



TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2009
(UNAUDITED)

Beginning of the financial year	1 January 2009
End of reporting period	30 September 2009
Name of the company	TEO LT, AB (hereinafter – TEO or “the Company”)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Company code	121215434
Name of the 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	www.teo.lt
Main activities	Integrated telecommunication, IT and television services to residential and business customers in Lithuania

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

MANAGEMENT REPORT

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

"TEO LT, AB revenue for the nine months of 2009 amounted to LTL 618 million and exceeded the revenue for the same period in 2008 by 0.2 per cent. At the same time, the Company's operating expenses decreased by 0.7 per cent. This allowed TEO to secure its EBITDA margin. The Company continued to pursue its strategic focus on investments into next generation networks which would allow Lithuania to stay competitive in the broadband infrastructure area for the next few decades".

Key figures of TEO Group

Financial figures	January - September		Change (%)
	2009	2008	
Revenue (LTL thousand)	617,630	616,094	0.2
EBITDA (LTL thousand)	279,329	273,696	2.1
EBITDA margin (%)	45.2	44.4	
Operating profit (LTL thousand)	171,876	145,837	17.9
Operating profit margin (%)	27.8	23.7	
Profit before income tax (LTL thousand)	171,859	151,408	13.5
Profit for the period (LTL thousand)	134,242	129,476	3.7
Profit for the period margin (%)	21.7	21.0	
Earnings per share (LTL)	0.173	0.167	3.7
Number of shares excluding treasury stocks (thousand)	776,818	776,818	0
Financial ratios	30 September 2009	30 September 2008	
Return on capital employed (%)	20.8	19.1	
Return on average assets (%)	18.6	16.4	
Return on shareholders' equity (%)	16.4	16.5	
Gearing ratio (%)	-26.1	-29.5	
Debt to equity ratio (%)	0.6	0.7	
Current ratio (%)	532.4	496.8	
Rate of turnover of assets (%)	74.1	71.8	
Equity to assets ratio (%)	91.4	90.8	
Operating figures	30 September 2009	30 September 2008	Change (%)
Number of fixed telephone lines in service	731,208	772,199	(5.3)
Digitalisation rate (%)	94.0	94.0	
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi and other)	307,521	286,658	7.3
Number of IP TV customers	51,239	32,777	56.3
Number of DVB-T customers	40,478	14,692	175.5
Number of wireless Internet (WiFi) hot-spots	4,019	3,934	2.2
Number of personnel (head-counts) at the end of period	3,069	3,385	(9.3)
Number of full time employees at the end of the period	2,733	2,990	(8.6)

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

Breakdown of TEO Group revenue

	July – September		Change (%)	January – September		Change (%)
	2009	2008		2009	2008	
Voice telephony services	119,522	124,307	(3.8)	352,050	383,637	(8.2)
Internet and data communication services	68,596	65,208	5.2	208,822	187,624	11.3
TV services	6,946	4,194	65.6	19,661	11,104	77.1
IT services	6,726	4,524	48.7	17,245	15,911	8.4
Other services	6,976	5,822	19.8	19,852	17,818	11.4
Total	208,766	204,055	2.3	617,630	616,094	0.2

Revenue

The total consolidated TEO Group's revenue for the nine months of 2009 was LTL 618 million, an increase by 0.2 per cent over the total revenue of LTL 616 million for the nine months of 2008. The total revenue for July-September 2009 was LTL 209 million, an increase by 2.3 per cent over the total revenue of LTL 204 million for the same period a year ago.

Revenues for the third quarter and nine months of 2008 are increased by LTL 965 thousand and LTL 2,894 thousand, respectively, of fines for termination of agreements which at the end of 2008 were moved from financial income to revenue from other services.

Continuous growth in revenue from Internet, data communication, television and IT services fully offset decline in revenue from voice telephony services.

Share of revenue from voice telephony services from total amount of revenue amounted to 57 per cent, Internet and data communications services – 33.8 per cent, television services – 3.0 per cent, IT services – 2.8 per cent and other services – 3.2 per cent of total revenue for the nine months of 2009.

Lower traffic volume, decreased number of telephone lines in service and reduced national interconnection tariffs in August 2008 had a negative effect on revenue from voice telephony services. The main decrease was in the business customers' segment and this is a reflection of the current economic situation in the country.

