



**TEO LT, AB**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009**  
**(UNAUDITED)**

Beginning of the financial year	1 January 2009
End of reporting period	31 March 2009
Name of the company	<b>TEO LT, AB</b> (hereinafter – TEO or “the Company”)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Code of enterprise	121215434
Name of Register of Legal Entities	State Enterprise Centre of Registers
Registered office	Savanoriu ave. 28, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 15 11
Fax number	+370 5 212 66 65
Internet address	<a href="http://www.teo.lt">www.teo.lt</a>
Main activities	Integrated telecommunication, IT and TV services to residential and business customers in Lithuania

## TABLE OF CONTENT

MANAGEMENT REPORT .....	4
CONSOLIDATED INCOME STATEMENT .....	11
CONSOLIDATED BALANCE SHEET .....	12
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	13
CONSOLIDATED CASH FLOW STATEMENT .....	14
NOTES TO THE FINANCIAL STATEMENTS .....	15
Accounting policies .....	15
Segment information .....	15
Property, plant and equipment and intangible assets .....	15
Investments in subsidiaries and associates .....	16
Assets held for sale and discontinued operation .....	16
Share capital and treasury shares .....	17
Provisions .....	17
Income tax .....	17
Earnings per share .....	17
Dividends per share .....	18
Related party transactions .....	18
MANAGEMENT CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS .....	19

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

## MANAGEMENT REPORT

Management's comment on financial results for the first three months of 2009:

"Despite general economic downturn TEO LT, AB results for the first quarter 2009 are excellent. The Company maintained its revenues (excluding non-recurring items) compared to the similar period in 2008. TEO continued to actively deploy Fiber-to-the-Home technology and improved overall quality of service. We believe that these investments in the new-generation network will secure the Company's strong position in the future".

### Key figures of TEO Group

Financial figures	January - March		Change (%)
	2009	2008	
Revenue (LTL thousand)	205,217	207,588	(1.1)
EBITDA (LTL thousand)	94,006	95,209	(1.3)
EBITDA margin (%)	45.8	45.9	
Operating profit (LTL thousand)	56,567	51,803	9.2
Operating profit margin (%)	27.6	25.0	
Profit before income tax (LTL thousand)	57,529	53,316	7.9
Profit for the period (LTL thousand)	43,463	45,233	(3.9)
Profit for the period margin (%)	21.2	21.8	
Earnings per share (LTL)	0.06	0.06	
Number of shares excluding treasury stocks (thousand)	776,818	776,818	
<b>Financial ratios</b>	<b>31 March 2009</b>	<b>31 March 2008</b>	
Return on capital employed (%)	18.8	18.8	
Return on average assets (%)	16.6	16.2	
Return on shareholders' equity (%)	15.6	15.9	
Gearing ratio (%)	(30.0)	(34.6)	
Debt to equity ratio (%)	0.6	0.7	
Current ratio (%)	671.4	731.5	
Rate of turnover of assets (%)	73.0	68.6	
Equity to assets ratio (%)	92.7	92.5	
<b>Operating figures</b>	<b>31 March 2009</b>	<b>31 March 2008</b>	<b>Change (%)</b>
Number of fixed telephone lines in service	756,338	778,634	(2.9)
Digitalisation rate (%)	94.0	93.9	0.1
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi and other)	304,654	270,396	12.7
Number of IP TV customers	45,215	23,067	96.0
Number of DVB-T customers	34,173	1,612	2019.9
Number of wireless Internet (WiFi) hot-spots	4,175	3,425	21.9
Number of personnel (head-counts) at the end of period	3,222	3,212	0.3
Number of full time employees at the end of the period	2,870	2,923	(1.8)

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

### Breakdown of TEO Group revenue

	January - March		Change (%)
	2009	2008	
Voice telephony services	118,307	131,115	(9.8)
Internet and data communication services	70,508	60,670	16.2
TV services	6,241	3,074	103.0
IT services	4,897	6,430	(23.8)
Other services	5,264	6,299	(16.4)
<b>Total</b>	<b>205,217</b>	<b>207,588</b>	<b>(1.1)</b>

### Revenue

The total consolidated TEO Group's revenue in January-March of 2009 was LTL 205 million, a decline by 1.1 per cent over the total revenue of LTL 208 million in the first three months of 2008. Revenue for the first quarter of 2008 is increased by LTL 785 thousand of fines for termination of agreements which at the end of 2008 were moved from financial income to revenue from other services. Also, revenue from other services in January-March 2008 includes revenue of LTL 1.3 million from one time special telecommunication project.

