



TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2011
(UNAUDITED)

Beginning of the financial year	1 January 2011
End of reporting period	31 March 2011
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 2011:

"TEO produced strong results in the first quarter of 2011. The pace of revenue decline slowed down twice to 3.2 per cent compared to the same period in 2010. The Company's revenue was LTL 186 million – just in line with our expectations. Operating expenses were slightly higher than during the first quarter of 2010 due to non-recurring costs. TEO investments during the first quarter of 2011 stood at LTL 14.6 million.

TEO's broadband customer base continued to increase, offsetting customer shrinkage in voice services. During the first quarter of 2011 the number of next-generation fiber-optic Internet users increased more than 9 per cent. A recovering increase in the number of business customers and the decreasing levels of bad debts signal that economic recovery is underway, which gives good prospects for the whole year."

Key figures of TEO Group

Financial figures	January – March		Change (%)
	2011	2010	
Revenue (LTL thousand)	185,782	191,994	(3.2)
EBITDA (LTL thousand)	73,896	81,407	(9.2)
EBITDA margin (%)	39.8	42.4	
Operating profit (LTL thousand)	41,466	48,520	(14.5)
Operating profit margin (%)	22.3	25.3	
Profit before income tax (LTL thousand)	41,848	48,936	(14.5)
Profit before income tax margin (%)	22.5	25.5	
Profit for the period (LTL thousand)	37,731	43,049	(12.4)
Profit for the period margin (%)	20.3	22.4	
Earnings per share (LTL)	0.05	0.06	
Number of shares excluding treasury stocks (thousand)	776,818	776,818	
Financial ratios	31 March 2011	31 March 2010	
Return on capital employed (%)	17.3	18.7	
Return on average assets (%)	15.4	17.0	
Return on shareholders' equity (%)	15.8	16.9	
Gearing ratio (%)	(25.1)	(30.5)	
Debt to equity ratio (%)	0.5	0.6	
Current ratio (%)	537.5	685.8	
Rate of turnover of assets (%)	68.9	72.3	
Equity to assets ratio (%)	91.8	92.2	
Operating figures	31 March 2011	31 March 2010	Change (%)
Number of fixed telephone lines in service	679,562	711,193	(4.4)
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi and other)	352,697	319,248	10.5
Number of IP TV customers	70,821	58,111	21.9
Number of DVB-T customers	67,642	50,337	34.4
Number of personnel (head-counts) at the end of period	3,368	3,104	8.5
Number of full-time employees at the end of the period	2,949	2,729	8.1

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

Breakdown of TEO Group revenue

	January - March		Change (%)
	2011	2010	
Voice telephony services	96,959	105,366	(8.0)
Internet and data communication services	62,692	64,905	(3.4)
TV services	11,094	8,705	27.4
IT services	9,340	7,132	31.0
Other services	5,697	5,886	(3.2)
Total	185,782	191,994	(3.2)

Revenue

The total consolidated TEO Group's revenue in January-March of 2011 was LTL 186 million, a decrease by 3.2 per cent over the total revenue of LTL 192 million in the first three months of 2010.

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

Share of revenue from voice telephony services from total amount of revenue amounted to 52.2 per cent, Internet and data communications services – 33.7 per cent, television services – 6 per cent, IT services – 5 per cent and other services – 3.1 per cent of total revenue for the first quarter of 2011.

Revenue from voice telephony services decreased due to decreased number of telephone lines in service, lower traffic volume and lower average revenue per user (ARPU).

During January-March 2011, the total number of main telephone lines in service decreased by 9.5 thousand, while over the last twelve months – by 31.6 thousand lines. Lower number of voice telephony service users resulted in decrease of revenue from subscription fees in January-March 2011 by 4.1 per cent compared with the same period a year ago.

Favourable conditions of flat-fee payment plans and reduced national networks' interconnection fees resulted in increased volumes of both business and residential customers' calls to mobile operator networks by 3.8 and 34.3 per cent, respectively, during the first quarter of 2011 compared with the same period a year ago.

However, total traffic volume generated by residential and business customers decreased by 5.1 and 11.2 per cent, respectively. As a result, revenue from traffic charges went down by 23.8 per cent.

Revenue from networks' interconnection services increased by 2.2 per cent due to increased traffic volumes of international transit.

