



**TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2013
(UNAUDITED)**

Beginning of the financial year	1 January 2013
End of reporting period	30 September 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 nine months of 2013:

"During the third quarter of 2013 TEO revenue, compared with the previous quarter, increased by 1.9 per cent to LTL 181 million allowing the Company to reduce revenue decline for nine months of 2013 to 5 per cent, compared with revenue for the similar period last year. Operating expenses' savings of 6.1 per cent contributed to high EBITDA margin of 42 per cent and increased net profitability. The Company increased its market share in fixed voice and Internet services.

We observe a healthy growth in revenue from TV (10 per cent), IT (9.1 per cent) and Internet services (4.1 per cent), while, following the global trend, revenue from voice telephony services declined.

During the third quarter TEO reached two important milestones: its Internet customer base (including Wi-Fi) exceeded 400 thousand and IPTV customers – 100 thousand. We believe this is a result of the Company's commitment to provide best quality next generation fiber-optic network and services.

TEO continued to improve its services not only on FTTH technology, but also on copper network by increasing speed on its DSL broadband. For both – residential and business customers the Company introduced Internet security services. Residential customers can now enjoy even wider selection of TVs, tablets, laptop computers available.

The Company finished the first phase of Wi-Fi for Schools project during which over 300 schools were equipped with Wi-Fi access points. We look at widening of TEO Wi-Fi network coverage in public places as our strategic direction which will make it possible for us to attract more Internet customers in the future."

Key figures of TEO Group

Financial figures	January - September		Change (%)
	2013	2012	
Revenue (LTL thousand)	541,785	570,501	(5.0)
EBITDA (LTL thousand)	227,607	236,199	(3.6)
EBITDA margin (%)	42.0	41.4	
Operating profit (LTL thousand)	130,889	138,536	(5.5)
Operating profit margin (%)	24.2	24.3	
Profit before income tax (LTL thousand)	131,204	139,191	(5.7)
Profit before income tax (%)	24.2	24.4	
Profit for the period (LTL thousand)	118,230	123,550	(4.3)
Profit for the period margin (%)	21.8	21.7	
Earnings per share (LTL)	0.152	0.159	
Number of shares (thousand)	776,818	776,818	
Financial ratios	30-09-2013	30-09-2012	
Return on capital employed (%)	16.7	17.9	
Return on average assets (%)	15.0	16.0	
Return on shareholders' equity (%)	15.2	15.9	
Gearing ratio (%)	(19.1)	(19.4)	
Debt to equity ratio (%)	0.3	0.3	
Current ratio (%)	454.1	401.1	
Rate of turnover of assets (%)	65.2	68.6	
Equity to assets ratio (%)	91.6	90.9	

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

Operating figures	30-09-2013	30-09-2012	Change (%)
Number of fixed telephone lines in service	575,778	615,807	(6.5)
Number of broadband Internet connections (FTTH, FTTB, DSL and other excluding Wi-Fi)	352,292	342,491	2.9
Number of TV services customers	171,041	161,921	5.6
Number of personnel (head-counts) at the end of period	3,053	3,214	(5.0)
Number of full-time employees at the end of the period	2,705	2,819	(4.0)

Breakdown of TEO Group revenue

	July - September		Change (%)	January - September		Change (%)
	2013	2012		2013	2012	
Voice telephony services	74,429	89,379	(16.7)	232,616	268,634	(13.4)
Internet services	44,554	43,600	2.2	133,193	127,937	4.1
Data communication and network capacity services	21,021	22,689	(7.4)	62,411	66,562	(6.2)
TV services	15,246	14,034	8.6	45,778	41,615	10.0
IT services	20,856	14,509	43.7	51,146	46,892	9.1
Other services	5,179	5,568	(7.0)	16,641	18,861	(11.8)
Total	181,285	189,779	(4.5)	541,785	570,501	(5.0)

REVENUE

The total consolidated TEO Group's revenue for the third quarter of 2013 was LTL 181 million, an increase by 1.9 per cent over the total revenue of LTL 178 million for the second quarter of 2013, but a decrease by 4.5 per cent over the total revenue of LTL 190 million for the third quarter of 2012. The **total revenue** for the nine months of 2013 was LTL 542 million, a decrease by 5 per cent over the total revenue of LTL 571 million for the nine months of 2012.

