



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

Beginning of the financial year	1 January 2012
End of reporting period	31 December 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 twelve months of 2012:

"With the Lithuanian telecommunications market struggling to revert to growth (the market decreased by 4.5 per cent during the nine months of 2012), TEO increased its revenue in 2012 by 1.4 per cent achieving total revenue of LTL 760 million. With cost increase of 1.3 per cent, the Company registered a 1.6 per cent higher EBITDA than a year ago. Net profit exceeded profit of 2011 by 3 per cent.

TEO continued its commitment for provision of the most advanced telecommunications services available in the market today. During 2012 investments into a next-generation network made up more than a half of total capital investment of LTL 151 million. The Company completed its network overhaul, enabling it to provide a stunning Internet speed of up to, but not limited to, 300 Mbps. TEO upgraded its Interactive GALA TV service with new features that literally converted regular television to an entertainment hub.

Despite the falling telecommunications market, TEO increased its Internet customer base by 3.7 per cent – the number of customers exceeding 385 thousand. The number of TV service users increased by 12 per cent. Revenue from the well-accepted in the market IT services provided by TEO grew by more than 30 per cent for the third year in a row.

In 2013, with Lithuania's economy shifting towards growth, while increasing competition, TEO will be committed to its customers' need for further improvement of the quality of services."

KEY FIGURES OF TEO GROUP

Financial figures	January - December		Change (%)
	2012	2011	
Revenue (LTL thousand)	760,174	749,784	1.4
EBITDA (LTL thousand)	307,080	302,288	1.6
EBITDA margin (%)	40.4	40.3	
Operating profit (LTL thousand)	176,519	169,834	3.9
Operating profit margin (%)	23.2	22.7	
Profit before income tax (LTL thousand)	177,302	172,013	3.1
Profit before income tax (%)	23.3	22.9	
Profit for the period (LTL thousand)	159,067	154,486	3.0
Profit for the period margin (%)	20.9	20.6	
Earnings per share (LTL)	0.205	0.199	
Number of shares (thousand)	776,818	776,818	
Financial ratios	31 December 2012	31 December 2011	
Return on capital employed (%)	17.6	17.2	
Return on average assets (%)	15.8	15.3	
Return on shareholders' equity (%)	15.7	15.4	
Gearing ratio (%)	(22.2)	(20.6)	
Debt to equity ratio (%)	0.3	0.4	
Current ratio (%)	386.8	459.6	
Rate of turnover of assets (%)	67.9	67.3	
Equity to assets ratio (%)	90.1	91.5	

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

Operating figures	31 December 2012	31 December 2011	Change (%)
Number of fixed telephone lines in service	605,424	647,524	(6.5)
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi and other)	385,863	372,212	3.7
Number of TV services customers	169,285	151,175	12.0
Number of personnel (head-counts) at the end of period	3,257	3,303	(1.4)
Number of full-time employees at the end of the period	2,875	2,928	(1.8)

Breakdown of TEO Group revenue

	October - December		Change (%)	January - December		Change (%)
	2012	2011		2012	2011	
Voice telephony services	86,246	94,868	(9.1)	354,880	374,435	(5.2)
Internet services	43,899	42,447	3.4	171,836	160,697	6.9
Data communication and network capacity services	20,862	23,332	(10.6)	87,424	92,258	(5.2)
TV services	15,444	13,156	17.4	57,059	47,503	20.1
IT services	17,379	14,419	20.5	64,271	47,535	35.2
Other services	5,843	7,255	(19.5)	24,704	27,356	(9.7)
Total	189,673	195,477	(3.0)	760,174	749,784	1.4

REVENUE

The **total revenue** for the twelve months of 2012 was LTL 760 million, an increase of 1.4 per cent over the total revenue of LTL 750 million for the twelve months of 2011. The growth of revenue excluding in 2011 implemented special projects and other one off revenue was 2.6 per cent.

The total consolidated TEO Group's revenue for the fourth quarter of 2012 was LTL 189.7 million and stayed almost on the same level as the total revenue of LTL 189.8 million for the third quarter of 2012, while compared with the same quarter a year ago the revenue decreased by 3 per cent.

In 2012, revenue from Internet, TV and IT services 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 the total amount of revenue continued to shrink and amounted to 46.7 per cent of the total revenue in 2012 (49.9 per cent in 2011). Share of revenue from Internet services increased and was 22.6 per cent, IT services – 8.5 per cent and television services – 7.5 per cent, while share of revenue from data communication and network capacity services declined and amounted to 11.5 per cent and other services – 3.2 per cent.

