

TEO LT, AB

PROSPECTUS-REPORT FOR THE YEAR

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

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. Nature of the Issuer’s core business

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

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

4. 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.

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

5.1. 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 74 22, fax. +370 5 212 66 65.

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

5.2. -----

6. 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 Dzintra Tamulienė, Acting Chief Financial Officer, 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

30 May 2007

Acting Chief Financial Officer of TEO LT, AB

30 May 2007



Arūnas Šikšta

Dzintra Tamulienė

The report is prepared in Vilnius, May 2007.

II. INFORMATION ABOUT THE ISSUER'S SHARE CAPITAL AND ISSUED SECURITIES

7. The Issuer's share capital

7.1. Share capital registered in the companies' register

The share capital of TEO LT, AB registered in the Register of Legal Persons 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 (ORS)	814,912,760	1	814,912,760	100.00
Total:	814,912,760	--	814,912,760	100.00

All shares of TEO LT, AB are paid for.

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

8. Shareholders

The following shareholders hold more than 5 per cent of the Company's share capital on the day of the Annual General Meeting of Shareholders held on 26 April 2007:

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	41,439,785 (b)	5.09	5.33	--

NOTES: (a) Amber Teleholding A/S is a fully owned subsidiary of Swedish TeliaSonera AB, (b) 13,137,412 ordinary registered shares and 2,830,237 Global Depository Receipts.

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 1.61 per cent (31 December 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 31 December 2006, the State of Lithuania represented by the State Property Fund held 13,191,350 shares that amount to 1.61 per cent of the Company's share capital and 1.69 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 13,553,980 shares that amount to 1.66 per cent of the Company's share capital and 1.74 per cent of votes.

As on 31 December 2006, the total number of TEO LT, AB shareholders was 12,872. The number of shareholders on the day of the last Annual General Meeting of Shareholders, which was held on 26 April 2007, was 12,827.

As on 31 December 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.

9. Basic characteristics of shares issued into public circulation of securities

Shares of TEO LT, AB issued into public circulation of securities:

Type of shares	Number of shares	Nominal value (in litas)	Total nominal value (in litas)	Issued into circulation
Ordinary registered shares	814,912,760	1	814,912,760	During reorganisation of the state enterprise into the stock company

10. Information about the shares placed for non-public circulation of securities

11. Information about depository receipts issued on the basis of shares

On 12 June 2000, after sell-off of 203,728,190 ordinary registered shares, which were owned by the State, during the Initial Public Offering by the state enterprise State Property Fund, the Company launched the Global Depository Receipt (GDR) program.

According to the program, one GDR of the Company represents ten ordinary registered shares. The program's Depository is Deutsche Bank Trust Company Americas, 60 Street, New York, NY 10005, U.S.A.

TEO GDRs are listed on the Official List of the UK Listing Authority and are traded on the Main Market of London Stock Exchange. Lietuvos Telekomas GDRs could be traded on the PORTAL market, a subsidiary of Nasdaq Stock Market Inc.

On 26 April 2007, the day of the last Annual General Meeting of Shareholders, there were 8,132,388 Global Depository Receipts issued on the basis of 81,323,880 shares that amount to 9.98 per cent of the Company's share capital.

Number of deposited shares of the Company and number of depository receipts:

Date	Number of shares	Number of GDRs
31 March 2005	116,153,890	11,615,389
30 June 2005	115,969,710	11,596,971
30 September 2005	108,519,710	10,851,971
31 December 2005	105,719,870	10,571,987

31 March 2006	102,137,510	10,213,751
30 June 2006	99,076,880	9,907,688
30 September 2006	85,689,380	8,568,938
31 December 2006	85,554,380	8,555,438

12. The main characteristics of debt securities issued into public circulation of securities

13. Information about debt securities, which are registered and placed for non-public circulation of securities

14. Securities, which do not certify the participation in the share capital, but which circulation is regulated by the Law on Public Trading, except debt securities

III. INFORMATION ABOUT SECONDARY CIRCULATION OF SECURITIES ISSUED BY THE ISSUER

15. Securities included into trading lists of stock exchanges

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 TEO LT, AB Global Depository Receipts (1 GDR represents 10 ORS) are admitted to the Official List of the UK Listing Authority and could be traded on the Main Market of London Stock Exchange. TEO 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 TEO are included in Frankfurt Deutsche Börse Stock Exchange trading within the Open Market (*Freiverkehr*) and being traded on the Munich Stock Exchange.

16. Trading in Issuer's securities on stock exchanges and other organised markets

Trading in TEO LT, AB ordinary registered shares on Vilnius Stock Exchange:

Period	Price (in litas)		Turnover (in litas)		Last session		Total turnover	
	Highest	Lowest	Biggest	Smallest	Price (in litas)	Turnover (in litas)	Number of shares	In litas
01/01/2005 – 31/03/2005	2.37	2.16	2,590,295	8,918	2.35	567,040	21,408,789	48,783,785
01/05/2005 – 30/06/2005	2.40	2.15	2,386,064	24,740	2.18	81,476	15,295,496	34,721,062
01/07/2005 – 30/09/2005	2.81	2.15	4,710,499	17,096	2.79	72,588	26,936,456	64,787,078
01/10/2005 – 31/12/2005	2.84	2.63	3,624,841	25,029	2.71	49,515	19,885,849	53,383,751
01/01/2006 – 31/03/2006	2.75	2.45	17,380,173	124,197	2.57	1,389,119	43,364,793	110,358,335
01/05/2006 – 30/06/2006	2.62	2.12	3,629,836	117,731	2.23	442,792	22,206,648	50,851,637
01/07/2006 – 30/09/2006	2.43	2.14	7,863,206	99,203	2.34	819,268	42,818,761	95,072,635
01/10/2006 – 31/12/2006	2.79	2.30	4,117,568	68,158	2.76	1,523,725	24,450,861	62,038,626

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

Period	Price (in USD)		Turnover (in GBP)		Last session		Total turnover	
	Highest	Lowest	Biggest	Smallest	Price (in USD)	Turnover (in GBP)	Number of GDR	In GBP
01/01/2005 – 31/03/2005	9.10	8.25	268,421	0	8.70	0	190,350	885,838
01/05/2005 – 30/06/2005	9.05	7.50	149,540	0	7.75	0	63,000	271,479
01/07/2005 – 30/09/2005	9.70	7.45	1,529,806	0	7.45	0	1,348,671	6,473,263
01/10/2005 – 31/12/2005	9.82	9.00	738,764	0	9.30	0	624,169	3,277,640
01/01/2006 – 31/03/2006	9.65	8.58	962,000	0	9.00	0	1,056,633	5,482,023
01/05/2006 – 30/06/2006	9.30	7.75	1,129,390	0	8.26	0	519,175	2,531,753
01/07/2006 – 30/09/2006	8.80	7.70	1,427,401	0	8.50	0	2,579,000	10,852,317
01/10/2006 – 31/12/2006	10.60	8.46	130,204	0	10.60	0	48,300	224,151

17. Market capitalisation of securities

Capitalisation of TEO LT, AB ordinary registered shares traded on the Vilnius Stock Exchange:

Date	Number of shares	Price (in litas)	Market capitalisation (in litas)
31 March 2006	814,912,760	2.57	2,094,325,793
30 June 2006	814,912,760	2.23	1,817,255,455
30 September 2006	814,912,760	2.34	1,906,895,858
31 December 2006	814,912,760	2.76	2,249,159,218

18. Trading in Issuer's securities outside the stock exchange

19. Information about the buy-back of its own shares by the Issuer

On 12 June 2000, during the Initial Public Offering UAB Lintkom, then a subsidiary of UAB Lintel, which is a subsidiary of the Company, acquired 12,698,412 ordinary registered shares of the Company (1 share price was LTL 3.15) and 2,539,683 Global Depository Receipts of the Company (1 GDR price was USD 7.875) (1 GDR represents 10 ordinary registered shares of the Company). Overall, UAB Lintkom held 4.67 per cent of the Company's share capital.

In September 2002, the Company acquired all shares of UAB Lintkom from UAB Lintel. In December 2003, the Company transferred all UAB Lintkom shares back to UAB Lintel. In March 2004, reorganisation of Lintel and Lintkom by merger of UAB Lintkom into UAB Lintel was started and in May 2004 was over. After reorganisation UAB Lintel continues its operations while UAB Lintkom terminated its operations. Now

TEO subsidiary UAB Lintel holds 4.67 per cent of the Company's shares that following the Lithuanian Company Law are considered as treasury stocks of the Company.

As of 31 December 2006, UAB Lintel held 12,698,412 ordinary registered shares of TEO LT, AB and 2,539,683 TEO LT, AB GDRs, i.e. 4.67 per cent of TEO share capital.

The Company has never acquired any shares from the management of the Company.

20. Announcement of the official tender offer

21. Issuer's paying agents

22. Agreements with intermediaries of public trading in securities

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

IV. INFORMATION ABOUT THE ISSUER'S ACTIVITIES

23. Legal basis for Issuer's activities

In conducting its business TEO LT, AB follows the Company Law, Law on Electronic Communication, Law on Securities Market and other laws and legal acts of the Republic of Lithuania and Company's By-laws.

24. Membership in associated structures

After merger of Telia AB, Sweden, and Sonera Oy, Finland, into one company - TeliaSonera AB, registered in Sweden, on 9 December 2002, Amber Teleholding A/S, the largest shareholder of the Company that hold 60 per cent of the Company's shares, became a fully owned subsidiary of TeliaSonera AB, and the Company became an indirectly owned subsidiary of TeliaSonera AB.

From December 2002 financial statements of the Company's Group are consolidated into consolidated financial statements of TeliaSonera AB. In Lithuania TeliaSonera AB through its subsidiary Amber Mobile AB holds 100 per cent of UAB Omnitel shares.

25. Brief description of the Issuer's history

The state enterprise Lietuvos Telekomas, which share capital was entirely owned by the State, was registered on 6 February 1992. The Company provided services of local, long-distance and international automatic telephone communication, telegraph and telex, wire radio broadcasting, sounding of public events, as well as other communication services on the whole territory of the Republic of Lithuania.

On 16 June 1997, by the resolution of the Government of the Republic of Lithuania, the state enterprise Lietuvos Telekomas was reorganised into the stock company Lietuvos Telekomas. The share capital of the Company (814,912,760 litas) was fully owned by the State.

On 9 June 1998, the Law on Telecommunications of the Republic of Lithuania was passed. The Law granted Lietuvos Telekomas an exclusive right to provide fixed-line telephony services until 31 December 2002.

On 7 July 1998, the state enterprise State Property Fund sold 488,947,656 shares of AB Lietuvos Telekomas (60 per cent of the Company's share capital), which were owned by the State, to the consortium Amber Teleholding A/S, Denmark, established by Swedish Telia AB and Finish Sonera Oy.

In August 1999, during implementation of the privatisation programme of the Company 7,194 employees of the Company acquired from the State 40,465,212 ordinary registered employees' shares (4.97 per cent of the Company's share capital). On 23 August 2000, the employees' shares were converted into ordinary registered shares.

On 12 June 2000, during the Initial Public Offering the state enterprise State Property Fund sold 203,728,190 the Company's shares (25 per cent of the Company's share capital), which were owned by the State. Since then the Company's shares are traded on the Vilnius Stock Exchange and Global Depository Receipts issued on the basis of the Company's shares are traded on the London Stock Exchange.

Pursuant to the new Law on Telecommunications, from 1 January 2003 the Company together with its subsidiaries is designated as an operator with significant market power (SMP) in the public fixed-line telephony network and services, leased line services and interconnection services, as well as on the calls termination in public telephone line networks provided at fixed place markets.

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.

26. Characteristics of the production (services)

In May, implementing the shareholders' meeting decision of 24 April 2006, the Company changed its name from AB Lietuvos Telekomas to TEO LT, AB. TEO is the corporate brand which has replaced the name AB Lietuvos Telekomas.

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 (TEO BUSINESS) – services for business.

In 2006, alongside with the change of the Company's name, changes occurred in the Company's activities which were mainly related to the appearance of new business areas such as information technology and television services. That inspired to formulate a new vision and mission of the Company. The renewed TEO vision and mission reflect the Company's growth and change, its new name and new markets that were entered in 2006.

TEO vision - your best partner in communicating with the constantly changing world. By employing the most modern technologies we enable our customers to reach people, knowledge and entertainment. TEO mission - to create value for shareholders and customers by providing professional and high-quality telecommunications, TV and IT services.

In 2006, TEO Group from fixed telephony and internet services operator became an integrated telecommunications, IT and television service provider. TEO Group is a part of the largest telecommunication corporation in Nordic and Baltic Country TeliaSonera AB.

Shares of TEO LT, AB are listed on the Vilnius and London Stock Exchanges. Amber Teleholding A/S, a fully owned subsidiary of TeliaSonera AB, holds 60 per cent of the share capital of the Company.

Revenue of TEO Group

	2006		2005		2004	
	LTL thousand	%	LTL thousand	%	LTL thousand	%
Voice telephony services	524,571	71.4	531,790	72.9	547,228	75.8
Internet and data communication services	179,023	24.4	148,787	20.4	130,414	18.1
IT services	9,892	1.3	3,823	0.5	2,224	0.3
TV services	708	0.1	--	--	--	--
Construction services	1,651	0.2	28,432	3.9	29,932	4.1
Other services	18,966	2.6	16,804	2.3	12,241	1.7
Total	734,811	100.0	729,636	100.0	721,039	100.0

TEO Group

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

UAB Lintel is the largest in terms of business volumes and the most modern, in terms of technologies and management, Call Center service provider in Lithuania. It handles around 16 million contacts per year. Lintel also provides Directory Inquiry Service 118, telemarketing and customer care services. UAB Lintel also holds 4.67 per cent of treasury stocks of the Company's.

UAB Baltic Data Center is one of the most rapidly growing IT services to enterprise customer providers in Lithuania. Services provided by UAB Baltic Data Center comprise a complex enterprise systems maintenance package that implies Server, Data Base and data streams as well as IT Service Desk services. On 7 April 2006, the Company acquired remaining 40 per cent stake in UAB Baltic Data Center from Finnish company TietoEnator Oyj and sold its 26 per cent stake in UAB TietoEnator Consulting to TietoEnator Oyj. Now TEO owns a 100 per cent stake in UAB Baltic Data Center and TietoEnator Oyj – a 100 per cent stake in UAB TietoEnator Consulting. UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA, which is a dormant company.

In December 2005, UAB Voicecom took over from UAB Comliet the permission to use the national network of mobile analogue cellular radio communication of the NMT-450 standard. Permission is valid until 31 October 2007.

UAB Kompetencijos Ugdymo Centras (until June 2006 named as UAB Lietuvos Telekomo Verslo Sprendimai) provides training and consultancy services, organises certified trainings. UAB Kompetencijos Ugdymo Centras employees people from former Competence Development Center of the Company. Kompetencijos Ugdymo Centras is one of the largest employees' development institutions in Lithuania.

In June 2006, VšĮ Lietuvos Telekomo Sporto Klubas changed its name to VšĮ TEO Sportas. Institution supports TEO (formerly Lietuvos Telekomas) women basketball team, a multiple champion of Lithuania and Baltic States, and operates a fitness center ZEBRA SPORT at P. Lukšio str. 34 in Vilnius. TEO is the sole founder of non-profit organisation VšĮ TEO Sportas.

On 31 January 2006, the then subsidiaries of the Company UAB Comliet and UAB Comliet Sprendimai sold their 95 per cent and 5 per cent, respectively, stakes in OOO Comliet-Kaliningrad, based in the Russian Federation, to the Company. On 15 February 2007 TEO sold its 100 per cent stake in the dormant subsidiary OOO Comliet-Kaliningrad.

On 28 February 2006, the Company sold all shares of its subsidiary UAB Comliet. UAB Comliet specialized 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 owned 100 per cent of UAB Comliet Sprendimai shares).

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 and 100 per cent of UAB Baltijos Kompiuterių Akademija 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 was completed. The Company held 30 per cent and UAB Verslo Žinios - 70 per cent of shares of UAB Verslo Portalas.

In December 2006, TEO signed a letter of intent for acquisition of 100 per cent stake in UAB Mikrovisatos TV, the company providing cable and multi-channel subscription television services in Kaunas and Kaunas region. Mikrovisatos TV also has a licence for re-broadcasting of TV programs in Lithuania over digital terrestrial television (DVB-T) networks. On 12 February 2007, the shareholders of UAB Mikrovisatos TV terminated the preliminary share sale-purchase agreement signed with TEO.

Key Figures of TEO Group

	2006	2005	2004	2003	2002
Revenue (LTL million)	735	733	721	808	968
EBITDA (LTL million)	352	354	337	386	504
EBITDA margin (%)	47.9	48.5	46.7	47.8	52.0
Profit (loss) before income tax (LTL million)	162	109	41	(38)	89
Profit (loss) for the period (LTL million)	131	84	34	(35)	67
Profit margin (%)	17.8	11.5	4.7	(4.3)	6.9
Total assets (LTL million)	1,249	1,259	1,280	1,542	1,876
Shareholders' equity (LTL million)	1,110	1,104	1,121	1,136	1,219
Number of shares, excluding treasury stocks (thousand)	776,818	776,818	776,818	776,818	776,818
Earnings per share (LTL)	0.17	0.11	0.04	(0.05)	0.09
Dividend per share (LTL)	0.26	0.16	0.13	0.06	0.06
Share book value (LTL)	1.43	1.42	1.44	1.46	1.57
Return on capital employed (%)	14.4	9.6	3.7	(0.8)	7.6
Return on average assets (%)	10.4	6.6	2.4	(2.0)	3.4
Return on shareholders' equity (%)	11.8	7.5	2.9	(3.1)	5.5
Gearing ratio (%)	(26.9)	(26.1)	(9.3)	6.1	23.6
Debt to equity ratio (%)	0.8	1.5	1.2	16.5	30.6
Current ratio (%)	535.1	521.6	306.0	93.3	75.0
Rate of turnover of assets (%)	58,5	57,8	54,4	47,3	48,8
Equity to assets ratio (%)	88.8	87.7	87.6	73.7	65.0
Cash flow from operating activities (LTL million)	295	342	276	320	481
Capital investments (LTL million)	98	74	75	51	207
Number of fixed lines in service	784,958	798,617	819,147	828,318	935,899
Penetration of lines per 100 residents	23.2	23.5	23.9	24.0	27.0
Digitalisation rate (%)	93.9	93.5	92.7	91.2	87.6
Number of ADSL access points	180,774	104,798	50,199	25,085	10,522
Number of wireless Internet (WiFi) access points	804	287	--	--	--
Number of employees (headcount) at the end of the period	3,098	3,005	3,120	3,586	4,531

TEO on the Lithuanian electronic communications market

TEO LT, AB retains its leading positions on Internet, data communication and fixed-line telephony markets.