Continuous growth in revenue from internet and data communication and TV services fully offset decline in revenue from voice telephony services.

During three months of 2009 share of revenue from voice telephony services from total amount of revenue continued to shrink and amounted to 57.6 per cent of total revenue, while share of revenue from Internet and data communications and television services continued to grow and amounted to 34.4 and 3 per cent, respectively. Revenue from IT services amounted to 2.4 per cent and other services – 2.6 per cent of total revenue for January – March of 2009.

Revenue from voice telephony services decreased due to lower traffic volume, decreased number of telephone lines in service and in August 2008 reduced national interconnection tariffs.

During January–March 2009, the total number of main telephone lines in service decreased by 11.5 thousand lines: 9.3 thousand of new telephone lines were installed while 20.8 thousand were disconnected. Lower number of voice telephony service users resulted in decline of revenue from subscription fees in January-March 2009 by 1.3 per cent compared with the same period a year ago.

Traffic volume generated by residential customers increased by 4 per cent, but traffic volume of business customers was lower by 15 per cent during the first month of 2009. As a result over the year revenue from traffic charges went down by 14.3 per cent.

Revenue from networks' interconnection services decreased by 15.7 per cent due to lower traffic volume and reduced national interconnection tariffs.

According to the Report of the Communications Regulatory Authority (CRA) for the fourth quarter of 2008, TEO market share of the fixed-line telephony market in terms of customers amounted to 93.4 per cent and in terms of revenue – to 95.2 per cent. In terms of revenue TEO had 15.6 per cent of the networks' interconnection market.

Over the last twelve months the number of broadband Internet access users increased by 34 thousand. The fastest growth was in number of Internet connections over the fibre optic network: number of connections

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

using FTTH (Fiber to the home) access network increased by almost 6 times to 22.3 thousand and number of FTTB (Fiber to the building) connections increased by 1.5 time to 10.1 thousand. The Company has entered into the phase of substitution of the Internet over the copper lines (DSL technology) with the much faster and more reliable Internet over the optic line (FTTH and FTTB technologies).

At the end of March 2009 out of total 304.7 thousand broadband connections, 245.8 thousand are copper DSL connections sold to retail customers, 24.1 thousand are wireless connections via the WiFi network, 32.7 thousand are fiber optic connections and 2.1 thousand DSL connections are sold to wholesales customers.

In March 2009, for Internet beginners TEO offered a new ZEBRA Internet payment plan *Startas (Start)* for monthly fee of 26 Litas and service *ZEBRA Pagalba (ZEBRA Helpdesk)*.

Compared with the first three months of 2008, revenue from Internet services for the first three months of 2009 went up by 16.5 per cent and revenue from data communication services increased by 15.7 per cent.

According to the CRA Report, the Company's market share of the total Internet providers market in terms of revenue during the fourth quarter of 2008 amounted to 40.1 per cent while share on broadband Internet access market was 49.7 per cent. On 31 December 2008 Internet broadband penetration per 100 residents of Lithuania was 17.6 per cent. In terms of revenue TEO had 64.1 per cent of leased lines and 64.8 per cent of data communications markets.

During January-March 2009 number of television service users continued to grow. The total number of customers increased by 12.7 thousand: number of digital terrestrial television (DVB-T) service *Digital GALA* users increased by 7.8 thousand or 29.8 per cent and number of IPTV service *Interactive GALA* increased by 4.9 thousand or 12.1 per cent.

In February 2009, TEO offered IPTV service *Interactive GALA for business* tailored for the hotels, cafés, companies' having customer care areas and others.

According to the Company's estimations, TEO market share of the total paid TV services market in terms of customers at the end of 2008 amounted to 12 per cent.

During the first three months of 2008 the Company implemented a few special telecommunications projects by order of governmental institutions and increased its revenue from other services by LTL 1.3 million.

TEO Group revenue from other services consists also of the following non-telecommunication services: lease of premises, fines for termination of agreements, Contact Center services of UAB Lintel, consultancy and training services of UAB Kompetencijos Ugdymo Centras.

Other income, that consist of interest income from bonds acquired, for January-March 2009 increased by 69 per cent over the other income a year ago. Other gain (loss) from sale of property, investments and etc. during the year decreased by 3.3 times.

