

TEO LT, AB

To: Lithuanian Securities Commission
Konstitucijos ave. 23
LT-08105 Vilnius, Lithuania

16-10-2007 No. 02-393

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 Jan-Erik Elsėrius, Chief Financial Officer and Deputy General Manager of TEO LT, AB, hereby confirm that, to the best of our knowledge, the attached not audited TEO LT, AB Interim Consolidated Financial Statements of for the nine months of 2007, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of TEO LT, AB and the Group of undertakings.

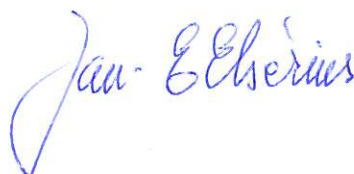
ENCLOSURE: TEO LT, AB Interim Consolidated Financial Statements of for the nine months of 2007 (15 pages)

General Manager

A handwritten signature in black ink, appearing to be 'AS', written in a stylized, cursive manner.

Arūnas Šikšta

Chief Financial Officer and
Deputy General Manager

A handwritten signature in blue ink, reading 'Jan-Elsėrius', written in a cursive style.

Jan-Erik Elsėrius

D. Džiaugys, tel. +370 5 236 7878, fax. +370 5 231 3860, e-mail: darius.dziaugys@teo.lt

TEO LT, AB

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS OF 2007

PREPARED IN ACCORDANCE WITH THE RULES ON PREPARATION AND
SUBMISSION OF PERIODIC AND ADDITIONAL INFORMATION OF THE LITHUANIAN
SECURITIES COMMISSION

TABLE OF CONTENT

CONSOLIDATED BALANCE SHEET OF TEO GROUP (LTL thousand).....	3
CONSOLIDATED INCOME STATEMENT OF TEO GROUP (LTL thousand)	5
CONSOLIDATED CHAS FLOW STATEMENT OF TEO GROUP (LTL thousand)	6
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF TEO GROUP (LTL thousand).....	8
EXPLANATORY LETTER	8

TEO LT, AB (hereinafter – TEO or “the Company”) Group the largest Lithuanian broadband Internet access and voice telephony services operator, providing integrated telecommunication, IT and TV services to residents and business. TEO Group is a part of the Nordic and Baltic telecommunications leader TeliaSonera Group.

The Communication Regulatory Authority (CRA) of Lithuania has designated TEO together with its related legal entities as an operator with significant market power (SMP) on 14 markets. As TEO and UAB Omnitel as members of TeliaSonera Group are regarded as related entities, TEO is considered as SMP on the market of voice call termination at public mobile network of UAB Omnitel.

The consolidated financial statements of TEO Group have been prepared according to International Financial Reporting Standards as adopted by the European Union.

TEO Group financial statements for the nine months of 2007 are not audited. TEO Group financial statements for the year ended 31 December 2006 are audited by the external auditors.

CONSOLIDATED BALANCE SHEET OF TEO GROUP (LTL thousand)

ASSETS	2007-09-30	2006-12-31
Non-current assets		
Property, plant and equipment	634,160	644,164
Intangible assets	27,279	33,538
Other non-current assets	2,488	4,951
	663,927	682,653
Current assets		
Inventories	12,244	8,154
Receivables, prepayments and accrued revenue	129,982	248,719
Current income tax receivable	3,664	723
Held-to-maturity investments	90,386	40,419
Trading investments	34,251	34,287
Cash and cash equivalents	220,471	232,581
Assets held for sale	575	1,515
	491,573	566,398
TOTAL ASSETS	1,155,500	1,249,051

CONSOLIDATED BALANCE SHEET OF TEO GROUP (LTL thousand) (continued)

EQUITY	2007-09-30	2006-12-31
Shareholders' equity		
Share capital	814,913	814,913
Treasury shares	(120,000)	(120,000)
Legal reserve	81,499	81,499
Translation differences	8	(1)
Retained earnings	253,855	333,301
	1,030,275	1,109,712
Minority interest	--	--
Total equity	1,030,275	1,109,712
LIABILITIES		
Non-current liabilities		
Borrowings	10,285	7,764
Deferred tax liabilities	11,610	17,481
Grants	3,064	4,727
Deferred revenue	1,940	2,634
	26,899	32,606
Current liabilities		
Trade, other payables and accrued liabilities	92,042	94,690
Current income tax liabilities	5,238	11,140
Borrowings	1,046	818
Liabilities related to assets held for sale	--	85
	98,326	106,733
Total liabilities	125,225	139,339
TOTAL EQUITY AND LIABILITIES	1,155,500	1,249,051