From September 2009 value-added tax (VAT) was increased in Lithuanian from 19 to 21 per cent. TEO is compensating the VAT rate difference by refusing part of its revenue and not changing retail prices for residential customers. Such compensation will cost TEO almost LTL 3 million this year.

Over the year 38.4 thousand of new telephone lines were installed while 79.3 thousand were disconnected. As a result, the total number of main telephone lines in service decreased by 40.9 thousand. Lower number of voice telephony service users resulted in a decline of revenue from subscription fees in January-September 2009 by 4.1 per cent compared with the same period a year ago.

In spite of the decreased number of telephone lines but due to attractive flat fee payment plans introduced in May 2009, traffic volume for the nine months of 2009 generated by residential customers increased by 1.8 per cent, while traffic volume of business customers decreased by 18.4 per cent compared to the same period of 2008. As a result, over the year revenue from traffic charges went down by 17.5 per cent.

Revenue from networks' interconnection services for January-September 2009 was slightly lower (down by 1.1 per cent) as for corresponding period a year ago. In August 2008 reduced national interconnection tariffs were compensated by increased international transit traffic volume.

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

According to the Report of the Communications Regulatory Authority (CRA) for the second quarter of 2009, TEO retained its market share of the fixed-line telephony market in terms of customers (93.2 per cent) and in terms of revenue (95 per cent). In terms of revenue TEO share in networks' interconnection market amounted to 16.8 per cent.

Over the last twelve months, the number of broadband Internet access users increased by 20.9 thousand. As the Company is in the phase of substitution its Internet service over copper lines using DSL technology with up-to-date Internet over the fiber using FTTH (Fiber to the home) and FTTB (Fiber to the building) technologies, the number of FTTH connections during the year increased 4.5 times to 40.4 thousand and the number of FTTB connections increased by 32.5 per cent to 11 thousand. As a result, the number of DSL connections during the year eased by 6 per cent.

At the end of September 2009, out of total 307.5 thousand broadband connections, 230.9 thousand were copper DSL connections sold to retail customers, 51.7 thousand were fiber optic connections, 23.1 thousand were wireless connections via the WiFi network and 1.8 thousand DSL connections are the ones sold to wholesale customers.

Compared with the nine months of 2008, revenue from Internet services for the nine months of 2009 went up by 20.8 per cent and revenue from data communication services increased by 13 per cent.

According to the CRA Report, the Company's market share of the total Internet providers market in terms of revenue during the second quarter of 2009 amounted to 40.5 per cent while share on broadband Internet access using fixed connection market was 50.2 per cent. On 30 June 2009 the penetration of broadband Internet using fixed connection per 100 residents of Lithuania was 18.3 per cent. In terms of revenue TEO had 62.8 per cent of leased lines and 67.5 per cent of data communications markets.

The number of television services users continued to grow. Over the last twelve months the number of digital terrestrial television (DVB-T) service users increased by 25.8 thousand or 2.8 times, while number of IPTV service users increased by 18.5 thousand or 1.6 times. The total number of television services users by the end of September 2009 reached 91.7 thousand.

According to the Company's estimations, TEO market share of the total pay-TV services market in terms of customers at the end of June 2009 amounted to 15 per cent. The Company has 97.5 per cent share of total IPTV service users and almost 100 per cent share of DVB-T service users.

Revenue from other services in January–September 2008 includes revenue of LTL 1.3 million from a one-time special telecommunication project.

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 and other. During the second quarter of 2009 Kompetencijos Ugdymo Centras (Competence Development Center) terminated provision of its consultancy and training services due to lack of demand.

The growth in revenue from other services was driven by higher volumes of Contact Center services provided to external customers and an increased amount of fines for termination of agreements.

Other income, that consist of interest income from bonds acquired, for January-September 2009 increased by 45.7 per cent over the other income a year ago. Other gain (loss) from sale of property, investments and etc. during the year decreased by 45.2 per cent.

Operating expenses

The Company continued its strict costs' control policy and as a result total operating expenses of the Group for the nine months of 2009 were by 0.7 per cent lower than total operating expenses a year ago.

Employee-related expenses decreased by 3.4 per cent. Over the year the total number of employees

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(headcount) in TEO Group went down by 316 from 3,385 to 3,069: in the parent company, TEO, the number of employees decreased by 182, in Lintel – by 118 and in Kompetencijos Ugdymo Centras – by 21, while in Baltic Data Center increased by 5. In terms of full-time employees, the total number of employees in TEO Group over the last 12 months went down by 257.

