cent, respectively, during the nine months of 2011 compared with the same period a year ago.

However, total traffic volume generated by residential and business customers decreased by 6.3 and 11.4 per cent, respectively. As a result, over the year revenue from traffic charges went down by 19.2 per cent.

Over the year revenue from networks' interconnection services decreased by 11.9 per cent due to decreased traffic volumes of international transit.

According to the Report of the Communications Regulatory Authority (CRA) for the second quarter of 2011, TEO market share of the fixed-line telephony market in terms of customers amounted to 90.9 per cent and in terms of revenue – to 93.2 per cent. In terms of revenue TEO had 27 per cent of the network interconnection market.

During January-September 2011 the total number of broadband Internet access (excluding WiFi) users increased by 16.4 thousand, while over the last twelve months – by 24.7 thousand.

Number of Internet connections over the next generation fiber optic network using FTTH (Fiber to the home)

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and FTTB (Fiber to the building) technologies continued to grow and by the end of September 2011, 39.3 per cent of the total number of TEO broadband Internet access (excluding WiFi) users had fiber optic access.

Over the year the number of FTTH and FTTB connections increased by 40.4 per cent, while the number of copper DSL connections went down by 6.1 per cent.

At the end of September 2011 out of total 367 thousand broadband connections, 202 thousand were copper DSL connections, 131 thousand – fiber optic and 34 thousand wireless connections via WiFi network.

TEO installed two new fiber-optic connections with foreign operators in Sweden and Poland and increased the total speed of the international Internet traffic almost one and a half times – up to 66.5 Gigabits per second (Gb/s). The new international connections were installed as a result of an increase in the Internet traffic of TEO customers. In May, users of the ZEBRA Internet were given the opportunity to download information from foreign servers at the same speed as in Lithuania.

Compared with the nine months of 2010, revenue from Internet services for the nine months of 2011 went down by 1.3 per cent, revenue from data communication and network services decreased by 6.4 per cent.

According to the CRA Report, the Company's market share of the total Internet providers market in terms of revenue during the second quarter of 2011 amounted to 38.1 per cent while its share of the market of broadband Internet using fixed connection was 51.2 per cent. On 30 June 2011 Internet penetration per 100 residents of Lithuania was 28.6 per cent, while the penetration of broadband Internet using fixed connection was 21.8 per cent. In terms of revenue TEO had 66.1 per cent of the leased lines market and 62.4 per cent of the data communication market.

During January-September 2011 the total number of TV service customers increased by 15.9 thousand: number of digital terrestrial television (DVB-T) service *Digital GALA* users increased by 8.1 thousand and number of IPTV service *Interactive GALA* increased by 7.8 thousand.

From 1 September 2011 the Company has increased monthly fees for *Digital GALA* and *Interactive GALA* users by 0.90 and 4.90 litas, respectively, due increased pay-outs to content providers. On the other hand, video-on-demand service was included into basic IPTV service package without additional charge (previously monthly fee for video-on-demand service was 7 litas).

According to the CRA Report, at the end of June 2011 TEO market share of the digital television service market in terms of customers amounted to 47.9 per cent and in terms of revenue – 44.9 per cent. TEO market share of the total pay-TV services market in terms of customers was 22.2 per cent and in terms of revenue – 26 per cent. On 30 June 2011 digital pay-TV penetration per 100 households of Lithuania was 22.2 per cent.

Consolidated TEO Group 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 to local and multinational enterprises.

In May 2011, UAB Hostex, a subsidiary of Baltic Data Center that was acquired in September 2010, took over from Baltic Data Center a 100 per cent stake in UAB Interdata. UAB Hostex, UAB Interdata and its subsidiary UAB Hosting provide web hosting and data center services to residential and small companies as well as Internet portals.