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

Share of revenue from Internet, IT and TV services from the total amount of revenue continued to grow and reached 24.6, 9.4 and 8.4 per cent of total revenue for the nine months of 2013, respectively. Share of revenue from voice telephony services shrank to 42.9 per cent while share of revenue from data communication and network capacity as well as from other services amounted to 11.5 and 3.1 per cent, respectively.

Lower level of revenue from networks' interconnection services in 2013 and continuation of decline in number of telephone lines in service and consequently lower traffic volume resulted in decrease of revenue from **voice telephony services**.

During January-September 2013, the total number of main telephone lines in service decreased by 29.6 thousand, while over the last twelve months – by 40 thousand lines.

Total voice telephony traffic volume generated by residential and business customers during the nine months of 2013, compared with the nine months of 2012, decreased by 8.2 and 13.9 per cent, respectively, while total volume of calls to mobile operators' networks increased by 77.1 per cent due to continuously reduced national networks' interconnection fees and attractive payment plans for calls to mobile networks.

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

Revenue from voice telephony services excluding networks' interconnection services for the third quarter of 2013 compared with the third quarter of 2012 went down by 10.1 per cent. Revenue from voice telephony services excluding networks' interconnection services for January-September of 2013 decreased by 9.1 per cent over the same revenue a year ago.

During the third quarter of 2013 revenue from networks' interconnection services compared with the second quarter of 2013 was on the same level and even slightly up by 0.3 per cent, although compared with the third quarter of 2012 decreased by 28.6 per cent due to lower volumes of voice transit traffic, and resulted that revenue from networks' interconnection services for the nine months of 2013 went down by 21.6 per cent.

From July 2013 TEO has substantially reorganized the basic payment plans offered to residential customers. The price level of the offered payment plans remains very similar to the former one, but customers, depending on the terms of chosen plan, will be able to make certain number of calls for 0 cents per minute to all networks of Lithuania – not only fixed-line networks, but mobile ones too.

During January-September 2013 total number of **broadband Internet access** (excluding Wi-Fi) users increased by 6.9 thousand, while over the last twelve months – by 9.8 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 2013 41.6 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 11.4 per cent, while the number of copper connections went down by 4.3 per cent.

At the end of September 2013 out of total 418 thousand broadband connections, 174 thousand were fiber-optic connections, 178 thousand – copper DSL connections and 66 thousand – wireless connections via WiFi network.

Starting from July 2013, TEO Internet Wi-Fi service in public places is called "TEO Wi-Fi" (previously known as "ZEBRA Wireless" ("ZEBRA belaidis"). Currently, there are almost 3 thousand "TEO Wi-Fi" hot-spots operating in Lithuania.

TEO initiated a project "Wi-Fi for Schools" to promote more active use of technology during studies and by the end of September TEO Wi-Fi access points for free were installed in more than 300 schools of Lithuania. It is planned to install Wi-Fi access points in more than 450 out of 1,200 schools.

Starting from September, the Company increased the speed of the broadband DSL technology-based ZEBRA Internet access: for the majority of customers the speed was increase by from one and a half to two times without any additional charges.

In September, TEO offered its customers the "Internet Security" service, developed in cooperation with Kaspersky Lab. The new service makes it possible to ensure not only the security of users' computers, but also the security of their identity and financial data.

Also in September, the Company offered the first standardized Internet "Security Solutions" service in Lithuania not only for large companies, but also for small and medium-sized businesses. "Security Solutions" is the first service of this kind in Lithuania to include to the entire support – from equipment selection and installation to maintenance.

