

# RESULTS FOR THE SIX MONTHS OF 2009

TEO LT, AB GROUP

20-07-2009

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# HIGHLIGHTS OF 6 MONTHS OF 2009

- Retained revenue level and strong cost control lead to EBITDA margin of 46.5%
- Decline in revenue from voice services compensated by growth in revenue from internet and TV services
- Number of television services users continued to grow
- Rapid growth of Internet connections over fibre optic network
- Capital investments amounted to LTL 52.5 million
- AGM elected a new Board and allocated LTL 179 million of dividends for 2008
- From 1 April 2009 Giedrius Vegys appointed to the position of Chief Financial Officer



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# TEO GROUP

## TEO LT, AB

(voice, Internet, wholesales, data communication, IT, TV services; Internet portal *Zebra*)

100%

**UAB Lintel** (information, telemarketing and remote customer care services)

100%

**UAB Baltic Data Center** (data center and information system management services)

100%

**UAB Kompetencijos Ugdymo Centras** (training and consultancy services)

100%

**UAB Verslo Investicijos** (investment project)

100%

**VšĮ TEO Sportas** (women's basketball team TEO)

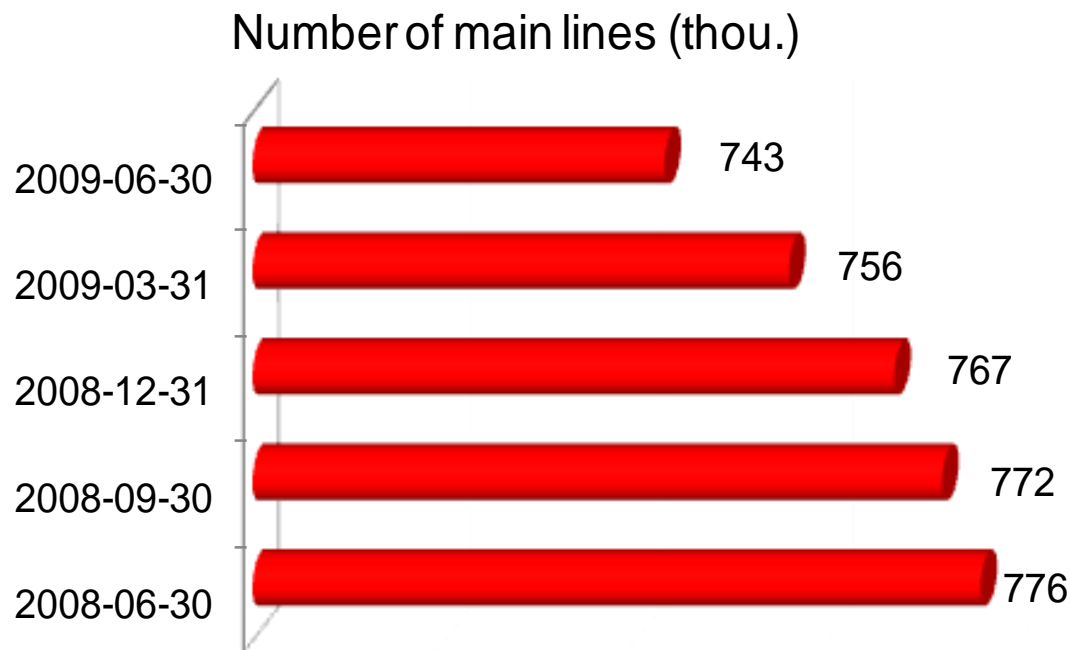
- Kompetencijos Ugdymo Centras downsized its personnel due lack of demand for its services

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# VOICE TELEPHONY SERVICES



- During January-June 2009 number of telephone lines decreased by 25.2 thousand
- 16.3 thousand of new lines were installed and 41.5 thousand were disconnected
- Residential customers' traffic increased by 3.9%, business customers' traffic decreased by 16.4%
- From 1 January 2009 tariffs for calls termination in Lithuanian mobile networks were reduced

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# INTERNET SERVICES

	2009-06-30	2008-06-30	Change
Number of DSL retail connections	237,095	241,906	(4,811)
Number of FTTB and FTTH connections	41,691	13,219	28,472
Number of WiFi connections	22,754	20,229	2,525
Number of DSL wholesale connections	1,913	2,322	(409)
Number of leased line and fiber optic connections	336	297	39
<b>Total broadband connections:</b>	<b>303,789</b>	<b>277,973</b>	<b>25,816</b>
Number of WiFi hot-spots	4,136	3,761	375