In March 2011, TEO has offered major business enterprises and organisations its cloud computing-based voice telephony services. The new Virtual IP PBX (Hosted Internet Protocol Private Branch Exchange) service will allow organisations to create telephone networks without using any additional equipment installed in the office. The virtual system of telephony networks will enable calling short numbers, diverting or redirecting calls, arranging telephone conferences as well as using other solutions facilitating teamwork.

According to the Report of the Communications Regulatory Authority (CRA) for the fourth quarter of 2010, TEO market share of the fixed-line telephony market in terms of customers amounted to 91.5 per cent and in terms of revenue – to 93.3 per cent. In terms of revenue TEO had 23.3 per cent of the network interconnection market.

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During January-March 2011, the total number of broadband Internet access users increased by 6.8 thousand, while over the last twelve months – by 33.4 thousand.

Number of Internet connections over the next generation fiber optic network using FTTH (Fiber to the home) and FTTB (Fiber to the building) technologies continued to grow and by the end of March 2011, 32 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 1.5 times and reached 113 thousand, while the number of copper DSL connections went down by 5.9 per cent.

At the end of March 2011 out of total 353 thousand broadband connections, 209 thousand were copper DSL connections, 113 thousand – fiber optic connections and 30 thousand – wireless connections via WiFi network.

Compared with the first three months of 2010, revenue from Internet services for the first three months of 2011 remained almost the same (decline of 0.5 per cent), while revenue from data communication and network capacity services decreased by 7.9 per cent mainly due to lower average revenue per user (ARPU).

According to the CRA Report, the Company's market share of the total Internet providers market in terms of revenue during the fourth quarter of 2010 amounted to 38.5 per cent while its share of the market of broadband Internet using fixed connection was 51.7 per cent. On 31 December 2010 Internet penetration per 100 residents of Lithuania was 27.1 per cent, while the penetration of broadband Internet using fixed connection was 21.1 per cent. In terms of revenue TEO had 63.8 per cent of the leased lines market and 64.1 per cent of the data communication market.

During January-March 2011 number of television service users continued to grow. The total number of customers increased by 7.3 thousand: number of digital terrestrial television (DVB-T) service *Digital GALA* users increased by 4.4 thousand and number of IPTV service *Interactive GALA* increased by 2.9 thousand.

In January, TEO installed two new digital terrestrial television (DVB-T) transmitters in Plungė and Kėdainiai in order to improve the quality of *Digital GALA* TV services in these towns and surrounding areas. In total, there are 30 of transmitters operating in Lithuania providing the possibility to watch up to 40 channels in Lithuanian, English, Russian and other languages in almost the whole country.

By the end of March the list of IPTV service *Interactive GALA* was supplement with Sony Entertainment Television.

According to the CRA Report, at the end of December 2010 TEO market share of the digital television service market in terms of customers amounted to 47.1 per cent and in terms of revenue – 42.1 per cent. TEO market share of the total pay-TV services market in terms of customers was 20.6 per cent. On 31 December 2010 digital pay-TV penetration per 100 households of Lithuania was 20.6 per cent.

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.

In September 2010, Baltic Data Center acquired UAB Hostex, one of the leading providers of web hosting and data center services to residential and small companies as well as Internet portals in Lithuania.

In March 2011, Baltic Data Center provided its cloud computing solutions for electronic census of Lithuanian population. The value of the virtual resources and telecommunication services contract, signed between the Department of Statistics and Baltic Data Center, amounted to LTL 100 thousand. The fiber-optic connection between the Department of Statistics and the data center of Baltic Data Center that was necessary for the

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smooth operation of the information system had been installed by TEO.

TEO Group revenue from other services consists of the following non-telecommunication services: Contact Center services of UAB Lintel, lease of premises, advertising, fines for termination of agreements and other.

Revenue from Contact Center services increased by 13.6 per cent, while from other non-core business services went down.

TEO Group's other income consists of interest income from investments held to maturity and loans. 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).

Operating expenses

In 2011, the Company continues to keep its costs under control in spite of increased number of employees and rapid development of new business areas. Total operating expenses of the Group for the first quarter of 2011 were almost on the same level – just 0.9 per cent or LTL 1 million higher than total operating expenses a year ago.