### **Operating expenses**

The Company implemented a strict costs saving program and as a result total operating expenses of the Group for the first three months of 2009 were by 0.5 per cent lower than total operating expenses a year ago.

Employee related expenses increased by 14.2 per cent as salaries for the employees were increased in the second quarter of 2008.

During January-March 2009 the total number of employees (headcount) in TEO Group went down by 110 from 3,332 to 3,222: in the parent company, TEO, the number of employees decreased by 80, in Lintel and Kompetencijos Ugdymo Centras by 25 and 5, respectively.

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

Interconnection expenses decreased by 18.3 per cent due to decreased from 1 January 2009 prices for calls termination in Lithuanian mobile networks and lower internetwork traffic volumes.

Other expenses also decreased 1.8 per cent due to strong costs control while expenses for energy resources, rent of premises, network capacity, TV content and broadcasting of DVB-T service were higher than year ago. Also increased provisions for the bad debts due to increase in overdue payments from small and medium size businesses. The Company uses bad debts prevention tools and keeps this process under strong control. However, macroeconomic environment has an impact on customer's ability to pay on time.

## **Earnings**

EBITDA for the first three months of 2009 declined by 1.3 per cent to LTL 94 million over LTL 95 million in the first three months of 2008. EBITDA margin stood on the same high level of 45.8 per cent (45.9 per cent in 2008).

Depreciation and amortisation charges decreased by 13.7 per cent and in January-March of 2009 amounted to 18.2 per cent of total revenue (20.9 a year ago). As a result operating profit was by 9.2 per cent higher than a year ago and operating profit margin increased from 25 per cent a year ago to 27.6 per cent.

Net financial income in January-March of 2009 was by 36.4 per cent lower than year ago due to lower market rates for short term deposits in 2009.

Profit before income tax in the first three months of 2009 was up by 7.9 per cent and amounted to LTL 58 million (LTL 53 million a year ago).

From 1 January 2009 income (profit) tax rate increased from 15 to 20 per cent. This and other factors had an impact on income tax expenses that increased by 74 per cent.

Therefore, profit for the period amounted to LTL 43 million, a decrease by 3.9 per cent over LTL 45 million a year ago. Over the year, the profit margin slightly declined from 21.8 per cent to 21.2 per cent.

## **Balance sheet and cash flow**

During January–March 2009 the total assets of TEO Group decreased by 1.5 per cent. Due to depreciation and amortisation total non-current assets decreased by 2.6 per cent and amounted to 60 per cent of the total assets. Total current assets remained unchanged and amounted to 40 per cent of the total assets, whereof cash, held-to-maturity investments and loans to banks alone represented 28.4 per cent of the total assets.

Shareholders' equity increased by 4.2 per cent and amounted to 92.7 per cent of the total assets. The Board of the Company proposed to the Annual General Meeting of Shareholders that will be held on 28 April 2009 to pay dividend of LTL 0.23 per share (in total LTL 179 million) for the year 2008.

At the end of March 2009 the total amount of borrowings included only financial liabilities related to financial leasing of premises and amounted to LTL 6.6 million. Net debt was negative and amounted to LTL 324 million. The net debt to equity ratio was negative and amounted to 30 per cent.

Net cash flow from operating activities in the first three months of 2009 was by 18.5 per cent lower than net cash from operating activities a year ago.

The major portion (LTL 40.5 million) of cash spent during January-March of 2009 for capital investments was payments for investments made in 2008. During the first three months of 2008 an amount of LTL 16.4 million was allocated for capital investments. Majority of cash was invested into development of broadband access

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network (LTL 13 million). Remaining cash was invested into core network expansion and technological buildings renovation. Cash and cash equivalents during the period of the first three months of 2009 decreased by LTL 10 million.

### Share capital and shareholders

The share capital of the Company remains unchanged since 1997 and amounts to 814,912,760 Lit. It consists of 814,912,760 ordinary registered shares with a nominal value of one Lit. each.

38,095,242 shares are treasury stocks that have no rights to exercise any property and non-property rights provided by the Law of the Republic of Lithuania on Companies. Therefore, the number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders is 776,817,518.

TEO runs a Global Depository Receipt (GDR) programme. According to the programme, one GDR represents 10 ordinary registered shares of the Company. Shares are held by the depository bank, Deutsche Bank Trust Company Americas, 60 Street, New York, NY 10005, U.S.A.

