



TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2012
(UNAUDITED)

Beginning of the financial year	1 January 2012
End of reporting period	31 March 2012
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 3 months of 2012:

"Despite uncertainties in the economy, TEO produced good result in the first quarter of 2012. TEO revenue during the first three months increased by 2.5 per cent compared to the same period in 2011. Operating expenses were somewhat higher than a year ago, mostly due to non-recurring items.

Revision of product pricing in 2011 and 2012 had positive result: revenue from Internet services increased by 4.5 per cent and from TV services – by 23.8 per cent, mostly driven by the intake of customers of the next-generation fiber-optic network and IPTV services respectively. Internet customer base increased by 6 per cent, while number of IPTV service users was up by 17 per cent. Loss of voice revenue pace did not increase substantially and was fully compensated by the increase in IT services revenue.

TEO capital investments during the first quarter of 2012 amounted to LTL 23 million and were higher by 57 per cent compared to the same period in 2011."

KEY FIGURES OF TEO GROUP

Financial figures	January – March		Change (%)
	2012	2011	
Revenue (LTL thousand)	190,492	185,782	2.5
EBITDA (LTL thousand)	74,396	73,896	0.7
EBITDA margin (%)	39.1	39.8	
Operating profit (LTL thousand)	42,044	41,466	1.4
Operating profit margin (%)	22.1	22.3	
Profit before income tax (LTL thousand)	42,416	41,848	1.4
Profit before income tax margin (%)	22.3	22.5	
Profit for the period (LTL thousand)	37,147	37,731	(1.5)
Profit for the period margin (%)	19.5	20.3	
Earnings per share (LTL)	0.05	0.05	
Number of shares excluding treasury stocks (thousand)	776,818	776,818	
Financial ratios	31 March 2012	31 March 2011	
Return on capital employed (%)	17.2	17.3	
Return on average assets (%)	15.3	15.4	
Return on shareholders' equity (%)	15.3	15.8	
Gearing ratio (%)	(24.0)	(25.1)	
Debt to equity ratio (%)	0.4	0.5	
Current ratio (%)	490.3	537.5	
Rate of turnover of assets (%)	67.7	68.9	
Equity to assets ratio (%)	91.3	91.8	
Operating figures	31 March 2012	31 March 2011	Change (%)
Number of fixed telephone lines in service	636,132	679,562	(6.4)
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi and other)	373,899	352,697	6.0
Number of TV services customers	154,246	138,463	11.4
Number of personnel (head-counts) at the end of period	3,251	3,368	(3.5)
Number of full-time employees at the end of the period	2,833	2,949	(3.9)

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

BREAKDOWN OF TEO GROUP REVENUE

	January - March		Change (%)
	2012	2011	
Voice telephony services	86,662	96,959	(10.6)
Internet services	41,276	39,496	4.5
Data communication and network capacity services	22,265	23,196	(4.0)
TV services	13,733	11,094	23.8
IT services	19,566	9,340	109.5
Other services	6,990	5,697	22.7
Total	190,492	185,782	2.5

REVENUE

The total consolidated TEO Group's revenue in January-March of 2012 was LTL 190 million, an increase by 2.5 per cent over the total revenue of LTL 186 million in the first three months of 2011.

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

From 2012 the Company will report revenue from Internet services separately from revenue from data communication services and network capacity services:

	12 months of 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	12 months of 2011	Q1 2012
Internet services	159,236	39,496	38,990	39,764	42,447	160,697	41,276
Data communication and network capacity services	97,608	23,196	23,035	22,695	23,332	92,258	22,265
Former Internet and data communications services	256,844	62,692	62,025	62,459	65,779	252,955	63,541

Share of revenue from voice telephony services continued to shrink and from total amount of revenue amounted to 45.5 per cent. Revenue from Internet services amounted to 21.7 per cent, data communications services and network capacity sales – 11.7 per cent, television services – 7.2 per cent, IT services – 10.3 per cent and other services – 3.7 per cent of total revenue for the first quarter of 2012.

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).