Over the year employee-related expenses increased by 3.9 per cent as the total number of employees (headcount) in TEO Group increased by 264 (mainly in Lintel) from 3,104 to 3,368. During the first quarter of 2011, the total number of employees went down by 118 mainly due to personnel restructuring in Lintel. In terms of full-time employees, the total number of employees in TEO Group during January-March of 2011 went down by 69 (also mainly in Lintel).

Interconnection expenses increased by 5.1 per cent due to higher international transit traffic volumes. Other expenses decreased by 4.1 per cent in spite of development of television and IT services.

Earnings

EBITDA for the first three months of 2011 went down by 9.2 per cent to LTL 74 million over LTL 81 million in the first three months of 2010. EBITDA margin amounted to 39.8 per cent (42.4 per cent in 2010).

Depreciation and amortisation charges remained almost the same (a decline by 1.4 per cent) due to heavy investments in 2010. In January-March of 2011 depreciation and amortisation charges amounted to 17.5 per cent of total revenue (17.1 a year ago). Operating profit was by 14.5 per cent lower than a year ago and the operating profit margin decreased from 25.3 per cent a year ago to 22.3 per cent.

Net financial income in January-March of 2011 was by 8.3 per cent lower than year ago.

Profit before income tax in the first three months of 2011 was down by 14.5 per cent and amounted to LTL 42 million (LTL 49 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 2011 amounted to LTL 2.3 million (LTL 1.6 million in 2010).

Profit for the period amounted to LTL 38 million, while a year ago it was LTL 43 million, a decrease by 12.4 per cent. The profit margin was 20.3 per cent (22.4 per cent a year ago).

Balance sheet and cash flow

During January–March 2011 total assets of TEO Group slightly decreased by 1.7 per cent due to depreciation

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and amortisation of the non-current assets.

The total non-current assets decreased by 2.3 per cent and amounted to 64.8 per cent of total assets. The total current assets declined by 0.5 per cent and amounted to 35.2 per cent of the total assets, whereof cash and held-to-maturity investments alone represented 23.5 per cent of the total assets.

Shareholders' equity increased by 3.7 per cent and amounted to 91.8 per cent of the total assets. The Board of the Company proposed to the Annual General Meeting of Shareholders that will be held on 28 April 2011 to pay dividend of LTL 0.18 per share (in total LTL 140 million) for the year 2010.

Dividends paid to legal entities (residents and non-residents) will be subject to reduced 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 2011 the total amount of borrowings included mainly financial liabilities related to financial leasing of premises and amounted to LTL 5.1 million. Net debt was negative and amounted to LTL 267 million. The net debt to equity ratio was negative and amounted to 25.1 per cent.

Net cash flow from operating activities in the first three months of 2011 increased by 17.4 per cent over the net cash flow from operating activities a year ago.

The major portion (LTL 55 million) of cash spent during January-March of 2011 for capital investments was payments for investments made in 2010. As of 31 December 2010 this amount was recorded in the balance sheet as current liabilities.

During the first three months of 2011 capital investments amounted to LTL 14.6 million (LTL 19.1 million a year ago). The majority of capital investments (93 per cent or LTL 13.6 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 0.7 million) and other (LTL 0.3 million).

As a result by the end of March, TEO had 579 thousand households passed (556 thousand at the end of 2010), or around 48 per cent of the country's households, by the FTTH network. In 2011, the Company will further continue its investments into FTTH network based on the best interest of TEO services' users and shareholders.

Cash and cash equivalents during the period of the first three months of 2011 increased by LTL 3.6 million.

Share capital and shareholders

The share capital of the Company amounts to 776,817,518 litas and consists of 776,817,518 ordinary registered shares with a nominal value of 1 litas each. It was reduced from 814,912,760 litas to 776,817,518 litas and registered at the Register of Legal Entities on 3 September 2010 following the decision of the Annual General Meeting of Shareholders, held on 26 April 2010, to cancel 38,095,242 treasury stocks and to reduce the Company's authorised share capital by 38,095,242 litas. Treasury stocks were cancelled on 9 September 2010.

