TEO LT, AB

FINANCIAL STATEMENTS, CONSOLIDATED ANNUAL AND INDEPENDENT AUDITOR'S REPORTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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Independent auditor's report

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

STATEMENT OF COMPREHENSIVE INCOME

Approved by the Annual General Meeting of Shareholders as at ___ April 2012

		Year ended 31 December			
		GROUP		COMPANY	
	Note	2011	2010	2011	2010
Revenue	5	**749,784**	**773,423**	**702,710**	**732,850**
Other income	6	881	1,303	8,178	9,774
Employee related expenses		(156,809)	(157,647)	(114,800)	(116,621)
Interconnection expenses		(108,620)	(118,073)	(108,620)	(118,073)
Other operating expenses	7	(183,799)	(189,248)	(196,709)	(208,777)
Depreciation, amortisation and impairment of fixed assets	13	(132,453)	(131,702)	(124,920)	(124,055)
Other gain/ (loss) - net	8	850	719	750	606
Impairment of investments in subsidiaries	16	-	-	-	518
Operating profit		**169,834**	**178,775**	**166,589**	**176,222**
Finance income		2,218	1,617	2,196	1,579
Finance costs		(39)	(367)	(16)	(353)
Finance income/ costs - net	9	2,179	1,250	2,180	1,226
Profit before income tax		**172,013**	**180,025**	**168,769**	**177,448**
Income tax	10	(17,527)	(17,090)	(15,929)	(15,640)
Profit for the year		**154,486**	**162,935**	**152,840**	**161,808**
Other comprehensive income:					
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**154,486**	**162,935**	**152,840**	**161,808**
Profit and comprehensive income attributable to:					
Owners of the Parent		**154,486**	**162,935**	**152,840**	**161,808**
Minority interests		-	-	-	-
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in Litas per share)	11	0.20	0.21	0.20	0.21

The notes on pages 10 to 52 form an integral part of these financial statements.

The financial statements on pages 5 to 52 have been approved for issue by the Board of Directors as at 21 March 2012 and signed on their behalf by the General Manager and the Chief Financial Officer:

Arūnas Šikšta
General Manager

Giedrius Vegys
Chief Financial Officer

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

BALANCE SHEET

Approved by the Annual General Meeting of Shareholders as at ___ April 2012

		As at 31 December			
		GROUP		COMPANY	
	Note	2011	2010	2011	2010
ASSETS					
Non-current assets					
Property, plant and equipment	13	734,926	706,430	699,126	669,898
Intangible assets	14	42,922	49,341	26,210	31,144
Investment property	15	10,794	10,794	-	-
Investments in subsidiaries	16	-	-	43,527	43,527
Trade and other receivables	18	6,407	1,820	10,877	1,820
Deferred tax assets	25	583	711	-	-
		795,632	**769,096**	**779,740**	**746,389**
Current assets					
Inventories		3,353	6,091	3,300	5,997
Trade and other receivables	18	111,834	124,724	103,319	128,138
Current income tax receivable		8,096	18,946	7,873	18,648
Held-to-maturity investments	19	30,186	40,184	30,186	38,689
Cash and cash equivalents	20	188,589	219,526	176,791	205,696
		342,058	**409,471**	**321,469**	**397,168**
Total assets		**1,137,690**	**1,178,567**	**1,101,209**	**1,143,557**
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	776,818	776,818	776,818	776,818
Legal reserve	22	77,682	81,499	77,682	81,499
Retained earnings		186,597	168,121	161,163	144,333
Total equity		**1,041,097**	**1,026,438**	**1,015,663**	**1,002,650**
LIABILITIES					
Non-current liabilities					
Borrowings	24	3,259	4,233	3,259	4,199
Deferred tax liabilities	25	13,993	10,290	10,686	6,932
Deferred revenue and accrued liabilities	23	3,628	5,814	3,347	5,439
		20,880	**20,337**	**17,292**	**16,570**
Current liabilities					
Trade, other payables and accrued liabilities	23	74,739	130,564	67,314	123,433
Current income tax liabilities		-	39	-	-
Borrowings	24	974	1,189	940	904
		75,713	**131,792**	**68,254**	**124,337**
Total liabilities		**96,593**	**152,129**	**85,546**	**140,907**
Total equity and liabilities		**1,137,690**	**1,178,567**	**1,101,209**	**1,143,557**

The notes on pages 10 to 52 form an integral part of these financial statements.

Arūnas Šikšta
General Manager

Giedrius Vegys
Chief Financial Officer

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

STATEMENT OF CHANGES IN EQUITY

Approved by the Annual General Meeting of Shareholders as at ___ April 2012

GROUP	Note	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		-	-	-	162,935	162,935
Total comprehensive income for the 2010		**-**	**-**	**-**	**162,935**	**162,935**
Dividends paid for 2009	12	-	-	-	(163,131)	(163,131)
Cancellation of treasury shares and reduction of share capital		(38,095)	120,000	-	(81,905)	-
Balance at 31 December 2010		**776,818**	**-**	**81,499**	**168,121**	**1,026,438**
Balance at 1 January 2011		**776,818**	**-**	**81,499**	**168,121**	**1,026,438**
Net profit		-	-	-	154,486	154,486
Total comprehensive income for the 2011		**-**	**-**	**-**	**154,486**	**154,486**
Dividends paid for 2010	12	-	-	-	(139,827)	(139,827)
Reduction of legal reserve		-	-	(3,817)	3,817	-
Balance at 31 December 2011		**776,818**	**-**	**77,682**	**186,597**	**1,041,097**

COMPANY	Note	Share capital	Treasury shares	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2010		**814,913**	**(58,514)**	**81,499**	**166,075**	**1,003,973**
Net profit		-	-	-	161,808	161,808
Total comprehensive income for the 2010		**-**	**-**	**-**	**161,808**	**161,808**
Dividends paid for 2009	12	-	-	-	(163,131)	(163,131)
Cancellation of treasury shares and reduction of share capital		(38,095)	58,514	-	(20,419)	-
Balance at 31 December 2010		**776,818**	**-**	**81,499**	**144,333**	**1,002,650**
Balance at 1 January 2011		**776,818**	**-**	**81,499**	**144,333**	**1,002,650**
Net profit		-	-	-	152,840	152,840
Total comprehensive income for the 2011		**-**	**-**	**-**	**152,840**	**152,840**
Dividends paid for 2010	12	-	-	-	(139,827)	(139,827)
Reduction of legal reserve		-	-	(3,817)	3,817	-
Balance at 31 December 2011		**776,818**	**-**	**77,682**	**161,163**	**1,015,663**

The notes on pages 10 to 52 form an integral part of these financial statements.

Arūnas Šikšta
General Manager

Giedrius Vegys
Chief Financial Officer

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

STATEMENT OF CASH FLOWS

Approved by the Annual General Meeting of Shareholders as at ___ April 2012

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	**2011**	**2010**	**2011**	**2010**
Operating activities					
Profit for the year		154,486	162,935	152,840	161,808
Income tax	10	17,527	17,090	15,929	15,640
Depreciation, amortisation and impairment charge	13	132,453	131,702	124,920	124,055
Dividends received from subsidiaries	6	-	-	(7,000)	(8,200)
Other gains and losses	8	(850)	(719)	(750)	(606)
Write off of property, plant and equipment and intangible assets		538	668	542	663
Reversal of impairment of investments in subsidiaries	16	-	-	-	(518)
Interest income		(3,096)	(2,919)	(3,375)	(3,153)
Interest expenses		195	245	170	236
Other non-cash transactions		704	410	528	117
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):					
Inventories		2,738	(559)	2,697	(537)
Trade and other receivables		13,017	(7,628)	15,447	(6,284)
Trade, other payables and accrued liabilities		(19,152)	(2,085)	(19,352)	(3,504)
Cash generated from operations		298,560	299,140	282,596	279,717
Interest paid		(195)	(245)	(170)	(236)
Interest received		3,099	3,434	3,378	3,737
Tax paid		(2,897)	(14,367)	(1,400)	(12,842)
Net cash from operating activities		**298,567**	**287,962**	**284,404**	**270,376**

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

STATEMENT OF CASH FLOW (CONTINUED)

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2011	2010	2011	2010
Investing activities					
Purchase of property, plant and equipment (PPE) and intangible assets		(199,771)	(162,342)	(194,393)	(157,697)
Proceeds from disposal of PPE and intangible assets		1,288	954	1,286	883
Acquisition of held-to-maturity investments		(100,000)	(227,549)	(100,000)	(218,061)
Disposal of held-to-maturity investments		109,995	312,149	108,499	300,277
Acquisition of subsidiaries	29	-	(9,217)	-	-
Loans granted		-	-	(4,470)	(7,100)
Loans repaid		-	-	9,500	6,850
Dividends received	6	-	-	7,000	8,200
Net cash used in investing activities		**(188,488)**	**(86,005)**	**(172,578)**	**(66,648)**
Financing activities					
Repayment of borrowings		(1,189)	(1,243)	(904)	(869)
Dividends paid to shareholders of the Company	12	(139,827)	(163,131)	(139,827)	(163,131)
Net cash used in financing activities		**(141,016)**	**(164,374)**	**(140,731)**	**(164,000)**
Increase (decrease) in cash and cash equivalents		**(30,937)**	**37,583**	**(28,905)**	**39,728**
Movement in cash and cash equivalents					
At the beginning of the year		219,526	181,943	205,696	165,968
Increase (decrease) in cash and cash equivalents		(30,937)	37,583	(28,905)	39,728
At the end of the year	20	**188,589**	**219,526**	**176,791**	**205,696**

The notes on pages 10 to 52 form an integral part of these financial statements.

