



TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2013
(UNAUDITED)

Beginning of the financial year	1 January 2013
End of reporting period	31 March 2013
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 2013:

"With the Lithuanian telecommunications market still going down, TEO results for the first quarter of 2013 were good. Over the year, revenue, excluding non-recurring IT equipment sales in 2012, went up by 0.7 per cent, while operating expenses, even excluding one-off expenses in 2012, went down by 0.3 per cent. The revenue growth was driven by an increase in the Internet and IPTV customers' base and in Internet ARPU, as well as a better revenue flow from data communication services. The net profit was higher by 3 per cent compared with the first quarter of 2012, the operating profit (EBIT) margin increased to 22.8 per cent.

TEO continued its commitment to deployment of the fast next-generation fiber-optic network in Lithuania. This allowed the Company to reach over 389 thousand of Internet and 97 thousand of IPTV customers. Revenue growth in Internet, IPTV and IT services allowed the Company to fully compensate revenue loss from fixed voice telephony services.

During the first quarter, TEO, responding to customer needs, made attractive voice telephony service offers for calls within the country and abroad, continued the sale of its super-fast Internet plan of 300 Mbps and popular bundled proposals "Namai 1", "Namai 2" and "Namai 3". TEO improved its IPTV service and expanded its proposal for IT equipment by offering customers tablet and laptop personal computers.

With the signs of some economic stabilisation and good forecasts for 2013, the Company is confident that it will deliver a good return to its shareholders."

KEY FIGURES OF TEO GROUP

Financial figures	January – March		Change (%)
	2013	2012	
Revenue (LTL thousand)	182,666	190,492	(4.1)
EBITDA (LTL thousand)	74,437	74,396	0.1
EBITDA margin (%)	40.8	39.1	
Operating profit (LTL thousand)	41,714	42,044	(0.8)
Operating profit margin (%)	22.8	22.1	
Profit before income tax (LTL thousand)	41,908	42,416	(1.2)
Profit before income tax margin (%)	22.9	22.3	
Profit for the period (LTL thousand)	38,252	37,147	3.0
Profit for the period margin (%)	20.9	19.5	
Earnings per share (LTL)	0.049	0.048	3.0
Number of shares (thousand)	776,818	776,818	
Financial ratios	31 March 2013	31 March 2012	
Return on capital employed (%)	17.5	17.2	
Return on average assets (%)	15.7	15.3	
Return on shareholders' equity (%)	15.8	15.3	
Gearing ratio (%)	(24.6)	(24.0)	
Debt to equity ratio (%)	0.3	0.4	
Current ratio (%)	537.4	490.3	
Rate of turnover of assets (%)	67.0	67.7	
Equity to assets ratio (%)	91.8	91.3	

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

Operating figures	31 March 2013	31 March 2012	Change (%)
Number of fixed telephone lines in service	594,437	636,132	(6.6)
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi and other)	389,457	373,899	4.2
Number of TV services customers	169,410	154,246	9.8
Number of personnel (head-counts) at the end of period	3,151	3,251	(3.1)
Number of full-time employees at the end of the period	2,777	2,833	(2.0)

Breakdown of TEO Group revenue

	January - March		Change (%)
	2013	2012	
Voice telephony services	81,944	86,662	(5.4)
Internet services	44,087	41,276	6.8
Data communication and network capacity services	20,796	22,265	(6.6)
TV services	15,412	13,733	12.2
IT services	14,252	19,566	(27.2)
Other services	6,175	6,990	(11.7)
Total	182,666	190,492	(4.1)

REVENUE

During the first three months of 2013 revenue from Internet and TV services continued to grow while revenue from voice telephony, data communication services and network capacity, IT and other services went down.

The **total revenue** of TEO Group in January-March of 2013 was LTL 183 million, a decrease by 4.1 per cent over the total revenue of LTL 190 million in the first three months of 2012, but, excluding one-off sale of IT equipment during the first quarter of 2012, underlying revenue grew by 0.7 per cent.

Share of revenue from voice telephony services continued to shrink and from total amount of revenue amounted to 44.9 per cent. Revenue from Internet services amounted to 24.1 per cent, data communications services and network capacity sales – 11.4 per cent, television services – 8.4 per cent, IT services – 7.8 per cent and other services – 3.4 per cent of total revenue for the first quarter of 2013.

Revenue from **voice telephony services** decreased due to decreased number of telephone lines in service and lower traffic volume, while revenue from networks' interconnection services remained on the same level as a year ago.

