



TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012
(UNAUDITED)

Beginning of the financial year	1 January 2012
End of reporting period	30 September 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 nine months of 2012:

"With the Lithuanian telecommunications market decreasing by 5 per cent (y-o-y) for the six months of 2012, TEO revenue for the nine months of 2012 increased by 2.9 per cent compared to the same period in 2011. Although revenue from voice services decreased by 3.9 per cent, it was fully compensated by the increase in revenue from Internet services (by 8.2 per cent), TV services (23.8 per cent) and IT services (41.6 per cent).

TEO operating expenses remained under strict control – an increase by 2.5 per cent. The rate of increase in operating expenses being lower than that in revenue enabled the Company to achieve a higher EBITDA margin (well exceeding 41 per cent) than it was a year ago.

The Company's Internet customer base exceeded 380 thousand, while the TV customer base reached 162 thousand. During the third quarter of 2012, TEO introduced a new version of its Interactive GALA TV service which provides new television watching experiences that never existed before.

TEO capital investments, most of which went for the development of the next-generation fiber-optic network, stood at LTL 100 million."

Key figures of TEO Group

Financial figures	January - September		Change (%)
	2012	2011	
Revenue (LTL thousand)	570,501	554,307	2.9
EBITDA (LTL thousand)	236,199	227,761	3.7
EBITDA margin (%)	41.4	41.1	
Operating profit (LTL thousand)	138,536	129,491	7.0
Operating profit margin (%)	24.3	23.4	
Profit before income tax (LTL thousand)	139,191	130,917	6.3
Profit before income tax (%)	24.4	23.6	
Profit for the period (LTL thousand)	123,550	117,291	5.3
Profit for the period margin (%)	21.7	21.2	
Earnings per share (LTL)	0.159	0.151	
Number of shares (thousand)	776,818	776,818	
Financial ratios	30-09-2012	30-09-2011	
Return on capital employed (%)	17.9	16.9	
Return on average assets (%)	16.0	15.0	
Return on shareholders' equity (%)	15.9	15.5	
Gearing ratio (%)	(19.4)	(18.1)	
Debt to equity ratio (%)	0.3	0.4	
Current ratio (%)	401.1	449.0	
Rate of turnover of assets (%)	68.6	67.0	
Equity to assets ratio (%)	90.9	91.7	

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

Operating figures	30-09-2012	30-12-2011	Change (%)
Number of fixed telephone lines in service	615,807	660,767	(6.8)
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi and other)	380,824	367,396	3.7
Number of TV services customers	161,921	147,104	10.1
Number of personnel (head-counts) at the end of period	3,214	3,379	(4.9)
Number of full-time employees at the end of the period	2,819	2,984	(5.5)

Breakdown of TEO Group revenue

	July - September		Change (%)	January - September		Change (%)
	2012	2011		2012	2011	
Voice telephony services	89,379	89,039	0.4	268,634	279,567	(3.9)
Internet services	43,600	39,764	9.6	127,937	118,250	8.2
Data communication and network capacity services	22,689	22,695	0.0	66,562	68,926	(3.4)
TV services	14,034	11,942	17.5	41,615	34,347	21.2
IT services	14,509	12,867	12.8	46,892	33,116	41.6
Other services	5,568	8,191	(32.0)	18,861	20,101	(6.2)
Total	189,779	184,498	2.9	570,501	554,307	2.9

REVENUE

The total consolidated TEO Group's revenue for the third quarter of 2012 was LTL 190 million, an increase by 2.9 per cent over the total revenue of LTL 184 million for the third quarter of 2011. The **total revenue** for the nine months of 2012 was LTL 571 million, an increase by 2.9 per cent over the total revenue of LTL 554 million for the nine months of 2011.

Compared with the revenue for the nine months of 2011, revenue from Internet, TV and IT services during the nine months of 2012 continued to grow while revenue from voice telephony, data communication and network capacity, and other services went down.

Share of revenue from voice telephony services from total amount of revenue amounted to 47.1 per cent of total revenue for the nine months of 2012. Share of revenue from Internet services was 22.4 per cent, data communication and network capacity services – 11.7 per cent, television services – 7.3 per cent, IT services – 8.2 per cent and other services – 3.3 per cent.

Revenue from **voice telephony services** during the third quarter of 2012 were slightly higher than during the same period a year ago due to higher revenue from voice transit services. However, revenue from voice telephony services during the nine months of 2012 went down in spite of higher than in 2011 revenue from voice transit services.