Arūnas Šikšta
General Manager

Giedrius Vegys
Chief Financial Officer

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

NOTES TO THE FINANCIAL STATEMENTS

1 General information

TEO LT, AB (hereinafter 'the Company') is a joint stock company incorporated as at 16 June 1997. On 5 May 2006 former company name AB Lietuvos Telekomas was changed to TEO LT, AB. The Company is domiciled in Vilnius, the capital of Lithuania. On 27 October 2010 the address of its registered office was changed from Savanorių Ave. 28, LT-03501 Vilnius, Lithuania, to Lvovo str. 25, LT-03501, Vilnius, Lithuania.

The Company's shares are traded on NASDAQ OMX Vilnius stock exchange as from 16 June 2000.

The shareholders' structure of the Company as at 31 December 2011 was as follows:

	Number of shares	**%**
TeliaSonera AB (Sweden)	530,504,838	68.29
East Capital Asset Management AB (Sweden)	56,260,126	7.24
Republic of Lithuania represented by State Tax Inspectorate	362,865	0.05
Other shareholders	189,689,689	24.42
	776,817,518	**100.00**

In June 2011 TeliaSonera AB took over from its subsidiary Amber Teleholding A/S the controlling interest in the Company (62.94 per cent of shares and votes). Before the transaction TeliaSonera AB directly held 5.14 per cent of the Company's shares and votes. Also TeliaSonera AB additionally acquired 0.21 per cent of the total number of share and increased its holding up to 68.29 per cent.

In 2011, pursuant to the Law of the Republic of Lithuania on the Restoration of the Rights of Ownership of Citizens of the Republic of Lithuania to Existing Real Estate and Lithuanian Government's Resolution dated 12 July 2002 On Compensation to Citizens for the existing Real Estate bought out by the State by way of securities owned by the State, the last shares owned by State Property Fund, were disposed as compensation to citizens for expropriated real estate.

The Company's principal activity is the provision of fixed voice, internet access, data communication, digital television and IT services to both business and residential customers in the Republic of Lithuania.

The Communication Regulatory Authority (CRA) of Lithuania has designated the Company together with its related legal entities as an operator with significant market power (SMP) in 15 telecommunications markets. The Company and UAB Omnitel as members of TeliaSonera Group are regarded as related entities in Lithuania, therefore the Company is considered as SMP in the market of voice call termination in public mobile network of UAB Omnitel.

The number of full time staff employed by the Group at the end of 2011 amounted to 2,928 (2010: 3,018). The number of full time staff employed by the Company at the end of 2011 amounted to 1,983 (2010: 1,954).

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

The subsidiaries included in the Group's consolidated financial statements are indicated below:

		Ownership interest in %		
Subsidiary/ associate	**Country of incorporation**	**31 December 2011**	**31 December 2010**	**Profile**
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 web hosting and data center services providing subsidiary of UAB Baltic Data Center acquired in September 2010.
UAB Interdata	Lithuania	100%	100%	The web hosting services providing subsidiary of UAB Hostex (till May 2011 was subsidiary of UAB Baltic Data Center).
UAB Hosting	Lithuania	100%	100%	Webhosting services providing subsidiary of UAB Interdata.
Baltic Data Center SIA	Latvia	100%	100%	The dormant subsidiary of UAB Baltic Data Center.
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 not for profit organisation established by the Company in July 2010 for management of the Company's Communications History Museum.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New and emended standards and interpretations adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

(b) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

Amendment to IAS 24, Related Party Disclosures, ***issued in November 2009*** (effective for annual periods beginning on or after 1 January 2011). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This amendment will not have any impact on the Group's financial statements..

Classification of Rights Issues – Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment did not have any impact on the Group's financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. This interpretation did not have any impact on the Group's financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. This amendment did not have any impact on the Group's financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. This amendment will not have any impact on the Group's financial statements.

Improvements to International Financial Reporting Standards, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The amendments did not have any material effect on the Group's financial statements.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9, (issued in November 2009; not yet adopted by the EU), replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election

may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

The Group does not expect this standard to have any material effect on its financial statements.

IFRS 10, Consolidated Financial Statements *(effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU),* replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 11, Joint Arrangements, *(effective for annual periods beginning on or after 1 January 2013),* replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 12, Disclosure of Interest in Other Entities, (effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 13, Fair value measurement, (effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on its financial statements.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Group is currently assessing the impact of the standard on its financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The amendment will not have any impact on the Group's financial statements.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2012). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Group does not expect the amendments to have any material effect on its financial statements.

Amendments to IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012; not yet adopted by the EU***),*** changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to ‘statement of profit or loss and other comprehensive income’. The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Deferred Tax: Recovery of Underlying Assets – Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, *Property, Plant and Equipment,* was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The Group does not expect the amendments to have any material effect on its financial statements.

Severe hyperinflation and removal of fixed dates for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position. The Group does not expect the amendments to have any material effect on its financial statements.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU***).*** The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, *Inventories*, to the extent that they are realised in the form of inventory produced. To the extent the benefits represent improved access to ore, the entity should recognise these costs as a ‘stripping activity asset’ within non-current assets, subject to certain criteria being met. The Group does not expect the amendments to have any material effect on its financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; not yet adopted by the EU***).*** The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The Group does not expect the amendments to have any material effect on its financial statements.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU***).*** The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

2.2 Group accounting

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances, income and expenses on transaction between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities as well as the consolidated financial statements are presented in Lithuanian Litas (LTL), which is the functional currency of the Company and the Group.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gain/ (loss) – net'.

2.4 Property, plant and equipment

Property, plant and equipment is carried at its historical cost less any accumulated depreciation and any accumulated impairment loss. Historical cost includes expenditures that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to allocate their cost or revalued amount to their residual values over their estimated useful life, as follows:

Buildings	10 – 50 years
Plant and machinery	5 – 10 years
Switches, lines and related telecommunication equipment	3 – 30 years
Computers and computer network	3 – 20 years
Motor vehicles	2 – 10 years
Other tangible fixed assets	5 – 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Construction in progress is transferred to appropriate groups of fixed assets when it is completed and ready for its intended use.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included within 'Other gain/ (loss) - net' in the statement of comprehensive income.

2.5 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets

Intangible assets expected to provide economic benefit to the Group and the Company in future periods have finite useful life and are valued at acquisition cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line method to allocate the cost of intangible asset over estimated benefit period as follows:

Licences	3 - 10 years
Computer software	3 – 5 years
Other intangible fixed assets	5 years

Separately acquired licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date.

Contractual customer relationships acquired in the business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using straight-line method over the expected life of the customer relationship

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- There is ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable cost that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.6 Investment property

Properties that are held for undetermined use and that are not occupied by the entities in the consolidated Group, are classified as investment properties. Investment properties comprise construction in progress.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Group and the cost can be measured reliably. Subsequent expenditure is included in the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Investment properties of the Group are stated at cost less accumulated depreciation and any accumulated impairment losses. Transaction costs are included on initial measurement. The fair values of investment properties are disclosed in the Note 15. These are assessed using method of residual value.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets into the following measurement categories: at fair value through profit or loss, available-for-sale, held to maturity and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During the current period the Group and the Company did not hold any investments in available-for-sale and at fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's and the Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Held to maturity investments

Held to maturity classification includes non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group and the Company has both the intention and ability to hold to maturity.

Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group or the Company fails to keep these investments to maturity other than for certain specific circumstances – for example, selling more than an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group or the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group or the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method. Held to maturity investments are carried at amortised costs using the effective interest method, net of a provision for incurred impairment losses.

The Group and the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2.11.

2.9 Investments in subsidiaries and associates in the separate financial statements of the Company

Investments in subsidiaries that are included in the separate financial statements of the Company are accounted at cost less impairment provision. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group and the Company from the tax authorities), transport, handling and other costs directly attributable to the acquisition of inventories. Net realisable value is the estimate of the selling price in the ordinary course of business, less the applicable selling expenses. All inventories held by the Group attribute to the materials category.

2.11 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or service performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets, if not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group or the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'other operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the statement of comprehensive income.

Interconnection receivables and payables to the same counterparty are stated net.

2.12 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

Where the Company or its subsidiaries purchase the Company's equity share capital (treasury shares), in the Company's and the Group's financial statements the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction cost and the related income tax effects, is included in equity attributable to the company's equity holders.

2.14 Trade payables

Trade payable are obligations to pay for goods or services that have been acquired in ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 month after the balance sheet date.

2.16 Accounting for leases – where the Group or the Company is the lessee

Finance lease

Where the Group or the Company is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group or the Company is classified as finance lease. The assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the statement of comprehensive income over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term if the Group or the Company is not reasonably certain that it will obtain ownership by the end of the lease term.

If sale and leaseback transaction results in a finance lease, any excess or shortfall of sales proceeds over the carrying amount is not recognised immediately and is deferred and amortised over the lease term.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction was established at fair value, any profit or loss is recognised immediately, except that if loss is compensated for by future lease payments over the period for which the asset is expected to be used.

If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

2.17 Accounting for leases – where the Group or the Company is the lessor

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases (net of any incentives provided to the lessee) are credited to the statement of comprehensive income on a straight-line basis over the period of the lease. When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of asset.

2.18 Income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to item recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Income tax expense is calculated and accrued for in the financial statements on the basis of information available at the moment of the preparation of the financial statements, and estimates of income tax performed by the management in accordance with Lithuanian regulatory legislation on taxation.

Deferred income tax assets are recognised only to the extent that is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised.

According to Lithuanian legislation, tax losses accumulated as of 31 December 2011 are carried forward indefinitely.

Deferred tax assets and liabilities are offset only where International Accounting Standard No. 12 allows this treatment.

2.19 Grants relating to expenses and purchase of property, plant and equipment

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group or the Company will comply with all attached conditions.

Grants relating to the purchase of property, plant and equipment are included in non-current liabilities and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Grants relating to the expenses are included in non-current liabilities and are credited to the statement of comprehensive income on basis to match the appropriate expenses.

2.20 Revenue recognition

Sales of services and goods

Revenue is recognised as earned. Telecommunications services' revenue is recognised when the services are rendered based on usage of the network and facilities net of value added tax and price discounts directly related to the sales. Other revenues are recognised when products are delivered or services are rendered to customers. At the end of each accounting period a revenue accrual is performed to record amounts not yet billed.

Revenue from interconnection is accrued at the end of each accounting period based on the actual traffic of incoming calls from different carriers. Accrued revenue is adjusted to actual after reconciliation with the carrier is performed.

Service activation fees are recognised as income and related costs are expensed at the moment of activating the service.

The Company used customer loyalty programme till December 2011. Under the Company's customer loyalty programmes, customers were entitled to certain discounts relating to the Company's services and goods supplied by third parties. The volume of the customer's accumulated discount for the period depended on invoice amount paid by the customer and other certain customer actions. Accumulated customer's discounts were valid for the two years period. At the end of each reporting period the Company estimated the fair value of the services and goods that can be granted in exchange of accumulated discounts, considering also the proportion of discounts that are not expected to be used by customers, based on the historical statistical usage of discounts. This amount was recognised as deferred income. In the statement of comprehensive income these deferred income were treated as a deduction from revenues. The Company's Loyalty program was terminated as of December 2011. The fair value of accumulated and not used customer's discounts was recognised as revenue in the statement of comprehensive income in 2011.

Multiple element arrangements

The Company offers certain arrangements whereby, together with a defined period of servicing agreement, customer is offered goods or services free of charge or at a price significantly below market price of these goods or services. When such multiple element agreements exits, the amount recognised as revenue upon the sale of the goods is the fair value of the offered goods in relation to the fair value of the arrangement taken as a whole. The revenue relating to the service element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement, is recognised over service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately. When there is no objective and reliable evidence of the fair value(s) of the delivered item(s), the Company uses the residual value method. Under this method, the Company determines the fair value of the delivered element by deducting the fair value of the undelivered element from the contract consideration. To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such manner as to reflect fair value of the elements.

Arrangements of discounts

The Company offers certain arrangements whereby, together with a defined period of servicing agreement, customer is offered discount for the services for a certain period. When such discount exits, such discount is allocated over defined period of servicing.

2.21 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group and the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Interest income on held-to-maturity investments and loans granted are classified into 'other income', while interest income on cash and cash equivalents are classified into 'finance income'.

2.22 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.23 Employee benefits

Social security contributions

The Company pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group and the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions amounting to LTL 37.6 million for the Group and LTL 27.8 million for the Company (2010: LTL 36.3 million for the Group and LTL 26.8 million for the Company) are recognised as an expense on an accrual basis and are included within employee related expenses.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date per mutual agreement or employers will. The Group and the Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of mutual agreement. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Bonus plans

The Group and the Company recognises a liability and an expense for bonuses based on predefined targets. The Group and the Company recognises related liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Supplementary health insurance

The Company pays supplementary health insurance contributions to the insurance company on behalf of its employees. Supplementary health insurance for employees is the possibility to get health care and health improvement services in a selected health care institution. The supplementary health insurance contributions are recognized as expenses when incurred.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the company's shareholders.

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

Withholding tax on dividends paid to legal entities amounts to 15% (2010: 15%). According to statutory law, participation exemption (i.e. no withholding tax on dividends) could be applied when shareholder holds more than 10% of share capital and retains the holding for more than one year. There is also withholding tax exemption on dividends paid to pension and investment funds.

2.25 Segment information

The Company's management considers the business from Group 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 operating 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 subsidiaries are combined and disclosed in the 'other segment' column. The profile of each subsidiary is described in Note 1.

	Broadband segment		**Other segment**		**Eliminations**		**Total Group**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Segment revenue	702,710	732,850	96,818	96,626	(49,744)	(56,053)	749,784	773,423
Inter-segment revenue	(10,498)	(10,716)	(39,246)	(45,337)	49,744	56,053	-	-
Revenue from external customers	**692,212**	**722,134**	**57,572**	**51,289**	**-**	**-**	**749,784**	**773,423**
Depreciation and amortisation	(124,920)	(124,055)	(7,485)	(7,719)	(48)	72	(132,453)	(131,702)
Reversal of impairment of investments in subsidiaries	-	518	-	-	-	(518)	-	-
Income tax	(15,929)	(15,639)	(1,598)	(1,451)	-	-	(17,527)	(17,090)
Profit for the year	152,840	161,808	8,609	10,280	(6,963)	(9,153)	154,486	162,935
Total assets	1,101,209	1,167,324	92,290	98,014	(55,809)	(86,771)	1,137,690	1,178,567

The Group is domiciled in Lithuania. The result of its revenue from external customers in the Lithuania is LTL 604.1 million (2010: LTL 615.8 million), and the total of revenue from external customers from other countries is LTL 145.7 million (2010: LTL 157.6 million).

For the Group's and the Company's revenue specification by products see Note 5.

3 Financial risk management

The Group's and the Company's activities expose it to financial risks: market risk (including foreign exchange risk, and fair value interest rate risk), credit risk, liquidity risk. The Group's Policy for Treasury Management putting the main guidelines for financial risk management and seeks to minimise potential adverse effects of the financial performance of the Group.

Financial risk management is carried out by a Group Treasury under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euro (EUR), US Dollar (USD) and Special Drawing Rights (XDR). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. Substantially all the Group's trade payables and trade receivables are short-term and in addition revenues and expenses in foreign currencies are insignificant as compared to those in Lithuanian Litas. The Group manages foreign exchange risk by minimising the net exposure to open foreign currency position. Further exposure to foreign exchange risk is disclosed in Notes 18, 19, 20 and 23.