Baltic Data Center has signed cooperation agreements with Datakom in Latvia and Elion, which has recently merged with Microlink, in Estonia and from now on will provide the unified services for the development of data centers and information systems, and for the maintenance computer workplaces and infrastructures in the three Baltic States. It is planned that over the next three years, the joint services of Baltic Data Center, Datakom and Elion in all Baltic States will be used by more than 10 international companies – finance, retail and other businesses.

During August and September, TEO was providing voice telephony, Internet access, computer network installation, and computer and office equipment rental services for the organizers of EuroBasket 2011 in

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Lithuania. The total revenue from provision of services and equipment rental in 6 sport arenas amounted to LTL 4 million.

TEO Group revenue from other services consists of the following non-telecommunication services: Contact Center services of UAB Lintel, lease of premises, advertising, fines for termination of agreements and other.

Over the year revenue from Contact Center services increased by 1.5 per cent while revenue from other non-core business services increased by 8 per cent. During the third quarter of 2011 TEO installed video surveillance system in Visaginas. The implementation of this project generated revenue of LTL 2 million.

TEO Group's other income consists of interest income from investments held to maturity. Gain or loss from sale of property, plant and equipment, as well as gain or loss on currency exchange is recorded at net value as other gain (loss).

Operating expenses

In 2011 the Company continues to keep its costs under control. Total operating expenses of the Group for the nine months of 2011 were by 4.4 per cent lower than total operating expenses a year ago.

Employee-related expenses were almost on the same level – over the year it slightly increased by 0.4 per cent. The total number of employees (headcount) in TEO Group decreased by 166 (mainly in Lintel) from 3,545 to 3,379. During the third quarter of 2011 the total number of employees increased by 5, while during the first half of the year it went down by 112 mainly in Lintel. In terms of full-time employees, the total number of employees in TEO Group during January-September of 2011 went down by 61 (also mainly in Lintel).

Interconnection expenses decreased by 11.9 per cent due to lower international transit traffic volumes and reduced fees for national interconnection. Other expenses decreased by 3.5 per cent.

Earnings

EBITDA for the nine months of 2011 went down by 4.9 per cent to LTL 228 million over LTL 240 million in the nine months of 2010. Nevertheless, EBITDA margin was almost the same and amounted to 41.1 per cent (41.3 per cent in 2010).

Depreciation and amortisation charges remained almost on the same level (decreased by 0.1 per cent) and in January-September of 2011 amounted to 17.7 per cent of total revenue (16.9 a year ago). Operating profit was by 8.3 per cent lower than a year ago, while operating profit margin was 23.4 per cent (24.3 per cent a year ago).

Net financial income for the nine months of 2011 was by 84.3 per cent higher than a year ago.

As a result, profit before income tax in January-September of 2011 was down by 7.8 per cent and amounted to LTL 131 million (LTL 142 million a year ago).

Since 1 January 2010 profit tax rate in Lithuania is 15 per cent. Following the provisions of the Law on Corporate Profit Tax regarding tax relief for investments in new technologies, the profit tax relief for the nine months of 2011 amounted to LTL 7.8 million (LTL 4.9 million in 2010).

Profit for the period amounted to LTL 117 million, while a year ago it was LTL 125 million, a decrease by 6.3 per cent. The profit margin was 21.2 per cent (21.5 per cent a year ago).

Balance sheet and cash flow

During January-September 2011 total assets of TEO Group decreased by 7.1 per cent mainly due to payment of dividends for the year 2010.

Total non-current assets increased by 0.7 per cent and amounted to 70.8 per cent of total assets. In May,

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following the resolution of the Annual General Meeting of Shareholders of 28 April 2011, dividend of the total amount of LTL 140 million or LTL 0.18 per share for the year 2010 were paid to the shareholders of the Company. Therefore, total current assets decreased by 21.8 per cent and amounted to 29.2 per cent of the total assets, whereof cash and held-to-maturity investments alone represented 17 per cent of total assets.

Due to dividend payment, shareholders' equity decreased by 2.2 per cent, but still amounted to 91.7 per cent of the total assets.