Revenue from **voice telephony services** during the fourth quarter of 2012 were by 3.5 per cent lower than during the third quarter of 2012 due to lower number of telephone lines in service and lower revenue from voice transit services. Revenue from voice telephony services during 2012 went down by 5.2 per cent in spite of higher than in 2011 revenue from voice transit services.

During the fourth quarter of 2012 the total number of main telephone lines in service decreased by 10.4 thousand, while over the twelve months of 2012 – 42.1 thousand. Lower number of voice telephony service users resulted in a decrease of revenue from subscription fees in 2012 by 16.9 per cent compared with a year ago.

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

Reduced national networks' interconnection fees and new payment plans for calls to mobile networks resulted in increased volumes of both residential and business customers' calls to mobile operator networks by 20.2 and 0.7 per cent, respectively, during 2012 compared with a year ago.

Total traffic volume generated by residential and business customers decreased by 11 and 12.7 per cent, respectively.

During 2012 revenue from networks' interconnection services increased by 3.1 per cent due to higher volume of voice transit traffic.

In May 2012 introduced bundled Internet, digital television and voice telephony services for residential customers facilitate an intake of new customers.

During October-December 2012 the total number of **broadband Internet access** users increased by 5 thousand, while over the twelve months of 2012 – by 13.7 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 2012, 42 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 15.5 per cent, while the number of copper DSL connections went down by 7.1 per cent.

At the end of December 2012 out of total 385.8 thousand broadband connections, 162 thousand were fiber-optic connections, 183.4 thousand – copper DSL connections and 40.4 thousand – wireless connections via WiFi network.

During October-December 2012 the total number of **television service** customers increased by 7.4 thousand, while over the last twelve months – by 18.1 thousand. Over the year the number of IPTV service users went up by 14.7 thousand and by the end of December 2012 amounted to 94.7 thousand. As of 31 December 2012, the number of digital terrestrial television (DVB-T) users amounted to 74.6 thousand.

On 29 October 2012 an analogue TV broadcasting was shutdown in Lithuania.

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.

TEO Group revenue from **other services** consists of the following non-telecommunication services: Contact Center services of UAB Lintel, lease of premises, advertising, discounts refund to the Company 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.

During 2012 revenue from other non-core business services declined by 11.6 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 8 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).

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

MARKET INFORMATION

According to the Reports of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue in the third quarter of 2012 decreased by 0.5 per cent compared with the second quarter of 2012 and was down by 3.7 per cent compared with the same period a year ago, and amounted to LTL 576 million. During the nine months of 2012 the total revenue of the market amounted to LTL 1,709 million, a decrease by 4.5 per cent over the nine months of 2011.

	TEO market share (%)			
	in terms of customers		in terms of revenue	
	Q3 2012	Q3 2011	Q3 2012	Q3 2011
Fixed voice telephony services	89.8	90.6	93.9	92.9
Fixed Internet access services	50.0	51.1	54.5	52.3
Internet access services (total)	36.7	38.3	43.3	39.6
Digital pay-TV services	43.1	46.3	44.1	43.9
Pay-TV services (total)	23.8	22.6	29.7	27.1
Network interconnection services	n/a	n/a	35.3	24.4
Data communication services	n/a	n/a	58.2	62.3
Leased line services	n/a	n/a	67.5	63.9

On 30 September 2012 broadband Internet penetration per 100 residents of Lithuania was 34.6 per cent (29.8 per cent a year ago), while the penetration of broadband Internet using fixed connection was 25.4 per cent (22.4 per cent a year ago). Digital pay-TV penetration per 100 households was 30.2 per cent (23.8 per cent a year ago), and the penetration of fixed voice telephony lines per 100 residents – 22.4 per cent (22.1 per cent a year ago).

OPERATING EXPENSES

Total operating expenses of the Group for the fourth quarter of 2012 were by 1.8 per cent lower than a year ago. Total operating expenses for the twelve months of 2012 were by 1.3 per cent higher than total operating expenses a 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 fourth quarter of 2012 **cost of goods sold** was down by 6.8 per cent, compared with the same period a year ago. For the twelve months of 2012 cost of goods sold was higher by just 0.3 per cent than they were in 2011.

