



2008

Annual Report



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I. RISK FACTORS

The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the possible events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. This Annual Report contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Annual Report.

This Annual Report should be read in conjunction with the accompanying pro forma unaudited consolidated financial statements of Bité for the three months and year ended December 31, 2008, and should also be read in conjunction with the audited financial statements and consolidated financial statements of Bité Finance International B.V.

References to “we”, “us”, “our” or “Bité ” refer to, collectively, UAB Bité Lietuva (Bité Lithuania) and its subsidiary SIA Bité Latvija (Bité Latvia).

References to “the Issuer” refer to Bité Finance International B.V. (Bité Finance International).

References to „FinCo“ refer to SIA EECF Bella FinCo.

References to „SPV“ refer to UAB EECF Bella SPV.

References to “Group” refer to Bité Finance International B.V. consolidated group.

References to “the Fund” refer to Emerging Europe Convergence Fund II L.P.

Risks Relating to Our Business

We operate in a competitive environment and competition may negatively impact our market share.

We operate in a competitive environment and we expect competition in our industry to continue and possibly increase in the future. Our principal competitors are Omnitel and Tele2 in Lithuania and LMT and Tele2 in Latvia. Some of our competitors may have greater financial, personnel, technical, marketing and other resources than we do. In addition, the competitive nature of our market may be exacerbated by new mobile telecommunications licenses which may be granted in the future. There can be no assurance that we will be able to maintain our current market share, nor can there be any assurance that the costs associated with maintaining our market share in the face of competition from the other market participants will not have an adverse effect on our results of operations. Any significant increase in competitive pressures within our industry could have a material adverse effect on our business, financial condition and results of operations.

If we cannot match the product offering, services or prices of our competitors, we may lose market share. If we are forced to lower our prices to match the prices of our competitors, we may experience decreasing profit margins and EBITDA. In summary, competition in our business could lead to continued price erosion for our products and services, loss of existing or prospective customers and greater difficulty in retaining existing customers, and increased pressure on our profit margins and EBITDA, preventing us from maintaining or improving our current level of operational profitability and cash flows.

Furthermore, the possible entry of a discount-based Mobile Virtual Network Operator (“MVNO”) into the Lithuanian and Latvian markets may intensify competition, which may lead to increased price pressure and a further reduction of our market share. A MVNO is a service provider that rents airtime from network operators at wholesale prices in order to provide mobile telecommunications services.

There can be no assurance that competition associated with the introduction of additional competitors will not adversely affect our financial condition and results of operations.

We are dependent on our telecommunication licenses, permits and authorizations, and the failure to maintain or renew valid telecommunication licenses, permits and authorizations would adversely affect our business.

The terms of our licenses, permits and authorizations are subject to finite terms, ongoing review and/or periodic renewal and, in some cases, are subject to modification or early termination or may require renewal with the applicable government authorities.

In Lithuania, we were granted, among other licenses, a DCS-1800 license by the Ministry of Communications and Informatics, which expired on September 23, 2008. This license was replaced by a DCS-1800 permit granted to us on January 3, 2007 by the Communications Regulatory Authority and will be valid until October 31, 2017. We also have a GSM-900 permit that is valid until October 31, 2017. We were also granted a UMTS permit in February 2006 valid for 20



years and a permit to use E-GSM frequencies valid until October 31, 2017. In Latvia, we were granted a DCS-1800, E-GSM and UMTS permits on June 29, 2005 which are valid until June 28, 2020. Our authorization to use radiofrequency bands in Latvia is valid until June 28, 2020.

If we were for any reason to lose or be unable to maintain or renew our permits and authorizations, or unable to comply with their terms, our business, financial condition and results of operations would be materially adversely affected. There can be no assurance that any application for the renewal of our licenses, permits and authorizations will be successful. In addition, we may not be successful in obtaining any new permit for new technology relating to mobile telecommunications. In the event that we are unable to maintain or renew our permits or authorizations or obtain a new license for any technology that is important for the provision of our service offerings in the future, we could be forced to discontinue use of that technology and our financial condition and results of operations could be materially adversely affected.

Our business is subject to extensive regulation, and changes in laws, regulations or governmental policy affecting our business activities could adversely affect our results of operations.

Telecommunications businesses are subject to governmental regulation regarding licensing, competition, frequency allocation and costs and arrangements pertaining to interconnection and leased lines. In addition, we must comply with an extensive range of regulatory requirements in our operations and the provision of our services. If we fail to comply with our regulatory obligations, the ultimate sanction is the suspension of our right to provide mobile telecommunications services, which would prevent us from carrying on all or a substantial portion of our business. Changes in laws, regulations or governmental policy affecting our business activities could materially adversely affect our financial condition, results of operations and cash flows. Examples of such changes include the revisions to call and/or SMS interconnection rates and to the methods of calculating call duration, the imposition of new policies and regulations governing electronic trade and content services, including UMTS content services and the adoption of new or amended regulations affecting international roaming services. In relation to mobile services at the wholesale termination level, price control measures were imposed in Lithuania on us as on each of the three SMP mobile operators effective January 2009 and additional measures are expected to be imposed in the middle of 2009, whereas for call termination, prices shall not exceed the ceilings as approved by the CRA on the basis of bottom up forward-looking LRAIC (which may include a reasonable return on investment) by more than 20 %. In addition, it is possible for the regulator to force us to allow MVNOs on our network at terms that are unfavorable to us.

In addition, local regulators in Lithuania and Latvia have significant latitude in the administration, interpretation issuance and renewal of telecommunications licenses. The actions taken by these regulators in the administration and interpretation of these licenses may also be influenced by local political and economic pressures. Decisions by regulators, including decisions to amend or revoke any existing licenses, could adversely affect our financial condition, results of operations and cash flows. Any restrictions imposed upon such licenses may limit our ability to use such licenses commercially, which could have a material effect on us.

In addition, our business is also subject to EU regulation, and proposed EU regulations with respect to use and sharing of spectrum, if adopted, could affect our business and competitive position.

The telecommunications industry is being significantly affected by rapid technological change and we may not be able to effectively anticipate or react to these changes.

The telecommunication industry is characterized by rapid technological changes, including an increasing pace of change in existing mobile systems, industry standards and ongoing improvements in the capacity and quality of technology. As new technologies develop, our equipment and infrastructure may need to be replaced or upgraded, or our networks may need to be rebuilt in whole or in part in order to sustain our competitive position as a market leader. Continuing technological advances, ongoing improvements in the capacity and quality of digital technology and short development cycles also contribute to the need for continual upgrading and development of our equipment, technology and operations. As a result, we cannot assure you that existing, proposed or as yet undeveloped technologies will not become dominant in the future and render the technologies we use less profitable or that we will be successful in responding in a timely and cost-effective way to keep up with new developments. To respond successfully to technology advances, we may require substantial capital expenditures and access to related or enabling technologies in order to integrate the new technology into our business. If we are not successful in modifying our network infrastructure in a timely and cost-effective manner to facilitate such integration, our quality of services, business, financial condition and results of operations could be materially adversely affected.



We are dependent on third party telecommunications providers over which we have no direct control for the provision of interconnection and roaming services.

Our ability to provide high quality mobile telecommunications services depends on our ability to interconnect with the telecommunications networks and services of other mobile and fixed-line operators. We also rely on other telecommunications operators for the provision of international roaming services for our subscribers. While we have interconnection and international roaming agreements in place with other telecommunications operators, we have no direct control over the quality of their networks and the interconnections and international roaming services they provide. Any difficulties or delays in interconnecting with other networks and services, or the failure of any operator we contract with to provide reliable interconnection or roaming services to us on a consistent basis could result in a decrease in traffic and damage customer satisfaction, which could adversely affect our business, financial condition and results of operations.

If we are unable to maintain our relationships with our equipment providers, or enter into new relationships, our business will be adversely affected.

We have relationships with a number of key vendors for mobile network equipment and software. Our ability to grow our subscriber base depends in part on our ability to source adequate supplies of network equipment on a timely basis and our ability to source adequate supplies of mobile handsets, software and content on a timely basis. Once a provider of telecommunications equipment has designed and installed its equipment into a system, the operator of the system will often be reliant on such equipment provider for continued service and supply until and unless alternative arrangements are made with other manufacturers. We have entered into equipment supply agreements with key suppliers such as Ericsson and an IP network infrastructure agreement with Cisco. Our continued cooperation with such providers is important for us in order to maintain our operations without disruption.

We do not have direct operational or financial control over our key equipment suppliers and have limited influence with respect to the manner in which these key suppliers conduct their business. Our reliance on these equipment suppliers subjects us to risks resulting from any delays in the delivery of their services. We cannot assure you that our equipment suppliers will continue to provide equipment and services to us at attractive prices or that we will be able to obtain such equipment and services in the future from these or other providers on the scale and within the time frames we require, if at all. If our key suppliers are unable to provide us with adequate equipment on a timely basis, it could negatively impact our ability to attract subscribers or offer attractive products and services, which could negatively impact our business, financial condition and results of operations.

We depend on third parties to market and distribute a significant portion of our mobile products and services. If we fail to maintain or further develop our distribution channels, our ability to sustain and further grow our subscriber base could be materially adversely affected.

We sell our mobile telecommunications services to subscribers through exclusive distributors (except for one) as well as through our Bité - owned shops in Lithuania and Latvia and a dedicated sales force focused on the corporate sector. The distributors that we rely upon to distribute our products are not under our direct control and may stop distributing our products at any time. Should this occur with one or more of our important distributors, we may face difficulty in finding new distributors that can provide the same level of sales. In addition, distributors, retailers and sales agencies that also distribute competing products and services may more actively promote the products and services of our competitors to our detriment. Any difficulties in maintaining or further developing our distribution channels, may affect our ability to sustain and further grow our subscriber base, which could adversely affect our business, financial condition and results of operations.

We may not be able to adequately protect our intellectual property, which could harm the value of our brand and branded products and adversely affect our business.

We depend on our brands and branded products and believe that they are important to our business. We rely primarily on trademarks and similar intellectual property rights to protect our brands and branded products. The success of our business depends on our continued ability to use our existing trademarks in order to increase brand awareness and further develop our branded products in our markets. We have registered or are in the process of registering with the Lithuanian and Latvian authorities our trademarks and their respective logos, as well as domain names which we use in our business. Some of our trademarks and domain names have not yet been registered with the Lithuanian or Latvian authorities. We also grant license agreements regarding our registered trademarks, including license agreements with our various dealers and authorized vendors in our distribution channel, with our agents, content providers for the mobile market and with our subsidiary.



We may not be able to adequately protect our trademarks and similar intellectual property rights. Any material infringement on our intellectual property could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to stabilize our churn rates and ARPU which may adversely effect our business operations.

Churn in Latvia continued to decrease from 58% in 2007 to the level of 50% for postpaid customers during 2008, but it is significantly higher than in Lithuania at 17% in 2008. We may not be able to realize a reduction in churn to bring Latvian churn broadly in line with our Lithuanian business. This high level of churn in Latvia can be detrimental to our business as it could erode our revenue base. While we believe that our own enhanced product offerings and innovative services will stabilize our churn rates and ARPU. Although recent churn has started to stabilize, we cannot assure you that our churn rates in either Latvia or Lithuania will not increase further or that our ARPU will not decline further in the future and any such increase or decline may adversely affect our business operations.

We may not be able to obtain additional financing necessary to fund our capital expenditure program, including the continued build-out of our network.

We made capital expenditures of approximately EUR 181 million in Lithuania and Latvia over the last five years, most of which was for the development and roll out of our networks. Our ability to increase our subscriber base depends upon the success of the expansion, upgrade and maintenance of our network and upon our ability to obtain sufficient financing to facilitate these plans. We are currently expanding our network, operations and services, all of which will require significant capital expenditures. The build-out of our network is subject to risks and uncertainties which could delay the introduction of service in some areas and increase the cost of network construction. We may need to seek future funding through additional borrowings or other financing, in order to meet specified network build-out requirements. To the extent we fail to expand our network on a timely basis, or to obtain sufficient financing to expand our network, we could experience difficulty in expanding our subscriber base.

Our Latvian subsidiary may not be able to grow a critical mass of customers to be cash flow positive.

We commenced our operations in Latvia in September 2005. We began to provide mobile communications services in Latvia by offering prepaid cards on September 15, 2005. We launched our postpaid residential plans in November 2005 and our services for business customers in September 2006. In 2008 our service revenue grew 63% driven by an increase in the customer base of 48%. Despite this, in the future if Bite was unable to grow our customer base further we may be unable to become cash flow positive, which could adversely affect our business, financial condition and results of operations.

Network equipment and systems may be vulnerable to natural disasters, security risks and other events that may disrupt our services and could affect our operations.

Our business depends on providing subscribers with reliable service, network capacity and security. The services we provide, however, may be subject to disruptions resulting from numerous factors, including fire, flood or other natural disasters, signal jamming, power outages, acts of terrorism and vandalism, equipment or system failures and breaches of network or information technology security. If any of these events were to occur, it could cause temporary service disruption which could result in subscriber dissatisfaction, regulatory penalties or reduced revenues. In addition, we are reliant on manufacturers of telecommunications equipment for continued maintenance service and supply, and continued cooperation on the part of these manufacturers is important for us to maintain our operations without disruption.

In the event we experience significant problems with our switches, base stations, base station controllers, network backbone, other system hardware or software or with the manufacturers on whom we rely, including problems outside our control, it could result in temporary service interruptions or quality of service problems. Any temporary interruption of services or extended problems with the quality of service could harm our business reputation and reduce the confidence of our subscribers in us and could consequently impair our ability to obtain and retain subscribers and could lead to a violation of the terms of our licenses, each of which could adversely affect our business.

Our network is dependent upon equipment located at our Vilnius headquarters.

We are reliant on certain equipment, such as switches, which reside at our Vilnius headquarters. If we were not able to operate this equipment due to a natural disaster or other calamity affecting our headquarters, our network would be inoperable until we were able to restore operations or establish an alternate back-up site. Failure to provide services to our customers for an extended period of time would have a material adverse effect on our business and reputation.

The interests of our principal shareholder may conflict with your interests.

Currently, a private equity investment fund Mid Europa Partners LLP indirectly owns all the equity of the Issuer. Our principal shareholder exercises significant indirect control over the management and day-to-day operations of our company, as well as playing an important role in all strategic decisions. The interests of our principal shareholder could conflict with your interests, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholder could also have an interest in pursuing acquisitions, divestitures, dividends, financings or other transactions that, in its judgment, could enhance its equity investment, although such transactions might involve risks to you as a holder of Notes.

We may incur fraud and bad debt expenses which could be detrimental to our business in the future.

We have experienced relatively high levels of customer fraud and bad debt in previous years, particularly in Latvia. During 2008, we have significantly improved the situation which has resulted in increased profitability and cash flow. However our ability to screen applicants for creditworthiness is limited due to the lack of common credit history database, particularly in Latvia. Our screening processes, advance payment schemes and gradual restrictions on access to our services in the event of non-payment may not be effective in limiting bad debt exposure. In addition, we do not know how the the current global financial crisis, which has hit Latvia more seriously than most other EU member countries, will affect our customers' ability to pay their bills on time and we may not be able to reduce bad debt on a going forward basis.

Consequently, we may have a significant number of customers that are unable to pay their bills on time. We have also been subjected to other types of fraud, including refilling, whereby incoming international calls are reclassified as local calls and hence attract a lower interconnection rate and other technological fraud schemes to circumvent legitimate interconnection fees.

We may not be able to attract and retain key personnel.

Our success in implementing our business plan and our growth strategy depends upon the continued contributions of certain of our key management and technical personnel. There can be no assurance that we will continue to attract and retain the qualified personnel needed for our business.

Competition for key personnel in the telecommunications industry is intense, and there is limited availability of individuals with the requisite knowledge of the telecommunications industry and relevant experience in Lithuania and Latvia. We may not be able to successfully recruit, train or retain the necessary qualified personnel in the future. Our failure to manage our personnel needs successfully could have a material adverse effect on our business, financial condition and results of operations.

Tax relief under the Investment Agreement may be considered state aid.

Tax benefits under the Investment Agreement dated August 23, 2001 between the Ministry of Finance of the Republic of Lithuania ("MoF") and TDC Mobile International A/S may be considered state aid, which is subject to restrictions imposed by the EU Treaty's provisions on state aid (Articles 87 and 88 of the Treaty Establishing the European Community, as amended). Should the European Commission find that tax benefits granted to Bité Lithuania (as a state aid measure) are not compatible with the common market, the benefits granted to Bité Lithuania in the form of tax relief (EUR 872,000 as of October 31, 2006) may have to be repaid. In addition to repayment of these benefits, Bité Lithuania may be liable for payment of interest payable for the period when the aid was at the disposal of Bité Lithuania. In addition, the Investment Agreement may not allow for this, rendering the further application of the tax relief questionable. Furthermore, in the event we fail to fulfill the conditions of the Investment Agreement, the MoF may terminate the Investment Agreement. Further, our relationship with the Lithuanian tax regulators could be affected by our failure to fulfill these conditions or other factors.

Risks Relating to the Countries in Which We Operate

Emerging markets may be subject to greater risks than more developed markets.

Investors in emerging markets such as Lithuania and Latvia should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. In addition, adverse political or economic developments in other countries in Central and Eastern Europe could have a significant negative impact on, among other things, Lithuania and Latvia's GDP, foreign trade and the economy in general. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

Investors should also note that emerging markets are subject to rapid change and the information contained in this Annual Report may quickly become outdated.

There are political and economic uncertainties facing Lithuania and Latvia.

In each of the six general elections since the independence of Lithuania in 1990, a majority of the electorate has voted against the incumbent government. Between elections, governments have often proved ineffective and short-lived, owing to the fragmentation of the political landscape, the impact of personal rivalries, corruption scandals and the costs of instability in a context of broad policy consensus.