During 2006, as compared to the same period of 2005, the Lithuanian electronic communications market, covering fixed-line telephony, mobile telephony, leased lines, Internet access, data communication, cable television, microwave multi-channel distribution system (MMDS), radio and television programs broadcasting transmission service provision, wire radio and electronic communications network interconnection services, grew by 7.1 per cent up to LTL 2.7 billion. Mobile telephony services constitute the biggest share of the electronic communications market (46 per cent). However, Internet services, the value of which rose by 24.2 per cent to LTL 264.9 million over 2006, remain the key driver for the development of the electronic communications market.

According to the data of the market research carried out by TNS-Gallup, in November 2006 45 per cent of households had computers and 32 per cent - an access to the Internet. According to the data of the Communications Regulatory Authority (the CRA), at the end of 2006, there were 368.7 thousand broadband Internet users in Lithuania. 48.5 per cent of them connected to the Internet via the ADSL based technology, 17.8 per cent – via cable television networks, 12.4 per cent – via local area networks (LAN), 6.6 per cent – via wireless communication lines and 14.3 per cent – via optical communication lines.

At the end of 2006, there were 115 Internet service providers in Lithuania.

TEO had a 45.2 per cent share of the total Internet providers' market in terms of revenue during the fourth quarter of 2006. During 2006, the broadband Internet market share of TEO grew continuously and at the end of the fourth quarter it reached 48.5 per cent of the total number of broadband Internet access users in Lithuania and, respectively, 47.8 per cent in terms of revenue.

At the end of 2006, TEO had 181 thousand broadband Internet access users (via ADSL, leased lines and broadband optical access). The number of ADSL technology based service users reached 178.6 thousand, i.e. 1.75 times more than in the previous year. Last year, 2.1 thousand ADSL access services were sold on the wholesale market.

At the end of 2006, the total number of TEO dial-up Internet service users was 10.5 thousand.

In 2006, TEO remained the main data communication service provider in Lithuania. According to the CRA, in the fourth quarter of 2006 the Company's share on the data communication services market in terms of revenue was 50.4 per cent, and on the leased lines market – 51.7 per cent.

In 2006, TEO retained its leading position on the fixed-line telephony market as well. According to the data of the CRA, in the fourth quarter of the year 2006 the Company's share on the fixed-line telephony market (excluding networks' interconnections) in terms of revenue amounted to 96 per cent and in terms of the number of subscribers – 93.7 per cent. In the fourth quarter of 2006, the Company's customers generated 96.4 per cent of the total calls traffic (99.5 per cent local, 89.1 per cent domestic long-distance, 72.3 per cent international and 92.1 per cent of calls from fixed-line to mobile networks). At the end of 2006, 46 companies provided international fixed-line telephony services in Lithuania, 27 of the aforementioned, including TEO also provided local and/or domestic long-distance calls services.

At the end of 2006, the penetration of fixed-line telephony was 23.4 lines per 100 inhabitants of Lithuania, or 46.7 lines per 100 households.

At the end of 2006, TEO had 784.9 thousand main telephone lines or by 13.6 thousand less compared to 2005. The number of new lines installed during 2006 – 53 thousand, while the number of disconnected lines – 66.6 thousand. Moreover, from September 2006 the number of new lines exceeded the number of disconnected ones as a result of attractive promotional offers of Internet and IP-TV services. The largest reduction in 2006 was seen in the number of main lines used by residential customers and a slight decrease in the number of main lines used by business customers.

In 2006 as compared with 2005, the total calls traffic of TEO decreased by 2.1. The decrease in the traffic volumes of local calls was 3.1 per cent, calls from fixed-line to mobile networks - 3.1 per cent, and international calls - 3 per cent. However, that was partly offset by the 1.8 per cent increase in the traffic of domestic long-distance calls.

Services for residential customers

TEO LT, AB provides voice telephony (VOX), Internet (ZEBRA) and digital Internet television (GALA) services to residential customers.

As on 31 December 2006, TEO residential customers used 605.7 thousand main telephone lines, including 1.4 thousand ISDN channels and 33.1 thousand lines, connected to the network by using the GSM and NMT-450 technologies. Compared with the year 2005, the number of main lines used by residential customers went down by 2 per cent.

In 2006, the number of active lines used by residential customers increased by 16.6 thousand and at the end of the year the number of such lines was 527.6 thousand. During the last year, 36.5 thousand new telephone lines were installed for residential customers, i.e. by 30 per cent more than in 2005.

During the last year, the Company's main focus was on the expansion and improvement of broadband Internet services. Seeking to offer its customers the most up-to-date services as well as the possibility to use the Internet not only at home, in 2006 TEO continued the expansion of the network of wireless Internet hot-spots, the installation of which was launched in 2005, all over Lithuania. In October 2006, the package of services provided to residential customers was complimented with a digital Internet television (IP-TV) service GALA.

Voice Services

In May 2006, TEO presented VOX, a new brand of voice services for residential customers.

VOX – fixed-line telephony services, providing the possibility of contacting important and close people in Lithuania and abroad. Low prices of services, their perfect quality as well as various payment plans and extra services allow customers to choose service options that are the most convenient and cost-effective for them.

During 2006, the traffic of calls, generated by the residential customers of TEO, went up by 3 per cent. The biggest growth – 12 per cent – was in the traffic of domestic long-distance calls. The growth was mostly driven by the organized promotion campaigns, during which residential customers had the possibility to make domestic long-distance calls at better rates: from April to June, the Company was offering a 30 per cent discount on the monthly fee to retired and socially disadvantaged persons, ordering the Universalis (Universal) payment plan; in July, the tariff of weekend domestic long-distance calls within TEO network was 3 cents/minute; and in August, weekend domestic long-distance calls were not charged from the 5th minute of a call.

New VOX users, ordering services from June to July and from September to October, were provided with the possibility, until the end of the year, to make free telephone calls within TEO network.

In December 2006, in the evenings, at weekends and on public holidays, customers had the possibility to make calls to the USA, Germany, UK and Ireland at the rate of 29 cents/minute.

The average duration of calls, made by one customer of the Company, was 152 minutes per month, i.e. by 5.6 per cent or 8 minutes more than in 2005.

At the end of 2006, payment plans were used by 96 per cent of the Company's residential customers. During the last year, the biggest growth (112 per cent) was in the number of customers using the payment plan Lietuvoje (In Lithuania), providing 2 hours of free calls all over Lithuania within TEO network, while the number of customers using the payment plan Universalis (Universal) (34 hours of free telephone calls within TEO network and the most favourable tariffs for international calls) increased by 28 per cent.

In 2006, the traffic of international calls, generated by the residential customers of TEO, went down by 2.1 per cent and the traffic of calls to mobile networks – by 5.7 per cent.

The Loyalty Program

Bičiuliai (Friends) is a loyalty program designed for the residential customers of TEO. For every litas paid for using the Company's services, a participant of the loyalty program gets loyalty points, which can be accumulated and exchanged for discounts on the Company's voice telephony and Internet services or telephone sets. At present, this program involves about 50 per cent residential customers of the Company, 30 per cent of whom have used their accumulated points at least once. The average bill of a participant of this loyalty program is by 50 per cent bigger, and the rate of disconnections is by 50 per cent lower than among customers who do not participate in the Bičiuliai (Friends) loyalty program. According to the data of the Company's researches, the loyalty program's evaluation by customers is very favourable – 7.9 score out of 10.

Inquiry Services 118

In 2006, Inquiry Service 118, provided by UAB Lintel, a subsidiary of TEO, retained its leading position on the Lithuanian market of directory services. According to the data of the market research company UAB Baltijos Tyrimai, Directory Inquiry Service 118 held an 85 per cent market share.

In 2006, Inquiry Service 118 answered 9.706 million inquiries. The number of inquiries from fixed-line telecommunications networks decreased by 13.7 per cent, while the number of inquiries from mobile telecommunications networks increased by 14.1 per cent.

Last year, the call connection service by Inquiry Service 118 became available to subscribers of TEO and UAB Tele2 (previously, it was available to subscribers of UAB Omnitel and UAB Bitė Lietuva), which increased the number of connections by 90 per cent on the average.

In 2006, the additional database of legal persons, including more than 150 thousand economic entities, was developed and the new information updating system, which accelerated the input of data, expanded possibilities for the provision of supplementary services, was implemented.

Internet Services

In 2006, much of the Company's focus was on developing broadband Internet. In March 2006, the Company introduced to the market a new portfolio of Internet services: "Basic Internet" (during off-peak hours, at weekends and on public holidays, Internet speed - up to 256 kbps), "Optimal Internet" (time-unlimited Internet access speed - up to 1 Mbps) and "Premium Internet" (time-unlimited Internet access speed - up to 4 Mbps). For a small extra fee, users of the Internet plans could use new value-added services: computer protection against unauthorized access (firewall), "Maximum Speed", "Day-time Internet".

In May 2006, the Takas brand of Internet services for residential customers was changed to ZEBRA.

ZEBRA – the fastest and highest-quality Internet. Thanks to the most up-to-date DSL technologies, it provides you with the possibility to browse the Internet space at an especially high speed, while the WiFi wireless Internet network enables doing this wherever the user is – at home, in a cafe, park or office. The highest-quality Internet services are ensured by the advanced technical base. Consultations and technical support services are available to customers 24 hours a day.

During 2006, the number of residential broadband Internet users increased by almost 69 thousand and reached 153 thousand. 95 per cent of ZEBRA Internet users used broadband DSL Internet services. At the end of 2005, there were 83.5 per cent of such users.

Last year, the most popular Internet plans were "Basic Internet" and "Optimal Internet", which were used by, respectively, 55 per cent and 30 per cent of ZEBRA Internet users.

In 2006, the Company organized Internet service sales promotion campaigns, which attracted almost 10 thousand new Internet users per month, i.e. 6 out of 10 new Internet users in Lithuania selected ZEBRA Internet services.

In March 2006, the Company launched the provision of broadband Internet services via the optical local area network (LAN) in Vilnius. That provided users with the possibility to use even faster (up to 10 Mbps) and better quality Internet access. At the end of 2006, the Internet via LAN was used by 2.5 thousand users.

In August 2006, TEO started providing ZEBRA voice over Internet (VoIP) service. At the end of the year, the number of its users was 1.1 thousand.

During 2006, the Company was further expanding its network of WiFi technology-based wireless Internet hot-spots at the places most frequently visited by people: petrol stations, cafés, shopping and entertainment centres, educational institutions, city squares and main streets. All over Lithuania, the number of such hot-spots with high-speed (up to 5 Mbps) ZEBRA wireless Internet was more than 800 at the end of the year. The number of regular users of the service was 4000. The service was provided free of charge till March 2007.

The authoritative commission of international experts recognized the telecommunications company TEO LT, AB as one of the best changemakers in the world. At the World Communication Awards 2006 annual event organised by the telecommunications market news and research company TotalTelecom, the award in the "Best Changemaker" category was granted to the Lithuanian company. The award was granted for the development of new Internet services and their positive impact on the development of the information society and broadband Internet in Lithuania.

GALA Television

On 1 October 2006, TEO launched a new service, intended for residential customers – digital television GALA.

GALA – Internet technology-based digital television, which ensures the highest video and audio quality and provides TV content management possibilities – users have the possibility to use an electronic program guide, choose a broadcast language of some channels or simply browse the Internet or check e-mail on a TV screen.

The GALA television is attractive to those Lithuanian residents, who until now used ordinary outdoor or indoor antennas and had no possibility to watch many TV channels. GALA offers a wide choice of channels: all popular Lithuanian channels, Russian channels broadcasted in Lithuania, world famous news, educational, movie and leisure channels.

By the end of 2006, the service was installed for almost 5 thousand users.

Regular surveys of the customers show that the quality of GALA meets the expectations of its users: more than 80 per cent of the current GALA users would recommend this service to their friends and acquaintances and would order this service again.

The ZEBRA Internet Portal

The TEO-owned ZEBRA portal (www.zebra.lt), having replaced the popular Takas portal, retained its third position among the most frequently visited Lithuanian Internet portals in 2006. In December 2006, the portal was visited by 656 thousand visitors, i.e. by 18 per cent more than in December 2005.

Having taken into consideration the changes of all brands of the Company, in 2006 the design of the portal was changed and its content was enriched with new topics and services. The Company consistently developed its value-added services, available with discounts for ZEBRA Internet users, for example, to order cheaper photo production services over the Internet or browse exclusive content websites on the ZEBRA portal.

In 2006, the number of active members of the portal's community "Gyvenimai" (Lives) increased up to 18 thousand. Internauts communicate in more than 2 thousand virtual affinity clubs.

During the 11th championship of Lithuanian WWW sites, the ZEBRA Internet portal (www.zebra.lt) developed by TEO LT, AB won the 1st place in the News and Media category.

Web Hosting Service

Web Hosting service is the service, providing space for the customer's website and email addresses. At present, customers are offered "Simple", "Medium", "Professional" and "Susikurk pats" ("Do It Yourself") packages of the service. The service is available both to individual users as well as to companies and organisations.

IT Help Desk Service

IT Help Desk service is provided by the number 1518 of UAB Lintel, a subsidiary of TEO. The service is available to residential customers and small companies, which do not want to sign any support service contracts, but need help and consultations in solving problems related to PC or Internet usage.

In August, 2006 the following charges were introduced for calls to 1518: from TEO network – 2 litas/minute, from mobile telecommunications networks - 3 litas/minute.

The Internet usage statistics and the analyses conducted in 2006 show that the service has the potential to continue growing in popularity due to increasing PC and Internet usage. It has been observed that customers expect not only consultations, but also solutions to their problems, therefore in the first quarter of 2007 a problem resolution service, using remote access to the customer's PC, will be launched. Later on, in cooperation with partners, an on-site support service will be implemented. In 2007, the service management and processes will be improved and also the competence of consultants will be developed.

Services for business customers

Starting from May 2006, all TEO services, intended for business customers, are provided under the TEO BUSINESS brand.

TEO BUSINESS includes Internet, voice telephony, data communication and IT services. The Company offers a big variety of services from a single source, provides service to the majority of Lithuanian companies, from the very smallest to the very biggest, and has the experience and capabilities to meet the growing needs of business customers. The Company is in constant search for development possibilities, introduces new services, and improves customer care.

In spite of very tough competition, during the last year the number of fixed lines used by business customers remained unchanged and at the end of the year 2006 amounted to 176 thousand main telephone lines. The number of companies using TEO services was stable.

During the year, the number of ISDN channels increased by 3 per cent, while the number of the Grupė (Group) (virtual private branch exchanges) service lines – by 1.4 per cent. At the end of the year, TEO business customers used 43.8 thousand ISDN channels and 32 thousand Grupė (Group) lines.

As in the previous year, in 2006 TEO paid big attention to the improvement of business customer care. The Company introduced a new business customer care phone number 1816 for the provision of information about the Company's services, tariffs, bills, payments, and also for order acceptance and fault reporting 24 hours a day. The year-end survey of the business customers showed that during 2006 TEO maintained traditionally good relations with business enterprises - the number of the loyal customers was 56 per cent.

Voice Services

Starting from 1 February 2006, the business customers were offered new call payment plans: "Calls for Small Business" and "Calls for Business". At the end of the year, 7.2 thousand companies used the plans.

The exceptional competitive advantage of the voice services provided by TEO – the possibility to make long and cheap telephone calls. For example, the customers using the “Calls for Small Business” or “Calls for Business” payment plans are charged only for the first 2-3 minutes of a call (when its duration is up to 15 minutes).

At the end of 2006, about a quarter of the Company’s business customers had long-term contracts of the call payment plans.

Last year, TEO offered the business customers an Internet telephony service, providing the possibility to make cheaper calls over the Internet not only in Lithuania, but also abroad.

Contact Center Services

As the Lithuanian economy is growing, the need of business enterprises to expand their markets, to strengthen or gain competitive advantage, to search for modern customer care and sales promotion methods is increasing as well. Such methods are offered by contact centers.

2006 was a year of rapid development on the contact centers market in Lithuania. UAB Lintel Contact Centers in Klaipėda, Panevėžys and Kaunas handled 6.1 million inquiries of Lithuanian and foreign customers the total duration of which, compared to 2005, increased by about 30 per cent and constituted about 16 million minutes. The growth in the turnover of outgoing call handling services was especially rapid – by more than 2 times.

In 2006, wider spectrum services were started to be provided to the existing customers, operating on the markets of telecommunications, logistics, and public utilities. Contact Centers started providing the services of customer care by telephone to Rytų Skirstomieji Tinklai AB (Eastern Distribution Networks). UAB Lintel won the tender for the provision of services to the State Social Insurance Fund Board (Sodra). The rapid growth of telesales services was conditioned by their successful provision in insurance and telecommunications sectors.

Using its centralized voice over IP (VoIP) technology-based contact center system and seeking to strengthen its leading positions on the market, in July 2006 UAB Lintel launched a new virtual contact center hosting service. 64 contact center workstations were established for the first buyer of the service - AB Lietuvos Draudimas.

It is forecasted that in 2007 the contact centers market will grow at a rapid pace, therefore it is planned to continue developing services, to penetrate into the sectors of telecommunications, banking and insurance services, public institutions, logistics, to supplement the contact center services with separate Business Process Outsourcing (BPO) services. This year UAB Lintel plans to particularly strengthen its positions on foreign markets.

Internet Services

Seeking to retain its positions of the leading provider of services for business enterprises, in 2006 TEO reorganized the portfolio of Internet services for business. Internet services were clearly and simply divided. High-speed (2Mbps and 3 Mbps) Internet payment plans were introduced to the market. At present, the business customers are offered the following Internet plans: “Economic Internet”, “Universal Internet”, and “Internet Solutions”.

In 2007, companies will be also provided high-speed wireless Internet (WiFi) for work outside office. It is simple and convenient to use this type of Internet access during business meetings when visiting partners, at conference centres, in public places.

Offering its customers even more attractive Internet solutions, in 2006 TEO arranged several successful broadband Internet sales promotion campaigns both for new and existing Internet users. Depending on the minimum service usage term, companies had the possibility, under particularly favourable conditions, to order Internet services together with a PC or to choose higher-speed Internet service plans.

As a result of the above-mentioned actions, the Company's market share consistently increased. In 2006, TEO had 68 per cent of the total increase in the number of broadband Internet users in the business customer segment. According to the data of the CRA, over the year 2006 the Company's share of the broadband Internet market in the business segment in terms of the number of users increased from 57.1 per cent up to 59.1 per cent.

At the end of 2006, 41 per cent of TEO business customers used broadband Internet services, while at the beginning of the same year there were 31 per cent of such customers.

Data Communication Solutions

The concept of data communication services selected by the Company the point of which – individual solutions tailored to the needs of specific customers – fulfilled the expectations. The sales of data communication solutions are growing and TEO further retains the biggest share on the market of these services which constituted 50.4 per cent in the fourth quarter of 2006.

Remote access to the Company's internal computer network is offered as an additional functionality of the group of data communication services.

