

TEO LT, AB

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

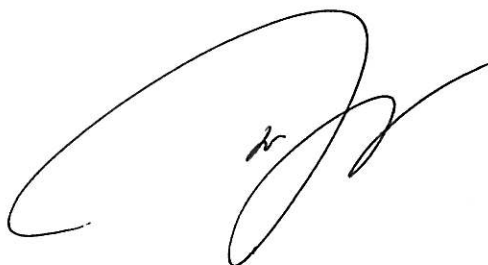
17-04-2008 No. 02- ~~145~~

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Nerijus Ivanauskas, Chief Marketing Officer and Deputy General Manager, and Acting General Manager of TEO LT, AB, and Jan-Erik Elsėrius, Chief Financial Officer and Deputy General Manager of TEO LT, AB, hereby confirm that, to the best of our knowledge, the attached not audited TEO LT, AB Interim Consolidated Financial Statements for the first three months of 2008, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of TEO LT, AB and the Group of undertakings.

ENCLOSURE: TEO LT, AB Interim Consolidated Financial Statements of for the first three months of 2008 (16 pages)

Chief Marketing Officer and
Deputy General Manager,
and Acting General Manager

A handwritten signature in black ink, appearing to be 'Nerijus Ivanauskas', written in a cursive style.

Nerijus Ivanauskas

Chief Financial Officer and
Deputy General Manager

A handwritten signature in blue ink, appearing to be 'Jan-Erik Elsėrius', written in a cursive style.

Jan-Erik Elsėrius

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TEO LT, AB

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST THREE MONTHS OF 2008

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

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

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

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

TEO Group financial statements for the first three months of 2008 are not audited. TEO Group financial statements for the year ended 31 December 2007 are audited by external auditors.

CONSOLIDATED BALANCE SHEET OF TEO GROUP (LTL thousand)

ASSETS	2008-03-31	2007-12-31
Non-current assets		
Property, plant and equipment	635,532	657,962
Intangible assets	44,812	29,643
Trade and other receivables	2,578	3,166
	682,922	690,771
Current assets		
Inventories	3,751	4,943
Trade and other receivables	120,102	121,691
Current income tax receivable	3,783	5,749
Held-to-maturity investments	141,376	116,726
Trading investments	-	34,561
Cash and cash equivalents	252,026	229,350
Assets held for sale	1,765	1,851
	522,803	514,871
TOTAL ASSETS	1,205,725	1,205,642

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

EQUITY	2008-03-31	2007-12-31
Shareholders' equity		
Share capital	814,913	814,913
Treasury shares	(120,000)	(120,000)
Legal reserve	81,499	81,499
Retained earnings	339,400	294,167
	1,115,812	1,070,579
Minority interest	-	-
Total equity	1,115,812	1,070,579
LIABILITIES		
Non-current liabilities		
Borrowings	6,603	6,809
Deferred tax liabilities	7,883	9,530
Grants	2,115	2,768
Deferred revenue	1,837	1,900
	18,438	21,007
Current liabilities		
Trade, other payables and accrued liabilities	69,258	112,047
Current income tax liabilities	1,043	104
Borrowings	812	805
Provisions	362	1,100
	71,475	114,056
Total liabilities	89,913	135,063
TOTAL EQUITY AND LIABILITIES	1,205,725	1,205,642

CONSOLIDATED INCOME STATEMENT OF TEO GROUP (LTL thousand)

	January – March 2008	January – March 2007
Revenue	206,803	185,805
Other income	2,108	1,130
Employee related expenses	(40,910)	(36,265)
Interconnection expenses	(30,576)	(25,896)
Other operating expenses	(44,227)	(38,990)
Depreciation, amortisation and impairment charge	(43,406)	(42,439)
Other gain (loss), net	1,226	401
Operating profit	51,018	43,746
Finance income	2,707	2,648
Finance costs	(409)	(144)
Finance income (costs), net	2,298	2,504
Profit before income tax	53,316	46,250
Income tax	(8,083)	(8,372)
Profit for the period from continuing operations	45,233	37,878
Discontinued operations:		
Profit for the period from discontinued operations	-	2
Profit for the period	45,233	37,880
Attributable to:		
Equity holders of the Company	45,233	37,880
Minority interest	-	-
	45,233	37,880
Earnings per share for profit attributable to the equity holders of the Company (in litas)	0.06	0.05

