

TEO LT, AB

REPORT FOR THE FIRST HALF OF 2006

(PREPARED ACCORDING TO THE RULES ON PERIODIC DISCLOSURE OF INFORMATION ABOUT ISSUERS' ACTIVITIES AND THEIR SECURITIES APPROVED BY THE SECURITIES COMMISSION OF LITHUANIA)

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I. GENERAL PROVISIONS

1. Accountable period for which the report has been prepared

First half of the year 2006

2. Main data about the Issuer

Name of the Issuer	TEO LT, AB (hereinafter – TEO or “the Company”) (till 5 May 2006 was named AB Lietuvos Telekomas)
Authorised capital	814,912,760 litas
Registered office	Savanoriu ave. 28, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 15 11
Fax number	+370 5 212 66 65
E-mail address	info@teo.lt
Legal and organisational form	public company (joint-stock company)
Date and place of registration	6 February 1992, Board of Vilnius City
Date and place of re-registration	8 July 1998, Ministry of Economy of the Republic of Lithuania
Registration No.:	BI 98 - 195
Code in the Register of Enterprises	121215434
Administrator of Register of Legal Persons	State Enterprise Centre of Registers
Internet address	www.teo.lt

3. Information about where and how it is possible to get acquainted with the report and other documents on the basis whereof it was prepared and the name of the means of the mass media

Report and other documents on the basis whereof this report was prepared are available at TEO LT, AB headquarters at Savanoriu ave. 28, Vilnius, Lithuania on business days from 8 a.m. till 5 p.m.

The Company's notices, including information and other documents related to the General Meeting to be convened, as well as notices and information about reorganization or liquidation of the Company, decisions of the General Meeting and the Board, other notices and documents which according to the laws of the Republic of Lithuania, these By-laws or decisions of the Company's bodies must be announced to all Shareholders and/or other persons, shall be given in daily Lietuvos Rytas or delivered personally to each Shareholder or any other person to whom notification is required, by registered mail or by recorded delivery.

Announcements about material events of the Company are submitted to daily Lietuvos Rytas, news agencies Baltic News Service and ELTA.

4. Persons responsible for the accuracy of information in the report

4.1. Members of the managing bodies of the Issuer, employees and the head of the administration responsible for the report:

Arūnas Šikšta, General Manager of TEO LT, AB, tel. +370 5 236 76 00, fax. +370 5 212 66 65.

Jan-Erik Elsėrius, Chief Financial Officer and Deputy General Manager of TEO LT, AB, tel. +370 5 236 76 03, fax. +370 5 231 38 60.

4.2. -----

5. Confirmation of the members of Issuer's managing bodies, its employees and head of administration responsible for the preparation of this report that information contained herein is true and there are no suppressed facts which could have an impact on investors' decisions to buy or sell the Company's securities, as well as the market price of those securities and their valuation.

TEO LT, AB represented by Arūnas Šikšta, General Manager, and Jan-Erik Elsėrius, Chief Financial Officer and Deputy General Manager, hereby confirms that information contained in this report is true and there are no suppressed facts, which could have an impact on investors' decisions to buy or sell the Company's securities as well as on the market price of those securities and their valuation.

General Manager of TEO LT, AB

Arūnas Šikšta

.....

21 July 2006

A.V.

Chief Financial Officer and Deputy General
Manager of TEO LT, AB

Jan-Erik Elsėrius

.....

21 July 2006

The report is prepared in Vilnius, July 2006.

II. INFORMATION ABOUT MAJOR SHAREHOLDERS AND MEMBERS OF THE MANAGING BODIES

6. The Issuer's share capital

6.1. Share capital registered in the companies' register

The share capital of TEO LT, AB registered in Company's Register of the Republic of Lithuania is 814,912,760 litas.

According to the type of shares, the structure of TEO LT, AB share capital is as follows:

Type of shares	Number of shares	Nominal value (in litas)	Total nominal value (in litas)	Part in the share capital (%)
Ordinary registered shares	814,912,760	1	814,912,760	100.00
Total:	814,912,760	--	814,912,760	100.00

All shares of AB Lietuvos Telekomas are paid in.

6.2. Information about projected increase of share capital by conversion or swap of issued debentures or derivatives into shares

7. Shareholders

As on 30 June 2006, the total number of TEO LT, AB shareholders was 12,012. The number of shareholders on the day of the last Annual General Meeting of Shareholders, which was held on 24 April 2006, was 12,058.

The following shareholders hold more than 5 per cent of the Company's share capital as of 30 June 2006:

Name and surname of the shareholder (name of enterprise, type and registered office, code in the register of enterprises)	Number of ordinary registered shares owned by the right of ownership	Part in the share capital (%)	Part of votes given by the shares owned by the right of ownership (%)	Part of votes held together with persons acting together (%)
Amber Teleholding A/S (a), c/o „TeliaSonera Danmark A/S“, Holmbladsgade 139, DK-2300 Copenhagen S, Denmark, code 20758694	488,947,656	60.00	62.94	---
East Capital Asset Management AB, Norra Kungstornet, Kungsgatan 30, Box 1364, SE-111 93 Stockholm, Sweden, code 556564-5370	51,670,952	6.34	6.65	---

NOTE: (a) Amber Teleholding A/S is a fully owned subsidiary of Swedish TeliaSonera AB.

On 12 June 2000, the Company launched the Global Depository Receipt (GDR) program. According to the program, one TEO GDR represents ten ordinary registered shares of TEO LT, AB. The program's Depository is Deutsche Bank Trust Company Americas, 60 Street, New York, NY 10005, U.S.A.

As on 30 June 2006, on the basis of 99,076,880 TEO LT, AB shares there were issued 9,907,688 Global Depository Receipts that amount for 12.16 per cent of the Company's share capital.

As on 30 June 2006, the State of Lithuania represented by the State Property Fund held 14,639,125 shares that amount for 1.80 per cent of the Company's share capital and 1.88 per cent of votes. State of Lithuania represented by the State Tax Inspectorate held 362,630 shares that amount for 0.044 per cent of the Company's share capital and 0.047 per cent of votes. In total, State of Lithuania held 15,001,755 shares that amount for 1.84 per cent of the Company's share capital and 1.93 per cent of votes

In 2006, the State of Lithuania represented by State Property Fund reduced its shareholding in TEO LT, AB from 2.05 per cent (31 December 2005) to 1.80 per cent (30 June 2006) by continuously giving up shares of the Company as a compensation to Lithuanian citizens for the realty redeemable by the State of Lithuania.

As on 30 June 2006, UAB Lintel, a subsidiary of TEO LT, AB, held 12,698,412 ordinary registered shares of TEO LT, AB and 2,539,683 GDRs of the Company, i.e. 4.67 per cent of the Company's share capital. Following the Lithuanian Company Law TEO shares held by UAB Lintel are considered as treasury stocks.

8. Securities, which do not certify the participation in the share capital, but which circulation is regulated by the Law on Securities Market

9. Secondary circulation of securities

The following securities of TEO LT, AB are included into the Official List of the Vilnius Stock Exchange (VSE ticker: TEO1L):

Type of shares	Number of shares	Nominal value (in Litas)	Total nominal value (in Litas)	Issue Code
Ordinary registered shares	814,912,760	1	814,912,760	12391

32,596,510 Lietuvos Telekomas' Global Depository Receipts (1 GDR represents 10 ordinary registered shares) are admitted to the Official List of the UK Listing Authority and could be traded on the Main Market of London Stock Exchange. Lietuvos Telekomas GDRs could be traded on the PORTAL market, a subsidiary of the Nasdaq Stock Market Inc.

Following the directives of European Union, the Company is informed that GDRs of Lietuvos Telekomas are included in Frankfurt Deutsche Börse Stock Exchange trading within the Open Market (*Freiverkehr*) and being traded on the Munich Stock Exchange.