CONSOLIDATED INCOME STATEMENT OF TEO GROUP (LTL thousand)

	July – September 2007	July – September 2006	January – September 2007	January – September 2006
Revenue	203,544	184,440	582,330	546,599
Other income	658	1,232	2,498	2,730
Employee related expenses	(37,799)	(29,378)	(114,100)	(90,461)
Network interconnection expenses	(31,325)	(28,054)	(88,244)	(77,951)
Other operating expenses	(44,276)	(42,615)	(122,882)	(112,773)
Depreciation, amortisation and impairment charge	(41,001)	(45,811)	(125,477)	(150,670)
Other gain (loss), net	2,378	1,546	5,780	4,428
Operating profit	52,179	41,360	139,905	121,902
Finance income	2,750	1,195	8,601	3,266
Finance costs	(320)	(245)	(614)	(1,246)
Finance income (costs), net	2,430	950	7,987	2,020
Share of result of associates	--	--	--	41
Profit before income tax	54,609	42,310	147,892	123,963
Income tax	(9,110)	(8,088)	(25,365)	(23,910)
Profit for the period from continuing operations	45,499	34,222	122,527	100,053
Discontinued operations:				
Profit (loss) for the period from discontinued operations	--	--	--	(748)
Profit for the period	45,499	34,222	122,527	99,305
Attributable to:				
Equity holders of the Company	45,499	34,222	122,527	99,177
Minority interest	--	--	--	128
	45,499	34,222	122,527	99,305
Earnings per share for profit attributable to the equity holders of the Company (in litas)	0.06	0.04	0.16	0.13

CONSOLIDATED CHAS FLOW STATEMENT OF TEO GROUP (LTL thousand)

	January – September 2007	January – September 2006
Operating activities		
Profit for the period from continuing operations	122,527	100,053
Adjustments for:		
Income tax	25,365	23,910
Depreciation, amortisation and impairment charge	125,477	150,670
Share of result of associates	--	(41)
Elimination of gain and losses	(4,694)	(3,279)
Interest income	(10,129)	(5,581)
Interest expenses	282	468
Other non-cash transactions	732	(22)
	259,560	266,178
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	(4,090)	(2,564)
Trade and other accounts receivable	(26,916)	(11,341)
Trade and other accounts payable and deferred revenue	11,794	(13,013)
Cash generated from operations	240,348	239,260
Interest paid	(306)	(453)
Interest received	8,972	5,717
Income tax paid	(40,079)	(27,895)
Net cash from operating activities	208,935	216,629

CONSOLIDATED CHAS FLOW STATEMENT OF TEO GROUP (LTL thousand) (continued)

Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(129,129)	(51,871)
Proceeds from disposal of PPE, intangible assets, assets held for sale	8,270	75,306
Acquisition/disposal of held-to-maturity investments, net	(48,234)	41,960
Acquisition of subsidiaries	--	(5,062)
Disposal of subsidiaries	1,714	12,420
Dividends received	--	47
Loans granted	(1,079)	(100,000)
Loans repaid	150,000	--
Net cash from investing activities	(18,458)	(27,200)
Financing activities		
Repayment of borrowings	(614)	(8,154)
Dividends paid to the shareholders of the Company	(201,973)	(124,291)
Net cash from financing activities	(202,587)	(132,445)
Increase (decrease) in cash and cash equivalents	(12,110)	56,984
Movement in cash and cash equivalents		
At start of the period	232,581	149,601
Increase (decrease) during the period	(12,110)	56,984
At end of the period	220,471	206,585

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF TEO GROUP (LTL thousand)

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share Capital	Treasury Shares	Legal reserves	Translation differences	Retained earnings		
Balance at 1 January 2006	814,913	(120,000)	81,499	(21)	327,171	2,329	1,105,891
Dividends paid for the year 2005	--	--	--	--	(124,291)	--	(124,291)
Net profit	--	--	--	--	99,177	128	99,305
Currency translation differences	--	--	--	29	--	--	29
Acquisition of minority interest	--	--	--	--	--	(2,457)	(2,457)
Balance at 30 September 2006	814,913	(120,000)	81,499	8	302,057	--	1,078,477
Balance at 1 January 2007	814,913	(120,000)	81,499	(1)	333,301	--	1,109,712
Dividends paid for the year 2006	--	--	--	--	(201,973)	--	(201,973)
Net profit	--	--	--	--	122,527	--	122,527
Currency translation differences	--	--	--	9	--	--	9
Balance at 30 September 2007	814,913	(120,000)	81,499	8	253,855	--	1,030,275

EXPLANATORY LETTER

TEO Group is the largest Lithuanian broadband Internet access and voice telephony services operator, providing integrated telecommunication, IT and TV services to residents and business. TEO LT, AB shares are listed on the Vilnius Stock Exchange (VSE ticker: TEO1L) and TEO Global Depository Receipts are listed on the London Stock Exchange (LSE ticker: TEOL).