During January-September 2012, the total number of main telephone lines in service decreased by 31.7 thousand, while over the last twelve months – by 45 thousand lines. Lower number of voice telephony service users resulted in decrease of revenue from subscription fees in January-September 2012 by 14.6 per cent compared with the same period a year ago.

In August 2012, TEO offered its residential customers new additional flat fee payment plans, enabling them to make calls to Lithuanian mobile network subscribers for no extra charges. The payment plan for calls to all Lithuanian mobile networks costs LTL 9.90 per month, for calls to selected networks of Omnitel, Bitė Lietuva or Tele2 – LTL 5.90 per months.

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

Reduced national networks' interconnection fees and new payment plans resulted in increased volumes of both residential and business customers' calls to mobile operator networks by 2.2 and 4.7 per cent, respectively, during the nine months of 2012 compared with the same period a year ago.

Total traffic volume generated by residential and business customers decreased by 11.6 and 12 per cent, respectively. Nevertheless, over the year revenue from traffic charges went up by 3.6 per cent.

During the third quarter of 2012 revenue from networks' interconnection services increased by 21.8 per cent and resulted that revenue from networks' interconnection services for the nine months was by 6.7 per cent higher than a year ago.

In May 2012, TEO offered residential customers to use bundled Internet, digital television and voice telephony services "Namai 1" ("Home 1") for 79.90 litas, "Namai 2" ("Home 2") for 99.90 litas and "Namai 3" ("Home 3") for 119.90 litas. Users of bundled services are also able to use some other services at no additional charge.

During January-September 2012 the total number of **broadband Internet access** users increased by 8.6 thousand, while over the last twelve months – by 13.4 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 September 2012, 41 per cent of the total number of TEO broadband Internet access users had fiber-optic access.

Switchover from copper to fiber-optic Internet access continues: over the year the number of FTTH and FTTB connections increased by 19.1 per cent, while the number of copper DSL connections went down by 7.8 per cent.

At the end of September 2012 out of total 381 thousand broadband connections, 156 thousand were fiber-optic connections, 187 thousand – copper DSL connections and 38 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.

During January-September 2012 the total number of **television service** customers increased by 10.7 thousand, while over the last twelve months – by 14.8 thousand. Over the year the number of IPTV service users went up by 13.3 thousand and by the end of September 2012 exceeded 89 thousand. As of 30 September 2012, the number of digital terrestrial television (DVB-T) users amounted to 73 thousand.

Revenue from TV services consist of revenue from provision of IPTV and DVB-T services as well as TV signals transmission fees.

In 2012, IPTV services customers were offered a possibility to watch the year's most important sporting and music events: Semi-Finals and the Grand Final of the Eurovision Song Contest, the crucial matches of the European Football Championship and the London Summer Olympic Games in High Definition (HD) format.

In August users of IPTV services were offered a new additional service, Startover, a rewind, pause or fast forward of already running show or movie, and a new package of TV channels in Russian. In September packages of Viasat sports and movie channels were offered, too.

In August, the Company launched a new service to private customers by offering them TV sets for a monthly fee. Customers can choose from three Samsung TV set models.

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 growth of revenue from IT services.

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In January 2012, 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 purchase or rent new equipment.

In May 2012, Baltic Data Center implemented the Storwize V7000 solutions from IBM in its data centers. This solution enables customers to not only make a trouble-free change of the storage capacity required for storing data, but also to change the Service Level Agreement (SLA) without stopping the system. In this way, the company's customers have the flexibility to adapt to the changing needs of their business and to make an efficient use of their funds for IT management.

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.

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.

In May 2012, Lintel offered 118, an application for smartphones. It differs from other information search solutions in that it not only finds business and residential contacts, but also can determine the user's location and provide information that is relevant to a person located at that particular point. The application 118 uses the business and residential contact database, from which information is provided by phone 118 and on the website www.118.lt.

During the nine months of 2012 revenue from other non-core business services declined by 4 per cent as there were no one-off special projects which were implemented in 2011 and contributed LTL 2 million of revenue. Revenue from Contact Center services over the year decreased by 7.9 per cent.

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 second quarter of 2012 increased by 4.2 compared with the first quarter of 2012 but were down by 4.9 per cent compared with the same period a year ago, and amounted to LTL 579 million. During the first half of 2012 the total revenue of the market amounted to LTL 1,134 million, a decrease by 4.9 per cent over the first half of 2011.