CONSOLIDATED CASH FLOW STATEMENT OF TEO GROUP (LTL thousand)

	January – March 2008	January – March 2007
Operating activities		
Profit for the period from continuing operations	45,233	37,878
Adjustments for:		
Income tax	8,083	8,372
Depreciation, amortisation and impairment charge	43,406	42,439
Elimination of gain and losses	(1,226)	(401)
Interest income	(4,017)	(3,549)
Interest expenses	73	85
Other non cash transactions	52	108
Changes in working capital:		
Inventories	1,273	(47)
Trade and other receivables	(1,162)	(3,191)
Trade, other payables and accrued liabilities	(10,781)	(25,268)
Cash generated from operations	80,934	56,426
Interest paid	(73)	(96)
Interest received	1,909	3,761
Tax paid	(6,825)	(12,091)
Net cash from operating activities	75,945	48,000

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

Investing activities	January – March 2008	January – March 2007
Purchase of property, plant and equipment (PPE) and intangible assets	(51,296)	(24,975)
Proceeds from disposal of PPE, intangible assets, assets held for sale	719	2,106
Acquisition/disposal of held-to-maturity investments, net	(22,551)	(49,507)
Acquisition/disposal of trading investments, net	35,411	-
Acquisition of subsidiaries	(16,078)	-
Disposal of subsidiaries	725	989
Loan repaid	-	150,000
Net cash from investing activities	(53,070)	78,613
Financing activities		
Repayment of borrowings	(199)	(203)
Net cash from financing activities	(199)	(203)
Increase (decrease) in cash and cash equivalents	22,676	126,410
Movement in cash and cash equivalents		
At start of the period	229,350	232,581
Increase (decrease) during the period	22,676	126,410
At end of the period	252,026	358,991

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

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share Capital	Treasury Shares	Legal reserves	Translation differences	Retained earnings		
Balance at 1 January 2007	814,913	(120,000)	81,499	(1)	333,301	-	1,109,712
Net profit	-	-	-	-	37,880	-	37,880
Currency translation differences	-	-	-	9	-	-	9
Balance at 31 March 2007	814,913	(120,000)	81,499	8	371,181	-	1,147,601
Balance at 1 January 2008	814,913	(120,000)	81,499	-	294,167	-	1,070,579
Net profit	-	-	-	-	45,233	-	45,233
Currency translation differences	-	-	-	-	-	-	-
Balance at 31 March 2008	814,913	(120,000)	81,499	-	339,400	-	1,115,812

EXPLANATORY LETTER

TEO Group is the largest Lithuanian broadband Internet access and voice telephony services operator, providing integrated telecommunication, IT and TV services to residents and business.

The authorized share capital of TEO LT, AB is 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.

Shares of TEO LT, AB are listed on the Baltic Main List of the Vilnius Stock Exchange (VSE) (trading code: TEO1L).

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

As on 31 March 2008, 35,462,880 ordinary shares of the Company (4.35% of the total share capital) were represented by 3,546,288 GDRs.

The Company's GDRs are traded on the London Stock Exchange (LSE) (trading code: TEOL).

As on 31 March 2008, the total number of TEO LT, AB shareholders was 14,846. The number of shareholders on the day of the last Annual General Meeting of Shareholders, which was held on 26 April 2007, was 12,827.

Shareholders of TEO LT, AB as on 31 March 2008:

Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)	Number of ordinary registered shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)	Share of votes held together with persons acting in concert (%)
Amber Teleholding A/S (a), c/o „TeliaSonera Danmark A/S“, Holmbladsgade 139, DK-2300 Copenhagen S, Denmark, code 20758694	488,947,656	60.00	62.94	-
TEO LT, AB, Savanorių pr. 28, LT-03501 Vilnius, Lithuania, code 121215434 (Treasury stocks)	38,095,242 (b)	4.67	-	-
State of Lithuania (d)	11,741,143 (c)	1.44	1.51	-
Other shareholders	276,128,719	33.89	35.55	-
Total:	814 912 760	100.00	100.00	-

NOTE: (a) Amber Teleholding A/S is a fully owned subsidiary of Swedish TeliaSonera AB.
 (b) 12,698,412 ordinary registered shares and 2,539,683 Global Depository Receipts.
 (c) The State Property Fund (11,378,513 shares) and the State Tax Authorities (362,630 shares).