- Accelerates switchover from copper to fibre optical Internet access

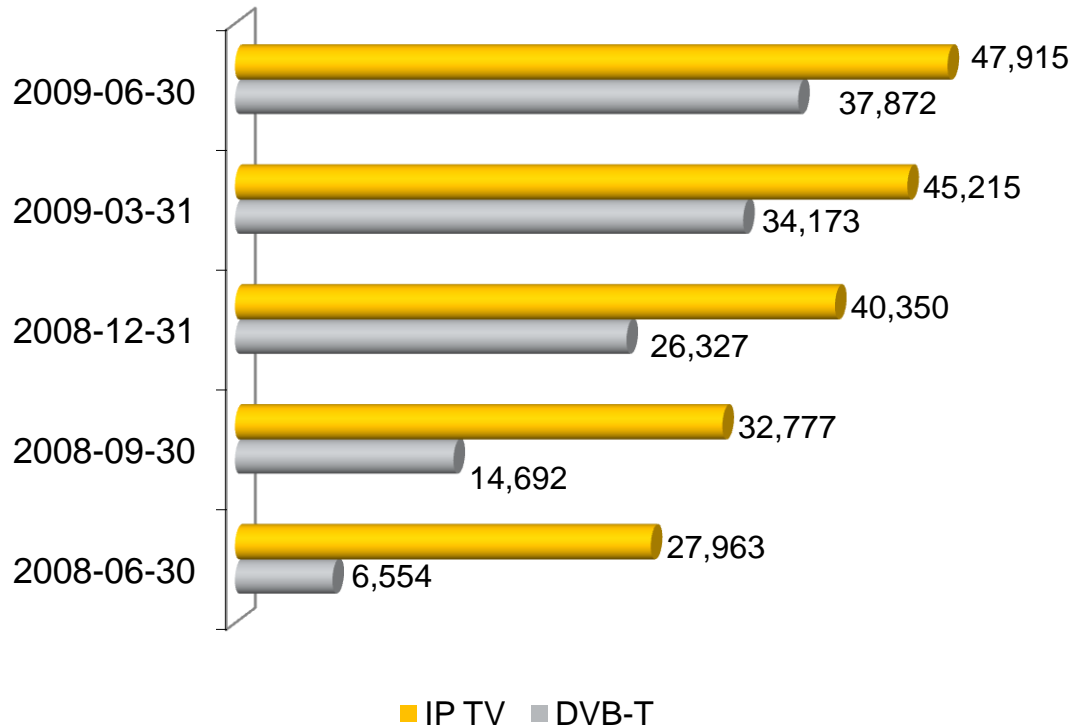
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# TELEVISION SERVICES

Number of television service users



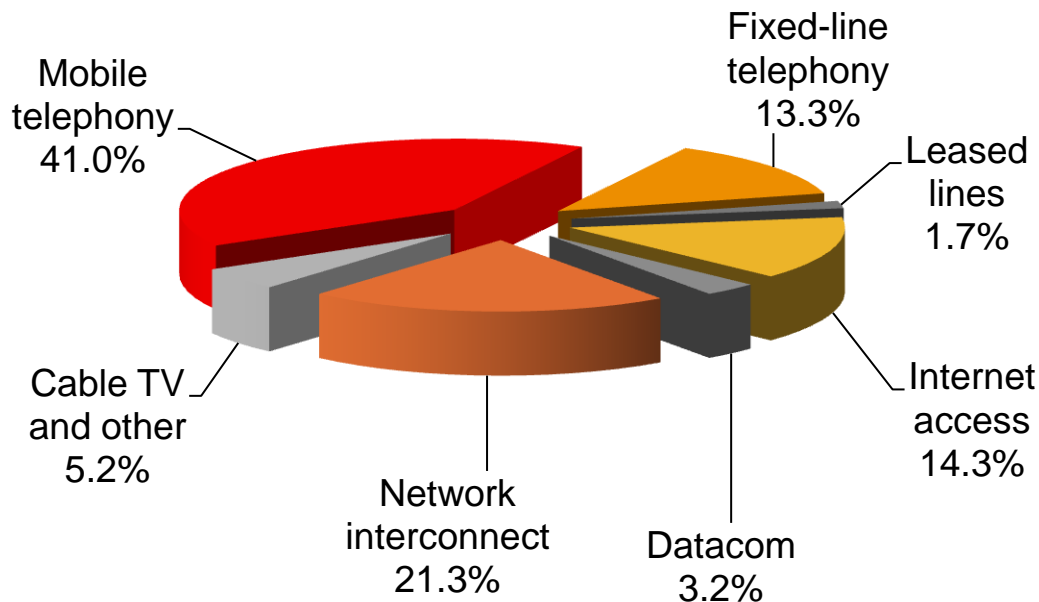
- During January-June 2009 number of DVB-T users increased by 11.5 thousand and IP TV by 7.6 thousand
- In May IP TV users were offered 3 high-definition television (HDTV) channels: Discovery HD, National Geographic Channel HD and Rush HD
- On 29 October 2012 Lithuania shall switch from analogue to digital TV broadcasting