Trading in TEO LT, AB ordinary registered shares on the Central Market of the Vilnius Stock Exchange:

Period	Price (in Litas)		Turnover (in Litas)	
	Highest	Lowest	Biggest	Smallest
01/01/2006 – 31/03/2006	2.75	2.45	17,380,172.95	124,197.08
01/04/2006 – 30/06/2006	2.62	2.12	3,629,836.37	117,730.52

Period	Last session		Total turnover	
	Price (in Litas)	Turnover (in Litas)	Number of shares	in Litas
01/01/2006 – 31/03/2006	2.57	1,389,118.58	43,364,793	110,358,334.90
01/04/2006 – 30/06/2006	2.23	442,791.57	22,206,648	50,851,637.02

Trading in TEO LT, AB Global Depository Receipts on London Stock Exchange:

Period	Price (in US dollars)		Turnover (in GBP)	
	Highest	Lowest	Biggest	Smallest
01/01/2006 – 31/03/2006	9.65	8.58	962,000	0
01/04/2006 – 30/06/2006	9.30	7.75	1,129,390	0

Period	Last session		Total turnover	
	Price (in USD)	Turnover (in GBP)	Number of GDRs	in GBP
01/01/2006 – 31/03/2006	9.00	0	1,056,633	5,482,023
01/04/2006 – 30/06/2006	8.26	0	519,175	2,531,753

10. Agreements with intermediaries of public trading in securities

On 1 December 2000, the Company and AB SEB Vilnius Bankas, Gedimino ave. 12, LT-01103 Vilnius, Lithuania, made an agreement on accounting of the Company's securities and services related to the accounting of securities.

11. Members of the managing bodies

The managing bodies of the Company are General Meeting, Board and General Manager. The Company does not have a Supervisory Council.

The decisions of the General Meeting made regarding the matters of competence of General Meeting, are binding upon the Shareholders, the Board, General Manager and other officials of the Company. The Shareholders of the Company that at the end of the date of record of the General Meeting are Shareholders of the Company have the right to participate in the General Meeting. The date of record of General Meeting of the Shareholders of the Company is the fifth business day prior to the General Meeting or the repeated General Meeting. The person, participating in the General Meeting and having the right to vote shall deliver his/her identification proving document. In case the person is not a shareholder he/she is to present a document, proving his/her right to vote at the General Meeting.

The Members of the Board serving on the Board of the Company are acting jointly as a governing body of the Company. The Board consists of seven Members of the Board. The Members of the Board are elected for a term of two years. The Chairman of the Board is elected by the Board from its members for two years. The Members of the Board are elected by the General Meeting in the procedure established by the

Law on Companies of the Republic of Lithuania. The Board institutes two Committees: Audit and Remuneration. Three members of the Board comprise each committee.

The Board elects and recalls the General Manager, sets his/her remuneration and other conditions of the employment agreement, approves his/her office regulations, induces and applies penalties to him/her. The General Manager is the Head of the Company. The Head of the Company is a one-man management body of the Company and, within his scope of authority, organizes the day-to-day operation of the Company. The work regulations of the Administration approved by the General Manager defines the duties and authority of the General Manager and his/her Deputies as well as other officers of the Company in more details.

Board (as of 30 June 2006)



Erik Hallberg (born 1956) – Chairman of the Board, member of the Board since 28 April 2003 (re-elected for the two-year term on 24 April 2006; nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

Education – Technical engineer in mechanical construction (1976).

From 2003 Senior Vice President and Head of Market Are Baltic Countries at TeliaSonera AB Baltic Countries. From 1990 to 1994 was CEO of Diners Club Sweden AB. 1994 - 1999 - CEO and Senior Vice President Corporate Communications at NETnet International SA. From 1999 to 2001 was Vice President Marketing and Sales, BA Telia Mobile. 2001 – 2002 – President of Speedy Tomato, BA Telia Mobile. From 2002 to 2003 was acting Country Manager, TM Finland, BA Telia Mobile, and Vice President and Head of Unit Partner Services Nordic, BA Telia Mobile.

Chairman of the Supervisory Council of AS Eesti Telekom, Estonia; Member of Supervisory Council of Elion Enterprises AS, Estonia, and AS EMT, Estonia; Chairman of the Board of Latvijas Mobilais Telefons SIA, Latvia, Amber Teleholding A/S, Denmark, Tilts Communication A/S, Denmark, Telia Lithuania AB, Sweden, and Confidence AB, Sweden; member of the Board of Amber Mobile Teleholding AB, Sweden, Baltic Tele AB, Sweden, Lattelekom SIA, Latvia, Drutt Corporation, Sweden, Paynova AB, Sweden, and Prevas AB, Sweden.

Has no interest in the share capital of TEO LT, AB. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.



Gintautas Žintelis (born 1943) – member of the Board since 7 July 1998 (re-elected for the two-year term on 24 April 2006; nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

Adviser-Consultant to General Manager and the Board of TEO LT, AB.

Has no interest in the share capital of TEO LT, AB. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.



Morgan Ekberg (born 1945) – a member of the Board since 30 April 2001 (re-elected for the two-year term on 24 April 2006; nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

Head of Network & Technology and Marketing & Products for TeliaSonera AB operations in Norway, Denmark and Baltic Countries.

Member of the Supervisory Council of Lattelekom SIA, Latvia, member the Board of NetCom AS, Norway, TeliaSonera Networks A/S, Denmark, Telia Mobile A/S, Denmark, and Telia Stofa A/S, Denmark.

Has no interest in the share capital of TEO LT, AB. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.



Valdo Kalm (born 1966) - a member of the Board since 22 April 2005 (re-elected for the two-year term on 24 April 2006; nominated by Amber Teleholding A/S).

Chairman of the Board and General Manager (CEO) of AS EMT, Estonia.

Member of the Supervisory Council of Elion Enterprises AS, Estonia.

Has no interest in the share capital of TEO LT, AB. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.



Brita Hanberger (born 1972) – a member of the Board since 24 April 2006 (elected for the two-year term; nominated by Amber Teleholding A/S), member of the Audit Committee of the Board.

Business Controller Baltic Countries at TeliaSonera AB, Baltic Countries.

Has no interest in the share capital of TEO LT, AB. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.



Matti Hyrynen (born 1954) – a member of the Board since 26 April 2002 (re-elected for the two-year term on 24 April 2006; nominated by East Capital through Amber Teleholding A/S),

Head of Vilnius and Riga Representative Office of European Bank for Reconstruction and Development.

Has no interest in the share capital of TEO LT, AB. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.



Gert Tiivas (born 1973) – a member of the Board since 24 April 2006 (elected for the two-year term; nominated by East Capital through Amber Teleholding A/S), member of the Audit Committee of the Board.

Responsible for the start-up and management of the Baltic Office of East Capital in Tallinn.

Member of Supervisory Council of Tallinn Stock Exchange, Estonia, Baltika AS, Estija, Cantik Enterprises Ltd., Pervomayskaya Zarya Ltd and Russian Real Estate Investment Company AB.

Has no interest in the share capital of TEO LT, AB. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

General Manager (CEO)



Arūnas Šikšta (born 1968) from 2 January 2004 took the office of General Manager (CEO) of the Company.

He has a degree in Management from Natural Science Faculty of Klaipėda University (1995).

From 1992 to 1993 he worked as program coordinator at Lithuanian Open Society Fund. Between 1993 and 1996 he was employed by Lithuanian – Dutch joint venture Seceurtronics Technicom as Executive Director. In the period from 1996 to 1997 he held a position of Director of Marketing Department of Lithuanian Agricultural Bank, and from 1997 to 1999 he was Lithuanian Project Manager at International Relations and Network Department of AS Hansapank (Estonia). From May 1999 till June 2001 he was appointed to the position of Chairman of the Board of the bank AB Hansabankas. From June 2001 till 1 November 2003 he was Chairman of the Board of the bank AB Hansa-LTB and member of the Board of Hansabank Group (Estonia). Chairman of UAB Voicecom.

He has no interest in the share capital of TEO LT, AB, and is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Chief Sales Officer and Deputy General Manager



Darius Gudačiauskas (born 1975) from 1 March 2006 took the office of Chief Sales Officer and Deputy General Manager of the Company.

He has a Bachelor degree of Business Administration (1997), Master of Business Administration (1999) and Doctor of Social Sciences, Economics (2004), at Vilniaus Gedimino Technical University.

From 1999 till 2001 he worked as Marketing Manager (Coordinator) Baltics at McDonald's Baltics and Brand Manager at Philip Morris Baltics. During the period of 2001-2004 he was Director of Marketing and Public Relations Department at AB bankas Hansabankas. From February 2004 till February 2006 he held a position of Sales Director and member of the Board of AB Lietuvos Draudimas.

Chairman of UAB Lintel.