Interconnection expenses went down by 3.7 per cent due to the decrease of prices for calls termination in Lithuanian mobile networks from 1 January 2009.

Other expenses went up by 4 per cent due to along with the increased number of television services users increased payments to TV content providers, higher expenses for DVB-T broadcasting and network maintenance expenses.

Due to economic situation in the country provisions for bad debts increase but the Company uses prevention tools and keeps this process under strict control.

Earnings

Increased revenue and efficiency of operations resulted that EBITDA for the nine months of 2009 increased by 2.1 per cent to LTL 279 million over LTL 274 million for the nine months of 2008. EBITDA margin also increased up to 45.2 per cent (44.4 per cent in 2008).

Depreciation and amortisation charges decreased by 16 per cent and in January-September of 2009 amounted to 17.4 per cent of total revenue (20.8 a year ago). As a result operating profit was by 17.6 per cent higher than a year ago and operating profit margin increased from 23.7 per cent a year ago to 27.8 per cent.

Net financial income in January-September 2009 was negative due to extraordinary non-recurring financial expenses during the third quarter of 2009.

Profit before income tax in the nine months of 2009 was up by 13.5 per cent and amounted to LTL 172 million (LTL 151 million a year ago).

From 1 January 2009 income (profit) tax rate in Lithuania was increased from 15 to 20 per cent. This and other factors had an impact on income tax expenses that increased by 71.5 per cent.

Profit for the period amounted to LTL 134 million, an increase by 3.7 per cent over LTL 129 million a year ago. Over the year, the profit margin increased from 21 per cent to 21.7 per cent.

Balance sheet and cash flow

During January-September 2009 total assets of TEO Group decreased by 8.2 per cent due to payment of dividends for the year 2008, and depreciation and amortisation of the assets.

Due to depreciation and amortisation total non-current assets decreased by 5.1 per cent and amounted to 62.6 per cent of the total assets. In May, dividends of LTL 179 million for the year 2008 were paid to the shareholders of TEO. Therefore, current assets decreased by 12.9 per cent and amounted to 37.4 per cent of the total assets, whereof cash, held-to-maturity investments and loans to banks alone represented 24.4 per cent of the total assets.

Due to dividend payment, shareholders' equity decreased by 4.3 per cent and amounted to 91.4 per cent of the total assets.

At the end of September 2009 the total amount of borrowings representing solely financial liabilities related to financial leasing of premises amounted to LTL 6.2 million. Net debt was negative and amounted to LTL 259 million. The net debt-to-equity ratio was negative and amounted to 26.1 per cent.

Net cash flow from operating activities in the nine months of 2009 was by 8 per cent lower than net cash from

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operating activities a year ago.

LTL 40.5 million of cash spent during January-September of 2009 for capital investments were payments for investments made in 2008.

During the nine months of 2009 total capital investments amounted to LTL 74.3 million. Majority of the investments (91.3 per cent or LTL 67.8 million) went to expansion of core network and development of optical access network. Remaining part was invested into the renovation of technological buildings (LTL 4 million), upgrading of IT systems (LTL 2.1 million) and transport (LTL 0.4 million).

Due to dividend payment, cash and cash equivalents during the nine months of 2009 decreased by LTL 16 million.

Share capital and shareholders

The share capital of the Company remains unchanged since 1997 and amounts to 814,912,760 litas. It consists of 814,912,760 ordinary registered shares with a nominal value of one litas 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 30 September 2009, 31,064,260 ordinary shares of the Company (3.81% of the total share capital) were represented by 3,106,426 GDRs. During July-September 2009 25,481 GDRs were cancelled and converted into ordinary registered shares.

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 shareholders registration day for the Annual General Meeting of Shareholders, which was held on 28 April 2009, was 15,994.

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Shareholders of TEO LT, AB as on 30 September 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	63.76
TeliaSonera AB (publ) (a), Stureplan 8, Stockholm, SE-106 63, Sweden, code 556103-4249	6,399,755	0.79	0.82	63.76
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	7,558,987	0.93	0.97	-
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	-
Other shareholders	273,548,490	33.57	35.21	-
TOTAL:	814,912,760	100.00	100.00	-

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

Information about trading in TEO shares on NASDAQ OMX Vilnius stock exchange in January–September 2009:

Opening price (LTL)	Lowest price (LTL)	Highest price (LTL)	Last price (LTL)	Average price (LTL)	Turnover (units)	Turnover (LTL)
1.16	1.07	2.03	1.90	1.37	128,728,929	176,180,640

Information about trading in TEO GDRs on London stock exchange in January–September 2009:

Opening price (USD)	Lowest price (USD)	Highest price (USD)	Last price (USD)	Average price (USD)	Turnover (units)	Turnover (USD)
4.68	4.14	8.18	8.04	5.10	0	0

TEO market capitalisation as of 30 September 2009 was LTL 1,548.3 million.