In October 2008 a four-party coalition government took office. The government raised taxes and cut wages by 12% at the beginning of the 2009 to reduce the budget deficit as borrowing became difficult. The changes spurred street protests and riots on January 16, 2009. The budget revenue is faltering further as Lithuanian economy faces its worst recession since declaring independence in 1990. After the forthcoming election of a president in May 2009 the government will have to resign and the new president will call parliament to approve the resigned or a new prime minister, and entrust him with a formation of a new government. The deepening recession and large number of parties within the government poses a risk of political uncertainty.

The political risks in Latvia are similar to those in Lithuania. The October 2006 parliamentary election in Latvia resulted in only the first re-elected incumbent government since Latvia regained independence in 1991. The leading political party received less than 20% of the total vote. The widely spread vote has necessitated a coalition of several political parties. Facing the worst economic downturn since declaring independence Latvia's government raised taxes in January 2009 and fell in subsequent month. On March 12, 2009, Latvia's parliament approved a new government.

Political changes can have indirect effects on our business. Our primary governmental regulator in Latvia (the Public Utilities Commission) is appointed by the Latvian Parliament after recommendation from the Cabinet of Ministers. By the nature of its membership, the composition and agenda of the Public Utilities Commission is an inherently political process. Regulations we face from the Public Utilities Commission might change in unexpected, adverse ways that cannot be accurately predicted due to political changes in Latvia. In addition, certain activities related to the Company's business under certain circumstances requires the approval of more than one regulatory body in Latvia, potentially adding a level of complexity to the regulatory approval processes.

We operate in countries in which there are economic uncertainties. In Lithuania and Latvia, following the restoration of independence in 1991, their respective national governments pursued programs of economic reform aimed at the promotion of market-based economies through privatization of state enterprises and deregulation of the economy. Successive governments have pursued a policy of free capital movement, stable taxation and reducing not only restrictions on ownership but also subsidies and protectionist customs duties. After years of sustainable growth, Lithuania's and Latvia's economies followed the global financial crisis and fell sharply in the fourth quarter 2008.

Latvia received from a group led by the IMF a EUR 7.5 billion-(\$9.6 billion) bailout after its economy contracted 10.3% in the fourth quarter and it took over its second-biggest bank. The bailout agreement stipulated that the budget deficit be limited to 5% of GDP.

Lithuania's economy contracted on an annual basis by 2% in the fourth quarter 2008 as domestic demand weakened after banks cut lending because of the global financial crisis. The European Commission said on February 25, 2009, that further budget cuts may be needed to cushion the economy's decline: "Lithuania is facing a severe contraction in domestic demand following years of above-potential economic growth. The deepening global financial crisis and weakening external demand contribute to aggravating the contraction of the economy." Any deeper economic downturn or another tax increase in either Lithuania or Latvia would have a material adverse effect on our business.

There is a currency risk in Latvia and Lithuania.

Since February 2, 2002, the Litas has been pegged to the Euro at LTL 3.4528 = 1.0 EUR, which is the official exchange rate of the Bank of Lithuania. Since January 1, 2005, the Lat has been pegged to the Euro at LVL 0.7028 = 1.0 EUR, which is the official exchange rate of the Bank of Latvia. There is no guarantee that these exchange rates will be maintained. Significant current account deficits exist in both Latvia and Lithuania. These current account deficits create an external pressure on each national currency board to change the fixed rate of exchange between the local currency and the Euro.

Should either currency board devalue the local currency versus the Euro, our ability to meet our repayment obligations on the Notes would be adversely affected.

On February 24, 2009, Latvia's credit rating was lowered one level to BB+ from BBB- with a negative outlook by Standard & Poor's Ratings Group, Inc ("S&P"), the second European Union nation to receive such a grade, because of a "worsening external outlook" triggered by the global financial crisis. "A failure to maintain budget controls could delay the disbursement of international funds to Latvia, and lead to renewed pressure on Latvia's currency," Fitch Ratings said on February 24, 2009. In case of a currency crisis in Latvia there might be contagion effects and pressure against the Litas. Lithuania's rating was lowered by S&P to BBB with negative outlook on March 24, 2009. The downgrade will raise borrowing costs for Lithuanian government.

The fixed exchange-rate policies in the two countries are under "heavy pressure," and will keep their trade deficits inflated. Devaluation in Litas or Lat could have a material adverse effect on our business.

Risks relating to the Notes

The Issuer's significant leverage may make it difficult for the Issuer to service its debt, including the Notes, and operate our businesses.

At December 31, 2008:

- the Group's consolidated debt was 312.5 m EUR; and
- the Group had 10.0 m EUR available for borrowing under the Revolving Credit Facility.

The Group's significant leverage could have important consequence for its creditors, including:

- making it more difficult for the Issuer to satisfy its obligations with respect to the Notes and its other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing the Group's vulnerability to economic downturns in our industry;
- exposing the Group to interest rate increases;
- placing the Group at a competitive disadvantage compared to its competitors that have less debt in relation to cash flow;
- limiting the Group's flexibility in planning for or reacting to changes in its business and its industry;
- restricting the Group from pursuing strategic acquisitions or exploiting certain business opportunities;
- limiting, among other things, the Group's ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings; and
- subjecting the Group to a greater risk of non-compliance with financial and other restrictive covenants in its debt facilities.

The Issuer may not have enough cash available to service its debt.

The Issuer's ability to make scheduled payments on the Notes and to meet its other debt service obligations including under the Revolving Credit Facility, or to refinance its debt, depends on our future operating and financial performance, which will be affected by our ability to implement successfully our business strategy as well as general economic, financial, competitive, regulatory, technical and other factors beyond our control. If we cannot generate sufficient cash to meet the Group's debt service requirements, we may, among other things, need to refinance all or a portion of the Group's debt, including the Notes, obtain additional financing, delay planned capital expenditure or sell material assets. If the Group is not able to refinance any of its debt, obtain additional financing or sell assets on commercially reasonable terms or at all, it may not be able to satisfy its obligations with respect to our debt, including the Notes. In that event, borrowings under other debt agreements or instruments that contain cross-default or cross-acceleration provisions may become payable on demand and the Group may not have sufficient funds to repay all of our debts, including the Notes.

Despite the Group's current significant leverage, it may be able to incur more debt in the future, which could further exacerbate the risks of the Group's leverage. This additional debt may be structurally senior or have a senior security interest with respect to the Notes.

The Group has incurred significant amounts of debt and may incur more debt in the future. The Revolving Credit Facility currently provides for commitments of up to EUR 30.0 million, undrawn amount at the end of 2008 was EUR 10.0 million.

All of the borrowings under the Revolving Credit Facility are senior obligations of FinCo and secured by the first priority pledge by the Issuer of its shares in Bité Lithuania and FinCo; a first priority assignment of the Issuer's interest in the Credit Support Agreement; and an assignment by FinCo of its interest in the intercompany loans. Such obligations are effectively

senior to the Notes to the extent of the assets securing such obligations. The Revolving Credit Facility and the Indentures governing the Notes limit the Group's ability to incur additional debt but do not prohibit it from doing so if it can satisfy certain tests set forth therein. Moreover, the Group is permitted to incur some additional debt without satisfying such tests. In certain circumstances, the Group may incur substantial additional indebtedness in the future that could mature prior to the Notes and which may be secured by Liens on our assets, which rank senior to the Liens securing the Notes.

The Issuer is completely dependent on receiving payments from other members of the Group to make payments on the Notes or meet its other obligations. Such other members may not be able to make such payments in some circumstances.

The Issuer is a holding company, with no revenue-generating operations of its own. As a result, in order to make payments on the Notes or meet its other obligations, the Issuer depends upon receiving payments from the borrowers under the intercompany loan. The intercompany loan may be amended in certain circumstances or may not be sufficient to allow the borrowers under the intercompany loan to make the necessary payments to the Issuer to permit them to satisfy their obligations. If the intercompany loan is not sufficient to allow the borrower thereunder to make such payments to the Issuer, the Issuer will need to rely on dividends or other distributions or share repurchases to satisfy its obligations under the Notes or we may have to refinance our indebtedness. There can be no assurance that we will be able to refinance our indebtedness and any failure to refinance our indebtedness in such circumstances could result in a default under the Notes.

The ability of other members of our Group to make payments to the Issuer depends upon their cash flows or earnings, which, in turn, will be affected by all of the factors discussed in these "Risk Factors". Furthermore, the Revolving Credit Facility contains, and debt that the Group may incur in the future may contain, covenants that restrict the ability of certain members of our Group to make distributions or other payments to creditors unless it satisfies certain financial tests or other criteria. As a result, although we may on a consolidated basis have sufficient resources to meet our obligations, the borrowers under the intercompany loan may not be able to make the necessary transfers to the Issuer to permit the Issuer to satisfy its obligations.

The insolvency laws of The Netherlands, Lithuania and Latvia may not be as favorable to holders of Notes as US insolvency laws or those of another jurisdiction with which you may be familiar.

The Issuer and the Guarantors are incorporated and have their centers of main interests under the laws of The Netherlands, Lithuania or Latvia. Accordingly, insolvency proceedings with respect to these companies may proceed under, and be governed by, Dutch, Lithuanian or Latvian insolvency law. The insolvency laws of these jurisdictions may not be as favorable to your interests as those of the United States or another jurisdiction with which you may be familiar. In the event that any one or more of the Issuer, the Guarantors or any other subsidiary thereof experience financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes and the Guarantees.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could void the Notes or subordinate the claims thereunder to other claims against the Issuer if it was determined that the Issuer:

- issued the Notes with actual intent to hinder, delay or defraud creditors or shareholders;
- received less than reasonably equivalent value or fair consideration for issuing the Notes, and, at the time thereof was insolvent or rendered insolvent by reason of issuing the Notes;
- was engaged or about to engage in a business or a transaction for which remaining assets available to carry on business constituted unreasonably small capital;
- intended to incur, or believed that the issuer would incur, debts beyond the ability to pay the debts as they mature; or
- was a defendant in an action for money damages, or had a judgment for money damages rendered against it if, in either case, after final judgment, the judgment is unsatisfied.

The measures of insolvency for the purposes of fraudulent transfer laws vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if, at the time it incurred the debt:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.



We cannot be sure as to what standard a court would apply in making a solvency determination. Regardless of the standard that the court uses, we cannot be sure that the issuance of the Notes would not be voided or subordinated to our other debt.

Transfer of the Notes are restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the US Securities Act or any US state securities laws. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The Notes and the Indentures contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the US Securities Act. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and resales of the Notes within the United States and other countries comply with applicable securities laws.

You may be unable to sell your Notes if a trading market for the Notes cannot be maintained.

The Notes have been admitted to the official list of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market. However, the Notes may not become or remain listed on that exchange or any other securities exchange. The liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for similar yielding securities, interest rates and our financial performance or prospects or in the prospects for companies in our industry generally. As a result, an active trading market for the Notes may not be maintained.

The covenants in the Revolving Credit Facility and the Notes and the instruments governing the Group's other debt may limit the Group's ability to operate our business.

The Revolving Credit Facility and the Indentures contain affirmative and negative covenants. The Revolving Credit Facility requires the Group to maintain a financial ratio and, together with the Indentures, contains other covenants restricting, among other things, the Group's ability to incur additional debt, sell assets, create liens or other encumbrances, make certain payments and dividends and merge or consolidate. Such restrictions could affect the ability of the Group to operate its business and may limit our ability to take advantage of potential business opportunities as they arise.

If the Group does not comply with the covenants and restrictions in the Revolving Credit Facility and the Indentures, the Group could be in default under those agreements, and the debt incurred under those agreements, together with accrued interest, could then be declared immediately due and payable. If the Group defaults under the Revolving Credit Facility or the Notes, the lenders under the Revolving Credit Facility and the holders of the Notes (subject to restrictions on enforcement rights) could cause all of the outstanding debt obligations thereunder to become due and payable, requiring the Group to apply all of its cash to repay the debt thereunder or prevent it from making debt service payments on its other debt. In addition, any default under the Revolving Credit Facility or the Notes could lead to an acceleration of debt under other debt instruments that contain cross acceleration or cross default provisions. If the debt under the Revolving Credit Facility or the Notes or other debt instruments is accelerated, we may not have sufficient assets to repay amounts due thereunder. The Group's ability to comply with these provisions of the Revolving Credit Facility, the Indentures and other agreements governing its other debt may be affected by changes in the economic or business conditions or other events beyond our control.

You may have difficulty enforcing your rights against the Issuer, the Guarantors and their directors and executive officers.

The Issuer is incorporated in The Netherlands and the Guarantors are incorporated in Lithuania or Latvia. The majority of the directors and executive officers of the Issuer and the Guarantors are non-residents of the United States. Although the Issuer and the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under US securities laws, you may be unable to effect service of process within the United States on its directors and executive officers. In addition, as all of its assets and substantially all of the assets of their directors and executive officers are located outside of the United States you may be unable to enforce against them judgments obtained in the US courts predicated upon civil liability provisions of the federal securities laws of the United States. In addition, our local counsels have informed us that it is questionable whether a Dutch, Lithuanian or Latvian court would accept jurisdiction and impose civil liability if proceedings were commenced in The Netherlands, Lithuania or Latvia predicated solely upon US federal securities laws.

The Issuer may not be able to repurchase the Notes upon a change of control.

Upon the occurrence of a change of control, the Issuer will be required to offer to repurchase all of the Notes in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. It may not have sufficient funds at the time of any such event to make the required repurchases. Additionally, a change of control would be a prepayment event under the Revolving Credit Facility.

In the event this results in an event of default thereunder, the lenders under the Revolving Credit Facility may accelerate the relevant debt, which could also cause an event of default under the Indentures.

The source of funds for any repurchase required as a result of any such event will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets, sales of equity or funds provided by subsidiaries. Sufficient funds may not be available at the time of any such events to make any required repurchases of the Notes tendered.

The Notes are currently held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes were issued in global certificated form and are currently held through Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, *societe anonyme* (“Clearstream”). Interests in the global notes will trade in book entry form only, and Notes in definitive registered form, or definitive registered Notes, may be issued in exchange for book entry interests only in very limited circumstances. Owners of book entry interests are not considered owners or holders of Notes. The common depository, or its nominee, for Euroclear and Clearstream is the sole registered holder of the global notes representing the Notes and has been entered as such in the register of Noteholders maintained by the Issuer at its registered office. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes are made to Deutsche Trustee Company Limited as Principal Paying Agent, which then makes payments to Euroclear and Clearstream. Thereafter, these payments are credited to participants’ accounts that hold book entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depository for Euroclear and Clearstream, we have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indentures.

Unlike the holders of the Notes themselves, owners of book entry interests do not have the direct right to act upon the Issuer’s solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book entry interest, you are permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indentures, unless and until definitive registered Notes are issued in respect of all book entry interests, if you own a book entry interest, you are restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

Your right to take enforcement action with respect to the Liens securing the Notes is limited in certain circumstances.

The Indentures and the Intercreditor Agreement contain provisions restricting the rights of holders of the Notes to take enforcement action with respect to the Liens securing such Notes in certain circumstances. These provisions generally provide that the Senior Secured Trustee and the agent for the creditors under the Revolving Credit Facility must generally engage in certain consultative processes for a period of up to 45 days before enforcing the Liens securing the Notes. In addition, disagreements between the holders of the Notes, or between the Senior Secured Trustee and the agent for the creditors under the Revolving Credit Facility, could limit or delay the ability of the holders of the Notes to enforce their Liens. Delays in the enforcement could decrease or eliminate recovery values. In addition, the holders of the Notes do not have any independent power to enforce, or have recourse to, any of the Note Security Documents or to exercise any rights or powers arising under the Note Security Documents except through the Security Agent as provided in the Intercreditor Agreement.

By accepting a Note, you are deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against the Group in the event of a default.



The value of the assets securing the Notes and the Guarantees may not be sufficient to satisfy our obligations under the Notes or the Guarantees.

The obligations of the Issuer with respect to the Notes, and the obligations of the Guarantors under the Guarantees, are secured by the Liens securing the Notes. However, a significant portion of our subsidiaries' assets do not serve as Collateral for the Notes. Currently, none of the assets of Bité Lithuania or Bité Latvia secure the Notes and we are unable to pledge, among other things, our licenses and permits. The assets underlying these Liens are also pledged on a priority basis for the benefit of the lenders under the Revolving Credit Facility.

They may also be pledged to secure other senior debt of the Issuer under certain circumstances including additional notes issued under the Indentures, the rights of holders of the Notes to the Collateral will be diluted by any increase in debt secured by the Collateral. The Indentures allow the Group to incur additional debt in the future that is secured by Super Priority Liens on our assets. In the event of an enforcement of the Liens in respect of the Notes, the proceeds from the sale of the assets securing the Notes may not be sufficient to satisfy the Issuer's obligations under the Notes or the obligations of the Guarantors under the Guarantees. The Intercreditor Agreement provides that, in the event of any distribution of the proceeds from the sale of any shared Collateral securing the Notes, the holders of the Super Priority Liens will be entitled to receive from such distribution payment in full in cash before the holders of the Liens securing the Notes will be entitled to receive any payment from such distribution with respect to the Notes or the Guarantees and the holders of the Liens securing the Senior Secured Notes will be entitled to receive payment in full in cash before holders of Liens securing the Senior Subordinated Notes will be entitled to receive any payment from such distributions with respect to the Senior Subordinated Notes or the Subordinated Note Guarantees.

The value of the Collateral and any amount to be received upon enforcement against the Collateral will depend upon many factors including, among others, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to sell the Collateral in an orderly sale, the availability of buyers, the condition of the Collateral, whether telecommunications licenses required to operate our networks would be available to a buyer of the Collateral, changes in the Lithuanian and Latvian telecommunications market and exchange rates. An appraisal of the Collateral has not been prepared in connection with the offering and sale of the Notes.