He has 13,719 shares of TEO LT, AB that accounts for 0.0017 per cent of the share capital and gives 0.0018 per cent of votes. He is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Chief Marketing Officer and Deputy General Manager



Nerijus Ivanauskas (born 1970) from 1 March 2006 took the Office of Chief Marketing Officer and Deputy General Manager of the Company.

He has Bachelor of Econometrics from Vilnius University (1993), Candidate Master of Business Administration at International Management School, Budapest, Hungary (1995), and Master of Business Administration at Emory University, Atlanta, U.S.A. (1996).

From 1996 till 1998 he worked as Marketing Director of UAB Lintel, during January – October of 1998 – Deputy Marketing Director at AB Lietuvos Telekomas, from November 1998 till October 2001 - Marketing and Product Development Director of UAB Lietuvos Telekomo Verslo Sprendimai. During November 2001 and June 2002 he worked as Director of Voice Sector at Lietuvos Telekomas. In July 2002 he left the Company and for one year worked as Territory Manager of Oracle East Central Europe Limited Vilnius Branch. In July 2003 he returned to Lietuvos Telekomas and held positions of Deputy Chief Marketing and Sales, Director of Sales Department

and Director of Marketing Department.

He has no interest in the share capital of TEO LT, AB, and is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Chief Operating Officer and Deputy General Manager



Darius Didžgalvis (born 1969) from 9 February 2005 holds an office of Chief Operating Officer and Deputy General Manager of the Company.

He is engineer in radio electronics (1993), MSc in Telecommunication Engineering (2001) and International Executive MBA (2003).

In 1993 he started working in Lietuvos Telekomas as engineer in Kretinga. From 1996 till 1998 he worked as Manager of Technical Operation Unit at Klaipėda Branch of Lietuvos Telekomas. During 1998 – 1999 he was Director of West Region Technical Center of Network Operation Department, during 1999 – 2001 worked as Director of Operation Sector and Services Delivery Sector at Network Department. From 2001 to 2005 he was Director of Wholesales Department.

Chairman of UAB Baltic Data Center and member of the Board of UAB Voicecom.

He has 4,669 shares of TEO LT, AB that accounts for 0.0005 per cent of the share capital and gives 0.0006 per cent of votes. He is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Chief Financial Officer and Deputy General Manager



Jan-Erik Elsérius (born 1943) from 1 March 2004 holds an office of Chief Financial Officer and Deputy General Manager, and also he is a Head of Treasury and Investor Relations Unit of the Company.

In 1967, he graduated from Uppsala University as BA in Management, Managerial Economy, Political Economy and Statistics.

Between 1969 and 1972, he was employed by Stockholm City/County Council in the Financial Division. From 1972, he was Head of the Public Office of Financial Division of the Swedish Telecom Administration (Telia). From 1975, he was responsible for the Long term Planning and accountable to the Director General. In the period from 1976 to 1980, he worked for the Swedtel. In July 1982, he was appointed to the position of the Finance Director of TeleLarm AB, where he occupied various managerial positions, in September 1997 he was appointed as the Director General. Following the merger with the Securitas Teknik AB in 1998, he was appointed as the Deputy Managing Director of the new company Securitas Larm AB. In 29 March 1999, he was appointed to the position of Chief Financial Officer and Director of Finance Department of AB Lietuvos Telekomas.

Member of the Board of UAB Lintel and UAB Voicecom.

He has 90,000 shares of TEO LT, AB that accounts for 0.011 per cent of the share capital and 0.0116 per cent of votes. He is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

III. FINANCIAL STATUS

The following consolidated financial statements of TEO LT, AB Group are prepared in accordance with the International Financial Reporting Standards. From the year 2000 the Company's Group uses International Accounting Standards in its accounting.

TEO Group financial statements for the reporting period are not audited. TEO Group financial statements for the year ended 31 December 2005 are audited by the auditors.

12. Balance Sheet (in thousand of litas)

ASSETS	2006-06-30	2005-12-31	2005-06-30
Non-current assets			
Property, plant and equipment	660,329	721,528	858,175
Intangible assets	29,211	40,696	54,418
Investments in associates	--	1,182	1,008
Other non-current assets	2,807	20	11
	692,347	763,426	913,612
Current assets			
Inventories	4,298	4,492	4,714
Receivables, prepayments and accrued revenue	103,807	106,613	106,072
Loans	100,000	--	--
Current profit tax receivable	560	4,824	14,182
Held-to-maturity investments	49,568	120,151	9,772
Trading investments	33,684	34,769	--
Cash and cash equivalents	184,508	149,601	139,136
Assets held for sale	3,205	74,829	386
	479,630	495,279	274,262
TOTAL ASSETS	1,171,977	1,258,705	1,187,874

EQUITY	2006-06-30	2005-12-31	2005-06-30
Shareholders' equity			
Share capital	814,913	814,913	814,913
Treasury shares	(120,000)	(120,000)	(120,000)
Legal reserve	81,499	81,499	81,499
Translation differences	4	(21)	(6)
Retained earnings	267,835	327,171	280,958
	1,044,251	1,103,562	1,057,364
Minority interest	--	2,329	2,827
Total equity	1,044,251	1,105,891	1,060,191
LIABILITIES			
Non-current liabilities			
Borrowings	8,171	7,863	4,145
Deferred income tax liabilities	24,149	41,249	45,968
Grants	5,905	7,080	7,856
Provisions	1,104	1,664	--
	39,329	57,856	57,969
Current liabilities			
Trade, other payables and accrued liabilities	69,102	76,186	57,354
Current income tax liabilities	13,268	2,575	1,769
Borrowings	4,250	8,206	7,244
Provisions	1,777	3,400	3,347
Liabilities related to assets held for sale	--	4,591	--
	88,397	94,958	69,714
Total liabilities	127,726	152,814	127,683
TOTAL EQUITY AND LIABILITIES	1,171,977	1,258,705	1,187,874

13. Profit (Loss) Statement (in thousand of litas)

	Second quarter of		First half of	
	2006	2005	2006	2005
Revenue	181,750	184,318	362,159	360,949
Operating expenses	(92,206)	(96,999)	(181,138)	(186,013)
Other income	2,340	2,199	5,487	3,854
Other expenses	(430)	(798)	(1,324)	(1,065)
Depreciation and amortisation	(51,643)	(65,362)	(106,218)	(132,583)
Operating profit	39,811	23,358	78,966	45,142
Financial income	1,372	886	2,451	1,641
Financial expenses	(539)	(199)	(1,164)	(420)
Share of result of associates	1	(46)	41	(79)
Profit before income tax	40,645	23,999	80,294	46,284
Income tax	(7,377)	(4,017)	(15,822)	(9,062)
Profit for the period from continuing operations	33,268	19,982	64,472	37,222
Discontinued operations:				
Profit for the period from discontinued operations	--	--	611	--
Profit for the period	33,268	19,982	65,083	37,222
Attributable to:				
Equity holders of the Company	33,268	19,746	64,955	36,908
Minority interest	--	236	128	314
	33,268	19,982	65,083	37,222
Earnings per share for profit attributable to the equity holders of the Company (in litas)	0,04	0,03	0,08	0,05

NOTES: Other income includes gain on sales of investments and fixed assets, interest income from financial investments and other nonrecurring gains. Other expenses include loss on sales of investments, unrealised loss on financial investments and other nonrecurring losses. Discontinued operations include result of activities of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija for the period from January to February 2006.

14. Explanatory letter

TEO LT, AB (till 5 May 2006 was named Lietuvos Telekomas) Group is the largest provider of the Internet, public fixed-line telephony, network interconnection and other services in Lithuania. The Company is indirectly owned by the Nordic and Baltic telecommunications leader TeliaSonera AB.

TEO together with its related legal entities is designated as an operator with significant market power (SMP) on the following markets: call initiation within public telephony network provided at fixed place, national and international transit services within public telephony network provided at fixed place, termination of calls in TEO network, provided at fixed place, and broadband wholesales access market. TEO is regarded as an entity related to UAB Omnitel, therefore TEO is considered as SMP on the market of calls termination in public mobile network together with Omnitel.