For data communication access solutions TEO uses the technologies of digital leased line (DXX), asymmetrical digital subscriber line (ADSL), integrated services digital network (ISDN) and optical "Ethernet" network, whereas in the backbone network - those of Internet protocol/multiprotocol label switching (IP/MPLS), asynchronous transfer mode (ATM / Frame relay), and synchronous digital hierarchy (SDH).

IT Services for Corporate Customers

Information Technologies (IT) services to corporate customers are provided by UAB Baltic Data Center (BDC), a member of TEO Group. This company provides PC workstation maintenance, data centre and IT consulting services – outsourcing of IT services to corporate customers.

PC workstation maintenance – user hardware and software installation, maintenance and management. The service includes IT Service Desk, remote problem resolution, on-site user support, administration of user privileges, software licences and customer-owned IT equipment, and IP telephony services.

Providing data centre services, BDC specialists monitor and supervise the work of servers, network equipment, databases and applications and quickly resolve arising problems. Servers are placed within a special data centre, which conforms to all security and reliability requirements. If needed, BDC can rent out additional IT resources, take care of data back-up and recovery, and ensure maximum information security.

Through their daily work with the biggest IT-using organisations in the Baltic States, BDC specialists have gained huge experience in performing audits of IT systems and infrastructure and developing customer IT strategies, providing consultations on IT service management issues and creating IT processes, advising on information security assurance issues, and developing data security policies.

IT Services for Small and Medium Enterprises

In 2006, TEO started providing IT services to small and medium enterprises. By combining standardized IT and telecommunications services, it is aimed to offer the customer a ready-made office IT & telecommunications (ITT) solution.

For small and medium business companies, TEO offers the computer maintenance service, which includes consultations by phone and e-mail on the issues relating to the usage of computers, software installation and updating, maintenance and intermediation in installing and using business management systems. TEO specialists identify and eliminate faults in software and hardware, provide consultations on optimizing of available equipment, and provide assistance in ordering or renting necessary computer equipment under favourable conditions.

Another service offered by the Company – installation and maintenance of internal networks (LAN), when a company's internal computer network (intranet) is installed, reconstructed or repaired according to the needs of a customer.

Wholesale services

During 2006, the sales of international wholesale voice services increased: the international calls traffic of national operators sent via TEO network went up by almost 12 per cent, while that of foreign operators – by nearly 16 per cent compared with the year 2005. Also, the volumes of traffic sent to Lithuania via the direct voice channels of TEO and foreign partners increased – the traffic sent to TEO network increased by 3 per cent, to other Lithuanian networks (mostly to Lithuanian mobile telecommunications networks) – by more than 9 per cent. In 2006, the volumes of transit call traffic via TEO network among Lithuanian operators, compared with the year 2005, increased by two times.

At the beginning of 2006, the Company implemented the number portability service. Due to that reason, the procedure for routing the traffic of international and domestic calls to Lithuanian fixed-line and mobile telecommunications networks was changed.

Internet and Data Communication Services

During 2006, more than a half of national Internet service providers (ISPs) were using the wholesale Internet services of TEO. As the domestic Internet market was growing at a rapid pace, TEO consistently increased the speed of the international Internet channel and improved the quality of provided services. Over 2006, the speed of international Internet connection went up from 2.5 Gbps up to 5.4 Gbps, while the total speed of the wholesale international Internet provided to national ISPs increased double.

With a view of improving the Internet connection quality, TEO co-operates with major international Internet providers (in 2006 Level-3 was selected as a new international Internet provider) and focuses on its back-up channels as well as reduction of time of communications disturbance elimination. Also, the Company set up a connection to one of the biggest Internet data exchange nodes in Europe that is used by about 200 international Internet service providers. That step significantly improved the quality of Internet services, because it enabled direct upload and download of data from TEO Internet network to other Internet networks.

During 2006, there was a growth in the number of customers choosing wholesale data communication services. Quite a significant number of customers preferred data communication services, provided via optical access, to leased lines. The speed of separate connections increased up to 1 Gbps.

In 2006, TEO announced an updated wholesale DSL service offer, according to which even more favourable conditions were created for national Internet service providers to provide Internet services.

During the last year, the demand for international high-speed data communication traffic services increased. In order to meet that demand, the Company expanded its data transmission capacities with Russia, Belarus and Poland. Due to the increased demand for transit services with the Kaliningrad region, an STM-16 (2480 Mbps) connection Šilutė – Sovietsk was installed and tested.

In 2006, TEO implemented the Optimum Route Selection System and the Traffic Billing System, enabling the most efficient use of available resources and the provision of high-quality services to partners.

In 2006, the Company signed a co-operation agreement with the telecommunications companies TeliaSonera, Elion and Lattelecom regarding the sea cable restoration procedures in the event of its disruption.

An international MPLS agreement was signed with the Estonian company Elion. That was the first step in developing a common, IP technology-based network in the three Baltic States which would create possibilities to provide uniform services and would optimize their ordering and installation procedures.

In September 2006, for the first time in Vilnius, Carrier Business Department of TEO LT, AB organized the 15th European Network Planning Meeting (ENPM). The annually held planning forum is an important event for telecommunications companies and a perfect opportunity to exchange experience, discuss problems and expand cooperation. The meeting was attended by 43 European telecommunications operators.

Tariffs for the services

Private and business customers are offered flat rate payment plans for calls within the town, Lithuania or abroad at very favourable conditions. Payment plans could be chosen according to where the customer most often calls.

In 2006, tariffs for the main TEO voice services remained unchanged and are valid since 1 January 2004:

Service	Tariffs (in litas, VAT included)
Call set-up charge	0.14
Local calls on business days from 7 a.m. to 8 p.m.	0.12
Local calls on business days from 8 p.m. to 7 a.m., on weekends and public holidays	0.03
Long distance domestic calls on business days from 7 a.m. to 8 p.m.	0.26
Long distance domestic calls on business days from 8 p.m. to 7 a.m., on weekends and public holidays	0.09
Calls to Lithuanian mobile operators networks on business days from 8 a.m. to 8 p.m.	0.75
Calls to Lithuanian mobile operators networks on weekends and public holidays from 8 a.m. to 8 p.m.	0.51
Calls to Lithuanian mobile operators networks on all days of the week from 8 p.m. to 8 a.m.	0.30
Calls to networks of other Lithuanian operators on business days from 8 a.m. to 8 p.m.	0.41
Calls to networks of other Lithuanian operators on business days from 8 a.m. to 8 p.m., on weekends and public holidays	0.13
Telephone line installation fee	249.99
Monthly line subscription fee for private customers	23.00
Monthly line subscription fee for business customers	28.00

In 2006, the Company simplified its products portfolio by replacing previous internet plans for residential customers with three major plans: Basic Internet (download speed up to 256 kbps for LTL 26 during off-peak time and weekends), Optimum Internet (download speed up to 1 Mbps for LTL 49 without usage limitations) and Premium Internet (download speed up to 4 Mbps for LTL 79 without usage limitations). For additional monthly fee of LTL 9 subscriber of Basic Internet could have internet access during the daytime, too.

In August 2006, TEO introduced VoIP service for its ZEBRA internet services users. Calls among TEO broadband services users are free of charge; tariffs for calls to TEO network are LTL 0.09 per minute, to networks of other Lithuanian operators – LTL 0.50 per minute and to fixed networks of foreign operators – starting from LTL 0.19 per minute.

In October 2006, TEO launched digital television over internet (IP TV) service. For a basic monthly fee of LTL 35 TEO customers are offered 40 TV programs of digital video and sound quality as well as electronic program guide, choice of program's language, internet and e-mail on TV screen. Also additional four TV packages are offered for additional fee.

Network infrastructure

In 2006, the development of the telecommunications network of TEO was oriented towards the creation of a new digital television network platform, its integration with existing access and backbone network transmission technologies. Due to high requirements for the TV service quality and strong competition on the market of Internet service providers, a lot of attention was paid to improvement of the network quality, development and automation of fault elimination systems and processes. Provision of the digital TV was launched on the basis of IP technologies. In order to improve its quality, the modernisation of existing Ethernet and IP backbone networks has been started, the completion of which is planned in 2007. In 2007 it is intended to implement the technological solutions, required in order to launch the provision of supplementary TV content services.

The development of the LAN, FTTx access technologies network for new and existing users of Internet and other services that was widely started in 2006 will be further developed in 2007.

Switching Network

TEO LT, AB continued digitalizing its network during 2006, with the aim of replacing old-type analogue exchanges in rural areas. Over the last year, the network digitalization level increased from 93.5 per cent at the beginning of the year up to 93.9 per cent at the end of the year.

In 2006, the IP telephony platform (VoIP) was constructed and integrated with the switching and data communication network. This platform enabled the provision of all services, required by the Regulator, and opened the possibilities for TEO to provide new-generation telephony services.

Digital TV Network

In order to be able to provide the digital TV service, in 2006 TEO started implementing a TV platform in parallel in two directions: one direction – the construction of the network, running on the basis of the DVB-T (Digital Video Broadcasting Terrestrial) protocol, according to the licence and requirements issued by the CRA, and the other direction – the provision of TV over the IP network (IP TV).

The IP TV platform was constructed and launched in April 2006. One of the essential parts of the platform – mediation software (middleware), ensuring the interaction of terminal equipment at customer premises with the IP TV platform – was being jointly developed and improved. The conditional access system, enabling to prevent the broadcasted content and TV service from unauthorized access, was installed. The implementation of the system, allowing to provide interactive content services, was started in 2006.

Last year, the first phase of the DVB-T network construction was completed. Two TV signal transmitters of 1.6kW power were installed on the Vilnius TV tower.

Network Management and Information Systems

With the aim to improve the quality of services, to save costs, and to enhance the human resources performance efficiency, in 2006 much attention was devoted to the development of the already installed systems, intended for remote service management, elimination of emergencies and faults, and for prompt identification of problems. The improvement of the Remote Service Management System (RSMS) allowed increasing the number of managed services from 33 at the beginning of the year up to 53 at the end of the year. The increased transmission speed of the RSMS system produced the effect that for 90 per cent users the service activation time reduced to 24 hours.

The installation of a mirror database in 2006 increased the reliability of the Network Information System, improved the processes of sales and fault elimination.

The upgrade of the fault and emergency elimination system as well as of the “DSL Subscriber” system, and the optimisation of the database provided the possibility to perform fault elimination faster.

Transmission Network

In 2006, TEO LT, AB further implemented the expansion of its optical transmission network. Construction of the 4X10 Gbps capacity national ring Kaunas – Lazdijai – Vilnius increased the speed of international traffic transmission and improved the reservation of traffic of the existing DWDM (Dense Wavelength Division Multiplexing) system.

In 2006, the Company constructed a new-generation SDH STM - 64 national ring, interconnecting Vilnius, Kaunas, Klaipėda and Šiauliai. That allowed to use in an optimum way the constructed optical network, to discard outdated SDH systems and to expand the transmission network.

In 2006, all over Lithuania TEO started to widely implement Coarse Wavelength Division Multiplexing (CWDM) systems, providing the possibility to free vacant optical fibers for satisfaction of the needs of business customers and those of the Company. The Company installed the first CWDM system in the Vilnius – Švenčionys section and the commercial system of DnB Nord Bank.

Data Communication and Access Network

In 2006, the ADSL network's construction speed was the highest since 2001, when the provision of ADSL access technology-based Internet services was launched. The number of installed ADSL lines increased from 141 400 at the beginning of the year up to 226 200 at the end of the year. 429 nodes and 84 800 lines were installed. Last year, the Company started providing Internet services via ADSL access in 296 new points, located in rural areas and small towns.

In 2006, the construction of the ADSL network closer to residents (in outdoor cabinets or premises) was started. It is planned to continue its construction in 2007 as well. That gave the possibility to provide high-quality, high-speed Internet and TV services to a bigger number of residents than it would be possible when using long copper access lines.

The ADSL2+ Annex M technology, which was implemented in 2006, enabled to apply cheaper (than DXX technology) data communication over leased lines for business customers.

In order to solve problems relating to the network's transmission capacity and to connect new ADSL nodes in rural areas, wireless technologies (WiFi) were implemented. 37 ADSL nodes were connected during the year 2006.

In 2006, the Company performed the expansion of the existing Ethernet technology-based backbone and aggregating network in the biggest cities and district centres, where the need for that network was growing. For that purpose, 75 Ethernet nodes were constructed.

The rapid installation of the Ethernet technology during 2005-2006 created conditions to provide LAN access all over Lithuania not only in newly constructed residential quarters, but in older buildings as well. In future, LAN access will enable provision of services, which require increasingly higher speed (from 10 Mbps to 100 Mbps), to residents.

The modernisation and reconstruction of IP/PLS/Ethernet networks that was started in 2006, will give the possibility to provide high-speed Internet services, including voice, video and data transmission (3Play), future interactive services, and to ensure high quality and reliability of data communication services provided to business customers.

It is planned in 2007 to construct new-generation IP/PLS/Ethernet backbone and aggregating networks in the biggest cities and district centres of Lithuania.

Sponsorship and social responsibility

In 2006, TEO continued implementing and supporting various social and cultural projects, aimed to ensure harmonious progress of business and society, contributed to the social development and welfare of society.

The Company remained one of the biggest sponsorship providers in Lithuania and in 2006 m. allocated LTL 3,85 million for public and social projects, concluded 184 sponsorship agreements in total – i.e. one agreement per every other day.

When selecting sponsorship directions and projects, TEO considered, first of all, their benefit to society – whether or not they would help solve relevant problems or give publicity to problem solving possibilities. Traditionally, TEO paid the biggest attention to educational, sports, healthy living, culture and science projects; focused on socially vulnerable groups, the youth, district communities.

In 2006, TEO gave priority to educational and information society creation and development projects, the necessity of which in society had noticeably increased.

The Progress of Society

One of the most impressive projects, last year's sponsor of which was TEO – the National Advancement Premium, established for the first time. TEO, together with the initiators, partners and other sponsors of the Premium, has signed a Manifesto of Advancement, naming the objective to properly recognize and appreciate the achievements of Lithuanian science as well as the people, having made them. At the end of May 2006, for the first time in Lithuania, the following three premiums were awarded: Science Advancement, Partnership Advancement and Culture Advancement. They were awarded to honour Lithuania's meritorious people in science, business and culture who had been promoting the country's progress with their ideas, discoveries, original solutions or their world accomplishments.

In 2006, the Company also supported the information campaign "Time to Help Others" of the United Nations Development Program (UNDP) and became its good-will ambassador and partner. The campaign "Time to Help Others" included various events – a symbolic public walk "Walk the World" in Vilnius, schoolchildren and youth debates, and a schoolchildren essays contest.

Education, Information Society, the Youth

Last year, TEO sponsored the Information Technology contest "Beaver" for the third time. This contest is aimed to encourage Lithuanian children to use computers in learning various subjects, solving logical and mathematical tasks, puzzles, developing their thinking and imagination. More than 7 thousand pupils of grades 5-12 from 324 schools participated in the contest arranged in 2006.

Since 2002, TEO has been implementing its own initiated project "Best Graduates Elect Best Teachers". With the help of this project, the Company annually expresses its respect to the best teachers of the country and thanks them for their contribution to the development of the young members of society. In 2006 the best graduates elected their most loved and most respected teachers for the fifth time already.

TEO also supported "Egzaminai.Nesinervink.lt" and "Mokyklon? Pakeliui!" campaigns, arranged by the Ministry of Education and Science, and was one of the main sponsors of the international conference "Informatics in Secondary Schools: Evolution and Perspectives", held in Vilnius in autumn 2006. The conference participants from 38 countries all over the world discussed the issues regarding the improvement of teaching informatics as well as the practical results of teaching it. The Company provided the possibility to watch the live broadcast of the event on the www.zebra.lt portal.

Culture

In 2006, the Company was the main sponsor of the oldest poetry festival in Lithuania - "Poezijos pavasaris" (Poetry Spring). The festival included poetry readings, the participation of actors, singers,

musicians, artists, the honouring of the most outstanding poets, translators, actors, reciters, etc. of the last year.

Last summer, residents and visitors of the city of Palanga were brought together by the becoming-traditional festival "Palanga Summer 2006", the sponsor of which was TEO. The festival visitors were offered a wide cultural programme: classical music concerts, jazz, electronic music weekends as well as many other events.

The Company supported the initiative of the State Small Theatre of Vilnius to open the doors for small spectators and to perform the first performance for children "The Tales of the Small Theatre"; the largest Contemporary Music Festival "Gaida", the 16th international modern dance festival.

Social Projects

Seeking to contribute to solving the suicide problem, which is relevant in Lithuania, since 2003 the Company has been supporting the Lithuanian Association of Telephone Emergency Services, psychological help lines for children and youth., The total amount allocated by TEO to support the activities of psychological help lines over the last four years of cooperation – LTL 225 thousand.

Developing the project, last year the Youth Psychological Aid Centre arranged a free suicide prevention concert "Choose Life", the main sponsor of which was TEO.

In 2006, refusing its profit, the Company allocated short numbers to 14 public campaign organizers and social organisations. Seeking to develop the literacy of the blind and visually handicapped and encouraging their cultural integration, in 2006 TEO supported the publishing of books in Braille.

During the Swedish Business Awards 2006 event, arranged by the Embassy of Sweden in Lithuania and the Swedish Trade Council on 6 June 2006, TEO LT, AB was awarded for the project having the most relevant contribution to the development of society – support to the Lithuanian Association of Telephone Emergency Services, psychological help lines for children and youth.

Community Events

In 2006, increased the amount of support allocated for the maintenance of relations with residents of local communities. In total, the Company sponsored the festivals of 70 cities and towns, cultural projects, other initiatives of communities. Especially big attention was given to festivals with unique traditions, reflecting the cultural or historical oneness. The largest of them were as follows: "Live Archaeology Days in Kernavė 2006", 500th anniversary of the foundation of Zarasai, the only in Europe Mushroom Festival, Žagarė Cherry Festival, the days of the cities of Vilnius, Kaunas, Šiauliai and Panevėžys, the Sea Festival, etc.

Sports and Wellness

In 2006, the Company was the biggest supporter of the women basketball team TEO Vilnius. TEO - is one of the strongest women basketball teams in the Baltic States and one of the most powerful ones in Europe. In 2006, the team became the champion of the Lithuanian Women's Basketball League for the ninth time, and also took the 1st place at the Baltic Women's Basketball League for the seventh season in succession. It is the only Lithuanian team fighting in the Europe's most prestigious women's basketball tournament – EuroLeague.

Seeking to encourage the holidaymakers of the most popular Lithuanian resort to spend their leisure and holiday time actively and purposefully, in summer 2006 TEO opened a ZEBRA Club in Palanga that became an active leisure zone.

27. Sales markets

The Company provides telecommunications services in the whole territory of the Republic of Lithuania.