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# TELECOMMUNICATION MARKET IN LITHUANIA (Q1 2009)

- Total revenue: LTL 714 million  
(Q1 2008: LTL 756 million)
- Change : (5.6)%
- Penetration per 100 residents:
  - fixed voice: 23.2
  - mobile voice: 148.6
  - internet: 22.5
  - broadband: 18.1
- Capital investments: LTL 74 million  
(Q1 2008: LTL 79 million)

Revenue breakdown by segments



Source: Report of Communications Regulatory Authority

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# TEO COMPETES IN ALL AREAS EXCEPT MOBILE VOICE

Market	Market revenue for Q1 2009 (LTL million)	Change to Q1 2008 (%)	Change to Q4 2008 (%)	Number of players	TEO share (%)
Fixed voice	95	(7.4)	(4.5)	49	95.0
Leased lines	12	70.7	(2.1)	13	62.9
Internet access	102	14.4	(4.8)	111	42.4
Data communication	23	45.9	8.2	14	65.5
Network interconnection	152	(9.4)	(18.7)	>4	18.1
Mobile voice	293	(14.5)	(9.7)	3+6	-

- Paid TV market (48 operators) revenue: LTL 24 million (3.5% growth compared to Q4 2008)
- TEO has 98% of IPTV and ~100% of DVB-T customers; in total, 14% of all pay TV users
- TV and radio program transmission is dominated by one player.  
Market revenue: LTL 7 million (1.2% growth compared to Q4 2008)

Source: Report of Communications Regulatory Authority

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# FIXED VOICE TELEPHONY MARKET IN LITHUANIA (Q1 2009)

- 49 companies are providing fixed voice services:
  - 28 provide national and international calls
  - 15 only international calls
  - 6 only wholesales (transit) services
- 32 companies are using IP network, 17 of them CATV networks
- Number of alternative operators subscribers: 55.5 thousand or 6.8% of total subscribers' number
- TEO market share (Q1 2009) in terms of:
  - total number of customers: 93.2%
  - total traffic: 96.4%
  - revenue from local calls: 99.1%
  - revenue from domestic long distance calls: 89.5%
  - revenue from international calls: 77.3%

Source: Report of Communications Regulatory Authority



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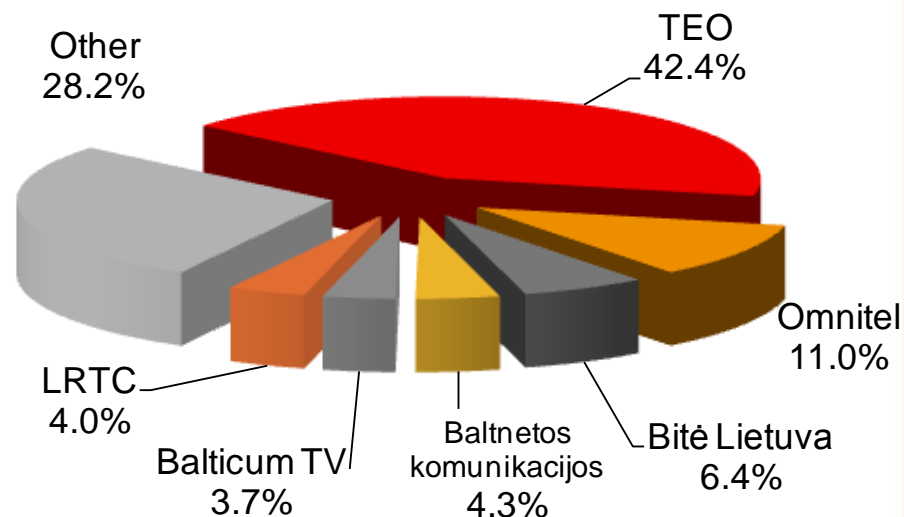


# INTERNET ACCESS MARKET IN LITHUANIA (Q1 2009)

Access type	Number of users ('000)	Change to Q1 2008 (%)
DSL	248	3.6
Fiber optics	193	59.9
Via mobile network	144	88.7
Via CATV networks	65	0.4
Wireless	61	12.7
Via LAN	38	(24.1)
Dial-up	3	(40.8)
Via leased-lines	2	(3.5)
<b>Total:</b>	<b>754</b>	<b>23.1</b>

Source: Report of Communications Regulatory Authority

Q1 2009 revenue by service providers



- TEO has 50.1% of broadband internet using fixed connection market in terms of revenue

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# PAY TV MARKET IN LITHUANIA (Q1 2009)