On 28 April 2011 the Annual General Meeting of Shareholders decided to decrease the Company's obligatory reserve by 3,817,000 litas and to reallocate this amount to the Company's retained earnings.

At the end of September 2011 total amount of borrowings included mainly financial liabilities related to financial leasing of premises and amounted to LTL 4.5 million. Cash, cash equivalents and held to maturity investments amounted to LTL 186 million.

Net cash flow from operating activities in January-September of 2011 was by 0.4 per cent higher than a year ago.

Part of cash (LTL 55 million) spent during 2011 for capital investments was payments for investments made in 2010. As of 31 December 2010 this amount was recorded in the balance sheet as current liabilities.

During the nine months of 2011 capital investments amounted to LTL 105 million (LTL 91 million a year ago). The majority of capital investments (91 per cent or LTL 95 million) went to expansion of the core network and development of the next generation fiber optic access network. The remaining part was invested into IT systems (LTL 7 million), transportation (LTL 1 million) and renovation of premises (LTL 1 million).

As a result by the end of September, TEO had 689 thousand households passed (556 thousand at the end of 2010), or 57 per cent of the country's households, by the FTTH network.

Due to capital investments and dividend payment, cash and cash equivalents during January-September 2011 decreased by LTL 83 million.

Share capital and shareholders

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 1 litas each. It was reduced from 814,912,760 litas to 776,817,518 litas and registered at the Register of Legal Entities on 3 September 2010 following the decision of the Annual General Meeting of Shareholders, held on 26 April 2010, to cancel 38,095,242 treasury stocks and to reduce the Company's authorised share capital by 38,095,242 litas. Treasury stocks were cancelled on 9 September 2010.

Treasury stocks that amounted to 4.67 per cent of the total number of the Company shares were acquired during the Initial Public Offering (IPO) in year 2000 and they had 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 shares that provide voting rights during the General Meeting remains unchanged and is 776,817,518.

On 1 July 2010 the Company terminated its Global Depository Receipts (GDR) programme. The Company delisted TEO GDRs from the Official List of the UK Listing Authorities and discontinued trading in TEO GDRs on the London Stock Exchange as of 30 June 2010. TEO GDR programme was run since June 2000. According to the programme, one GDR represented 10 ordinary registered shares of the Company.

Ordinary registered shares of TEO LT, AB (ISIN code LT0000123911) are listed on the Main List of NASDAQ OMX Vilnius stock exchange (code: TEO1L). NASDAQ OMX Vilnius stock exchange is a home market for TEO shares.

In January 2011 TEO shares were included into the trading lists of Berlin Stock Exchange (Berlin Open Market (Freiverkehr), Frankfurt Stock Exchange (Open Market (Freiverkehr), Munich Stock Exchange and

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Stuttgart Stock Exchange. TEO share's symbol on German stock exchanges is ZWS.

The number of shareholders on the shareholders registration day for the Annual General Meeting of Shareholders, which was held on 28 April 2011, was 14,530.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 September 2011:

Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)	Number of ordinary shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)	Share of votes held together with persons acting in concert (%)
TeliaSonera AB, Stureplan 8, Stockholm, SE-106 63, Sweden, code 556103-4249	530,504,838	68.29	68.29	-
East Capital Asset Management AB, Kungsgatan 33, Stockholm, SE-111 93, Sweden, code 556564-5370	54,537,514	7.02	7.02	-
Other shareholders	191,775,166	24.69	24.69	-
TOTAL:	776,817,518	100.00	100.00	-

In June 2011 TeliaSonera AB took over from its subsidiary Amber Teleholding A/S the controlling interest in TEO (62.94 per cent of shares and votes). Before the transaction TeliaSonera AB directly held 5.14 per cent of the Company's shares and votes. During the third quarter of 2011 TeliaSonera AB additionally acquired 1,661,566 shares (0.21 per cent of the total number of share) and increased its holding up to 68.29 per cent.