As on 30 June 2006, TEO Group consisted of the parent company, TEO LT, AB, (Savanorių ave. 28, LT-03501 Vilnius) and its daughter companies: UAB Lintel (J. Galvydžio str. 7/Žygio str. 97, LT-08222 Vilnius; 100 per cent of shares), UAB Baltic Data Center (Žirmūnų str. 141, LT-09128 Vilnius; 100 per cent of shares), UAB Kompetencijos Ugdymo Centras (formerly Lietuvos Telekomo Verslo Sprendimai) (Palangos str. 4, LT-01117 Vilnius; 100 per cent of shares), UAB Voicecom (Savanorių ave. 28, LT-03501 Vilnius; 100 per cent of shares) and OOO Comliet-Kaliningrad (ul. Pugachiova 14a, RUS-236000 Kaliningrad, Kaliningrad Region, Russian Federation; 100 per cent of capital). TEO is a sole founder and owner of a non-profit organisation VŠĮ TEO Sportas (formerly Lietuvos Telekomo Sporto Klubas) (Savanorių ave. 28, LT-03116 Vilnius).

On 28 February 2006, the Company sold all shares of its subsidiary UAB Comliet (Lvovo str. 21a, LT-09313 Vilnius). UAB Comliet specializes in construction of external wide area and indoor telecommunications as well as other indoor engineering networks. This transaction also included the sale of UAB Comliet subsidiary, UAB Comliet Sprendimai (UAB Comliet owns 100 per cent of UAB Comliet Sprendimai shares).

On 31 January 2006, the Company acquired from UAB Comliet and UAB Comliet Sprendimai 95 per cent and 5 per cent stakes in OOO Comliet-Kaliningrad, Russian Federation, respectively. Now TEO has 100 per cent of OOO Comliet-Kaliningrad capital.

On 2 March 2006, following the obligation of the Lithuanian Competition Council of 27 October 2005 the Company sold 100 per cent of UAB MicroLink Lietuva (A. Juozapavičiaus str. 6/2, LT-09310 Vilnius) and 100 per cent of UAB Baltijos Kompiuterių Akademija (Šeimyniškių str. 1A, LT-09312 Vilnius) to the third party. The Company acquired 100 per cent of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija shares in November 2005 as a part of the three Baltic telecoms' deal on acquisition of AS MicroLink Group.

On 28 March 2006, liquidation of UAB Verslo Portalas (J. Jasinskio str. 16a, LT-01112 Vilnius) was completed. In March 2004, the shareholders of Verslo Portalas – the Company held 30 per cent and UAB Verslo Žinios 70 per cent of shares - started liquidation of UAB Verslo Portalas, a business-to-business portal verslas.com.

On 29 March 2006, the Company signed agreements on acquisition of 40 per cent stake in UAB Baltic Data Center from TietoEnator Oyj and sale of its 26 per cent stake in UAB TietoEnator Consulting to TietoEnator Oyj. On 7 April 2006, the transaction on acquisition of remaining 40 per cent stake in UAB Baltic Data Center and sale of 26 per cent stake in UAB TietoEnator Consulting was completed. From 7 April 2006 the Company owns a 100 per cent stake in UAB Baltic Data Center and TietoEnator Oyj – a 100 per cent stake in UAB TietoEnator Consulting.

On 5 May 2006, following the decision of the Annual General Meeting held on 24 April 2006 the Company's name was changed from AB Lietuvos Telekomas to TEO LT, AB.

TEO comprises all the activities carried out by the Company – voice, internet, television and data communication services. Respectively, these four activities have their secondary brands: VOX – voice

services; ZEBRA – internet; GALA – television; TEO VERSLAS – services for business. TEO also operates an Internet portal ZEBRA.

UAB Lintel is the largest provider of Call Center services in Lithuania that handles 16 million contacts per year. Lintel also provides Directory Inquiry Service 118. From June 2004 UAB Lintel holds 4.67 per cent of the Company's shares (treasury stocks).

From 7 April 2006 the Company owns all shares of UAB Baltic Data Center. UAB Baltic Data Center provides IT infrastructure and various IT help-desk services. UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA, which is a dormant company

In June 2006, UAB Lietuvos Telekomo Verslo Sprendimai changes its name to UAB Kompetencijos Ugdymo Centras and now provides training and consultancy services. UAB Kompetencijos Ugdymo Centras employees people from former Competence Development Centre of the Company.

In December 2005, UAB Voicecom took over from UAB Comliet the right to use the national network of mobile analogue cellular radio communication of the NMT-450 standard.

In June 2006, VšĮ Lietuvos Telekomo Sporto Klubas changed its name to VšĮ TEO Sportas. It supports TEO (formerly Lietuvos Telekomas) women basketball team, a multiple champion of Lithuania and Baltic States, and operates a fitness center at P. Lukšio str. 34 in Vilnius.

TEO Group accounting

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

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

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

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

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

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

Key figures of TEO Group

Financial figures	First Half of 2006	First Half of 2005	Change (%)
Revenue (in thousand of litas)	362,159	360,949	0.3
EBITDA (in thousand of litas)	185,184	177,725	4.2
EBITDA margin (%)	51.1	49.2	
Operating profit (in thousand of litas)	78,966	45,142	74.9
Operating profit margin (%)	21.8	12.5	
Profit before income tax (in thousand of litas)	80,294	46,284	73.5
Profit for the period (in thousand of litas)	64,472	37,222	73.2
Profit for the period margin (%)	17.8	10.3	
Earnings per share (in litas)	0.08	0.05	
Number of shares excluding treasury stocks (in thousands)	776,818	776,818	
Net cash from operating activities (in thousand of litas)	139,104	154,436	(9.9)
Capital investments (in thousand of litas)	28,677	28,147	1.9
Financial ratios			
Return on capital employed (%)	7.5	4.2	
Return on average assets (%)	6.5	3.7	
Return on shareholders' equity (%)	6.0	3.4	
Gearing ratio (%)	-13.0	-24.5	
Debt to equity ratio (%)	1.2	1.1	
Current ratio (%)	542.6	214.8	
Rate of turnover of assets (%)	29.8	29.3	
Equity to assets ratio (%)	89.1	89.0	

Operating figures			
Number of fixed lines in service	786,144	806,700	(2.5)
Penetration of lines per 100 residents	23,1	23,6	(2.1)
Digitalisation rate (%)	93,7	93,1	0.6
Number of subscribed payment plans	606,412	427,595	41.8
Number of ADSL access points	135,274	69,804	93.7
Number of ISDN channels	44,778	44,378	0.9
Number of dial-up internet access users	15,579	30,132	(48.3)
Number of lines per full-time employee	348	340	2.4
Number of personnel at the end of period	2,826	3,023	(6.5)

Total Group revenue for six months of 2006 was up by 0.3 per cent over the total revenue a year ago and amounted to 362 million litas. Revenue for the second quarter of 2006 increased by 0.7 per cent over the revenue for the first quarter of 2006. Continuous growth of revenue from internet and data communication services at annual rate of 24 per cent fully compensated decline in revenue from voice telephony services of 3 per cent (or 8 million litas) and 10 million litas of revenue related to Comliet construction business sold in February 2006. Over the year revenue from other services (excluding construction activities) increased by 23.6 per cent. Overall, total revenue excluding Comliet construction business increased by 3.2 per cent.

Breakdown of TEO Group revenue (in thousand of litas)

	Second quarter of		Change (%)	First half of		Change (%)
	2006	2005		2006	2005	
Voice telephony services	132,281	136,572	(3.1)	261,432	269,581	(3.0)
Internet and data communication services	43,607	35,043	24.4	87,045	70,088	24.2
Other services:	5,862	12,703	(53.9)	13,682	21,280	(35.7)
- construction activities (Comliet)	--	7,261	(100.0)	1,651	11,550	(85.7)
- other revenues	5,862	5,442	7.7	12,031	9,730	23.6
Total	181,750	184,318	(1.4)	362,159	360,949	0.3
Total excluding revenue from construction activities	181,750	177,057	2.7	360,508	349,399	3.2

For the first time in number of years revenue from voice telephony services for the second quarter of 2006 was higher than during the three previous quarters. Revenue from voice telephony still amount to 72.2 per

cent of total revenue while internet and data communication services amount to 24 per cent and other services to 3.8 per cent.