From February 2002 the exchange rate of Lithuanian Litas has been pegged to the EURO at a rate of Lithuanian Litas 3.4528 = EURO 1.

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Held-to-maturity investments carry fixed interest rates, therefore they are not subject to cash flow or fair value interest rate risk.

The most significant interest bearing asset is bonds issued by the Lithuanian banks amounting to LTL 30,186 thousand for the Group and the same amount for the Company (2010: LTL 40,184 thousand for the Group and LTL 38,689 amount for the Company). For further information on held-to-maturity investments see Note 19.

Credit risk

The financial assets exposed to credit risk represent cash deposits with banks and trade receivables. The Group has no significant concentrations of credit risk. Credit risks or the risks of counter-parties defaulting, are controlled by the application of credit terms and monitoring procedures.

All the new customers (corporate and private) are investigated for creditworthiness before contract signing. Customer bill payment control consists of a number of various reminders regarding bill payment term expiration, and consequently services are limited after 10-15 days since the last reminder for all indebted customers, and after further 30-35 days provision of services is fully terminated. After sending additional reminding letters bad debts are handed over to external bad debt collection agencies for debt recovery.

Impairment provision for trade receivables is calculated on a monthly basis according to the Group's internal policy for trade receivable impairment. Estimation of impairment provision is based on classification of trade receivables into categories according to the payment overdue period and application of certain impairment rates to each category. The impairment rates and the Group's internal policy for trade receivable impairment estimation are updated on half yearly basis.

Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Liquidity risk

Liquidity risk relates to the availability of sufficient funds for debt service, capital expenditure and working capital requirement and dividend payment. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group's short-term assets significantly exceed short term liabilities and therefore liquidity risk is considered to be very low. Accordingly the Group's management implemented formal procedures for liquidity risk management, where minimum required liquidity position should at any time exceed the level of 2.5% of planned annual turnover.

The analysis of the undiscounted cash flows of the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date see Note 24.

Capital risk management

The group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares. Capital is calculated as 'Equity' as shown in the balance sheet.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a joint stock company and private limited liability company must be not less than LTL 100,000 and LTL 10,000, respectively, and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2011 all Group companies (2010: all except UAB Hosting), complied with these requirements.

The Group's operations are financed only by the shareholders' capital. The Company did not have any borrowings, except finance lease liabilities during 2011 and 2010.

Fair value estimation

The fair value of financial instruments that are not traded in an active market for the disclosure purpose is estimated by discounting the cash flows from the financial instrument.

The carrying value less impairment losses of trade receivables and carrying value of payables are assumed to approximate their fair value.

4 Critical Accounting Estimates

Property, plant and equipment

Estimates concerning useful lives of property, plant and equipment due to constant technology advances – useful lives are disclosed above and depreciation charge for the year is disclosed in Note 13. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation charge. The useful lives of property, plant and equipment are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Furthermore, network infrastructure cannot be depreciated over a period that extends beyond the expiry of the associated licence under which services are provided.

Impairment provision for accounts receivable

Impairment provision for accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the Company could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

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

5 Revenue

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Fixed voice services	374,435	415,561	371,674	413,739
Internet and data services	252,955	256,844	254,857	258,505
IT services	47,535	36,067	10,996	7,203
TV services	47,503	37,738	47,505	37,740
Other revenues	27,356	27,213	17,678	15,663
Total revenue	**749,784**	**773,423**	**702,710**	**732,850**

6 Other income

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Interests income on held –to – maturity investments	881	1,303	1,178	1,574
Income from dividends	-	-	7,000	8,200
	881	**1,303**	**8,178**	**9,774**

7 Other operating expenses

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Materials, maintenance and services costs	110,214	111,689	125,294	132,948
Energy, premises and transport costs	42,559	45,126	41,702	45,545
Marketing expenses	13,938	13,063	13,425	12,338
Impairment of accounts receivable	3,440	4,127	3,458	4,127
Other expenses	13,648	15,243	12,830	13,819
	183,799	**189,248**	**196,709**	**208,777**

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

8 Other gain/loss – net

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Gain on sales of property, plant and equipment	945	1,097	842	984
Loss on sales of property, plant and equipment	(78)	(254)	(78)	(254)
Other gain (loss)	(17)	(124)	(14)	(124)
	850	**719**	**750**	**606**

9 Finance income and costs

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Interest income on cash and cash equivalents	1,689	1,067	1,672	1,030
Other finance income	529	550	524	549
Finance income	**2,218**	**1,617**	**2,196**	**1,579**
Interest expenses	(188)	(222)	(182)	(217)
Foreign exchange gain (loss) on financing activities	287	87	303	93
Other finance costs	(138)	(232)	(137)	(229)
Finance costs	**(39)**	**(367)**	**(16)**	**(353)**
Finance income/costs– net	**2,179**	**1,250**	**2,180**	**1,226**

10 Income tax

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Current tax	13,696	13,432	12,175	11,898
Deferred tax (Note 25)	3,831	3,658	3,754	3,742
Income tax expense	**17,527**	**17,090**	**15,929**	**15,640**

As of 1 January 2009 amendments to Law on Corporate Profit Tax came into effect which provides tax relief for investments in new technologies. As a result the Company's calculated profit tax relief amounts to LTL 10.3 million (2010: 10.6 million). Investments in new technologies are capitalised as property, plant and equipment, and their depreciation is deductible for tax purposes, therefore, the tax relief does not create any deferred tax liability.

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. The Group's and the Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

10 Income tax (continued)

The tax on the Group's and the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP		COMPANY	
	2011	2010	2011	2010
Profit before income tax	**172,013**	**180,025**	**168,769**	**177,448**
Tax calculated at a tax rate of 15% (2010: 15%)	25,801	27,004	25,315	26,617
Deferred tax asset not recognised on tax losses	-	8	-	-
Non-taxable dividends received	-	-	(1,050)	(1,230)
Income not subject to tax (-) and expenses not deductible for tax purposes (+)	266	(380)	201	(459)
Tax relief	(10,335)	(10,801)	(10,335)	(10,600)
Other	1,795	1,259	1,798	1,312
Tax charge	**17,527**	**17,090**	**15,929**	**15,640**

11 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.

	GROUP		COMPANY	
	2011	2010	2011	2010
Net profit	**154,486**	**162,935**	**152,840**	**161,808**
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818	776,818	776,818
Basic earnings per share (LTL)	**0.20**	**0.21**	**0.20**	**0.21**

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

12 Dividends per share

The dividends per share, excluding treasury shares, declared in respect of 2010 and 2009 and paid in 2011 and 2010 were LTL 0.18 and LTL 0.21 respectively. As at the date of approval of these financial statements dividends amounting to LTL 155,364 thousand are proposed in respect of 2011.

13 Property, plant and equipment

The depreciation and amortisation charge in the statement of comprehensive income consists of the following items:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Depreciation of property, plant and equipment	122,670	121,801	117,172	116,460
Amortisation of intangible assets (Note 14)	9,783	10,461	7,748	8,155
Amortisation of grants received (Note 26)	-	(560)	-	(560)
	132,453	**131,702**	**124,920**	**124,055**

In 2011 the Company revised the useful lives of its property, plant and equipment. After the above revision the depreciation charge for 2011 decreased by LTL 1.6 million as compared to previously used useful lives for property, plant and equipment. Useful live for intangible assets was also revised in 2011, the amortisation charge for intangible assets decreased by LTL 0.6 million.