As on 31 March 2009, 31,335,430 ordinary shares of the Company (3.85% of the total share capital) were represented by 3,164,167 GDRs.

Shares of TEO are listed on the Main List of NASDAQ OMX Vilnius stock exchange (code: TEO1L) and GDRs are traded on the London Stock Exchange (LSE) (code: TEOL).

The number of shareholders on the day of the last General Meeting of Shareholders, which was held on 9 February 2009, was 15,802.

Shareholders of TEO LT, AB as on 31 March 2009:

Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)	Number of ordinary registered shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)	Share of votes held together with persons acting in concert (%)
Amber Teleholding A/S (a), c/o „TeliaSonera Danmark A/S“, Holmbladsgade 139, DK-2300 Copenhagen S, Denmark, code 20758694	488,947,656	60.00	62.94	-
TEO LT, AB, Savanorių pr. 28, LT-03501 Vilnius, Lithuania, code 121215434 (Treasury stocks)	38,095,242 (b)	4.67	-	-
Republic of Lithuania, represented by State Enterprise State Property Fund, Vilniaus g. 16, LT-01507, Vilnius, Lithuania, code 110073154	9,888,363	1.21	1.27	-
Republic of Lithuania, represented by State Tax Inspectorate, Vasario 16-osios g. 15, LT-01514 Vilnius, Lithuania, code 188659752	362,630	0.04	0.05	-

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Other shareholders	277,618,869	34.08	35.74	-
<b>TOTAL:</b>	<b>814,912,760</b>	<b>100.00</b>	<b>100.00</b>	<b>-</b>

NOTES: (a) Amber Teleholding A/S is a fully owned subsidiary of Swedish TeliaSonera AB; (b) 12,698,412 ordinary registered shares and 2,539,683 Global Depository Receipts.

Information about trading TEO share on NASDAQ OMX Vilnius stock exchange in January-March 2009:

Opening price (LTL)	Lowest price (LTL)	Highest price (LTL)	Last price (LTL)	Average price (LTL)	Turnover (units)	Turnover (LTL)
1.16	1.07	1.38	1.22	1.23	35,108,596	42,695,150

TEO market capitalisation as of 31 March 2009 was LTL 994.2 million.

### Other material information

Instead of Justas Pipinis, a member of the Board, who resigned from the Board as of 4 December 2008, a new member – Martynas Česnavičius –, was elected for the current term of the Board during an Extraordinary General Meeting of Shareholders on 9 February 2009. He also became member of the Audit Committee.

On 20 March 2009 the Board proposed to the Annual General Meeting of Shareholders to be held on 28 April 2009 from the Company's distributable profit to allocate LTL 179 million for the dividend payment for the year 2008 or LTL 0.23 dividend per share. For annual payments (tantiemes) to the members of the Board for the year 2008 to allocate LTL 378 thousand, i.e. LTL 54 thousand per one member of the Board.

On 20 March 2009 the Board, upon termination of employment contract of Jan-Erik Elsėrius, Chief Financial Officer and Deputy General Manager of TEO LT, AB, decided to appoint Giedrius Vegys to the position of Chief Financial Officer of the Company as of 1 April 2009.

### Members of the managing bodies

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

Members of the Board as of 31 March 2009:

Name, surname	Position in the Board	Employment	Ownership of TEO shares
Jörgen Latte	Chairman of the Board, Chairman of the Remuneration Committee	TeliaSonera AB Business Area Broadband Services (Sweden), Senior Vice President	-
Anders Gylder	Member of the Board, member of the Remuneration Committee	TeliaSonera AB Business Area Broadband Services (Sweden), Executive Vice President	-
Ove Alm	Member of the Board	TeliaSonera AB Business Area Broadband Services (Sweden), Head of Product and Production	-
Joakim Sundström	Member of the Board, member of the Audit Committee	TeliaSonera AB Business Area Broadband Services (Sweden), Vice President of Business Control	-

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Björn Lindegren	Member of the Board, member of the Remuneration Committee	TeliaSonera AB Skanova Access (Sweden), Senior Legal Advisor	-
Matti Hyyrynen	Member of the Board, Chairman of the Audit Committee	European Bank for Reconstruction and Development, Head of the Vilnius Representative Office and responsible for the bank's business in the three Baltic countries	-
Martynas Česnavičius	Member of the Board, member of the Audit Committee	Investment funds Amber Trust I and Amber Trust II (Luxemburg), Advisors	UAB Profinance, a 50 per cent owned company, holds 45,000 shares of TEO LT, AB

Following provisions of The Governance Code for the Companies Listed on the NASDAQ OMX Vilnius stock exchange all members of the Board are regarded as non-executive members of the Board, and Matti Hyyrynen and Martynas Česnavičius are regarded as independent members of the Board. Information about other Board assignments of the members of the Company's Board is provided at [www.teo.lt](http://www.teo.lt).