Compared with the nine months of 2012, revenue from **data communication** services alone increased by 1.1 per cent, while revenue from **network capacity** services alone decreased by 13.5 per cent.

Over the last twelve months the total number of **television service** customers increased by 9.1 thousand. The number of IPTV service users went up by 13.6 thousand and by the end of September 2013 amounted to 102.7 thousand, while number of digital terrestrial television (DVB-T) users over the last twelve months eased by 4.5 thousand and amounted to 68.4 thousand.

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

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.

In the second half of 2013 TEO together with the partners is providing communication, network installation, computer and office equipment rent and maintenance services during the events of Lithuania's Presidency of the Council of the EU. Reliable connection is ensured via high-speed 2 Gbps next-generation fiber-optic lines.

On 1 July 2013, BDC handed over 6 TB capacity data storages for use to the Ministry of Foreign Affairs of the Republic of Lithuania. BDC is the official Information Technology partner of Lithuania's Presidency of the Council of the EU. During the whole Presidency period, BDC will provide the data storage and backup copying services free of charge.

Excluding one-off sales of IT equipment by BDC and revenue from provision of services during the events of Lithuania's Presidency of the Council of the EU in the second half of 2013, underlying revenue from IT services for the nine months of 2013 grew by 18.7 per cent.

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

Over the year revenue from Contact Center services went down by 13.2 per cent and from other non-core business services – by 10.1 per cent.

In August, TEO and the Kaunas City Municipality Administration signed a contract on the procurement of a video transmission system and the provision of its maintenance services. According to the contract 52 high-quality and high-definition CCTV cameras will be installed, helping the police officers to ensure security in the city. Total value of the five-year contract is over LTL 2 million.

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).

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 2013 decreased by 0.9 compared with the first quarter of 2013 and down by 7.3 per cent compared with the same period a year ago, and amounted to LTL 537 million. During the first half of 2013 the total revenue of the market amounted to LTL 1,078 million, a decrease by 4.9 per cent over the first half of 2012.

	TEO market share (%)			
	in terms of customers		in terms of revenue	
	Q2 2013	Q2 2012	Q2 2013	Q2 2012
Fixed voice telephony services	89.8	89.7	94.2	93.5
Fixed Internet access services	49.8	50.5	55.6	54.9
Internet access services (total)	36.2	37.2	42.6	42.1
Digital pay-TV services	41.7	42.4	43.0	43.8
Pay-TV services (total)	23.3	23.4	29.0	29.4
Network interconnection services	n/a	n/a	30.9	36.9
Data communication services	n/a	n/a	57.2	59.5
Leased line services	n/a	n/a	61.0	58.9

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On 30 June 2013 broadband Internet penetration per 100 residents of Lithuania was 36.7 per cent (31.7 per cent a year ago), while the penetration of broadband Internet using fixed connection was 26.7 per cent (23.4 per cent a year ago). Digital pay-TV penetration per 100 households was 33.1 per cent (27.4 per cent a year ago) and the penetration of fixed voice telephony lines per 100 residents – 21.6 per cent (21.3 per cent a year ago).

OPERATING EXPENSES

Total operating expenses of the Group for the third quarter of 2013 were by 4.2 per cent lower than total operating expenses for the third quarter of 2012. Total operating expenses for the nine months of 2013 were by 6.1 per cent lower than total operating expenses for the same period year ago.

During the third quarter of 2013 **cost of goods sold** decreased by 7.8 per cent, compared with the third quarter of 2012, and for the nine months of 2013 they decreased by 13.7 per cent, compared with the same period in 2012. This was mainly due to lower volume of transit traffic in 2013.

Employee-related expenses for the third quarter and the nine months of 2013 were by 4.3 and 0.6 per cent, respectively, lower than for the same periods a year ago in spite of that at the beginning of the second quarter of 2013 the Company implemented salary adjustment applicable for the major part of the Company's employees.