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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 a member of the Audit Committee.

On 20 March 2009 the Board, upon termination of employment contract of Jan-Erik Elsérius, 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.

On 28 April 2009 the Annual General Meeting of Shareholders allocated LTL 178,668 thousand from the Company's distributable profit of LTL 183,376 thousand for the dividend payment for the year 2008 or LTL 0.23 dividend per share and for annual payments (tantiemes) to the members of the Board for the year 2008 allocated LTL 378 thousand, i.e. LTL 54 thousand per one member of the Board. Upon termination of the two years term of the Board, the shareholders elected a new Board (for the next two years term) consisting of the following nominees proposed by Amber Teleholding A/S: Håkan Dahlström, Anders Gylder, Ove Alm, Joakim Sundström, Tiia Tuovinen, Lars Ohnemus (independent candidate) and Martynas Česnavičius (independent candidate).

On 11 June 2009 the Board elected Håkan Dahlström as Chairman of the Board. Also, the Board elected Håkan Dahlström, Anders Gylder and Lars Ohnemus as members of the Remuneration Committee, and Joakim Sundström, Tiia Tuovinen and Martynas Česnavičius as members of the Audit Committee. In September, Joakim Sundström was elected as Chairman of the Audit Committee.

On 23 August 2009 TEO LT, AB received a notification on the intention of TeliaSonera AB (publ), an indirect major shareholder of the Company, to launch the voluntary takeover bid.

On 11 September 2009 Lithuanian Securities Commission decided to approve the circular of the voluntary tender offer of TeliaSonera AB (publ), Sweden, for acquisition of remaining 281,470,107 ordinary registered shares, which have the voting rights, of TEO LT, AB paying LTL 1.83 per share. The offer was valid from 17 September 2009 until 9 October 2009.

On 23 September 2009 the Board announced its opinion regarding the TeliaSonera AB (publ) tender offer in respect of shares of TEO LT, AB: the offer has been submitted pursuant to the requirements of the legal acts of the Republic of Lithuania and the Board considers the offer price as fair but the Board is not providing recommendations to the shareholders of TEO LT, AB to accept or to reject the offer, because 5 out of 7 Board members are employees of TeliaSonera AB (publ) and due to that it is the opinion of the Board, it is not appropriate for the Board to make recommendations on the acceptance or rejection of the offer. In favor of such opinion of the Board voted six Members of the Board, one was against.

On 2 October 2009 the Board and General Manager of TEO LT, AB received a joint offer from East Capital Explorer Investments AB (Sweden), East Capital Special Opportunities Fund (Cayman Islands) and East Capital Asset Management AB (Sweden) on behalf of in Sweden registered East Capital Baltic Fund and East Capital Eastern European Fund, to sell TEO LT, AB treasury stocks, i.e. 38,095,242 shares or 4.67 per cent of the total number of the Company's shares, to East Capital Explorer Investments AB, East Capital Special Opportunities Fund and East Capital Asset Management AB on behalf of East Capital Baltic Fund and East Capital Eastern European Fund, paying 1.95 Litass per share. The offer was valid until 9 October 2009 15:00 (Lithuanian time). On 6 October 2009 the Board of TEO LT, AB stated, that the Company's Board has no competence to take decisions regarding purchase or sale of treasury stocks, as well as is not entitled to respond to any offers to sell treasury stocks.

On 9 October 2009, East Capital Asset Management AB (Sweden) on behalf of East Capital Explorer Investments AB (Sweden) notified about crossing of the 5 per cent limit of votes at the General Meeting of TEO LT, AB.

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

On 9 October 2009, TeliaSonera AB (publ) tender offer regarding TEO LT, AB shares was over. 23,479,470 shares of the Company (2.88 per cent of total number of shares or 3.02 per cent of votes) were submitted into response to this tender offer and on 14 October 2009 were purchased by TeliaSonera AB (publ). Also, TeliaSonera AB (publ) acquired 10,016,391 shares of the Company in the open market during the offer period at the price of the offer and 6,399,755 shares were bought in the open market between the announcement of the offer and the beginning of the offer period.