As of 30 September 2011, Republic of Lithuania, represented by State Enterprise State Property Fund, had no shares in the Company (as of 31 December 2011 it held 3,075,315 shares). Since 2003 State Property Fund had disposed all of its holding in the Company as compensation to Lithuanian citizens for realty redeemable by the State of Lithuania. As of 30 September 2011, Republic of Lithuania, represented by State Tax Inspectorate, still held 362,630 shares or 0.05 per cent of the Company's share capital and votes.

Information about trading in TEO shares on NASDAQ OMX Vilnius stock exchange in January-September of 2011:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
LTL	2.472	2.472	1.837	2.110	2.229	33,801,409	75,353,265
EUR	0.716	0.716	0.532	0.611	0.646	33,801,409	21,823,814

TEO market capitalisation as on 30 September 2011 was LTL 1,639 million (EUR 475 million).

Other material information

The Annual General Meeting of shareholders, held on 28 April 2011, decided to approve the audited annual financial statements of the Company for the year 2010; from the Company's distributable profit of LTL 144,333 thousand to allocate LTL 139,827 thousand for the dividend payment for the year 2010 or LTL 0.18 dividend per share; for annual payments (tantiemes) to seven members of the Board for the year 2010 to allocate LTL 378 thousand, i.e. LTL 54 thousand per one member of the Board; not to approve reduction of the authorised capital of the Company by LTL 120,000,000 from LTL 776,817,518 to LTL 656,817,518 by cancelling 120,000,000 ordinary registered shares of one litas nominal value each for payment of Company's funds to the shareholders of the Company, proposed by the shareholders of the Company, that jointly held 10.48 per cent of the Company's shares and votes; to reduce number of the Board members from seven to six; to decrease the Company's obligatory reserve by 3,817,000 litas and to reallocate this amount to the

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Company's retained earnings; to elect to the Board of the Company Malin Frenning, Lars Klasson, Joakim Sundström, Tiia Tuovinen, Inga Skisaker (all proposed by Amber Teleholding A/S) and Jonas Pilkauskas (proposed by East Capital) for a new two years term of the Board.

On 2 May 2011 UAB Baltic Data Center, a subsidiary of TEO LT, AB, transferred a 100 per cent stake in UAB Interdata to another subsidiary UAB Hostex.

On 26 May 2011 the Register of Legal Persons registered a new wording of the By-Laws of the Company which provides that the Board of TEO shall consist of six members of the Board.

On 9 June 2011 the Board elected Malin Frenning as Chairwoman of the Board and appointed Joakim Sundström, Tiia Tuovinen and Inga Skisaker (independent member of the Board) as the members of Audit Committee for the term of two years. Malin Frenning, Lars Klasson and Jonas Pilkauskas (independent member of the Board) were appointed as the members of Remuneration Committee for the term of one year (until 9 June 2012).

On 9 June 2011 the Board approved establishment of a Division of Customer Operations and Quality since 1 July 2011 and appointed Eglutė Bivainienė as Chief Operational Officer (Head of the Division of Customer Operations and Quality). Starting from July 2011, TEO has five divisions – Sales and Customer Care Division, Service Development and Marketing Division, Network Technology Division, Business Process and Quality Division, Finance Division, and 5 main support units of the Company.

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. The Annual General Meeting of Shareholders, held on 28 April 2011, decided to reduce number of member of the Board from seven to six.

Members of the Board as of 30 September 2011:

Name, surname	Position in the Board	Employment	Ownership of TEO shares
Malin Frenning	Chairwoman of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), President of Business Area Broadband Services	-
Lars Klasson	Member of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), Business Area Broadband Services, Chief Technology Officer	-
Joakim Sundström	Member of the Board, member 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	-
Inga Skisaker	Member of the Board, member of the Audit Committee	Nordea Bank Finland Plc Lithuania Branch, General Manager	-
Jonas Pilkauskas	Member of the Board, member of the Remuneration Committee	A partner in law firm TARK GRUNTE SUTKIENĖ	-

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 Inga Skisaker and Jonas Pilkauskas 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.