Treasury stocks that amounted to 4.67 per cent of the total number of the Company shares were acquired during the Initial Public Offering (IPO) in year 2000 and they had no rights to exercise any property and non-property rights provided by the Law of the Republic of Lithuania on Companies. Therefore, the number of TEO shares that provide voting rights during the General Meeting remains unchanged and is 776,817,518.

On 1 July 2010, the Company terminated its Global Depository Receipts (GDR) programme. The Company delisted TEO GDRs from the Official List of the UK Listing Authorities and discontinued trading in TEO GDRs on the London Stock Exchange as of 30 June 2010. TEO GDR programme was run since June 2000.

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According to the programme, one GDR represented 10 ordinary registered shares of the Company.

Ordinary registered shares of TEO LT, AB (ISIN code LT0000123911) are listed on the Main List of NASDAQ OMX Vilnius stock exchange (code: TEO1L). NASDAQ OMX Vilnius stock exchange is a home market for TEO shares.

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

The number of shareholders on the shareholders registration day for the Annual General Meeting of Shareholders, which was held on 26 April 2010, was 13,874.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 March 2011:

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 (%)
Amber Teleholding A/S, c/o TeliaSonera Danmark A/S, Holmbladsgade 139, DK-2300 Copenhagen S, Denmark, code 20758694	488,947,656	62.94	62.94	68.08
TeliaSonera AB (publ), Stureplan 8, Stockholm, SE-106 63, Sweden, code 556103-4249	39,895,616	5.14	5.14	68.08
East Capital Asset Management AB, Kungsgatan 33, Stockholm, SE- 111 93, Sweden, code 556564-5370	55,761,216	7.18	7.18	-
Other shareholders	192,213,030	24.74	24.74	--
TOTAL:	776,817,518	100.00	100.00	-

Amber Teleholding A/S is a fully owned subsidiary of TeliaSonera AB (publ). TeliaSonera AB (publ) plans to take from Amber Teleholding A/S controlling interest in TEO. The Commission for Assessment of Conformity of Potential Participants of Enterprises of Strategic or Considerable Importance to National Security to the Interests of National Security has made a conclusion that TeliaSonera AB (publ) conforms to the interests of national security and may take over the shares of TEO LT, AB. The Radio and Television Commission of Lithuania also gave a permission to transfer the controlling interest of the re-broadcasting license holder TEO LT, AB from Amber Teleholding A/S to TeliaSonera AB (publ).

During January-March 2011, Republic of Lithuania, represented by State Enterprise State Property Fund, reduced its holding in the Company from 3,075,315 (31-Dec-2010) to 2,047 (31-Mar-2010) shares. As of 31 March 2010, Republic of Lithuania, represented by State Tax Inspectorate, held 362,630 shares. In total, the Republic of Lithuania has 364,677 shares of the Company or 0.05 per cent of the share capital and votes.

During the first quarter of 2011, East Capital Asset Management AB increased its holding in TEO from 6.80 per cent to 7.18 per cent.

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Information about trading in TEO shares on NASDAQ OMX Vilnius stock exchange in January-March of 2011 in litas:

Opening price (LTL)	Lowest price (LTL)	Highest price (LTL)	Last price (LTL)	Average price (LTL)	Turnover (units)	Turnover (LTL)
2.472	2.258	2.472	2.382	2.419	11,159,731	27,002,141

Information about trading in TEO shares on NASDAQ OMX Vilnius stock exchange in January-March of 2011 in euros:

Opening price (EUR)	Lowest price (EUR)	Highest price (EUR)	Last price (EUR)	Average price (EUR)	Turnover (units)	Turnover (EUR)
0.716	0.654	0.716	0.690	0.701	11,159,731	7,820,361

TEO market capitalisation as on 31 March 2011 was LTL 1,850 million (EUR 536 million).

Other material information

On 25 March 2011 the Board decided to convoke the Annual General Meeting of Shareholders on 28 April 2011.

The Board proposed to the shareholders from the Company's distributable profit of LTL 144,333 thousand to allocate LTL 139,827 thousand for the dividend payment for the year 2010 or LTL 0.18 dividend per share. For annual payments (tantiemes) to seven members of the Board for the year 2010 to allocate LTL 378 thousand, i.e. LTL 54 thousand per one member of the Board.