As the result, TeliaSonera AB (publ) increased its direct holding in TEO LT, AB up to 4.90 per cent of the total number of shares or 5.14 per cent votes, and as of 14 October 2009 together with its subsidiary Amber Teleholding A/S held 64.90 per cent of the Company's share capital and 68.08 per cent of votes during the General Meeting of Shareholders. On 13 October 2009 TeliaSonera AB (publ) announced about crossing of the 5 per cent limit of votes during the Company's General Meeting of Shareholders.

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 30 September 2009:

Name, surname	Position in the Board	Employment	Ownership of TEO shares
Håkan Dahlström	Chairman of the Board, Member of the Remuneration Committee	TeliaSonera AB (Sweden), President of Business Area Broadband Services	-
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, Chairman of the Audit Committee	TeliaSonera AB Business Area Broadband Services (Sweden), Vice President of Business Control	-
Tiia Tuovinen	Member of the Board, member of the Audit Committee	TeliaSonera Finland Oyj (Finland), General Counsel for Broadband Business Area Services and Vice President for Real Estates and Property Planning in Finland	-
Lars Ohnemus	Member of the Board, member of the Remuneration Committee	Baltic Property Trust Partner Services A/S (Denmark), Chief Executive Officer; Baltic Management Institute (Lithuania) and Copenhagen Business School (Denmark), Visiting Assoc. Professor	-
Martynas Česnavičius	Member of the Board, member of the Audit Committee	Investment funds Amber Trust I and Amber Trust II (Luxemburg), Advisors	UAB Profinance, a 50 per cent owned company, holds 45,000 shares of TEO, LT AB

Following provisions of The Governance Code for the Companies Listed on NASDAQ OMX Vilnius stock exchange, all members of the Board are regarded as non-executive members of the Board, and Lars

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Ohnemus and Martynas Česnavičius are regarded as independent members of the Board. Information about other Board assignments of the members of the Company's Board is provided at the Company's webpage www.teo.lt.

Members of Administration:

Name, surname	Position in the Company	Current Board Assignments	Ownership of TEO shares
Arūnas Šikšta	General Manager (CEO)	International Business School at Vilnius University, member of the Council; Big Brothers Big Sisters International, Philadelphia, U.S.A., member of the Board	-
Darius Gudačiauskas	Chief Sales Officer and Deputy General Manager	UAB Lintel, a subsidiary of TEO LT, AB, Chairman of the Board	-
Nerijus Ivanauskas	Chief Marketing Officer and Deputy General Manager	-	-
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
Giedrius Vegys	Chief Financial Officer	UAB Baltic Data Center, a subsidiary of TEO LT, AB, member of the Board	-

On 23 September 2009, Darius Gudačiauskas, Chief Sales Officer and Deputy General Manager of TEO, sold his shareholding in the Company – 13,719 shares or 0.0017 per cent of the Company's share capital and 0.0018 per cent of votes – for 1.90 Litass per share.

On 9 October 2009, Darius Didžgalvis, Chief Technology Officer and Deputy General Manager of TEO, sold its shareholding in the Company – 4,669 shares or 0.00057 per cent of the Company's share capital and 0.0006 per cent of votes – for 1.83 Litass per share.

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CONSOLIDATED INCOME STATEMENT

	Note	July - September		January - September	
		2009	2008	2009	2008
Revenue		208,766	204,055	617,630	616,094
Other income		1,389	1,643	7,482	5,137
Employee-related expenses		(38,617)	(44,957)	(124,895)	(129,258)
Interconnection expenses		(35,783)	(29,914)	(87,305)	(90,682)
Other operating expenses		(46,524)	(44,125)	(134,544)	(129,352)
Depreciation, amortisation and impairment of fixed assets	3	(34,615)	(41,840)	(107,453)	(127,859)
Other gain/ (loss) - net		145	254	961	1,757
Operating profit		54,761	45,116	171,876	145,837
Finance income		639	2,174	2,272	6,363
Finance costs		(1,922)	(200)	(2,289)	(793)
Finance income/ costs - net		(1,283)	1,974	(17)	5,570
Profit before income tax		53,478	47,090	171,859	151,407
Income tax	8	(11,125)	(6,935)	(37,617)	(21,931)
Profit for the year		42,353	40,155	134,242	129,476
Earnings per share for profit attributable to the equity holders of the Company (expressed in litas per share)	9	0.055	0.052	0.173	0.167

