



TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2009
(UNAUDITED)

Beginning of the financial year	1 January 2009
End of reporting period	31 December 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 twelve months of 2009:

"The Company continued to provide good result despite harsh economic climate. In order to build its business value TEO heavily invested in next generation FTTH network. This strategy proved to be successful. Alongside with efficient costs saving this allowed the company to maintain its profitability. In 2009, TEO reached two important milestones – the number of its broadband customers exceeded 300 thousand, while the number of TV customers – 100 thousand. This solid customer base provides good opportunities for diversification of the Company's revenue".

Key figures of TEO Group

Financial figures	January - December		Change (%)
	2009	2008	
Revenue (LTL thousand)	815,551	826,267	(1.3)
EBITDA (LTL thousand)	338,087	349,071	(3.1)
EBITDA margin (%)	41.5	42.2	
Operating profit (LTL thousand)	196,047	182,238	7.6
Operating profit margin (%)	24.0	22.1	
Profit before income tax (LTL thousand)	197,930	189,500	4.4
Profit for the period (LTL thousand)	169,072	159,908	5.7
Profit for the period margin (%)	20.7	19.4	
Earnings per share (LTL)	0.218	0.206	5.7
Number of shares excluding treasury stocks (thousand)	776,818	776,818	
Financial ratios	31 December 2009	31 December 2008	
Return on capital employed (%)	19.5	18.5	
Return on average assets (%)	17.6	16.0	
Return on shareholders' equity (%)	16.9	15.7	
Gearing ratio (%)	(29.3)	(30.4)	
Debt to equity ratio (%)	0.6	0.7	
Current ratio (%)	410.8	353.7	
Rate of turnover of assets (%)	73.4	72.6	
Equity to assets ratio (%)	89.2	87.6	
Operating figures	31 December 2009	31 December 2008	Change (%)
Number of fixed telephone lines in service	721,953	767,805	(6.0)
Digitalisation rate (%)	94.2	94.0	4.7
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi and other)	313,449	298,080	5.2
Number of IP TV customers	55,915	40,350	38.6
Number of DVB-T customers	46,454	26,327	76.5
Number of wireless Internet (WiFi) hot-spots	3,998	4,203	(4.9)
Number of personnel (head-counts) at the end of period	3,060	3,332	(8.2)
Number of full time employees at the end of the period	2,713	2,981	(9.0)

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

Breakdown of TEO Group revenue

	October - December		Change (%)	January – December		Change (%)
	2009	2008		2009	2008	
Voice telephony services	109,130	124,873	(12.6)	461,180	508,510	(9.3)
Internet and data communication services	66,517	69,038	(3.7)	275,339	256,662	7.3
TV services	7,937	5,353	48.3	27,598	16,457	67.7
IT services	7,621	5,371	41.9	24,866	21,282	16.8
Other services	6,716	5,538	21.3	26,568	23,356	13.8
Total	197,921	210,173	(5.8)	815,551	826,267	(1.3)

Revenue

The total consolidated TEO Group's revenue for the twelve months of 2009 was LTL 816 million, a decline by 1.3 per cent over the total revenue of LTL 826 million for the twelve months of 2008. The total revenue for October-December 2009 was LTL 198 million, a decrease by 5.8 per cent over the total revenue of LTL 210 million for the same period a year ago.

Difference of LTL 2,894 thousand in total revenue for the fourth quarter of 2008 reported now and a year ago is due to movement of the total amount of fines for termination of agreements from financial income to revenue from other services at the end of 2008. Revenue for each quarter was corrected accordingly while reporting results for the year 2009.

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

Share of revenue from voice telephony services from total amount of revenue amounted to 56.5 per cent, Internet and data communications services – 33.8 per cent, television services – 3.4 per cent, IT services – 3 per cent and other services – 3.3 per cent of total revenue for the twelve months of 2009.

From January 2009 value-added tax (VAT) was increased in Lithuania from 18 to 19 and from September – 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. In 2009, such compensation cost TEO almost LTL 10 million.