GROUP	Land and buildings	Ducts and telecommu-nication equipment	Other tangible fixed assets	Construction in progress	Total
At 31 December 2009					
Cost	121,765	2,510,613	79,539	16,235	2,728,152
Accumulated depreciation	(43,834)	(1,976,020)	(56,586)	-	(2,076,440)
Net book amount	**77,931**	**534,593**	**22,953**	**16,235**	**651,712**
Year ended 31 December 2010					
Opening net book amount	**77,931**	**534,593**	**22,953**	**16,235**	**651,712**
Additions	-	1,574	573	175,833	177,980
Acquisition of subsidiaries (Note 29)	-	696	1,021	-	1,717
Reclassifications [1]	(408)	(637)	12	(1,733)	(2,766)
Disposals and retirements	(29)	(879)	(64)	-	(972)
Transfers from construction in progress	1,394	144,576	2,989	(148,959)	-
Depreciation charge	(4,559)	(109,493)	(7,189)	-	(121,241)
Closing net book amount	**74,329**	**570,430**	**20,295**	**41,376**	**706,430**

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

13 Property, plant and equipment (continued)

At 31 December 2010					
Cost	122,506	2,580,512	80,962	41,376	2,825,356
Accumulated depreciation	(48,177)	(2,010,082)	(60,667)	-	(2,118,926)
Net book amount	**74,329**	**570,430**	**20,295**	**41,376**	**706,430**
Year ended 31 December 2011					
Opening net book amount	**74,329**	**570,430**	**20,295**	**41,376**	**706,430**
Additions	-	4,413	379	148,217	153 009
Reclassifications	(407)	(29)	(395)	(207)	(1,038)
Disposals and retirements	(9)	(657)	(129)	(10)	(805)
Transfers from construction in progress	200	154,541	8,853	(163,594)	-
Depreciation charge	(4,393)	(109,241)	(9,036)	-	(122,670)
Closing net book amount	**69,720**	**619,457**	**19,967**	**25,782**	**734,926**
At 31 December 2011					
Cost	122,484	2,639,113	85,072	25,782	2,872,451
Accumulated depreciation	(52,764)	(2,019,656)	(65,105)	-	(2,137,525)
Net book amount	**69,720**	**619,457**	**19,967**	**25,782**	**734,926**

COMPANY	**Land and buildings**	**Ducts and telecommu-nication equipment**	**Other tangible fixed assets**	**Construction in progress**	**Total**
At 31 December 2009					
Cost	84,926	2,482,615	71,714	16,284	2,655,539
Accumulated depreciation	(36,241)	(1,956,252)	(49,623)	-	(2,042,116)
Net book amount	**48,685**	**526,363**	**22,091**	**16,284**	**613,423**
Year ended 31 December 2010					
Opening net book amount	**48,685**	**526,363**	**22,091**	**16,284**	**613,423**
Additions	-	-	91	175,833	175,924
Disposals and write-offs	(29)	(871)	(15)	-	(915)
Reclassifications [1]	(407)	(430)	(15)	(1,782)	(2,634)
Transfers from construction in progress	1,394	144,576	2,989	(148,959)	-
Depreciation charge	(3,607)	(105,671)	(6,622)	-	(115,900)
Closing net book amount	**46,036**	**563,967**	**18,519**	**41,376**	**669,898**
At 31 December 2010					
Cost	85,668	2,549,635	70,888	41,376	2,747,567
Accumulated depreciation	(39,632)	(1,985,668)	(52,369)	-	(2,077,669)
Net book amount	**46,036**	**563,967**	**18,519**	**41,376**	**669,898**

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

13 Property, plant and equipment (continued)

	Land and buildings	Ducts and telecommu-nication equipment	Other tangible fixed assets	Construction in progress	Total
Year ended 31 December 2011					
Opening net book amount	**46,036**	**563,967**	**18,519**	**41,376**	**669,898**
Additions	-	-	-	148,217	148,217
Disposals and write-offs	(7)	(654)	(104)	(12)	(777)
Reclassifications	(407)	20	(446)	(207)	(1,040)
Transfers from construction in progress	200	154,541	8,854	(163,595)	-
Depreciation charge	(3,437)	(105,271)	(8,464)	-	(117,172)
Closing net book amount	**42,385**	**612,603**	**18,359**	**25,779**	**699,126**
At 31 December 2011					
Cost	85,733	2,607,614	75,066	25,779	2,794,192
Accumulated depreciation	(43,348)	(1,995,011)	(56,707)	-	(2,095,066)
Net book amount	**42,385**	**612,603**	**18,359**	**25,779**	**699,126**

[1] Reclassifications in 2010 was done because of part of construction in progress was moved to intangible assets in the course of construction.

The category 'Ducts and telecommunication equipment' includes terminal equipment leased by the group to third parties under operating leases with the following carrying amounts:

	As at 31 December			
	GROUP		COMPANY	
	2011	2010	2011	2010
Cost	19,747	24,007	19,747	24,007
Accumulated depreciation at 1 January	(2,659)	(3,625)	(2,659)	(3,625)
Depreciation charge for the year	(3,196)	(4,086)	(3,196)	(4,086)
Net book amount	**13,892**	**16,296**	**13,892**	**16,296**

14 Intangible assets

GROUP	Licences	Software	Goodwill	Other intangible assets	Assets in the course of construction	Total
At 31 December 2009						
Cost	17,843	176,151	5,196	10,925	924	211,039
Accumulated amortisation	(3,555)	(159,944)	-	(10,464)	-	(173,963)
Net book amount	**14,288**	**16,207**	**5,196**	**461**	**924**	**37,076**

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

14 Intangible assets (continued)

	Licences	Software	Goodwill	Other intangible assets	Assets in the course of construction	Total
Year ended 31 December 2010						
Opening net book amount	**14,288**	**16,207**	**5,196**	**461**	**924**	**37,076**
Additions	-	2,589	-	-	10,482	13,071
Acquisition subsidiaries (Note 29)	-	29	5,637	2,381	-	8,047
Reclassification	-	(130)	-	-	1,738	1,608
Reclassification from other accounts	-	5,371	-	-	(5,371)	-
Amortisation charge	(1,771)	(8,393)	-	(297)	-	(10,461)
Closing net book amount	**12,517**	**15,673**	**10,833**	**2,545**	**7,773**	**49,341**
At 31 December 2010						
Cost	17,843	183,937	10,833	13,591	7,773	233,977
Accumulated amortisation	(5,326)	(168,264)	-	(11,046)	-	(184,636)
Net book amount	**12,517**	**15,673**	**10,833**	**2,545**	**7,773**	**49,341**
Year ended 31 December 2011						
Opening net book amount	**12,517**	**15,673**	**10,833**	**2,545**	**7,773**	**49,341**
Additions	-	205	-	169	2,814	3,188
Disposals and write-offs	-	(5)	-	-	-	(5)
Reclassification	-	42	-	(39)	178	181
Reclassification from other accounts	-	1,623	-	7,480	(9,103)	-
Amortisation charge	(1,771)	(6,803)	-	(1,209)	-	(9,783)
Closing net book amount	**10,746**	**10,735**	**10,833**	**8,946**	**1,662**	**42,922**
At 31 December 2011						
Cost	17,843	169,819	10,833	20,190	1,662	220,347
Accumulated amortisation	(7,097)	(159,084)	-	(11,244)	-	(177,425)
Net book amount	**10,746**	**10,735**	**10,833**	**8,946**	**1,662**	**42,922**

Goodwill was tested for impairment at 31 December 2011 and 2010 and based on the results of the test no impairment loss is needed. For the purposes of impairment testing, goodwill is allocated to group's cash-generating units (CGUs). As of 31 December 2011, there were 3 cash generating units identified (with the goodwill amount allocated to them): UAB Baltic Data Center (LTL 2,658 thousand), UAB Interdata (LTL 3,741 thousand), and UAB Hostex (LTL 4,434 thousand). Recoverable amount of all CGUs has been determined based on fair value less cost to sell calculations. EBITDA exit multiples of transactions in computer services industry sector in the Central and Eastern Europe as well as in EU over the last 12 months have been compared to EBITDA multiple of CGUs, and based on analysis performed, no impairment loss is needed. There have been no significant changes in the telecommunications market during the period from the date of each acquisition until 31 December 2011, and management is confident that consideration paid reflects fair value of the businesses acquired as of 31 December 2011.

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

14 Intangible assets (continued)

COMPANY	Licences	Software	Other intangible assets	Assets in the course of construction	Total
At 31 December 2009					
Cost	17,843	163,672	10,529	792	192,836
Accumulated amortisation	(3,555)	(151,956)	(10,282)	-	(165,793)
Net book amount	**14,288**	**11,716**	**247**	**792**	**27,043**
Year ended 31 December 2010					
Opening net book amount	**14,288**	**11,716**	**247**	**792**	**27,043**
Additions	-	-	-	10,483	10,483
Reclassifications	-	(9)	-	1,782	1,773
Reclassification from other accounts	-	5,371	-	(5,371)	-
Amortisation charge	(1,767)	(6,141)	(247)	-	(8,155)
Closing net book amount	**12,521**	**10,937**	**-**	**7,686**	**31,144**
At 31 December 2010					
Cost	17,843	154,766	3,579	7,686	183,874
Accumulated amortisation	(5,322)	(143,829)	(3,579)	-	(152,730)
Net book amount	**12,521**	**10,937**	**-**	**7,686**	**31,144**
Year ended 31 December 2011					
Opening net book amount	**12,521**	**10,937**	**-**	**7,686**	**31,144**
Additions	-	111	-	2,490	2,601
Reclassifications	-	(9)	-	222	213
Reclassification from other accounts	-	1,323	7,480	(8,803)	-
Amortisation charge	(1,767)	(4,859)	(1,122)	-	(7,748)
Closing net book amount	**10,754**	**7,503**	**6,358**	**1,595**	**26,210**
At 31 December 2011					
Cost	17,843	143,162	11,057	1,595	173,657
Accumulated amortisation	(7,089)	(135,659)	(4,699)	-	(147,447)
Net book amount	**10,754**	**7,503**	**6,358**	**1,595**	**26,210**

In Lithuania provision of fixed, long distance and international telecommunication services (including data transmission) is not subject to licensing.