Given our competitive position in, and the nature of, the Lithuanian and Latvian wireless telecommunications markets, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of our assets in the event of an enforcement action. Each of these factors could reduce the likelihood of an enforcement action as well as reduce the amount of any proceeds in the event of an enforcement action.

Certain refinancings or reorganizations of our Group could pose various tax risks.

The Issuer is a holding company with no revenue-generating operations of its own and is therefore dependent on dividends from its subsidiaries or payments of interest or guarantee fees under the Credit Support Agreement in place between the Issuer and a third party intermediary bank, which are, in turn dependent on amounts payable under the FinCo Term Loan between the third party intermediary bank and FinCo which are, in turn dependent on certain intercompany loans between FinCo and the Issuer's other subsidiaries, for sufficient funds to service its interest payment obligations under the Notes. We estimate that the transfer of amounts through our structure will be sufficient to pay interest on the Notes. However, certain events could cause us to refinance, reorganize or restructure, or attempt to refinance, reorganize or restructure, the Group's existing intercompany arrangements. Such a refinancing, reorganization or restructuring may jeopardize the overall tax treatment of the Acquisition, which was structured to comply with legislation providing for tax exemptions and relief from transfer, capital gains and other taxes that would otherwise have been payable in connection with the Acquisition. The application of this legislation to the Acquisition may be challenged by the tax authorities if the Group is refinanced, reorganized or restructured without a valid commercial reason or if we are the subject of a tax audit. Any such challenge, if successful, would give rise to substantial tax liabilities for Guarantors (which are obligors under the intercompany loans or the FinCo Term Loans described above) and would reduce our cash available to make payments in respect of the Notes.

Payments under the Guarantees may be subject to withholding tax.

In general, payments under a guarantee by a Lithuanian or Latvian entity to a non-resident entity shall be subject to withholding tax to the extent such payments represent Lithuanian or Latvian sourced income. It is possible that the relevant tax authorities will seek to characterize payments made by the Guarantors as Lithuanian or Latvian sourced income. In such cases, the holders of Notes may seek a reduction of withholding tax under any applicable double taxation treaties between their countries of residence and Lithuania or Latvia, as applicable (one condition of relief under an applicable treaty will be



the provision of a certificate of tax residence by the recipient of payment). However, there can be no assurance that such relief will be available.

Double taxation treaty relief may not be available if a Lithuanian or Latvian sourced payment is made to a person other than the beneficial owner of the payment. As a result, payments under the Guarantees to the Trustees may be subject to withholding tax, and holders of the Notes may be unable to obtain a refund of the tax withheld. If payments made by the Guarantors are subject to any withholding tax as a result of which the holders of Notes may receive payments under the Notes that are reduced by the amount of such withholding, the Guarantors are obliged, subject to certain conditions, to increase payments as may be necessary so that the net payments received by the holders of the Notes will be equal to the amounts they would have received in the absence of such withholding.

It should be noted, however, that the tax gross-up provisions in the Indentures may not be enforceable under Lithuanian or Latvian law.

II. OUR BUSINESS

References to “we”, “us”, “our” or “Bité” refer to, collectively, UAB Bité Lietuva (Bité Lithuania) and its subsidiary Bité Latvija SIA (Bité Latvia).

Overview

We are a mobile operator in the Lithuanian and Latvian telecommunications markets. We are the second largest mobile operator in Lithuania in terms of revenues with a market share of approximately 29%. As of December 31, 2008, we had approximately 452,000 postpaid subscribers and approximately 507,000 prepaid subscribers in Lithuania. We have a start-up mobile operation in Latvia and, since we launched our operations in 2005, we have increased our subscriber base to approximately 58,000 postpaid subscribers and approximately 66,000 prepaid subscribers as of December 31, 2008. In both countries, we offer a wide range of mobile, internet access and data services for business and residential subscribers and have our own network infrastructure, including GSM and UMTS networks.

We began our operations in Lithuania in 1995. In 1997, we were the first mobile operator to offer prepaid services in Lithuania, which was one of the first such offerings in Central and Eastern Europe. In 2003, we were one of the first mobile operators in Central and Eastern Europe to offer EDGE based services. We were one of the first mobile operators in Europe to offer commercial 3.6 Mbps UMTS/HSDPA services which we launched in Lithuania in June 2006. Currently UMTS/HSDPA allows us to offer mobile broadband download speeds of up to 7.2 Mbps and upload up to 1.4 Mbps on our UMTS network.

In 2008, we generated 54% of our mobile revenue from postpaid and mobile data services, 17% from prepaid services including subscription charges, voice, roaming, data and SMS services. The remainder of our revenue was generated from inbound roaming services, sales of handsets, minutes sold to other service providers and interconnection revenues for calls made to the service providers' customers, as well as other activities such as the provision of VPN and direct internet. We provide a full range of mobile voice, data and internet services for the residential and business markets in Lithuania and in Latvia. We offer mobile internet access using our GSM and UMTS networks and also offer fixed internet access and MPLS VPN to business customers. We have a fully built out GSM network in Lithuania and are rapidly increasing network coverage in Latvia. As of the end of 2008, our GSM network covered an estimated 100% of the Lithuanian population and an estimated 100% of the Latvian population.

We market all of our postpaid mobile services in Lithuania and Latvia using the “Bité” brand name, one of the key brands in Lithuania. We market our prepaid mobile services using the “Labas” brand name in Lithuania and the “Toxic” brand name in Latvia, which was successfully replaced by the new prepaid brand “BiFri” in the first quarter of 2008. We offer services to residential and business subscribers through a variety of tariff plans and service packages to accommodate a wide range of subscriber demographics. We believe that we offer the widest range of data and content services in the Lithuanian and Latvian mobile markets.

On February 9, 2007, a wholly owned subsidiary of Mid Europa Partners acquired the Company from TDC for a total consideration of EUR 443 million.



For the year ended December 31, 2008, we had consolidated revenues and other income of EUR 218.5 million and consolidated EBITDA of EUR 36.4 million. On a stand alone basis and before intercompany eliminations, Bité Lithuania had EUR 206.2 million and EUR 52.1 million for revenues and other income and EBITDA, respectively; and Bité Latvia had EUR 23.1 million and negative EUR 15.5 million for revenues and EBITDA, respectively.

Our Strengths

We believe that we have a number of strengths that will allow continued growth in each market.

- **High quality, modern mobile network in Lithuania.** We believe that we currently enjoy a technology advantage in that we are the only operator to use Ericsson equipment which is one of two leading UMTS suppliers. In addition in Lithuania we currently operate in a two player market as only we and Omnitel is providing UMTS services. Our Vodafone partnership provides us with user devices that provide a superior user experience.
- **Growth potential in consumer segments.** In Lithuania, in both the postpaid and prepaid consumer segments we occupy a similar market position. We have the revenue market shares of 21.1 % in our postpaid consumer segment and 20.9 % in our prepaid consumer segment as of December 31, 2008. We have an ARPU per month of € 11.60 which we feel puts us in a strong position to growth market share in each segment. In Latvia, our relatively small market share allows us to some extent to grow from the normal churn from our larger competitors.
- **Powerful Brand Recognition.** Given the competitive brand positioning we believe there is enough space for us to build a strong brand that differentiates us from the competition. We have an extensive multichannel distribution network in Lithuania, serving our postpaid residential and business subscribers as well as our prepaid subscribers. Distribution to postpaid customers is conducted through 113 exclusive and 1 non-exclusive points-of-sale in Lithuania and 35 exclusive points-of-sale in Latvia. Distribution to prepaid subscribers is mainly conducted through more than 6,000 non-exclusive points-of-sale in Lithuania and approximately 1,000 in Latvia.
- **Strong Shareholder Support.** The Group's ultimate controlling parties are Emerging Europe Convergence Fund II L.P. (the Fund) and Bité Co-investment LP, each a Guernsey limited partnership whose ultimate general partner is EMP Europe (CI) Limited. The main activities of the Fund are making investments and owning, managing as well as supervising such investments. Mid Europa Partners LLP has been appointed as the investment manager to the Fund. Mid Europa Partners, is one of the leading private equity investment firms focused on Central and Eastern Europe with approximately Euro 3.2 billion of assets under management. Since 1999, the Mid Europa team has invested in twelve telecommunications businesses located in ten countries of Central and Eastern Europe.

Our Business Strategy

Our objective continues to be to maintain and build upon our position as a leading telecommunications operator in Lithuania and to grow our business in Latvia. At the group level we must continue to reduce our operating costs through simplification of our business processes. Capital expenditures as a percentage of revenue will be reduced as the 2G build is largely done in Latvia. UMTS related capital expenditures will be closely matched to the demand as to keep the distance between revenue and capital outlay optimized.

Lithuanian Strategy

- **Focus on customer retention.** With increasing penetration rates in Lithuania comes increased competition to retain existing customers as well as attract new customers. We believe we have a high value subscriber base and are focusing on reducing churn rates by developing a life-cycle approach to existing customer management introducing some new customer service experiences that will help to differentiate us from the competition.

- **Increase our mobile internet offerings.** Given the relatively low penetration of DSL and other terrestrial internet technologies, mobile broadband represents a good growth opportunity for us in the mid to long term. In order to position ourselves to best capture this opportunity we will aim to be the preferred supplier by leveraging our Vodafone partnership to offer easy to use devices with self-installing software, provide the best all around customer service experience and to keep download speeds in line with customer expectations.
- **Improve customer retention in our prepaid segment.** Despite seeing a reduction in the prepaid subscriber base this year, we maintain the highest ARPU in the market which positions us well in order to be able to grow the subscriber base and increase the revenue market share in this segment. Our growth strategy will be based on both reducing current churn rates through predictive churn modelling, while at the same time add new customers through better targeting and the introduction of a limited range of differentiating features. Lastly we'll build on our strong brand recognition through community building events and initiatives.
- **Continue to focus on controlling costs.** As the voice market in Lithuania matures we will look to reduce the cost to acquire customers by reducing effective commission rates and by reducing the average subsidy per gross addition. Since the number of customers we need to retain every year is growing, we will also take measures to reduce the cost per retaining each customer by reducing commissions and subsidy costs.

Latvian Strategy

- **Be the market leader in postpaid portings.** Given the relative high penetration rates in Latvia the majority of customers we aim to attract are existing customers of our competitors. The majority of postpaid customer that come from our competitors will bring their existing number with them from another operator, using the mobile number porting process.
- **Strengthen our new BiFri brand.** We successfully launched BiFri, our new prepaid brand in Latvia in April, 2008, attracting over 60,000 customers in a short period of time, building € 3.6 million in annualized revenue in year 2008. In order to continue to increase revenue associated with BiFri, we plan to launch initiatives to build the quality of the BiFri brand that has a good mix of standard and unique services but that offers good value as well. Lastly, we need to build a strong community where our target segment feels closely associated with the BiFri brand.
- **Build brand recognition.** We are a new entrant in Latvia and have already positioned ourselves as a credible alternative to the existing operators. We aim to achieve high levels of customer awareness across all segments and provide best-in-class service to our customers. We are also continuing to develop our customer facing capabilities, with approximately 1,000 non-exclusive prepaid points-of-sale, 34 exclusive postpaid dealers and one owned store.
- **Reduce the costs to acquiring new customers.** As acquisition costs represent a significant percentage of our overall costs, as we aim to grow our subscriber base we will look to reduce the costs of targeting and acquiring new customers. We aim to achieve this by testing alternative channels to market that have lower costs per gross customer acquisition and by reducing costs in current channels.

Our Key Operating Data

The following chart sets forth certain key operating data for our wholesale and retail businesses as at and for the years ended December 31, 2006, 2007 and 2008:



	Bité Lithuania			Bité Latvia			Bité Group		
	As at and for the year ended December 31,						2006	2007	2008
	2006	2007	2008	2006	2007	2008			
Key Operating Data:									
Subscribers (<i>in thousands</i>)									
Postpaid business (Retail)	208	232	235	2	7	14	210	239	250
Postpaid residential (Retail)	183	203	217	17	30	43	200	233	260
Postpaid (Wholesale)	49	68	69	3	3	6	52	72	74
Total postpaid subscribers	440	503	521	22	40	63	462	544	584
Prepaid (retail)	797	589	507	84	47	66	881	636	573
Prepaid (Wholesale)	107	38	58	8	3	2	115	41	60
Total prepaid subscribers	904	627	565	92	50	68	996	677	633
Total subscribers	1,344	1,130	1,086	114	90	131	1,458	1,221	1,217
.....									
Revenue Market Share (1)	30.5%	30.3%	29.3%						
Subscribers Market Share (1)	25.2%	20.8%	19.1%						
.....									
Postpaid ARPU ⁽²⁾ (€ retail per month)	21.60	20.93	20.87	14.75	20.08	21.50			
Prepaid ARPU ⁽²⁾ (€ retail per month)	3.19	4.26	5.33	1.26	2.27	3.36			
Blended ARPU⁽²⁾ (€ retail per month)	8.89	10.49	12.29	3.11	7.54	11.60			
Postpaid AMOU ⁽³⁾ (per retail subscriber per month)	339	333	321	228	192	221			
Prepaid AMOU ⁽³⁾ (per retail subscriber per month)	55	96	137	18	40	147			
Blended AMOU⁽³⁾ (per retail subscriber per month)	143	184	219	47	85	181			
Postpaid churn rate ⁽⁴⁾	16.2%	14.2%	17.1%	74.0%	57.9%	50.3%			
Prepaid churn rate ⁽⁴⁾	106.5%	105.2%	81.3%	201.0%	248.4%	130.0%			
Blended churn rate⁽⁴⁾	78.6%	71.2%	52.6%	183.5%	192.0%	93.8%			

(1) Subscriber market shares (overall and by segment) and revenue market shares are provided by the CRA quarterly in Lithuania. In Latvia, the regulator does not publish market statistics; therefore, there are no official market share statistics and no such data is provided herein.

(2) Average revenue per user, or ARPU, is the measure of total service revenues for a given period, divided by the number of months in that period, and divided again by that period's average total subscribers. ARPU for the year 2007 is different from reported in year 2007 due to reclassification of loyalty points.

(3) Average minutes of use, or AMOU, is the total traffic-minutes for a given period, divided by that total number of average subscribers for such period, and divided again by the number of months in that period.

(4) Churn rate is the measure by which we track mobile subscriber disconnections, which affect the growth of our subscriber base. Churn is calculated by dividing the total number of subscriber disconnections for the year by the average number of subscribers for the year.

(5) Not meaningful due to strong fluctuations in the wholesale subscriber base throughout the year due to changing intensity of marketing efforts by certain service providers. Average churn calculations are based on opening and closing subscriber balances which may not necessarily provide an accurate reflection of the actual average subscriber base during the year resulting in amounts we believe are not meaningful.

Our Products and Services

We provide voice, data and value-added services to residential subscribers and business subscribers in Lithuania and Latvia, offering both postpaid and prepaid mobile telecommunications services. Our subscriber base has grown from less than 0.5 million subscribers in January 2003 to more than 1.22 million subscribers as of December 31, 2008, of which approximately 0.51 million were postpaid subscribers and approximately 0.57 million were prepaid subscribers and approximately 0.13 million were service providers subscribers.

Services to our postpaid and mobile data subscribers accounted for 54% of our revenues for the year ended December 31, 2008, and services to our prepaid subscribers accounted for 17% of our revenues for the year ended December 31, 2008, excluding, in each case, inbound roaming revenue, handsets revenue, PABX, data/internet revenue, service provider revenue, transit revenue and Bité Online revenue, which accounted for the remaining 29% of our revenues. We provide



business services to approximately 250,000 business subscribers in Lithuania and Latvia. Revenue from our business subscribers including mobile data customers represented approximately 34% of our total revenue for the year ended December 31, 2008.

In addition to basic voice services, we provide our subscribers with value-added services such as voice mail, SMS, call waiting/holding, call forwarding, call line identification and restriction, free minutes and services such as MMS through our mobile data platform, WAP services, roaming services and mobile internet service. We aim to provide an appropriate variety of product and service offerings tailored to specific market segments in order to create value to our customers.

The following table sets forth an overview of the products and services we offer to our postpaid and prepaid residential customers:

	Brand	Rates	Distribution	Products/services
Postpaid basic services	Bité	Multiple voice rate plans in Lithuania and Latvia	Sold in own stores, dealers and through direct sales	Voice, SMS, MMS, WAP, and roaming services
Prepaid basic services	Labas / BiFri	One rate plan per country	Various (outlets, retail chains, kiosks)	Voice, SMS, MMS, WAP
Online services	Bité Online	One rate plan per country	Internet	Voice, SMS, MMS, WAP
USB Modems and Data cards (for PCs and laptops)	Vodafone Mobile Connect	Postpaid: Three usage-based rate plans Prepaid: One rate time-based rate plan	Own stores, dealers and through direct sales	Mobile Internet connectivity via GPRS, EDGE, UMTS, HSDPA, HSUPA, data roaming
Mobile Internet content services	Bité Plius	Various	Internet	WAP portal, Internet portal, Third party content, Mobile push email

The following table sets forth an overview of the products and services we offered to our postpaid business customers:

	Brand	Rates	Distribution	Products/services
Business basic services	Bité	Multiple voice rate plans in Lithuania and Latvia	Sold in own stores, dealers and through direct sales (account managers and telemarketing)	Voice, SMS, MMS, WAP Roaming services
USB Modems and Data cards (for PCs and laptops)	Vodafone Mobile Connect	Three postpaid rate rate plans	Own channels and IT retailers	Mobile Internet connectivity via GPRS, EDGE, UMTS, HSDPA, HSUPA, data roaming
Mobile Internet content services	Bité Plius	Various	Internet	WAP portal Internet portal Third party content Mobile push email
Corporate and industry-based solutions	Bité	Various	Own sales force	Internet access MPLS/VPN network Fixed-wireless broadband Telemetry and PBX rate plans

Lithuania

For the year ended December 31, 2008, Bité had 0.96 million retail subscribers comprising 23% postpaid residential subscribers, 25% postpaid business subscribers and 53% prepaid subscribers. The total retail subscriber base has fallen in the year from 1.02 million to 0.96 million retail subscribers as we continued to focus on revenue market share. Increase in



the postpaid customer base was offset by a decrease in the prepaid customer base. In Lithuania this reduction is primarily due to aggressive prepaid campaigning from the competition.