Revenue from voice telephony services went down due to lower traffic volume and decreased number of telephone lines in service. The main decrease was in the business customer segment and this is a reflection of the current economic situation in the country.

During October-December 2009, the total number of main telephone lines in service decreased by 9.3 thousand lines while over the whole year by 45.9 thousand lines. Over the year 34.7 thousand of new telephone lines were installed while 80.6 thousand were disconnected.

Lower number of voice telephony service users resulted in a decline of revenue from subscription fees in 2009 by 6 per cent compared with a year ago.

In May 2009, residential customers were offered an improved flat fee payment plans and that in spite of the decreased number of telephone lines resulted in increased traffic volumes. During 2009 traffic generated by residential customers increased by 1.3 per cent, while traffic volume of business customers decreased by 18.2 per cent compared to 2008. As a result, over the year revenue from traffic charges went down by 18.2 per cent.

In 2009, revenue from network interconnection services went down by 1.2 per cent due to lower international transit and national interconnection prices. National network interconnection tariffs were reduced in August

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

2008. From 1 January 2010 prices for calls termination in the fixed networks during peak hours were further reduced from 6 cents to 5.42 cents (excluding VAT) and during off-peak hours from 3.6 cents to 2.79 cents (excluding VAT) per minute.

According to the Report of the Communications Regulatory Authority (CRA) for the third quarter of 2009, TEO retained its market share of the fixed-line telephony market in terms of customers (93.6 per cent) and in terms of revenue (94.6 per cent). In terms of revenue TEO share in network interconnection market increased and amounted to 20.3 per cent.

In 2009, the Company accelerated shift from Internet access over copper lines using DSL technology to Internet over fiber using FTTH (Fiber to the home) and FTTB (Fiber to the building) technologies. By the end of 2009 almost 20 per cent of the total number of TEO broadband Internet access users had fibre optic access.

During the year the number of FTTH connections increased 3.5 times to 50.9 thousand and the number of FTTB connections increased by 25.2 per cent to 11.6 thousand while the number of copper DSL connections used by retail customers went down by 8.9 per cent.

At the end of 2009, out of total 313.4 thousand broadband connections, 226.5 thousand are copper DSL connections sold to retail customers, 62.8 thousand are fiber optic connections, 22.5 thousand are wireless connections via WiFi network and 1.6 thousand DSL connections are the ones sold to wholesale customers. During October-December 2009, the number of broadband Internet access users increased by 5.9 thousand, while over the full year by 15.4 thousand.

Compared with 2008, revenue from Internet services in 2009 went up by 6.5 per cent and revenue from data communication services by 8.5 per cent. Slowdown in growth of revenue from Internet and data communication services is caused by zero growth in business customers segment.

According to the CRA Report, the Company's market share of the total Internet providers market in terms of revenue during the third quarter of 2009 amounted to 40.8 per cent while share on broadband Internet access using fixed connection market was 50.3 per cent. On 30 September 2009 the penetration of broadband Internet using fixed connection per 100 residents of Lithuania was 18.6 per cent. In terms of revenue TEO had 62.4 per cent of leased lines and 69 per cent of data communications markets.

The number of television services users continued to grow and by the end of 2009 it exceeded 100 thousand. Over January-December 2009 the number of digital terrestrial television (DVB-T) service users increased by 76.5 per cent to 46.5 thousand while number of IPTV service users increased by 38.6 per cent to 55.9 thousand. In total, during 2009 the Company attracted 35.7 thousand of new television services users, an increase by 53.5 per cent.

According to the Company's estimations, TEO market share of the total pay-TV services market in terms of customers at the end of September 2009 amounted to 15.8 per cent.

Revenue from IT services was mainly generated by the Company's subsidiary UAB Baltic Data Center that provides data center and information system management services.

TEO Group revenue from other services consists 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.

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

In 2009, 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.

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Other income, that consist of interest income from bonds, in 2009 was slightly higher (by 1.3 per cent) than in 2008. Other gain (loss) from sale of property, investments and etc. during the year decreased by 39.4 per cent.