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

CONSOLIDATED BALANCE SHEET

	Note	30 September 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	3	641,895	669,413
Intangible assets	3	34,696	41,792
Trade and other receivables		3,333	5,563
		679,924	716,768
Current assets			
Inventories		4,722	8,888
Trade and other receivables		119,571	118,682
Current income tax receivable		3,343	3,159
Held-to-maturity investments		105,262	111,866
Loans to banks		25,543	60,429
Cash and cash equivalents		134,073	149,898
Assets held for sale	5	13,135	12,933
		405,649	465,855
Total assets		1,085,573	1,182,623
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	6	814,913	814,913
Treasury shares	6	(120,000)	(120,000)
Legal reserve		81,499	81,499
Retained earnings		215,392	259,818
Total equity		991,804	1,036,230
LIABILITIES			
Non-current liabilities			
Borrowings		5,323	5,972
Deferred tax liabilities		10,173	5,757
Grants		760	1,361
Deferred revenue		1,314	1,605
		17,570	14,695
Current liabilities			
Trade, other payables and accrued liabilities		75,250	129,268
Current income tax liabilities		69	0
Borrowings		861	836
Provisions	7	-	1,594
Liabilities related to assets held for sale	5	19	-
		76,199	131,698
Total liabilities		93,769	146,393
Total equity and liabilities		1,085,573	1,182,623

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Treasury shares	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2008	814,913	(120,000)	81,499	294,167	1,070,579
Net profit	-	-	-	129,476	129,476
Total recognised income and expenses	-	-	-	129,476	129,476
Dividends paid for 2007	-	-	-	(194,204)	(194,204)
Balance at 30 September 2008	814,913	(120,000)	81,499	229,439	1,005,851
Balance at 1 January 2009	814,913	(120,000)	81,499	259,818	1,036,230
Net profit	-	-	-	134,242	134,242
Total recognised income and expenses	-	-	-	134,242	134,242
Dividends paid for 2008	-	-	-	(178,668)	(178,668)
Balance at 30 September 2009	814,913	(120,000)	81,499	215,392	991,804

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

CONSOLIDATED CASH FLOW STATEMENT

	January - September	
	2009	2008
Operating activities		
Profit for the period from continuing operations	134,242	129,476
Income tax	37,617	21,931
Depreciation, amortisation and impairment charge	107,453	127,859
Other gains and losses	(961)	(1,757)
Write-off of property, plant and equipment and intangible assets	369	-
Interest income	(9,754)	(10,914)
Interest expenses	233	218
Other non-cash transactions		37
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	4,166	714
Trade and other receivables	1,488	(5,363)
Trade, other payables and accrued liabilities	(16,427)	1,318
Cash generated from operations	258,426	263,519
Interest paid	(233)	(218)
Interest received	2,272	5,779
Tax paid	(33,315)	(22,299)
Net cash from operating activities	227,150	246,781
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(113,531)	(122,785)
Proceeds from disposal of PPE and intangible assets	1,098	1,539
Acquisition of held-to-maturity investments, amounts loaned to banks	(400,450)	(435,001)
Disposal of held-to-maturity investments, repayment of amounts loaned to banks	449,200	405,665
Disposal of trading investments	-	35,411
Acquisition of subsidiaries	-	(16,078)
Disposal of assets held for sale and shares	-	2,175
Net cash used in investing activities	(63,683)	(129,074)
Financing activities		
Repayment of borrowings	(624)	(601)
Dividends paid to shareholders of the Company	(178,668)	(194,204)
Net cash used in financing activities	(179,292)	(194,805)
Increase (decrease) in cash and cash equivalents	(15,825)	(77,098)
Movement in cash and cash equivalents		
At the beginning of the year	149,898	229,350
Increase (decrease) in cash and cash equivalents	(15,825)	(77,098)
At the end of the year	134,073	152,252

(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 nine months period ending 30 September 2009 are prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, which include 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 30 September 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 and therefore no segment information is disclosed.