	TEO market share (%)			
	in terms of customers		in terms of revenue	
	Q2 2012	Q2 2011	Q2 2012	Q2 2011
Fixed voice telephony services	91.9	93.6	93.5	93.2
Data communication services	n/a	n/a	59.5	62.4
Leased line services	n/a	n/a	58.9	66.1
Internet access services (total)	37.2	38.7	42.1	38.1
Fixed Internet access services	50.5	50.9	54.9	51.2
Pay-TV services (total)	23.4	22.2	29.4	26.0
Digital pay-TV services	43.7	47.9	43.7	44.9
Network interconnection services	n/a	n/a	36.9	27.0

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On 30 June 2012 broadband Internet penetration per 100 residents of Lithuania was 31.7 per cent (28.6 per cent a year ago), while the penetration of broadband Internet using fixed connection was 23.4 per cent (21.8 per cent a year ago). Digital pay-TV penetration per 100 households was 26.9 per cent (22.2 per cent a year ago), and the penetration of fixed voice telephony lines per 100 residents – 21.3 per cent (22.3 per cent a year ago).

OPERATING EXPENSES

Total operating expenses of the Group for the third quarter of 2012 were almost at the same level as a year ago. Total operating expenses for the nine months of 2012 were by 2.5 per cent higher than total operating expenses for the same period year ago due to one-off sales of IT equipment by Baltic Data Center and bonuses paid during the first quarter of 2012 as well as increased international transit volumes.

During the third quarter of 2012 **cost of goods sold** was almost at the same level as during the third quarter of 2011. For the nine months of 2012 they increased by 3 per cent, compared with the same period in 2011.

Employee-related expenses for the third quarter were by 6.2 per cent higher than a year ago, but by 2.5 per cent lower than during the second quarter of 2012. Employee-related expenses for January-September 2012 went up by 9.4 per cent mainly due to paid bonuses during the first quarter of 2012. Over the year the total number of employees (headcount) in TEO Group decreased by 165 (mainly in TEO and Lintel) from 3,379 to 3,214. During the nine months of 2012, the total number of employees went down by 89. In terms of full-time employees, the total number of employees in TEO Group during January-September of 2012 went down by 108 (mainly in TEO and Lintel), while over the last twelve months – by 165 from 2,984 to 2,819.

Other expenses for the third quarter and the nine months of 2012 decreased by 9.8 and 10.5 per cent, respectively due to lower expenses for marketing, bad debts and business trips, and continuous cost saving policy.

EARNINGS

EBITDA for the third quarter of 2012 went up by 6.7 per cent to LTL 82 million over LTL 77 million in the third quarter of 2011. EBITDA margin amounted to 43.2 per cent (41.6 per cent in 2011). EBITDA for the nine months of 2012 increased by 3.7 per cent to LTL 236 million over LTL 228 million for the same period year ago. EBITDA margin amounted to 41.4 per cent (41.1 per cent in 2011).

Depreciation and amortisation charges slightly went down by 0.3 and 0.6 per cent during the third quarter and the nine months of 2012, respectively, and in January-September of 2012 amounted to 17.1 per cent of total revenue (17.7 a year ago).

Operating profit (EBIT) for the third quarter of 2012 was up by 11.8 per cent and for the nine months of 2012 – by 7 per cent. Operating profit margin for the third quarter of 2012 was 26.1 per cent (24.1 per cent a year ago) and for the nine months of 2012 – 24.3 per cent (23.4 per cent in 2011).

Net financial income in January-September of 2012 was by 54 per cent lower than year ago.

Profit before income tax for the third quarter of 2012 went up by 10.4 per cent and amounted to LTL 50 million (LTL 45 million a year ago). Profit before income tax for the nine months of 2012 was up by 6.3 per cent and amounted to LTL 139 million (LTL 131 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 nine months of 2012 amounted to LTL 7.3 million (LTL 7.8 million in 2011). **Income tax expenses** for the nine months of 2012 were by 7.2 per cent higher than a year ago.

Profit for the period in July-September 2012 amounted to LTL 45 million, while a year ago it was LTL 41 million, an increase by 11.4 per cent. The profit margin was 23.9 per cent (22 per cent a year ago). Profit for the period in January-September 2012 amounted to LTL 124 million, an increase by 5.3 per cent over the

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profit of LTL 117 million for the same period year ago. The profit margin was 21.7 per cent (21.2 per cent a year ago).