TEO is a consolidated subsidiary of TeliaSonera AB (Sweden) via its wholly-owned subsidiary Amber Teleholding A/S (Denmark), which holds 60 per cent of TEO shares. As on 30 September 2007, 4.70 per cent of the Company's capital was owned by East Capital Asset Management AB (Sweden), 1.57 per cent - by the State of Lithuania, 4.67 per cent of the shares are Treasury Stocks. In September 2007, TEO took over treasury stocks from its subsidiary UAB Lintel.

TEO together with its related legal entities is designated as an operator with significant market power (SMP) on the following markets of:

- access to the public telephone network at a fixed location for residential customers;
- access to the public telephone network at a fixed location for non-residential customers;
- publicly available local and/or national telephone services provided at a fixed location for residential customers;

- publicly available international telephone services provided at a fixed location for residential customers;
- publicly available local and/or national telephone services provided at a fixed location for non-residential customers;
- publicly available international telephone services provided at a fixed location for non-residential customers;
- minimum set of leased lines;
- calls origination on public telephone network provided at a fixed location;
- calls termination on public telephone network provided at a fixed location;
- national transit in fixed public telephone network;
- international transit in fixed public telephone network;
- wholesale broadband access;
- wholesale unbundled access (including shared access) to metallic loops and sub-loops for the purpose of providing broadband and voice services;
- wholesale terminating segments and trunk segments of leased lines.

As TeliaSonera AB through Amber Mobile Teleholding AB owns 100 per cent of UAB Omnitel shares, TEO is regarded as an entity related to UAB Omnitel, therefore TEO is considered as SMP on the market of voice call termination on the mobile network of Omnitel.

As on 30 September 2007, TEO Group consisted of the parent company, TEO LT, AB, (Savanorių ave. 28, LT-03501 Vilnius, www.teo.lt) and its daughter companies: UAB Lintel (J. Galvydžio str. 7/Žygio str. 97, LT-08222 Vilnius, www.lintel.lt; 100 per cent of shares), UAB Baltic Data Center (Žirmūnų str. 141, LT-09128 Vilnius, www.bdc.lt; 100 per cent of shares), UAB Kompetencijos Ugdymo Centras (Palangos str. 4, LT-01117 Vilnius, www.kuc.lt; 100 per cent of shares) and UAB Voicecom (Savanorių ave. 28, LT-03501 Vilnius; 100 per cent of shares). TEO is the sole founder and owner of a non-profit organisation VšĮ TEO Sportas (Savanorių ave. 28, LT-03116 Vilnius). UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA.

On 15 February 2007, TEO LT, AB sold 100 per cent stake in OOO Comliet-Kaliningrad (ul. Pugachiova 14a, RUS-236000 Kaliningrad, Kaliningrad Region, Russian Federation). The company was acquired from the then subsidiary UAB Comliet (held 95 per cent stake in OOO Comliet-Kaliningrad) and UAB Comliet Sprendimai (5 per cent stake) on 31 January 2006.

TEO LT, AB, the parent company of the Group, offers to residential and business customers in Lithuania voice telephony, Internet, digital television, IT, data communication and telecommunication networks interconnection services. TEO also operates www.zebra.lt, which is one of the most visited Internet portals.

UAB Lintel is the largest in terms of business volumes and the most modern, in terms of technologies and management, Call Center service provider in Lithuania. It handles around 16 million contacts per year. Lintel also provides Directory Inquiry Service 118, telemarketing and customer care services. Till September 2007 UAB Lintel also held 4.67 per cent of treasury stocks of the Company.

UAB Baltic Data Center is one of the most rapidly growing providers of IT services for enterprise customers in Lithuania. Services provided by UAB Baltic Data Center comprise a complex enterprise systems maintenance package that implies Server, Data Base and data streams as well as IT Service Desk services. UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA, which is a dormant company.