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

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

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

As on 31 March 2008, TEO Group consisted of the parent company, TEO LT, AB, (Savanorių ave. 28, LT-03501 Vilnius, www.teo.lt) and its daughter companies:

Name of the company	Activities of the company	Legal address	TEO part in the share capital of the company (%)	Part of TEO votes (%)
UAB Lintel	Information, telemarketing and remote customer care services	J. Galvydžio str. 7/Žygio str. 97, LT-08222 Vilnius, www.lintel.lt	100	100
UAB Baltic Data Center	Data center and information system management services	Žirmūnų str. 141, LT-09128 Vilnius, www.bdc.lt	100	100
UAB Nacionalinė Skaitmeninė Televizija	Re-broadcasting of TV channels through DVB-T networks	Savanorių pr. 125, LT-44146 Kaunas	100	100
UAB Kompetencijos Ugdymo Centras	Training and consultancy	Palangos str. 4, LT-01117 Vilnius, www.kuc.lt	100	100
UAB Voicecom	NMT-450 network	Savanorių ave. 28, LT-03501 Vilnius	100	100
VšĮ TEO Sportas	Women's basketball team	Savanorių ave. 28, LT-03116 Vilnius, www.teobasket.lt	--(a)	100

NOTE: (a) TEO is the sole founder and owner of a non-profit organisation VšĮ TEO Sportas.

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

On 3 January 2008, TEO acquired 100 per cent stake in UAB Nacionaline Skaitmenine Televizija, which has two licenses for re-broadcasting of television channels through digital terrestrial television (DVB-T) networks. TEO Group started provision of digital terrestrial television services in March 2008.

TEO LT, AB, the parent company of the Group, offers to residential and business customers in Lithuania voice telephony, Internet, digital television, IT, data communication and telecommunications networks interconnection services. TEO also operates an Internet portal www.zebra.lt.

UAB Lintel is the largest, in terms of business volumes, and the most modern, in terms of technologies and management, Call Center service provider in Lithuania. It handles around 16 million contacts per year. For residential customers Lintel provides Directory Inquiry Service 118 and consultations to computer users by phone 1518 as well as telemarketing and remote customer care services to business customers. Till September 2007 UAB Lintel held 4.67 per cent of treasury stocks of the Company.

UAB Baltic Data Center is a leading provider of data center and information system management services in the Baltic States. Baltic Data Center provides professional data centre, computer workstation and business management system support and development services. UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA, which is a dormant company.

UAB Voicecom has the permission to use the national network of mobile analogue cellular radio communication of the NMT-450 standard. Permission is prolonged until 31 October 2008.

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

VšĮ TEO Sportas supports TEO women basketball team, a multiple champion of Lithuania and the Baltic States. In 2007 TEO Sportas handed over operations of fitness center ZEBRA SPORT at P. Lukšio str. 34 in Vilnius to UAB Griunvaldas.

TEO Group accounting

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

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

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

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

Key figures of TEO Group

Financial figures	January – March 2008	January – March 2007	Change (%)
Revenue (LTL thousand)	206,803	185,805	11.3
EBITDA (LTL thousand)	94,424	86,185	9.6
EBITDA margin (%)	45.7	46.4	
Operating profit (LTL thousand)	51,018	43,746	16.6
Operating profit margin (%)	24.7	23.5	
Profit before income tax (LTL thousand)	53,316	46,250	15.3
Profit for the period (LTL thousand)	45,233	37,880	19.4
Profit for the period margin (%)	21.9	20.4	
Earnings per share (LTL)	0.06	0.05	19.4
Number of shares excluding treasury stocks (thousand)	776,818	776,818	-
Financial ratios	2008-03-31	2007-03-31	
Return on capital employed (a) (%)	18.8	15.2	
Return on average assets (a) (%)	16.2	13.3	
Return on shareholders' equity (a) (%)	15.9	12.5	
Gearing ratio (%)	-34.6	-41.4	
Debt to equity ratio (%)	0.7	0.7	
Current ratio (%)	731.5	739.2	
Rate of turnover of assets (a) (%)	68.6	60.7	
Equity to assets ratio (%)	92.5	91.3	