We have been successful in growing our postpaid business revenue market share in 2008 reaching 38.1% at the end of year 2008 comparing to 36.6% at the end of year 2007. We also grew our postpaid residential revenue market share from 20.4% at the end of 2007 to 21.1% at the end year 2008.

We are also the only network in Lithuania that sells wholesale minutes to Service Providers. Four Services Providers that we provide services to had 2.6% SIM market share at the end of year 2008.

Postpaid Products to Residential Subscribers

We offer one of the broadest ranges of products in the market with voice, data services and other value-added services to our postpaid residential subscribers. Our main proposition to residential customers consists of following rate plans:

- The “Bité Between Us” rate plan offers unlimited calls for a monthly subscription charge to Bité customers. The subscriber can also obtain a mobile handset at a considerably reduced purchase price, paid as a monthly handset fee. This rate plan comprises more than 35 percent of our customer base.
- The “Bité Visur 18” and “Bité Visur 24” rate plans have been introduced in 2007. These rates plans have a flat rate to all domestic networks. The “Bité Visur 18” carries no or very low handset subsidy, whereas “Bité Visur 24” is available with a standard handset subsidy.
- The “Bité More” rate plans were introduced in 2008. These rate plans offer customers the ability to purchase bundles of minutes for calling to any domestic network. Currently they are four variants, which provide 50, 150, 300 or 600 minutes of calling for a fixed monthly fee. Additional usage incurs additional charges. The subscriber can also obtain a mobile handset at a considerably reduced purchase price, paid as a monthly handset fee.

Postpaid Products to Business Subscribers

We service business from large multinationals to small home offices therefore our product portfolio includes a wide range of services including mobile voice, mobile data, fixed voice and fixed data services.

Our mobile voice service for business customers primarily consists of the following four rate plans:

- “Bité Business” is a flexible rate plan based on volume of use and the variety of services selected, which offers reduced rates for calls to other subscribers who are part of the same business customer subscription, competitive rates for SMS, MMS, mobile data transfer and mobile internet services and other value-added services such as discounted rates for calls and messages to selected foreign countries, discounted rates for calls within selected zones and selected networks in Lithuania, among others. This plan also offers discounts for a long-term commitment and rates which decrease as more services are used.
- “Bité Business-3” is a simplified version of the “Bité Business” plan, offering the same rate for calls and SMS messages within the Bité network. “Bité Business-3” offers free calls between employees of the same company, low monthly charges, and a range of value-added services.
- “Bité Business-19” was also introduced in 2008 and gives business customers the ability to call any domestic network for the same price per minute: 19 Lithuanian cents. For additional fees, subscribers can obtain additional services such as the ability to call for free within their company, call within the entire Bité network for 1 Lithuanian cent per minute, and the option to obtain a handset at a reduced price.
- “Bité More Business” rate plans were also introduced in 2008. These rate plans offer customers the ability to purchase bundles of minutes for calling to any domestic network. Currently they are four variants, which provide 50, 200, 400 or 800 minutes of calling for a fixed monthly fee. Additional usage incurs additional charges. The subscriber can also obtain a mobile handset at a considerably reduced purchase price, paid as a monthly handset fee.

Our mobile data service consists of “Vodafone Mobile Connect” broadband mobile internet service, “Bité HotSpot” – a mobile internet connection that can be shared by several users through a wireless router, and “Bité Mobile Outlook” – a mobile email solution for Microsoft Exchange users. In 2008 we became the first mobile operator in the Baltics to launch a prepaid mobile broadband service, which is based on pay per hour billing. Bité is the only mobile operator in the Baltic offering prepaid mobile internet services.

Our fixed data service comprises VPN connectivity for remote offices and high quality corporate Internet access service for medium and large companies. It runs on our high availability LMDS network that is also used for GSM backhaul.



Our Prepaid Products

We offer one rate plan for our prepaid subscribers and a wide range of services such as voice, SMS, MMS, WAP over GPRS services, internet, push email and WAP self-care. Our prepaid subscribers obtain airtime by purchasing vouchers through our sales channels. Vouchers are sold containing a number of “counters” and tariffs are charged at various counters per minute.

Our Service Provider Products

We charge our service providers outbound tariffs that are approximately 20% below our retail tariffs. We also provide cash bonuses to our service providers as they reach certain growth targets. For some of our service providers we pay up to two-thirds of the revenue generated from termination if they achieve the maximum growth target. We provide billing data for all of our service providers, and for certain of our service providers we provide a complete real time billing service. Any bad debt incurred from wholesale subscribers is borne by the service providers.

Latvia

We commenced our operations in Latvia in summer 2005. We began to provide mobile communications services in Latvia by offering prepaid cards on September 15, 2005. We have approximately 124,000 retail subscribers as of December 31, 2008. The total subscriber base has increased in the year from 84,000 to 124,000 subscribers due to growth in both postpaid and prepaid segments. In Latvia we have discontinued our prepaid brand Toxic, and launched a new brand BiFri.

Our Postpaid Products

We launched our postpaid residential plans in November 2005 and our postpaid business plans in September 2006. We aim to rapidly develop the “Bité” brand name in Latvia. From 2007 to 2008 the postpaid subscriber base grew by 58%. Postpaid residential retail subscribers accounted for approximately 75% of our total postpaid retail subscribers, with our business subscribers making up the remainder. The usual length of a contract for our postpaid product is 24 months.

Postpaid Products to Residential Subscribers

We offer our postpaid residential subscribers a wide range of products including voice, data and value-added services. In 2008 we revised our portfolio of postpaid rate plans, adding new rate plans “Bite 5”, “Bite Variants” and “Bite Let’s Talk”.

- The “Bite 5” rate plan was introduced in early 2008. This rate plan provides a flat rate of 5 santims to all domestic networks. A handset subsidy is available for an additional monthly fee.
- The „Bite Variants“ rate plans were introduced in the summer of 2008. These rate plans offer customers the ability to purchase bundles of minutes for calling to any domestic network. Currently there are four variants, which provide 50, 120, 300 or 500 minutes of calling for a fixed monthly fee. Additional usage incurs additional charges. The subscriber can also obtain a mobile handset at a considerably reduced purchase price, paid as a monthly handset fee. Bité was the first to introduce minute bundles in Latvia and remains the only provider of this type of rate plan.
- The “Bite Let’sTalk” rate plan was introduced in late 2008, and offers unlimited calls for a monthly subscription charge to Bité customers. The subscriber can also obtain a mobile handset at a considerably reduced purchase price, paid as a monthly handset fee.

Postpaid Products to Business Subscribers

We offer three primary rate plan types to our business postpaid subscribers and a wide range of services such as voice, SMS, MMS, WAP services, roaming services and more complex services such as mobile email solutions, mobile internet telemetry applications and hosting services.

Mobile broadband

For both business and private customers we offer a mobile broadband service “Vodafone Mobile Connect“. The service provides access to the fastest mobile internet service in Latvia with up to 7.2 Mbit/second speed download and up to 1.4 Mbit/second upload speed. Customers can choose between three different postpaid plans depending on their needs. In 2008 we became the first mobile operator in the Baltics to launch a prepaid mobile broadband service, which is based on pay per hour billing. Bité is the only mobile operator in the Baltic offering prepaid mobile internet services. In addition, we offer “Bite HotSpot” to our business customers, a mobile internet connection that can be shared by several users through a wireless router.



Our Prepaid Products

We started to provide mobile communications services in Latvia by offering prepaid services using the “Toxic” brand on September 15, 2005. In 2008, we discontinued the Toxic brand, and introduced a new prepaid brand, “BiFri”. Due to an aggressive launch promotion, the BiFri customer base grew quickly and now accounts for approximately 53% of our total subscribers in Latvia. We offer one rate plan for our prepaid subscribers and a wide range of services such as voice, SMS, MMS, WAP over GPRS services, internet, push email and WAP self-care.

Our Service Provider Products

We charge our service providers outbound tariffs that are approximately 20% below our retail tariffs. We also provide cash bonuses to our service providers as they reach certain growth targets. For some of our service providers we pay up to 50% of the revenue generated from termination. We provide billing data for all of our service providers, and for certain of our service providers we provide a complete real time billing service. Any bad debt incurred from wholesale subscribers is borne by the service providers.

International Roaming

Roaming allows mobile phone users to receive and make local and long distance calls using another provider’s network while traveling outside of the users home network. In Lithuania we have roaming agreements with more than 250 operators and in Latvia with more than 120 operators. In addition we have global roaming agreements with Vodafone which allows us to obtain a significant share of the Vodafone roaming revenues in Lithuania and in Latvia.

Bité enjoys a number of benefits through the agreement with Vodafone, including roaming traffic concentration within the group, favorable inter-operator roaming tariffs, Vodafone branded product and service implementation, participation in groups’ procurement arrangements for better quality and price appliances for network and for the end users and cooperation in acquiring and servicing internationally operating corporate customers.

We have implemented a number of services in cooperation with Vodafone both in Lithuania and Latvia, such as “Vodafone World”. This international mobile service allows our subscribers to use roaming services under unified and competitive tariffs in more than 115 countries where we have roaming partners. The service is divided into five tariff zones—EU tariff zone; non-EU tariff zone, Europe; Russia and CIS; Canada and the USA; and the rest of the world. Attractive tariffs are provided for voice, SMS as well as for data roaming services. The network offering the best roaming value is selected automatically utilizing assisted roaming or managed roaming systems.

Bité launched the fastest mobile internet services in the market by introducing Vodafone branded USB stick. A USB stick together with Vodafone Mobile Connect data card enable a data transfer up to 7.2 megabits per second. This mobile internet speed can be achieved on 3G networks supporting mobile telephony protocol HSDPA (High-Speed Downlink Packet Access). Bité roamers using Vodafone Mobile Connect data card can select a plan which gives 20 Mb per month of roaming data free of charge in Vodafone and Vodafone partner networks.

In summer 2008 prepaid roaming service was launched in Latvia and Lithuania enabling prepaid subscribers to roam without signing a contract. Prepaid users can also enjoy the fastest mobile internet service using a Vodafone branded USB stick.

Our roaming revenues include revenue from calls and data services generated by our subscribers when abroad and for roaming calls and data services generated on our network by non-subscribers from abroad. Our roaming revenues for the year ended December 31, 2008 comprised more than EUR 23 million, due primarily to the high number of new roaming services that we launched in 2008. In Latvia roaming revenues grew more than double times compared to the same period last year. This growth was due to the high number of new services launch and 72 new roaming agreements signed during 2008.

Value-Added Services

Bité offers a broad and competitive range of value-added services such as traditional voice value-added services (including call forwarding, call waiting, call holding, multiparty calling, calling line identification, teleconferencing, video calls), messaging services (SMS, MMS) and voice mail services. Bité is the only provider of new voice value added services such



as callback when busy in all Bité postpaid network and Internet calls service allowing communication with Internet communication clients – Skype, MSN, Google Talk.

Mobile internet on the phone and content services

“Bité Plius” is our flat-fee data service, offering WAP and full internet access for mobile phones utilizing GPRS, EDGE and UMTS networks. It enables our subscribers to browse WAP compatible websites as well as full web sites through their mobile phones, giving access to an extensive, and growing, amount of content services and useful information. It allows users to download ring tones, true tones, full track music, games, watch video on demand clips and live TV channels, read and write email, access news and sports information, purchase lottery tickets, pay for car parking, use location based maps and participate in Bité plus community. Over 200 partners are offering services in “Bité Plius” on a revenue sharing basis, for whom Bité also provides visibility on Bité plus portal and mobile advertising services.

Mobile broadband services

“Vodafone Mobile Connect” is Bité’s mobile broadband internet service. More than half the population is covered by our high speed HSDPA/HSUPA 7.2/1.4 network in the biggest Lithuanian cities. Private and business customers can choose from three postpaid rate plans and one prepaid rate plan to suit a variety of their needs ranging from web surfing and email up to rate plans suited for large file uploading, video/audio streaming or work abroad using Vodafone world data tariffs.

Mobile email

Bité offers three mobile email solutions for different customer segments:

- BlackBerry email service: in 2008, Bité became the first and only operator in the Baltics to introduce BlackBerry service for business and residential customers.
- Bité Plus email (widest mobile email offering with almost 100% compatibility with all mobile phones and email systems, conveniently delivered through WAP, MMS or SMS); and
- Bité Mobile Outlook (Microsoft Exchange based push email solution).

Other services

Apart from voice value added services, mobile Internet on the phone, PC connectivity and Mobile email services Bité offers a wide range of services that complement Bité’s main offerings for private and business customers:

- Telemetry (vehicle tracking, remote reading, security applications through telemetry partners);
- Fixed Data Internet and Fixed/Mobile voice connection (PBX) (Corporate fixed Internet, Fixed data connectivity between business branches locally and abroad);
- MS Exchange hosting; and
- Self care for both private and business customers - mano.bité.

Service Providers

During 2008 wholesale continued service providers business in Lithuania and Latvia. We have four service providers in Latvia and the same number in Lithuania. All of the Lithuanian service providers are operating on our network as neither Tele2 nor Omnitel have opened up their networks.

Our Brand Identity

We use our “Bité” brand for both the corporate name and the brand name for postpaid services in Lithuania and Latvia. We use the “Bité” brand for a variety of value-added products and service offers, such as the online service, “Bité Online”, and the mobile internet content service „Bité Plius”.

We established distinct brands for our prepaid services: “Labas” in Lithuania and “Toxic” and “BiFri” in Latvia.

Our Distribution and Sales Network

We sell our mobile telecommunications services to subscribers through indirect channels such as third party retail distributors (dealers) as well as through a direct channel comprised of Bité-owned shops and a dedicated sales force focused on the corporate sector. Of the postpaid connections sold via the retail sales channel in Lithuania in 2008, 33% were sold



through owned shops and 67% were sold through dealers. In Latvia 95% of connections were sold through dealers and 5% in a Bité owned outlet, which was opened in October 2007.

Lithuania

Distribution to prepaid subscribers is mainly conducted through more than 6,000 non-exclusive points of sale in Lithuania. Approximately 88% of the Labas prepaid card reloads are currently distributed electronically. Postpaid residential subscribers are targeted through 114 points of sale in Lithuania (10 of which are Bité's own outlets, the others being third parties exclusive outlets to Bité, as well as through its call-based customer service center and internet platform. We have a dedicated wholesale team addressing sales to service providers.

In Lithuania, the channels used for distribution of our products and services are:

- ***Direct sales force.*** For business customers, we employ 57 key account managers, account managers and solution managers. All direct sales are done by our own sales force.
- ***Dealers.*** We have 104 dealers outlets across Lithuania for the provision of our products and services. These dealers account for 67% of all distribution to our postpaid customers. The dealers also serve prepaid customers.
- ***Own stores.*** We own 10 stores in Lithuania that together account for 33% of all retail sales to the postpaid residential and business segment. These outlets also serve prepaid customers.
- ***Point of sale ("POS").*** We run the bulk of the distribution to prepaid customers through a network of more than 6,000 non-exclusive points of sales throughout Lithuania.
- ***Electronic distribution.*** Approximately 88% of the "Labas" prepaid card reloads are distributed electronically, including through ATMs, internet and cash points.

Latvia

In Latvia, we are optimizing our distribution network with currently 35 sales outlets in operation in 18 Latvian cities. Prepaid cards are sold in over 1,000 points of sale across the country. We opened the first Bité owned outlet in Riga in October 2007. We have started targeting the business segment through a dedicated sales force comprised of 10 account managers.

Customer Care and Loyalty

We offer a consistent customer care experience with harmonized points of sale and well-trained staff to serve our customers. We have an active Customer Relationship Management ("CRM") policy with a 24-hours hotline available to all customers via special toll free number for all business, private and Labas customers.

For our residential post-paid customers, we have developed a dedicated loyalty program which has been designed for customer retention, education and satisfaction. We provide customer-oriented activities appealing to rational as well as emotional customer values:

- Rational CRM activities are based on customer behavior and usage. They encompass a broad range of incentives, such as handset upgrades, possibility to switch to more attractive plans, choose value added services that provide additional discounts or free usage trial of products such as Personal Assistant;
- Emotional/rational CRM activities include special airtime offers awarded to a subscriber based on his length of service subscription and can take the form of free of charge WAP, TV streaming or free of charge MMS;
- Emotional CRM activities are developed based on customer segments and life cycle. They include personalized greetings on customers' birthdays and holidays such as Easter or Christmas.

For our business customers, we have developed a broad range of rational and emotional loyalty activities, with a differentiation between decision makers and end-users. For business customers we also provide special attention and personal customer care – each business customer is served either by personal account manager or telemarketing manager, depending on the size of the customer.

We are focusing on customer retention to reduce churn through the implementation of loyalty and retention activities together providing best customer care experience. Churn refers to subscriber disconnections which may occur for a number of reasons. In the case of voluntary churn, subscribers may decide that they no longer require or cannot afford mobile telecommunications services or those they want to switch to a competing network. Involuntary churn is the result of our termination of services to a subscriber due to non-payment of bills, inactivity or suspected fraudulent use. With respect to inactive subscribers, we generally evaluate a customer for involuntary termination as a result of inactivity only after 12 months.

The churn rate for our post-paid subscribers in Lithuania was 17.1% for the year ended December 31, 2008, whereas the churn rate for our prepaid subscribers in Lithuania was 81.3% for the year ended December 31, 2008.