	Number of operators	Number of users ('000)	Revenue (LTL million)	Change to Q4 2008 (%)	Change to Q1 2008 (%)
Analogue CATV	48	382.3	18.19	n/a	n/a
Analogue MVDS*	4				
Digital CATV	12	41.3	2.76	6.5	n/a
Digital MVDS*	4				
<b>Total CATV &amp; MVDS</b>		<b>423.6</b>	<b>20.95</b>	<b>2.9</b>	<b>10.9</b>
IP TV	3	46.2	3.54	6.9	n/a
DVB-T	2	34.3	n/a	n/a	n/a
Digital satellite	1	n/a	n/a	n/a	n/a
<b>Total:</b>		<b>504.1</b>	<b>24.49</b>	<b>3.45</b>	<b>14.14</b>

*Note: MVDS - Microwave Video Distribution System*

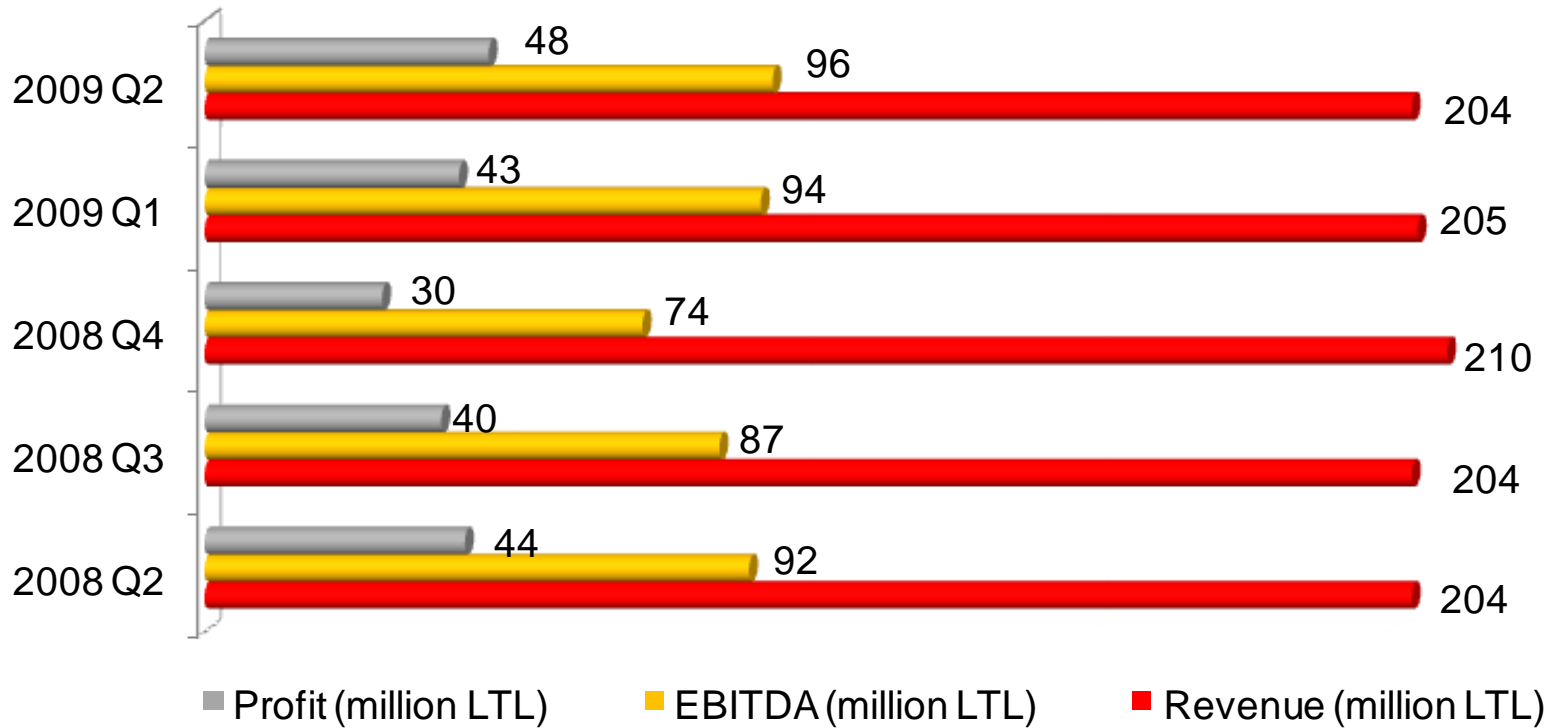
Source: Report of Communications Regulatory Authority

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# REVENUE, EBITDA & NET PROFIT



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# MAJOR FINANCIAL INDICATORS