BALANCE SHEET AND CASH FLOW

During January-September 2012 **total assets** of TEO Group decreased by 2.4 per cent mainly due to payment of dividends for the year 2011.

Total **non-current** assets declined by 0.5 per cent and amounted to 71.3 per cent of total assets. In May, following the resolution of the Annual General Meeting of Shareholders of 24 April 2012, dividend of the total amount of LTL 155 million or LTL 0.20 per share for the year 2011 were paid to the shareholders of the Company. Therefore, total **current assets** decreased by 6.9 per cent and amounted to 28.7 per cent of the total assets, whereof cash and held-to-maturity investments alone represented 17.9 per cent of total assets.

Due to dividend payment, **shareholders' equity** decreased by 3.1 per cent, but still amounted to 90.9 per cent of the total assets.

At the end of September 2012 total amount of **borrowings** included mainly financial liabilities related to financial leasing of premises and amounted to LTL 3.5 million. Net debt was negative and amounted to LTL 196 million. The net debt to equity ratio was negative and amounted to 19.4 per cent.

Net **cash flow from operating activities** for the nine months of 2012 was by 7 per cent higher than a year ago.

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

During the nine months of 2012 **capital investments** amounted to LTL 100 million (LTL 105 million a year ago). The majority of capital investments (83 per cent or LTL 83 million) went to development of the next generation fiber-optic access network and expansion of the core network. The remaining part was invested into IT systems (LTL 14 million) and other.

As a result by the end of September, TEO had 747 thousand households passed (705 thousand at the end of 2011), or 62 per cent of the country's households, by the FTTH network.

Due to dividend payment, capital investments and investments of free cash into held-to-maturity investments, **cash and cash equivalents** during January-September 2012 decreased by LTL 40 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 in September 2010 by cancelling 38,095,242 treasury stocks. 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.

From January 2011 TEO shares are included into the trading lists of Berlin Stock Exchange (Berlin Open Market (Freiverkehr), Frankfurt Stock Exchange (Open Market (Freiverkehr), Munich Stock Exchange and Stuttgart Stock Exchange. TEO share's symbol on German stock exchanges is ZWS.

The number of **shareholders** on the shareholders registration day (17 April 2012) for the Annual General Meeting of Shareholders, which was held on 24 April 2012, was 14,317.

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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.

On 10 May 2012, TeliaSonera AB acquired from the funds managed by East Capital Asset Management AB and East Capital AB, and Coneglen Limited in total 61,129,044 shares of TEO (i.e. 7.87 per cent of all the shares of the Company) paying EUR 0.637 (equivalent in LTL 2.20) per one share and crossed the threshold of 75 per cent of votes at General Meeting of TEO shareholders.

In connection to that acquisition TeliaSonera AB announced its intension to launch the voluntary takeover bid to buy up the remaining shares of the Company for the price of EUR 0.637 per share. TeliaSonera AB also placed an order to NASDAQ OMX Vilnius stock exchange to buy shares of the Company for the price of EUR 0.637 per share.

On 30 May 2012 the Bank of Lithuania approved TeliaSonera's circular of the non-competitive voluntary takeover bid to buy up the remaining shares of the Company for the price of EUR 0.637 per share. The implementation of the takeover bid commenced on 5 June 2012 and terminated on 29 June 2012.

During takeover bid sell orders for 12,719,908 shares of the Company were placed. In addition, TeliaSonera during the period from 8 May to 29 June 2012 acquired 80,437,785 shares of the Company in the open market.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 September 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	684,791,575	88.15	88.15	-
Other shareholders	92,025,943	11.85	11.85	-
TOTAL:	776,817,518	100.00	100.00	-

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

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
LTL	2.075	2.386	2.061	2.258	2.203	95,996,039	211,499,266
EUR	0.601	0.691	0.597	0.654	0.638	95,996,039	61,254,422

TEO market capitalisation as on 30 September 2012 was LTL 1,754 million (EUR 508 million).

OTHER MATERIAL INFORMATION

The Annual General Meeting of shareholders, held on 24 April 2012, decided to approve the audited annual consolidated financial statements of the Company for the year 2011; to allocate the Company's profit for the year 2011 as follows: 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 (EUR 15.6 million) per one member of the Board; to elect UAB PricewaterhouseCoopers as the Company's audit enterprise for the period of two years to perform the audit of the annual consolidated

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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.