Also the Board proposed to decrease Company's obligatory reserve by LTL 3,817 thousand and to reallocate this amount to the Company's retained earnings, and to reduce number of the Board members from seven to six and accordingly to change the By-laws of the Company.

The Board of the Company approved the sale of a 100 per cent stake in UAB Interdata to UAB Hostex. UAB Interdata and UAB Hostex are subsidiaries of UAB Baltic Data Center, which is subsidiary of TEO LT, AB.

Amber Teleholding A/S which holds 62.94 per cent of the Company's shares and votes, proposed to the Annual General Meeting of Shareholders, the following nominees to be elected to the Board of TEO LT, AB: Ms Malin Frenning, Mr Lars Klasson, Mr Joakim Sundström, Ms Tiia Tuovinen, Ms Inga Skisaker (independent candidate) and Mr Tomas Kučinskis (independent candidate).

On 14 April 2011, the shareholders of the Company, that jointly hold 10.48 per cent of the Company's shares and votes, requested to supplement the agenda of the Annual General Meeting of Shareholders to be held on 28 April 2011 with an additional agenda item on reduction of the authorised capital of the Company for payment of Company's funds to the shareholders of the Company. The shareholders propose to reduce the authorised share capital of the Company by LTL 120 million by cancelling 120 million shares of one litas nominal value each. The number of shares held by each shareholder shall be cancelled in proportion to the amount of the authorised capital reduced. Money for cancelled shares in the Company (i.e. nominal value of the cancelled shares) shall be paid to the Company's shareholders no later than within one month after the registration of the amended Articles of Association of the Company with the Register of Legal Entities.

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.

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Members of the Board as of 31 March 2011:

Name, surname	Position in the Board	Employment	Ownership of TEO shares
Håkan Dahlström	Chairman of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), President of Business Area Mobility Services	-
Malin Frenning	Member of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), President of Business Area Broadband Services	-
Ove Alm	Member of the Board	TeliaSonera Skanova Access AB (Sweden), CEO	-
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	-
Lars Ohnemus	Member of the Board, member of the Remuneration Committee	Baltic Property Trust Partner Services A/S (Denmark), Chief Executive Officer; Baltic Management Institute (Lithuania) and Copenhagen Business School (Denmark), Visiting Assoc. Professor	-
Martynas Česnavičius	Member of the Board, member of the Audit Committee	Investment funds Amber Trust I and Amber Trust II (Luxemburg), Advisors	UAB Profinance, a 50 per cent owned company, holds 45,000 shares of TEO LT, AB

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 Lars Ohnemus and Martynas Česnavičius 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)	International Business School at Vilnius University, member of the Council and lector; Big Brothers Big Sisters International, Philadelphia, U.S.A., member of the Board	-
Darius Gudačiauskas	Chief Sales Officer and Deputy General Manager	UAB Lintel, a subsidiary of TEO LT, AB, Chairman of the Board	-
Nerijus Ivanauskas	Chief Marketing Officer and Deputy General Manager	-	-

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Darius Didžgalvis	Chief Technology Officer and Deputy General Manager	UAB Baltic Data Center, a subsidiary of TEO LT, AB, Chairman of the Board; UAB Interdata, a subsidiary of UAB Baltic Data Center, Chairman of the Board; UAB Hostex, a subsidiary of UAB Baltic Data Center, Chairman of the Board	-
Giedrius Vegys	Chief Financial Officer	UAB Baltic Data Center, a subsidiary of TEO LT, AB, member of the Board	-

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	January - March	
		2011	2010
Revenue		185,782	191,994
Other income		166	423
Employee related expenses		(40,407)	(38,875)
Interconnection expenses		(27,904)	(26,558)
Other operating expenses		(43,790)	(45,647)
Depreciation, amortisation and impairment of fixed assets	3	(32,430)	(32,887)
Other gain/ (loss) - net		49	70
Operating profit		41,466	48,520
Finance income		572	471
Finance costs		(190)	(55)
Finance income/ costs - net		382	416
Profit before income tax		41,848	48,936
Income tax	6	(4,117)	(5,887)
Profit for the period		37,731	43,049
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		37,731	43,049
Profit and comprehensive income attributable to:			
Owners of the Parent		37,731	43,049
Minority interests		-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in Litas per share)	7	0.05	0.06