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

15 Investment property

As at 31 December 2011 the Group as investment property accounted construction in progress (2010: construction in progress).

The investment properties were externally valued as at 30 December 2011 by Re&Solution. The fair values of investment properties are measured using method of residual value and approximate to their carrying values.

Management applied judgment in determining the classification of the construction in progress as investment property and, based on past experience, considered that, since the future use of the asset is undetermined, it is appropriate to classify it as investment property. Possible outcomes of the future use are selling the asset or completing it and using it by the Group as an office building.

16 Investments in subsidiaries

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
At the beginning of year	-	-	43,527	41,259
Contribution to cover losses of subsidiary	-	-	-	1,750
Reversal of impairment of investments	-	-	-	518
At end of year	**-**	**-**	**43,527**	**43,527**

During 2011 the Company did not record or reversed an impairment provision for the investments accounted under Investment in subsidiaries (2010: UAB Kompetencijos Ugdymo Centras LTL 100 thousand; UAB Verslo Investicijos LTL (618) thousand).

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

17 Financial instruments by category

The accounting policies for the financial instruments have been applied to the line item below:

GROUP	**Loans and receivables**	**Held-to-maturity investments**	**Total**
31 December 2011			
Assets as per balance sheet			
Trade and other receivables	103,508	-	103,508
Held-to-maturity investment	-	30,186	30,186
Cash and cash equivalents	188,589	-	188,589
Total	**292,097**	**30,186**	**322,283**

	Loans and receivables	**Held-to-maturity investments**	**Total**
31 December 2010			
Assets as per balance sheet			
Trade and other receivables	108,242	-	108,242
Held-to-maturity investment	-	40,184	40,184
Cash and cash equivalents	219,526	-	219,526
Total	**327,768**	**40,184**	**367,952**

COMPANY	**Loans and receivables**	**Held-to-maturity investments**	**Total**
31 December 2011			
Assets as per balance sheet			
Trade and other receivables	101,001	-	101,001
Held-to-maturity investment	-	30,186	30,186
Cash and cash equivalents	176,791	-	176,791
Total	**277,792**	**30,186**	**307,978**

	Loans and receivables	**Held-to-maturity investments**	**Total**
31 December 2010			
Assets as per balance sheet			
Trade and other receivables	113,486	-	113,486
Held-to-maturity investment	-	38,689	38,689
Cash and cash equivalents	205,696	-	205,696
Total	**319,182**	**38,689**	**357,871**

All financial liabilities of the Group amounting to LTL 55,531 thousand (2010: LTL 102,442 thousand) and of the Company amounting to LTL 55,806 thousand (2010: LTL 103,028 thousand) fell under the category of other financial liabilities, there are no liabilities at fair value through profit and loss.

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

18 Trade and other receivables

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Trade receivables from business customers and residents	106,484	109,456	97,963	103,135
Trade receivables from other operators	14,653	17,745	14,652	17,745
Total trade receivables	**121,137**	**127,201**	**112,615**	**120,880**
Less: provision for impairment of receivables	(25,619)	(24,083)	(25,500)	(23,864)
Trade receivables - net	**95,518**	**103,118**	**87,115**	**97,016**
Receivables from companies collecting payments for telecommunication services	1,296	753	1,296	753
Prepaid expenses and other receivables	9,226	17,491	8,480	16,473
Receivables from related parties (Note 31)	12,201	5,182	10,806	4,190
Loans to related parties (Note 31)	-	-	6,499	11,526
	118,241	**126,544**	**114,196**	**129,958**
Less non-current portion	(6,407)	(1,820)	(10,877)	(1,820)
Current portion	**111,834**	**124,724**	**103,319**	**128,138**

All non-current receivables are due within two years from balance sheet date.

The fair values of trade and other receivables are approximate to their carrying values.

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above. The group does not hold any collateral as security.

Trade receivables that are not overdue are considered as fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2011, the Group's trade receivables of LTL 11,409 thousand (2010: LTL 10,476 thousand) and the Company's trade receivables of LTL 9,985 thousand (2010: LTL 10,451 thousand) were past due but not impaired.

As of 31 December 2011, the Group's trade receivables of LTL 26,659 thousand (2010: LTL 24,623 thousand) and the Company's trade receivable of LTL 26,587 thousand (2010: LTL 24,401 thousand) were impaired and provided for. The amount of the Group's provision was LTL 25,619 thousand as of 31 December 2011 (2010: LTL 24,083 thousand) and the amount of the Company's provision was LTL 25,500 thousand as of 31 December 2011 (2010: LTL 23,864 thousand).

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

18 Trade and other receivables (continued)

The ageing of these receivables is as follows:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Trade receivable total	**121,137**	**127,201**	**112,615**	**120,880**
Of which not overdue	83,069	92,102	76,043	86,028
Overdue up to 3 months	11,409	10,476	9,985	10,451
4 to 6 months	2,266	2,160	2,242	2,151
7 to 12 months	3,106	3,474	3,101	3,454
Over 12 months	21,287	18,989	21,244	18,796

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Currency				
LTL	88,983	99,572	89,351	106,731
EUR	28,361	26,907	23,948	23,166
XDR	57	59	57	59
Other currency	840	6	840	2
	118,241	**126,544**	**114,196**	**129,958**

Movements of impairment for trade receivables are as follows:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
At the beginning of year	24,083	24,301	23,864	24,173
Acquisition of subsidiary (Note 29)	-	123	-	-
Receivables written off during the year as uncollectible	(1,830)	(4,539)	(1,830)	(4,526)
Provision for receivables impairment/ Unused amount reversed (-)	3,366	4,198	3,466	4,217
At the end of year	**25,619**	**24,083**	**25,500**	**23,864**

The creation and release of provision for impaired receivables have been included in 'Other operating expenses' in the Statement of comprehensive income (Note 7).

The other classes within trade and other receivable do not contain impaired assets.

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

19 Held-to-maturity investments

Held-to-maturity investments accounted by the Group and the Company consist of short-term bonds issued by the Lithuanian commercial banks with Fitch long-term credit rating A, denominated in EUR (2010: in LTL). The effective interest rate on the bonds was 2.03% (2010: 1.55%). As of 31 December 2011, average maturity of bonds is 182 days (2010: 78 days). Fair value of bonds approximate to their carrying values.

As of the date of approval of these financial statements all held-to-maturity investments have been redeemed, except Company's held-to-maturity investments amounting to LTL 10.0 million, which will be redeem in 2012 after the date of approval of these financial statements.

The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as held-to-maturity investments.

20 Cash and cash equivalents

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Cash in hand and at bank	43,524	50,263	33,226	36,433
Short term bank deposits	145,065	169,263	143,565	169,263
	188,589	**219,526**	**176,791**	**205,696**

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Currency				
LTL	179,839	144,245	169,882	133,114
EUR	5,821	70,684	4,068	68,089
USD	2,861	4,517	2,841	4,493
Other currencies	68	80	-	-
	188,589	**219,526**	**176,791**	**205,696**

The effective interest rate on the Group's and the Company's short-term bank deposits held with Lithuanian banks was 1.95% (2010: 1.36%).

The credit quality of cash in hand and at bank can be assessed by reference to Fitch long-term credit ratings:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
AA-	50,726	57,331	50,670	57,249
A+	82,016	91,148	72,267	78,437
A	55,726	70,797	53,767	69,816
Other	121	250	87	194
	188,589	**219,526**	**176,791**	**205,696**

20 Cash and cash equivalents (continued)

As of the date of approval of these financial statements all deposits have matured and repaid to the Company and the Group.

The maximum exposure to credit risk at the reporting date is the fair value of cash and cash equivalents classified as cash and cash equivalents.

21 Share capital and treasury shares

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 one litas each. It was reduced from 814,912,760 litas to 776,817,518 litas by cancelling 38,095,242 treasury shares 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. All shares are fully paid up.