Over the year revenue from voice telephony declined due to net decrease of 20.6 thousand of main telephone lines in service. Almost all of them were used by residential customers and were low revenue generating ones. On the other hand number of loyal customers that are subscribers to one or more of payment plans increased. Over the year 16 thousand new payment plans (mainly for international and domestic calls) were subscribed and 162.6 thousand users of basic telephony services were assigned to the subscribers of Basic payment plan. Total call traffic declined by 2.3 per cent. Decrease in traffic of local calls by 2.9 per cent, calls from fixed to mobile network by 3.4 per cent and international call by 3.6 per cent was partly offset by increase in traffic from long distance domestic calls by 1.4 per cent.

Revenue from subscription fees and value added services increased by 0.1 and 21.9 per cent, respectively, while revenue from traffic charges went down by 7.3 per cent, interconnect services by 2.7 and wholesales services 23.5 per cent. Nevertheless, according to the Report of Communications Regulatory Authorities (CRA) for the first quarter of 2006, an average TEO customer invoice remains stable and amounted to 52 litas. The Company's market share on fixed-line telephony market in terms of customers amounted to 92.7 per cent and in terms of revenue - to 95.7 per cent. In terms of revenue TEO had 19.7 per cent of networks' interconnection market.

Increase of revenue from internet and data communication services was fuelled by continuous rapid growth of number of broadband internet users that over the year almost doubled and increased revenue from data services and network capacity sales by 13 and 23.2 per cent, respectively. Out of total 135.3 thousand DSL access points 131.4 thousand are sold to retail customers, 2.5 thousand to wholesales customers and 1.4 thousand to LAN (local access network) users. Revenue from internet broadband access services went up by 35.6 per cent while revenue from dial-up internet service users went down by 35.7 per cent due to service substitution with more advanced broadband access service.

During the year a network of wireless broadband internet access (based on WiFi technology) was developed currently featuring more than 500 access points offering up to 4 Mb/s and more speed connection. Till the end of 2006 service is provided free of charge and by then number of access points should reach 1,000.

According to the Report of CRA the Company's market share on total internet providers market in terms of revenue during the first quarter of 2006 was sustainable and amounted to 43.1 per cent. On 31 March 2006 internet broadband penetration per 100 residents of Lithuania was 7.7 per cent. In terms of revenue the TEO had 58.6 per cent of leased lines and 49.9 per cent of data communications markets.

From the beginning of July following the set up schedule first TEO transmitter of digital terrestrial television (DVB-T) signals is operating in Vilnius city area. Also the Company is testing its interactive television (based on IP TV technology) service that is planned to be launched commercially in autumn. It will offer more than 30 most preferred by TV viewers programs of digital video and sound quality, choice of program's language and other interactive television functionalities.

Over the year total operating expenses of the Group went down by 2.6 per cent as all major components of operating expenses were down: employee related expenses by 5.4 per cent, interconnection by 6.5 per cent, and maintenance and service costs by 5.2 per cent. Due to Company's re-branding process marketing expenses were higher than usual and costs of sold telecommunication equipment (mainly costs of PCs) went up due to internet promotion campaigns.

During first three months of 2006 total number of employees in TEO Group went down from 3,005 to 2,774 due to sale of UAB Comliet, UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija, but during April – June it increased to 2,826 due to new employments done by Lintel.

Gain on sale of fixed assets and interest income from financial investments were driving forces behind increase in other income by 42.4 per cent.

EBITDA for the first half of 2006 went up by 4.2 per cent to 185 million litas over 178 million litas for the same period a year ago and EBITDA margin reached 51.1 per cent (49.2 per cent in 2005).

Depreciation and amortisation charges went down by 19.9 per cent year-on-year and in the first half of 2006 amounted to 29 per cent of total revenue. As a result operating profit was 74.9 per cent higher than year ago and operating profit margin reached 21.8 per cent (12.5 per cent a year ago). As major loans are repaid higher than last year financial expenses were caused by currency exchange losses but fully offset by interest income.

Profit before income tax for January - June of 2006 was up by 73.5 per cent and amounted to 80 million litas (46 million litas a year ago). Profit for the period of the six months of 2006 (including minority interest and discontinued operations) amounted to 65 million litas, an increase by 74.9 per cent over 37 million litas in 2005. Over the year the profit margin went up from 10.3 per cent to 18 per cent.

Discontinued operations imply result of 611 thousand litas generated by UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija during January and February.

During January – June 2006 the total assets of TEO Group decreased by 6.9 per cent due to depreciation of fixed assets and payout of dividends for the year 2005. Non-current assets decreased by 9.3 per cent and amounted to 59 per cent of the total assets. Current assets also decreased by 3.2 and amounted to 41 per cent of total assets whereof cash, trading investment and held-to-maturity investments represented 22.8 per cent of the total assets.

During the first half of 2006 shareholders' equity decreased by 5.5 per cent due to dividend payout and amounted to 89.1 per cent of the total amount of equity and liabilities. At the end of June 2006 the total amount of borrowings (including financial liabilities related to financial leasing) amounted to 12.4 million litas and net debt was -255.3 million litas. The net debt to equity ratio was -24.5 per cent.

Borrowings of TEO Group

Borrower	Lender	Currency	Book value as of 30 June 2006 (in thousand of litas)
TEO LT, AB	European Bank for Reconstruction and Development	USD	3,441
UAB Baltic Data Center	UAB Sampo Banko Lizingas (car leasing)	LTL	7
TEO LT, AB	UAB Nordea Finance Lithuania (car leasing)	LTL	211
TEO LT, AB	AB Invaldos Nekilnojamo Turto Fondas (premises leasing)	LTL	8,762
Total			12,421

During the first six months of 2006 the net cash flow from operating activities decreased by 9.9 per cent compared to the same period year ago due to decrease in accounts receivable mainly related to disposal of the assets.

Almost 29 million litas were used for capital investments. Majority of capital investments went to expansion of access network and 3.9 million litas were invested into development of digital television services (including development of LAN, internet broadband and TV networks). In the second quarter of 2006 remaining proceeds from sale of buildings were received. During the first half of 2006 all shares of UAB Comliet, UAB MicroLink Lietuvos, UAB Baltijos Kompiuterių Akademija and 26 per cent stake in UAB TietoEnator Consulting were sold while remaining 40 per cent stake in UAB Baltic Data Center was acquired. Also 100 million litas short term loan to TeliaSonera AB was granted.

In May 2006 the dividends of 124 million litas (0.16 litas dividend per share) for the year 2005 were paid. Nevertheless, cash and cash equivalents during the first half of 2006 increased by 34.9 million litas (50.6 million litas in 2005).

Cash Flow Statement of TEO Group (in thousand of litas)

	First half of 2006	First half of 2005
Operating activities		
Profit for the period from continuing operations	64,472	37,222
Adjustments for:		
Income tax	15,822	9,062
Depreciation and amortisation and impairment charge	106,218	132,583
Share of result of associates	(41)	79
Gain and losses	(6,339)	(2,717)
Interest income	(3,318)	(1,375)
Interest expenses	318	406
Other non cash transactions	609	876
	177,741	176,136
Changes in working capital:		
Inventories	196	2,036
Trade and other accounts receivable	(12,635)	8,040
Trade and other accounts payable	(8,108)	(10,758)
Cash generated from operations	157,194	175,454
Interest paid	(316)	(412)
Tax paid	(17,774)	(20,606)
Net cash from operating activities	139,104	154,436

Investing activities		
Purchase of PPE and intangible assets	(28,677)	(28,147)
Proceeds from disposal of PPE and intangible assets	71,934	9,929
Net change in held-to-maturity investments	71,827	20,382
Acquisition of shares	(5,062)	--
Disposal of subsidiaries and shares	11,695	--
Loans granted	(100,000)	--
Dividends received	47	207
Interest received	3,787	1,336
Net cash from investing activities	25,551	3,707
Financing activities		
Repayment of borrowings	(5,457)	(5,149)
Dividends paid to shareholders	(124,291)	(100,986)
Dividends paid to minority shareholders	--	(1,386)
Net cash from financing activities	(129,748)	(107,521)
Increase (decrease) in cash and cash equivalents	34,907	50,622
Movement in cash and cash equivalents		
At start of the period	149,601	88,514
Increase (decrease) during the period	34,907	50,622
At end of the period	184,508	139,136

Statement of Changes in Shareholder's Equity of TEO Group (in thousand of litas)