In 2006, the Company's Private Customers Department was in charge of sales of services and customer care of private customers within the country and Business Customers Department was offering services and customer care to business customers of the Company. The majority of TEO services are provided following the long-term agreements with its subscribers.

In 2006, the Company aimed to be even more close to its customers in order to hear their requests and to quicker react to their remarks. This aim is reflected in the considerably increased number of sales managers, engaged in the area of active sales. It is attempted to employ new people, first of all, in those cities and districts where the market is fast-growing and the Company's services are in greatest necessity and demand.

During the last year, the Company was developing different sales channels: telesales were carried out successfully, customers traditionally had the possibility to apply to TEO customer care units in 10 cities of Lithuania, to order services at retail stores of the Company's partners and over the Internet (<http://mano.teo.lt>).

As a result of a growth in the traffic of telephone calls to customer care centres and an increase in the duration of calls, in 2006 separate business (1816) and residential (1817) customer care phone numbers were launched. They are available both from Lithuanian fixed and mobile telecommunications networks. These numbers are used to provide information on TEO services and their tariffs, and also for order acceptance and fault reporting. These different customer care numbers are beneficial and convenient not only for customers, but also for the Company itself, because it has become easier to communicate news intended for customers from different segments, to provide more flexible customer care services that are adequate to the customer value. The toll-free help desk number 117 is intended for the provision of automated customer care (self-care) services.

The possibility provided to customers to recommend TEO services to other persons can be singled out as a separate sales channel and a form of cooperation with customers. Thus, the customer becomes a partner of TEO and contributes to the success of the Company's business, and also receives added benefit: various valuable prizes, discounts on TEO services, etc.

In 2006, the Company paid a lot of attention to the quality of services and customer care. That is reflected in the reforms and projects initiated within the Company over the last year. In order to shorten the services installation process, efficiently manage orders, facilitate coordination and communication with other structural units, and to solve the problems of customers, at the end of 2006 Processes and Quality Management Department was established.

Reorganizing the activities of Sales Division, the implementation of the project called Aitvaras (Kite) was started, within the framework of which the project of the Sales Argument Development, Training and Monitoring System was implemented, the Authorisations/Obligations Project was initiated, and the Sales Manual was developed. The target of the latter works – to make the sales process more flexible, to create a tool for increasing the efficiency of the work of sales staff and for improving the quality of customer care, by granting more authority as well as more responsibility to employees. In this way, these projects serve the purpose of augmenting the competence of the Company's sales employees in the area of sales and customer care. The projects implemented or started to be implemented in 2006 will have a positive impact on the quality of customer care and will help to solve customer problems more quickly, because every employee of TEO will feel personal responsibility to customers.

In 2006, the qualitative image of Customer Care Centres was changed. At the Centres, service demonstration spots were set up for customers to test the operation of GALA TV or wireless Internet access at Wi-Fi hot-spots. More space was allocated for the servicing of VIP customers.

Having considered the needs and requests of these customers who are of strategic importance to the Company, from October 2006 a special customer care line (8 800 28000) has been launched for them. VIP customers are serviced by the highly qualified managers, who take care about solving a problem until the moment when the customer confirms that it has been solved.

In 2006, the quality of customer service and work of the technical personnel, working at customer premises, was evaluated as well. According to the Company's survey data, 97 per cent customers are satisfied with service installation works and 95 per cent – with fault elimination works.

At the beginning of the year 2006, the TEO Quality Manual – the Company's main quality management system document, describing the quality policy, quality management principles and guidelines, their application, quality management, and also establishing the main quality targets – was approved. At the end of 2006, an updated edition of the Quality Manual was approved with the quality targets supplemented by new quality indicators, considering the changed service portfolio.

Even though during the year the number of customer applications, orders and visits increased, the high level of customer care was sustained. According to the "mystery shopping" research, carried out by TNS Gallup in 2006, TEO is one of leaders among all Lithuanian companies and an undoubted leader among all telecommunications companies carrying out such researches. TEO customer care has been evaluated at the score of 9.3, while the general evaluation score is 8.9, and the average score of the telecommunications sector – 8.5.

28. Procurement

The following companies were major suppliers of the network and telecommunications equipment and providers of services to TEO LT, AB in 2006: UAB Lintel (Call Center and telemarketing services), UAB Omnitel (mobile telecommunication services, network interconnection), UAB Bitė GSM (telecommunication services), UAB Ericsson Lietuva (telecommunication equipment and installation), UAB Tele 2 (telecommunication services), UAB Comliet (network construction and maintenance), UAB Baltic Data Center (computer equipment and IT system maintenance), UAB Blue Bridge (PCs, computer equipment and maintenance), UAB Itella (printing and delivery of invoices), UAB TietoEnator Consulting (applied IT systems maintenance and development), Alcatel Baltics SIA (telecommunication equipment and installation), UAB OMD Lietuva (media agency), UAB Siemens (telecommunication equipment and installation), UAB IBM Lietuva (IT equipment), AB Rytų Skirstomieji Tinklai (electricity supply), Beltelecom (Belarus) (telecommunication services), Rostelecom (Russia) (telecommunication services), TeliaSonera International Carrier (Sweden) (telecommunication services).

29. Real estate and other fixed assets

On April 2004, the Company by the right of ownership acquired a land plot of 0.017 ha for construction and operation of telecommunication equipment at Bendoriai village, Vilnius region. The remaining land under buildings and telecommunications equipment of TEO Group is leased from the State and private owners. Due to specifics of the Company's activities, leased land plots are spread all over Lithuania.

Following the Company's and UAB Lintel agreement of 8 December 2005 with the third party on sale of eight real estate units of the Group located in Vilnius and land plot at Savanorių ave. 28, on 30 June 2006 the ownership right to the land plot of 1.5041 ha at Savanorių ave. 28 was transferred from UAB Lintel to the third party.

On 8 February 2006, the Board of the Company approved construction of a new head-office of the Company in Vilnius at Lvovo str. 21a. The construction of the new Company's head-office which projected value is LTL 84 million has started in the first quarter of 2007. The construction should be over in 18 months.

The land plots used by TEO LT, AB as of 31 December 2006:

Land plot	Total area (sq m.)
Belonging to the Company by the right of ownership	170
Leased from the State of Lithuania	309,766

Subleased from legal entities but belonging to the State of Lithuania	417
Leased from private persons	804
Total	311,157

Fixed assets of TEO Group as of 31 December 2006:

Category	Book value (LTL thousand)
Land	10
Buildings	75,517
Machinery and equipment:	
Constructions	99,888
Transmission equipment	179,451
Switching equipment	200,046
PCs and equipment	22,380
Other machinery and equipment	35,100
Machinery and equipment, total	536,865
Means of transportation	10,000
Other tangible fixed assets	6,414
Construction in progress and prepayments	15,358
Total	644,164

30. Risk factors associated with the Issuer's activities

The main risk factors associated with the activities of TEO LT, AB are as follows:

- Changes in the legal regulation of the Company's activities.
- Competition with other telecommunications market players.
- General economic situation in the Republic of Lithuania.
- Fluctuation of currencies' exchange rates.
- Changes in the Lithuanian legislation.
- Changes in the regulation of accounting and taxation systems.
- As of 31 December 2006 total amount of borrowings of TEO Group amounted to LTL 8.6 million litas whereof LTL 818 thousand was short-term borrowings and LTL 7.8 million – long-term borrowings.

Borrowings of TEO Group as of 31 December 2007:

Borrower	Lender	Currency	Book value (LTL thousand)
UAB Baltic Data Center	UAB Sampo Banko Lizingas (car leasing)	LTL	4
TEO LT, AB	UAB Nordea Finance Lithuania (car leasing)	LTL	190
TEO LT, AB	AB Invaldos Nekilnojamo Turto Fondas (premises leasing)	LTL	8,388
Total			8,582

The Group's and the Company's activities expose it to a variety of financial risks. Foreign exchange risk arising from various currency exposures primarily with respect to US Dollar (USD) and Special Drawing Rights (SDR) is controlled by hedging the foreign currency exposure of its purchase contracts and debt commitments. The Group has no significant concentrations of credit risk outside TeliaSonera Group. The Group has policies that limit the amount of credit exposure to any one financial institution. Liquidity risk is managed by the Group Treasury, which is required to maintain a minimum required liquidity position as defined in the Group's Treasury policy. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

31. Termination or reduction of production, which has had a material impact on the Issuer's results during the last two fiscal (business) years

32. Patents, licences, contracts

Telecommunications activities in the Republic of Lithuania are not subject to licensing. Entities, that hold licenses issued before the year 2003, could continue their activities if they do not contradict the Law on Electronic Communications.

The Telecommunications Activities Licence No. 174/97 issued by the Ministry of Transport and Communications of the Republic of Lithuania on 31 October 1997 and amended on 29 June 1998 grants the right to the Company to provide the following telecommunications services: international, long-distance and local public fixed-line telephony services, telegraph and telex services, data communication services, wired radio broadcasting services, construction and operation of the public switched telecommunications network used for provision of the above-mentioned services. The licence is valid till 31 October 2007. According to the system of general permissions and following general requirements for provision of telecommunication activities set by the Communication Regulatory Authority, the Company on 30 January 2003 informed Communication Regulatory Authority about provision of leased lines services and on 28 August 2006 submitted information about beginning of provision of public mobile telephony services.

On 16 December 2005, Communications Regulatory Authority permitted UAB Comliet, then the subsidiary of the Company, to transfer to another subsidiary of the Company, 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.

Copyright and other intellectual property rights (licences) are obtained following the agreements. The trade marks of main Company's services and products are registered following the procedure established by the laws of the Republic of Lithuania.

33. Litigation and arbitration

In 2005, an investigation was started by the Lithuanian Competition Council regarding the abuse of dominant position in the broadband access 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 VšĮ Infostruktūra). On 5 October 2006 Competition Council after examining investigation results and taking into account arguments of TEO representatives, decided that the Company have violated provisions of the Article No. 9 of the Law on Competition that prohibits abuse of domination position. The decision obliged TEO to cease actions contradicting the Law on Competition and during provided timeframe to change terms of ADSL access service provision in the manner that would not directly or indirectly set unfair prices or other conditions for purchase of this service. For violation of the Law on Competition the Company got the fine of LTL 3.011 million. The fine was charged to other expenses for the third quarter of 2006.

34. Personnel

Number of TEO Group employees at the end of the year:

2006	2005	2004
3,098	3,005	3,120

The breakdown of TEO Group employees as of 31 December 2006:

Name of the company	Number of employees
TEO LT, AB	2,263
UAB Lintel	690
UAB Baltic Data Center	92
UAB Kompetencijos Ugdymo Centras	18
VšĮ TEO Sportas	35
Total	3,098

In 2006, there were further significant changes in TEO Group's organisational structure, management, culture of the organisation, services and customer care quality. Focusing on development of the core business and concentration of customer care and service sales channels, TEO Group sold UAB Comliet (175 employees), UAB Microlink Lietuva (89) and UAB Baltijos Kompiuterių Akademija (5), and established rapidly growing Sales Division in the parent company. At the end of 2006, the total number of employees (headcount) in TEO Group was 3098 (in December 2005 – 3005).

Structural changes, such as the change of the Company's name, introduction of a new brand and sub-brands, revision of the business philosophy and the development of the culture of the organisation, reflected the business and organisation development strategy. A lot of attention was paid to the quality of services, customer care, and the quality of work in general, as well as to the quality of management, development of professional and managerial competences. In 2006, more than 800 employees participated in the project training programmes supported by the Republic of Lithuania and partly financed

by the Social Fund of the European Union. The Company continued the Management Training Programme, the number of its participants increased from 160 to 230. Managers from all levels participated in leadership, change management, finance management, project management programmes, a good few of them attended training courses, seminars and conferences in Lithuania and abroad. As a year ago, a survey of management and leadership competences, involving all the managers, was carried out. In addition, about 400 sales specialists improved their knowledge and skills in the sales area. The Company traditionally continued to sponsor its employees' studies in different universities of Lithuania.

Information about employees of TEO LT, AB as of 31 December 2006:

Group of employees	Average number of employees	Education				Average monthly salary (in litas)
		University	College	High school	Not completed high school	
Leading Managers	13	13	--	--	--	24,615
Operation Level Managers	338	282	35	21	--	4,247
Leading Specialist	75	64	9	2	--	4,132
Specialists	1,751	787	447	508	9	1,916
Technicians	86	29	34	23	--	1,622
Total	2,263	1,175	525	554	9	

Further developing the performance-oriented culture of the organisation and motivating the employees to implement the financial and non-financial targets of the Company, the salary structure and set-up procedure, ensuring the dynamics of the salary system, contributing to the implementation of the principles of external competitiveness and internal justice of salaries, and also regulating the principles of salary set-up and the role of unit managers in setting up the salaries for employees, was developed and implemented.

Seeking to stress the importance of cooperation, openness, responsibility and proactiveness in relations with customers, colleagues, managers and subordinates, and thus develop the values-based culture of the organisation, the "Employee of the Year" award was established. The primary goal of the nomination – to grant recognition and appreciation to the Company's employees, whose work and behaviour best reflect and implement the Company's values, and whose performance indicators are high. The awards, each including a certificate, a valuable symbol of artistic value and a travel cheque, and also 7 calendar days of additional paid leave, were granted 19 employees. As every year, cooperation between the Company's units was further strengthened. At the end of the year, the management traditionally had the possibility to evaluate the quality of performance of all the units and to exchange feedback regarding peculiarities of cooperation.

Seeking to ensure the continuity of the Company's activities and its competitive advantage, maintaining and developing the main competences of the Company, the procedure for the identification, development and motivation of key employees has been approved. This procedure serves as a basis to identify the employees, who are of key importance to the Company's business, to form their reserve, to purposefully improve the qualifications of key employees and their reserve, and to focus attention on increasing their loyalty.

Competence Development Center, a former subunit of TEO AB, LT Human Resources Unit, having even more expanded the scopes of high technologies, project management and management training, became a separate company and successfully provided services to external customers as well as the companies of TEO Group.

Collective Bargaining Agreement

In 2006 was valid the Collective Bargaining Agreement between the Company, as the employer, and employees of the Company, represented by joint representation of Trade Unions that was signed on 20 December 2004 and came into force on 1 January 2005.

This Collective Bargaining Agreement applies only to employees of the Company. If provisions of Collective Bargaining Agreement are more favourable than the same provisions of individual labour agreements, then provisions of Agreement shall apply. If provisions of Agreement are more favourable than new legislation imposed during the period of Agreement validity, provisions of Agreement shall apply.

In the Collective Bargaining Agreement of the Company grants a number of additional social guarantees to its employees:

1. In case when public holiday is Tuesday or Thursday, employer has a right without separate consent of the trade unions to move business day that goes before or after public holiday to another holiday or set it as additional holiday (this condition is not applied to the set by the employer list of employees that are involved in customer care or are on duty and have to ensure non-interrupted provision of services and care).
2. Christmas Eve (December 24) is a holiday at the Company and it is not paid for.
3. Additional 30 calendar days of unpaid vacation can be granted because of family circumstances, get sanatorium treatment, or for other important reasons in case business conditions are favourable.
4. In case of death of employee's father, mother, wife, husband, child, brother or sister, or birth of a child the employee gets additional 3 calendar days of paid vacations.
5. Vacation for studies is granted on the bases of advance reference from educational institution for the period of time indicated in that reference
6. Wage of Lietuvos Telekomas' employees consist of main salary and bonus that are paid from wage fund following the rules set by the Company.
7. During the validity of this Collective Bargaining Agreement the following minimal average salary is set: for full time employee with permanent employment contract the minimal average salary for the fully worked month is 1,000 litas or 5.88 litas per hour.
8. AB Lietuvos Telekomas employees are paid 1.75 employee's hourly wage (basic salary) amount for overtime and work during the night (from 22.00 till 6.00).
9. At the end of financial year employees can be paid bonus for the Company's yearly results from the wage fund following the rules set by the Company.
10. If the employee falls ill, the employer for first two days of illness pays 90 percent of the employee's average remuneration.
11. Development of the Company's employee's competence and payment for it is executed following the annual competence development plans set after evaluation of agreements reached by unit managers and employers in respect of training needs and with regards to Company's development directions and financial abilities.
12. Setting an amount of payment for study's vacations, the manager of the employer should evaluated how employer's studies programs and individual studies plans are in line with his/her individual competence development needs.
13. The Employer shall support the retraining possibilities of the employees, who have been notified about their intended dismissal, and shall provide all relevant information.
14. The Employer may provide conditions for the employees to be dismissed to attend professional training courses arranged by labour exchanges and, upon mutual agreement between the parties, to pay for them without exceeding the limit of 500 litas including VAT.
15. The employee, who has been notified about his intended dismissal, during the period of notification, at his/her request, shall be entitled to unpaid educational leave.
16. During the period of notification, the employee, who has been notified about his/her intended dismissal, may be granted by the Employer up to 50 per cent of time off from work (the employee shall retain his/her average wage for this time) to seek for a new job or to retrain.
17. The Employer commits itself to additionally insure the Company employees against accidents at work and on the way to/from work with its own funds; with the Company's funds to vaccinate the employees, who are likely to be exposed to occupational risk factors at work; to provide the

- employees, who perform the works containing risk factors, with necessary special outfit, shoes and other personal protective equipment in a timely manner and free of charge in accordance with the requirements established by regulatory acts on safety and health at work.
18. The Company has established a Social Needs Fund. Its purpose is to improve the organisation's culture and to meet the social needs of the employees in accordance with the regulations of the Fund. The Fund shall be managed by the Committee of the Social Needs Fund formed of representatives of the Employer and Trade Unions.
 19. In case of death of the employee's father, mother, wife, husband or child, he/she shall be paid an allowance amounting to 1,000 litas from the Social Needs Fund; in case of death of the Company employee, his/her family members shall be paid all funeral expenses, excluding a funeral dinner, and his/her spouse or children maintained by him/her shall be paid a relief amounting to 1,250 litas.
 20. The Fund also commits itself to buy Christmas presents to the employees' children (under 10 years of age), to allocate a bonus amounting to 1,500 litas on the occasion of 20 years of continuous record of service in telecommunications and a bonus amounting to 1,000 litas on the occasion of 50 years birthday anniversary.
 21. The Fund may grant an allowance if, due to difficult financial situation of the employee or his/her family, the employee or his/her family has incurred substantial material loss.
 22. The Fund shall allocate funds to improve health of the employees: rent of sports premises and grounds, support of sports and culture events arranged on the Company level. The Fund shall organize and finance a culture and sports event of the Company's employees.
 23. On the day of the annual corporate event dedicated to improve corporate culture and communication as well as relations with very important customers and partners employees could be granted with additional holiday by the order of general manager.

35. Investment policy

During 2006 capital investments increased by 32.6 per cent to LTL 98 million (LTL 74 million in 2005). Majority of capital investments (65 per cent) went to expansion and modernisation of core and access networks, including LTL 14.8 million investments into development of new functionalities (digital TV, LAN, VoIP, etc.).