Members of Administration:

<b>Name, surname</b>	<b>Position in the Company</b>	<b>Current Board Assignments</b>	<b>Ownership of TEO shares</b>
Arūnas Šikšta	General Manager (CEO)	AAS Gjensidige Baltic, a subsidiary of Norwegian non-life insurance company Gjensidige Forsikring BA, Deputy Chairman of the Board; International Business School at Vilnius University, member of the Council; Big Brothers Big Sisters International, Philadelphia, U.S.A., member of the Board	-
Darius Gudačiauskas	Chief Sales Officer and Deputy General Manager	UAB Lintel, a subsidiary of TEO LT, AB, Chairman of the Board	13,719 shares
Nerijus Ivanauskas	Chief Marketing Officer and Deputy General Manager	-	-
Darius Didžgalvis	Chief Technology Officer and Deputy General Manager	UAB Baltic Data Center, a subsidiary of TEO LT, AB, Chairman of the Board	4,669 shares
Jan-Erik Elsėrius	Chief Financial Officer and Deputy General Manager till 31 March 2009	UAB Lintel, a subsidiary of TEO LT, AB, member of the Board	90,000 shares
Giedrius Vegys	Chief Financial Officer from 1 April 2009	UAB Baltic Data Center, a subsidiary of TEO LT, AB, member of the Board	-

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## CONSOLIDATED INCOME STATEMENT

	Note	January - March	
		2009	2008
<b>Revenue</b>		<b>205,217</b>	<b>207,588</b>
Other income		3,516	2,108
Employee related expenses		(46,712)	(40,910)
Interconnection expenses		(24,995)	(30,576)
Other operating expenses		(43,446)	(44,227)
Depreciation, amortisation and impairment of fixed assets	3	(37,439)	(43,406)
Other gain/ (loss) - net		426	1,226
<b>Operating profit</b>		<b>56,567</b>	<b>51,803</b>
Finance income		1,056	1,922
Finance costs		(94)	(409)
Finance income/ costs - net		962	1,513
<b>Profit before income tax</b>		<b>57,529</b>	<b>53,316</b>
Income tax	8	(14,066)	(8,083)
<b>Profit for the year</b>		<b>43,463</b>	<b>45,233</b>
Earnings per share for profit attributable to the equity holders of the Company (expressed in Litas per share)	9	0.06	0.06

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

## CONSOLIDATED BALANCE SHEET

	Note	31 March 2009	31 December 2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	650,637	669,413
Intangible assets	3	39,240	41,792
Trade and other receivables		8,576	5,563
		<b>698,453</b>	<b>716,768</b>
<b>Current assets</b>			
Inventories		7,271	8,888
Trade and other receivables		113,163	118,682
Current income tax receivable		1,440	3,159
Held-to-maturity investments		110,887	111,866
Loans to banks		80,478	60,429
Cash and cash equivalents		139,484	149,898
Assets held for sale	5	13,138	12,933
		<b>465,861</b>	<b>465,855</b>
<b>Total assets</b>		<b>1,164,314</b>	<b>1,182,623</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	6	814,913	814,913
Treasury shares		(120,000)	(120,000)
Legal reserve		81,499	81,499
Retained earnings		303,281	259,818
<b>Total equity</b>		<b>1,079,693</b>	<b>1,036,230</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		5,758	5,972
Deferred tax liabilities		6,873	5,757
Grants		1,160	1,361
Deferred revenue		1,440	1,605
		<b>15,231</b>	<b>14,695</b>
<b>Current liabilities</b>			
Trade, other payables and accrued liabilities		67,828	129,268
Borrowings		845	836
Provisions	7	717	1,594
		<b>69,390</b>	<b>131,698</b>
<b>Total liabilities</b>		<b>84,621</b>	<b>146,393</b>
<b>Total equity and liabilities</b>		<b>1,164,314</b>	<b>1,182,623</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Treasury shares	Legal reserve	Retained earnings	Total equity
<b>Balance at 1 January 2008</b>	<b>814,913</b>	<b>(120,000)</b>	<b>81,499</b>	<b>294,167</b>	<b>1,070,579</b>
Net profit	-	-	-	45,233	45,233
<b>Total recognised income and expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,233</b>	<b>45,233</b>
Dividends paid for 2007	-	-	-	-	-
<b>Balance at 31 March 2008</b>	<b>814,913</b>	<b>(120,000)</b>	<b>81,499</b>	<b>339,400</b>	<b>1,115,812</b>
<b>Balance at 1 January 2009</b>	<b>814,913</b>	<b>(120,000)</b>	<b>81,499</b>	<b>259,818</b>	<b>1,036,230</b>
Net profit	-	-	-	43,463	43,463
<b>Total recognised income and expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,463</b>	<b>43,463</b>
Dividends paid for 2008	-	-	-	-	-
<b>Balance at 31 March 2009</b>	<b>814,913</b>	<b>(120,000)</b>	<b>81,499</b>	<b>303,281</b>	<b>1,079,693</b>