3 Property, plant and equipment and intangible assets

	Property, plant and equipments	Intangible assets
Nine months ended 30 September 2008		
Opening net book amount as at 31 December 2007	657,962	29,643
Additions	91,485	2,621
Acquisition of subsidiaries	1,138	17,843
Disposals and retirements	518	10
Reclassification	(1,178)	-
Depreciation and amortisation charge	118,030	9,829
Closing net book amount as at 30 September 2008	630,859	40,268
Nine months ended 30 September 2009		
Opening net book amount as at 31 December 2008	669,413	41,792
Additions	72,914	1,341
Acquisition of subsidiaries	-	-
Disposals and retirements	513	-
Reclassification	(903)	-
Depreciation and amortisation charge	99,016	8,437
Closing net book amount as at 30 September 2009	641,895	34,696

(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
		30 September 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 a 100% stake in a dormant sub-subsidiary Baltic Data Center SIA located in Latvia.
UAB Kompetencijos Ugdymo Centras	Lithuania	100%	100%	The subsidiary was providing training and consultancy services.
VšĮ TEO Sportas	Lithuania	100%	100%	This 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 a 100% stake in a newly established company. The company was acquired for the implementation of a short-term investment project.

5 Assets held for sale and discontinued operation

As at 30 September 2009 the Group accounted as assets held for sale the entire holding in UAB Verslo Investicijos. UAB Verslo Investicijos is a discontinued operation at 30 September 2009, as it was acquired with the purpose to sell. During the January–September 2009 the discontinued operation contributed revenue of LTL 42 thousand and costs of LTL 95 thousand.

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

	As at 30 September 2009
Investment property	13,134
Cash and cash equivalents	1
Total assets of the discontinued operation classified as held for sale	13,135

Major classes of liabilities directly associated with assets classified as held for sale:

	As at 30 September 2009
Other taxes payable	8
Trade and other payables	11
Total liabilities directly associated with assets classified as held for sale	19

(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 30 September 2009.

7 Provisions

The Group and the Company established a provision as of 31 December 2008 for redundancy costs.

Utilization of provisions for redundancy during January–September 2009:

Opening net book amount at 31 December 2008	<u>1,594</u>
Additions	-
Used provisions	<u>1,594</u>
Closing net book amount at 30 September 2009	<u>-</u>

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

The weighted average number of shares in issue (thousands) for the period ended 30 September 2009 is calculated as follows: 814,913 (ordinary shares) less 38,095 (treasury shares) results in 776,818. The weighted average number of shares for the period ended 30 September 2008 was the same – 776,818.

	<u>January–September</u>	
	2009	2008
Net profit	<u>134,242</u>	<u>129,476</u>
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	<u>0.173</u>	<u>0.167</u>

(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 that amounts to 178 668 thousands Litass or 0.23 Litass per ordinary share was paid in May 2009 (2008: 194,204 thousands Litass or 0.25 Litass per share).

11 Related party transactions

The Group is controlled by TeliaSonera AB (publ) which directly owns 0.79% and indirectly through its subsidiary Amber Teleholding A/S 60% of the Company's shares. In total, the ultimate parent of the Group, TeliaSonera AB (publ), owns 60.79% of the Company's shares. The following transactions were carried out with related parties:

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

	January–September	
	2009	2008
Sales of telecommunication and other services	33,920	42,641
Total sales of telecommunication and other services	33,920	42,641
Purchases of assets	10	469
Purchases of services	23,804	36,132
Total purchases of assets and services	23,814	36,601

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

	As at 30 September	
	2009	2008
Receivables from related parties	2,727	1,926
Accrued revenue from related parties	1,979	2,142
Total receivables and accrued revenue from related parties	4,706	4,068
Payables to related parties	819	4,051
Accrued expenses to related parties	172	763
Total payables and accrued expenses to related parties	991	4,814

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

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

MANAGEMENT CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Following Article 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Arūnas Šikšta, General Manager of TEO LT, AB, and Giedrius Vegys, Chief Financial Officer of TEO LT, AB, hereby confirm that, to the best of our knowledge, the not audited TEO LT, AB Interim Consolidated Financial Statements for the nine months period ended 30 September 2009, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of TEO LT, AB and the Group of undertakings.

A handwritten signature in black ink, appearing to be 'Arūnas Šikšta', written over a large, stylized 'X' mark.

Arūnas Šikšta,
General Manager

A handwritten signature in blue ink, appearing to be 'Giedrius Vegys'.

Giedrius Vegys,
Chief Financial Officer

Vilnius, 15 October 2009