From 9 July 2012, Arūnas Šikšta, General Manager of TEO LT, AB, resigned from the Board of AB Žemaitijos Pienas, and on 2 July 2012, by the decree of the Prime Minister of the Republic of Lithuania, he was appointed as the Chairman of the Commission for implementation of the reform of state-owned enterprises.

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

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Members of Administration:

Name, surname	Position in the Company	Current Board Assignments	Ownership of TEO shares
Arūnas Šikšta	General Manager (CEO)	Big Brothers Big Sisters International, (U.S.A.), member of the Board; Chairman of the Commission for implementation of the reform of state-owned enterprises (Lithuania)	-
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, member of the Board; UAB Interdata, a subsidiary of UAB Hostex, member 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; UAB Lintel, 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	July - September		January - September	
		2012	2011	2012	2011
Revenue		189,779	184,498	570,501	554,307
Cost of goods sold		(49,255)	(49,322)	(150,110)	(145,734)
Employee-related expenses		(39,581)	(37,279)	(126,228)	(115,427)
Other expenses		(19,421)	(21,542)	(59,455)	(66,419)
Other income		236	250	883	591
Other gain/ (loss) - net		158	173	608	443
Depreciation, amortisation and impairment of fixed assets	3	(32,307)	(32,396)	(97,663)	(98,270)
Operating profit		49,609	44,382	138,536	129,491
Finance income		260	406	1,070	1,562
Finance costs		(179)	225	(415)	(136)
Finance income/ costs - net		81	631	655	1,426
Profit before income tax		49,690	45,013	139,191	130,917
Income tax	6	(4,421)	(4,371)	(15,641)	(13,626)
Profit for the period		45,269	40,642	123,550	117,291
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		45,269	40,642	123,550	117,291
Profit and comprehensive income attributable to:					
Owners of the Parent		45,269	40,642	123,550	117,291
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in litas per share)	7	0.058	0.052	0.159	0.151

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CONSOLIDATED BALANCE SHEET

	Note	30 September 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	3	741,520	734,926
Intangible assets	3	37,835	42,922
Investment property		10,794	10,794
Trade and other receivables		1,362	6,407
Deferred tax assets		416	583
		791,927	795,632
Current assets			
Inventories		6,980	3,353
Trade and other receivables		112,146	111,834
Current income tax receivable		234	8,096
Held-to-maturity investments		50,244	30,186
Cash and cash equivalents		148,833	188,589
		318,437	342,058
Total assets		1,110,364	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		154,783	186,597
Total equity		1,009,283	1,041,097
LIABILITIES			
Non-current liabilities			
Borrowings		2,530	3,259
Deferred tax liabilities		16,884	13,993
Deferred revenue and accrued liabilities		3,440	3,628
		22,854	20,880
Current liabilities			
Trade, other payables and accrued liabilities		74,693	74,739
Current income tax liabilities		2,566	-
Borrowings		968	974
		78,227	75,713
Total liabilities		101,081	96,593
Total equity and liabilities		1,110,364	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	-	-	-	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
Balance at 1 January 2012	776,818	-	77,682	186,597	1,041,097
Net profit	-	-	-	123,550	123,550
Total comprehensive income for the period	-	-	-	123,550	123,550
Dividends paid for 2011	-	-	-	(155,364)	(155,364)
Balance at 30 September 2012	776,818	-	77,682	154,783	1,009,283

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January - September	
	2012	2011
Operating activities		
Profit for the period	123,550	117,291
Income tax	15,641	13,626
Depreciation, amortisation and impairment of fixed assets	97,663	98,270
Other gains and losses	(608)	(443)
Interest income	(1,069)	(1,562)
Interest expenses	258	147
Other non-cash transactions	(76)	369
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	(3,627)	1584
Trade and other receivables	18	4274
Trade, other payables and accrued liabilities	91	(17,668)
Cash generated from operations	231,841	215,888
Interest paid	(258)	(147)
Interest received	1,745	1,562
Tax paid	(2,355)	(1,444)
Net cash from operating activities	230,973	215,859
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(95,175)	(149,222)
Proceeds from disposal of PPE and intangible assets	547	289
Acquisition of held-to-maturity investments	(141,068)	(90,000)
Disposal of held-to-maturity investments	121,067	80,508
Net cash used in investing activities	(114,629)	(158,425)
Financing activities		
Repayment of borrowings	(736)	(908)
Dividends paid to shareholders of the Company	(155,364)	(139,827)
Net cash used in financing activities	(156,100)	(140,735)
Increase (decrease) in cash and cash equivalents	(39,756)	(83,301)
Movement in cash and cash equivalents		
At the beginning of the year	188,589	219,526
Increase (decrease) in cash and cash equivalents	(39,756)	(83,301)
At the end of the period	148,833	136,225

(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 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 30 September 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.