During January-March 2013, the total number of main telephone lines in service decreased by 11 thousand, while over the last twelve months – by 41.7 thousand lines. Lower number of voice telephony service users resulted in decrease of revenue from subscription fees in January-March 2013 by 20.3 per cent compared with the same period a year ago.

Total voice telephony traffic volume generated by residential and business customers during the first quarter of 2013, compared with the first quarter of 2012, decreased by 8.5 and 15.5 per cent, respectively, but compared with the fourth quarter of 2012, increased by 3.9 and 0.3 per cent, respectively, due to higher volumes of calls to mobile operator networks.

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

During January-March 2013, the total number of **broadband Internet access** users increased by 3.6 thousand, while over the last twelve months – by 15.6 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 2013, 42.6 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 13.2 per cent, while the number of copper DSL connections went down by 6.1 per cent.

At the end of March 2013, out of total 389 thousand broadband connections, 166 thousand were fiber-optic connections, 181 thousand – copper DSL and 42 thousand – wireless connections via WiFi network.

Compared with the first quarter of 2012, revenue from **data communication** services alone increased by 7.1 per cent, while revenue from **network capacity** services alone decreased by 19.2 per cent.

Over the year the total number of **television services** users increased by 15.2 thousand mainly due to increasing popularity of the IPTV service with its exclusive features. Over the year the number of IPTV service users went up by 17.2 per cent and by the end of March 2013 reached 97.2 thousand. As of 31 March 2013, the number of digital terrestrial television (DVB-T) users amounted to 72.2 thousand.

Starting from April, TEO IPTV service users will have the opportunity to watch 3flow, a 3D TV channel for wildlife and extreme sports enthusiasts, as well as NBA TV HD channel that broadcasts NBA matches in High Definition format.

In March, TEO expanded the range of appliances offered to its residential customers: now they are able to buy not only a TV set but also modern tablet computers and laptops by paying a monthly fee.

Consolidated TEO Group revenue from **IT services** was mainly generated by the Company's subsidiary UAB Baltic Data Center (BDC) that provides data center and information system management services to local and multinational enterprises. Revenue was also generated from the web-hosting services provided by UAB Hostex and the IT services of TEO LT, AB. Excluding one-off sales of IT equipment by BDC in the first quarter of 2012, underlying revenue from IT services over the year grew by 37.5 per cent.

In February, Rimi Baltic Group's main business management system was transferred to the data centers of BDC. The SAP software-based system ensures smooth operations of the retail stores of the retail chain Rimi and its logistics centers in all Baltic States.

In March, the largest insurance company in the Baltic States Lietuvos Draudimas, a part of RSA Group, signed an agreement with BDC on computer network maintenance and services of IT support centre. BDC's experts will maintain, provide assistance and carry out distant elimination of faults in over 1.2 thousand computers of Lietuvos Draudimas located in 123 offices throughout Lithuania.

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.

Over the year revenue from Contact Center services went down by 15.5 per cent and from other non-core business services – by 8.1 per cent.

TEO Group's **other income** consists of interest income from held-to-maturity investments. 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 fourth quarter of 2012 decreased by 7 per cent to LTL 562 million, compared with the same period a year ago, while during the 12 months of 2012 it went down by 5.2 per cent to LTL 2,271 million.

	TEO market share in terms of customers (%)		TEO market share in terms of revenue (%)	
	Q4 2012	Q4 2011	Q4 2012	Q4 2011
Fixed voice telephony services	91.6	92.9	92.8	93.0
Fixed Internet access services	49.8	50.7	54.9	53.6
Internet access services (total)	36.5	37.5	42.2	39.1
Digital pay-TV services	42.4	45.0	46.2	45.6
Pay-TV services (total)	23.9	22.9	30.7	29.1
Network interconnection services	n/a	n/a	33.4	29.1
Data communication services	n/a	n/a	58.1	60.4
Leased line services	n/a	n/a	62.0	60.0

On 31 December 2012 Internet penetration per 100 residents of Lithuania was 35.4 per cent (in 2011 – 30.9 per cent), while the penetration of broadband Internet using fixed connection was 25.9 per cent (22.9 per cent a year ago). Digital pay-TV penetration per 100 households was 32.1 per cent (in 2011 – 25.2 per cent), and the penetration of fixed voice telephony lines per 100 residents – 22.1 per cent (21.7 per cent a year ago).

OPERATING EXPENSES

Total operating expenses of the Group for the first quarter of 2013 were by 7.1 per cent lower than a year ago due to lower cost of goods and services, and lower other operating expenses.