During January-March 2012, the total number of main telephone lines in service decreased by 11.4 thousand, while over the last twelve months – by 43.4 thousand lines. Lower number of voice telephony service users resulted in decrease of revenue from subscription fees in January-March 2012 by 9.1 per cent compared with the same period a year ago.

Total voice telephony traffic volume generated by residential and business customers decreased by 11.8 and 8.9 per cent, respectively. As a result, revenue from traffic charges went down by 10.4 per cent.

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

Revenue from networks' interconnection services decreased by 12.7 per cent due to lower termination and international transit prices.

During January-March 2012, the total number of **broadband Internet access** users increased by 1.7 thousand, while over the last twelve months – by 21.2 thousand.

Number of Internet connections over the next-generation fiber-optic network using FTTH (Fiber to the home) and FTTB (Fiber to the building) technologies continued to grow and by the end of March 2012, 39.2 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 by 29.4 per cent, while the number of copper DSL connections went down by 7.8 per cent.

At the end of March 2012 out of total 374 thousand broadband connections, 193 thousand were copper DSL connections, 147 thousand – fiber-optic connections and 34 thousand – wireless connections via WiFi network.

From the 1st of March, TEO increased the speed of the ZEBRA Internet plans "Startas" ("Start") from 1 up to 2 Mbps and "Bazinis šviesolaidis" ("Basic FTTH") – from 40 up to 50 Mbps, and consequently increased monthly fees for the Internet plans "Start", "Basic Plus" and "Basic FTTH" by 3 litas.

In March, the Company offered two new additional services. The ZEBRA Internet service "Saugykla" ("Storage"), an online data storage service, enables storing up 300 GB of data on a highly secure server. The new service allows keeping important data safe in the event of a computer failure or theft. The service "Laiko kontrolė" ("Time Control") helps Internet users plan their children's leisure time – to limit the time they can spend on the Internet. The service allows users to set a specific time when their Internet access will be limited. The new services are available for use to the majority of TEO customers at no extra charge for one year (the standard price for the each of the services is 4.90 litas per month).

During January-March 2012 the total number of **television services** users increased by 3.1 thousand, while over the last twelve months – by 15.8 thousand. Over the year the number of IPTV service users went up by 12.1 thousand and by the end of March 2012 reached 82.9 thousand. As of 31 March 2012, the number of digital terrestrial television (DVB-T) users amounted to 71.4 thousand.

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. During the first quarter of 2012 Baltic Data Center recorded one-off sales of IT equipment which contributed to double growth of revenue from IT services.

In January TEO launched long-term computer and office equipment rental services for businesses and organizations. Customers are able to rent equipment presented on the website www.iranga.teo.lt, which contains several hundreds of laptops, tablets and desktops, servers, printers, monitors and other computer accessories, for 2 or 3 years, and later rent or purchase new equipment.

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 declined by 0.8 per cent, while revenue from other non-core business services increased by 57.4 per cent.

In March 2012, TEO signed an agreement on the transfer of its entertainment news Internet portal Zebra.lt. to UAB "15 min", owned by the media group Schibsted ASA. According to the agreement, "15 min" took over the news portal and its management from TEO and will use the brand name and the Internet domain Zebra.lt. The portal is one of the most popular entertainment news portals in Lithuania, with particular emphasis on celebrity life and entertainment news. The portal has on average 450 thousand unique visitors per month.

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

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).

MARKET INFORMATION

According to the Reports of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue in the fourth quarter of 2011 decreased by 4 per cent to LTL 604 million, compared with the same period a year ago, while during the 12 months of 2011 it went down by 7 per cent to LTL 2,394 million.

	TEO market share in terms of customers (%)		TEO market share in terms of revenue (%)	
	Q4 2011	Q4 2010	Q4 2011	Q4 2010
Fixed voice telephony services	90.8	91.5	93.0	93.3
Data communication services	n/a	n/a	60.4	64.1
Leased line services	n/a	n/a	60.0	63.8
Internet access services (total)	37.5	39.3	39.1	38.5
Fixed Internet access services	50.7	50.4	53.6	51.7
Pay-TV services (total)	22.8	20.6	29.1	24.3
Digital pay-TV services	45.0	47.4	45.6	42.1
Network interconnection services	n/a	n/a	29.1	23.3

On 31 December 2011 Internet penetration per 100 residents of Lithuania was 30.9 per cent (in 2010 – 27.1 per cent), while the penetration of broadband Internet using fixed connection was 22.9 per cent (21.1 per cent a year ago). Digital pay-TV penetration per 100 households was 25.2 per cent (in 2010 – 20.6 per cent), and the penetration of fixed voice telephony lines per 100 residents – 21.7 per cent (22.6 per cent a year ago).