(thousand LTL)	Q2 2009	Q2 2008	Change (%)	H1 2009	H1 2008	Change (%)
Revenue	203,647	204,451	(0.4)	408,864	412,039	(0.8)
Operating expenses	110,668	114,583	(3.4)	225,821	230,296	(1.9)
EBITDA	95,946	91,531	4.8	189,953	186,740	1.7
EBITDA margin	47.1%	44.8%		46.5%	45.3%	
Depreciation and amortization	35,399	42,613	(16.9)	72,838	86,019	(15.3)
Operating profit	60,547	48,918	23.8	117,115	100,721	16.3
Operating profit margin	29.7%	23.9%		28.6%	24.4%	
Net profit	48,426	44,087	9.8	91,889	89,321	2.9
Profit margin	23.8%	21.6%		22.5%	21.7%	
Earnings per share (LTL)	0.062	0.057	9.8	0.118	0.115	2.9

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# REVENUE

(thousand LTL)	Q2 2009	Q2 2008	Change (%)	H1 2009	H1 2008	Change (%)
Voice telephony services	114,221	128,215	(10.9)	232,528	259,330	(10.3)
Internet & data communications services	69,718	61,746	12.9	140,226	122,416	14.5
TV services	6,474	3,836	68.8	12,715	6,910	84.0
IT services	5,622	4,957	13.4	10,519	11,387	(7.6)
Other services	7,612	5,697	33.6	12,879	11,996	7.3
<b>Total:</b>	<b>203,647</b>	<b>204,451</b>	<b>(0.4)</b>	<b>408,864</b>	<b>412,039</b>	<b>(0.8)</b>

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# OPERATING EXPENSES

(thousand LTL)	Q2 2009	Q2 2008	Change (%)	H1 2009	H1 2008	Change (%)
Employee related	39,566	43,391	(8.8)	86,278	84,301	2.3
Interconnection	26,527	30,192	(12.1)	51,522	60,768	(15.2)
Other	44,574	41,000	8.7	88,020	85,227	(3.3)
<b>Total:</b>	<b>110,667</b>	<b>114,583</b>	<b>(3.4)</b>	<b>225,820</b>	<b>230,296</b>	<b>(1.9)</b>

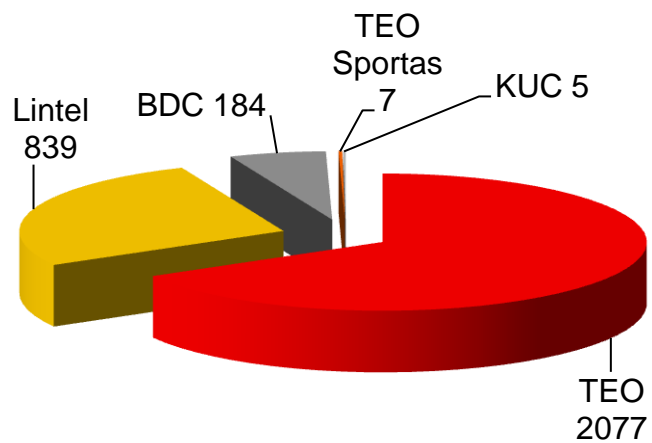
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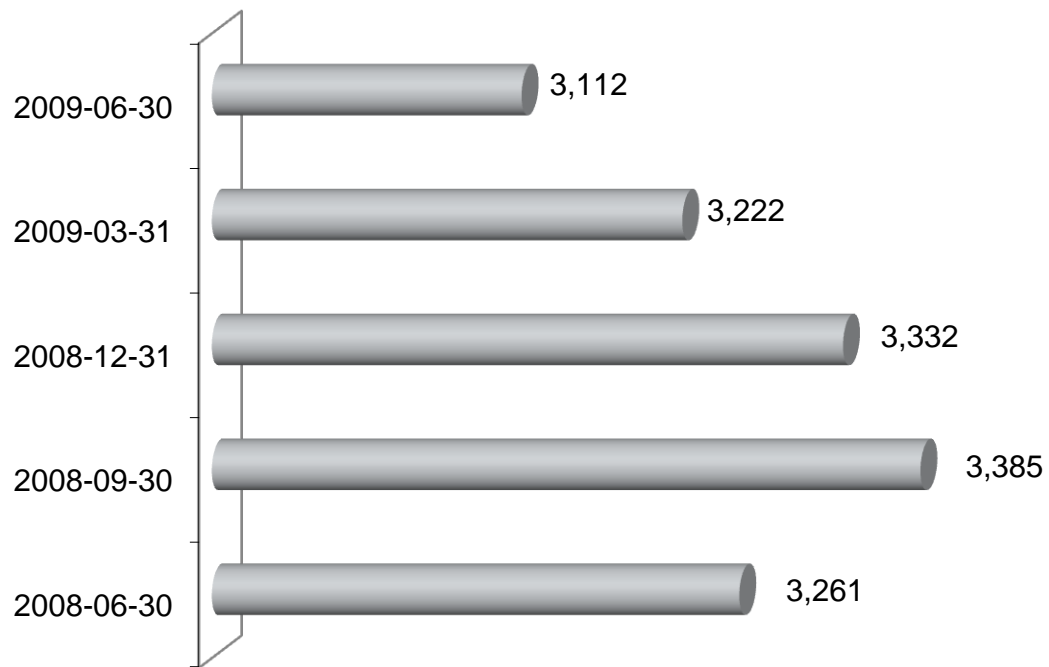