Cost of goods and services went down by 15.2 per cent mainly because during the first quarter of 2012 costs of one-off sales of IT equipment by Baltic Data Center were incurred, while over the year national interconnection costs increased due to higher traffic volumes of calls to mobile networks.

Employee-related expenses remained on the same level as a year ago (a decrease of 0.1 per cent). During the first quarter of 2013, the total number of employees (headcount) decreased by 106 (mainly in Lintel). Over the year, net change in the total number of employees in TEO Group was 100 – it went down from 3,251 to 3,151. In terms of full-time employees, the total number of employees in TEO Group during January-March of 2013 went down by 98 (mainly in Lintel), while over the last twelve months – by 56 from 2,833 to 2,777.

Other expenses decreased by 2.9 per cent due to lower marketing expenses and continuous costs control, while expenses for energy increased due to higher energy tariffs.

EARNINGS

EBITDA for the first three months of 2013 was on the same level as a year ago and amounted to LTL 74.4 million, but EBITDA margin amounted to 40.8 per cent, while a year ago it was 39.1 per cent.

Depreciation and amortisation charges slightly increased by 1.1 per cent due to investments made in previous years. In January-March of 2013 depreciation and amortisation charges amounted to 17.9 per cent of total revenue (17 per cent a year ago).

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Accordingly, **operating profit (EBIT)** for the first quarter of 2013 was by 0.8 per cent lower than for the same period in 2012, though the operating profit margin increased from 22.1 per cent a year ago to 22.8 per cent.

Net financial income in January-March of 2013 was by 48.1 per cent lower than year ago.

Profit before income tax in the first three months of 2013 eased by 1.2 per cent and amounted to LTL 41.9 million (LTL 42.4 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 2013 amounted to LTL 2.9 million (LTL 1.2 million in 2012). Due to that **income tax expenses** for the first three months of 2013 were by 30.6 per cent lower than a year ago.

As a result, **profit for the period** amounted to LTL 38.3 million, an increase by 3 per cent over the profit of LTL 37.1 million for the same period year ago. The profit margin increased from 19.5 per cent a year ago to 20.9 per cent.

BALANCE SHEET AND CASH FLOW

During January–March 2013 **total assets** of TEO Group increased by 1.7 per cent.

Total **non-current assets** decreased by 2 per cent due amortisation and depreciation of the assets, and amounted to 67.3 per cent of total assets. Total **current assets** increased by 10.4 per cent and amounted to 32.7 per cent of total assets, whereof cash and held-to-maturity investments alone represented 22.8 per cent of total assets.

Shareholders' equity increased by 3.7 per cent and amounted to 91.8 per cent of total assets.

The Board of the Company proposed to the Annual General Meeting of Shareholders that will be held on 25 April 2013 to pay **dividend** of LTL 0.20 per share (in total LTL 155 million) for the year 2012.

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 2013 the total amount of **borrowings** included mainly financial liabilities related to financial leasing of premises and amounted to LTL 3 million while cash and held-to-maturity investments amounted to LTL 269 million.

Net **cash flow from operating activities** in the first three months of 2013 was lower by 14.9 per cent than that for same period of 2012.

The part of cash (LTL 15.4 million) spent during January-March of 2013 for capital investments was payments for investments made in 2012. As of 31 December 2012 this amount was recorded in the balance sheet as current liabilities.

During the first three months of 2013 **capital investments** amounted to LTL 17 million (LTL 23 million a year ago). The majority of capital investments – LTL 15 million (almost the same amount as a year ago) – went to expansion of the core network and development of the next-generation fiber-optic access network. An amount of LTL 2 million (LTL 7 million a year ago) was invested into IT systems.

By the end of March 2013, TEO had 764 thousand households passed (714 thousand a year ago), or 64 per cent of the country's households, by the FTTH network.

Cash and cash equivalents during the period of the first three months of 2013 increased by LTL 13 million.

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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.

Information about **trading in TEO shares** on NASDAQ OMX Vilnius stock exchange in January-March of 2013:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
LTL	2.655	2.842	2.648	2.773	2.779	2,786,452	7,744,168
EUR	0.769	0.823	0.767	0.803	0.805	2,786,452	2,242,866

TEO market capitalisation as on 31 March 2013 was LTL 2,154 million (EUR 624 million).

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 March 2013:

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	-

During 2012 TeliaSonera AB by concluding direct deals, acquiring shares on an open market and implementing a take-over bid, increased its holding from 68.29 to 88.15 per cent.