OPERATING EXPENSES

In 2012, the Company changed the grouping of operating expenses for reporting purpose: direct services expenses and network capacity costs were moved from other expenses and together with former separate interconnection expenses formed a new group of cost of goods sold. Employee-related expenses remained unchanged as well as total operating expenses for the previously reported periods:

	12 months	Q1 2011	Q2 2011	Q3 2011	Q4 2011	12 months	Q1 2012
	of 2010					of 2011	
Cost of goods sold	210,283	48,265	48,146	49,322	55,228	200,961	50,562
Employee-related expenses	157,647	40,407	37,741	37,279	41,382	156,809	46,069
Other expenses	97,038	23,430	21,448	21,542	25,038	91,458	20,085
Total operating expenses	464,968	112,102	107,335	108,143	121,648	449,228	116,716

Total operating expenses of the Group for the first quarter of 2012 were by 4.1 per cent higher than total operating expenses a year ago. During the first three months of 2012 **cost of goods sold** increased by 4.8 per cent, compared with the same period in 2011, mainly due to one-off sales of IT equipment by Baltic Data Center, while interconnection expenses continued to go down due to lower transit traffic prices and reduced national interconnection tariffs following the regulatory requirements.

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

Employee-related expenses increased by 14 per cent due to paid bonuses. Over the year the total number of employees (headcount) in TEO Group decreased by 117 (mainly in Lintel) from 3,368 to 3,251. During the first quarter of 2012, the total number of employees went down by 52. In terms of full-time employees, the total number of employees in TEO Group during January-March of 2012 went down by 95 (mainly in Lintel), while over the last twelve months – by 116 from 2,949 to 2,833.

Other expenses decreased by 14.3 per cent due to lower expenses for marketing, bad debts and business trips.

EARNINGS

EBITDA for the first three months of 2012 went up by 0.7 per cent to LTL 74.4 million over LTL 73.9 million in the first three months of 2011. EBITDA margin amounted to 39.1 per cent (39.8 per cent in 2011).

Depreciation and amortisation charges remained almost the same (a decline by 0.2 per cent) due to investments in 2011. In January-March of 2012 depreciation and amortisation charges amounted to 17 per cent of total revenue (17.5 a year ago).

Operating profit (EBIT) was by 1.4 per cent higher than a year ago and the operating profit margin declined from 22.3 per cent a year ago to 22.1 per cent.

Net financial income in January-March of 2012 was by 2.3 per cent lower than year ago.

Profit before income tax in the first three months of 2012 was up by 1.4 per cent and amounted to LTL 42.4 million (LTL 41.8 million a year ago).

Since 1 January 2010 the 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 first quarter of 2012 amounted to LTL 1.2 million (LTL 2.3 million in 2011). Due to that **income tax expenses** for the first three months of 2012 were by 28 per cent higher than a year ago.

As a result, **profit for the period** amounted to LTL 37.1 million, while a year ago it was LTL 37.7 million, a decline by 1.5 per cent. The profit margin was 19.5 per cent (20.3 per cent a year ago).

BALANCE SHEET AND CASH FLOW

During January–March 2012 **total assets** of TEO Group increased by 3.8 per cent due to increase of current assets.

The total **non-current assets** decreased by 1.2 per cent and amounted to 66.6 per cent of the total assets. The total **current assets** increased by 15.4 per cent and amounted to 33.4 per cent of the total assets, whereof cash and held-to-maturity investments alone represented 22.2 per cent of the total assets.