	Broadband segment		Other segment		Eliminations		Total Group	
	January-September		January-September		January-September		January-September	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment revenue	522,547	521,554	81,488	70,335	(33,534)	(37,582)	570,501	554,307
Inter-segment revenue	(8,148)	(7,923)	(25,386)	(29,659)	33,534	37,582	-	-
Revenue from external customers	514,399	513,631	56,102	40,676	-	-	570,501	554,307
Profit for the period	121,860	117,657	6,491	6,595	(4,801)	(6,961)	123,550	117,291
Total Assets	1,069,731	1,061,879	100,694	89,106	(60,062)	(56,063)	1,110,363	1,094,922

(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 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
Nine months ended 30 September 2012		
Opening net book amount as at 31 December 2011	734,926	42,922
Additions	97,973	1,791
Disposals and retirements	522	-
Reclassification	(53)	(19)
Depreciation and amortisation charge	90,804	6,859
Closing net book amount as at 30 September 2012	741,520	37,835

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 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 an investment project.
VšĮ Ryšių Istorijos Muziejus	Lithuania	100%	100%	A non-profit organisation established by the Company 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

Tax expenses for the period comprise current and deferred tax.

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

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 7.3 million (2011: LTL 7.8 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 - September	
	2012	2011
Net profit	123,550	117,291
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	0.159	0.151

8 Dividends per share

A dividend that relates to the period to 31 December 2011 was approved the Annual General Meeting of Shareholders on 24 April 2012. The total amount of allocated dividend, that was paid off in May 2012 was 155,364 thousand litas or 0.20 litas 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 30 September 2012 owned 88.15 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 and increased its holding up to 68.29 per cent. In May-July 2012, TeliaSonera AB acquired 7.87 per cent of the Company's shares over direct deals, 10.35 per cent on the stock exchange and 1.64 per cent by implementing takeover bid; in total 19.86 per cent of shares.

The Group carried out the following transactions with related parties:

Sales and purchases from TeliaSonera AB and its subsidiaries:

	January - September	
	2012	2011
Sales of telecommunication and other services	35,805	28,776
Total sales of telecommunication and other services	35,805	28,776
Purchases of assets	-	268
Purchases of services	15,380	16,089
Total purchases of assets and services	15,380	16,357

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

	As at 30 September	
	2012	2011
Receivables from related parties	3,747	3,077
Accrued revenue from related parties	3,573	3,303
Total receivables and accrued revenue from related parties	7,320	6,380
Payables to related parties	186	1,201
Accrued expenses to related parties	-	13
Total payables and accrued expenses to related parties	186	1,214

For the period ended 30 September 2012 the amount of LTL 147 thousand of interest income was accounted in the Statement of Comprehensive Income as Finance income and the amount of LTL 11 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 which was due on 21 September 2012.

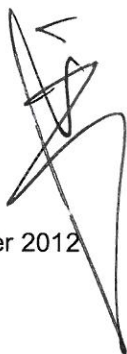
The total amount of annual payments (tantiemes) assigned to the six members of the Board of the Company for the year 2011 during January-September 2012 amounted to LTL 324 thousand (2011: LTL 378 thousand). As of 30 September 2012 the amount of LTL 216 thousand of tantiemes assigned for the year 2010-2011 was not paid.

(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 Consolidated Interim Financial Statements for the nine months period ended 30 September 2012, 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.

Arūnas Šikšta
General Manager

A handwritten signature in black ink, consisting of several overlapping loops and a long, sweeping tail that extends downwards and to the right.

Vilnius, 15 October 2012

A handwritten signature in blue ink, featuring a series of fluid, connected loops and a long, horizontal tail that extends to the right.

Giedrius Vegys
Chief Financial Officer