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

Revenue

The total consolidated TEO Group's revenue in January-March of 2008 was LTL 207 million, an increase by 11.3 per cent over the total revenue of LTL 186 million in the first three months of 2007.

During the first three months of 2008, share of revenue from traditional voice telephony services in the total amount of revenue continued to shrink and amounted to 63.4 per cent of total revenue, while share of Internet and data communications revenue continued to grow and amounted to 29.3 per cent. Revenue from IT services amounted to 3.1 per cent, television services – 1.5 per cent and other services – 2.7 per cent of total revenue.

Breakdown of TEO Group revenue (LTL thousand)

	January – March 2008	January – March 2007	Change (%)
Voice telephony services	131,115	129,615	1.2
Internet and data communication services	60,670	48,597	24.8
IT services	6,430	2,755	133.4
TV services	3,074	1,073	186.5
Other services	5,514	3,765	46.5
Total	206,803	185,805	11.3

Increase in revenue from voice telephony during January-March of 2008 compared with revenue for the same period in 2007, was due to increase in revenue from subscription fees by 4.2 per cent, value-added services – by 8 per cent and network interconnection services – by 14.9 per cent. And that increase fully off-set a decline in revenue from traffic charges and wholesales services by 10.7 and 18.5 per cent, respectively.

During January–March 2008, the total number of main telephone lines in service decreased by 10.3 thousand lines because from February 2008 the Company terminated provision of temporary disconnected telephone line with incoming calls service. Therefore the number of active lines increased by almost 42 thousand. In total, during the first three months of 2008 there were installed 13.2 thousand new telephone lines while 23.5 thousand lines were disconnected.

The main indicators of TEO Group activities

	2008-03-31	2007-03-31	Change (%)
Number of fixed lines in service	778,634	788,266	(1.2)
Digitalisation rate (%)	93.9	93.9	-
Number of broadband Internet connections (DSL, LAN, FTTH, WiFi)	270,112	201,526	34.0
Number of wireless Internet (WiFi) access points	3,425	842	306.8
Number of IP TV customers	23,067	9,083	154.0
Number of DVB-T customers	1,612	-	
Number of IT services to small and medium-size business customers	717	110	551.8
Number of personnel at the end of period	3,212	3,192	0.6

Total call traffic in the first three months of 2008, compared to the first three months of 2007, declined by 2.8 per cent, but compared to the last three months of 2007, it increased by 4.2 per cent. This was caused by an increase in residential customers' traffic due to marketing campaigns in February and public holidays in March. Traffic generated by business customers continued to go down due to competition with other operators.

In March the Company improved its *Universalusis (Universal)* payment plan for residential customers. For the monthly fee of 50 litas, residential customers could make unlimited calls within TEO network all over Lithuania at any time of the day. For retired persons and persons belonging to certain groups of socially disadvantaged people, the monthly fee for the *Universalusis* payment plan is 35 litas. Previously, subscribers to this payment plan were given 4 hours of free calls during the peak time and 30 hours during off-peak time within TEO network.

According to the Report of the Communications Regulatory Authority (CRA) for the fourth quarter of 2007, TEO market share of the fixed-line telephony market in terms of customers amounted to 93.8 per cent and in terms of revenue – to 95.3 per cent. In terms of revenue TEO had 19.5 per cent of the networks' interconnection market.

During January–March of 2008, the number of broadband Internet access users increased by more than 11 thousand. Out of total 270 thousand broadband connections, 237 thousand are DSL connections sold to retail customers, 20.3 thousand are wireless connections via the WiFi network, 6.6 thousand – via local area networks (LAN), 3.8 thousand – via the new-generation fiber-optic network (FTTH) and 2.3 thousand DSL connections are the connections sold to wholesales customers.