Over the year the total number of employees (headcount) in TEO Group decreased by 161 (mainly in Lintel and TEO) from 3,214 to 3,053. During the nine months of 2013, the total number of employees went down by 204. In terms of full-time employees, the total number of employees in TEO Group during January-September of 2013 went down by 170 (mainly in Lintel and TEO), while over the last twelve months – by 114 from 2,819 to 2,705. By streamlining the Group's IT service provision during the third quarter of 2013 majority of UAB Hostex employees were transferred to its parent company, UAB Baltic Data Center, and part of UAB Baltic Data Center employees were moved to TEO.

Other expenses for the third quarter and the nine months of 2013 increased by 5.5 and 1.4 per cent, respectively due to higher electricity tariffs and higher IT costs.

EARNINGS

EBITDA for the third quarter of 2013 went down by 4.7 per cent to LTL 78 million over LTL 82 million in the third quarter of 2012. EBITDA margin amounted to 43.1 per cent (43.2 per cent in 2012). EBITDA for the nine months of 2013 decreased by 3.6 per cent to LTL 228 million over LTL 236 million for the same period year ago. EBITDA margin slightly increased and amounted to 42 per cent (41.4 per cent in 2012).

Depreciation and amortisation charges went down by 3.8 and 1 per cent during the third quarter and the nine months of 2013, respectively, and in January-September of 2013 amounted to 17.9 per cent of total revenue (17.1 a year ago).

Operating profit (EBIT) for the third quarter of 2013 decreased by 5.3 per cent and for the nine months of 2013 – by 5.5 per cent. Operating profit margin for the third quarter of 2013 was 25.9 per cent (26.1 per cent a year ago) and for the nine months of 2013 – 24.2 per cent (24.3 per cent in 2012).

Net financial income in January-September of 2013 was by 52.1 per cent lower than year ago.

Profit before income tax for the third quarter of 2013 eased by 5.4 per cent and amounted to LTL 47 million (LTL 50 million a year ago). Profit before income tax for the nine months of 2013 was down by 5.7 per cent and amounted to LTL 131 million (LTL 139 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 2013 amounted to LTL 8.2 million (LTL 7.3 million in 2012). **Income tax expenses** for the nine months of 2013 were by 17.1 per cent lower than a year ago.

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

Profit for the period in July-September 2013 amounted to LTL 43 million, while a year ago it was LTL 45 million, a decrease by 5.9 per cent. The profit margin was 23.5 per cent (23.9 per cent a year ago). Profit for the period in January-September 2013 amounted to LTL 118 million, a decline by 4.3 per cent over the profit of LTL 124 million for the same period year ago. The profit margin was 21.8 per cent (21.7 per cent a year ago).

BALANCE SHEET AND CASH FLOW

During January-September 2013 **total assets** of TEO Group decreased by 5.1 per cent mainly due to payment of dividends for the year 2012.

Total **non-current** assets decreased by 1.7 per cent and amounted to 72.4 per cent of total assets. In May, following the resolution of the Annual General Meeting of Shareholders of 25 April 2013, dividend of the total amount of LTL 155 million or LTL 0.20 per share for the year 2012 were paid to the shareholders of the Company. Therefore, total **current assets** decreased by 12.9 per cent and amounted to 27.6 per cent of the total assets, whereof cash and held-to-maturity investments alone represented 17.7 per cent of total assets.

Due to dividend payment, **shareholders' equity** eased by 3.6 per cent, but still amounted to 91.6 per cent of the total assets.

At the end of September 2013 total amount of **borrowings** included mainly financial liabilities related to financial leasing of premises and amounted to LTL 2.5 million, while cash and held-to-maturity investments amounted to LTL 195 million.

Net **cash flow from operating activities** for the nine months of 2013 was by 9.3 per cent lower than a year ago.