UAB Voicecom has the permission to use the national network of mobile analogue cellular radio communication of the NMT-450 standard. Permission is valid until 31 October 2007.

UAB Kompetencijos Ugdymo Centras provides training and consultancy services, organises certified trainings. Kompetencijos Ugdymo Centras is one of the largest employees' development institutions in Lithuania.

VšĮ TEO Sportas supports TEO women basketball team, a multiple champion of Lithuania and the Baltic States. Fitness center ZEBRA SPORT at P. Lukšio str. 34 in Vilnius operated by TEO Sportas ceased its operations on 1 June 2007. TEO is the sole founder of non-profit organisation VšĮ TEO Sportas.

TEO Group accounting

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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Key figures of TEO Group

Financial figures	January – September 2007	January – September 2006	Change (%)
Revenue (LTL thousand)	582,330	546,599	6.5
EBITDA (LTL thousand)	265,382	272,572	(2.6)
EBITDA margin (%)	45.6	49.9	
Operating profit (LTL thousand)	139,905	121,902	14.8
Operating profit margin (%)	24.0	22.3	
Profit before income tax (LTL thousand)	147,892	123,963	19.3
Profit for the period (LTL thousand)	122,527	99,305	23.4
Profit for the period margin (%)	21.0	18.2	
Earnings per share (LTL)	0.16	0.13	23.4
Number of shares excluding treasury stocks (thousand)	776,818	776,818	--
Cash flow for capital investments (LTL thousand)	129,129	51,871	148.9
Financial ratios	2007-09-30	2006-09-30	
Return on capital employed (a) (%)	17.2	13.9	
Return on average assets (a) (%)	15.0	12.3	
Return on shareholders' equity (a) (%)	14.3	11.3	
Gearing ratio (%)	-32.4	-28.8	
Debt to equity ratio (%)	1.1	1.0	
Current ratio (%)	500.0	637.2	
Rate of turnover of assets (a) (%)	64.5	61.1	
Equity to assets ratio (%)	89.2	90.0	

NOTE: calculated for 12 months period on roll-up bases.

The total consolidated TEO Group's revenue for the first nine months of 2007 was LTL 582 million, an increase by 6.5 per cent over the total revenue of LTL 547 million for the first nine months of 2006. Total revenue excluding Comliet construction activities that contributed LTL 1.7 million during the year 2006 grew by 6.9 per cent over the year. The total revenue for July – September of 2007 was LTL 204 million, an increase by 10.4 per cent over the total revenue of LTL 184 million for July – September of 2006.

During the first nine months of 2007 share of revenue from traditional voice telephony services from total amount of revenue continued to shrink and amounted to 67.7 per cent of total revenue, while share of Internet and data communications revenue continued to grow and amounted to 26.6 per cent. Revenue

from IT services amounted to 1.5 per cent, television services – 0.7 per cent and other services – 3.5 per cent of total revenue for January – September of 2007.

Breakdown of TEO Group revenue (LTL thousand)

	July - September 2007	July - September 2006	Change (%)	January- September 2007	January- September 2006	Change (%)
Voice telephony services	132,185	131,213	0.7	394,434	392,645	0.5
Internet and data communication services	54,626	45,079	21.2	154,670	133,201	16.1
TV services	1,715	--		4,189	--	
IT services	3,944	5,131	(23.1)	8,888	8,215	8.2
Construction activities (Comliet)					1,651	
Other revenues	11,074	3,017	267.1	20,149	10,887	85.1
Total	203,544	184,440	10.4	582,330	546,599	6.5
Total excluding revenue from construction activities	203,544	184,440	10.4	582,330	544,948	6.9

Compared with the revenue for the first nine months of 2006, revenue from subscription fees for the first nine months of 2007 increased by 2 per cent, value added services – by 19.9 per cent and network interconnection services – by 11.8 per cent, while revenue from traffic charges and wholesales services went down by 9.1 and 29.1 per cent, respectively.

During January – September 2007, the total number of main telephone lines in service increased by 2.5 thousand lines: 41.5 thousand new telephone lines were installed, while 39 thousand lines were disconnected.