# EMPLOYEES

Breakdown of TEO Group employees



Number of TEO Group employees



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# BALANCE SHEET

(thousand LTL)	2009-06-30	2008-12-31	Change
Total assets	1,034,621	1,182,623	(12.5)%
Cash, held-to-maturity investments, loans to banks	197,464	322,193	(38.7)%
Equity	949,451	1,036,230	(8.4)%
Borrowings (financial liabilities)	6,395	6,808	(6.1)%
Net debt	(191,069)	(315,385)	
Gearing ratio	(20.1)%	(30.4)%	
ROAA	17.7%	16.0%	
ROE	16.1%	15.7%	

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# CASH FLOW

(thousand LTL)	6 months of 2009	6 months of 2008
Net cash from operating activities	137,338	168,398
Net cash used in investing activities	(32,067)	(37,699)
Net cash used in financing activities	(179,081)	(194,603)
Increase in cash and cash equivalents	(73,810)	(63,904)

- Capital investments during January-June 2009 amounted to LTL 52.5 million
- LTL 46.9 million were invested into expansion of core network and development of broadband access network
- In May, LTL 179 million (i.e. 0.23 litas per share) of dividends for year 2008 were paid

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# SHAREHOLDERS OF TEO

	Part of share capital		Part of votes
	2009-06-30	2008-12-31	2009-06-30
Amber Teleholding A/S (Denmark)	60.00%	60.00%	62.94%
Treasury stocks	4.67%	4.67%	--
State of Lithuania	0.97%	1.26%	1.02%
Other shareholders	34.36%	34.07%	36.04%

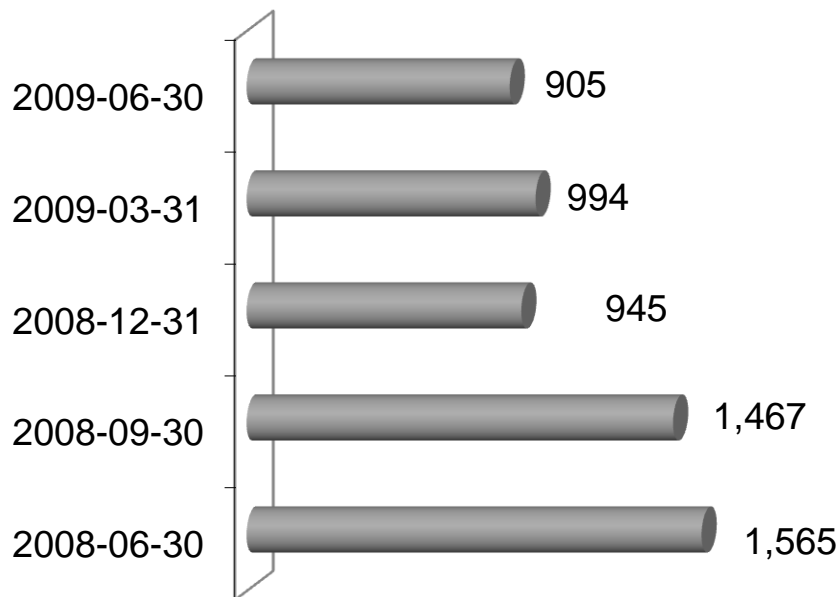
- Amber Teleholding A/S is a subsidiary of TeliaSonera AB, Sweden
- State of Lithuania, represented by State Property Fund, is giving TEO shares to the citizens of Lithuania as a compensation for realty redeemable by the State (realty seized during the Soviet times)
- Total number of shareholders: 15.9 thousand (28-04-2009)
- TEO run a Global Depository Receipt (GDR) program. One GDR represents 10 ordinary shares
- As of 30 June 2009 Global Depository Receipts amounted to 3.85% of total share capital