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share Capital	Treasury Shares	Legal reserves	Translation differences	Retained earnings		
Balance at 1 January 2005	814,913	(120,000)	81,499	(33)	345,036	3,899	1,125,314
Dividends paid for 2004	--	--	--	--	(100,986)	(1,386)	(102,372)
Net profit	--	--	--	--	36,908	314	37,222
Currency translation differences	--	--	--	27	--	--	27
Balance at 30 June 2005	814,913	(120,000)	81,499	(6)	280,958	2,827	1,060,191
Balance at 1 January 2006	814,913	(120,000)	81,499	(21)	327,171	2,329	1,105,891
Dividends paid for 2005	--	--	--	--	(124,291)	--	(124,291)
Net profit	--	--	--	--	64,955	128	65,083
Currency translation differences	--	--	--	25	--	--	25
Minority of sold subsidiary	--	--	--	--	--	(2,457)	(2,457)
Balance at 30 June 2006	814,913	(120,000)	81,499	4	267,835	--	1,044,251

15. Information about the audit

IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITY

16. Material events in the Issuer's activity

On 3 January 2006, the Company announced that on 29 December 2005 by Order of Director of Communications Regulatory Authority, AB Lietuvos Telekomas together with its associates, namely UAB Comliet, UAB Comliet Sprendimai, UAB Baltic Data Center, UAB Lietuvos Telekomo Verslo Sprendimai, UAB Omnitel, UAB Lintel, UAB Verslo Portalas, UAB Voicecom and Vsl Lietuvos Telekomo Sporto Klubas is declared as an operator with significant market power on the calls termination in public telephone line networks provided at fixed place market. Communications Regulatory Authority permitted UAB Comliet, a subsidiary of AB Lietuvos Telekomas, to transfer to another subsidiary of AB Lietuvos Telekomas, UAB Voicecom, a right to use radio frequencies (channels) from radio frequencies' bands of 452.9875-457.4875 MHz and 462.9875-467.4875 MHz, to provide services of mobile analogue cellular radio communications, to construct and operate mobile analogue cellular (European NMT standard) radio communications national network using radio frequency band of 450 MHz.

On 3 January 2006, the Company announced that on 30 December 2005, UAB Comliet, a subsidiary of AB Lietuvos Telekomas, sold its 55 per cent stake in Estonian company Telegrupp AS to the third party. Letter of Intent regarding the sale of Telegrupp AS shares was signed on 22 November 2005. On 4 July 2002 UAB Comliet together with Estonian company Merko Ehitus Ltd. acquired all shares of Telegrupp AS. UAB Comliet owned 55 per cent and Merko Ehitus Ltd. 45 per cent of Telegrupp AS shares. This announcement disclosed the content of confidential announcement of material event of 23 November 2005.

On 1 February 2006, the Company announced that AB Lietuvos Telekomas from its subsidiary, UAB Comliet, acquired 95 per cent and from UAB Comliet Sprendimai, a subsidiary of UAB Comliet, 5 per cent of OOO Comliet-Kaliningrad shares. From now all shares of OOO Comliet-Kaliningrad, Russian Federation, are owned by AB Lietuvos Telekomas.

On 8 February 2006, the Board of AB Lietuvos Telekomas approved preliminary unaudited consolidated financial statements of Lietuvos Telekomas' Group for the year ended 31 December 2005 prepared according to International Financial Reporting Standards. During the year 2005 the total revenue of the Group increased by 1.2 per cent or almost 9 million litas to 730 million litas over the revenue of 721 million litas for the year 2004. The total operating expenses for the year 2005 amounted to 387 million litas, a decrease by 1.6 per cent over 393 million litas for the year 2004. EBITDA for the year 2005 increased by 5.2 per cent and amounted to 353 million litas (336 million litas a year ago) and EBITDA margin reached 48.4 per cent (46.6 per cent a year ago). Profit before income tax for the year 2005 was 109 million litas (41 million litas for the year 2004) and profit for the period increased by 2.5 times and amounted to 84 million litas, while for the year 2004 profit for the period amounted to 34 million litas. Net cash flow from operating activities for the year 2005 amounted to 340 million litas (276 million litas for the year 2004). In spite of payout of dividends of 101 million litas and investments into financial instruments of 124 million litas cash and cash equivalents increased by 61 million litas.

On 8 February 2006, the Board of AB Lietuvos Telekomas decided: (1) To sell to Eltel Group Corporation 2,000 of ordinary registered shares of UAB Comliet with nominal value of 5,000 litas each, which constitutes 100 per cent of the share capital of the company. This transaction also includes the sale of UAB Comliet subsidiary, UAB Comliet Sprendimai. An agreement on sale of UAB Comliet shares was signed on 22 December 2005. The transaction should be completed in February 2006. (2) To construct a new head-office of the Company in Vilnius at Lvovo str.21a. (3) To approve a new governing structure of AB Lietuvos Telekomas that will come into force as of 1 March 2006. From current Marketing Division to newly established Sales Division will be transferred Private Customers Department, Business Customers Department and Carrier Business Department and three new departments – Service Development Department, Market Segmentation Department and Advertising Department - will be established in Marketing Division. Also a new Corporate IT Business development unit, directly reporting to General Manager, will be established.

On 13 February 2006, the Company announced that from 1 March 2006 Nerijus Ivanauskas is appointed to the position of Chief Marketing Officer and Deputy General Manager. Nerijus Ivanauskas (age 35) has been working in Lietuvos Telekomas since 1998 and currently occupies a position of Director of Marketing Department. As a Chief Marketing Officer he will be in charge of Service Development, Market Segmentation and Advertising Departments. From 1 March 2006 Darius Gudačiauskas is appointed to the position of Chief Sales Officer and Deputy General Manager. Doctor of Economical Science Darius Gudačiauskas (age 30) recently worked as Sales Director and Member of the Board of insurance company AB Lietuvos Draudimas. As a Chief Sales Officer he will be in charge of Private Customers, Business Customers and Carrier Business Departments.

On 20 February 2006, AB Lietuvos Telekomas, following the obligation of the Lithuanian Competition Council of 27 October 2005 and having the approval of the buyer by the Competition Council, signed an agreement on sale of all UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija shares to AS Martinson Trigon. Lietuvos Telekomas acquired 100 per cent of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija shares in November 2005 as a part of the three Baltic telecoms' deal on acquisition of AS MicroLink Group. This announcement disclosed the content of confidential announcement of material event of 18 January 2006 and 9 February 2006.

On 28 February 2006, AB Lietuvos Telekomas sold to Finnish Eltel Group Corporation 2,000 of ordinary registered shares of UAB Comliet with nominal value of 5,000 litas each, which constitutes 100 per cent of the share capital of the company. This transaction also includes the sale of UAB Comliet subsidiary, UAB Comliet Sprendimai. An agreement on sale of UAB Comliet shares was signed on 22 December 2005. UAB Comliet provides telecommunications and indoor network design, installation and construction services.

On 2 March 2006 AB Lietuvos Telekomas sold 14,000 ordinary registered shares of UAB MicroLink Lietuva with nominal value of 50 litas each, which constitutes 100 per cent of the share capital of the company, and 1,100 ordinary registered shares of UAB Baltijos Kompiuterių Akademija with nominal value of 100 litas each, which constitutes 100 per cent of the share capital of the company, to Estonian company AS Martinson Trigon. On 20 February 2006, AB Lietuvos Telekomas, following the obligation of the Lithuanian Competition Council of 27 October 2005 and having the approval of the buyer by the Competition Council, signed an agreement on sale of all UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija shares to AS Martinson Trigon. Lietuvos Telekomas acquired 100 per cent of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija shares in November 2005 as a part of the three Baltic telecoms' deal on acquisition of AS MicroLink Group.

On 6 March 2006, the Company announced that AB Lietuvos Telekomas appealed to the Vilnius District Administrative court requesting to cancel Order of Director of Communications Regulatory Authority of 29 December 2005 on AB Lietuvos Telekomas including its associated entities as entity having significant market power on the market of calls termination in public telephone line network of AB Lietuvos Telekomas provided at fixed place and Order on the definition of the market of calls termination in individual public telephone line networks provided at fixed place. AB Lietuvos Telekomas also appealed to the court requesting to cancel Order of Director of Communications Regulatory Authority of 18 January 2006 on AB Lietuvos Telekomas including its associated entities as entity having significant market power on the wholesales broadband access market and paragraph No. 2 of Order of 18 January 2006 on the definition of wholesales broadband access market. The court has accepted the appeal and on 24 February 2006 satisfied Company's request to invoke interim measures – to suspend the effect of appealed orders till the litigation is settled. On 20 February 2006 by the Orders of Director of Communications Regulatory Authority AB Lietuvos Telekomas and its associated entities were designated as having a significant market power on the market of national and international transit services on public telephone line network provided at fixed place.