Shareholders' equity increased by 3.6 per cent and amounted to 91.3 per cent of the total assets. The Board of the Company proposed to the Annual General Meeting of Shareholders that will be held on 24 April 2012 to pay dividend of LTL 0.20 per share (in total LTL 155 million) for the year 2011.

Dividends paid to legal entities (residents and non-residents) will be subject to withholding Corporate income tax of 15 per cent and dividends paid to natural persons (residents and non-residents) will be subject to withholding Personal income tax of 20 per cent.

At the end of March 2012 the total amount of **borrowings** included mainly financial liabilities related to finance leasing of premises and amounted to LTL 4 million. Net debt was negative and amounted to LTL 256 million. The net debt to equity ratio was negative and amounted to 24 per cent.

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

Net **cash flow from operating activities** in the first three months of 2012 increased by 5.9 per cent over the net cash flow from operating activities a year ago.

The part of cash (LTL 10.4 million) spent during January-March of 2012 for capital investments was payments for investments made in 2011. As of 31 December 2011 this amount was recorded in the balance sheet as current liabilities.

During the first three months of 2012 **capital investments** amounted to LTL 23 million, an increase by 57.5 per cent over capital investments of LTL 14.6 million a year ago. The majority of capital investments (66 per cent or LTL 15.1 million) went to expansion of the core network and development of the next-generation fiber-optic access network. An amount of LTL 6.9 million (30 per cent of total capital investments) was invested into IT systems. The remaining part was invested into transportation and other.

As a result, by the end of March 2012, TEO had 714 thousand households passed (579 thousand a year ago), or 59 per cent of the country's households, by the FTTH network.

Due investments of free cash into held-to-maturity investments, **cash and cash equivalents** during the period of the first three months of 2012 decreased by LTL 27 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. The number of TEO shares that provide voting rights during the General Meeting is 776,817,518.

776,817,518 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 ordinary shares were included into the trading lists of the Berlin Stock Exchange (Berlin Open Market (Freiverkehr), the Frankfurt Stock Exchange (Open Market (Freiverkehr), the Munich Stock Exchange and the Stuttgart Stock Exchange. TEO share's symbol on German stock exchanges is ZWS.

Information about **trading in TEO shares** on NASDAQ OMX Vilnius stock exchange in January-March of 2012:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
LTL	2.075	2.313	2.072	2.210	2.216	6,155,012	13,638,320
EUR	0.601	0.630	0.600	0.640	0.642	6,155,012	3,949,931

TEO market capitalisation as on 31 March 2012 was LTL 1,717 million (EUR 497 million).

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.

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

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 March 2012:

Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)	Number of ordinary registered 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	56,651,367	7.29	7.29	-
Other shareholders	189,661,313	24.42	24.42	-
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 31 March 2012, Republic of Lithuania, represented by State Tax Inspectorate, held 362,865 shares or 0.05 per cent of the Company's share capital and votes.

OTHER MATERIAL INFORMATION

On 21 March 2012 the Board decided to convoke the Annual General Meeting of Shareholders on 24 April 2012.

The Board proposed to the shareholders from the Company's distributable profit of LTL 161,163 thousand to allocate LTL 155,364 thousand for the dividend payment for the year 2011 or LTL 0.20 dividend per share. For annual payments (tantiemes) to six members of the Board for the year 2011 to allocate LTL 324 thousand, i.e. LTL 54 thousand per one member of the Board.

The Board also proposed to the shareholders to elect UAB PricewaterhouseCoopers as the Company's audit enterprise for the period of two years to perform the audit of the annual consolidated financial statements of the Company for the year 2012 and 2013, and to make the assessment of the consolidated annual reports of the Company for the year 2012 and 2013.

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 the number of members of the Board from seven to six.

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

Members of the Board as of 31 March 2012:

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, 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	-
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	Law firm TARK GRUNTE SUTKIENĖ, of counsel	-

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 on the Company's webpage www.teo.lt.