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Members of Administration as of 30 September 2011:

Name, surname	Position in the Company	Current Board Assignments	Ownership of TEO shares
Arūnas Šikšta	General Manager (CEO)	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 Hostex, a subsidiary of UAB Baltic Data Center, Chairman of the Board; UAB Interdata, a subsidiary of UAB Hostex, Chairman of the Board	-
Eglutė Bivainienė	Chief Operational Officer	-	-
Giedrius Vegys	Chief Financial Officer	UAB Baltic Data Center, a subsidiary of TEO LT, AB, member of the Board	-

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	July - September		January - September	
		2011	2010	2011	2010
Revenue		184,498	193,885	554,307	580,882
Other income		250	320	591	983
Employee related expenses		(37,279)	(37,549)	(115,427)	(114,956)
Interconnection expenses		(24,213)	(31,050)	(78,954)	(89,607)
Other operating expenses		(46,651)	(45,955)	(133,199)	(138,042)
Depreciation, amortisation and impairment of fixed assets	3	(32,396)	(32,981)	(98,270)	(98,379)
Other gain/ (loss) - net		173	381	443	356
Operating profit		44,382	47,051	129,491	141,237
Finance income		406	350	1,562	1,167
Finance costs		225	(301)	(136)	(394)
Finance income/ costs - net		631	49	1,426	773
Profit before income tax		45,013	47,100	130,917	142,010
Income tax	8	(4,371)	(5,499)	(13,626)	(16,856)
Profit for the period		40,642	41,601	117,291	125,154
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		40,642	41,601	117,291	125,154
Profit and comprehensive income attributable to:					
Owners of the Parent		40,642	41,601	117,291	125,154
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in litas per share)	9	0.052	0.054	0.151	0.161

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CONSOLIDATED BALANCE SHEET

	Note	30 September 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	3	717,727	706,430
Intangible assets	3	43,714	49,341
Investment property		10,794	10,794
Trade and other receivables		1,813	1,820
Deferred tax assets		628	711
		774,676	769,096
Current assets			
Inventories		4,507	6,091
Trade and other receivables		120,458	124,724
Current income tax receivable		8,788	18,946
Held-to-maturity investments		50,267	40,184
Cash and cash equivalents		136,225	219,526
Assets held for sale		1	-
		320,246	409,471
Total assets		1,094,922	1,178,567
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	5	776,818	776,818
Legal reserve	6	77,682	81,499
Retained earnings		149,402	168,121
Total equity		1,003,902	1,026,438
LIABILITIES			
Non-current liabilities			
Borrowings		3,498	4,233
Deferred tax liabilities		12,326	10,290
Deferred revenue and accrued liabilities		3,876	5,814
		19,700	20,337
Current liabilities			
Trade, other payables and accrued liabilities		70,276	130,564
Current income tax liabilities		27	39
Borrowings		1,017	1,189
		71,320	131,792
Total liabilities		91,020	152,129
Total equity and liabilities		1,094,922	1,178,567

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Treasury shares	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2010	814,913	(120,000)	81,499	250,222	1,026,634
Net profit	-	-	-	125,154	125,154
Total recognised income and expenses	-	-	-	125,154	125,154
Dividends paid for 2009	-	-	-	(163,132)	(163,132)
Cancellation of treasury shares and reduction of share capital	(38,095)	120,000	-	(81,905)	-
Balance at 30 September 2010	776,818	-	81,499	130,339	988,656
Balance at 1 January 2011	776,818	-	81,499	168,121	1,026,438
Net profit	-	-	-	117,291	117,291
Total comprehensive income for the period	-	-	-	117,291	117,291
Dividends paid for 2010	-	-	-	(139,827)	(139,827)
Reduction of legal reserve	-	-	(3,817)	3,817	-
Balance at 30 September 2011	776,818	-	77,682	149,402	1,003,902

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CONSOLIDATED STATEMENT OF CASH FLOW