The part of cash (LTL 15.4 million) spent during January-September 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 nine months of 2013 **capital investments** amounted to LTL 82 million (LTL 100 million a year ago). The majority of capital investments (83 per cent or LTL 68 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 790 thousand households passed (747 thousand a year ago), or 66 per cent of the country's households, by the FTTH network.

Cash and cash equivalents during January-September 2013 decreased by LTL 49 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.

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The number of **shareholders** on the shareholders registration day (18 April 2013) for the Annual General Meeting of Shareholders, which was held on 25 April 2013, was 11,997.

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.

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

As of 30 September 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.

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

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
LTL	2.655	2.904	2.628	2.679	2.755	6,938,992	19,115,507
EUR	0.769	0.841	0.761	0.776	0.798	6,938,992	5,536,233

TEO market capitalisation as on 30 September 2013 was LTL 2,081 million (EUR 603 million).

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.

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.

In April 2013, UAB Interdata was merged into its parent company, UAB Hostex, and UAB Hostex took over all the assets and liabilities as well as the rights and obligations of UAB Interdata. UAB Interdata had a subsidiary, UAB Hosting, which became a subsidiary of UAB Hostex.

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The Annual General Meeting of shareholders, held on 25 April 2013, decided to approve the audited annual consolidated financial statements of the Company for the year 2012 and to allocate the Company's profit for the year 2012 as follows: 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. Shareholders upon termination of the two-year term of the Board elected Malin Frenning, Tiia Tuovinen, Inga Skisaker, Jens Lööw, Mats Lillienberg and Rolandas Viršilas (all proposed by TeliaSonera AB) to the Board of the Company for new two-year term of the Board.

Following the Order of Director of Communications Regulatory Authority, TEO was recognized as undertaking having significant market power on wholesale broadband access market and on 1 June 2013 had to publish Public Offer to provide wholesale broadband access.

On 13 June 2013, during the first meeting of the newly elected Company's Board, the Board re-elected Malin Frenning as Chairwoman of the Board and elected members of the Audit and Remuneration Committees.

On 17 June 2013 Martynas Špokas, Head of Sales Unit of UAB Baltic Data Center, took the position of Director of UAB Hostex. Pranas Slušnys, former Director of UAB Hostex, has decided to withdraw from TEO Group.

Following the Order of Director of Communications Regulatory Authority of the Republic of Lithuania, starting from 1 January 2014 TEO will cease to be recognized as undertaking having significant market power on markets of National calls' services provided for residential customers, International calls' services provided for residential customers, National calls' services provided for non-residential customers and International calls' services provided for non-residential customers.

On 12 August 2013, it was announced that from 1 November 2013, Kęstutis Šliužas, who is 41 years old, will take the position of the General Manager of TEO LT, AB. The Company's acting General Manager Giedrius Vegys will hold that position until 1 November 2013.

MEMBERS OF THE MANAGING BODIES

According to the By-laws of TEO LT, AB the managing bodies of the Company are General Meeting, Board and General Manager. The Company does not have a Supervisory Council.

Members of the Board as of 30 September 2013:

Name, surname	Position in the Board	Employment	Ownership of TEO shares
Malin Frenning	Chairwoman of the Board, Chairwoman of the Remuneration Committee	TeliaSonera AB (Sweden), President of Business Area Broadband Services	-
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; Nordea Bank Finland Plc, Head of Banking Baltic Countries	-
Jens Lööw	Member of the Board, Chairman of the Audit Committee	TeliaSonera AB (Sweden), Chief Financial Officer of Business Area Broadband Services	-
Mats Lillienberg	Member of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), Head of Broadband Technology Solutions	-