As of 31 March 2013, the Republic of Lithuania, represented by State Property Fund, held 362,865 shares or 0.05 per cent of the Company's share capital and votes. State Property Fund intends to sell these shares during the auction on 16 April 2013.

OTHER MATERIAL INFORMATION

On 29 January 2013, the Board of the Company approved that the Company's administration upon receipt of invitation from Kaunas Municipality shall enter into negotiations regarding sale of premises of the Communications History Museum.

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

On 29 January 2013, the Board of the Company decided to appoint Edis Kasperavičius, who used to work as Director of Human Resources Unit of the Company, to the position of Chief Sales Officer from 14 February 2013. Darius Gudačiauskas left the position of Chief Sales Officer from 1 February 2013.

As of 22 February 2013 Arūnas Šikšta, General Manager of the Company, resigned. The Board accepted his resignation and appointed Giedrius Vegys, Chief Financial Officer of the Company, as acting General Manager. Antanas Poška, Director of Accounting Department, was temporarily appointed to the position of Chief Financial Officer.

The Board appointed Bertil Abrahamsson as acting Director of Human Resources Unit of the Company from 8 March 2013. Bertil Abrahamsson will occupy this position until a new Director of Human Resources Unit is appointed.

On 13 March 2013 the Board decided to convoke the Annual General Meeting of Shareholders on 25 April 2013.

The Board proposed to the shareholders from the Company's distributable profit of LTL 160,668 thousand to allocate LTL 155,364 thousand for the dividend payment for the year 2012 or LTL 0.20 dividend per share. For annual payments (tantiemes) to six members of the Board for the year 2012 to allocate LTL 324 thousand, i.e. LTL 54 thousand per one member of the Board.

Upon termination of the two-year term of the Board which was elected on 28 April 2011, the new Board shall be elected during the Annual General Meeting of Shareholders on 25 April 2013. TeliaSonera AB, as a shareholder of TEO, holding 88.15 per cent of the Company's shares and votes, proposed to the Annual General Meeting of Shareholders to elect Malin Frenning, Tiia Tuovinen, Inga Skisaker, Jens Lööw, Mats Lillienberg and Rolandas Viršilas to the Board. Following provisions of The Governance Code for the Companies Listed on the NASDAQ OMX Vilnius stock exchange all nominees upon election would be regarded as non-executive members of the Board, while Inga Skisaker and Rolandas Viršilas besides would be regarded as independent members of the Board.

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.

Members of the Board as of 31 March 2013:

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	-

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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 as of 31 March 2013:

Name, surname	Position in the Company	Current Board Assignments	Ownership of TEO shares
Giedrius Vegys	Acting General Manager (CEO)	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	-
Edis Kasperavičius	Chief Sales Officer	UAB Lintel, a subsidiary of TEO LT, AB, member of the Board; UAB Kompetencijos Ugdymo Centras, a subsidiary of TEO LT, AB, Chairman of the Board and Director; Baltic Management Institute (Lithuania), member of the Board; Lithuanian HR Association, member 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, Chairwoman of the Board	-
Antanas Poška	Acting Chief Financial Officer	-	-

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	January - March	
		2013	2012
Revenue		182,666	190,492
Cost of goods and services		(42,900)	(50,562)
Employee-related expenses		(46,013)	(46,069)
Other expenses		(19,511)	(20,085)
Other income		97	326
Other gain/ (loss) - net		97	294
Depreciation, amortisation and impairment of fixed assets	3	(32,722)	(32,352)
Operating profit		41,714	42,044
Finance income		245	536
Finance costs		(51)	(163)
Finance income/ costs - net		194	373
Profit before income tax		41,908	42,417
Income tax	6	(3,656)	(5,270)
Profit for the period		38,252	37,147
Other comprehensive income:			
Other comprehensive income for the period			-
Total comprehensive income for the period		38,252	37,147
Profit and comprehensive income attributable to:			
Owners of the Parent		38,252	37,147
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 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	3	740,721	755,137
Intangible assets	3	40,167	41,797
Investment property		10,794	10,794
Trade and other receivables		2,167	2,322
Deferred tax assets		378	364
		794,227	810,414
Current assets			
Inventories		5,640	4,073
Trade and other receivables		110,402	109,160
Current income tax receivable		72	52
Held-to-maturity investments		80,302	60,045
Cash and cash equivalents		188,713	175,598
		385,129	348,928
Total assets		1,179,356	1,159,342
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		228,552	190,300
Total equity		1,083,052	1,044,800
LIABILITIES			
Non-current liabilities			
Borrowings		2,032	2,282
Deferred tax liabilities		19,224	18,581
Deferred revenue and accrued liabilities		3,387	3,463
		24,643	24,326
Current liabilities			
Trade, other payables and accrued liabilities		69,779	88,647
Current income tax liabilities		895	592
Borrowings		987	977
		71,661	90,216
Total liabilities		96,304	114,542
Total equity and liabilities		1,179,356	1,159,342