	January - September	
	2011	2010
Operating activities		
Profit for the period	117,291	125,154
Income tax	13,626	16,856
Depreciation, amortisation and impairment of fixed assets	98,270	98,379
Other gains and losses	(443)	(356)
Interest income	(1,562)	(2,150)
Interest expenses	147	175
Other non-cash transactions	369	430
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	1584	(1,199)
Trade and other receivables	4274	(5,898)
Trade, other payables and accrued liabilities	(17,668)	(9,774)
Cash generated from operations	215,888	221,617
Interest paid	(147)	(175)
Interest received	1,562	2,397
Tax paid	(1,444)	(8,847)
Net cash from operating activities	215,859	214,992
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(149,222)	(101,428)
Proceeds from disposal of PPE and intangible assets	289	481
Acquisition of held-to-maturity investments, amounts loaned to banks	(90,000)	(219,049)
Disposal of held-to-maturity investments, repayment of amounts loaned to banks	80,508	252,149
Acquisition of subsidiaries		(9,217)
Net cash used in investing activities	(158,425)	(77,064)
Financing activities		
Repayment of borrowings	(908)	(828)
Dividends paid to shareholders of the Company	(139,827)	(163,132)
Net cash used in financing activities	(140,735)	(163,960)
Increase (decrease) in cash and cash equivalents	(83,301)	(26,032)
Movement in cash and cash equivalents		
At the beginning of the year	219,526	181,943
Increase (decrease) in cash and cash equivalents	(83,301)	(26,032)
At the end of the period	136,225	155,911

(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 nine months period ending 30 September 2011 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 2010.

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 30 September 2011 are not audited. Financial statements for the year ended 31 December 2010 are audited by the external auditor UAB PricewaterhouseCoopers.

2 Segment information

The Company's management considers the business from the Group's 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 4.

	Broadband segment		Other segment		Eliminations		Total Group	
	January-September		January-September		January-September		January-September	
	2011	2010	2011	2010	2011	2010	2011	2010
Segment revenue	521,554	552,535	70,335	69,120	(37,582)	(40,773)	554,307	580,882
Inter-segment revenue	(7,923)	(7,487)	(29,659)	(33,286)	37,582	40,773	-	-
Revenue from external customers	513,631	545,048	40,676	35,834	-	-	554,307	580,882
Profit for the period	117,657	125,354	6,595	7,846	(6,961)	(8,046)	117,291	125,154
Total Assets	1,061,879	1,059,783	89,106	94,049	(56,063)	(61,812)	1,094,922	1,092,020

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

3 Property, plant and equipment and intangible assets

	Property, plant and equipment	Intangible assets
Nine months ended 30 September 2010		
Opening net book amount as at 31 December 2009	651,712	37,076
Additions	87,638	11,161
Acquisition of subsidiaries	1,717	127
Disposals and retirements	379	-
Reclassification	(2,547)	1,615
Depreciation and amortisation charge	90,723	7,655
Closing net book amount as at 30 September 2010	647,418	42,324
Nine months ended 30 September 2011		
Opening net book amount as at 31 December 2010	706,430	49,341
Additions	103,018	1,644
Disposals and retirements	397	-
Reclassification	(498)	173
Depreciation and amortisation charge	90,826	7,444
Closing net book amount as at 30 September 2011	717,727	43,714

4 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
		30 September 2011	31 December 2010	
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 Hostex	Lithuania	100%	100%	The web hosting and data center services providing subsidiary of UAB Baltic Data Center acquired in September 2010.
UAB Interdata	Lithuania	100%	100%	The web hosting services providing subsidiary of UAB Hostex (till May 2011 was subsidiary of UAB Baltic Data Center).
UAB Hosting	Lithuania	100%	100%	The web hosting 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 an investment project.
VšĮ Ryšių Istorijos Muziejus	Lithuania	100%	100%	A non-profit organisation established by the Company in July 2010 for management of the Company's Communications History Museum.