Employee-related expenses for the fourth quarter of 2012 were by 6.9 per cent higher than a year ago. Employee-related expenses for the full year of 2012 went up by 8.7 per cent mainly due to paid bonuses during the first quarter of 2012. During the fourth quarter of 2012, the total number of employees (headcount) increased by 43 (mainly in Lintel). Over the year the net total number of employees in TEO Group decreased by 46 (mainly in TEO, while in Lintel and BDC – increased) from 3,303 to 3,257. In terms of full-time employees, the total number of employees in TEO Group during October-December 2012 increased by 56 (mainly in Lintel), while over the year the net number decreased by 52 from 2,928 to 2,875.

Other expenses for the fourth quarter and the twelve months of 2012 decreased by 5.1 and 9 per cent, respectively due to lower expenses for marketing, bad debts and IT cost, and continuous cost saving policy.

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EARNINGS

EBITDA for the twelve months of 2012 increased by 1.6 per cent to LTL 307 million over LTL 302 million for the same period year ago. EBITDA margin amounted to 40.4 per cent (40.3 per cent in 2011). EBITDA for October-December of 2012 went down by 4.9 per cent to LTL 71 million over LTL 75 million in October-December of 2011. EBITDA margin amounted to 37.4 per cent (38.1 per cent in 2011).

Depreciation and amortisation charges went down by 3.8 and 1.4 per cent during the fourth quarter and the full year of 2012, respectively, and in 2012 amounted to 17.1 per cent of total revenue (17.7 a year ago).

Operating profit (EBIT) for the fourth quarter of 2012 decreased by 5.9 per cent, but for the twelve months of 2012 increased by 3.9 per cent. Operating profit margin for the fourth quarter of 2012 was 20 per cent (20.6 per cent a year ago) and for the full year of 2012 – 23.2 per cent (22.7 per cent in 2011).

Net financial income in 2012 was by 64.1 per cent lower than a year ago.

Profit before income tax for the twelve months of 2012 was up by 3.1 per cent and amounted to LTL 177 million (LTL 172 million a year ago). Profit before income tax for the fourth quarter of 2012 went down by 7.3 per cent and amounted to LTL 38 million (LTL 41 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 twelve months of 2012 amounted to LTL 10.9 million (LTL 10.3 million in 2011). **Income tax expenses** for the twelve months of 2012 were by 4 per cent higher than a year ago.

Profit for the period in January-December 2012 amounted to LTL 159 million, an increase by 3 per cent over the profit of LTL 154 million for the same period year ago. The profit margin was 20.9 per cent (20.6 per cent a year ago). Profit for the period in October-December 2012 amounted to LTL 36 million, while a year ago it was LTL 37 million, an decrease by 4.5 per cent. The profit margin was 18.7 per cent (19 per cent a year ago).

BALANCE SHEET AND CASH FLOW

During January-December 2011 **total assets** of TEO Group increased by 1.9 per cent.

Total **non-current assets** increased by 1.9 per cent due to increased property, plant and equipment, and amounted to 69.9 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. Nevertheless, during the year total **current assets** increased by 2 per cent and amounted to 30.1 per cent of the total assets, whereof cash and held-to-maturity investments alone represented 20.3 per cent of total assets.

During 2012 **shareholders' equity** slightly increased by 0.4 per cent and amounted to 90.1 per cent of the total assets.

As of 31 December 2012 consolidated **retained earnings** of TEO Group amounted to LTL 190 million, while retained earnings of the Parent company amounted to LTL 155 million or LTL 0.199 per share. According to the provisions of the Law of the Republic of Lithuania on Companies, dividends should be paid from retained earnings of the Parent company.

At the end of December 2012 total amount of **borrowings** included mainly financial liabilities related to financial leasing of premises and amounted to LTL 3.3 million (LTL 4.2 million in 2011). Net debt was negative and amounted to LTL 232 million. The net debt to equity ratio was negative and amounted to 22.2 per cent.

Net **cash flow from operating activities** in 2012 was by 3.3 per cent higher than a year ago.

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The part of cash (LTL 10.4 million) spent during 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 twelve months of 2012 **capital investments** amounted to LTL 151 million (LTL 156 million a year ago). The majority of capital investments (78 per cent or LTL 120 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 25 million), transportation (LTL 3 million) and renovation of premises (LTL 2 million).

As a result by the end of 2012, TEO had 764 thousand households passed (705 thousand at the end of 2011), or 64 per cent of the country's households, by the FTTH network.

Due to capital investments and dividend payment, **cash and cash equivalents** during January-December 2012 decreased by LTL 13 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.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 December 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	-

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.