Billing, Credit and Collections for our Postpaid Subscribers

Before activating postpaid subscriptions, we verify the information that subscribers provide in their subscription applications and perform internal credit checks on postpaid subscribers through (i) an information system called SAIS owned by UAB „Creditinfo Lietuva“ in Lithuania, „Creditreform“ SIA in Latvia and (ii) our own billing systems. After a subscriber’s information is verified, we can activate services on the same business day.

We have two billing cycles per month for our postpaid subscribers in Lithuania and one billing cycle per month in Latvia.

Postpaid subscribers in Lithuania have a wide range of payment options:

- in cash in all branches of Lithuanian Post and in Lithuanian banks, in “Lietuvos spauda” kiosks or “R-kiosk” trade places with which we have signed agreements for payments collection;
- by transferring money to our current or multi-currency account in Lithuanian banks;
- automatically from the customer’s payment card or account (when a customer has signed a direct debit agreement); and
- via the internet site of UAB “Itella Information” (E-pay), by SMS (M-pay), via online systems of banks, at the ATM’s of “Hansabankas” bank AB or using the service “Mobile bank”.

Postpaid subscribers in Latvia have a wide range of payment options:

- in cash in all Latvian Post locations in all Latvian banks and Narvessen, plus point kiosks;
- by money transfer to our bank account in Swedbank;
- at the ATM’s of Swedbank and SEB Bank;
- via Epay (electronic payment) solution in A/S “Itella Information” and bank internet banking systems.

We continuously monitor subscriber usage and payments to limit our exposure to credit loss and subscriber fraud. We use letters, SMS, IVR, phone calls and e-mails to inform customers about outstanding invoices or if they have exceeded their credit limits. We block and suspend services the contract when the subscriber reaches his or her credit limit and does not pay his or her bills. We transfer debtors to SAIS (united data basis of customers) and collaborate with some debt collection agencies. In Latvia we work with debt collection agencies, such as Creditreform, Lindorff, Baltrisk and use their debtors databases to screen customers for bad credit history.

Our Network and Technical Operations

Our Network

We started operations in 1995 by building our own GSM network and IT infrastructure in Lithuania. Initial setup of operations in Latvia (launched in September 2005) was based on extending the Lithuanian network infrastructure. In Lithuania, we have a very extensive GSM coverage with 100% population and 99% land coverage.

In Latvia since winning our license, we achieved a GSM coverage of 100% of the population and 98% land coverage at the end of 2008. We launched our UMTS/HSDPA service in June, 2006 in Lithuania and in September, 2006 in Latvia. As of December 31, 2008 we covered 30 cities in Lithuania and ten of the largest cities in Latvia. UMTS/HSDPA allows us to offer mobile broadband download speeds of up to 7.2 Mbps and upload up to 1.4 Mbps in all UMTS network.

We invested approximately 25 m EUR in our network in Lithuania and Latvia in 2008, and a total of over 145 m EUR over the past five years. We presently have 1,226 GSM base stations and 229 3G Node Bs and six Switches. A 30% increase in total number of GSM and 3G sites over the last two years was mainly due to aggressive GSM network roll-out in Latvia and the UMTS network development. Our network is of strong quality, is well-engineered and maintained and features high quality equipment and systems.



We regularly monitor congestion on our network to assess whether our network has sufficient capacity to meet traffic volumes. We have been able to maintain a low congestion level. Current investments are driven mostly by network rollout in Latvia and UMTS-related capacity growth in Lithuania.

We operate a centralized NOC located in Vilnius based on Ericsson systems. We also have various operating support systems used for network performance analysis, measuring key performance indicators and radio planning. We have also installed a broad range of business support systems to address key areas such as customer relationship management, fraud detection, revenue assurance, data warehousing and web-based self care.

Our Network Equipment Suppliers

We have entered into purchase orders for equipment with Ericsson pursuant to framework agreements. Under the terms of these framework agreements, Ericsson supplies equipment to us at competitive rates. IP network infrastructure is supplied by Cisco.

Our Licenses and Permits

In Lithuania

On October 31, 1997, we were granted a GSM-900 license by the Ministry of Communications and Informatics for a 10-year period, which expired on October 31, 2007. Under the terms of the GSM-900 license, we had the right to provide mobile cellular communications services, to roll-out and use the national GSM network operating in the 900 MHz band. On January 3, 2007, we were granted a GSM-900 permit by the Communications Regulatory Authority (the “CRA”) which replaced the GSM-900 license from November 1, 2007. Under the GSM-900 permit, we have the right to operate radio frequencies (40 channels) from the ranges of 899.3-904.1 MHz, 910.7-913.9 MHz, 944.3-949.1 MHz and 955.7-958.9 MHz from November 1, 2007 until October 31, 2017.

On September 23, 1998, we were granted a DCS-1800 license by the Ministry of Communications and Informatics for a 10-year period, which expired on September 23, 2008. Under the terms of the DCS-1800 license we had the right to provide mobile cellular communications services, to roll-out and exploit the National DCS-1800 network operating in the 1800 MHz band. On January 3, 2007, we were granted a DCS-1800 permit by the CRA which replaced the DCS-1800 license from September 24, 2008. Under the DCS-1800 permit, we have the right to operate radio frequencies (76 channels) from the ranges of 1720.9-1736.1 MHz and 1815.9-1831.1 MHz from September 24, 2008 until October 31, 2017.

On March 31, 2006, we were granted a permit to use E-GSM frequencies (10 channels) on the GSM network which was extended on January 3, 2007, and is valid until October 31, 2017. In addition to our GSM-900 and DCS-1800 licenses and permits (including E-GSM permit), we were granted (i) a data transmission license on July 22, 1999 for a 10-year period, which gives us the right to provide commuted data transmission services, and (ii) a license to operate the broadband wireless communications network operating in 26 GHz bands and to provide the broadband wireless communication services on November 29, 2002 for an undefined term with an automatic re-registration after a 10-year period.

On February 28, 2006, we were also granted a UMTS permit with 4x5 MHz FDD. Under the UMTS permit, we have the right to operate radio frequencies from the ranges of 1920.3-1940 MHz and 2110.3-2130.1 MHz. Our UMTS permit is valid for 20 years following the issuance of the permit. We were also granted various authorizations to use radio frequencies in the radio base stations, to exploit GSM-900 network base stations, to exploit DCS-1800 network base stations and were granted permits to use Relay Rack Location (RRL) stations.

The total monthly spectrum fees for all GSM and UMTS frequencies amount to approximately EUR 117,400 as of the end of year 2008.

On April 23, 2008, Bite Lietuva was granted a re-broadcasting license by Lithuanian Radio and Television Commission, a supervisory institution for the media sector. The re-broadcasting license is a prerequisite for any entity willing to provide re-broadcasting services. The license was obtained in order to be able to provide Mobile TV service and is open-ended. The fee for the year 2008 was EUR 5,068.

In Latvia

We hold a license for 35 MHz of spectrum (126 GSM1800 channels and 49 E-GSM channels) in Latvia and were also granted a UMTS license for 4x5 MHz FDD and 1x5 MHz TDD. The authorization to use radiofrequency bands (GSM 900/1800 and UMTS) has been issued by the Public Utilities Commission (the “PUC”) on June 29, 2005, and is valid until



June 28, 2020. The authorization contains the following specific conditions to the continuation of the license: (i) to ensure network coverage in the territory of Latvia, (ii) once per year, to submit to the PUC information related to the GSM 900/1800 and UMTS network coverage, the number of users in the GSM 900/1800 and UMTS networks, as well as the amount of investment made in network development during the past year, and (iii) twice per year in 2006, 2007 and 2008, to submit information on the development of the electronic communications network in the previous six months.

Our Intellectual Property

Our intellectual property consists of certain trademarks and logos. We have registered or are in the process of registering with the Lithuanian and Latvian authorities our trademarks and their respective logos, as well as domain names which are used in our activities. Some of our trademarks and domain names are still to be registered with the Lithuanian and Latvian authorities. Most of our registered trademarks are national trademarks. We also have several international trademarks which extend to Estonia, Russia and Ukraine. We do not have any registered EU trademarks. All our trademarks, logos and domain names are registered in the name of UAB Bité Lithuania. Our Latvian subsidiary is using some of these trademarks, logos and domain names under a license agreement. We also grant licenses to use our registered trademarks, including license agreements with our various dealers and authorized vendors in our distribution channel, with our agents and content providers for the mobile market. We do not own any registered patents or copyrights that we consider to be material to our business as a whole. It is our policy to vigorously defend and pursue any infringements on our intellectual property.

Insurance

We maintain the types and amounts of insurance customary in the industry and in Lithuania and Latvia, including coverage for property damage and financial loss, general and products liability, professional indemnity, terrorism, crime, employee related accidents and injuries, medical, travel insurance. We consider our insurance coverage to be adequate both as to risks and amounts for the business we conduct.

Our insurance covers our fixed assets, e.g., radio base stations, equipment, inventory, computers and accessories, office equipment, furniture and fixtures, leasehold improvements, buildings, goods (including goods in transit), as well as cash in transit and in safe with automatic property acquisition condition. Our insurance policies cover all our property against such risks as natural calamities, errors&omissions, machinery breakdown, data restoration, supplies contingency, public authority, routine repairs.

We have not had any material claims under our, financial loss and liabilities insurance policies during the past three years. Our property and financial loss insurance is provided by If draudimas, all liabilities insurance lines are provided by AIG.

Legal Proceedings

From time to time, we may become involved in litigation and administrative proceedings relating to claims arising out of our operations in the normal course of business. We believe there are no pending litigation or arbitration proceedings that will have a material adverse effect on our business, results of operations, financial condition or liquidity.

Environmental Matters

We are subject to environmental laws and regulations which impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, zoning, the protection of employee health and safety and noise. We could therefore be exposed to costs and liabilities, including liabilities associated with past activities. Our operations are subject to obligations to obtain environmental permits, license and/or authorizations and to provide prior notification to the appropriate authorities.

Regulatory Matters

We operate in a highly regulated market that in certain cases restricts our ability to set prices and obliges us to offer certain services. We also depend on permits to use radio spectrum, which are valid until 2026 for UMTS and were recently extended until 2017 for GSM in Lithuania, and until 2020 for both GSM and UMTS in Latvia.

In 2005 in Lithuania and in 2007 in Latvia, the respective CRAs determined that we have Significant Market Power (“SMP”) in the voice-call termination market with respect to individual mobile networks. Consequently, we became subject to increased regulation applicable to this particular market, such as regulation on access, interconnection, non-discrimination, transparency and price control.

Our Employees and Labor Relations

As of December 31, 2008, we had 575 employees in Bité Group and another 108 full-time equivalent people outsourced. We also had 119 employees in Bité Latvia.



Department/Division	As at December 31,	
	2007	2008
CORPORATE & FINANCE AREAS (Human Resources, Legal and Regulatory, Corporate Services, Financial Accounting, Financial Control and Treasury Management, Billing and Customer Data Process, Interconnect and Roaming Departments).....	116	109
MARKETING AND SALES AREAS (Customer Service, Mobile Phone and Logistics, Marketing, Products Development, Mobile Broadband Development, Retail Sales, Business Sales and Telemarketing, Sales Support and Development Departments).....	352	312
TECHNOLOGY AREA (Network Development, Network Maintenance, Data and Internet Network, Service Development and Support, and IT Departments).....	138	134
BRAND AND COMMUNICATION AREA (Brand Communication, Retail Merchandising and Design, PR, Events and Internal Communication Departments).....	11	20
Total number of employees	617	575

Our pensions are contribution based and there are no outstanding pension liabilities as of December 31, 2008. Also, there are no labor unions in the Bité Group.

Property

We are the owner of three office premises, located in the Lithuanian cities of Vilnius, Kaunas and Klaipėda which are all used for administrative and/or technical purposes. We do not own any administrative buildings in Latvia. Our offices in Vilnius and Kaunas are built on the land owned by the Lithuanian State and the land lease agreements normally have duration of 99 years and follow the statutory requirements set for state land lease agreements.

As of December 31, 2008, we operated 884 GSM base stations in Lithuania and 342 in Latvia; and 165 3G Node Bs in Lithuania and 64 in Latvia. Antennas are located in urban and rural areas on our own or on competitors' towers, RTVC towers, water towers, chimneys, dwelling houses or offices, foresters' watchtowers and military towers. All 3G sites are collocated with GSM sites. We lease either land for our towers or locations for our antennas from third parties (except for the antennas located on our premises). One antenna site consists of either a room or a metal container for technical equipment and the antennas that are placed on the top of towers or buildings.

III. MANAGEMENT

The Board of Directors and Supervisory Council of Bité Lithuania and the Directors of Bité Finance International are considered to be the key management of the Group.

BFI Directors

There are four statutory Directors in Bité Finance International appointed for an indefinite period of time. The table below sets forth the names of the Directors of Bité Finance International as of December 31, 2008. The business address of each of the directors is the address of Bité Finance International, except for Mr. Martin Amtoft-Christensen whose business address is Zemaites Str. 15, Vilnius, Lithuania:

Name	Position
Tradman Netherlands B.V.	Director A
Jeroen Cornelis Jan van der Woord.	Director B
Martin Amtoft-Christensen	Director B
Karel Bernard van Polanen	Director B

Tradman Netherlands B.V. a legal entity having its registered address at Laan van Kronenburg 8, 1183AS Amstelveen was appointed as Director A of Bité Finance International on 21 December 2006.



Mr. Jeroen Cornelis Jan van der Woord was appointed as Director B of Bité Finance International in December 21, 2006. Throughout his career, Mr. Woord has focused on the trust sector and has gained considerable international experience by living and working both in America and Europe. During his time in Curacao (Netherlands Antilles), Mr. Woord was managing director of two international trust companies. On his return to the Netherlands in 2004, he acted as managing director of Amicorp Netherlands BV, focusing on the fiduciary activities of the company. Later that year, he participated in the management buy-out of all Amicorp’s activities in the Netherlands, incorporating the Tradman Group.

Mr. Martin Amtoft-Christensen was appointed as Director B of Bité Finance International in April 25, 2007. In addition, Mr. Amtoft-Christensen is a member of the management board of Bité Lithuania, Bité Latvia and FinCo. In 2004, Mr. Amtoft-Christensen joined the Group as Chief Financial Officer. From 2001 to 2004, Mr. Amtoft-Christensen was the finance director of TDC Solutions in Denmark.

Mr. Karel Bernard van Polanen was appointed as Director B of Bité Finance International in September 28, 2007. Throughout his career he has held various managing positions in the financial area. For five years (from October 2001 till May 2005) he has worked as Finance manager/Member of Management Team in RPC Packaging Halfweg BV (formerly Nampak Halfweg B.V.). Mr. Karel Bernard van Polanen has resigned from his position on January 15, 2009.

Mr. Francois Jakobus Albertus Zantingh was appointed as Director B of Bité Finance International in January 15, 2009. Throughout his career, Mr. Zantingh has gained considerable international business experience by working as an auditor globally and as head of controlling for an international financial institution. During his time as head of controlling, Mr. Zantingh was managing director of eight international real estate companies and two intermediate finance companies. Mr. Zantingh has worked as a public auditor for PricewaterhouseCoopers for 6.5 years with a primary focus on the pharmaceutical, retail and automotive industry. After leaving PwC he worked as an internal auditor at Genzyme Europe BV (pharmaceutical) and head of controlling with Whitehall Management BV (Goldman Sachs affiliate for European real estate investments). Further Mr. Zantingh worked as acting manager internal audit Europe with Sun Chemicals before he joined Tradman in July 2008.

Bité Lithuania Supervisory Council

Our Supervisory Council (the “*Council*”) currently consists of four members. Pursuant to the Articles of Association, the tenure of the Supervisory Council is two years.

The table below sets forth the names of the members of the Supervisory Council as of December 31, 2008. The business address of each of the directors is the address of Bité Lithuania:

Name	Position
Bruno Ducharme	Chairman
Craig Butcher	Director
Barna Papay	Director
James J. Jackson	Director

Mr. Bruno Ducharme has been a member and Chairman of the Council since February, 2007. In addition, Mr. Ducharme currently serves on the boards of several companies, including Orange Austria Telecommunication GmbH, a privately-held mobile operator in Austria and Vizada sarl, a global provider of mobile satellite services. Prior to joining the Group on February 9, 2007, he was the President and CEO of Telesystem International Wireless (“*TIW*”). During 11 years, as CEO of TIW, he led the successful development of six mobile businesses through all relevant phases, including license acquisitions, debt and equity financing, network and systems development, organizational development, service introduction and market and revenue growth.

Mr. Craig Butcher has been a member of the Council since February 9, 2007 and is a founding partner of Mid Europa Partners. Prior to founding Mid Europa Partners in 2005, he worked with the EMP Europe team for four years, initially as an employee of an AIG affiliate having the sole purpose of advising the AIG Emerging Europe Infrastructure Fund. Mr. Butcher is a Board member of T-Mobile Czech Republic a.s. and a past Board member of Ceske Radiokomunikace a.s., Karneval s.r.o., Invitel Zrt. and the Wheelabrator Group. Previously he spent six years with EBRD in London and Budapest. Mr. Butcher has also worked at Boston Consulting Group and Christchurch International Airport Ltd.



Mr. Barna Papay was appointed to the Council on February 9, 2007. Barna Papay is a Senior Associate of Mid Europa Partners. Prior to the formation of Mid Europa Partners in 2005, he was part of the EMP Europe team for four years. Prior to joining EMP Europe, he held various positions in investment analysis with WestLB Panmure and Robert Fleming Securities in London and at ING Barings in Budapest. Barna Papay has resigned from his position on March 16, 2009.

Mr. Kerim Turkmen was appointed to the Council on March 25, 2009. Kerim Turkmen is a Director of Mid Europa Partners. Prior to joining Mid Europa Partners in September 2007, he spent seven years with GMT Communications Partners, a private equity fund focused on the European telecommunications and media sectors. Prior to GMT, he spent three years with Merrill Lynch in their investment banking division. Mr. Turkmen is a Board member of T-Mobile Czech Republic a.s. and the Wheelabrator Group and a past Board member of Invitel Zrt. and Suomen Asiakastieto Oy.