5 Share capital and treasury shares

From September 2010 authorised share capital comprises 776,817,518 ordinary shares of LTL 1 par value each. The authorised share capital was reduced from LTL 814,912,760 to LTL 776,817,518 by cancelling 38,095,242 treasury shares. All shares are fully paid up.

The Group treated the Company's shares held by the Company as treasury shares and directly deducted them from shareholders' equity in the Group's balance sheet at their purchase cost of LTL 120 million.

6 Legal reserve

Following the decision of the Annual General Meeting of Shareholders held on 28 April 2011 the Company's obligatory reserve was decreased by LTL 3,817 thousand and this amount was reallocated to the Company's retained earnings.

7 Income tax

Tax expenses for the period comprise current and deferred tax.

Profit for 2011 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2010: 15 per cent).

According to amendments to Law on Corporate Profit Tax which provides tax relief for investments in new technologies the Company's calculated profit tax relief in 2011 amounted to LTL 7.8 million (2010: LTL 4.9 million).

8 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.

For calculation of the weighted average number of shares in issue (thousands) treasury shares (38,095) were always deducted from the number of ordinary shares (814,913), therefore the treasury shares cancellation in September 2010 had no effect on the weighted average number of shares and for the both reporting periods amounted to 776,818.

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

	January - September	
	2011	2010
Net profit	117,291	125,154
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	0.151	0.161

9 Dividends per share

A dividend that relates to the period to 31 December 2010 was approved the Annual General Meeting of Shareholders on 28 April 2011. The total amount of allocated dividend, that was paid off in May 2011 was LTL 139,827 thousand or 0.18 litas per ordinary share.

10 Related party transactions

The Group is controlled by TeliaSonera AB which as of 30 September 2011 owned 68.29 per cent of the Company's shares. In June 2011 TeliaSonera AB took over from its subsidiary Amber Teleholding A/S a controlling interest in the Company (62.94 per cent of shares). Before that TeliaSonera AB directly owned 5.14 per cent of the Company's shares. During the third quarter of 2011 TeliaSonera AB additionally acquired 0.21 per cent of the Company's shares. The following transactions were carried out with related parties:

Sales and purchases from TeliaSonera AB and its subsidiaries:

	January - September	
	2011	2010
Sales of telecommunication and other services	28,776	30,667
Total sales of telecommunication and other services	28,776	30,667
Purchases of assets	268	1,099
Purchases of services	16,089	22,202
Total purchases of assets and services	16,357	23,301

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

	As at 30 September	
	2011	2010
Receivables from related parties	3,077	2,590
Accrued revenue from related parties	3,303	2,896
Total receivables and accrued revenue from related parties	6,380	5,486
Payables to related parties	1,201	2,674
Accrued expenses to related parties	13	88
Total payables and accrued expenses to related parties	1,214	2,762

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

As of 30 September 2011 an amount of LTL 20 million accounted in the Balance sheet as Cash and cash equivalents was deposited with TeliaSonera AB, for the short term and interest at a market rate. For the period ended 30 September 2011 amount of LTL 195 thousand of interest income was accounted in the Statement of Comprehensive Income as Finance income and amount of LTL 42 thousand was accounted in the Balance Sheet as Trade and other receivables.

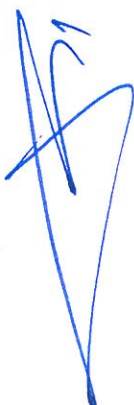
TEO Group does not have loans granted/received to/from related parties.

The total amount of annual payments (tantiemes) assigned to the seven members of the Board of the Company for the year 2010 during January-September 2011 amounted to LTL 378 thousand (2010: LTL 378 thousand). As of 30 September 2011 the amount of LTL 108 thousand of tantiemes was paid to two members of the Board.

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 30 September 2011, 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 blue ink, consisting of a large, stylized 'A' with a vertical line extending downwards and a horizontal line across the middle.

Arūnas Šikšta

Chief Financial Officer

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

Giedrius Vegys

Vilnius, 18 October 2011