	January – September 2007	January – September 2006	Change (%)
Number of fixed telephone lines in service	787,435	781,773	0.7
Digitalisation rate (%)	94.0	93.8	0.2
Number of broadband Internet connections (DSL, LAN, WiFi)	232,243	156,803	48.1
Number of wireless Internet (WiFi) hot-spots	2,760	689	300.6
Number of IP TV customers	13,785	--	--
Number of VoIP customers	1,775	--	--
Number of IT services to small and medium size business customers	427	--	--
Number of personnel at the end of period	3,385	2,963	14.2

Total calls traffic for the first nine months of 2007, compared to the same period of 2006, declined by 3.7 per cent. Traffic of local calls decreased by 4.4 per cent, long distance domestic calls – by 1.2 per cent and international calls – by 2.7 per cent, but fixed-to-mobile traffic increased by 2.5 per cent.

In August, the Company offered a payment plan based on VoIP that provides the possibility to residential customers of unlimited communication with people abroad for a monthly fee of 25 litas.

According to the Report of the Communications Regulatory Authority (CRA), TEO market share of the fixed-line telephony market in terms of customers during the second quarter of 2007 amounted to 93.4 per cent and in terms of revenue – to 95.6 per cent. TEO networks' interconnection market share in terms of revenue increased to 20.1 per cent.

During January – September 2007, the number of broadband Internet access users increased by almost 51.5 thousand. Out of total 232.2 thousand broadband connections, 215.9 thousand are DSL connections sold to retail customers. 4.7 thousand customers connect to the Internet via local area networks (LAN), 8.9 thousand – via the wireless (WiFi) network and 2.4 thousand DSL connections are sold to wholesales customers. Also 329 internet services users connect to the Internet via new-generation fiber-optic network, the fibers of which are installed up to the user's computer (FTTH).

To the residential customers that have access to fiber (FTTH) or local (LAN) network the Company offered new Internet payment plans ("Basic Plus", "Optimal Plus" and "Premium Plus") that provide 10 Mbps Internet speed within the Lithuania and from 512 Kbps up to 6 Mbps abroad.

From July 2007, users of the wireless Internet service have the possibility to use the wireless Internet at more than 10 thousand wireless Internet hot-spots of 56 operators in 27 countries.

In September for enterprise employees who frequently go on business trips abroad the TEO offered VoIP service plan, which allows to considerably reduce bills for international calls. The VoIP service enables to make calls from a computer abroad to any telephone number in Lithuania and to receive calls anywhere in the world where Internet access is available. Due to the possibility to avoid roaming rates, calls from abroad to TEO network cost 13 cents per minute, whereas calls to Lithuanian mobile operators' networks – 54 cents per minute.

Compared with the first nine months of 2006, revenue from Internet broadband access services for the first nine months of 2007 went up by 23.4 per cent while revenue from dial-up Internet service decreased by 58.8 per cent as over the year number of dial-up Internet service users went down from 12.7 to 5.7 thousand. Revenue from data communication and network capacity sale services increased by 19.7 and 12.2 per cent, respectively.

According to the Report of the CRA, the Company's market share of the total Internet providers' market in terms of revenue during the second quarter of 2007 amounted to 43 per cent, while its share of the broadband Internet access market was 47.2 per cent. On 30 June 2007 broadband Internet penetration per 100 residents of Lithuania was 12.8 per cent. In terms of revenue TEO had 55.5 per cent of the leased lines market and 51.7 per cent of the data communications market.

UAB Baltic Data Center, a subsidiary of TEO, together with the world's leading IT solution company Hewlett-Packard (HP), will implement and maintain for DnB NORD finance group a new IT infrastructure, which will interconnect the group's banks operating in six countries. The value of this long-term project is LTL 38 million.

As TeliaSonera repaid its loan in February 2007 other income (interest income from bonds acquired and loans granted) for the first nine months of 2007 decreased by 8.5 per cent over the other income for the same period year ago, while other gain (loss) from sale of property, investments and etc. over the year increased by 30.5 per cent.

Total operating expenses of the Group during January – September of 2007 were by 15.7 per cent higher than total operating expenses a year ago. Due to increase in number of employees and salaries employee

related expenses increased the most – by 26.1 per cent. Networks' interconnection expenses increased by 13.2 per cent and other operating expenses – by 9 per cent. In the group of other operating expenses, the biggest increase was in expenses related to the acquisition of telecommunication equipment and services, energy, premises and transportation as well as network expenses. Expenses for marketing and IT costs for nine months of 2007 were lower than in 2006.

Increase in operating expenses is in line with the Company's plans and is related to entering into new and more complex service areas such as IT and digital TV, growth of internet and interconnect services that require bigger number and more qualified employees.