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CONSOLIDATED BALANCE SHEET

	Note	31 March 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	3	690,019	706,430
Intangible assets	3	47,728	49,341
Investment property		10,794	10,794
Trade and other receivables		1,937	1,820
Deferred tax assets		693	711
		751,171	769,096
Current assets			
Inventories		6,843	6,091
Trade and other receivables		113,207	124,724
Current income tax receivable		15,705	18,946
Held-to-maturity investments		48,621	40,184
Cash and cash equivalents		223,147	219,526
Assets held for sale		21	-
		407,544	409,471
Total assets		1,158,715	1,178,567
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	5	776,818	776,818
Legal reserve		81,499	81,499
Retained earnings		205,852	168,121
Total equity		1,064,169	1,026,438
LIABILITIES			
Non-current liabilities			
Borrowings		3,967	4,233
Deferred tax liabilities		10,701	10,290
Deferred revenue and accrued liabilities		4,048	5,814
		18,716	20,337
Current liabilities			
Trade, other payables and accrued liabilities		74,641	130,564
Current income tax liabilities		48	39
Borrowings		1,141	1,189
		75,830	131,792
Total liabilities		94,546	152,129
Total equity and liabilities		1,158,715	1,178,567

(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 2010	814,913	(120,000)	81,499	250,222	1,026,634
Net profit	-	-	-	43,049	43,049
Total recognised income and expenses	-	-	-	43,049	43,049
Balance at 31 March 2010	814,913	(120,000)	81,499	293,271	1,069,683
Balance at 1 January 2011	776,818	-	81,499	168,121	1,026,438
Net profit	-	-	-	37,731	37,731
Total comprehensive income for the period	-	-	-	37,731	37,731
Balance at 31 March 2011	776,818	-	81,499	205,852	1,064,169

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January - March	
	2011	2010
Operating activities		
Profit for the period	37,731	43,049
Income tax	4,117	5,887
Depreciation, amortisation and impairment of fixed assets	32,430	32,887
Other gains and losses	(49)	(70)
Interest income	(572)	(893)
Interest expenses	52	62
Other non-cash transactions	101	(30)
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	(752)	(910)
Trade and other receivables	11,232	(4,736)
Trade, other payables and accrued liabilities	(11,677)	(14,312)
Cash generated from operations	72,613	60,934
Interest paid	(52)	(62)
Interest received	572	1,450
Tax paid	(445)	(385)
Net cash from operating activities	72,688	61,937
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(60,556)	(36,269)
Proceeds from disposal of PPE and intangible assets	73	33
Acquisition of held-to-maturity investments	(40,000)	(98,942)
Disposal of held-to-maturity investments	31,730	120,882
Net cash used in investing activities	(68,753)	(14,296)
Financing activities		
Repayment of borrowings	(314)	(267)
Net cash used in financing activities	(314)	(267)
Increase (decrease) in cash and cash equivalents	3,621	47,374
Movement in cash and cash equivalents		
At the beginning of the year	219,526	181,943
Increase (decrease) in cash and cash equivalents	3,621	47,374
At the end of the period	223,147	229,317

(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 2011 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 2010.

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 2011 are not audited. Financial statements for the year ended 31 December 2010 are audited by the external auditor UAB PricewaterhouseCoopers.

2 Segment information

The Company's management considers the business from the Group's perspective and considers the performance of the Company and each subsidiary separately. The management assesses the performance of the Company and its subsidiaries based on measure of Net profit.

The Company's activity is the segment that meets the quantitative thresholds required by IFRS 8 and it is reported as Broadband segment. This segment uses the national fixed telecommunications network to provide fixed voice, broadband and data communications, TV broadcasting services and related value-added services.

The Company's subsidiaries do not meet the quantitative thresholds required by IFRS 8. The results of the subsidiaries are combined and disclosed in the 'other segment' column. The profile of each subsidiary is described in Note 4.