22 Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of 5% of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, is compulsory until the reserve including share premium reaches 10% of the share capital. The legal reserve can be used to cover the accumulated losses. The amount of the legal reserve surplus which exceeds the size of legal reserve required by the legislation can be added to retaining earnings for the profit distributing purpose.

As a result of cancelling of treasury shares and following the decision of the Annual General Meeting of Shareholders held on 28 April 2011 the Company's obligatory reserve was decreased by LTL 3,817 thousand and this amount was reallocated to the Company's retained earnings.

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

23 Trade, other payables and accrued liabilities

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Trade payables	29,512	76,710	24,817	71,458
Trade payables to operators	7,718	1,924	7,718	1,924
Taxes, salaries and social security payable	21,751	30,995	16,651	23,500
Accruals to operators	8,591	7,186	8,591	7,186
Accrued liabilities	3,730	5,463	3,092	4,600
Other payables and deferred revenue	6,052	8,692	3,113	7,757
Amounts payable to related parties (Note 31)	1,013	5,408	6,679	12,447
	78,367	**136,378**	**70,661**	**128,872**
Less non-current portion	(3,628)	(5,814)	(3,347)	(5,439)
Current portion	**74,739**	**130,564**	**67,314**	**123,433**

The carrying amounts of the trade and other payables are denominated in the following currencies:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Currency				
LTL	57,449	109,221	50,461	102,895
EUR	18,555	24,800	17,882	23,638
XDR	449	416	449	416
Other currency	1,914	1,941	1,869	1,923
	78,367	**136,378**	**70,661**	**128,872**

24 Borrowings

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Current				
Bank borrowings	34	208	-	-
Finance lease liabilities	940	981	940	904
	974	**1,189**	**940**	**904**
Non-current				
Bank borrowings	-	34	-	-
Finance lease liabilities	3,259	4,199	3,259	4,199
	3,259	**4,233**	**3,259**	**4,199**
Total borrowings	**4,233**	**5,422**	**4,199**	**5,103**

Fair value of borrowings approximate to their carrying values.

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

24 Borrowings (continued)

In 2005 the Company concluded an agreement with a third party for sales and leaseback of certain technical and administrative premises. Leaseback of three administrative premises in substance qualified as a finance lease, whereas leaseback of other premises is accounted for as operating lease. All technical premises rented for 10 year period, at end of which all mentioned contracts could be renewed for an additional 10 years at agreed rent fee. If agreements are cancelled before the end of rent as stated in agreements, the forfeit should be paid.

Group's minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Minimum lease payments at 31 December 2010	1,166	4,346	210	5,722
Less future finance charges	(185)	(357)	-	(542)
Present value of minimum lease payments at 31 December 2010	981	3,989	210	5,180
Minimum lease payments at 31 December 2011	1,086	3,471	-	4,557
Less future finance charges	(146)	(212)	-	(358)
Present value of minimum lease payments at 31 December 2011	940	3,259	-	4,199

Company's minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Minimum lease payments at 31 December 2010	1,086	4,346	210	5,642
Less future finance charges	(182)	(357)	-	(539)
Present value of minimum lease payments at 31 December 2010	904	3,989	210	5,103
Minimum lease payments at 31 December 2011	1,086	3,471	-	4,557
Less future finance charges	(146)	(212)	-	(358)
Present value of minimum lease payments at 31 December 2011	940	3,259	-	4,199

Net carrying amount of assets owned by the Group and the Company under the finance leases is as follows:

	As at 31 December			
	GROUP		COMPANY	
	2011	2010	2011	2010
Premises	3,771	4,669	3,771	4,669
Passenger car	-	443	-	-
IT equipment	-	291	-	-
	3,771	**5,403**	**3,771**	**4,669**

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

25 Deferred income taxes

The gross movement on the deferred income tax liabilities and deferred tax assets accounts is as follows:

	GROUP		COMPANY	
Deferred tax liabilities	**2011**	**2010**	**2011**	**2010**
At the beginning of year	10,290	6,551	6,932	3,190
Charged/ (credited) to statement of comprehensive income (Note 10)	3,703	3,739	3,754	3,742
At the end of year	**13,993**	**10,290**	**10,686**	**6,932**

	GROUP		COMPANY	
Deferred tax assets	**2011**	**2010**	**2011**	**2010**
At the beginning of year	(711)	-	-	-
Acquisition of subsidiary (Note 29)		(630)		
Charged/ (credited) to statement of comprehensive income (Note 10)	128	(81)	-	-
At the end of year	**(583)**	**(711)**	**-**	**-**

The analysis of deferred tax assets and deferred tax liabilities is as the follows:

	GROUP		COMPANY	
Deferred tax liabilities	**2011**	**2010**	**2011**	**2010**
Deferred income tax liability to be recovered after more than 12 months	16,557	11,892	13,318	8,575
Deferred income tax liability to be recovered / liability settled (-) within 12 months	(2,564)	(1,602)	(2,632)	(1,643)
	13,993	**10,290**	**10,686**	**6,932**

	GROUP		COMPANY	
Deferred tax assets	**2011**	**2010**	**2011**	**2010**
Deferred income tax asset to be recovered after more than 12 months	(293)	(383)	-	-
Deferred income tax asset to be recovered / liability settled (-) within 12 months	(290)	(328)	-	-
	(583)	**(711)**	**-**	**-**

According to Lithuanian tax legislation, investments of the Company in subsidiaries qualify for participation exemption, therefore deferred income tax liabilities have not been established on the unremitted earnings of subsidiaries.

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

25 Deferred income taxes (continued)

The movement in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the period is as follows:

GROUP– deferred tax liabilities	Investment relief[1]	Other	Total
At 31 December 2010	**29,085**	**2,328**	**31,413**
Charged/ (credited) to statement of comprehensive income	(4,784)	(671)	(5,454)
At 31 December 2011	**24,301**	**1,657**	**25,958**

GROUP – deferred tax assets	Difference in useful lives [2]	Tax losses	Other	Total
At 31 December 2010	**(19,225)**	(592)	**(2,017)**	**(21,834)**
Charged/ (credited) to statement of comprehensive income	8,601	136	549	9,286
At 31 December 2011	**(10,624)**	**(456)**	**(1,468)**	**(12,548)**

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of insignificant amount of losses (2010: LTL 50 thousand) that can be carried forward without expiry against future taxable income.

The movement in deferred tax assets and liabilities of the Company (prior to offsetting of balances) during the period is as follows:

COMPANY – deferred tax liabilities	Investment relief[1]	Other	Total
At 31 December 2010	**26,005**	**1,966**	**27,971**
Charged/ (credited) to statement of comprehensive income	(4,662)	(708)	(5,370)
At 31 December 2011	**21,343**	**1,258**	**22,601**

COMPANY – deferred tax assets	Difference in useful lives[2]	Tax losses	Other	Total
At 31 December 2010	**(19,225)**	**-**	**(1,814)**	**(21,039)**
Charged/ (credited) to statement of comprehensive income	8,600	-	524	9,124
At 31 December 2011	**(10,625)**	**-**	**(1,290)**	**(11,915)**

[1] under investments relief applied till year 2001, value of assets invested was deducted for income tax purpose in the year of investment. Further depreciation expenses of these assets are not tax-deductable therefore deferred tax liability was created. It will be fully utilized during useful lives of these assets.

[2] depreciation is accelerated for accounting purposes, as useful lives set by tax laws are longer than normal wear-and-tear rates.

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

25 Deferred income taxes (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	As at 31 December			
	GROUP		COMPANY	
	2011	2010	2011	2010
Deferred tax assets	(12,548)	(21,834)	(11,915)	(21,039)
Deferred tax liabilities	25,958	31,413	22,601	27,971
	13,410	**9,579**	**10,686**	**6,932**

26 Grants

There were no grants received and amortized in 2011 (2010: amortization of deferred income to match related depreciation amounted to LTL 560 thousand).

27 Contingent liabilities and contingent assets

Guarantees

As at 31 December 2011 the aggregate of bank guarantees (tender, agreement performance) provided by AB SEB bankas on behalf of the Company and the Group amounts to LTL 4.48 million (2010: LTL 3.89 million).

Minimum lease payments receivable

The future minimum lease payments to be received under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2011	2010	2011	2010
Not later than 1 year	17,332	23,741	17,332	23,741
Later than 1 year but not later than 5 years	11,938	12,892	11,938	12,892
Later than 5 years	-	-	-	-
	29,270	**36,633**	**29,270**	**36,633**

Minimum lease payments recognised in the statement of comprehensive income during 2011 were LTL 25,928 thousand (2010: LTL 23,747 thousand).