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

In connection to that acquisition TeliaSonera AB announced its intention 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.

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

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
LTL	2.075	2.659	2.061	2.652	2.209	98,430,559	217,439,730
EUR	0.601	0.770	0.597	0.768	0.640	98,430,559	62,974,899

TEO market capitalisation as on 31 December 2012 was LTL 2,060 million (EUR 597 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 thousand) 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 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.

On 3 December 2012 it was announced that Reorganization Conditions for reorganization of the companies belonging to TEO LT, AB Group – UAB Hostex and UAB Interdata – are prepared. On the basis of the Reorganization Conditions it is planned that companies shall be reorganized by way of merger, by merging UAB Interdata that, after the reorganization, will cease its activities as a legal entity, into UAB Hostex, that will continue its activities after the reorganization. UAB Hostex, continuing after the reorganization, shall take over all the assets and liabilities as well as the rights and obligations of UAB Interdata. A 100 per cent stake in UAB Hostex is owned by UAB Baltic Data Center, a subsidiary of TEO LT, AB. UAB Hostex owns a 100 per cent stake in UAB Interdata. Both companies provide web-hosting services. UAB Interdata has a subsidiary UAB Hosting.

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.

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

Members of the Board as of 31 December 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.

Members of Administration:

Name, surname	Position in the Company	Current Board Assignments	Ownership of TEO shares
Arūnas Šikšta	General Manager (CEO)	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	UAB Lintel, a subsidiary of TEO LT, AB, member of the Board	-
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	October - December		January - December	
		2012	2011	2012	2011
Revenue		189,672	195,477	760,174	749,784
Cost of goods sold		(51,462)	(55,227)	(201,572)	(200,961)
Employee related expenses		(44,236)	(41,382)	(170,465)	(156,809)
Other expenses		(23,761)	(25,038)	(83,216)	(91,458)
Other income		111	290	994	881
Other gain/ (loss) - net		557	408	1,166	850
Depreciation, amortisation and impairment of fixed assets	3	(32,899)	(34,184)	(130,562)	(132,453)
Operating profit		37,982	40,343	176,519	169,834
Finance income		247	656	1,317	2,218
Finance costs		(120)	97	(534)	(39)
Finance income/ costs - net		127	753	783	2,179
Profit before income tax		38,109	41,096	177,302	172,013
Income tax	6	(2,593)	(3,901)	(18,235)	(17,527)
Profit for the period		35,516	37,195	159,067	154,486
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		35,516	37,195	159,067	154,486
Profit and comprehensive income attributable to:					
Owners of the Parent		35,516	37,195	159,067	154,486
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in litas per share)	7	0.046	0.048	0.205	0.199

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

CONSOLIDATED BALANCE SHEET

	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	3	755,137	734,926
Intangible assets	3	41,797	42,922
Investment property		10,794	10,794
Trade and other receivables		2,322	6,407
Deferred tax assets		364	583
		810,414	795,632
Current assets			
Inventories		4,073	3,353
Trade and other receivables		109,160	111,834
Current income tax receivable		52	8,096
Held-to-maturity investments		60,045	30,186
Cash and cash equivalents		175,598	188,589
		348,928	342,058
Total assets		1,159,342	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		190,300	186,597
Total equity		1,044,800	1,041,097
LIABILITIES			
Non-current liabilities			
Borrowings		2,282	3,259
Deferred tax liabilities		18,581	13,993
Deferred revenue and accrued liabilities		3,463	3,628
		24,326	20,880
Current liabilities			
Trade, other payables and accrued liabilities		88,647	74,739
Current income tax liabilities		592	-
Borrowings		977	974
		90,216	75,713
Total liabilities		114,542	96,593
Total equity and liabilities		1,159,342	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	-	-	-	154,486	154,486
Total comprehensive income for the period	-	-	-	154,486	154,486
Dividends paid for 2010	-	-	-	(139,827)	(139,827)
Reduction of legal reserve	-	-	(3,817)	3,817	-
Balance at 31 December 2011	776,818	-	77,682	186,597	1,041,097
Balance at 1 January 2012	776,818	-	77,682	186,597	1,041,097
Net profit	-	-	-	159,067	159,067
Total comprehensive income for the period	-	-	-	159,067	159,067
Dividends paid for 2011	-	-	-	(155,364)	(155,364)
Balance at 31 December 2012	776,818	-	77,682	190,300	1,044,800