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Rolandas Viršilas	Member of the Board, member of the Remuneration Committee	UAB "Švyturys – Utenos Alus" (Lithuania), CEO	100,000 shares or 0.0129 per cent of the total number of TEO shares and votes
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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 Rolandas Viršilas 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
Giedrius Vegys	Acting General Manager (CEO) till 1 November 2013	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	-
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	-
Eglutė Bivainienė	Chief Operational Officer	UAB Lintel, a subsidiary of TEO LT, AB, Chairwoman of the Board	-
Antanas Poška	Acting Chief Financial Officer till 1 November 2013	-	-

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	July - September		January - September	
		2013	2012	2013	2012
Revenue		181,285	189,779	541,785	570,501
Cost of goods sold		(45,415)	(49,255)	(129,484)	(150,110)
Employee-related expenses		(37,859)	(39,581)	(125,497)	(126,228)
Other expenses		(20,482)	(19,421)	(60,286)	(59,455)
Other income		79	236	263	883
Other gain/ (loss) - net		450	158	826	608
Depreciation, amortisation and impairment of fixed assets	3	(31,087)	(32,307)	(96,718)	(97,663)
Operating profit		46,971	49,609	130,889	138,536
Finance income		179	260	630	1,070
Finance costs		(136)	(179)	(316)	(415)
Finance income/ costs - net		43	81	314	655
Profit before income tax		47,014	49,690	131,203	139,191
Income tax	6	(4,393)	(4,421)	(12,973)	(15,641)
Profit for the period		42,621	45,269	118,230	123,550
Other comprehensive income:					
Other comprehensive income for the period				-	-
Total comprehensive income for the period		42,621	45,269	118,230	123,550
Profit and comprehensive income attributable to:					
Owners of the Parent		42,621	45,269	118,230	123,550
Minority interests			-		-
Earnings per share for profit attributable to the equity holders of the Company (expressed in litas per share)	7	0.055	0.058	0.152	0.159

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

CONSOLIDATED BALANCE SHEET

	Note	30 September 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	3	736,484	755,137
Intangible assets	3	45,190	41,797
Investment property		10,794	10,794
Trade and other receivables		3,892	2,322
Deferred tax assets		282	364
		796,642	810,414
Current assets			
Inventories		9,022	4,073
Trade and other receivables		100,413	109,160
Current income tax receivable		20	52
Held-to-maturity investments		68,410	60,045
Cash and cash equivalents		126,143	175,598
		304,008	348,928
Total assets		1,100,650	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		153,166	190,300
Total equity		1,007,666	1,044,800
LIABILITIES			
Non-current liabilities			
Borrowings		1,524	2,282
Deferred tax liabilities		21,240	18,581
Deferred revenue and accrued liabilities		3,275	3,463
		26,039	24,326
Current liabilities			
Trade, other payables and accrued liabilities		65,329	88,647
Current income tax liabilities		610	592
Borrowings		1,006	977
		66,945	90,216
Total liabilities		92,984	114,542
Total equity and liabilities		1,100,650	1,159,342

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Legal reserve	Retained earnings	Total equity
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
Balance at 1 January 2013	776,818	77,682	190,300	1,044,800
Net profit	-	-	118,230	118,230
Total comprehensive income for the period	-	-	118,230	118,230
Dividends paid for 2012	-	-	(155,364)	(155,364)
Balance at 30 September 2013	776,818	77,682	153,166	1,007,666

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January - September	
	2013	2012
Operating activities		
Profit for the period	118,230	123,550
Income tax	12,973	15,641
Depreciation, amortisation and impairment of fixed assets	96,718	97,663
Other gains and losses	(826)	(608)
Interest income	(630)	(1,069)
Interest expenses	94	258
Other non-cash transactions	599	(76)
Changes in working capital:		
Inventories	(4,949)	(3,627)
Trade and other receivables	7,177	18
Trade, other payables and accrued liabilities	(10,563)	91
Cash generated from operations	218,823	231,841
Interest paid	(94)	(258)
Interest received	856	1,745
Tax paid	(10,182)	(2,355)
Net cash from operating activities	209,403	230,973
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(95,209)	(95,175)
Proceeds from disposal of PPE and intangible assets	773	547
Acquisition of held-to-maturity investments	(93,507)	(141,068)
Disposal of held-to-maturity investments	85,178	121,067
Net cash used in investing activities	(102,765)	(114,629)
Financing activities		
Repayment of borrowings	(729)	(736)
Dividends paid to shareholders of the Company	(155,364)	(155,364)
Net cash used in financing activities	(156,093)	(156,100)
Increase (decrease) in cash and cash equivalents	(49,455)	(39,756)
Movement in cash and cash equivalents		
At the beginning of the year	175,598	188,589
Increase (decrease) in cash and cash equivalents	(49,455)	(39,756)
At the end of the period	126,143	148,833