Operating expenses

In 2009, the Company continued its strict cost control policy and as a result total operating expenses of the Group were by 0.1 per cent lower than total operating expenses a year ago.

Employee-related expenses decreased by 2.9 per cent. Over the year the total number of employees (headcount) in TEO Group went down by 272 from 3,332 to 3,060: in the parent company, TEO, the number of employees decreased by 152, in Lintel – by 110, in Kompetencijos Ugdymo Centras – by 19, in Baltic Data Center by 6. In terms of full-time employees, the total number of employees in TEO Group over the year went down by 268.

Interconnection expenses went down by 4.4 per cent due to the decrease of prices for calls termination in Lithuanian mobile networks from 1 January 2009.

Other expenses increased by 5.6 per cent due to growth of television and IT businesses. Increased number of television services users resulted in higher payments to TV content providers, costs of customer end equipment and higher expenses for DVB-T broadcasting.

Due to economic situation in the country the Company's bad debt provisions increased somewhat in 2009 but TEO uses prevention tools and keeps this process under strict control.

Earnings

EBITDA for the twelve months of 2009 decreased by 3.1 per cent to LTL 338 million over LTL 349 million for the twelve months of 2008. EBITDA margin was 41.5 per cent (42.2 per cent in 2008).

Depreciation and amortisation charges decreased by 14.9 per cent and in 2009 amounted to 17.4 per cent of total revenue (20.2 a year ago). As a result operating profit was by 7.6 per cent higher than a year ago and operating profit margin increased from 22.1 per cent a year ago to 24 per cent.

Net financial income in 2009 went down by 74.1 per cent due to lower interest rates and lower interest income on cash and cash equivalents, as well as the Company's policy to mitigate foreign currency risk.

Profit before income tax for the twelve months of 2009 was up by 4.4 per cent and amounted to LTL 198 million (LTL 190 million a year ago).

From 1 January 2009 profit tax rate in Lithuania was increased from 15 to 20 per cent and from 1 January 2010 it was reduced back to 15 per cent. At the end of 2009, the Company recalculated its deferred profit tax liability due to change of tax rate. Also, following amendments to the Law on Corporate Profit Tax regarding tax relief for investments in new technologies, accounted profit tax relief of LTL 13 million in the balance sheet as current income tax receivable.

Profit for the period amounted to LTL 169 million, an increase by 5.7 per cent over LTL 160 million a year ago. Over the year, the profit margin increased from 19.4 per cent to 20.7 per cent.

Balance sheet and cash flow

During 2009 total assets of TEO Group decreased by 2.7 per cent due to payment of dividends, and depreciation and amortisation of assets.

Over the year non-current assets decreased by 1.4 per cent and current assets by 4.7 per cent. In May, dividends of LTL 179 million for the year 2008 were paid to the shareholders of TEO.

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As of 31 December 2009, total non-current assets of TEO Group amounted to 61.4 per cent and current assets to 38.6 per cent of the total assets. Cash, held-to-maturity investments and loans to banks amounted to LTL 307 million or 26.7 per cent of the total assets.

Dividends paid for the year 2008 (LTL 179 million) a bit exceeded net profit earned (LTL 169 million) during 2009, therefore shareholders' equity eased by 0.7 per cent and amounted to 89.2 per cent of the total assets.

According to the provisions of the Law of the Republic of Lithuania on Companies, dividends should be paid from retained earnings of the Parent company of the Group. As of 31 December 2009 retained earnings of TEO LT, AB amounted to LTL 168 million or LTL 0.217 per share.

From 1 January 2010 dividends paid to legal entities (residents and non-residents) will be subject to reduced withholding Corporate income tax of 15 per cent. Dividends paid to natural persons (residents and non-residents) will be subject to unchanged withholding Personal income tax of 20 per cent but residents of Lithuania will not be charged a Compulsory Health Insurance tax of 6 per cent as it was in 2009.

At the end of 2009 total amount of borrowings representing mainly financial liabilities related to financial leasing of premises amounted to LTL 6.2 million. Net debt was negative and amounted to LTL 301 million. The net debt-to-equity ratio was negative and amounted to 29.3 per cent.