Members of Administration:

Name, surname	Position in the Company	Current Board Assignments	Ownership of TEO shares
Arūnas Šikšta	General Manager (CEO)	AB Žemaitijos Pienas (Lithuania), member of the Board; Big Brothers Big Sisters International, (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	-

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	January - March	
		2012	2011
Revenue		190,492	185,782
Cost of goods sold		(50,562)	(48,265)
Employee-related expenses		(46,069)	(40,407)
Other expenses		(20,085)	(23,430)
Other income		326	166
Other gain/ (loss) - net		294	49
Depreciation, amortisation and impairment of fixed assets	3	(32,352)	(32,430)
Operating profit		42,044	41,466
Finance income		536	572
Finance costs		(163)	(190)
Finance income/ costs - net		373	382
Profit before income tax		42,417	41,848
Income tax	6	(5,270)	(4,117)
Profit for the period		37,147	37,731
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		37,147	37,731
Profit and comprehensive income attributable to:			
Owners of the Parent		37,147	37,731
Minority interests		-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in Litas per share)	7	0.05	0.05

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

CONSOLIDATED BALANCE SHEET

	Note	31 March 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	3	727,481	734,926
Intangible assets	3	40,808	42,922
Investment property		10,794	10,794
Trade and other receivables		6,636	6,407
Deferred tax assets		538	583
		786,257	795,632
Current assets			
Inventories		5,385	3,353
Trade and other receivables		123,091	111,834
Current income tax receivable		3,804	8,096
Held-to-maturity investments		101,319	30,186
Cash and cash equivalents		161,234	188,589
Assets held for sale		1	-
		394,834	342,058
Total assets		1,181,091	1,137,690
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	5	776,818	776,818
Legal reserve		77,682	77,682
Retained earnings		223,744	186,597
Total equity		1,078,244	1,041,097
LIABILITIES			
Non-current liabilities			
Borrowings		3,019	3,259
Deferred tax liabilities		14,769	13,993
Deferred revenue and accrued liabilities		3,565	3,628
		21,353	20,880
Current liabilities			
Trade, other payables and accrued liabilities		80,518	74,739
Current income tax liabilities		27	-
Borrowings		949	974
		81,494	75,713
Total liabilities		102,847	96,593
Total equity and liabilities		1,181,091	1,137,690

(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
Balance at 1 January 2011	776,818	-	81,499	168,121	1,026,438
Net profit	-	-	-	37,731	37,731
Total comprehensive income for the period	-	-	-	37,731	37,731
Balance at 31 March 2011	776,818	-	81,499	205,852	1,064,169
Balance at 1 January 2012	776,818	-	77,682	186,597	1,041,097
Net profit	-	-	-	37,147	37,147
Total comprehensive income for the period	-	-	-	37,147	37,147
Balance at 31 March 2012	776,818	-	77,682	223,744	1,078,244

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January - March	
	2012	2011
Operating activities		
Profit for the period	37,147	37,731
Income tax	5,270	4,117
Depreciation, amortisation and impairment of fixed assets	32,352	32,430
Other gains and losses	(294)	(49)
Interest income	(530)	(572)
Interest expenses	41	52
Other non-cash transactions	(148)	101
Changes in working capital:		
Inventories	(2,032)	(752)
Trade and other receivables	(11,487)	11,232
Trade, other payables and accrued liabilities	16,280	(11,677)
Cash generated from operations	76,599	72,613
Interest paid	(41)	(52)
Interest received	737	572
Tax paid	(329)	(445)
Net cash from operating activities	76,966	72,688
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(33,355)	(60,556)
Proceeds from disposal of PPE and intangible assets	366	73
Acquisition of held-to-maturity investments	(91,066)	(40,000)
Disposal of held-to-maturity investments	20,000	31,730
Net cash used in investing activities	(104,055)	(68,753)
Financing activities		
Repayment of borrowings	(266)	(314)
Net cash used in financing activities	(266)	(314)
Increase (decrease) in cash and cash equivalents	(27,355)	3,621
Movement in cash and cash equivalents		
At the beginning of the year	188,589	219,526
Increase (decrease) in cash and cash equivalents	(27,355)	3,621
At the end of the period	161,234	223,147

(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 2012 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 2011.

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

Financial statements for the period ended 31 March 2012 are not audited. Financial statements for the year ended 31 December 2011 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.