The Company lease terminal telecommunication equipment under various agreements which terminate in 2014.

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

28 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognized in the financial statements is as follows:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Property, plant and equipment	10,590	3,285	10,590	3,285
	10,590	**3,285**	**10,590**	**3,285**

Operating lease commitments – where the Group is the lessee

The Group and the Company leases passenger cars, IT equipment and premises under operating lease agreements.

As discussed in Note 24, the Company leases technical premises under operating lease agreements for 10 years. In addition, the Company in 2008 prolonged rent of administrative premises in one location for 8 years. In November 2010 the rent of administrative premises at Savanorių ave. 28 and Palangos st. 4/Vilniaus st. 33 was terminated.

In addition, the Group rents other premises. In 2010 a new contract for the rent of the head office premises in Lvovo st. 25, Vilnius, was signed. In 2011 a new mid-term lease agreement was signed for the rent of premises Savanorių ave. 18 for second customer care centre in Vilnius.

The operating lease expenditure charged to the statement of comprehensive income are as follows:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Minimum lease payments	16,314	19,081	8,863	11,409

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2011	**2010**	**2010**	**2010**
Not later than 1 year	7,824	7,937	7,163	7,668
Later than 1 year but not later than 5 years	16,046	20,459	14,959	20,060
Later than 5 years	2,270	3,327	2,251	3,327
	26,140	**31,723**	**24,373**	**31,055**

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

29 Business combination

There were no business combinations during 2011.

On 6 September 2010, the Group acquired a 100% stake in UAB Hostex, a webhosting and data center service provider. The acquired business contributed revenues of LTL 2,372 thousand and net profit LTL 208 thousand to the Group for the period from 6 September 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, Group revenue additional would have been up by LTL 3,763 thousand, and net profit would have been increased additionally by LTL 133 thousand. There no contingent consideration regarding UAB Hostex acquisition.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	8,450
Fair value of net assets acquired	4,016
Goodwill	4,434

The goodwill is attributable to the economies of scale expected from combining the operations of the Group and UAB Hostex.

The assets, including Intangible assets (contractual customer base) identified through the business combination, and liabilities arising from the acquisition as at the date of acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	436	436
Property, plant and equipment	1,717	1,717
Intangible assets	2,410	127
Deferred tax assets	630	630
Inventories	4	4
Receivables	342	342
Payables	(1,022)	(1,022)
Borrowings	(501)	(501)
Net assets acquired	**4,016**	**1,733**

Purchase consideration settled in cash	8,450
Cash and cash equivalents in subsidiaries acquired	(436)
Cash outflow on acquisition	**8,014**

In July 2010 the conditions of contingent consideration regarding UAB Interdata acquisition in 2009 was fulfilled, and additional purchase consideration amounting to LTL 1,203 thousand was paid. Due to additional purchase consideration paid acquisition value of UAB Interdata was revised and accordingly the amount of goodwill was increased.

30 Disposals

There were no disposals during 2011.

In July 2010 VšĮ Sporto Klubas was disposed. During 2010 the disposed business contributed revenue of LTL 1,228 thousand and costs of LTL 1,232 thousand.

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

31 Related party transactions

The Group is controlled by TeliaSonera AB (Sweden) which owns 68.29% of the Company's shares and votes. Majority shareholders of TeliaSonera AB are Governments of Sweden and Finland. The following transactions were carried out with related parties:

Sales of telecommunication and other services to:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
TeliaSonera AB and its subsidiaries	44,275	41,109	35,259	34,023
Subsidiaries of the Company	-	-	10,509	10,710
Total sales of telecommunication and other services	**44,275**	**41,109**	**45,768**	**44,733**

Purchases of assets and services:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Purchases of assets from:				
TeliaSonera AB and its subsidiaries	268	7,319	268	7,319
Subsidiaries of the Company	-	-	423	501
	268	**7,319**	**691**	**7,820**

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Purchases of services from:				
TeliaSonera AB and its subsidiaries	23,824	29,366	11,048	20,615
Subsidiaries of the Company	-	-	38,818	44,843
	23,824	29,366	49,866	65,458
Total purchases of assets and services	**24,092**	**36,685**	**50,557**	**73,278**

Year-end balances arising from sales/purchase of assets/services:

Receivables and accrued revenue from related parties

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Receivables from related parties:				
TeliaSonera AB and its subsidiaries	4,359	2,804	2,464	1,025
Subsidiaries of the Company	-	-	1,288	1,736
	4,359	**2,804**	**3,752**	**2,761**

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Prepayments to related parties:				
TeliaSonera AB and its subsidiaries	4,715	-	4,715	-
	4,715	**-**	**4,715**	**-**

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

31 Related party transactions (continued)

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Accrued revenue from related parties:				
TeliaSonera AB and its subsidiaries	3,127	2,378	2,339	1,429
	3,127	2,378	2,339	1,429
Total receivables and accrued revenue from related parties	**12,201**	**5,182**	**10,806**	**4,190**

Payables and accrued expenses to related parties

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Payables to related parties:				
TeliaSonera AB and its subsidiaries	1,013	5,408	777	4,924
Subsidiaries of the Company	-	-	5,902	7,523
	1,013	**5,408**	**6,679**	**12,447**

There are no *accrued expenses* to related parties.

Total payables and accrued expenses to related parties:	**1,013**	**5,408**	**6,679**	**12,447**

For the period ended 31 December 2011 amount of LTL 306 thousand of interest income was accounted in the Statement of Comprehensive Income as Finance income and amount of LTL 34 thousand was accounted in the Balance Sheet as Trade and other receivables. Base for the calculating interest income was the cash equivalents deposited with TeliaSonera AB during 2011 and the prepayment to related party.

Loans to related parties:

	GROUP		COMPANY	
	2011	**2010**	**2011**	**2010**
Beginning of the year	-	-	11,526	13,093
Loans advanced during year	-	-	4,470	7,000
Loan repayments received (in cash and non-cash)	-	-	(9,500)	(8,500)
Interest charged (including VAT)	-	-	365	457
Interest received (including VAT)	-	-	(362)	(524)
End of the year	-	-	6,499	11,526

The loans advanced to related parties have the following terms and conditions:

Name of the related party	**Date of agreement**	**Original currency of agreement**	**Balance outstanding as at 31 December 2011**	**Maturity**	**Interest rate**
UAB Baltic Data Center	20 July 2007	LTL	2,000	due on 21 Jun 2012	4.29%
UAB Hostex	19 April 2011	LTL	4,470	due on 19 April 2016	4.43%

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

31 Related party transactions (continued)

All transactions with related parties are carried out based on an arm's length principle.

During 2011 dividends paid out to the then subsidiary of TeliaSonera AB, Amber Teleholding A/S, amounted to LTL 88,011 thousand (2010: LTL 102,679 thousand), and dividends paid out directly to TeliaSonera AB amounted to LTL 7,181 thousand (2010: LTL 7,121 thousand).

Remuneration of the Group's and the Company's key management

	2011	2010
Remuneration of key management personnel	9,308	11,083
Social security contributions on remuneration	2,883	3,434
Total remuneration	12,191	14,517

Key management includes General Manager, Chief Officers, and Directors of main units, departments and regional centers. The total number of top management personnel employed as of 31 December 2011 was 31 (as of 31 December 2010: 27).

The total amount of annual compensations (tantiems) assigned to the seven members of the Board of the Company during 2011 amounted to LTL 378 thousand (2010: LTL 378 thousand). As of 31 December 2011 the amount of LTL 162 thousand of tantiemes was paid to three members of the Board (2010: LTL 378 thousand).

32 Events after balance sheet day

The Company entered into negotiations regarding the transfer of its Internet portal www.zebra.lt and the rights associated hereto to the third party.

On 1 March 2012, the Vilnius City 1st District Court adopted a non-pecuniary decision regarding the Company's charges applied to the residential customers for their debt administration and renewal of services provision being illegitimate and obligated the Company to stop the collection of such charges from service users – residential customers. This decision will be appealed against to the Court of Appeal. In the event the Court adopts an unfavourable decision, this may adversely affect the Company's future revenues.

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 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, TEO LT, AB Financial Statements as of and for the year ended 31 December 2011 as set out on above are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group of undertakings.

Arūnas Šikšta
General Manager

Giedrius Vegys
Chief Financial Officer