Net cash flow from operating activities in 2009 was by 7.1 per cent lower than net cash from operating activities a year ago.

LTL 43.4 million of cash spent in 2009 for capital investments were payments for investments made in 2008 and LTL 26 million of capital investments made in 2009 will be paid in 2010.

During October-December 2009 capital investments amounted to LTL 43 million and during the full year to LTL 117 million (LTL 180 million in 2008).

Majority of capital investments (85.3 per cent or LTL 100 million) went to expansion of core network and development of next generation fibre optical access network. Remaining part was invested into upgrading of IT systems (LTL 11 million), the renovation of technological buildings (LTL 6 million) and transport.

In November 2009, the Company's subsidiary UAB Baltic Data Center acquired one of the leading web-hosting service providers in Lithuania, UAB Interdata, which has a subsidiary, UAB Hosting.

Financial activities mainly consist of dividend payment. Dividends paid to the shareholders in 2009 for the year 2008 amounted to LTL 179 million while dividends for the year 2007 paid in 2008 amounted to LTL 194 million.

Due to lower than in previous year capital investments and dividends paid to shareholders cash and cash equivalents during 2009 increased by LTL 32 million.

Share capital and shareholders

The share capital of the Company remains unchanged since 1997 and amounts to 814,912,760 Litass. 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.

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As of 31 December 2010, 30,516,660 ordinary shares of the Company (3.74% of the total share capital) were represented by 3,051,666 GDRs. During October-December 2009 net amount of 54,760 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 quoted on the Main Market of 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.

Shareholders of TEO LT, AB as on 31 December 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	68.08
TeliaSonera AB (publ) (a), Stureplan 8, Stockholm, SE-106 63, Sweden, code 556103-4249	39,895,616	4.90	5.14	68.08
East Capital Asset Management AB, Kungsgatan 33, Stockholm, SE-111 93, Sweden, code 556564-5370	39,810,116	4.89	5.12	-
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	3,799,753	0.47	0.49	-
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	204,001,747	25.03	26.26	-
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.

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Information about trading in TEO shares on NASDAQ OMX Vilnius stock exchange in January–December 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	1.83	1.51	181,713,919	274,700,970

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

Opening price (USD)	Lowest price (USD)	Highest price (USD)	Last price (USD)	Average price (USD)	Turnover (units)	Turnover (USD)
4.68	4.14	8.61	7.60	5.83	0	0

TEO market capitalisation as of 31 December 2009 was LTL 1,491.3 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 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, in 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.

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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 East Capital Baltic Fund (Sweden) and East Capital Eastern European Fund (Sweden), 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.

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 at the price of the offer 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.

On 19 October 2009, the Supreme Administrative Court of Lithuania decided to uphold its previous decision on the validity of the detailed plan of the TEO administrative building on Lvovo street, Vilnius. The court's judgment in the case, where the decision of the Council of Vilnius City Municipality regarding the approval of the detailed plan and the inspection statement of the territory planning document of the Vilnius County Governor's Administration was appealed, is final and not subject to appeal. Examining the case, the court did not determine any violations of the detailed plan or its approval procedures. During the case examination the construction works of the administrative building were not carried out.

In November, TEO subsidiary Baltic Data Center acquired 100 per cent stake in UAB Interdata, one of the leading providers of web hosting services in Lithuania. UAB Interdata has a subsidiary UAB Hosting.

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 December 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	-