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January - December	
	2012	2011
Operating activities		
Profit for the period	159,067	154,486
Income tax	18,235	17,527
Depreciation, amortisation and impairment of fixed assets	130,562	132,453
Other gains and losses	(1,166)	(851)
Interest income	(2,159)	(3,096)
Interest expenses	297	195
Other non-cash transactions	1,177	1,243
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	(720)	2,738
Trade and other receivables	2,043	13,017
Trade, other payables and accrued liabilities	4,141	(19,152)
Cash generated from operations	311,477	298,560
Interest paid	(297)	(195)
Interest received	2,300	3,099
Tax paid	(4,991)	(2,897)
Net cash from operating activities	308,489	298,567
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(136,213)	(199,771)
Proceeds from disposal of PPE and intangible assets	1,071	1,288
Acquisition of held-to-maturity investments	(196,068)	(100,000)
Disposal of held-to-maturity investments	166,068	109,995
Net cash used in investing activities	(165,142)	(188,488)
Financing activities		
Repayment of borrowings	(974)	(1,189)
Dividends paid to shareholders of the Company	(155,364)	(139,827)
Net cash used in financing activities	(156,338)	(141,016)
Increase (decrease) in cash and cash equivalents	(12,991)	(30,937)
Movement in cash and cash equivalents		
At the beginning of the year	188,589	219,526
Increase (decrease) in cash and cash equivalents	(12,991)	(30,937)
At the end of the period	175,598	188,589

(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 twelve months period ending 31 December 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 December 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 - December</u>		<u>January - December</u>		<u>January - December</u>		<u>January - December</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Segment revenue	696,919	702,710	110,196	96,818	(46,941)	(49,744)	760,174	749,784
Inter-segment revenue	(10,933)	(10,498)	(36,008)	(39,246)	46,941	49,744	-	-
Revenue from external customers	685,986	692,212	74,188	57,572	-	-	760,174	749,784
Profit for the period	154,869	152,839	8,998	8,609	(4,800)	(6,962)	159,067	154,486
Total Assets	1,116,379	1,101,209	102,078	92,290	(59,115)	(55,809)	1,159,342	1,137,690

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

3 Property, plant and equipment and intangible assets

	Property, plant and equipment	Intangible assets
Year ended 31 December 2011		
Opening net book amount as at 31 December 2010	706,430	49,341
Additions	153,009	3,188
Disposals and retirements	805	-
Reclassification	(1,038)	176
Depreciation and amortisation charge	122,670	9,783
Closing net book amount as at 31 December 2011	734,926	42,922
Year ended 31 December 2012		
Opening net book amount as at 31 December 2011	734,926	42,922
Additions	142,886	7,844
Disposals and retirements	904	-
Reclassification	(168)	(10)
Depreciation and amortisation charge	121,603	8,959
Closing net book amount as at 31 December 2012	755,137	41,797

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 December 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 to be merged into UAB Hostex.
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

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 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 10.9 million (2011: LTL 10.3 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 and for the both reporting periods amounted to 776,818.

	January - December	
	2012	2011
Net profit	159,067	154,486
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	0.205	0.199

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 - December	
	2012	2011
Sales of telecommunication and other services	47,330	44,275
Total sales of telecommunication and other services	47,330	44,275
Purchases of assets	4,715	268
Purchases of services	19,983	23,824
Total purchases of assets and services	24,698	24,092

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

	As at 31 December	
	2012	2011
Long-term receivables from related parties	1,253	-
Receivables from related parties	3,534	4,359
Prepayment to related parties	-	4,715
Accrued revenue from related parties	2,830	3,127
Total receivables and accrued revenue from related parties	7,617	12,201
Payables to related parties	718	1,013
Total payables to related parties	718	1,013

For the period ended 31 December 2012 the amount of LTL 147 thousand of interest income was accounted in the Statement of Comprehensive Income as Finance income. 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 2012 amounted to LTL 324 thousand (2011: LTL 378 thousand). As of 31 December 2012 the amount of LTL 54 thousand of tantiemes assigned for the year 2010 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 twelve months period ended 31 December 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.

A handwritten signature in black ink, appearing to be 'Arūnas Šikšta', written over the printed name and title.

Arūnas Šikšta
General Manager

Vilnius, 29 January 2013

A handwritten signature in blue ink, appearing to be 'Giedrius Vegys', written over the printed name and title.

Giedrius Vegys
Chief Financial Officer