Mr. James J. Jackson was appointed to the Council on May 2, 2007. Up to that date from March 3, 2007, Mr. Jackson was Acting Chairman of the Board of Directors Bité Lithuania. In addition, Mr. Jackson is the Chairman of the Board of Directors of Neo Material Technologies Inc., as well as a member of the Board of Directors and Chairman of Audit Committee, and Lead Independent Director in Duluth Metals Limited. From 1997 onwards, Mr. Jackson served in numerous senior financial roles for TIW, including since July 2004 as Senior Vice President Corporate Affairs. From 1997 to 2005 Mr. Jackson served as Senior Vice President and Chief Financial Officer of TIW owned MobiFon S.A., a leading cellular telephone provider in Romania (now Vodafone Romania). From 1999 to 2001, Mr. Jackson also served as Chief Financial Officer of TIW owned Oskar, the third mobile operator in the Czech Republic (now Vodafone Czech Republic).

Bité Lithuania Management Board of Directors

Pursuant to the Articles of Association our Board of Directors (the “*Board*”) consists of nine directors and the tenure of the Board is two years. As of December 31, 2007 there was one vacancy on the Board.

The table below sets forth the names of the directors of the Management Board as of December 31, 2007. The business address of each of the directors is the address of the Bité Lithuania:

Name	Position
Frederick William Hrenchuk	Chairman of the Management Board and Chief Executive Officer of Bité Lithuania and Bite Latvia
Martin Amtoft-Christensen	Chief Financial Officer
Žilvinas Jurkšus	Chief Technical Officer
Gary Daniel McGuire	Chief Brand Officer
Manjunath Chandrasekhar	Chief Marketing Officer
Indrė Puišė	Member of the Management Board and Sales Director
Aida Bičiūnienė	Member of the Management Board and Legal and Regulatory Director
Ingrida Elijošiūtė	Member of the Management Board and Human Resources Director

Mr. Frederick William Hrenchuk was appointed to the Board on August 6, 2007 and on November 1, 2008 he replaced Mr. Kenneth David Campbell in the positions of the Chairman of the Management Board and Chief Executive Officer of Bité Lithuania. In addition, Mr. Hrenchuk is Chairman of the Management Board of Bité Latvia and Chief Executive Officer of Bité Latvia. From 1999 to 2006, Mr. Hrenchuk was Chief Technology Officer and member of Board of Directors and Vice President, sales, Service & IS/IT with Vodafone, Czech Republic. From 1997 to 1999 he was Senior Director IS/IT at MobiFon S.A., now Vodafone Romania.

Mr. Martin Amtoft-Christensen was appointed to the Board on November 1, 2004, has served as Chief Financial Officer since November 2, 2004 and as acting Chief Executive Officer from March 3, 2007 to May 2, 2007. In addition, Mr. Amtoft-Christensen is a member of the management board of Bité Latvia, FinCo and Director B of Bité Finance International. In 2004, Mr. Amtoft-Christensen joined the Group as Chief Financial Officer. From 2001 to 2004, Mr. Amtoft-Christensen was the finance director of TDC Solutions in Denmark.

Mr. Žilvinas Jurkšus was appointed to the Board on November 9, 2001. In addition, Mr. Jurkšus is a member of the Management Board of Bité Latvia and FinCo. In 1995, Mr. Jurkšus joined the Group as Deputy Chief Technical Officer and has held various positions of responsibility within the Bité Group.



Mr. Gary Daniel McGuire was appointed to the Board on August 21, 2007. From 2003 to 2007 he worked as Brand Advertising and Design Director and then as Vice President for Brand and Communications for Vodafone, Czech Republic. From 1998 to 2002 he was Business Director in Taxi Advertising and Design.

Mr. Manjunath Chandrasekhar was appointed to the Board on January 2, 2008. Prior to joining Bite, he has spent over ten years working with major wireless telecom operators around the world, including the US, Canada, Germany, Egypt, India, Nigeria, Romania, Lithuania and Latvia. Mr. Chandrasekhar holds a master degree in business administration (MBA) from the Wharton School of the University of Pennsylvania.

Ms. Indrė Puišė was appointed to the Board on November 30, 2007. In 2003 Ms. Puišė joined the Group as Region Business Manager and has held various positions within this area in Bite Lithuania.

Ms. Aida Bičiūnienė was appointed to the Board on May 2, 2007. In May, 2006 Ms. Bičiūnienė joined the Group as Legal and Regulatory Manager. Before joining the Group, Ms. Biciuniene worked in one of the leading law firms, Lideika, Petrauskas, Valiūnas ir partneriai LAWIN for five years (was associated Partner as of 2005). From 1997 to 2001, Ms. Bičiūnienė served as a General Counsel of the Lithuanian incumbent operator.

Ms. Ingrida Elijošiūtė was appointed to the Board on May 2, 2007. In March 2003 Ms. Elijošiūtė joined the Group as Human Resources Sector Manager and developed her career within this area. From 2001 to 2002, Ms. Elijošiūtė was working as Strategic Change Service Manager for the Baltics in PricewaterhouseCoopers. From 1995 to 2001, she was working in UAB “Arthur Andersen” as Audit and People Service Line Manager for the Baltics.

Compensation of Directors of the Board

The Management Board and Supervisory Council of the Bite Lietuva UAB and Directors of Bite Finance International B.V. are considered to be the key management of Bite Finance International Group. There were 8 (eight) members of the Management Board, 4 (four) members of the Supervisory Council and 4 (four) Statutory Directors as at 31 December 2008.

Remuneration (salaries, bonuses and other compensations) to respective management personnel for their work performed to Bite Finance International Group amounts to EUR 3,000 thousand for the year ended 31 December 2008 (including EUR 656 thousand of social security contributions).

Remuneration to Statutory Directors, included in the amounts above, amounted to EUR 230 thousand for the year ended 31 December 2008 (including EUR 29 thousand of social security contributions).

Conflicts of Interest

Except as disclosed in the attached financial statements, there are no potential conflicts of interest between any duties of the members of our administrative, management or supervisory bodies towards the Group and their private interests and/or other duties.

Long Term Incentive Plan

A share-based compensation plan settled by EECF Bella Equity Cooperative U.A., the immediate parent entity of Bite Holdings International B.V., and Bite Holdings International B.V. has been established for members of the management of Bite Lietuva UAB and Bite Latvija SIA. As at the end of 2008 the plan had 7 participants. The plan consists of three parts, namely the acquisition by management of membership interests in EECF Bella Equity Cooperative U.A.:

1. on equal terms as other investors.
2. through loans from Bite Holdings International B.V. and on the basis that such membership interests vest over a 5 year period.
3. by way of grant and on the basis that the returns (if any) from such membership interests are contingent on the achievement of certain financial objectives tied to the return at exit from the business realized by the ultimate controlling party.

The plan is a cash-settled share-based payment scheme. The total value of the program is up to approximately 11.9% of net value of EECF Bella Equity Cooperative U.A. at the time of exit from the business.



IV. OUR PRINCIPAL SHAREHOLDER

There were no changes in the composition of our principal shareholder during the year 2008.

Bite Finance International Group's immediate parent entity is Bitè Holdings International B.V. and ultimate controlling parties are Emerging Europe Convergence Fund II L.P. (the Fund) and Bite Co-investment LP, each a Guernsey limited partnership whose ultimate general partner is EMP Europe (CI) Limited. The main activities of the Fund are making investments and owning, managing as well as supervising such investments. Mid Europa Partners LLP, a leading private equity firm that manages and advises funds that invest in businesses with significant exposure to Central & Eastern Europe has been appointed as the investment manager.

V. CERTAIN RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties in the ordinary course of business. These transactions include, but are not limited to sale of handsets and accessories, connection of new subscribers, providing and receiving technical assistance and exchanging other services. The financial treasury operations for all Group are managed from FinCo.

All transactions involving related parties are entered into on contractual terms and conditions subject to the approval of our Board of Directors.

Bite Finance International B.V. paid interest on loans received from Bitè Lietuva UAB and EECF Bella FinCo SIA during 2007 and 2008.

Bitè Lietuva UAB paid interest on loans received from EECF Bella FinCo SIA during 2007 and 2008.

EECF Bella FinCo SIA paid interest on loans received from Bitè Lietuva UAB during 2007.

Bite Latvija SIA paid interest on loans received from Bitè Lietuva UAB and EECF Bella FinCo SIA during 2007.

Bite Finance International B.V. also paid a guarantee fee to Bitè Lietuva UAB and EECF Bella FinCo SIA for assets pledged to secure the Senior Secured Floating Rate Notes (EUR 190 million) and Senior Subordinated Floating Rate Notes (EUR 110 million).

During 2008 Bite Latvija SIA purchased fixed assets, handsets, SIM cards and accessories, received telecommunication services from and provided telecommunication services to Bitè Lietuva UAB and paid management fees to Bitè Lietuva UAB for management services.

Bite Finance International Group was selling handsets, prepaid cards, and accessories and provides telecommunication services to Spainetos Prekybos Sistema Group. Expenses incurred in relation to Spainetos Prekybos Sistema Group constituted dealer commissions for new connections and airtime as well as expenses related to advertising and purchase of accessories.

EECF Bella FinCo SIA was paying to Bite Latvija SIA for office rent and other administration services.

More detailed information on transactions with related parties could be found in Note 23 of the Bite Finance International B.V. Consolidated Financial Statements for the year ended 31 December 2008.

We believe that the terms of our agreements with related parties set forth above are no more or less favorable to us or to the related party or parties subject to the agreement than those which could be obtained in a comparable transaction at the time of such transaction in arm's length dealings with an entity or person who is not such a related party.

Transactions with our Principal Shareholder

Advisory Services; Management Agreement

On February 9, 2007 the Group entered into an advisory services agreement and a management agreement with Mid Europa Partners LLP, pursuant to which Mid Europa Partners LLP provides to the Issuer various financial advisory and management services, including human resource and marketing services, assistance in project development, negotiating



company-wide contracts, reviewing operating results and budgeting services. Each agreement has a term of 10 years and may be terminated earlier in case of breach of any party or in case Mid Europa Partners LLP or its successors and their representatives (including without limitation, any equity fund indirectly owning Mid Europa Partners LLP) shall cease to own beneficially, directly or indirectly, any securities of the Group or their successors. Mid Europa Partners LLP receives remuneration for the services rendered under the abovementioned agreements.

During years 2007 and 2008, management and advisory services for the Group were provided by Mid Europa Partners LLP in exchange for remuneration as determined by the advisory services agreement and management agreement.

During year 2008 permitted legal costs were re-charged to Bite Finance International Group by EECF Bella Equity Cooperative U.A., the immediate parent entity of Bite Holdings International B.V.

VI. DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material provisions of the Amended Senior Revolving Credit Agreement, the FinCo Term Loan Agreement, the Intercompany Loan, the Intercreditor Agreement and the Credit Support Agreement. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. A summary of such terms is available on request from the Company.

Senior Revolving Credit Agreement

In connection with the acquisition of Bite Lithuania, FinCo entered into the Senior Revolving Credit Agreement, between, among others, FinCo as borrower and Deutsche Bank AG, London Branch as issuing bank, administrative agent and collateral agent, which was amended and (as so amended and restated the “Senior Revolving Credit Agreement” restated on May 21, 2007

Structure

The Senior Revolving Credit Agreement provides for a revolving facility of up to EUR 30.0 million to be drawn by FinCo. Subject to the terms of the Senior Revolving Credit Agreement, the revolver may be used for working capital and general corporate purposes (including capital expenditure and payment of interest) of the Company and its subsidiaries.

Interest rates and fees

The interest rate under the Senior Revolving Credit Agreement for each interest period is payable by FinCo at the rate per annum which is the aggregate sum of:

- (i) 2.25%;
- (ii) EURIBOR; and
- (iii) any applicable mandatory cost rate described below.

The mandatory cost rate is the rate per annum which is the additional cost rates (as described below) of the creditors under the Senior Revolving Credit Agreement. The additional cost rate for a creditor lending from a facility office in a participating member state of the EMU is the percentage certified by such creditor as being its cost of compliance with the minimum reserve requirements of the European Central Bank in respect of utilizations made from that facility office. In the case of a creditor lending from a facility office in the United Kingdom, the additional cost rate is calculated by the agent under the Senior Revolving Credit Agreement, and is designed to compensate creditors for amounts payable under the rules on periodic fees contained in the FSA Supervision Manual.

The Senior Revolving Credit Agreement also provides for payment of certain fees, including underwriting and arrangement fees, commitment fees, agency fees and fronting fees. Fronting fees are payable by FinCo in respect of each letter of credit requested by it, computed at 0.125% per annum on the outstanding amount of each letter of credit for the period from that letter of credit's issue until its date of expiration.

Guarantees

Bite Group is the only guarantor of FinCo's obligations under the Senior Revolving Credit Agreement.

Security

Obligations under the Senior Revolving Credit Agreement will have the benefit of priority ranking security over substantially all of the assets of FinCo and Bité Group, including a pledge of the Intercompany Loan. See “—Intercompany Loan”.

Maturity

The revolving facility will mature on the last day of each interest period elected by FinCo. FinCo may select an interest period of one, two, three or six months, subject to certain conditions and exceptions. To the extent all of the lenders under the Senior Revolving Credit Agreement agree, FinCo may elect interest periods of six, nine or twelve months. FinCo may request a term for a letter of credit of up to one year.

Any amounts then outstanding under the Senior Revolving Credit Agreement will mature on the termination date (the “*Termination Date*”), which is February 9, 2014.

Voluntary prepayment

Subject to certain minimum amounts, FinCo may at its option, at any time without penalty, prepay all or any part of the amounts borrowed under the Senior Revolving Credit Agreement, plus all accrued and unpaid interest upon five days’ prior written notice to Deutsche Bank AG, London Branch as agent under the Senior Revolving Credit Agreement.

Mandatory prepayment and acceleration

The Senior Revolving Credit Agreement requires mandatory prepayments upon the occurrence of certain events, including the occurrence of any event or circumstance in which the Senior Secured Notes are required to be prepaid, subject to certain exceptions. Upon such occurrence:

(i) once amounts applied in the repayment of the Senior Secured Notes and the Senior Subordinated Notes exceed EUR 50 million or its foreign currency equivalent, the debt under the Senior Revolving Credit Agreement (the “*Senior RCF Loans*”) shall also be cancelled and prepaid pro rata with amounts applied to prepay the Senior Secured Notes and Senior Subordinated Notes.

(ii) for so long as an event of default under the Senior Revolving Credit Agreement is outstanding, proceeds otherwise required to be applied in prepayment of the Senior Secured Notes and Senior Subordinated Notes will be applied in cancellation and prepayment of the Senior RCF Loans in priority of any other indebtedness.

In addition, the Senior Revolving Credit Agreement sets out certain events of default, the occurrence of which allow the majority creditors to accelerate all outstanding drawings and terminate their commitments.

Mandatory cancellation

The commitments under the Senior Revolving Credit Agreement will be cancelled in part, for such part as remains undrawn at the end of its availability period, which is one month prior to the Termination Date.

Covenants

The Senior Revolving Credit Agreement contains various covenants substantially similar to the covenants in the Senior Secured Indenture. In addition, the Senior Revolving Credit Agreement contains a financial covenant relating to the maintenance of a ratio of total indebtedness to consolidated cash flow (as defined in the Senior Revolving Credit Agreement) of the Company and its subsidiaries. The ratio is tested quarterly and must not exceed 11.3:1 for the period ending December 31, 2007. The ratio ratchets down in steps to 3.7:1 for the period ending June 30, 2014.

The FinCo Term Loan Agreement

On March 9, 2007, FinCo will entered into the FinCo Term Loan Agreement, between, among others, FinCo as borrower and Deutsche Bank AG, London Branch as administrative agent and collateral agent. Proceeds from a drawing under the FinCo Term Loan Agreement refinanced in full the indebtedness of FinCo under a senior interim term loan agreement, which agreement was then cancelled.

Structure

The FinCo Term Loan Agreement provides for two term loans, Tranche A in the amount of EUR 190 million (the “*Tranche A Loans*”) and Tranche B in the amount of EUR 110 million (the “*Tranche B Loans*” and together with the Tranche A Loans, the “*FinCo Term Loans*”). The proceeds from the FinCo Term Loans will be used to refinance certain existing intercompany debt.



Interest rates and fees

The interest rate for the Tranche A Loans is payable by FinCo at the rate per annum which is the aggregate sum of:

- (i) 4.35%; and
- (ii) Three-month EURIBOR.

The interest rate for the Tranche B Loans is payable by FinCo at the rate per annum which is the sum of:

- (i) 7.60%; and
- (ii) Three month EURIBOR.

The mandatory cost rate is the rate per annum which is the additional cost rates (as described below) of the creditors under the FinCo Term Loan Agreement. The additional cost rate for a creditor lending from a facility office in a participating member state of the EMU is the percentage certified by such creditor as being its cost of compliance with the minimum reserve requirements of the European Central Bank in respect of utilizations made from that facility office. In the case of a creditor lending from a facility office in the United Kingdom, the additional cost rate is calculated by the agent under the FinCo Term Loan Agreement, and is designed to compensate creditors for amounts payable under the rules on periodic fees contained in the FSA Supervision Manual. The FinCo Term Loan Agreement also provides for payment of certain fees, including agency fees.

Guarantees

Bité Group is the only guarantor of FinCo’s obligations under the FinCo Term Loan Agreement.

Security

Obligations under the FinCo Term Loan Agreement have the benefit of security over substantially all of the assets of FinCo and the Company (other than the Intercompany RCF), including a pledge of the Intercompany Term Loan. *See* “—The Intercompany Loan”.

Maturity

The Tranche A Loan will mature on March 15, 2014 and the Tranche B Loan will mature on March 15, 2017.