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# TEO SHARES

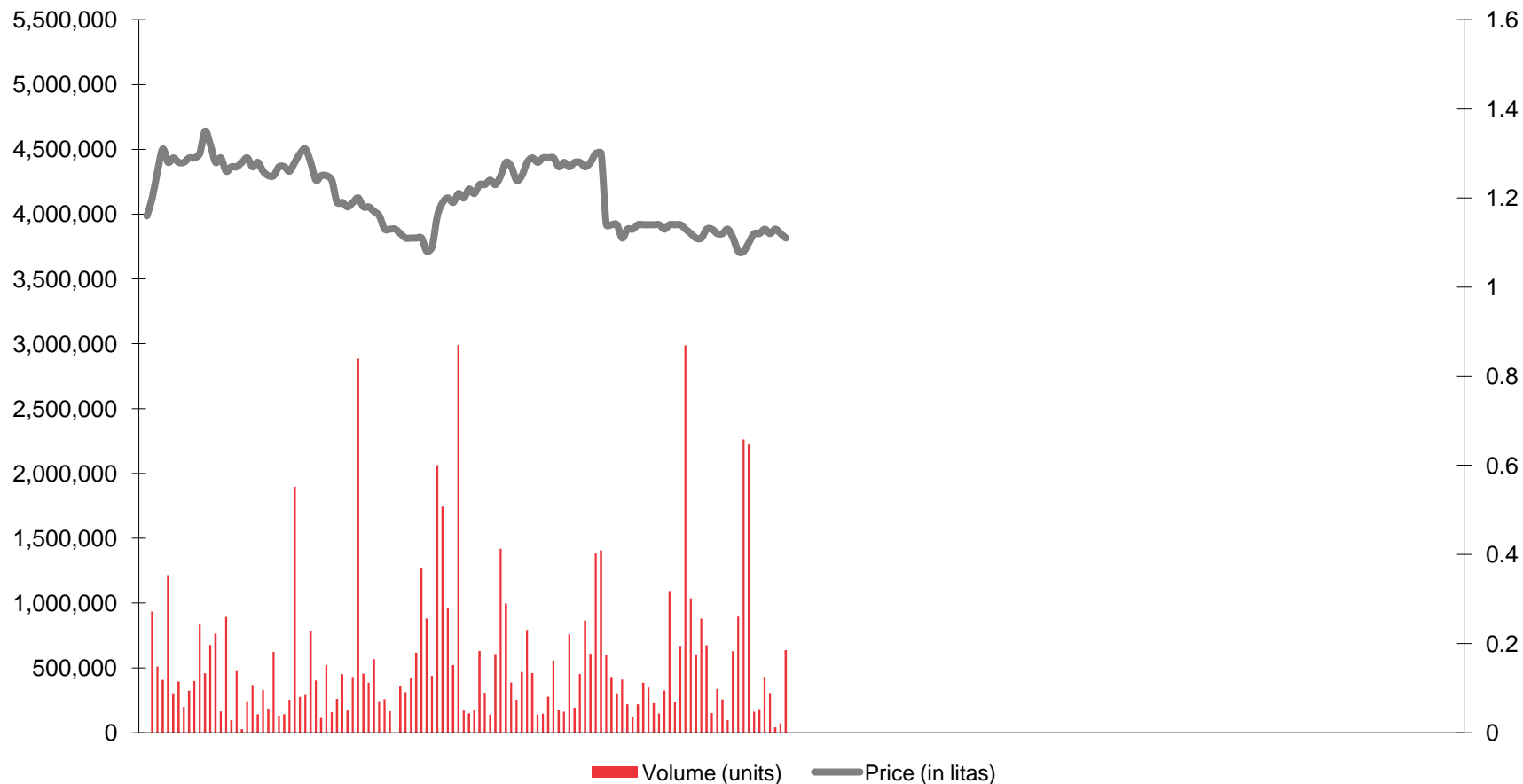
- Shares are listed on NASDAQ OMX Vilnius stock exchange (ticker: TEO1L)
- Global Depository Receipts are traded on London Stock Exchange (ticker: TEOL).
- Share price on NASDAQ OMX Vilnius:
  - start of 2009: LTL 1.16
  - low: LTL 1.07
  - high: LTL 1.38
  - end of June 2009: LTL 1.11
- Turnover on NASDAQ OMX Vilnius stock exchange during January-June 2009: 69.5 million shares or LTL 83.3 million

Market Capitalisation (LTL million)



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# TRADING IN TEO SHARES ON NASDAQ OMX VILNIUS STOCK EXCHANGE IN 2009