(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 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 30 September 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-September		January-September		January-September		January-September	
	2013	2012	2013	2012	2013	2012	2013	2012
Segment revenue	504,818	522,547	69,202	81,488	(32,235)	(33,534)	541,785	570,501
Inter-segment revenue	(8,250)	(8,148)	(23,985)	(25,386)	32,235	33,534	-	-
Revenue from external customers	496,568	514,399	45,217	56,102	-	-	541,785	570,501
Profit for the period	116,263	121,860	5,059	6,491	(3,092)	(4,801)	118,230	123,550

(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 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
Nine months ended 30 September 2013		
Opening net book amount as at 31 December 2012	755,137	41,797
Additions	72,740	9,525
Disposals and retirements	(498)	(5)
Reclassification	(872)	568
Depreciation and amortisation charge	(90,023)	(6,695)
Closing net book amount as at 30 September 2013	736,484	45,190

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 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%	The web hosting services providing subsidiary of UAB Hostex in April 2013 was merged into UAB Hostex.
UAB Hosting	Lithuania	100%	100%	In April 2013 became a dormant subsidiary of UAB Hostex. Before that was a 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 Ugdyimo 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 2013 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2012: 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 2013 amounted to LTL 8.2 million (2012: LTL 7.3 million).

7 Earnings per share

Basic earnings per share are calculated by dividing the net profit (loss) for the period by the weighted average number of ordinary shares in issue during the period. The Group has no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share. The weighted average number of shares for the both reporting periods amounted to 776,818.

	January - September	
	2013	2012
Net profit	118,230	123,550
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	0.152	0.159

8 Dividends per share

A dividend that relates to the period to 31 December 2012 was approved the Annual General Meeting of Shareholders on 25 April 2013. The total amount of allocated dividend, that was paid off in May 2013 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 2013 owned 88.15 per cent (88.15 per cent a year ago) of the Company's shares.

The Group carried out the following transactions with related parties:

Sales and purchases from TeliaSonera AB and its subsidiaries:

	January - September	
	2013	2012
Sales of telecommunication and other services	24,735	35,805
Total sales of telecommunication and other services	24,735	35,805
Purchases of services	11,891	15,380
Total purchases of services	11,891	15,380

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

	As at 30 September	
	2013	2012
Receivables from related parties	3,850	3,747
Accrued revenue from related parties	1,505	3,573
Total receivables and accrued revenue from related parties	5,355	7,320
Payables to related parties	246	186
Total payables to related parties	186	186

The total amount of annual payments (tantiemes) assigned to the six members of the Board of the Company for the year 2012 during January-September 2013 amounted to LTL 324 thousand (2012: LTL 324 thousand). As of 30 September 2013 the amount of LTL 54 thousand of tantiemes assigned for the year 2010 and the amount of LTL 216 thousand of tantiemes assigned for the year 2012 was not paid yet.

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

MANAGEMENT CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the 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 nine months period ended 30 September 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, profit and cash flows of TEO LT, AB and the Group of undertakings.

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

Giedrius Vegys
Acting General Manager

A handwritten signature in blue ink, appearing to read 'A. Poška'.

Antanas Poška
Acting Chief Financial Officer

Vilnius, 15 October 2013