During July – September 2007, the total number of employees (headcount) in TEO Group went up by 111 to 3,385, and over the year the total number of employees increased by 422: in the parent company, TEO, the number of employees increased by 275, in Lintel – by 126, in Baltic Data Center – by 43, in Kompetencijos Ugdymo Centras – by 5, but due to closer of fitness center number of TEO Sportas employees decreased by 27.

While total revenue increased by 6.5 per cent but total expenses increased more and as the result EBITDA for the first nine months of 2007 went down by 2.6 per cent to LTL 265 million over LTL 273 million for the first nine months of 2006. But EBITDA margin was still strong and amounted to 45.6 per cent (49.9 per cent in 2006).

Depreciation and amortisation charges continuously went down over the year by 16.7 per cent and during the first nine months of 2007 amounted to 21.5 per cent of total revenue (27.6 per cent a year ago). Consequently, operating profit was 14.8 per cent higher than a year ago and operating profit margin was 24 per cent (22.3 per cent a year ago).

Due to repayment of the loan in 2006 and received higher interest income on cash and cash equivalents net financial income during the first nine months of 2007 was almost 4 times higher than year ago.

Profit before income tax for the first nine months of 2007 was up by 19.3 per cent and amounted to LTL 148 million (LTL 124 million a year ago). Profit for the period (including minority interest and profit from discontinued operations) amounted to LTL 123 million, an increase by 23.4 per cent over LTL 99 million a year ago. Over the year, the profit margin went up from 18.2 per cent to 21 per cent.

Discontinued operations imply result of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija activities during January – February of 2006 and OOO Comliet-Kaliningrad activities from February 2006 till February 2007.

Due to dividend payment and assets depreciation, the total assets of TEO Group during January – September of 2007 decreased by 7.5 per cent. Due to higher investments non-current assets decreased by just 2.7 per cent and amounted to 57.5 per cent of the total assets. Current assets decreased by 13.2 per cent and amounted to 42.5 per cent of total assets, but, in spite of dividend payment in cash, trading investment and held-to-maturity investments alone represented 29.9 per cent of the total assets. In February 2007, TeliaSonera AB repaid the loan of LTL 150 million to TEO, therefore receivables, prepayments and accrued revenue on the balance sheet decreased. In May, following the resolution of the Annual General Meeting of Shareholders of 26 April 2007, dividend of total LTL 202 million or LTL 0.26 per share were paid to the shareholders of TEO.

Due to dividend payment, shareholders' equity decreased by 7.2 per cent but still amounted to 89.2 per cent of the total assets.

During July – September of 2007 due to new long-term lease agreement increased amount of financial liabilities related to financial leasing of premises and as a result total amount of borrowings (financial liabilities) increased from LTL 8 million to LTL 11 million. Net debt was negative and amounted to LTL 334 million. The net debt to equity ratio was negative and stood at 32.4 per cent.

Borrowings of TEO Group

Borrower	Lender	Currency	Book value as of 30 September 2007 (LTL thousand)
TEO LT, AB	UAB Nordea Finance Lithuania (car leasing)	LTL	158
TEO LT, AB	AB Invaldos Nekilnojamo Turto Fondas (premises leasing)	LTL	11,173
Total			11,331

Net cash flow from operating activities during the first nine months of 2007 was by 3.6 per cent lower than net cash from operating activities a year ago. Cash spend on capital investments, including LTL 15 million paid in 2007 for investment done in 2006, increased by 2.5 times but due to the LTL 150 million loan repayment by TeliaSonera less cash was used during January – September of 2007 than in January – September of 2006.

Net cash flow from operating and investing activities in total amounted to LTL 190 million, but due to payment of dividends of LTL 202 million, cash and cash equivalents during the first nine months of 2007 decreased by LTL 12 million.

Total capital expenditure during the first nine months of 2007 amounted to LTL 114 million. During this year the Company invested LTL 77 million into the network development: completed upgrading of backbone network, commenced a rapid development of wireless Internet and new-generation fiber optic access networks. New backbone network will ensure higher Internet speed, it will be more reliable and will create possibilities for usage of most modern telecommunication and IT technologies. Investments into information technologies, including investments related to DnB NORD Group IT infrastructure project, amounted to LTL 20 million, and investments into upgrading of customer care centers, transportation and construction of a new TEO building in Vilnius amounted to LTL 17 million. Due to unforeseen legal problems investments into construction of the new headquarters instead of LTL 33 million till the end of 2007 should amount to LTL 8.5 million, but total amount of TEO Group investments during 2007 should remain unchanged and amount to LTL 199 million.