On 16 March 2006, the Board of AB Lietuvos Telekomas decided to convoke the Annual General Meeting of AB Lietuvos Telekomas' Shareholders on 24 April 2006. The record day for Shareholders' Meeting is 13 April 2006. The Board approved audited financial statements of Lietuvos Telekomas' Group for the year 2005 prepared according to International Financial Reporting Standards. Following the International Accounting Standards interest income from financial activities is included into total revenue, therefore

consolidated revenue of Lietuvos Telekomas' Group for the year 2005 was LTL 733,495 thousand (EUR 212,435 thousand) (LTL 722,978 thousand (EUR 209,389 thousand) for the year 2004). Also following the International Accounting Standards the Parent Company changed accounting principles of its subsidiaries and associates from equity method to accounting at cost. Therefore financial statements of the Parent Company for the year 2004 were restated (retained earnings were reduced by LTL 215,558 thousand (EUR 62,430 thousand)). It had no effect on net result of Lietuvos Telekomas' Group for the reporting periods: profit for the year 2005 was LTL 84,073 thousand (EUR 24,349 thousand) and profit for the year 2004 was LTL 33,642 thousand (EUR 9,743 thousand). The Board proposes for the Annual General Meeting to allocate from the Company's distributable profit LTL 124,291 thousand (EUR 35,997 thousand) for the dividend payment for the year 2005 or LTL 0.16 (EUR 0.046) dividend per share. The Board approved Company's activities report for the year 2005. The Board elected UAB Pricewaterhouse Coopers as the Company's auditor for two years to audit the Company's financial statements for the year 2006 and 2007, and inspect the Company's activities reports for the year 2006 and 2007.

On 16 March 2006, the Company announced that The Annual General Meeting of AB Lietuvos Telekomas' (code 1212 15434, registered address: Savanorių pr. 28, Vilnius, Lithuania) Shareholders will be held at room 157 of Lietuvos Telekomas' headquarters, Savanorių pr. 28, Vilnius, Lithuania, at 13.00 on 24 April 2006. Registration will take place from 12.00 till 12.45. The meeting is convened by initiative of the Board and following the decision of the Board adopted on 16 March 2006. The record day of the General Meeting of Shareholders is 13 April 2006. Proposed Agenda: 1) Information of the Company's auditors. 2) Approval of the Company's activity report of the year 2005. 3) Approval of the Company's annual financial statements. 4) Allocation of 2005 Company's profit. 5) Election of the Company's auditor. 6) Change of the By-laws of the Company. 7) Recall of the Company's Board members. 8) Election of the Company's Board members. Shareholders who at the end of the record day of the General Meeting of Shareholders, i.e. 13 April 2006, will be on the shareholders list of the Company have a right to participate and vote at the General Meeting of Shareholders personally or by proxy, or represented by the person with whom an agreement on the transfer of voting rights is concluded. All persons attending the General Meeting of Shareholders and having a voting right must bring with them a person's identification document. Shareholders' representative must present to the General Meeting an original proxy issued in the form and content established by the Law. From 14 April 2006 shareholders could get familiarised with the documents possessed by the Company related to the agenda of the Meeting, including draft resolutions, at the headquarters of AB Lietuvos Telekomas, Savanorių ave. 28, Vilnius, Lithuania, tel: +370 5 236 78 78.

On 30 March 2006, the Company announced that on 28 March 2006, UAB Verslo portalas was registered out of the Legal Persons' Register following the decision of the Annual General Meeting of UAB Verslo Portalas' Shareholders of 24 February 2004 and being registered as company under liquidation since 18 March 2004. In August 2001, AB Lietuvos Telekomas acquired 30 per cent of UAB Verslo Portalas from UAB Verslo Žinios. Verslo Portalas was providing services of business-to-business internet portal verslas.com.

On 30 March 2006, the Company announced that following the decision of the Board of AB Lietuvos Telekomas of 8 February 2006, AB Lietuvos Telekomas signed agreements on acquisition of 40 per cent stake in UAB Baltic Data Center from TietoEnator Oyj and sale of its 26 per cent stake in UAB TietoEnator Consulting to TietoEnator Oyj. At present Lietuvos Telekomas owns 60 per cent of UAB Baltic Data Center. Transactions are planned to be completed in April 2006. At the end of 2001, Lietuvos Telekomas reorganised its Information Systems Department into a separate subsidiary then called Baltijos Informacinių Duomenų Valdymo Centras (from July 2004 called UAB Baltic Data Center) to provide IT infrastructure services. In May 2002, Lietuvos Telekomas sold 40 per cent of the company's shares to TietoEnator Oyj as well as 74 per cent stake in another subsidiary established in March 2002 and then called Baltijos Telekomunikacijų Konsultacinis Centras (from January 2003 – UAB TietoEnator Consulting). UAB TietoEnator Consulting provides related to IT consultancy services. This announcement disclosed the content of confidential announcement of material event of 9 February 2006.

On 7 April 2006, the transaction on acquisition of remaining 40 per cent stake in UAB Baltic Data Center from TietoEnator Oyj and sale of 26 per cent stake in UAB TietoEnator Consulting to TietoEnator Oyj was completed. Now AB Lietuvos Telekomas owns a 100 per cent stake in UAB Baltic Data Center and

TietoEnator Oyj – a 100 per cent stake in UAB TietoEnator Consulting. Agreements on sales/purchase of shares were signed on 29 March 2006.

On 12 April 2006, the Company announced that following the resolution of the Board of AB Lietuvos Telekomas (hereinafter – “the Company”) of 16 March 2006 on convocation of the Annual General Meeting of AB Lietuvos Telekomas’ (code 1212 15434, registered address: Savanorių pr. 28, Vilnius, Lithuania) Shareholders at room 157 of Lietuvos Telekomas’ headquarters, Savanorių pr. 28, Vilnius, Lithuania, at 1 p.m. on 24 April 2006 and decision of the Company’s Board of 6 April 2006 to supplement the Agenda of the meeting with a new Agenda item “On the change of AB Lietuvos Telekomas” name, the following supplemented Agenda of the meeting is proposed: 1) Information of the Company’s auditors. 2) Approval of the Company’s activity report of the year 2005. 3) Approval of the Company’s annual financial statements. 4) Allocation of 2005 Company’s profit. 5) Election of the Company’s auditor. 6) On the change of AB Lietuvos Telekomas name. 7) Change of the By-laws of the Company. 8) Recall of the Company’s Board members. 9) Election of the Company’s Board members. The record day of the General Meeting of Shareholders is 13 April 2006.