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

Ove Alm	Member of the Board	TeliaSonera AB Business Area Broadband Services (Sweden), Head of Network	-
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 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 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 and lector; 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; UAB Interdata, a subsidiary of UAB Baltic Data Center, member of the Board	-
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.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	October - December		January - December	
		2009	2008	2009	2008
Revenue		197,921	210,173	815,551	826,267
Other income		603	2,843	8,085	7,980
Employee-related expenses		(53,134)	(54,124)	(178,029)	(183,382)
Interconnection expenses		(27,358)	(29,315)	(114,663)	(119,997)
Other operating expenses		(59,465)	(54,345)	(194,009)	(183,697)
Depreciation, amortisation and impairment of fixed assets	2	(34,587)	(38,974)	(142,040)	(166,833)
Other gain/ (loss) - net		191	143	1,152	1,900
Operating profit		24,171	36,401	196,047	182,238
Finance income		637	1,738	2,909	7,557
Finance costs		1,263	(46)	(1,026)	(295)
Finance income/ costs - net		1,900	1,692	1,883	7,262
Profit before income tax		26,071	38,093	197,930	189,500
Income tax	8	8,759	(7,661)	(28,858)	(29,592)
Profit for the year		34,830	30,432	169,072	159,908
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the year		34,830	30,432	169,072	159,908
Earnings per share for profit attributable to the equity holders of the Company (expressed in Litas per share)	9	0.045	0.039	0.218	0.206

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

CONSOLIDATED BALANCE SHEET

	Note	31 December 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	2	651,712	669,413
Intangible assets	2	37,076	41,792
Investment property	3	10,794	-
Trade and other receivables		7,343	5,563
		706,925	716,768
Current assets			
Inventories		5,528	8,888
Trade and other receivables		111,230	118,682
Current income tax receivable		19,792	3,159
Held-to-maturity investments		100,561	111,866
Loans to banks		24,738	60,429
Cash and cash equivalents		181,943	149,898
Assets held for sale	5	-	12,933
		443,792	465,855
Total assets		1,150,717	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		250,222	259,818
Total equity		1,026,634	1,036,230
LIABILITIES			
Non-current liabilities			
Borrowings		5,121	5,972
Deferred tax liabilities		6,551	5,757
Grants		560	1,361
Deferred revenue and accrued liabilities		3,828	1,605
		16,060	14,695
Current liabilities			
Trade, other payables and accrued liabilities		100,854	129,268
Current income tax liabilities		277	-
Borrowings		1,042	836
Provisions	7	5,850	1,594
		108,023	131,698
Total liabilities		124,083	146,393
Total equity and liabilities		1,150,717	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
Other movements	-	-	-	(53)	(53)
Net profit	-	-	-	159,908	159,908
Total comprehensive income for the 2008	-	-	-	129,476	129,476
Dividends paid for 2007	-	-	-	(194,204)	(194,204)
Balance at 31 December 2008	814,913	(120,000)	81,499	259,818	1,036,230
Balance at 1 January 2009	814,913	(120,000)	81,499	259,818	1,036,230
Net profit	-	-	-	169,072	169,072
Total comprehensive income for the 2009	-	-	-	169,072	169,072
Dividends paid for 2008	-	-	-	(178,668)	(178,668)
Balance at 31 December 2009	814,913	(120,000)	81,499	250,222	1,026,634

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

CONSOLIDATED CASH FLOW STATEMENT

	January - December	
	2009	2008
Operating activities		
Profit for the year	169,072	159,908
Income tax	28,858	29,592
Depreciation, amortisation and impairment charge	142,040	166,833
Other gains and losses	(1,152)	(1,900)
Write-off of property, plant and equipment and intangible assets	1,278	108
Interest income	(10,994)	(15,495)
Interest expenses	301	289
Other non-cash transactions	652	-
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	3,361	(3,865)
Trade and other receivables	6,448	(8,505)
Trade, other payables and accrued liabilities	(4,402)	12,655
Cash generated from operations	335,462	339,620
Interest paid	(301)	(289)
Interest received	2,909	7,515
Tax paid	(44,397)	(30,882)
Net cash from operating activities	293,673	315,964
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(134,791)	(175,964)
Proceeds from disposal of PPE and intangible assets	1,319	1,633
Acquisition of held-to-maturity investments, amounts loaned to banks	(434,356)	(575,001)
Disposal of held-to-maturity investments, repayment of amounts loaned to banks	489,028	527,417
Disposal of trading investments	-	35,411
Acquisition of subsidiaries	(3,262)	(16,078)
Disposal of assets held for sale and shares	-	2,175
Net cash used in investing activities	(82,062)	(200,407)
Financing activities		
Repayment of borrowings	(898)	(805)
Dividends paid to shareholders of the Company	(178,668)	(194,204)
Net cash used in financing activities	(179,566)	(195,009)
Increase (decrease) in cash and cash equivalents	32,045	(79,452)
Movement in cash and cash equivalents		
At the beginning of the year	149,898	229,350
Increase (decrease) in cash and cash equivalents	32,045	(79,452)
At the end of the year	181,943	149,898