Compared with the first three months of 2007, revenue from Internet broadband access services for the first three months of 2008 went up by 26.9 per cent, while revenue from dial-up Internet services went down by 48.3 per cent as the number of dial-up Internet service users over the year decreased almost two times from 8.3 thousand to 4.4 thousand. Revenue from data communication and network capacity sale services increased by 22.7 and 33.9 per cent, respectively.

According to the CRA Report, the Company's market share of the total Internet providers market in terms of revenue during the fourth quarter of 2007 amounted to 43 per cent while share on broadband Internet access market was 50.5 per cent. On 31 March 2007 Internet broadband penetration per 100 residents of Lithuania was 15.1 per cent. In terms of revenue TEO had 54.9 per cent of leased lines and 51.7 per cent of data communications markets.

In March 2008, TEO Group started provision of digital terrestrial television service *Skaitmeninė GALA (Digital GALA)*, which will enable using the highest-quality television services almost in the whole of Lithuania. The new service's users will have the possibility to watch 33 popular TV channels broadcasted through digital terrestrial (DVB-T) television transmitters. At the end of 2007 DVB-T transmitter networks were installed in the five biggest cities of Lithuania and digital terrestrial television channels were available to 76 per cent of residents. The monthly fee for *Digital GALA* is 29 litas, but TEO customers who order service till the end of May, will use it for free for one year.

At the end of March 2008 there were 1,612 subscribers of digital terrestrial television service *Digital GALA*. During January–March 2008, the number of IP TV service *Interaktyvioji GALA (Interactive GALA)*, previously called just GALA, increased by 5.6 thousand and at the end of March amounted to 23 thousand.

During the first three months of 2008 the Company implemented a few special telecommunications projects by order of governmental institutions and increased its revenue from other services by LTL 1.3 million. Revenue from other services consists also of the following non-telecommunication services: lease of premises, Contact Center services of UAB Lintel, consultancy and training services of UAB Kompetencijos Ugdymo Centras, fitness center services operated by TEO Sportas till June 2007.

Other income, that consist of interest income from bonds acquired, for January–March of 2007 increased by 86.5 per cent over the other income a year ago. Other gain (loss) from sale of property, investments and etc. increased by 205.7 per cent.

Operating expenses

Total operating expenses of the Group for the first three months of 2007 were by 14.4 per cent higher than total operating expenses a year ago. All major groups of expenses increased: employee related expenses increased by 12.8 per cent, interconnection expenses by 18.1 per cent and other expenses by 13.4 per cent.

During January–March 2008 the total number of employees (headcount) in TEO Group went up from 3,177 to 3,212: in Lintel and Baltic Data Center the number of employees increased by 43 and 28 respectively, in Kompetencijos Ugdymo Centras – by 2, but in the parent company, TEO, the number of employees decreased by 38.

Earnings

In spite of a higher increase in total operating expenses than in total revenue, EBITDA for the first three months of 2007 went up by 9.6 per cent to LTL 94 million over LTL 86 million in the first three months of 2007. But EBITDA margin went down to 45.7 per cent from 46.4 per cent in 2007.

Due to higher investments in 2007, depreciation and amortisation charges stopped to go down and even increased by 2.3 per cent and in January–March of 2008 amounted to 21 per cent of total revenue (22.8 a year ago). Nevertheless, operating profit was 16.6 per cent higher than a year ago and operating profit margin was 24.7 per cent (23.5 per cent a year ago).

Net financial income in January–March of 2007 was by 8.2 per cent lower than year ago due to lower market rates in 2008.

Profit before income tax in the first three months of 2008 was up by 15.3 per cent and amounted to LTL 53 million (LTL 46 million a year ago). Profit for the period amounted to LTL 45 million, an increase by 19.4 per cent over LTL 38 million a year ago. Over the year, the profit margin went up from 20.4 per cent to 21.9 per cent.