Voluntary prepayment

Each FinCo Term Loan may be repaid at the option of FinCo prior to March 15, 2009 at a make-whole premium. Thereafter, FinCo may prepay the FinCo Term Loans at the redemption prices (expressed as a percentage of principal amount) set forth below if redeemed during the twelve month period beginning on March 15 of the years indicated below:

Year	Percentage
2009	102%
2010	101%
2011 and thereafter	100%

Mandatory prepayment and acceleration

The FinCo Term Loan Agreement has no mandatory prepayments. However, the FinCo Loan Agreement sets out certain events of default, the occurrence of which allow the majority creditors to accelerate all outstanding FinCo Term Loans.

Covenants

The FinCo Term Loan Agreement contains various covenants substantially similar to the covenants in the Senior Secured Indenture.

Intercompany Loan

On February 9, 2007, FinCo entered into the Intercompany RCF with Purchaser. Subsequently, the Issuer, Bité Lithuania and Bité Latvia acceded to the Intercompany RCF. The Intercompany RCF provides for advances by FinCo to any of the Issuer or its Restricted Subsidiaries for working capital or other purposes. Amounts outstanding under the Intercompany RCF bear interest at the rate of EURIBOR plus 2.45% plus applicable reserve costs. Loans under the Intercompany RCF may be repaid and reborrowed from time to time but must be repaid in full on or prior to February 9, 2014. Each borrower will secure its obligations under the Intercompany RCF by pledging certain of its assets. It is anticipated that the security for the Intercompany RCF will include, in the case of Bité Lithuania, a mortgage over certain real property and a pledge of



certain movable assets (including base station towers) and, in the case of Bité Latvia, a floating charge over its assets generally.

On March 9, 2007, Purchaser refinanced amounts then outstanding under an intercompany term loan borrowed from FinCo with an Intercompany Term Loan. The Intercompany Term Loan has two tranches, a Tranche A (the “*IC Tranche A*”) and a Tranche B (the “*IC Tranche B*”).

The IC Tranche A is in the aggregate principal amount of EUR 190 million and the IC Tranche B is in the aggregate principal amount of EUR 110 million. Amounts outstanding under the IC Tranche A bear interest at the rate of EURIBOR plus 4.55% plus applicable reserve costs and under the IC Tranche B bear interest at the rate of EURIBOR plus 7.80% plus applicable reserve costs. Either tranche of the Intercompany Term Loan may be repaid at the option of the borrower prior to March 15, 2009 at a make-whole premium. Thereafter, the borrower may prepay either tranche of the Intercompany Term Loans at the redemption prices (expressed as a percentage of principal amount) set forth below if redeemed during the twelve month period beginning on March 15 of the years indicated below:

Year Percentage	
2009	102%
2010	101%
2011 and thereafter	100%

IC Tranche A will mature on March 15, 2014 and IC Tranche B will mature on March 15, 2017.

The borrower under the Intercompany Term Loan secured its obligations there under by a pledge of certain of its assets including its interest in Bité Lithuania.

Intercreditor Agreement

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer, the Guarantors and other intergroup creditors entered into an intercreditor agreement (the “*Intercreditor Agreement*”) on February 9, 2007 with, among others, the lenders and agents under the Senior Revolving Credit Agreement, the Senior Secured Bridge Agreement and a senior interim term loan agreement with FinCo, as borrower, and the security agent for such facilities (the “*Security Agent*”), which was amended on March 8, 2007. Upon issuance of the Notes, the Senior Secured Trustee (on behalf of themselves and the holders of the Senior Secured Notes) and the Senior Subordinated Trustee (on behalf of themselves and the holders of the Senior Subordinated Notes) acceded to the Intercreditor Agreement. By accepting a Note, holders of Senior Secured Notes and the Senior Subordinated Notes were deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement sets out:

- the relative ranking of certain debt of the Company and its subsidiaries;
- the relevant ranking of security granted by the Company and its subsidiaries;
- when payments can be made in respect of that debt;
- when enforcement action can be taken in respect of that debt;
- the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit an enforcement sale.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and, as such, we urge you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Senior Secured Notes.

Priority of debts

The Intercreditor Agreement provides that the Senior RCF Loans (including the guarantees thereof), the Senior Secured Notes (including the Senior Note Guarantees), the Senior Subordinated Notes (including the Senior Subordinated Note Guarantees) and certain other debt of the group rank in right and priority of payment in the following order:

- first, the Senior RCF Loans, hedging indebtedness, the Senior Secured Notes and the Senior Note Guarantees without any preference between them;
- second, the Senior Subordinated Notes and the Senior Subordinated Note Guarantees;
- third, intercompany debt (which consists of all liabilities of the Company and its subsidiaries (the “*Group*”) to another member of the Group other than the Intercompany Loans).

Priority of security

The transaction security (other than the security granted for the benefit of FinCo under the Intercompany Loans or to the secured parties under the FinCo Term Loan Agreement) rank and secure the debt (other than the Intercompany Loans and the FinCo Term Loans), and the proceeds of its enforcement rank in right and priority of payment in the following order:

- first, the Senior RCF Loans;
- second, the Senior Secured Notes and the Senior Note Guarantees;
- third, the Senior Subordinated Notes and the Senior Subordinated Note Guarantees; and
- fourth, the intercompany debt, other than the Intercompany Loans and the FinCo Term Loans.

The security for the Intercompany Term Loan secures the debt under the Senior Revolving Credit Agreement and the FinCo Term Loan and the security for the Intercompany RCF secures debt under the Senior Revolving Credit Agreement only and the proceeds of its enforcement will be paid to the Security Agent and be applied as described below under the caption “— Turnover and application of recoveries”.

Permitted payments

Prior to the later of the repayment in full of the Senior RCF Loans and the Senior Secured Notes (the “*Secured Discharge Date*”), unless a majority of (i) the lenders under the Senior Revolving Credit Agreement and (ii) the holders of the Senior Secured Notes otherwise agree, a member of the Group may not pay and a holder of the Senior Subordinated Notes or an intercompany creditor may not receive or retain payment of, whether in cash or kind, any amount under the Senior Subordinated Notes or intercompany debt from a member of the Group unless the following conditions are satisfied:

- except in the case of a payment of (i) intercompany debt to an obligor or to the lenders under the FinCo Term Loan Agreement and (ii) payment of which is permitted under the terms of the Senior Revolving Credit Agreement and the Senior Secured Indenture, the amount is then due and payable (or, in the case of scheduled interest, will become due and payable within three business days) under the terms of the Senior Subordinated Indenture or intercompany debt, as applicable;
- the payment is (i) a Permitted Payment (as defined below); or (ii) not prohibited under the terms of (a) the Revolving Senior Credit Agreement and the majority lenders there under have given their consent to the payment and (b) the Senior Secured Indenture;
- except in the case of a payment of intercompany debt to an obligor, no payment default is continuing in relation to the Senior RCF Loans or the Senior Secured Notes;
- Enforcement Action has not been taken; and
- no payment default has occurred and is continuing under the Senior Revolving Credit Agreement or the Senior Secured Indenture and no Payment Blockage Notice has been given.

In addition, the Intercreditor Agreement also does not permit prior to the repayment in full of the Senior Subordinated Notes, payments on the intercompany debt (other than the Intercompany Loans) in a manner similar to that described in the first paragraph above prior to the repayment in full of the Senior RCF Loans, the Senior Secured Notes and the Senior Subordinated Notes, unless such payment is expressly permitted by the terms of, and no payment default is continuing under, the Senior Revolving Credit Agreement, the Senior Secured Indenture and the Senior Subordinated Indenture, no Enforcement Action (as defined below) has been taken and no payment blockage has occurred or the agent under the Senior Revolving Credit Agreement (the “*Senior Agent*”), the Senior Secured Trustee and the Senior Subordinated Trustee) so agree in writing.

For purposes of the Intercreditor Agreement, a “*Permitted Payment*” means a payment:

- (i) of scheduled interest (in each case whether paid in cash or kind, but excluding default interest or liquidated damages to the extent that they accrue at a rate of more than 1% per annum) on the Senior Subordinated Notes, which payment is made no earlier than three business days before the date on which the relevant scheduled interest payment falls due under the terms of the Senior Subordinated Indenture;
- (ii) of amounts of principal outstanding under the Senior Subordinated Notes permitted to be paid under the terms of the Senior Revolving Credit Agreement and the Senior Secured Indenture, provided that no event of default is (or would be as a result of the relevant payment) outstanding under the Senior Revolving Credit Agreement or the Senior Secured Indenture and either: (x) the aggregate principal amount of Senior Secured Notes, Senior Subordinated Notes and certain other indebtedness repaid, purchased, redeemed and/or acquired by an obligor or any of its subsidiaries after the date of the Intercreditor Agreement does not exceed EUR 50.0 million; or (y) to the extent that the aggregate principal amount referred to in sub-paragraph (ii) above exceeds EUR 50.0 million, the Senior RCF Loans are at the same time cancelled and prepaid pro rata to the aggregate amount applied in repayment of the principal amounts of the indebtedness referred to in (x) above;
- (iii) of amounts payable under applicable provisions of the Senior Subordinated Indenture providing for gross up, tax indemnities or increased costs provided such provisions are in customary form;

- (iv) of fees, costs, expenses and taxes incurred in respect of the issuance of the Senior Subordinated Notes or in the ordinary course day-to-day administration of the Senior Subordinated Notes as provided for in the Senior Subordinated Indenture (but not including principal (or any premium which must be paid together with principal) or interest);
- (v) of the principal amount of or in respect of any Senior Subordinated Notes upon or after its originally scheduled maturity as set out in the Senior Subordinated Indenture;
- (vi) certain payments to the Senior Secured Trustee, the Senior Subordinated Trustee and Security Agent;
- (vii) to the extent that payment is permitted by the terms of the Senior Revolving Credit Agreement, the Senior Secured Indenture and the Senior Subordinated Indenture;
- (viii) of any amount in relation to any intercompany debt, other than Intercompany Loans, to the extent that such payment is made to the Company or any of its subsidiaries;
- (ix) of any amount under the Intercompany Loans; and
- (x) of any other amounts consented to by, prior to the Senior RCF Loan discharge date, the Senior Agent and thereafter the applicable agent.

Payment blockage

No payment of, or in respect of, any Senior Subordinated Note or intercompany debt which is otherwise permitted by the preceding paragraphs may be made by any member of the Group or received or retained by any senior subordinated creditor, including a holder of the Senior Shareholder Notes, or intercompany creditor if:

- a payment default has occurred and is continuing under the terms of the Senior Revolving Credit Agreement or the Senior Secured Indenture; or
- an event of default is continuing under the terms of the Senior Revolving Credit Agreement or the Senior Secured Indenture, in each case other than a payment default, and the Senior Agent or the Trustee (as applicable) has given notice (a “*Payment Blockage Notice*”) to each other agent specifying such event of default and suspending payments of, or in respect of, the Senior Subordinated Notes and intercompany debt by any member of the Group (or a specified category of those payments), from the date of such Payment Blockage Notice until the date on which that Payment Blockage Notice expires as provided in the Intercreditor Agreement.

Notwithstanding the foregoing paragraph, the Company and its subsidiaries may make certain payments, which may be received and retained by any holder of Senior Subordinated Notes or intercompany creditor, including (i) any payment to which each of the Senior Agent and the Senior Secured Trustee gives its consent; (ii) payments of intercompany debt to the Company or any of its subsidiaries and (iii) any payment by FinCo under the FinCo Term Loan.

Any payment blockage notice shall expire on the earliest of:

- the date on which the relevant event of default is no longer continuing and, if a notice of acceleration has been given in respect of the relevant debt, that notice has been withdrawn;
- the date on which the representative issuing the Payment Blockage Notice cancels the payment blockage notice;
- the repayment in full of the debt under which the event of default occurred;
- the date falling 179 days after due receipt of the Payment Blockage Notice;
- if a Standstill Period (as defined in the subsection below) in respect of the debt to which the Payment Blockage Notice applies is in effect at the time of the service of the Payment Blockage Notice, the date on which that Standstill Period expires; and
- the date on which any creditor in respect of the debt to which the Payment Blockage Notice applies takes any Enforcement Action (as defined below) in relation to such debt which it is permitted to take under the Intercreditor Agreement and the relevant security documents.

Unless otherwise agreed by the Senior Subordinated Trustee (i) not more than one Payment Blockage Notice may be served in respect of the Senior Subordinated Notes in any period of 360 consecutive days; (ii) not more than one Payment Blockage Notice in respect of the Senior Subordinated Notes may be served in respect of the same event or set of circumstances; and (iii) a Payment Blockage Notice in respect of the Senior Subordinated Notes may not be served by the Senior Agent or the Senior Secured Trustee in reliance on a particular event of default more than 45 days after the date on which that agent has received a written notice from an obligor of the occurrence of that event of default and confirming that it is an event of default.

Standstill on enforcement

No intercompany creditor (prior to the later of the repayment in full of the Senior Secured Notes and the Senior Subordinated Notes), or (prior to the Secured Discharge Date) holder of Senior Subordinated Notes may (i) prior to the Secured Discharge Date, without the prior written consent of the Senior Agent and the Senior Secured Trustee, or (ii) after the Secured Discharge Date but prior to the repayment in full of the Senior Subordinated Notes, without the prior written

consent of the Senior Subordinated Trustee, take Enforcement Action (as defined below) with respect to any security granted in favor of the holders of the Senior Secured Notes or against any member of the Group with respect to any document relating to the Senior RCF Loans, Senior Secured Notes, Senior Subordinated Notes and the intercompany debt.

The limitations on enforcement in the preceding paragraphs will not apply if:

- an insolvency event has occurred with respect to an Obligor other than as a result solely of any action taken by a junior creditor (in which case Enforcement Action may only be taken against the person subject to that insolvency event);
- any other creditor takes Enforcement Action (including the enforcement of any transaction security) which it is entitled to take under the Intercreditor Agreement and the relevant security documents, provided that if such other creditor only demands payment under the relevant debt or puts amounts payable thereunder on demand, then the junior creditor may only demand payment of the debt owing to it or put amounts payable thereunder on demand;
- an event of default has occurred under the Senior Subordinated Indenture resulting from a failure to pay principal at maturity;
- an event of default has occurred under the Senior Subordinated Indenture (other than solely by reason of the occurrence of an event of default under any other debt which is not a payment default) and (i) each of the Senior Agent and the Senior Secured Trustee or, after the Secured Discharge Date, the Senior Subordinated Trustee has received written notice of such default from the relevant agent; (ii) a period of not less than 179 days has passed from the date of receipt by each of the Senior Agent and the Senior Secured Trustee or, after the Secured Discharge Date, the Senior Subordinated Trustee of the written notice referred to in the preceding subclause (i) above (a “Stand-still Period”); and (iii) at the end of the relevant Standstill Period, the relevant default is continuing; or
- the proposed Enforcement Action has been consented to by each of the Senior Agent and the Senior Secured Trustee or, after the Secured Discharge Date, the Senior Subordinated Trustee.

Upon the occurrence of any of the events set out in the preceding paragraph (or as permitted by the preceding paragraphs), an agent acting on behalf of the relevant junior creditors may direct the Security Agent to commence enforcement of the security securing the relevant debt if at that time the event entitling the junior creditor to take Enforcement Action is continuing.

For purpose of the Intercreditor Agreement, “Enforcement Action” means, in relation to any debt, any action (whether taken by the relevant creditor or creditors or any agent or trustee on its or their behalf) (i) to demand payment (in respect of any amount which is repayable on demand), declare prematurely due and payable or otherwise seek to accelerate payment of or place on demand all or any part of such debt or the designation by a hedge counterparty of a deemed occurrence of an early termination date under any hedging agreement (and for the avoidance of doubt, any prepayment obligations arising under any unlawfulness or mandatory prepayment provision of the finance documents or any notice delivered pursuant thereto shall be deemed not to have arisen pursuant to a demand, declaration or acceleration or placement on demand of any debt for the purposes of this clause (i)); (ii) to exercise any security right or any rights of attachment, execution, set-off or combination of accounts, other than (a) in the case of the lenders under the Senior Revolving Credit Agreement in the ordinary course of operating any ancillary facilities and (b) netting in the ordinary course of hedging, in respect of any debt due and unpaid; (iii) constituting an enforcement event or the making of any demand under any guarantee; (iv) to commence (or take any other formal steps in relation to the commencement of any) insolvency proceedings in relation to any member of the Group provided such action constitutes a default under any relevant finance documents; or (v) to commence any other legal proceedings against any member of the Group to recover any liabilities under any finance document, provided that the following shall not constitute Enforcement Action (unless it results in an insolvency event): (a) the taking of any action (not falling within any of clauses (i) to (iv) above) necessary to preserve the validity and existence of claims, including the registration of such claims before any court or governmental authority; (b) to the extent entitled by law, the taking of action against any creditor (or any agent, trustee or receiver acting on behalf of such creditor) to challenge the basis on which any sale or disposal is to take place pursuant to powers granted to such persons under any security document; (c) the bringing of proceedings solely for injunctive relief to restrain any actual or putative breach of the finance documents or for specific performance not claiming damages; or (d) legal proceedings or allegations against any person in connection with violations of securities laws or securities or listing regulations or fraud.

Enforcement of security

The holders of the Senior Secured Notes and the Senior Subordinated Notes may not take any Enforcement Action with respect to the transaction security. Enforcement with respect to the transaction security may only be taken by the Security Agent upon the instruction of the Senior Agent or the applicable trustee.

The Security Agent may refrain from enforcing the transaction security unless instructed otherwise by:

- (i) prior to the repayment in full of the Senior RCF Loans, the Senior Agent and the Senior Secured Trustee;
- (ii) after the repayment in full of the Senior RCF Loans but prior to the repayment in full of the Senior Secured Notes, the Senior Secured Trustee; and

(iii) after the repayment in full of the Senior Secured Notes, the Senior Subordinated Trustee.