(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 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
Balance at 1 January 2013	776,818	-	77,682	190,300	1,044,800
Net profit	-	-	-	38,252	38,252
Total comprehensive income for the period	-	-	-	38,252	38,252
Balance at 31 March 2013	776,818	-	77,682	228,552	1,083,052

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January - March	
	2013	2012
Operating activities		
Profit for the period	38,252	37,147
Income tax	3,656	5,270
Depreciation, amortisation and impairment of fixed assets	32,722	32,352
Other gains and losses	(98)	(294)
Interest income	(244)	(530)
Interest expenses	34	41
Other non-cash transactions	(96)	(148)
Changes in working capital:		
Inventories	(1,568)	(2,032)
Trade and other receivables	(1,085)	(11,487)
Trade, other payables and accrued liabilities	(3,532)	16,280
Cash generated from operations	68,041	76,599
Interest paid	(34)	(41)
Interest received	264	737
Tax paid	(2,745)	(329)
Net cash from operating activities	65,526	76,966
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(32,280)	(33,355)
Proceeds from disposal of PPE and intangible assets	290	366
Acquisition of held-to-maturity investments	(25,179)	(91,066)
Disposal of held-to-maturity investments	4,999	20,000
Net cash used in investing activities	(52,170)	(104,055)
Financing activities		
Repayment of borrowings	(241)	(266)
Net cash used in financing activities	(241)	(266)
Increase (decrease) in cash and cash equivalents	13,115	(27,355)
Movement in cash and cash equivalents		
At the beginning of the year	175,598	188,589
Increase (decrease) in cash and cash equivalents	13,115	(27,355)
At the end of the period	188,713	161,234

(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 2013 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 2012.

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 2013 are not audited. Financial statements for the year ended 31 December 2012 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-March		January-March		January-March		January-March	
	2013	2012	2013	2012	2013	2012	2013	2012
Segment revenue	170,173	170,270	23,504	31,261	(11,011)	(11,039)	182,666	190,492
Inter-segment revenue	(2,779)	(2,766)	(8,232)	(8,273)	11,011	11,039	-	-
Revenue from external customers	167,394	167,504	15,272	22,988	-	-	182,666	190,492
Profit for the period	36,928	35,350	1,324	1,797	-	-	38,252	37,147

(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 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
Three months ended 31 March 2013		
Opening net book amount as at 31 December 2012	755,137	41,797
Additions	16,483	385
Disposals and retirements	(89)	(5)
Reclassification	(197)	99
Depreciation and amortisation charge	(30,613)	(2,109)
Closing net book amount as at 31 March 2013	740,721	40,167

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 2013	31 December 2012	
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 the investment project.
VšĮ Ryšių Istorijos Muziejus	Lithuania	100%	100%	A non-profit organisation established and owned by the Company for management of the 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 2013 is taxable at a rate of 15% in accordance with Lithuanian regulatory legislation on taxation (2012: 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 2013 amounted to LTL 2.9 million (2012: LTL 1.2 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	
	2013	2012
Net profit	38,252	37,147
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	0.049	0.048

8 Dividends per share

A dividend that relates to the period to 31 December 2012 was proposed by the Board on 13 March 2013. 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 2013 owned 88.15 per cent (68.29 per cent a year ago) 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	
	2013	2012
Sales of telecommunication and other services	8,825	10,686
Total sales of telecommunication and other services	8,825	10,686
Purchases of services	4,304	5,028
Total purchases of services	4,304	5,028

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

	As at 31 March	
	2013	2012
Receivables from related parties	3,976	3,362
Prepayment to related parties	-	4,715
Accrued revenue from related parties	2,287	3,921
Total receivables and accrued revenue from related parties	6,263	11,998
Payables to related parties	312	649
Total payables to related parties	312	649

As of 31 March 2013 the amount of LTL 54 thousand of tantiemes, assigned for the year 2010, was not paid to one member of the Board.

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 Bank of Lithuania, we, Giedrius Vegys, acting General Manager of TEO LT, AB, and Antanas Poška, acting 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 2013, 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.



Giedrius Vegys
Acting General Manager



Antanas Poška
Acting Chief Financial Officer

Vilnius, 17 April 2013