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

## CONSOLIDATED CASH FLOW STATEMENT

	January - March	
	2009	2008
<b>Operating activities</b>		
Profit for the period from continuing operations	43,463	45,233
Income tax	14,066	8,083
Depreciation, amortisation and impairment charge	37,439	43,406
Other gains and losses	(426)	(1,226)
Interest income	(4,572)	(4,017)
Interest expenses	72	73
Other non-cash transactions	(109)	52
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	1,617	1,273
Trade and other receivables	2,506	(1,162)
Trade, other payables and accrued liabilities	(21,884)	(10,781)
Cash generated from operations	<b>72,172</b>	<b>80,934</b>
Interest paid	(72)	(73)
Interest received	1,056	1,909
Tax paid	(11,231)	(6,825)
Net cash from operating activities	<b>61,925</b>	<b>75,945</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment (PPE) and intangible assets	(56,947)	(51,296)
Proceeds from disposal of PPE and intangible assets	386	719
Acquisition of held-to-maturity investments, amounts loaned to banks	(190,000)	(22,551)
Disposal of held-to-maturity investments, repayment of amounts loaned to banks	174,427	-
Disposal of trading investments	-	35,411
Acquisition of subsidiaries	-	(16,078)
Disposal of assets held for sale and shares	-	725
Net cash used in investing activities	<b>(72,134)</b>	<b>(53,070)</b>
<b>Financing activities</b>		
Repayment of borrowings	(205)	(199)
Net cash used in financing activities	<b>(205)</b>	<b>(199)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(10,414)</b>	<b>22,676</b>
<b>Movement in cash and cash equivalents</b>		
At the beginning of the year	149,898	229,350
Increase (decrease) in cash and cash equivalents	(10,414)	22,676
At the end of the year	<b>139,484</b>	<b>252,026</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

The consolidated interim financial statements for the three months period ending 31 March 2009 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2008.

The presentation currency is Litas. The financial statements are presented in thousand of Litas, unless indicated otherwise. The financial statements are prepared under the historical cost convention.

Financial statements for the period ended 31 March 2009 are not audited. Financial statements for the year ended 31 December 2008 are audited by the external auditors UAB PricewaterhouseCoopers.

### 2 Segment information

The Group uses its fixed line network to generate different types of revenue and is operating in one business segment (fixed line services) and one geographical area therefore no segment information is disclosed.

### 3 Property, plant and equipment and intangible assets

	<b>Property, plant and equipments</b>	<b>Intangible assets</b>
<b>Three months ended 31 March 2008</b>		
<b>Opening net book amount as at 31 December 2007</b>	<b>657,962</b>	<b>29,643</b>
Additions	17,228	717
Acquisition of subsidiaries	1,138	17,843
Disposals and retirements	153	-
Reclassification	(628)	-
Depreciation and amortisation charge	40,015	3,391
<b>Closing net book amount as at 31 March 2008</b>	<b>635,532</b>	<b>44,812</b>
<b>Three months ended 31 March 2009</b>		
<b>Opening net book amount as at 31 December 2008</b>	<b>669,413</b>	<b>41,792</b>
Additions	16,059	352
Acquisition of subsidiaries	-	-
Disposals and retirements	43	-
Reclassification	(257)	-
Depreciation and amortisation charge	34,535	2,904
<b>Closing net book amount as at 31 March 2009</b>	<b>650,637</b>	<b>39,240</b>