	<u>Broadband segment</u>		<u>Other segment</u>		<u>Eliminations</u>		<u>Total Group</u>	
	<u>January-March</u>		<u>January-March</u>		<u>January-March</u>		<u>January-March</u>	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment revenue	170,270	175,722	31,261	23,203	(11,039)	(13,143)	190,492	185,782
Inter-segment revenue	(2,766)	(2,767)	(8,273)	(10,376)	11,039	13,143	-	-
Revenue from external customers	167,504	172,955	22,988	12,827	-	-	190,492	185,782
Profit for the period	35,350	36,161	1,797	1,570	-	-	37,147	37,731
Total Assets	1,124,228	1,122,844	115,507	95,273	(58,644)	(59,402)	1,181,091	1,158,715

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

3 Property, plant and equipment and intangible assets

	Property, plant and equipment	Intangible assets
Three months ended 31 March 2011		
Opening net book amount as at 31 December 2010	706,430	49,341
Additions	14,070	513
Disposals and retirements	101	-
Reclassification	(287)	211
Depreciation and amortisation charge	30,093	2,337
Closing net book amount as at 31 March 2011	690,019	47,728
Three months ended 31 March 2012		
Opening net book amount as at 31 December 2011	734,926	42,922
Additions	22,641	350
Disposals and retirements	211	-
Reclassification	29	(16)
Depreciation and amortisation charge	29,904	2,448
Closing net book amount as at 31 March 2012	727,481	40,808

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
		31 March 2012	31 December 2011	
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.
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 dormant 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 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 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

The authorised share capital comprises 776,817,518 ordinary shares of LTL 1 par value each. All shares are fully paid up.

6 Income tax

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

Profit for 2012 is taxable at a rate of 15% in accordance with Lithuanian regulatory legislation on taxation (2011: 15%).

According to amendments to the Law on Corporate Profit Tax which provides tax relief for investments in new technologies the Company's calculated profit tax relief in 2012 amounted to LTL 1.2 million (2011: LTL 2.3 million).

7 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.

	January – March	
	2012	2011
Net profit	37,147	37,731
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	0.05	0.05

8 Dividends per share

A dividend that relates to the period to 31 December 2011 was proposed by the Board on 21 March 2012. The total proposed amount is LTL 155,364 thousand or LTL 0.20 per ordinary share.

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

9 Related party transactions

The Group is controlled by TeliaSonera AB (Sweden) which as of 31 March 2012 owned 68.29 per cent of the Company's shares. In June 2011 TeliaSonera AB took over from its subsidiary Amber Teleholding A/S (Denmark) the 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. Also 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 - March	
	2012	2011
Sales of telecommunication and other services	10,686	11,325
Total sales of telecommunication and other services	10,686	11,325
Purchases of assets	-	260
Purchases of services	5,028	5,981
Total purchases of assets and services	5,028	6,241

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

	As at 31 March	
	2012	2011
Receivables from related parties	3,362	3,560
Prepayment to related parties	4,715	-
Accrued revenue from related parties	3,921	3,551
Total receivables and accrued revenue from related parties	11,998	7,111
Payables to related parties	649	1,257
Accrued expenses to related parties	-	1
Total payables and accrued expenses to related parties	649	1,258

For the period ended 31 March 2012 the amount of LTL 51 thousand of interest income was accounted in the Statement of Comprehensive Income as Finance income and the amount of LTL 17 thousand was accounted in the Balance Sheet as Trade and other receivables. The base for calculating interest income was the prepayment to a related party.

As of 31 March 2012 the amount of LTL 162 thousand of tantiemes, assigned for the year 2010, was not paid to three members of the Board.

(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 the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Darius Gudačiauskas, Chief Sales Officer and Deputy General Manager, acting 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 three months period ended 31 March 2012, prepared in accordance with the 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.

Darius Gudačiauskas
Chief Sales Officer and
Deputy General Manager,
acting General Manager

A handwritten signature in blue ink, appearing to read 'Darius Gudačiauskas'.A handwritten signature in blue ink, appearing to read 'Giedrius Vegys'.

Giedrius Vegys
Chief Financial Officer

Vilnius, 17 April 2012