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

2 Property, plant and equipment and intangible assets

	Property, plant and equipments	Intangible assets
Year ended 31 December 2008		
Opening net book amount as at 31 December 2007	657,962	29,643
Additions	173,091	7,322
Acquisition of subsidiaries	1,138	17,843
Disposals and retirements	733	10
Reclassification	(8,199)	(19)
Depreciation and amortisation charge	153,846	12,987
Closing net book amount as at 31 December 2008	669,413	41,792
Year ended 31 December 2009		
Opening net book amount as at 31 December 2008	669,413	41,792
Additions	113,596	3,840
Acquisition of subsidiaries	656	2,538
Disposals and retirements	1,515	3
Reclassification	429	82
Depreciation and amortisation charge	130,867	11,173
Closing net book amount as at 31 December 2009	651,712	37,076

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

3 Investment property

As at 31 December 2009 the Group as investment property accounted construction in progress, which was reclassified from assets held for sale. (See also Note 5)

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 December 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. In November 2009 subsidiary acquired a 100% stake in UAB Interdata, a webhosting service provider. UAB Interdata owns a 100% stake in UAB Hosting.
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

As at 31 December 2009 no assets held for sale were accounted by the Group.

As at 31 December 2008 the Group accounted as assets held for sale one building and construction in progress. Assets held for sale also included group of passenger cars.

In 2009, the above mentioned building was moved to property, plant and equipment. Construction in progress was reclassified into investment property.

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.

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

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 December 2009.

7 Provisions

The Group and the Company established a provision for restructuring costs as of 31 December 2009. Provisions as of 31 December 2008 were fully utilised during 2009.

8 Income tax

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%). Profit tax rate at 20% was adopted by Lithuanian Parliament at 22 December of 2008.

As of 2009 January 1 amendments to Law on Corporate Profit Tax came into effect which provide tax relief for investments in new technologies. As a result the Company's calculated profit tax relief amounts to LTL 13 million.

Deferred profit tax is calculated at a rate of 15%, which was newly adopted by Lithuanian Parliament at 28 December of 2009 and is valid from 1 January 2010.

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 31 December 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 31 December 2008 was the same – 776,818.

	January–December	
	2009	2008
Net profit	169,072	159,908
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	0.218	0.206

10 Dividends per share

A dividend that relates to the period to 31 December 2008 that amounts to 178 668 thousands Litas or 0.23 Litas per ordinary share was paid in May 2009 (2008: 194,204 thousands Litas or 0.25 Litas per share).

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

11 Related party transactions

The Group is controlled by TeliaSonera AB (publ) which directly owns 4.90% 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 64.90% 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–December	
	2009	2008
Sales of telecommunication and other services	44,386	55,416
Total sales of telecommunication and other services	44,386	55,416
Purchases of assets	10	1,115
Purchases of services	31,502	44,783
Total purchases of assets and services	31,512	45,898

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

	As at 31 December	
	2009	2008
Receivables from related parties	2,397	3,817
Accrued revenue from related parties	2,528	1,628
Total receivables and accrued revenue from related parties	4,925	5,445
Payables to related parties	987	1,946
Accrued expenses to related parties	183	628
Total payables and accrued expenses to related parties	1,170	2,574

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 twelve months period ended 31 December 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 blue ink signature of Arūnas Šikšta, consisting of several overlapping loops and a long vertical stroke.

Arūnas Šikšta,
General Manager

A blue ink signature of Giedrius Vegys, appearing as a series of connected, fluid loops.

Giedrius Vegys,
Chief Financial Officer

Vilnius, 9 February 2010