On 31 December 2006 number of main lines in service was 784,958 or 23.2 lines per 100 inhabitants of Lithuania. Digitalisation rate of the network at the end of 2006 was 93.9 per cent (93.5 per cent a year ago). The total number of ADSL access users increased by 72.5 per cent from 104,798 to 180,774. Out of total 180.8 thousand ADSL access points, 176.1 thousand were sold to retail customers, 2.2 thousand – to wholesales customers and 2.5 thousand – to LAN (local area network) users. The first ADSL access points using LAN were installed in February 2006.

During the last year TEO rapidly developed its wireless broadband internet access points network (based on WiFi technology), where services since July 2005 were provided free of charge. During the year number of wireless internet access points increased from 287 to 804. In July connection speed was increased up to 4 Mb/s and more.

In 2006, the Company started new television business. In July, TEO turned on its first transmitter of digital terrestrial television (DVB-T) signals in Vilnius city area and in October, started provision of digital television over internet (IP TV) service GALA. At the end of 2006 there were 4,902 users of IP TV.

During the first half of 2006, the Company sold its all shares held in UAB Comliet, UAB MicroLink Lietuva, UAB Baltijos Kompiuterių Akademija and its 26 per cent stake in UAB TietoEnator Consulting, and acquired the remaining 40 per cent stake in UAB Baltic Data Center.

On 7 April 2006, the Company acquired the remaining 40 per cent stake in UAB Baltic Data Center from TietoEnator Oyj and sold its 26 per cent stake in UAB TietoEnator Consulting to TietoEnator Oyj. Now TEO owns a 100 per cent stake in UAB Baltic Data Center and TietoEnator Oyj – a 100 per cent stake in UAB TietoEnator Consulting. UAB Baltic Data Center has a dormant subsidiary Baltic Data Center SIA (100 per cent) in Latvia. In 2006, UAB TietoEnator Consulting paid to the Company LTL 47 thousand in dividends for the year 2005.

Companies in which TEO LT, AB as of 31 December 2006 held more than 30% of their share capital:

	UAB Lintel	UAB Baltic Data Center	UAB Kompetencijos Ugdymo Centras	UAB Voicecom	VšĮ TEO Sportas	OOO Comliet-Kaliningrad
Official address	J. Galvydžio g. 7/ Žygio g. 97, LT-08222 Vilnius	Žirmūnų g. 141, LT-09128 Vilnius	Palangos g. 4, LT-01117 Vilnius	Savanorių pr. 28, LT-03501 Vilnius	Savanorių pr. 28, LT-03116 Vilnius	Pugačiova 14a, RUS-236000 Kaliningrad
Activities	Directory Inquiry 118, Call Center	IT infrastructure	Training and consultancy	NMT-450 network	Basketball team, sports club	Construction of telco network
Share capital (in litas)	28,000,000	1,000,000	1,000,000	10,000	--	388,300
Not paid-in part of TEO in share capital	0	0	0	0	--	0
Net profit (loss) for the year 2006 (LTL thousand)	4,929	1,184	86	(2)	(416)	22
Ratio of current liabilities to current assets (%)	119,5	77,8	49,6	313,0	32,7	65,6
Ratio of total liabilities to total assets (%)	21,2	41,9	48,5	99,0	22,0	60,6
Type of shares that are owned by TEO	ORS	ORS	ORS	ORS	--	--
Number of shares owned by TEO	2,800,000	10,000	20,000	10,000	--	--
Nominal value of shares owned by TEO (in litas)	28,000,000	1,000,000	1,000,000	10,000	--	388,300
Part of the votes held by TEO (%)	100	100	100	100	100	100
Part of the votes owned by TEO (%)	100	100	100	100	100	100
Part of the votes held by TEO and other entities acting together (%)	100	100	100	100	100	100
Dividends for the year 2006 paid to TEO (in LTL thousand)	30,000	--	--	--	--	--
Loans provided by TEO as of 31 December 2006 (LTL thousand)	6,000	--	--	84	--	--
Loans provided to TEO as of 31 December 2006 (LTL thousand)	--	--	--	--	--	--
Debt securities acquired by TEO	--	--	--	--	--	--

On 31 January 2006, the then subsidiaries of the Company UAB Comliet and UAB Comliet Sprendimai sold their 95 per cent and 5 per cent, respectively, stakes in OOO Comliet-Kaliningrad, based in the Russian Federation, to the Company. On 15 February 2007 TEO sold its 100 per cent stake in the dormant subsidiary OOO Comliet-Kaliningrad.

On 28 February 2006, the Company sold all shares of its subsidiary UAB Comliet. UAB Comliet specialized 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 owned 100 per cent of UAB Comliet Sprendimai shares).

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 and 100 per cent of UAB Baltijos Kompiuterių Akademija 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 was completed. The Company held 30 per cent and UAB Verslo Žinios - 70 per cent of shares of UAB Verslo Portalas.

In December 2006, TEO signed a letter of intent for acquisition of 100 per cent stake in UAB Mikrovisatos TV, the company providing cable and multi-channel subscription television services in Kaunas and Kaunas region. Mikrovisatos TV also has a licence for re-broadcasting of TV programs in Lithuania over digital terrestrial television (DVB-T) networks. On 12 February 2007, the shareholders of UAB Mikrovisatos TV terminated the preliminary share sale-purchase agreement signed with TEO.

In December 2006, TEO received support of LTL 2 million from European Union Structural Fund for implementation of research and development project Creation of prototype of IP TV interactive services and content management and provision systems. This project will last until September 2008.

In 2007 the Company will continue to develop IP TV services by creating new service functionalities, expanding number of TV channels and packages. From March 2007 TEO will introduce charges for using ZEBRA wireless internet access service and will continue a rapid development of its wireless internet network by 2009 investing up to LTL 35 million and increasing number of hot-spots until 20 thousand.

In 2007, the strategic priority will be given to development of IT services, wireless internet access network and fibre to the user (FTTx) projects. In total TEO Group in 2007 plans to devote LTL 164 million for capital investments.

36. Competitors

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

- access to the public telephone network at a fixed location for residential customers;
- access to the public telephone network at a fixed location for non-residential customers;
- publicly available local and/or national telephone services provided at fixed location for residential customers;
- publicly available international telephone services provided at fixed location for residential customers;
- publicly available local and/or national telephone services provided at fixed location for non-residential customers;
- publicly available international telephone services provided at fixed location for non-residential customers;
- minimum set of leased lines;
- calls origination on public telephone network provided at fixed location;
- calls termination on public telephone network provided at fixed location;
- national transit in fixed public telephone network;
- international transit in fixed public telephone network;
- wholesale broadband access;

- wholesale unbundled access (including shared access) to metallic loops and sub-loops for the purpose of providing broadband and voice services;
- wholesale terminating segments and trunk segments of leased lines.

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

The main competitors of TEO LT, AB are mobile operators UAB Omnitel, UAB Bitė Lietuva and UAB Tele2, which also provide data communication and internet services.

According to the data of Communications Regulatory Authority at the end of 2006 52 legal entities were providing fixed-line telephony services. 27 legal entities indicated that they provided public fixed-line telephony services using IP protocol, whereof 13 were using cable television networks. 46 enterprises were providing international calls services, whereof 27 (UAB Alderada, UAB Alytaus Kabelinė Televizija, UAB Balticum TV, UAB Eurocom, UAB Gisnetas, VĮ Infostruktūra, UAB Interneto Pasaulis, A. Judickas private enterprise, AB Lietuvos Geležinkeliai, AB Lietuvos Radijo Ir Televizijos Centras, UAB Marsatas, UAB MicroLink Lietuva, UAB Mikrovisatos TV, UAB Nacionalinis Telekomunikacijų Tinklas, UAB Neltė, UAB NORBY Telecom, AB Ogmios Centras, UAB Penkių Kontinentų Komunikacijų Centras, UAB Radijo Elektroninės Sistemos, UAB Remo Televizija, UAB Roventa, UAB Salmija, UAB Tele2 Fiksuotas Ryšys, UAB Telerena, UAB Teletinklas, TEO LT, AB, UAB Viginta) also were providing national calls services, UAB Transcom WorlWide Vilnius was providing call center services, the rest were providing only wholesales (transit) services. At the end of the fourth quarter of 2006 the number of subscribers of alternative operators was 52.9 thousand (in 2005 – 50.8 thousand) or 6.3 per cent of total number of subscribers. The rest 93.7 per cent of subscribers were customers of TEO LT, AB.

In the fourth quarter of 2006 TEO part of revenue from local calls amounted to 97.9 per cent, from long distance domestic calls – 94.3 per cent (UAB Eurocom – 3.7 per cent), from international calls – 77.9 per cent (UAB Telekomunikacijų Grupa – 3.9 per cent, UAB Cubio – 3.4 per cent, UAB Eurocom – 2.3 per cent, UAB Solocomas – 2.1 per cent), from calls to mobile networks – 95.5 per cent (UAB Eurocom – 2.6 per cent).

According to the data of Communications Regulatory Authority at the end of 2006 fifteen entities were providing leased line services in Lithuania. In the fourth quarter of 2006, TEO revenue from leased line services amounted to 51.7 per cent of total revenue from leased line services market. Major Company's competitors in the area of leased lines are AB Lietuvos Energija (29 per cent of market revenue), AB Lietuvos Geležinkeliai (7 per cent), UAB Arcus Novus (4.4 per cent) and UAB Bitė Lietuva (2.5 per cent).

At the end of 2006 internet access services were provided by 115 internet service providers (ISP). According to the data of Communications Regulatory Authority in the fourth quarter of 2006 the number of the Company's internet access services users amounted to 45.3 per cent of all internet access users in Lithuania. Number of UAB Omnitel internet access users amounted to 7.9 per cent, UAB Penkių Kontinentų Komunikacijų Centras – 3.9 per cent, UAB Balticum TV – 3.4 per cent, UAB Dokeda – 4.2 per cent.

The number of broadband internet subscriber of TEO amounted to 48.5 per cent of the total number of broadband internet users and 98.8 per cent of all broadband internet access users via xDSL lines were customers of TEO.

In the fourth quarter of 2006, the Company's revenue from internet access services amounted for 45.2 per cent, UAB Omnitel – 10.1 per cent, UAB Bitė Lietuva – 5.2 per cent, UAB Penkių Kontinentų Komunikacijos Centras – 3.2 per cent, UAB Balticum TV – 3.8 per cent, UAB Dokeda – 2.9 per cent of the total revenue from internet services of all Lithuanian ISP.

Other data communication services at the end of the fourth quarter of 2006 were provided by 14 legal entities. According to the data of Communication Regulatory Authority TEO LT, AB market share in terms of revenue for the fourth quarter of 2006 amounted to 50.4 per cent, UAB Omnitel – 17.3 per cent, UAB

Bitė Lietuva – 13.4 per cent, VĮ Infostruktūra – 7 per cent, AB Lietuvos Energija – 4.3 per cent, UAB MicroLink Lietuva – 5.2 per cent.

At the end of 2006 50 legal entities were providing cable TV services. Services of radio and television programs transmission were provided by one legal entity AB Lietuvos Radijo Ir Televizijos Centras.

37. Dividends paid

Year	Dividends (in litas)	Dividends per share (in litas)	Part of share's nominal value (%)
2002	46,609,051	0.06	6.0
2003	46,609,051	0.06	6.0
2004	100,986,277	0.13	13.0
2005	124,290,803	0.16	16.0
2006	201,972,555	0.26	26.0

Following the Lithuanian Company Law, dividends should not be paid for the treasury stocks, therefore dividends are distributed for 776,817,518 shares.

On 26 April 2007 during the Annual General Meeting Shareholders of the Company decided to allocate 201,972,555 litas, i.e. 0.26 litas per share, of dividends for the year 2006. The Company paid out dividends for the year 2006 on 23 May 2007.

V. FINANCIAL STATUS

38. Financial reports

The following consolidated and audited financial statements of TEO Group are prepared in accordance with the International Financial Reporting Standards (International Accounting Standards). From the year 2000 the Group handles its accounts in accordance with the International Accounting Standards.

38.1. Balance Sheet (LTL thousand)

ASSETS	2006-12-31	2005-12-31	2004-12-31
Non-current assets			
Property, plant and equipment	644,164	722,477	941,027
Intangible assets	33,538	40,696	83,575
Investments in subsidiaries and associates	--	1,182	1,294
Non-current receivables	4,951	1,547	55
ASSETS	682,653	765,902	1,025,951
Current assets			
Inventories	8,154	3,737	6,561
Receivables, prepayments and accrued revenue	248,719	104,892	114,706
Current profit tax receivable	723	4,824	11,960
Held-to-maturity investments	40,419	120,151	30,115
Trading investments	34,287	34,769	--
Cash and cash equivalents	232,581	149,601	88,514
Assets held for sale	1,515	74,829	1,813
	566,398	492,803	253,669
TOTAL ASSETS	1,249,051	1,258,705	1,279,620

EQUITY	2006-12-31	2005-12-31	2004-12-31
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	(1)	(21)	(33)
Retained earnings	333,301	327,171	345,036
	1,109,712	1,103,562	1,121,415
Minority interest	--	2,329	3,899
Total equity	1,109,712	1,105,891	1,125,314
LIABILITIES			
Non-current liabilities			
Borrowings	7,764	7,863	6,990
Deferred tax liabilities	17,481	41,249	55,149
Grants	4,727	7,080	9,280
Deferred revenue	2,634	1,664	--
	32,606	57,856	71,419
Current liabilities			
Trade, other payables and accrued liabilities	94,690	78,186	72,806
Current income tax liabilities	11,140	2,575	1,927
Borrowings	818	8,206	6,464
Provisions	--	1,400	1,690
Liabilities related to assets held for sale	85	4,591	--
	106,733	94,958	82,887
Total liabilities	139,339	152,814	154,306
TOTAL EQUITY AND LIABILITIES	1,249,051	1,258,705	1,279,620

38.2. Profit (Loss) Statement (LTL thousand)

	2006	2005	2004
Continuing operations			
Revenue	734,811	729,636	721,039
Other income	4,367	693	133
Employee related expenses	(127,208)	(129,738)	(136,558)
Interconnection expenses	(105,329)	(104,828)	(103,685)
Other operating expenses	(158,951)	(152,865)	(153,185)
Depreciation, amortisation and impairment of fixed assets	(193,500)	(247,970)	(290,816)
Other gain / (loss) - net	4,271	10,835	8,077
Operating profit	158,461	105,763	45,005
Finance income	5,038	3,166	1,806
Finance costs	(1,448)	(377)	(6,678)
Finance costs - net	3,590	2,789	(4,872)
Share of result of associates	41	95	419
Profit before income tax	162,092	108,647	40,552
Income tax	(30,291)	(24,964)	(6,910)
Profit for the period from continuing operations	131,801	83,683	33,642
Discontinued operations:			
Profit for the period from discontinued operations	(1,252)	390	--
Profit for the period	130,549	84,073	33,642
Attributable to:			
Equity holders of the Company	130,421	83,121	32,190
Minority interest	128	952	1,452
	130,549	84,073	33,642
Earnings per share for profit attributable to the equity holders of the Company (in litas)	0.17	0.11	0.04

Discontinued operations include result of activities of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija for the period from November 2005 to February 2006, and OOO Comliet-Kaliningrad result of activities from February 2006 till December 2006.

38.3. Cash Flow Statement (LTL thousand)

	2006	2005	2004
Operating activities			
Profit for the period from continuing operations	131,801	83,683	33,642
Income tax	30,291	24,964	6,910
Depreciation, amortisation and impairment charge	193,500	247,970	290,816
Share of result of associates	(41)	(95)	(419)
Other gains and losses	(4,271)	(10,835)	(8,077)
Interest income	(8,777)	(3,563)	(1,018)
Interest expenses	583	687	5,760
Other non-cash transactions	59	(1,220)	4,805
	342,805	341,591	332,419
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):			
Inventories	(4,418)	306	5,858
Trade and other accounts receivable	(10,843)	17,893	23,052
Trade and other accounts payable and deferred revenue	3,085	15,756	(1,161)
Cash generated from operations	330,969	375,546	360,168
Interest paid	(576)	(721)	(17,726)
Interest received	5,845	2,915	931
Tax paid	(41,393)	(32,842)	(66,802)
Net cash from operating activities	294,845	344,898	276,571

Investing activities			
Purchase of property, plant and equipment (PPE) and intangible assets	(97,925)	(73,828)	(74,530)
Proceeds from disposal of PPE and intangible assets	9,647	33,673	29,054
Proceeds from disposal of non-current assets held for sale, except for disposal groups	71,842	1,992	--
Acquisition of held-to-maturity investments	(164,387)	(129,726)	(29,815)
Disposal of held-to-maturity investments	246,503	40,172	--
Acquisition of held-for-trading investments	--	(34,528)	--
Acquisition of subsidiaries and minority interest	(5,062)	(9,225)	--
Proceeds from sale of subsidiaries, associates	12,420	107	(11)
Changes in prepayments for non-current assets	--	--	(47)
Loans granted	(150,000)	--	--
Dividends received	47	207	298
Net cash used in investing activities	(76,915)	(171,156)	(75,051)
Financing activities			
Proceeds from borrowings	--	--	109,380
Repayment of borrowings	(10,659)	(10,283)	(142,249)
Repayment of bonds issued	--	--	(150,000)
Dividends paid to shareholders of the Company	(124,291)	(100,986)	(46,609)
Dividends paid to minority shareholders	--	(1,386)	(1,157)
Net cash used in financing activities	(134,950)	(112,655)	(230,635)
Increase (decrease) in cash and cash equivalents	82,980	61,087	(29,115)
Movement in cash and cash equivalents			
At start of the period	149,601	88,514	117,629
Increase (decrease) during the period	82,980	61,087	(29,115)
At end of the period	232,581	149,601	88,514

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

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share Capital	Treasury Shares	Legal reserves	Translation differences	Retained earnings		
Balance at 1 January 2004	814,913	(120,000)	81,499	(6)	359,455	3,536	1,139,397
Dividends paid for 2003	--	--	--	--	(46,609)	(1,157)	(47,766)
Net profit	--	--	--	--	32,190	1,452	33,642
Currency translation differences	--	--	--	(27)	--	--	(27)
Other movements	--	--	--	--	--	68	68
Balance at 31 December 2004	814,913	(120,000)	81,499	(33)	345,036	3,899	1,125,314
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	--	--	--	--	83,121	952	84,073
Currency translation differences	--	--	--	12	--	--	12
Minority of sold subsidiary	--	--	--	--	--	(1,136)	(1,136)
Balance at 31 December 2005	814,913	(120,000)	81,499	(21)	327,171	2,329	1,105,891
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	--	--	--	--	130,421	128	130,549
Currency translation differences	--	--	--	20	--	--	20
Acquisition of minority	--	--	--	--	--	(2,457)	(2,457)
Balance at 31 December 2006	814,913	(120,000)	81,499	(1)	333,301	0	1,109,712

38.4. Profit (Loss) Allocation Statement (in litas)

The Profit (Loss) Distribution Statement of the Company for the year 2004 is prepared following the laws of the Republic of Lithuania and based on the financial statements prepared following the Lithuanian Accounting Principles (Lithuanian Business Accounting Standards). The Profit (Loss) Distribution Statement of the Company for the year 2005 and 2006 is prepared following the laws of the Republic of Lithuania and based on the financial statements prepared following the International Financial Reporting Standards.