On 12 April 2006, the Company announced about Draft Agenda and draft decisions for the Annual General Meeting of AB Lietuvos Telekomas’ Shareholders (hereinafter referred to as “the Company”) to be held on 24 April 2006 proposed by the Company’s Board: (1) Information of the Company’s auditor. Taken for the information. (2) Approval of the Company’s activity report of the year 2005. Draft decision: To approve the Company’s activity report of the year 2005, inspected by the Company’s auditor UAB PricewaterhouseCoopers. (3) Approval of the Company’s annual financial statements. Draft decision: To approve audited Company’s annual financial statements for year 2005, prepared according to the International Financial Reporting Standards. (4) Allocation of 2005 Company’s profit. Draft decision: To allocate the Company’s profit of the year 2005 according the draft of profit allocation presented for Annual General Meeting of Shareholders. The Board proposes for the Annual General Meeting to allocate from the Company’s distributable profit LTL 124,291 thousand (EUR 35,997 thousand) for the dividend payment for the year 2005 or LTL 0.16 (EUR 0.046) dividend per share. (5) Election of the Company’s auditor. Draft decision: 1) To elect UAB PricewaterhouseCoopers as the Company’s audit enterprise for two years to make the audit of the 2006 and 2007 Company’s financial statements and to make the inspection of the reports on the activity of the Company in 2006 and 2007. 2) To authorize the Company’s General Manager to conclude the Agreement for audit services, paying for services the price agreed between the parties but in no case more than 460,000 (four hundred sixty thousand) litas (VAT excluded) for the audit of the Company’s financial statements for two years and reports on the activity of the Company (e.g. 230,000 (two hundred thirty thousand) litas (VAT excluded) per one year). (6) On the change of AB Lietuvos Telekomas name. Draft decision: To change Company’s name from Akcinė bendrovė „Lietuvos telekomas“ to TEO LT, AB. (7) Change of the By-laws of the Company. Draft decision: 1) To change the Company’s name, stated in the by-laws, from Akcinė bendrovė „Lietuvos telekomas“ to TEO LT, AB and to correct the text of the by-laws accordingly and to indicate that the legal form of the Company is Public limited liability company. 2) To change Subarticle 7 e) of the Article 9.4 of the Company’s By-laws by deleting the words “and standards” and to lay down the text as follows: “e) decisions concerning the method of calculation of depreciation of tangible and intangible assets applied in the Company”. 3) To amend Article 10.4 of the Company’s By-laws with the new item No.13 and to lay it down as follows: “13) set the rates used for calculating asset depreciation in the Company”. 4) To approve the new edition of the Company’s By-laws with the changes listed in the parts 1, 2 and 3 of this decision. 5) To authorize the General Manager on behalf of the Company to sign approved new edition of the By-laws and to obligate General Manager on its own discretion to authorize the respective employee of the Company to register them under the order specified in the laws of the Republic of Lithuania. (8) Recall of the Company’s Board members. Draft decision: To recall from the Board of the Company all members of the Board: Erik Hallberg, Morgan Ekberg, Matti Hyrynen, Tomas Lenke, Valdo Kalm, Gintautas Žintelis and Andrius Šukys. (9) Election of the Company’s Board members. Draft decision: To elect to the Board of the Company for new term of the Board (for 2 years): 1. _____, proposed by _____, 2. _____, proposed by _____, 3. _____, proposed by _____, 4. _____, proposed by _____, 5. _____, proposed by _____, 6. _____, proposed by _____, 7. _____, proposed by _____.

As a shareholder of AB Lietuvos Telekomas, Amber Teleholding A/S proposes to the Annual General meeting of shareholders to be held on 24 April 2006 in Vilnius, Lithuania, the following nominees to be elected to the Board of Directors of AB Lietuvos Telekomas: 1) Mr Erik Hallberg, 2) Mr Gintautas Žintelis,

3) Mr Morgan Ekberg, 4) Mr Valdo Kalm, 5) Miss Brita Hanberger, 6) Mr Matti Hyrynen as proposed to Amber Teleholding A/S by East Capital, 7) Mr Gert Tiivas as proposed to Amber Teleholding A/S by East Capital. This announcement disclosed the content of confidential announcement of material event of 6 April 2006.

On 20 April 2006, the Board of AB Lietuvos Telekomas approved unaudited financial statements of AB Lietuvos Telekomas' Group for the first quarter of 2006, prepared according to International Financial Reporting Standards. Revenue for the first quarter of 2006 amounted to 180 million litas, an increase by 2.1 per cent over the revenue of 177 million litas for the first quarter of 2005. Lietuvos Telekomas' Group operating expenses for January - March 2006 were a bit below of operating expenses of 89 million litas a year ago. EBITDA for the three months' period of 2006 went up by 5.3 per cent to 94 million litas over 89 million litas for the same period a year ago and EBITDA margin reached 52 per cent (50.4 per cent in 2005). Profit before income tax for the first quarter of 2005 was up by 78 per cent and amounted to 40 million litas (22 million litas a year ago). Profit for the period of the first three months of 2006 (including minority interest and discontinued operations) amounted to 32 million litas, an increase by 85 per cent over 17 million litas in 2005. Capital investments in the first quarter of 2006 amounted to 11 million litas (15 million litas in 2005). During the three months' period cash and cash equivalents increased by 52 million litas (65 million litas in 2005).

On 24 April 2006, the Annual General Meeting of AB Lietuvos Telekomas' Shareholders decided: (1) To approve the Company's activity report of the year 2005, inspected by the Company's auditor UAB PricewaterhouseCoopers. (2) To approve audited Company's annual financial statements for year 2005, prepared according to the International Financial Reporting Standards. (3) To allocate the Company's profit of the year 2005 according the draft of profit allocation presented for Annual General Meeting of Shareholders: from distributable profit of 168,485,948 litas (48,796,903 euro) to allocate 124,290,803 litas (35,997,105 euro) for dividends for the year 2005 which is 0,16 litas (0,046 euro) dividend per share. For tantiems to the members of the Board for the year 2005 to allocated 378,000 litas (109,476 euro). (4) To elect UAB PricewaterhouseCoopers as the Company's audit enterprise for two years to make the audit of the 2006 and 2007 Company's financial statements and to make the inspection of the reports on the activity of the Company in 2006 and 2007. (5) To change Company's name from Akcinė bendrovė „Lietuvos telekomas“ to TEO LT, AB. (6) To approve the new edition of the Company's By-laws. (7) To recall from the Board of the Company all members of the Board: Erik Hallberg, Morgan Ekberg, Matti Hyrynen, Tomas Lenke, Valdo Kalm, Gintautas Žintelis and Andrius Šukys. (8) To elect to the Board of the Company for new term of the Board (for 2 years): Erik Hallberg, Gintautas Žintelis, Morgan Ekberg, Valdo Kalm and Brita Hanberger, which were proposed by Amber Teleholding A/S, and Matti Hyrynen and Gert Tiivas, which were proposed by East Capital through Amber Teleholding A/S.

On 5 May 2006, the Company announced that on 5 May 2006, following the decision of the Annual General Meeting of Shareholders of 24 April 2006 to change the Company's name from "akcine bendrove Lietuvos Telekomas" to TEO LT, AB, amended by-laws of the Company were registered and new certificate of the Company's registration was issued. From 5 May 2006 the Company's name is TEO LT, AB. The Company's web site address is changed from www.telecom.lt to www.teo.lt. Other properties of the Company remain unchanged.

On 22 April 2006 the Company announced that UAB Lietuvos Telekomo Verslo Sprendimai (code 134517169), a subsidiary of TEO LT, AB (hereinafter referred to as "the Company"), which activities from 1 May 2005 were taken over by Business Customer Department of the Company, changed its name to UAB Kompetencijos Ugdymo Centras (Competence Development Center) and now provide training and consultancy services. UAB Kompetencijos Ugdymo Centras employees people from former Competence Development Center of the Company. The enterprise is registered at Palangos 4, Vilnius, Republic of Lithuania. VšĮ Lietuvos Telekomo Sporto Klubas (code 124366950), a non-profit organisation solely established and owned by the Company supporting women basketball team TEO and operating fitness center at P. Lukšio 34 in Vilnius, also changed its name to VšĮ TEO Sportas. Organisation is registered at Savanorių ave. 28, Vilnius, Republic of Lithuania.

All material events related to the activity of the Company have been submitted to Lithuanian Securities Commission, Vilnius Stock Exchange, Lietuvos Rytas daily, BNS and ELTA news agencies and posted on the Company's internet page www.teo.lt.

17. Litigation and arbitration

In 2005, an investigation was started by the Lithuanian Competition Council regarding the abuse of domination power in the broadband internet market which is based on complaints received from other internet service providers (UAB MicroLink Lietuva, UAB Baltnetos komunikacijos, UAB Tele2, UAB Penki Kontinentai, UAB Elneta and VĮ Infostruktūra). In June 2006 the Administration of the Competition Council presented conclusions of completed investigation for the Company's review and comments. The Company requested to prolong the term for submission of comments regarding the conclusions of investigation. The term was prolonged till 11 August 2006.

The Company appealed to the court requesting to cancel Order of Director of Communications Regulatory Authority of 18 January 2006 on AB Lietuvos Telekomas including its associated entities as entity having a significant market power on the wholesales broadband access market and paragraph No. 2 of Order of 18 January 2006 on the definition of wholesales broadband access market. In May 2006 the court by its decision rejected the claim of the Company but the Company appealed against such decision to the court of higher instance.

The Company appealed to the court requesting to cancel the Orders of Director of Communications Regulatory Authority of 20 February 2006 on designation of AB Lietuvos Telekomas and its associated entities as entity having a significant market power on the market of national and international transit services on public telephone line network provided at fixed place.