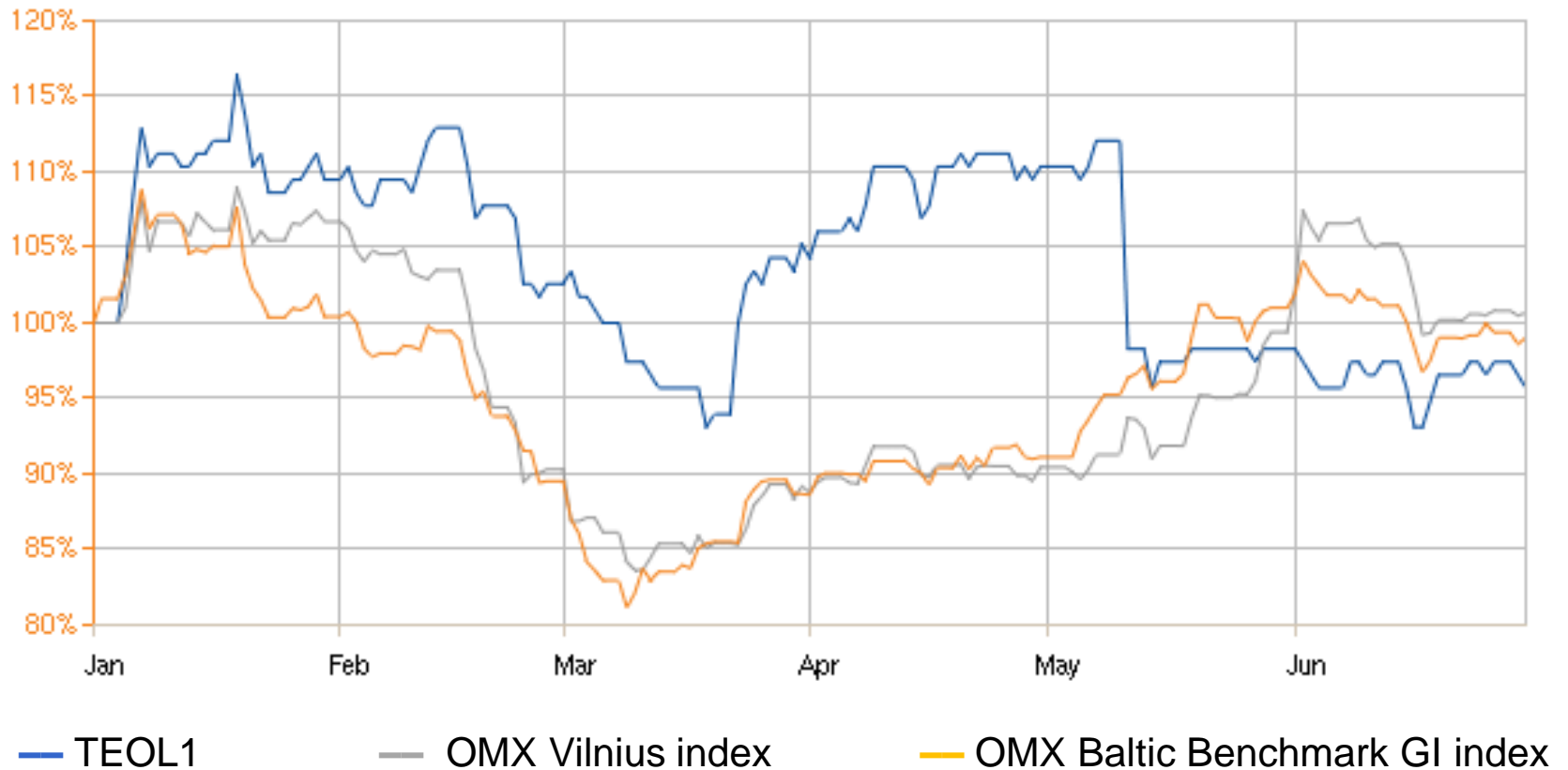


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# TEO SHARE AND NASDAQ OMX VILNIUS STOCK EXCHANGE INDEXES COMPARISON



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# TEO CORPORATE GOVERNANCE



- EGM was held on 9 February 2009 and AGM on 28 April 2009
- During the AGM a new Board was elected
- The Board consist of 7 members elected for a 2 years term
- New members of Audit and Remuneration Committees (3 Board members per committee) were elected in June 2009

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# NEW TEO BOARD



**Håkan Dahlström,**  
Representative of  
TeliaSonera AB



**Anders Gylder,**  
Representative of  
TeliaSonera AB



**Ove Alm,**  
Representative of  
TeliaSonera AB



**Joakim Sundström,**  
Representative of  
TeliaSonera AB



**Tiia Tuovinen,**  
Representative of  
TeliaSonera AB



**Lars Ohnemus,**  
Independent member  
of the Board



**Martynas Česnavičius,**  
Independent member  
of the Board

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# TEO MANAGEMENT



**Arūnas Šikšta**  
(born in 1968),  
General  
Manager  
(CEO)



**Darius  
Gudačiauskas**  
(born in 1975),  
Chief Sales  
Officer and  
Deputy General  
Manager



**Nerijus  
Ivanauskas**  
(born in 1970),  
Chief Marketing  
Officer and  
Deputy General  
Manager



**Darius  
Didžgalvis**  
(born in 1969)  
Chief Technology  
Officer and  
Deputy General  
Manager



**Giedrius Vegys**  
(born in 1959)  
Chief Financial  
Officer

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