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

#### 4 Investments in subsidiaries and associates

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

Subsidiary	Country of incorporation	Ownership interest in %		Profile
		31 March 2009	31 December 2008	
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. The subsidiary also has 100% stake in a dormant sub-subsidiary Baltic Data Center SIA located in Latvia.
UAB Kompetencijos Ugdymo Centras	Lithuania	100%	100%	The subsidiary provides training and consultancy services.
VšĮ TEO Sportas	Lithuania	100%	100%	Non profit organisation supports a women's basketball team.
UAB Verslo Investicijos	Lithuania	100%	100%	On 23 December 2008 the Company from the third party acquired 100% stake in a newly established company. The company is acquired for the implementation of short-term investment project.

#### 5 Assets held for sale and discontinued operation

As at 31 March 2009 the Group accounted as assets held for sale the entire holding in UAB Verslo Investicijos. UAB Verslo Investicijos is a discontinued operation at 31 March 2009, as it was acquired with purpose to sell. During the January – March 2009 the discontinued operation contributed revenue of LTL 4 thousand and costs of LTL 19 thousand.

Major classes of assets of the discontinued operation classified as held for sale:

	<u>As at 31 March</u>
Investment property	13,134
Cash and cash equivalents	<u>3</u>
Total assets of the discontinued operation classified as held for sale	<u>13,137</u>

Assets held for sale also include group of passenger cars with net book value of LTL 1 thousand.

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

## 6 Share capital and treasury shares

Authorised share capital comprises 814,912,760 ordinary shares of LTL 1 par value each. All shares are fully paid up.

The Group treats the Company's shares held by the Company as treasury shares and directly deducts them from shareholders' equity in the Group's balance sheet at their purchase cost of LTL 120.0 million as at 31 March 2009.

## 7 Provisions

The Group and the Company established a provision as of 31 December 2008 for restructuring costs. The restructuring provision comprises of compensation to employees as a result of the restructuring plan approved by the Company and the Group's subsidiary.

Provisions for restructuring utilization during January – March 2009:

<b>Opening net book amount at 31 December 2008</b>	<b>1,594</b>
Additions	-
Used provisions	877
<b>Closing net book amount at 31 March 2009</b>	<b>717</b>

## 8 Income tax

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

Profit for 2009 is taxable at a rate of 20% in accordance with Lithuanian regulatory legislation on taxation (2008: 15%). New profit tax rate at 20% was adopted by Lithuanian Parliament at 22 December of 2008.

## 9 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

Weighted average number of shares in issue (thousands) for period ended 31 March 2009 is calculated as follows: 814,913 (ordinary shares) less 38,095 (treasury shares) results in 776,818. Weighted average number of shares for the year ended 31 December 2008 was the same – 776,818.

	<b>January - March</b>	
	<b>2009</b>	<b>2008</b>
<b>Net profit</b>	<b>43,463</b>	<b>45,233</b>
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
<b>Earnings per share (LTL)</b>	<b>0.06</b>	<b>0.06</b>

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

## 10 Dividends per share

A dividend that relates to the period to 31 December 2008 was proposed by the Board on 20 March 2009. Total proposed amount is 178 668 thousand Litass or 0.23 Litass per ordinary share.

## 11 Related party transactions

The Group is controlled by Amber Teleholding A/S which owns 60% of the Company's shares. The ultimate parent of the Group is TeliaSonera AB. The following transactions were carried out with related parties:

Sales and purchases from TeliaSonera AB and its subsidiaries:

	<b>January - March</b>	
	<b>2009</b>	<b>2008</b>
Sales of telecommunication and other services	11,488	15,048
<b>Total sales of telecommunication and other services</b>	<b>11,488</b>	<b>15,048</b>
Purchases of assets	10	239
Purchases of services	7,702	12,718
<b>Total purchases of assets and services</b>	<b>7,712</b>	<b>12,957</b>

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

	<b>As at 31 March</b>	
	<b>2009</b>	<b>2008</b>
Receivables from related parties	2,604	3,989
Accrued revenue from related parties	1,299	1,098
<b>Total receivables and accrued revenue from related parties</b>	<b>3,903</b>	<b>5,087</b>
Payables to related parties	1,328	2,211
Accrued expenses to related parties	139	1,054
<b>Total payables and accrued expenses to related parties</b>	<b>1,467</b>	<b>3,265</b>

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