	2006	2005	2004
Retained result - profit (loss) at the beginning of the period	44,195,145	28,491,587 (a)	312,846,422
Current year net result - profit (loss)	166,908,766	139,994,361	32,188,298
Profit (loss) not recognised in the current year profit (loss) statement	--	--	--
Transfers from reserves	--	--	--
Shareholders' contribution to cover losses	--	--	--
Profit for allocation	211,103,911	168,485,948	345,034,720
Allocation of the profit:	201,972,555	124,290,803	100,986,277
to legal reserves	--	--	--
to reserves fro own shares acquisition	--	--	--
to other reserves	--	--	--
dividends (b)	201,972,555	124,290,803	100,986,277
Retained result - profit (loss) at the end of the period	9,131,356	44,195,145	244,048,443

NOTES:

(a) Due to changed by Parent Company accounting principles of its subsidiaries and associates from equity method to accounting at cost financial statements of the Parent Company for the year 2004 were restated and retained earnings were reduced by LTL 215,558 thousand.

(b) Following the Company Law dividends for treasury stocks are not allocated. Dividends are allocated to 776,817,518 shares.

On 26 April 2007 the Annual General Meeting of shareholders decided to allocate for dividends 201,972,555 litas. Dividends of 0.26 litas per share for the year 2006 will be paid for 776,817,518 shares (for treasury stocks dividends are not allocated). For the annual compensation (tantiems) for the year 2006 to the members of the Board it was allocated 378,000 litas. Following the International Accounting Standards, annual compensation (tantiems) to the members of the Board are considered as operating expenses of the period when they are paid out.

39. Comments of Financial Statements

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.

As on 31 December 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. On 15 February 2007 TEO sold 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 LT, AB, the parent company of the Group, offers to residential and business customers in Lithuania voice telephony, Internet, digital television, data communication and telecommunication networks interconnection services. TEO also operates one of the most visited Internet portals - www.zebra.lt.

UAB Lintel is the largest, in terms of business volumes, and the most modern, in terms of technologies and management, Call Center service provider in Lithuania. It handles around 16 million contacts per year. Lintel also provides Directory Inquiry Service 118, telemarketing and customer care services. UAB Lintel also holds 4.67 per cent of the Company's treasury stocks.

From 7 April 2006 the Company owns all shares of UAB Baltic Data Center. UAB Baltic Data Center is one of the most rapidly growing IT service providers for enterprise customers in Lithuania. Services provided by UAB Baltic Data Center comprise a complex enterprise systems maintenance package that implies server, database and data streams as well as IT Service Desk services. UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA, which is a dormant company.

UAB Voicecom in December 2005 took over from UAB Comliet the permission to use the national network of mobile analogue cellular radio communication of the NMT-450 standard. The permission is valid till 31 October 2007.

UAB Kompetencijos Ugdymo Centras (till June 2006 named as UAB Lietuvos Telekomo Verslo Sprendimai) provides training and consultancy services, organises certified trainings. UAB Kompetencijos Ugdymo Centras employs people from former Competence Development Centre of the Company. Kompetencijos Ugdymo Centras is one of the largest employees' development institutions in Lithuania.

In June 2006, VšĮ Lietuvos Telekomo Sporto Klubas changed its name to VšĮ TEO Sportas. The Institution supports the women basketball team TEO (formerly Lietuvos Telekomas), a multiple champion of Lithuania and the Baltic States, and operates a fitness center ZEBRA SPORT at P. Lukšio str. 34 in Vilnius. TEO is the sole founder of the non-profit organisation VšĮ TEO Sportas.

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.

Highlights

- Consolidated TEO Group revenue for the year 2006 was up by 0.7 per cent over the total restated revenue of LTL 730 million for the year 2005 and amounted to LTL 735 million. Total revenue excluding Comliet grew by 4.6 per cent over the year.
- In 2006, EBITDA decreased by 0.5 per cent to LTL 352 million over LTL 354 million in 2005. EBITDA margin was 47.9 per cent (48.5 per cent in 2005).
- Profit before income tax in 2006 was up by 49.2 per cent and amounted to LTL 162 million (LTL 109 million in 2005).
- Profit for the period in 2006 (including minority interest and profit from discontinued operations) amounted to LTL 131 million, an increase by 55.3 per cent over LTL 84 million in 2005.

Consolidated financial statements of TEO LT, AB Group, an integrated telecommunication, IT and TV services provider in Lithuania, are prepared according to International Financial Reporting Standards.

Revenue

In 2006, revenue from Internet and data communication services as well as from IT services continued to grow and fully compensated the loss of revenue from Comliet construction activities and fixed voice services. In the third quarter of 2006 the Company excluded revenue from IT services out of revenue from other services into a separate revenue line as IT services became an important part of TEO services portfolio. Also, during the fourth quarter of 2006 the first revenue was generated by digital TV services.

Breakdown of TEO Group revenue by quarters (LTL thousand)

	2006					2005	Change (%)
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year		
Voice telephony services	129,151	132,281	131,213	131,926	524,571	531,790	(1.4)
Internet and data communication services	43,438	43,607	44,481	47,497	179,023	148,787	20.3
IT services	1,369	1,715	5,131	1,677	9,892	3,823	158.7
TV services	--	--	--	708	708	--	--
Construction activities	1,651	--	--	--	1,651	28,432	(94.2)
Other revenues	4,800	4,147	3,615	6,404	18,966	16,804	12.9
Total	180,409	181,750	184,440	188,212	734,811	729,636	0.7

During 2006 the share of revenue from traditional voice telephony services from the total amount of revenue shrank from 72.9 per cent to 71.4 per cent, while the share of Internet and data communication revenue increased from 20.4 per cent to 24.4 per cent, IT services – from 0.5 per cent to 1.3 per cent, other services (excluding Comliet) – from 2.3 per cent to 2.5 per cent.

In 2006, the decline in revenue from voice telephony services slowed down from 2.8 per cent in 2005 to 1.4 per cent maintaining the same pricing. Total revenue from voice telephony services in 2006 amounted to LTL 525 million, while in 2005 – LTL 532 million. Revenue from subscription fees increased by 0.6 per cent, value added services – by 29.2 per cent and network interconnection services – by 2.9 per cent, while revenue from traffic charges and wholesales services went down by 7.3 and 27.7 per cent, respectively.

The total number of main telephone lines in service decreased by 1.7 per cent or 13.6 thousand lines (20.5 thousand in 2005). During 2006 53 thousand new telephone lines were installed, while 66.6 thousand lines were disconnected. Although starting from September 2006, due to attractive Internet and IP TV offerings the number of newly installed lines surpassed the number of disconnected ones. Also, in 2006 the number of revenue generating lines increased.

The total calls traffic in 2006, compared to 2005, declined by 2.1 per cent. The traffic of local calls decreased by 3.1 per cent, calls from fixed to mobile network – by 3.1 per cent and international calls – by 3.0 per cent, but the traffic of long-distance domestic calls increased by 1.8 per cent and partly offset the decline in other calls.

During 2006, the number of ADSL access users increased by 76 thousand. Out of total 180.8 thousand ADSL access points, 176.1 thousand were sold to retail customers, 2.2 thousand – to wholesales customers and 2.5 thousand – to LAN (local area network) users. The first ADSL access points using LAN were installed in February 2006.

Over the year total revenue from Internet and data communication services increased by 20.3 per cent and amounted to LTL 179 million (in 2005 – LTL 149 million). Revenue from Internet broadband access services went up by 30.1 per cent, while revenue from dial-up Internet service users went down by 39.3 per cent as the number of dial-up Internet service users during the year went down from 21.3 thousand to 10.5 thousand due to broadband substitution. Revenue from data communication and network capacity sale services increased by 15.8 and 13.9 per cent, respectively.

In 2006, revenue from IT services amounted to LTL 10 million and included a LTL 3.4 million IT infrastructure lease deal executed by TEO subsidiary, Baltic Data Center. In September, in addition to IT infrastructure services offered by Baltic Data Center, the Company started provision of PC maintenance services to small and medium size companies. From July 2006, another TEO subsidiary, Lintel, started providing round-the-clock professional consultancy services by its short number on PC and Internet usage.

In July TEO turned on its first transmitter of digital terrestrial television (DVB-T) signals in the Vilnius city area, and in October the Company entered into digital television over Internet (IP TV) business. At the end of 2006, there were 4,902 IP TV users, who during the fourth quarter generated revenue of LTL 708 thousand.

Revenue from other services (Call Centers, fitness club, etc.), excluding Comliet activities and IT services, in 2006 increased by 12.9 per cent to LTL 19 million (in 2005 – LTL 17 million). In 2005, revenue from Comliet construction business amounted to LTL 28 million, while in 2006, till it was sold in February, revenue amounted to LTL 2 million.

Interest income from bonds and extended loan comprised other incomes of the Group. In 2006, other incomes amounted to LTL 4 million (in 2005 – LTL 693 thousand).

Operating expenses

Total operating expenses of the Group in 2006 were by 1.5 per cent higher than total operating expenses of LTL 387 million a year ago and amounted to LTL 391 million. Employee-related expenses decreased by 2 per cent and amounted to 32.5 per cent of total expenses. In 2006, network interconnection expenses increased by 0.5 per cent and amounted to 26.9 per cent of total Group expenses. Other operating expenses increased by 4 per cent due to higher marketing expenses related to the change of the Company's name, higher costs of sold telecommunication equipment (modems, IP TV set-up-boxes, IT equipment, etc.), increased energy and premises costs while the expenses related to Comliet construction activities went down.

During 2006, the total number of employees in TEO Group went up from 3,005 to 3,098. Sale of subsidiaries (UAB Comliet, UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija) reduced the total number of Group employees by 269, but the parent company, TEO, employed 164 new people, UAB Lintel – 190, UAB Baltic Data Center and UAB Kompetencijos Ugdymo Centras – 12 and 17 persons,

respectively, while TEO Sportas, due to sale of its main fitness club, reduced its staff by 21 employees. Therefore, in 2006 the number of main lines per one core fixed voice telephony business employee decreased from 343 to 311.

Profit for the period

During the year, depreciation and amortisation costs continuously went down by 22 per cent from LTL 248 million in 2005 to LTL 194 million and in 2006 amounted to 26.3 per cent of total revenue (34 per cent in 2005).

In 2006, other gain (loss) which, compared to other gain (loss) of LTL 11 million in 2005, when the eight buildings in Vilnius and the fitness club were sold, was lower by 40.2 per cent and amounted to LTL 4 million.

Consequently, operating profit in 2006 was by 49.8 per cent higher than a year ago and amounted to LTL 158 million (in 2005 – LTL 106 million). Operating profit margin was 21.6 per cent (a year ago –14.5 per cent). In 2006, net finance costs amounted to LTL 4 million (in 2005 – LTL 3 million) and was by 28.7 per cent higher than in 2005 due to higher interest income from cash deposits and lower finance costs as in 2006 the Company repaid its loan to the European Bank for Reconstruction and Development (EBRD).

In 2006, profit before income tax was up by 49.2 per cent and amounted to LTL 162 million (LTL 109 million in 2005).

Profit for the period in 2006 (including minority interest and profit from discontinued operations) amounted to LTL 131 million, an increase by 55.3 per cent over LTL 84 million in 2005. Over the year, the profit margin went up from 11.5 per cent to 17.8 per cent.

Discontinued operations imply profit generated by UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija during November 2005 – February 2006. It also includes the result from the activities of OOO Comliet-Kaliningrad, a company based in the Russian Federation, that was acquired from UAB Comliet Group at the end of January 2006 and evaluating impairment of those investments. On 15 February 2007, OOO Comliet-Kaliningrad was sold.

Balance Sheet and Cash Flow

During 2006 the total assets of TEO Group remained almost unchanged and decreased by 0.8 per cent to LTL 1,249 million from LTL 1,259 million in 2005. Due to depreciation, the non-current assets decreased by 10.9 per cent to LTL 683 million and amounted to 54.6 per cent of the total assets. In spite of dividend payout for the year 2005 and sale of buildings, due to strong cash flow the current assets increased by 14.9 per cent to LTL 566 million and amounted to 45.3 per cent of the total assets whereof cash, trading investment and held-to-maturity investments alone represented 24.6 per cent of the total assets. In the second quarter of 2006, TEO granted a loan to its major shareholder TeliaSonera AB. In November, the initial amount of LTL 100 million was increased up to LTL 150 million and the term of the loan was once again prolonged till mid-February 2007.

During 2006, in spite of dividend payout and sale of the associated subsidiary, shareholders' equity increased by 0.3 per cent to LTL 1,110 million and amounted to 88.8 per cent of the total assets. In December 2006 TEO fully repaid its loan to the European Bank for Reconstruction and Development. At the end of the year 2006, the total amount of borrowings included only financial liabilities, related to financial leasing of premises and vehicles, and amounted to LTL 9 million. Net debt (excluding the loan to TeliaSonera) was negative and amounted to LTL 299 million. The net debt to equity ratio was –26.9 per cent.

Due to increase in inventories (DSL modems, IP TV set-up-boxes, etc.) and in accounts receivables, net cash flow from operating activities in 2006 was by 12.1 per cent lower than net cash from operating activities a year ago and amounted to LTL 295 million (LTL 345 million in 2005). During 2006 capital investments increased by 32.6 per cent to LTL 98 million (LTL 74 million in 2005). Majority of capital

investments (65 per cent) went to expansion and modernisation of core and access networks, including LTL 14.8 million investments into development of new functionalities (digital TV, LAN, VoIP, etc.).

In the second quarter of 2006, remaining proceeds from sale of buildings were received. During the first half of 2006, the Company sold its all shares held in UAB Comliet, UAB MicroLink Lietuva, UAB Baltijos Kompiuterių Akademija and its 26 per cent stake in UAB TietoEnator Consulting, and acquired the remaining 40 per cent stake in UAB Baltic Data Center. Also, a loan to TeliaSonera AB was granted and dividends from UAB TietoEnator Consulting were received. During 2006, net cash flow, used in investment activities, amounted to LTL 77 million (LTL 171 million in 2005).

In May 2006, the dividends of LTL 124 million for the year 2005 were paid to the shareholders of TEO. As a result, net cash used in financing activities increased by 19.8 per cent. Nevertheless, cash and cash equivalents during 2006 increased by LTL 83 million (LTL 61 million in 2005).

40. Report prepared by the Issuer's Board or other managing body

TEO LT, AB CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2006

Prepared according to the requirements of the law on consolidated financial reporting of the Republic of Lithuania

Approved by the Board of TEO LT, AB as at 14 March 2007

TO THE SHAREHOLDERS OF TEO LT, AB

The year 2006 was especially significant to the Company. In May, implementing the shareholders' meeting decision of 24 April 2006, the Company changed its name from AB Lietuvos Telekomas to TEO LT, AB (hereinafter 'TEO' or 'the Company'). The Company have closed a page of outstanding history, involving number of decades, and opened a new one full of challenges and determination.

In 2006, TEO and its subsidiaries (hereinafter 'TEO Group' or 'the Group') from fixed telephony and internet services operator became an integrated telecommunications, IT and television service provider. TEO Group is a part of the largest telecommunication corporation in Nordic and Baltic Country TeliaSonera AB.

Last year the changed Company daringly entered into new areas of activities – started provisions of digital terrestrial and digital internet television services, and to business customers offered integrated voice, data communication, internet and IT services from one reliable source.

In 2006, changes that occurred in the activities along side with the Company's name change inspired to formulate a new vision and mission of the Company. Renewed TEO vision and mission reflects the Company's growth and change, its new name and new markets that were entered in 2006.

TEO vision is to be the best partner in communicating with the constantly changing world. By employing the most modern technologies we enable our customers to reach people, knowledge and entertainment. TEO mission is to create value for shareholders and customers by providing professional and high-quality telecommunications, TV and IT services.

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

In 2006, TEO Group maintained its leading position as the largest internet and fixed-line telephony service provider in Lithuania, as well as leader in provision of data communication, leased lines and call center services.

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

Consolidated TEO Group revenue for the year 2006 was up by 0.7 per cent over the total revenue of LTL 730 million for the year 2005 and amounted to LTL 735 million. Consolidated revenue excluding UAB Comliet revenue grew by 4.6 per cent over the year. Profit before income tax in 2006 was up by 49.2 per cent and amounted to LTL 162 million (LTL 109 million in 2005). Profit for the period in 2006 (including minority interest and profit from discontinued operations) amounted to LTL 131 million, an increase by 55.3 per cent over LTL 84 million in 2005.

During 2006 the total assets of TEO Group remained almost unchanged and decreased by 0.8 per cent to LTL 1,249 million, whereof cash, trading investment and held-to-maturity investments represented almost quarter of the total assets and amounted to LTL 307 million. In 2006, TEO granted a short-term loan amounting LTL 150 million to its major shareholder TeliaSonera AB. Despite of dividend payout and sale of associates and subsidiaries shareholders' equity increased by 0.3 per cent and amounted to LTL 1,110 million. In December 2006, TEO fully repaid its loan to European Bank for Reconstruction and Development. At the end of the year the total amount of borrowings included only financial liabilities related to financial leasing of premises and vehicles, and amounted to LTL 8.6 million.

Due to increase in inventories (DSL modems, IP TV set-up-boxes, etc.) and in accounts receivables net cash flow from operating activities in 2006 was by 14.5 per cent lower than net cash from operating activities a year ago and amounted to LTL 295 million. During the first half of 2006 proceeds from sale of buildings and stakes in subsidiaries were received. Remaining 40 per cent stake in UAB Baltic Data Center was acquired, the loan granted and dividends from UAB TietoEnator Consulting were received. In 2006 capital investments amounted to LTL 98 million (LTL 74 million in 2005). Majority of capital investments (65 per cent) went to expansion and modernisation of core and access network including LTL 14.8 million investments into development of new functionalities (digital TV, LAN, VoIP, etc.). Overall, net cash during 2006 used in investment activities amounted to LTL 77 million and in financing activities – LTL 135 million. Nevertheless, cash and cash equivalents during 2006 increased by LTL 83 million (LTL 61 million in 2005).