The result of discontinued operations – LTL 2 thousand – implies the result of OOO Comliet-Kaliningrad activities from the beginning of 2007 till the company was sold in February 2007.

Balance sheet and cash flow

During January–March 2008 the total assets of TEO Group remained unchanged. Due to depreciation, non-current tangible assets decreased by 3.4 per cent, while non-current intangible assets increased by 51.2 per cent due to acquisition of TV channels re-broadcasting licences (acquisition of UAB Nacionalinė Skaitmeninė Televizija). Total non-current assets amounted to 56.6 per cent of the total assets. Current assets increased by 1.5 per cent and amounted to 43.4 per cent of the total assets, whereof cash and held-to-maturity investments alone represented 32.6 per cent of the total assets.

Shareholders' equity increased by 4.2 per cent and amounted to 92.5 per cent of the total assets. The Board of the Company proposed to the Annual General Meeting of Shareholders that will be held on 29 April 2008 to pay dividend of LTL 0.25 per share (in total LTL 194 million) for the year 2007. Dividend per share for the year 2006 amounted to LTL 0.26.

At the end of March 2008 the total amount of borrowings included only financial liabilities related to financial leasing of premises and amounted to LTL 7.4 million. Net debt was negative and amounted to LTL 386 million. The net debt to equity ratio was negative and amounted to 34.6 per cent.

Net cash flow from operating activities in the first three months of 2008 was by 58.2 per cent higher than net cash from operating activities a year ago. The major portion (LTL 33.4 million) of cash spent during January–March of 2008 for capital investments was payments for investments made in 2007. During the first three months of 2008 an amount of LTL 17.9 million was allocated for capital investments. Majority of

cash was invested into the network (73.8 per cent), 13.9 per cent – into upgrading of buildings (namely, renovation of customer care centers), 11.7 per cent – into IT, and 0.6 per cent were other investments.

Cash and cash equivalents during the first three months of 2008 increased by LTL 23 million.

In February 2007, TEO sold its 100 per cent stake in its dormant subsidiary OOO Comliet-Kaliningrad which was acquired in January 2006 from the then subsidiary UAB Comliet (95 per cent) and UAB Comliet Sprendimai (5 per cent).

On 3 January 2008, TEO LT, AB completed transaction on acquisition of 100 per cent stake in UAB Nacionalinė Skaitmeninė Televizija. UAB Nacionalinė Skaitmeninė Televizija, a company that was spun off during reorganization from UAB Mikrovisatos TV, has two licenses for re-broadcasting of television channels through digital terrestrial television (DVB-T) networks. A share sales-purchase agreement on acquisition of UAB Nacionalinė Skaitmeninė Televizija was signed on 29 October 2007. TEO got the permissions from the Competition Council and the Radio and Television Commission of Lithuania for acquisition of UAB Nacionalinė Skaitmeninė Televizija.

Other material information

Gert Tiivas, a member of the Board and Audit Committee, will resign from the Board as of 28 April 2008.

On 13 March 2008 the TEO Board decided to convoke the Annual General Meeting of TEO LT, AB shareholders on 29 April 2008 and proposed to pay a dividend of LTL 0.25 per share.

In 2007, due to unforeseen legal problems, i.e. due to temporary suspension by the court of the detailed plan approved by the Municipality of Vilnius City of a land plot at Lvovo str. 21A, the construction of TEO building was not started in planned time and due to such delay, the damage likely to be incurred by TEO is LTL 12 million (i.e. due to an increase in construction prices, additional costs for lease of the current premises, and etc.). In order to claim compensation for this damage, TEO started a civil action against the person, who initiated the suspension of the detailed plan, and the court applied temporary measures to ensure an injunction - arrested the property of the above mentioned person.

Following the order of the Communications Regulatory Authority of the Republic of Lithuania of 31 January 2008 on prices for calls initiation, calls termination, national and international transit services on the public telephone network of TEO LT, AB at a fixed location that had to come into force on 1 April 2008, the Company would have had to revise its interconnection prices and that might have had a negative impact on the Company's revenue from voice telephony services. The Company made an appeal to the court regarding this order and the order's coming into effect was suspended.