	<u>Broadband segment</u>		<u>Other segment</u>		<u>Eliminations</u>		<u>Total Group</u>	
	<u>January-March</u>		<u>January-March</u>		<u>January-March</u>		<u>January-March</u>	
	2011	2010	2011	2010	2011	2010	2011	2010
Segment revenue	175,722	183,848	23,203	21,722	(13,143)	(13,576)	185,782	191,994
Inter-segment revenue	(2,767)	(2,462)	(10,376)	(11,114)	13,143	13,576	-	-
Revenue from external customers	172,955	181,386	12,827	10,608	-	-	185,782	191,994
Profit for the period	36,161	40,473	1,570	2,446	-	130	37,731	43,049
Total Assets	1,122,844	1,126,983	95,273	90,003	(59,402)	(56,656)	1,158,715	1,160,330

(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 2010		
Opening net book amount as at 31 December 2009	651,712	37,076
Additions	18,853	280
Disposals and retirements	91	-
Reclassification	(73)	(49)
Depreciation and amortisation charge	30,435	2,452
Closing net book amount as at 31 March 2010	639,966	34,855
Three months ended 31 March 2011		
Opening net book amount as at 31 December 2010	706,430	49,341
Additions	14,070	513
Disposals and retirements	101	-
Reclassification	(287)	211
Depreciation and amortisation charge	30,093	2,337
Closing net book amount as at 31 March 2011	690,019	47,728

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 2011	31 December 2010	
UAB Lintel	Lithuania	100%	100%	Provider of 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 webhosting and data center services providing subsidiary of UAB Baltic Data Center acquired in September 2010.
UAB Interdata	Lithuania	100%	100%	The webhosting services providing subsidiary of UAB Baltic Data Center.
UAB Hosting	Lithuania	100%	100%	The webhosting services providing 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 that used to provide training and consultancy services.
UAB Verslo Investicijos	Lithuania	100%	100%	The subsidiary for implementation of the investment project.
VšĮ Ryšių Istorijos Muziejus	Lithuania	100%	100%	A non-profit organisation established by the Company in July 2010 for management of the Company's Communications History Museum.

5 Share capital and treasury shares

From September 2010, the authorised share capital comprises 776,817,518 ordinary shares of LTL 1 par value each. The authorised share capital was reduced from LTL 814,912,760 to LTL 776,817,518 by cancelling 38,095,242 treasury shares. All shares are fully paid up.

The Group treated the Company's shares held by the Company as treasury shares and directly deducted them from shareholders' equity in the Group's balance sheet at their purchase cost of LTL 120 million.

6 Income tax

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

Profit for 2011 is taxable at a rate of 15% in accordance with Lithuanian regulatory legislation on taxation (2010: 15%).

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 2011 amounted to LTL 2.3 million (2010: LTL 1.6 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.

For calculation of the weighted average number of shares in issue (thousands) treasury shares (38,095) were always deducted from the number of ordinary shares (814,913), therefore the treasury shares cancellation in September 2010 had no effect on the weighted average number of shares and for the both reporting periods amounted to 776,818.

	January – March	
	2011	2010
Net profit	37,731	43,049
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	0.05	0.06

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

8 Dividends per share

A dividend that relates to the period to 31 December 2010 was proposed by the Board on 25 March 2011. The total proposed amount is 139,827 thousand Litas or 0.18 Litas per ordinary share.

9 Related party transactions

The Group is controlled by TeliaSonera AB (publ) which directly owns 5.14% and indirectly, through its subsidiary Amber Teleholding A/S, 62.94% of the Company's shares. In total, the ultimate parent of the Group, TeliaSonera AB (publ), owns 68.08% of the Company's shares. The following transactions were carried out with related parties:

Sales and purchases from TeliaSonera AB (publ) and its subsidiaries:

	January - March	
	2011	2010
Sales of telecommunication and other services	11,325	9,300
Total sales of telecommunication and other services	11,325	9,300
Purchases of assets	260	-
Purchases of services	5,981	7,004
Total purchases of assets and services	6,241	7,004

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


	As at 31 March	
	2011	2010
Receivables from related parties	3,560	2,074
Accrued revenue from related parties	3,551	2,843
Total receivables and accrued revenue from related parties	7,111	4,917
Payables to related parties	1,257	866
Accrued expenses to related parties	1	134
Total payables and accrued expenses to related parties	1,258	1,000

TEO Group does not have loans granted/received to/from related parties.

(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 Interim Consolidated Financial Statements for the three months period ended 31 March 2011, 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, 18 April 2011

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

Giedrius Vegys
Chief Financial Officer