As on 31 December 2006 TEO Group consists of the parent company, TEO LT, AB, and its subsidiaries UAB Lintel (100 per cent), UAB Baltic Data Center (100 per cent), UAB Voicecom (100 per cent), UAB Kompetencijos Ugdymo Centras (until June 2006 named as UAB Lietuvos Telekomo Verslo Sprendimai) (100 per cent), OOO Comliet-Kaliningrad (100 per cent), VŠĮ TEO Sportas (100 per cent) and Baltic Data Center SIA (100 per cent). TEO is the sole founder of its wholly-owned non-profit organisation VŠĮ TEO Sportas (until June 2006 named VŠĮ Lietuvos Telekomo Sporto Klubas). UAB Baltic Data Center has a dormant subsidiary Baltic Data Center SIA (100 per cent) in Latvia.

During the last year the Group's structure was completely streamlined by divesting non-core activities and focusing on the core telecommunications and IT businesses.

During 2006 total number of employees (headcounts) in TEO Group went up from 3,005 to 3,098. Sale of subsidiaries (UAB Comliet, UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija) reduced total number of Group employees by 269. During 2006 total number of employees (headcounts) in parent company, TEO, increased by 164, UAB Lintel – by 190, UAB Baltic Data Center and UAB Kompetencijos Ugdymo Centras by 12 and 17 persons, respectively, while VŠĮ TEO Sportas due to sale of its main fitness club reduced its staff by 21 employees.

On 28 February 2006, the Company sold all shares of its subsidiary UAB Comliet. UAB Comliet specialized in construction of external wide area and indoor telecommunications as well as other indoor engineering networks. On 8 February 2006, the Board of Lietuvos Telekomas approved the sale of UAB Comliet shares. An agreement on sale of UAB Comliet shares to Eltel Group Corporation, Finland was signed on 22 December 2005. This transaction also included the sale of UAB Comliet subsidiary, UAB Comliet Sprendimai (UAB Comliet owned 100 per cent of UAB Comliet Sprendimai shares).

On 31 January 2006 UAB Comliet and UAB Comliet Sprendimai sold their respective 95 per cent and 5 per cent stakes in OOO Comliet-Kaliningrad (domiciled in Russian Federation) to the Company. The Company acquired 100 per cent stake in OOO Comliet-Kaliningrad whose authorised capital as of 31 January 2006 amounted to RUB 4 million (LTL 403 thousand). During 2006 authorised capital of OOO

Comliet-Kaliningrad was reduced to RUB 2.634 million (as of 31 December 2006 it amounted to LTL 267 thousand). On 15 February 2007 the dormant subsidiary was sold to legal and private persons of Russian Federation.

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 and 100 per cent of UAB Baltijos Kompiuterių Akademija 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 MicroLink Group.

On 28 March 2006, liquidation of UAB Verslo Portalas 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. In 2006, UAB TietoEnator Consulting paid to the Company LTL 47 thousand in dividends for the year 2005.

A letter of intent for acquisition of 100 per cent stake in UAB Mikrovisatos TV signed in December 2006 was terminated by the initiative of UAB Mikrovisatos TV shareholders in February 2007.

TEO LT, AB (until 5 May 2006 named as AB Lietuvos Telekomas), the parent company of the Group, offers to residential and business customers in Lithuania voice telephony, Internet, digital television, data communication and telecommunication networks interconnection services. In May 2006, together with the changed name of the Company new secondary brands of the major Company's activities were introduced to the market. VOX – voice services for residential customers, ZEBRA – internet services, GALA – digital television services and TEO VERSLAS – voice, internet, data communication and IT services for business customers. TEO also operates one of the most visited Internet portal www.zebra.lt (until May 2006 named as www.takas.lt).

During 2006 TEO retained its leading position on fixed voice telephony and broadband internet markets. According to the Report of Communications Regulatory Authorities (CRA) for the third quarter of 2006, the Company's market share on fixed-line telephony market in terms of customers amounted to 92.3 per cent and in terms of revenue – to 96 per cent. The Company's market share on total internet providers market in terms of revenue amounted to 41.6 per cent while share on broadband internet access market was 48 per cent. In terms of revenue TEO had 19 per cent of networks' interconnection, 49 per cent of leased lines and 51.5 per cent of data communications markets.

During the year total number of main telephone lines in service decreased by 13.6 thousand lines or 1.7 per cent to 784,958 lines. Although starting from September number of lines was not decreasing but increasing due to attractive internet and IP TV offerings. During 2006 there were installed 53 thousand new telephone lines, while 66.6 thousand lines were disconnected. Also in 2006 number of revenue generating lines increased.

Total calls traffic in 2006 compared to 2005 declined by 2.1 per cent. Traffic of local calls decreased by 3.1 per cent, calls from fixed to mobile network by 3.1 per cent and international calls by 3.0 per cent but traffic from long distance domestic calls increased by 1.8 per cent and partly offset the decline in other calls.

In 2006, the Company simplified its products portfolio by replacing previous internet plans for residential customers with three major plans: Basic Internet, Optimum Internet and Premium Internet. During 2006 number of ADSL access users increased by 76 thousand. Out of total 180.8 thousand ADSL access points 176.1 thousand are sold to retail customers, 2.2 thousand to wholesales customers and 2.5 thousand to LAN (local area network) users. The first ADSL access points using LAN were installed in

February 2006. In August 2006, TEO introduced VoIP service for its ZEBRA internet services users. At the end of 2006 number of ZEBRA voice over IP service users was 1,135.

During the last year TEO rapidly developed its wireless broadband internet access points network (based on WiFi technology), where services since July 2005 were provided free of charge. During the year number of wireless internet access points increased from 287 to 804. In July connection speed was increased up to 4 Mb/s and more.

In 2006, the Company started new television business. In July, TEO turned on its first transmitter of digital terrestrial television (DVB-T) signals in Vilnius city area and in October, started provision of digital television over internet (IP TV) service GALA. At the end of 2006 there were 4,902 users of IP TV.

Information technology services are another strategic area of TEO Group development. In September 2006, in addition to IT infrastructure services offered by Baltic Data Center the Company started provision of PC maintenance services to small and medium size companies. Another TEO subsidiary, Lintel, from July provides professional consultancy service on PC and internet usage by short number all around the clock.

During 2006 in order to better satisfy customers' needs and remain competitive on the market organisation structure of TEO was continuously improved by focusing on sales organisation, quality management and development of IT services. In March a separate Sales and Marketing Division and new Information Technology Business Development Unit were established within the Company. In December 2006, TEO started formation of a new Process and Quality Management Department.

In 2006, the share capital of TEO LT, AB remained unchanged and consisted of 814,912,760 ordinary registered shares of LTL 1 nominal value each. Amber Teleholding A/S (registered in Denmark), a wholly-owned subsidiary of Swedish TeliaSonera AB, held 60 per cent of TEO shares. At the end of 2006 Swedish investment fund East Capital Asset Management held 5.57 per cent of the Company's shares (in 2005 – 6.75 per cent). The State of Lithuania continued to give up shares of the Company as compensation to Lithuanian citizens for realty redeemable by the State of Lithuania, so its shareholding went down from 2.05 per cent (31 Dec. 2005) to 1.66 per cent (31 Dec. 2006).

UAB Lintel, a subsidiary of TEO LT, AB, the same as in 2005 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. The treasury stocks were acquired during the Initial Public Offering in the year 2000. The remaining 28.1 per cent of the Company's shares are held by more than 12 thousand Lithuanian and foreign investors.

At the end of 2006, 10.5 per cent of TEO LT, AB shares were converted into Global Depository Receipts (1 GDR represents 10 ordinary shares). TEO shares are traded on the Vilnius Stock Exchange (from May 2006 TEO shares' ticker on VSE is TEO1L) and GDR's on London Stock Exchange (from May 2006 ticker on LSE is TEOL).

At the beginning of 2006 the price of one share of the Company on Vilnius Stock Exchange was 2.71 litas and at the end – 2.76 litas. The lowest share price during the year was 2.10 litas and the highest – 2.80 litas. Shares' turnover on Vilnius Stock Exchange in 2006, compared to the year 2005, increased by 59 per cent and amounted to 132.8 million shares or LTL 318 million. At the end of 2006 TEO market capitalisation amounted to LTL 2,249 million (LTL 2,208 million in 2005).

At the beginning of the year the price of one GDR of the Company on London Stock Exchange was 9.3 US dollar and at the end – 10.6 US dollar. The lowest GDR price during 2006 was 7.7 US dollar and the highest – 10.6 US dollar. Turnover of Global Depository Receipts amounted to 4.2 million GDRs or GBP 19 million.

In 2006, the Company paid out to the shareholders LTL 124,291 thousand of dividends or 0.16 litas per share for the year 2005.

UAB Lintel is the largest subsidiary in terms of business volumes and the most modern, in terms of technologies and management, Call Center service provider in Lithuania. It handles around 16 million contacts per year. Lintel also provides Directory Inquiry Service 118, telemarketing and customer care services. UAB Lintel also holds 4.67 per cent of treasury stocks of the Company's. In 2006, UAB Lintel paid to the Company LTL 40 million dividends for the year 2005.

UAB Baltic Data Center is one of the most rapidly growing IT services to enterprise customer providers in Lithuania. Services provided by UAB Baltic Data Center comprise a complex enterprise systems maintenance package that implies Server, Data Base and data streams as well as IT Service Desk services.

In December 2005, UAB Voicecom took over from UAB Comliet the permission to use the national network of mobile analogue cellular radio communication of the NMT-450 standard. Permission is valid until 31 October 2007.

UAB Kompetencijos Ugdymo Centras (until June 2006 named as UAB Lietuvos Telekomo Verslo Sprendimai) provides training and consultancy services, organises certified trainings. UAB Kompetencijos Ugdymo Centras employees people from former Competence Development Center of the Company. Kompetencijos Ugdymo Centras is one of the largest employees' development institutions in Lithuania.

In June 2006, VŠĮ Lietuvos Telekomo Sporto Klubas changed its name to VŠĮ TEO Sportas. Institution supports TEO (formerly Lietuvos Telekomas) women basketball team, a multiple champion of Lithuania and Baltic States, and operates a fitness center ZEBRA SPORT at P. Lukšio str. 34 in Vilnius. TEO is the sole founder of non-profit organisation VŠĮ TEO Sportas.

In December 2006, TEO received support of LTL 2 million from European Union Structural Fund for implementation of research and development project Creation of prototype of IP TV interactive services and content management and provision systems. This project will last until September 2008.

In 2007, TEO Group will seek to increase consolidated revenue by increasing number of broadband internet services users, by maintaining existing voice service customers and revenue as well as looking for new revenue streams from IT and other new business areas. The Group should maintain high EBITDA margin and increase consolidated profit.

In 2007 the Company will continue to develop IP TV services by creating new service functionalities, expanding number of TV channels and packages. From March 2007 TEO will introduce charges for using ZEBRA wireless internet access service and will continue a rapid development of its wireless internet network by 2009 investing up to LTL 35 million and increasing number of hot-spots until 20 thousand.

In 2007, the strategic priority will be given to development of IT services, wireless internet access network and fibre to the user (FFTx) projects.

TEO subsidiaries should increase their external revenue; look for new markets and business areas. In 2007, Baltic Data Center is planning to invest LTL 1.9 million into new IT service management system. In total TEO Group in 2007 plans to devote LTL 164 million for capital investments.

The Group's and the Company's activities expose it to a variety of financial risks. Foreign exchange risk arising from various currency exposures primarily with respect to US Dollar (USD) and Special Drawing Rights (SDR) is controlled by hedging the foreign currency exposure of its purchase contracts and debt commitments. The Group has no significant concentrations of credit risk outside TeliaSonera Group. The Group has policies that limit the amount of credit exposure to any one financial institution. Liquidity risk is managed by the Group Treasury, which is required to maintain a minimum required liquidity position as defined in the Group's Treasury policy. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

TEO LT, AB essentially follows a new recommendatory Corporate Governance Code for the Companies Listed on the Vilnius Stock Exchange (hereinafter 'the Governance Code') adopted in August 2006. According to the Articles of Association of TEO LT, AB the governing bodies of the Company are the General Shareholder's Meeting, the Board and the General Manager. There is no Supervisory Council in the Company. The Board consists of seven Members that are elected for the period of two years. Following the Governance Code six members of the Board are considered non-executive directors and one is executive director, whereby two out of seven members represent minority shareholders. The Board institutes two Committees: Audit and Remuneration. Three members of the Board comprise each committee. The Company prepared the disclosure of compliance with the principles and recommendation set by the Governance Code that is attached as an appendix to this Consolidated Annual Report.

41. Audit – related information

Auditors from UAB PricewaterhouseCoopers audited the balance sheet of the Company and together with its consolidated subsidiaries for the years ended 31 December 2001, 2002, 2003, 2004, 2005 and 2006, and the related statements of income, cash flows and changes in shareholders' equity for the years then ended.

UAB PricewaterhouseCoopers, enterprise code No. 111473315, official address: J. Jasinskio g. 16B, LT-01112 Vilnius, is registered in Register of Legal Persons of the Republic of Lithuania. Enterprise was registered on 29 December 1993.

On 31 October 2003, the Chamber of Auditors of Lithuania issued a certificate No. 000421 which certifies UAB PricewaterhouseCoopers is enrolled in the list of audit companies and could perform audit activities.

On 24 April 2006, the shareholders of the Company during the Annual General Meeting of Shareholders elected UAB PricewaterhouseCoopers as the Company's audit company for two years for the audit of financial statements for the years 2006 and 2007, and inspection of the Annual Report of the Company for the year 2006 and 2007.

On 6 March 2006, Securities Commission of the Republic of Lithuania decided to approve the candidacy of Ona Armalienė, auditor of the audit company UAB PricewaterhouseCoopers, to conduct the audit of the Company financial statements for the year 2006.

Audit according to the International Standards of Auditing of financial statements of TEO Group for the year 2006 prepared according to International Financial Reporting Standards was completed on 29 March 2007. Auditor's report on behalf of UAB PricewaterhouseCoopers was signed by Christopher C. Butler, partner of UAB PricewaterhouseCoopers, and Ona Armalienė, auditor (auditors' certificate No. 000008).

Independent auditor's report

To the Shareholders of TEO LT, AB

Report on the financial statements

We have audited the accompanying consolidated financial statements of TEO LT, AB and its subsidiaries ('the Group') and the financial statements of TEO LT, AB ('the Company') set out in pages 5 - 46 which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2006 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2006 set out on pages 47 – 81 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2006.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Vilnius, Republic of Lithuania
29 March 2007

Ona Armalienė
Auditor's Certificate No.000008

VI. INFORMATION ABOUT THE MANAGING BODIES OF THE ISSUER

42. Members of the managing bodies

According to the By-Laws of TEO LT, AB the managing bodies of the Company are the General Meeting, the Board and the General Manager. The Company does not have a Supervisory Council.

The decisions of the General Meeting, made regarding the matters of competence of the General Meeting, are binding upon the Shareholders, the Board, the 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 the 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 of the Republic of Lithuania on Companies. 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 define the duties and authority of the General Manager and his/her Deputies as well as other officers of the Company in more details.

The Board (as at 31 December 2006)



Erik Hallberg (born in 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 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. From beginning of 2003 till end of 2006 – Senior Vice President and Head of Market Area Baltic Countries at TeliaSonera AB, Baltic Countries. From the beginning of 2007 – President of TeliaSonera Business Area Broadband Sweden.

Till 6 February 2007 – Chairman of the Supervisory Council of AS Eesti Telekom, Estonia; till 11 January 2007 – a member of the Supervisory Councils of Elion Enterprises AS, Estonia, and AS EMT, Estonia; till 25 January 2007 – Chairman of the Board of Latvijas Mobilais Telefons SIA, Latvia; on 31 December 2006 – Chairman of the Board of Amber Teleholding A/S, Denmark, Tilts Communication A/S, Denmark, Telia Lithuania AB, Sweden, and Confidence AB, Sweden; a member of the Boards 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 in 1943) – a 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), Chairman 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 in 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), a member of the Remuneration Committee of the Board.

Till the end of 2006 – Head of Network & Technology and Marketing & Products for TeliaSonera AB operations in Norway, Denmark and Baltic Countries. From the beginning of 2007 – Senior Advisor to the President of Business Area Mobility Services in TeliaSonera.

On 31 December 2006 – a member of the Supervisory Council of Lattelekom SIA, Latvia; a member the Boards of NetCom AS, Norway, Chess AS, Norway, Nextgentel, 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 in 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).

On 31 December 2007 – Chairman of the Board and General Manager (CEO) of AS EMT, Estonia; a member of the Supervisory Council of Elion Enterprises AS, Estonia; a member of the Board of Eesti Telekom AS. From 1 January 2007 – Deputy General Manager of Eesti Telekom AS.

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

Till the end of 2006 – Business Controller Baltic Countries at TeliaSonera AB, Baltic Countries. From the beginning of 2007 – Business Controller at Mobility Services TeliaSonera.

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 in 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), a member of the Audit Committee of the Board.

Head of Vilnius and Riga Representative Offices of the 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 in 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), a member of the Audit Committee of the Board.

Responsible for the management of East Capital Baltic Office and development of East Capital real estate funds.

On 31 December 2006 – a member of the Supervisory Councils of the Tallinn Stock Exchange, Estonia, Baltika AS, Estonia, Arco Varavalitsemise AS, Estonia, Cantik Enterprises Ltd., Ukraine, Pervomayskaya Zarya Ltd, Russian Federation, JSC Open Investments, Russian Federation, Russian Real Estate Investment Company AB, Sweden and Explorer Property Fund, 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.

The Annual General Meeting of TEO LT, AB shareholders on 26 April 2007 decided to recall from the Board of the Company all members of the Board: Erik Hallberg, Morgan Ekberg, Matti Hyrynen, Brita Hanberger, Gert Tiivas, Gintautas Žintelis and Valdo Kalm.

Shareholders elected to the Board of the Company for new term of the Board (for 2 years) nominees proposed by Amber Teleholding A/S: Jörgen Latte, Anders Gylder, Ove Alm, Joakim Sundström, Björn Lindegren, Matti Hyrynen (proposed to Amber Teleholding A/S by East Capital) and Gert Tiivas (proposed to Amber Teleholding A/S by East Capital).

The new members of the Board elected on 26 April 2007:



Jörgen Latte (born in 1954)

CFO of TeliaSonera Sweden.

A member of the Supervisory Boards of Telia Pensionfund (Sweden), LMT (Latvia) and Eesti Telekom (Estonia); Chairman of the Board of Telia Electronic Commerce AB (Sweden), Infonet Svenska AB (Sweden), TeliaSonera Sverige Net Fastigheter AB (Sweden), TeliaSonera Sverige Finans AB (Sweden), TeliaSonera Payphone AB (Sweden), TeliaSonera Sverige Asset Finance AB (Sweden) and adminson AB (Sweden); a member of the Board of Sergel Kreditjänster AB (Sweden), TeliaSonera International Carrier AB (Sweden) and TeliaSonera Försäkring AB; a deputy member of the Board of Avnos 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.



Anders Gylder (born in 1950)

Executive Vice President at TeliaSonera AB Business Area Broadband Services.