The Security Agent may disregard any instructions from any other person to enforce the transaction security and may disregard any instructions to enforce any transaction security if those instructions are inconsistent with the Intercreditor Agreement.

The Intercreditor Agreement also contains procedures with respect to the coordination of instructions from the Senior Agent and the Senior Secured Trustee with respect to enforcement of the transaction security. If the instructions given to the Security Agent by the Senior Agent conflict with the instructions given by the Senior Secured Trustee and such conflict is not resolved, the Security Agent will enforce the transaction security in accordance with the security enforcement principles, which provide for the maximizing, so far as is consistent with prompt and expeditious enforcement of the transaction security, the recovery of the lenders under the Senior Revolving Credit Agreement and the holders of the Senior Secured Notes.

Subordination on insolvency

Upon the occurrence of certain insolvency events involving an obligor under the Senior Revolving Credit Agreement, the amounts under the Senior Subordinated Notes Guarantees owed by the insolvent obligor will be subordinate in right of payment to outstanding claims under the Senior Revolving Credit Agreement (and any related ancillary facilities), hedging debt and the Senior Note Guarantees owed by such insolvent obligor.

Turnover and application of recoveries

The turnover provisions in the Intercreditor Agreement only apply in respect of a holder of Senior Secured Notes to the extent it receives amounts of, or in respect of, principal of the Senior Secured Notes in excess of the amounts it is permitted to receive under the Intercreditor Agreement. Subject to the preceding paragraph, if: (i) any creditor other than a creditor under the Senior Revolving Credit Agreement (a “*Senior RCF Creditor*”), including holders of the Senior Secured Notes and the Senior Subordinated Notes, receives or recovers a payment in cash or in kind (including by way of set-off or combination of accounts) of any of the debt which is prohibited by the terms of the Intercreditor Agreement; or (ii) any holder of Senior Subordinated Notes or intercompany creditor or (after the Enforcement Date) holder of Senior Secured Notes receives or recovers a payment in cash or in kind from a report provider (a “*Turnover Receipt*”) the receiving or recovering creditor will promptly notify the Security Agent.

Each creditor (other than a Senior RCF Creditor), including holders of the Senior Secured Notes and the Senior Subordinated Notes, will (i) hold any Turnover Receipt received or recovered by it on trust for the creditors; and (ii) upon demand by the Security Agent pay to the Security Agent for application as provided in the Intercreditor Agreement an amount determined by the Security Agent to be equal to the lesser of: (A) the outstanding balance of the superior debt; and (B) the amount of such Turnover Receipt, third-party costs and expenses (if any) (or, in the case of Senior Secured Notes or the Senior Subordinated Notes received in excess of the amounts permitted to be received under the Intercreditor Agreement the pro rata proportion thereof) reasonably incurred by the senior secured note holder or junior creditor concerned in receiving or recovering such Turnover Receipt.

All amounts of or in respect of any Senior Subordinated Notes received pursuant to any:

(i) guarantee in respect of the Senior Subordinated Notes given by any of the Company’s subsidiaries; and/or (ii) enforcement of any transaction security given by any member of the group in respect of the Senior Subordinated Notes shall be paid directly to the Senior Subordinated Trustee. The Senior Subordinated Trustee shall only pay such amounts to the holders of the Senior Subordinated Notes if and to the extent such amounts are not required to be held on trust and turned over to the Senior RCF Creditors and the holders of Senior Secured Notes pursuant to the second paragraph of this subsection.

Subject to applicable law and to the rights of any person with prior security or prior claims, the proceeds of enforcement of the transaction security shall be paid to the Security Agent. The proceeds of enforcement of the transaction security, and all other amounts paid to the Security Agent under the Intercreditor Agreement (other than the proceeds of enforcement of the security solely for the benefit of the Senior RCF Creditors), shall be applied in the following order:

- first, in payment of the fees, costs, expenses and liabilities (and all interest thereon) of the Security Agent, the Senior Agent and any receiver, attorney or agent appointed under the security documents or the Intercreditor Agreement and certain amounts payable to the Trustee, *pari passu* and rateably between themselves;
- second, in payment of the balance of the costs and expenses of each agent in connection with such enforcement;
- third, in payment of the balance of the costs and expenses of each Senior RCF Creditor in connection with such enforcement;
- fourth, in payment to the Senior Agent and the hedge counterparties for application towards the balance of the Senior RCF Loans and the hedging obligations *pari passu* and rateably between such creditors;

- fifth, in payment to the Senior Secured Trustee for application towards the balance of the Senior Secured Notes;
- sixth, in payment to the Senior Subordinated Trustee for application towards the balance of the Senior Subordinated Notes, to the extent it is entitled under the relevant security documents to the proceeds of the enforcement;
- seventh, in payment of the intercompany debt, to the extent it is entitled under the relevant security documents to the proceeds of the enforcement; and
- eighth, in payment of the surplus (if any) to the Obligors or other persons entitled to it.

Release of security and guarantees upon an enforcement action

In the case of any release of any transaction security and any obligation or liability, including under any Guarantee, in connection with a disposal being effected pursuant to an Enforcement Action (i) by the Senior RCF Creditors and/or the holders of Senior Secured Notes, or (ii) in circumstances where such creditors are entitled to take an Enforcement Action, at the request of the Senior Agent and/or the Senior Secured Trustee, such security and/or Guarantee will only be released if (i) the Senior Agent, the Senior Secured Trustee and the Senior Subordinated Trustee confirm to the Security Agent that the release has been consented to by the lenders under the Senior Revolving Credit Agreement, the Senior Secured Trustee, holders of Senior Secured Notes, the Senior Subordinated Trustee and holders of the Senior Subordinated Notes and under the applicable finance documents (to the extent such consent is required thereunder) or (ii) the relevant asset is disposed of and:

- the proceeds of such disposal received by the Security Agent are in the form of cash (or substantially all cash);
- either (a) such disposal is made pursuant to a public auction; or (b) in connection with such disposal, an internationally recognized investment bank selected by the Security Agent has delivered an opinion to the Senior Agent, the Senior Secured Trustee and the Senior Subordinated Trustee that the disposal price of such asset is fair from a financial point of view after taking into account all relevant circumstances (provided that no such opinion is required to be so delivered to an agent if the relevant junior debt has been repaid in full);
- on completion of such disposal, the relevant asset and, if such asset comprises all of the shares in the capital of a member of the Group which are the subject of a transaction security in favor of the Security Agent, such member of the Group and each of its subsidiaries is simultaneously and unconditionally released from all present and future obligations and liabilities in respect of the Senior Revolving Credit Agreement and Senior Secured Indenture (or each such debt is sold or otherwise disposed of by the relevant creditors to the purchaser of such member of the Group) and such obligations are not assumed by the purchaser of such member of the Group or an affiliate of such purchaser; and
- the proceeds are applied in accordance with the application of recoveries provisions summarized above under the caption “—Turnover and application of recoveries”.

The Credit Support Agreement

In connection with the Acquisition, Deutsche Bank AG, London Branch, as the lender under a senior interim term loan made to FinCo, Deutsche Bank AG, London Branch as the Lender’s Agent and Representative, and the Company, as Credit Support Provider (in such capacity, the “*Credit Support Provider*”) entered into a credit support agreement on February 9, 2007, which was amended and restated on March 9, 2007 and became effective at that date (as so amended and restated, the “*Credit Support Agreement*”) in support of Deutsche Bank AG, London Branch as the lender under the FinCo Term Loan Agreement (in such capacity, the “*FinCo Lender*”). The Credit Support Agreement provides for:

- the guarantee, by the Credit Support Provider, of FinCo’s obligations under the FinCo Term Loan Agreement (the “*FinCo Guarantee*”);
- the deposit (the “*Deposit*”) by the Credit Support Provider of EUR 300 million in support of the FinCo Guarantee and the rights of the parties in respect of such Deposit;
- the payment by the FinCo Lender of interest on the Deposit and a guarantee fee in respect of the FinCo Guarantee;
- rights of netting, set-off and subrogation between the parties; and
- control over amendments and waivers to the FinCo Term Loan and for transfers of the FinCo Term Loan (and associated rights under the Credit Support Agreement) and the rights and obligations of the Credit Support Provider under the Credit Support Agreement.

FinCo Guarantee

The Company, as the sole credit support provider as of March 9, 2007, guaranteed to the FinCo Lender the due and punctual payment of each separate liability of FinCo to the FinCo Lender under the FinCo Term Loans. In the event the administrative agent under the FinCo Term Loans declares the FinCo Term Loans to be due and payable, or otherwise makes any demand for such payment, the Credit Support Provider will pay all amounts then owed by FinCo to the FinCo Lender. The Credit Support Provider will also pay all amounts then owing to the FinCo Lender by FinCo in the event of a Lender Event. Lender Events are certain events of bankruptcy or insolvency substantially consistent with the equivalent

events which, if occurring in relation to the Company or a significant subsidiary form the basis of an event of default under the Senior Secured Indenture but as applied to the FinCo Lender. These include, without limitation, a court of competent jurisdiction entering an order or decree under any applicable bankruptcy law for relief against the FinCo Lender, the FinCo Lender consenting to the appointment of a custodian under applicable bankruptcy law or the FinCo Lender not being generally able to pay its debts as they become due.

The Credit Support Agreement contains customary provisions requiring the Credit Support Provider to waive defenses to enforcement of the FinCo Guarantee and to permit immediate recourse to the FinCo Guarantee without the need to enforce any other security or claim for payment.

The Deposit

At the time of the Acquisition, the Company made a deposit of EUR 300 million in respect of its guarantee of the senior interim term loan made available to FinCo, which became effective upon issuance of the Notes on March 9, 2007 and continues in support of the FinCo Guarantee. The Deposit is held in the name of the FinCo Lender and the Credit Support Provider has acknowledged that all legal and beneficial ownership to the Deposit has passed to the FinCo Lender. The Credit Support Provider has no rights in respect of, or other interest of any kind in, the Deposit (including the right to withdraw any amounts of the Deposit). The Credit Support Provider has a right to receive payment in respect of the Deposit only to the extent set forth in the Credit Support Agreement. The Credit Support Provider has also granted a security interest in the Deposit for the benefit of the FinCo Lender. The Credit Support Provider has undertaken that it will be the sole beneficial owner of its conditional claim for the repayment of the Deposit, provided that the Credit Support Provider is permitted to grant a security interest in its rights under the Credit Support Agreement. The Company has pledged its rights under the Credit Support Agreement in favor of the Security Agent for the benefit of the secured parties under the Senior Revolving Credit Agreement, the Senior Secured Trustee (on its own behalf and on behalf of the holders of Senior Secured Notes) and the Senior Subordinated Trustee (on its own behalf and on behalf of the holders of Senior Subordinated Notes).

Interest on the Deposit and the Guarantee Fee

Interest on the Deposit will accrue, be calculated and be payable in the same manner as interest on the FinCo Term Loan but at the rate of EURIBOR (as defined in the FinCo Term Loan Agreement).

In addition to interest on the Deposit, the FinCo Lender has agreed to pay a guarantee fee in respect of the FinCo Guarantee to the Credit Support Provider. The guarantee fee is equal to the Applicable Margin (as defined in the FinCo Term Loan Agreement) less .1%. The FinCo Lender will also pay an additional guarantee fee in the same manner as overdue amounts are due on the FinCo Term Loan to the extent a payment default has occurred on the FinCo Term Loan, for so long as the FinCo Term Lender has not exercised its set-off rights described below under “—Set-Off”.

Payments by the FinCo Lender

Whenever a payment of principal on the FinCo Term Loan is received by the FinCo Lender, the FinCo Lender will retain any amount that is not covered by a FinCo Guarantee and apply an amount equal to the balance in repaying an equivalent amount of the Deposit. Whenever any interest on the FinCo Term Loan is received by the FinCo Lender, the FinCo Lender will retain a portion attributable to any FinCo Term Loan not covered by the FinCo Guarantee and apply an amount equal to the balance in paying by way of, and in discharge of, interest and guarantee fees accrued as described above under “—Interest on the Deposit and the Guarantee Fee”. Any other payments received by the FinCo Lender under the FinCo Term Loan Agreement shall be (i) retained by the FinCo Lender to the extent they are in respect of Lender Related Liabilities or (ii) otherwise paid over to the Credit Support Provider.

Lender Related Liabilities are any liability of FinCo under the FinCo Term Loan Agreement which is attributable to the FinCo Lender or is incurred solely to indemnify the FinCo Lender itself but does not include a liability to pay principal of, or interest on, the FinCo Term Loan. Examples of Lender Related Liabilities would include tax gross-ups, break-funding costs and increased costs which compensate the FinCo Lender for its related expenses.

Following satisfaction in full in cash of all liabilities of FinCo to the FinCo Lender under the FinCo Term Loan Agreement, the FinCo Lender will repay to the Credit Support Provider an amount equal to the Deposit. The due date for any payment by the FinCo Lender is three business days following receipt by it of the payment from FinCo provided that interest shall accrue on the amount due and payable to the Company from the day after receipt (provided payment is received no later than 11:00 am) until the date of payment at EURIBOR.

The FinCo Lender and the Credit Support Provider have agreed to net any amounts due under the Credit Support Agreement from one party to the other.

Set-Off

Upon the occurrence of a Lender Event or the making of a demand by the FinCo Lender on the FinCo Guarantee, there will be an immediate and simultaneous set-off of:

- (i) the obligations owed by the Credit Support Provider to the FinCo Lender under the FinCo Guarantee with respect to all amounts becoming due and payable by FinCo pursuant to the FinCo Term Loan Agreement against
- (ii) the obligations of the FinCo Lender to repay the Deposit to the Credit Support Provider and all other obligations owed by the FinCo Lender to the Credit Support Provider under the Credit Support Agreement such that those obligations and the corresponding amounts of that Deposit and other obligations shall be immediately discharged to the extent of the set-off. The parties have agreed that the obligations referred to in clause (i) shall be exclusively discharged by way of set-off. Each party has agreed that it is not entitled to, and undertakes not to, set-off against the Deposit, or to set-off the Deposit against, any other obligations owned by it to the other.

In the event of a Credit Support Insolvency Event, the Credit Support Provider shall be obligated to acquire a funded participation in the FinCo Term Loan equal to the amount of its FinCo Guarantee (i.e., 100% on the date of issuance of the Notes). The acquisition price for such funded participation will be equal to the FinCo Guarantee and shall be payable to the FinCo Lender automatically and immediately without need for notice. The obligation of the FinCo Lender to repay the Deposit will also arise automatically and such amounts will become due and payable for the purposes of netting and set-off as described above and in the Credit Support Agreement. The discharge by the Credit Support Provider of its obligation to pay the purchase price for the funded participation will occur by (and to the extent of) immediate and automatic set-off of any obligations owed by the FinCo Lender.

Conditional upon the discharge of the purchase obligation and the obligation of the FinCo Lender to repay the Deposit by way of set-off, the FinCo Guarantee will be cancelled and the Company, as the Credit Support Provider, will acquire the funded participation in the FinCo Term Loan.

Credit Support Provider Insolvency Event means, among other things, that the Credit Support Provider is deemed unable to pay its debts as they fall due or becomes insolvent, a receiver, liquidator or trustee-in bankruptcy is appointed over, or in relation to, all or any substantial part of the assets of the Credit Support Provider or the Senior Secured Notes or the Senior Subordinated Notes are declared due and payable in accordance with the applicable Indenture.

Following set-off as described in the first paragraph of this section, the provisions regarding the purchase by the Credit Support Provider the funded participation in the FinCo Term Loan shall also apply.

Subrogation

Upon and to the extent of the operation of the set-off or other payment or discharge provisions of the Credit Support Agreement as summarized above, the Credit Support Provider shall immediately be subrogated to every claim, right, judgment, specialty or other security held by the FinCo Lender in respect of the FinCo Term Loan so that the Company, as the Credit Support Provider, shall stand in the place of the FinCo Lender. The FinCo Lender has agreed to undertake whatever action the Credit Support Provider may reasonably require and to give all necessary assistance to the Credit Support Provider to equitably perfect and/or protect the Credit Support Provider's subrogated rights. The Credit Support Provider has agreed to reimburse the FinCo Lender for all reasonable out of pocket costs and expenses incurred by the FinCo Lender in taking such action or providing such assistance.

Transfers; Voting

The Company may transfer its rights and obligations under the Credit Support Agreement to one or more of its Restricted Subsidiaries. To the extent of a partial transfer, the Company would remain a Credit Support Provider to the extent of the rights not so transferred and the rights and obligations of each Credit Support Provider under the Credit Support Agreement would be proportional. The FinCo Lender may transfer all, but not less than all, of the FinCo Term Loan and its rights and obligations under the Credit Support Agreement to certain qualifying lenders.

Subject to certain exceptions, the Company, as Credit Support Provider, is authorized to direct the FinCo Lender to grant waivers and consents in relation to the FinCo Term Loan Agreement.

Returned Amounts

In the event that the FinCo Lender is required by any law or regulation binding on it to return the Deposit, or the Credit Support Provider's obligations to the FinCo Lender are mandatorily set-off against any assets in any jurisdiction, the FinCo Lender may demand repayment of the FinCo Term Loans in its absolute discretion. From and after such date, the Deposit shall be deemed to be no longer outstanding and from that date no further interest or fees shall be due the Credit Support Provider. In the event the FinCo Term Loan has been paid in full in cash and no demand has been made for six months on the FinCo Guarantee, the FinCo Guarantee shall be deemed satisfied.

Interest rate collar agreement

On April 4, 2008 the Company entered into an interest rate cap from June 15, 2008 to March 15, 2010, effectively capping the EURIBOR interest rate for the two note issuances at 4.3 % per annum. On March 18, the Company entered into an interest rate floor from June 16, 2009 to March 15, 2010 at 3.5 % per annum.