A member of the Supervisory Board of Eesti Telekom (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.



Ove Alm (born in 1959)

Head of Product and Production at TeliaSonera AB Business Area Broadband Services.

A member of the Board of Telia Stofa A/S (Denmark) and NextGenTel Holding ASA (Norway).

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.



Joakim Sundström (born in 1959)

Director of Business Control at TeliaSonera AB Business Area Broadband Services.

Not involved in activities of other companies.

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.



Björn Lindegren (born in 1949)

General Counsel at TeliaSonera Business Area Broadband Services.

A member of the Board of TeliaSonera Network Sales AB, TeliaSonera International Carrier AB, TeliaSonera Sverige Asset Finance AB, TeliaSonera Payphone AB, TeliaSonera Net Fastigheter AB, Infonet Svenska AB, Telia Electronic Commerce AB, Telia Lithuania AB and Föräldrakooperativet Lurifaxen i Farsta.

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 in 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 the Board of UAB Voicecom, a member of the Council of the International Business School at Vilnius University, a member of the Board of Big Brothers Big Sisters International, Philadelphia, U.S.A.

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 in 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 in 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 in 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 in 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.

The Company has no information about existing conviction of members of managing bodies for the crimes against property, economic procedures or finance.

43. Information about remunerations and loans to members of the managing bodies

43.1. Information about the total and average amount per person of the remunerations, tantiemes and other payments from the profit by the Issuer during the reporting period

	Remuneration in 2006 (in litas)	Tantiemes for 2005 (in litas)	Dividends for 2005 (in litas)	Total (in litas)
On the average per member of the Company's Board (a)	61,487	54,000	--	115,487
Total amount for all members of the Company's Board (a)	430,409	378,000	--	808,409
On the average per member of the Administration of the Company (b)	617,811	--	3,468	621,279
Total amount for all members of the Administration of the Company (b)	3,089,055	--	17,342	3,106,397

NOTES: (a) The Board consist of seven members; (b) In 2006, members of the Company's Administration were General Manager, Chief Sales Officer and Deputy General Manager, Chief Marketing Officer and Deputy General Manager, Chief Operating Officer and Deputy General Manager, and Chief Financial Officer and Deputy General Manager.

On 26 April 2007, the Annual General Meeting of TEO LT, AB Shareholders resolved to assign LTL 378 thousand for the payment of annual compensations (tantiemes) for the year 2006 (as of 31 December 2006 the Board of the Company consisted of seven Board members). The annual compensation (tantiemes) will be paid during the second quarter of 2007.

43.2. Remunerations, tantiemes and other payments from the profit paid during the reporting period by the companies, where the Issuer holds more than 20 per cent of their share capital, to the members of the Issuer's Supervisory Board, Board of Directors and Administration

43.3. Loans, guarantees and warranties, which ensure the fulfilment of their obligations extended to the members of managing bodies during the reporting period

44. Transactions with related parties

VII. RECENT EVENTS IN THE ISSUER'S ACTIVITIES AND ITS PROSPECTS

45. Recent events in the Issuer's activities

In January 2007, a new Process and Quality Management Department started its activities at TEO.

On 14 February 2007 the Company announced that shareholders of UAB Mikrovisatos TV as of 12 February 2007 cancelled preliminary share sale – purchase agreement with TEO. On 20 December 2006, TEO announced that the Company signed a Memorandum of Understanding with shareholders of Mikrovisata TV regarding acquisition of 100 per cent stake in UAB Mikrovisata TV and submitted an application to Lithuanian Competition Council for permission of market concentration. It was planned to complete the transaction by mid of February 2007.

On 15 February 2007, TEO LT, AB, following the Board permission of 16 March 2006, sold OOO Comliet-Kaliningrad, a company in the Russian Federation, that the Company on 31 January 2006 took over from its then subsidiary UAB Comliet (owned 95 per cent of OOO Comliet-Kaliningrad) and UAB Comliet Sprendimai, a subsidiary of UAB Comliet, (owned 5 per cent of the company). Announcement disclosed a content of confidential announcement of material event of 17 March 2006.

In March 2007, the Company introduced charges for Internet access at its wireless ZEBRA internet hot-spots and started provision of a new computer rent and sale service for business customers.

On 14 March 2007, the Board of TEO LT, AB decided to convoke the Annual General Meeting of TEO LT, AB Shareholders on 26 April 2007. The shareholders' registration day for Shareholders' Meeting is 19 April 2007. Proposed Agenda: 1. Information of the Company's auditors. 2. Approval of the Company's annual financial statements and presentation of the Consolidated Annual Report of the Company for the year 2006. 3. Allocation of 2006 Company's profit. 4. Recall of the Company's Board members. 5. Election of the Company's Board members. The Board approved audited financial statements of TEO LT, AB Group for the year 2006 prepared according to International Financial Reporting Standards and Consolidated Annual Report of the Company for the year 2006. Consolidated revenue of TEO Group for the year 2006 amounted to LTL 734,811 thousand (EUR 212,816 thousand) and profit for the period was LTL 130,549 thousand (EUR 37,810 thousand). The Board proposes for the Annual General Meeting to allocate from the Company's distributable profit LTL 201,973 thousand (EUR 58,495 thousand) for the dividend payment for the year 2006 or LTL 0.26 (EUR 0.075) dividend per share. For annual payments to the members of the Board for the year 2006 to allocate LTL 378 thousand (EUR 109 thousand), i.e. LTL 54 thousand per one member of the seven-members Board.

On 17 April 2007 TEO LT, AB announced draft agenda and draft decisions for the Annual General Meeting of TEO LT, AB shareholders to be held on 26 April 2007 proposed by the Board of the Company: 1. Information of the Company's auditors. Taken for the information. 2. Approval of the Company's annual financial statements and presentation of the Consolidated Annual Report of the Company for the year 2006. Draft decision: 1) To approve audited Company's annual financial statements for the year 2006, prepared according to the International Financial Reporting Standards. 2) Presented Consolidated Annual Report of the Company for the year 2006, prepared by the Company, read by the audit and approved by the Board of Directors. 3. Allocation of 2006 Company's profit. Draft decision: To allocate the Company's profit of the year 2006 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 201,973 thousand (EUR 58,495 thousand) for the dividend payment for the year 2006 or LTL 0.26 (EUR 0.075) dividend per share. For annual payments to the members of the Board for the year 2006 to allocate LTL 378 thousand (EUR 109 thousand), i.e. LTL 54 thousand per one member of the seven-member Board. 4. Recall of the Company's Board members. Following the proposal of the largest shareholders of the Company, Amber Teleholding A/S, the Board of the Company proposes to the Annual General Meeting of Shareholders to recall the current Board and elect a new Board for a new term from nominees proposed by Amber Teleholding A/S. Draft decision: To recall from the Board of the

Company all members of the Board: Erik Hallberg, Morgan Ekberg, Matti Hyrynen, Brita Hanberger, Gert Tiivas, Gintautas Žintelis and Valdo Kalm. 5. Election of the Company's Board members. As a shareholder of TEO LT, AB Amber Teleholding A/S proposes to the Annual General Meeting of shareholders to be held on April 26, 2007 in Vilnius, Lithuania, the following nominees to be elected to the Board of Directors of TEO LT, AB: 1. Mr Jörgen Latte, 2. Mr Anders Gylder, 3. Mr Ove Alm, 4. Mr Valdo Kalm, 5. Mr Björn Lindegren, 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. Jörgen Latte (born in 1954) – CFO of TeliaSonera Sweden; a member of the Supervisory Boards of Telia Pensionfund (Sweden), LMT (Latvia) and Eesti Telekom (Estonia); has no interest in the share capital of TEO LT, AB. Anders Gylder (born in 1950) – Executive Vice President at TeliaSonera AB Business Area Broadband Services; a member of the Supervisory Board of Eesti Telekom (Estonia); has no interest in the share capital of TEO LT, AB. Ove Alm (born in 1959) – Head of Product and Production at TeliaSonera AB Business Area Broadband Services; a member of the Board of Telia Stofa A/S (Denmark) and NextGenTel Holding ASA (Norway); has no interest in the share capital of TEO LT, AB. Valdo Kalm (born in 1966) – Deputy CEO and Member of the Management Board of Eesti Telekom AS (Estonia), CEO and Chairman of the Management Board of AS EMT (Estonia), member of Supervisory Board of Elion Enterprises AS (Estonia) and member of the Board of TEO LT, AB since 2005; has no interest in the share capital of TEO LT, AB. Björn Lindegren (born in 1949) – General Counsel at TeliaSonera Business Area Broadband Services; a member of the Board of TeliaSonera Network Sales AB, TeliaSonera International Carrier AB, TeliaSonera Sverige Asset Finance AB, TeliaSonera Payphone AB, TeliaSonera Net Fastigheter AB, Infonet Svenska AB, Telia Electronic Commerce AB, Telia Lithuania AB and Föräldrakooperativet Lurifaxen I Farsta; has no interest in the share capital of TEO LT, AB. Matti Hyrynen (born in 1954) – Head of Vilnius and Riga Resident Office of European Bank for Reconstruction and Development; a member of the Board and Chairman of the Audit Committee of TEO LT, AB since 2002; has no interest in the share capital of TEO LT, AB. Gert Tiivas (born in 1973) – Head of East Capital Baltic office in Tallinn; a member of the Supervisory Councils of the Tallinn Stock Exchange (Estonia), Baltika AS (Estonia), Arco Varavalitsemise AS (Estonia), Cantik Enterprises Ltd. (Ukraine), Pervomayskaya Zarya Ltd. (Russian Federation), JSC Open Investments (Russian Federation), Russian Real Estate Investment Company AB (Sweden) and Explorer Property Fund – Baltic States AB (Sweden); a member of the Board and Audit Committee of TEO LT, AB since 2006; has no interest in the share capital of TEO LT, AB. 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 _____. The documents possessed by the Company related to the agenda of the Meeting, including draft resolutions, are available at the headquarters of TEO LT, AB, Savanorių ave. 28, Vilnius, Lithuania, or at the Company's internet website www.teo.lt.

On 18 April 2007 the Company announced TEO LT, AB Group announces its unaudited financial results for the first quarter of 2007 prepared according to International Financial Reporting Standards. The total consolidated TEO Group's revenue in the first quarter of 2007 was LTL 186 million, an increase by 3 per cent over the total revenue of LTL 180 million in the first quarter of 2006. EBITDA for the first quarter of 2007 went down by 8 per cent to LTL 86 million over LTL 94 million in the first quarter of 2006. EBITDA margin also went down to 46.4 per cent from 51.9 per cent in 2006. Profit before income tax in the first quarter of 2007 was up by 12.8 per cent and amounted to LTL 46 million (LTL 41 million a year ago). Profit for the period (including minority interest and profit from discontinued operations) amounted to LTL 38 million, an increase by 19.1 per cent over LTL 32 million a year ago. Press release and accompanying financial statements are available at the Company's web page www.teo.lt.

On 20 April 2007, the Company announced that as a shareholder of TEO LT, AB (hereinafter TEO or 'the Company') Amber Teleholding A/S changed its proposed nomination to the Board of the Company and replaced Mr Valdo Kalm with Mr Joakim Sundström. Amber Teleholding A/S accordingly proposes to the Annual General Meeting of shareholders to be held on April 26th 2007, the following nominees to be elected to the Board of Directors of TEO LT, AB: 1. Mr Jörgen Latte, 2. Mr Anders Gylder, 3. Mr Ove Alm, 4. Mr Joakim Sundström, 5. Mr Björn Lindegren, 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. Joakim Sundström (born in 1959) – Director of Business Control at TeliaSonera AB Business Area Broadband Services. Not involved in activities of other companies and has no interest in the share capital of TEO LT,

AB. The documents possessed by the Company related to the agenda of the Meeting, including draft resolutions, are available at the headquarters of TEO LT, AB, Savanorių ave. 28, Vilnius, Lithuania, or at the Company's internet website www.teo.lt.

The annual general meeting of TEO LT, AB (hereinafter 'the Company' or 'TEO') shareholders on 26 April 2007 made the following decisions: 1) To approve audited Company's annual financial statements for the year 2006, prepared according to the International Financial Reporting Standards. To the shareholders was also presented Consolidated Annual Report of the Company for the year 2006, prepared by the Company, read by the audit and approved by the Board of Directors. 2) To allocate the Company's profit of the year 2006 according the draft of profit allocation presented for Annual General Meeting of Shareholders as follows: to allocate from the Company's distributable profit LTL 201,973 thousand (EUR 58,495 thousand) for the dividend payment for the year 2006 or LTL 0.26 (EUR 0.075) dividend per share. For annual payments to the members of the Board for the year 2006 to allocate LTL 378 thousand (EUR 109 thousand), i.e. LTL 54 thousand per one member of the seven-member Board. The Company plans to pay out dividends on the 23 May 2007. 3) To recall from the Board of the Company all members of the Board: Erik Hallberg, Morgan Ekberg, Matti Hyyrynen, Brita Hanberger, Gert Tiivas, Gintautas Žintelis and Valdo Kalm. 4) To elect to the Board of the Company for new term of the Board (for 2 years): 1. Mr Jörgen Latte, proposed by Amber Teleholding A/S, 2. Mr Anders Gylder, proposed by Amber Teleholding A/S, 3. Mr Ove Alm, proposed by Amber Teleholding A/S, 4. Mr Joakim Sundström, proposed by Amber Teleholding A/S, 5. Mr Björn Lindegren, proposed by Amber Teleholding A/S, 6. Mr Matti Hyyrynen as proposed to Amber Teleholding A/S by East Capital, 7. Mr Gert Tiivas as proposed to Amber Teleholding A/S by East Capital. Jörgen Latte (born in 1954) – CFO of TeliaSonera Sweden; a member of the Supervisory Boards of Telia Pensionfund (Sweden), LMT (Latvia) and Eesti Telekom (Estonia); Chairman of the Board of Telia Electronic Commerce AB (Sweden), Infonet Svenska AB (Sweden), TeliaSonera Sverige Net Fastigheter AB (Sweden), TeliaSonera Sverige Finans AB (Sweden), TeliaSonera Payphone AB (Sweden), TeliaSonera Sverige Asset Finance AB (Sweden) and adminson AB (Sweden); a member of the Board of Sergel Kreditföretag AB (Sweden), TeliaSonera International Carrier AB (Sweden) and TeliaSonera Försäkring AB; a deputy member of the Board of Avnos AB (Sweden); has no interest in the share capital of TEO LT, AB. Anders Gylder (born in 1950) – Executive Vice President at TeliaSonera AB Business Area Broadband Services; a member of the Supervisory Board of Eesti Telekom (Estonia); has no interest in the share capital of TEO LT, AB. Ove Alm (born in 1959) – Head of Product and Production at TeliaSonera AB Business Area Broadband Services; a member of the Board of Telia Stofa A/S (Denmark) and NextGenTel Holding ASA (Norway); has no interest in the share capital of TEO LT, AB. Joakim Sundström (born in 1959) – Director of Business Control at TeliaSonera AB Business Area Broadband Services. Not involved in activities of other companies and has no interest in the share capital of TEO LT, AB. Björn Lindegren (born in 1949) – General Counsel at TeliaSonera Business Area Broadband Services; a member of the Board of TeliaSonera Network Sales AB, TeliaSonera International Carrier AB, TeliaSonera Sverige Asset Finance AB, TeliaSonera Payphone AB, TeliaSonera Net Fastigheter AB, Infonet Svenska AB, Telia Electronic Commerce AB, Telia Lithuania AB and Föräldrakooperativet Lurifaxen I Farsta; has no interest in the share capital of TEO LT, AB. Matti Hyyrynen (born in 1954) – Head of Vilnius and Riga Resident Office of European Bank for Reconstruction and Development; a member of the Board and Chairman of the Audit Committee of TEO LT, AB since 2002; has no interest in the share capital of TEO LT, AB. Gert Tiivas (born in 1973) – Head of East Capital Baltic office in Tallinn; a member of the Supervisory Councils of the Tallinn Stock Exchange (Estonia), Baltika AS (Estonia), Arco Varavalitsemise AS (Estonia), Cantik Enterprises Ltd. (Ukraine), Pervomayskaya Zarya Ltd. (Russian Federation), JSC Open Investments (Russian Federation), Russian Real Estate Investment Company AB (Sweden) and Explorer Property Fund – Baltic States AB (Sweden); a member of the Board and Audit Committee of TEO LT, AB since 2006; has no interest in the share capital of TEO LT, AB.

46. Material events in the Issuer's activities

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 VSI 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, Savanoriu 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 Hyyrynen, 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 Hyyrynen 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.

On 20 July 2006, the Board of TEO LT, AB (hereinafter – TEO or "the Company") approved unaudited financial statements of TEO Group for the first half of 2006, prepared according to International Financial Reporting Standards. 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. 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). 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.

On 1 October 2006, TEO LT, AB (hereinafter – TEO or "the Company") launched digital television based on IP technology service, GALA. Digital television provides superior video and audio quality and TV content management possibilities. GALA television will be available almost all over the Lithuania and to the customers premises will be provided through the same fixed line which is used for provision of TEO voice and internet services. Monthly fee for basic TV program package (at present 38 TV programs) is 35 Lit.

On 17 October 2006, the Board of TEO LT, AB approved unaudited financial statements of TEO Group for the third quarter and nine months of 2006, prepared according to International Financial Reporting Standards. Total Group revenue for nine months of 2006 was up by 0.7 per cent over the total revenue a year ago and amounted to LTL 546.6 million. EBITDA for the nine months of 2006 went up by 1.1 per cent to LTL 271.7 million over LTL 268.8 million for the same period a year ago and EBITDA margin was 49.7 per cent (49.5 per cent in 2005). Profit before income tax for January – September of 2006 was up by 53.1 per cent and amounted to LTL 122.6 million (LTL 80 million a year ago). Profit for the period of the nine months of 2006 (including minority interest and profit from discontinued operations) amounted to LTL 99.3 million, an increase by 63.5 per cent over LTL 60.7 million in 2005.

On 20 December 2006, TEO LT, AB, following the approval of 21 September 2006 of the Board of the Company for acquisition of 100 per cent stake in UAB Mikrovisata TV and Memorandum of Understanding signed with Sigitas Kavaliauskas and Aivaras Kavaliauskas as well as their spouses, shareholders of Mikrovisata TV, regarding acquisition of 100 per cent stake in UAB Mikrovisata TV, submitted an application to Lithuanian Competition Council for permission of market concentration. Memorandum of Understanding provides that implementation of transaction on shares' acquisition is subject upon the following conditions: 1) receipt by the Company of required by legal regulations permissions and/or approvals of the transaction in acceptable to the Company matter from regulatory institutions (including but not limiting to Lithuanian Competition Council, Lithuanian Radio and Television Commission, and Communications Regulatory Authorities of Lithuania), 2) given positive conclusions of UAB Mikrovisata TV due-diligence, 3) both sides willingness to conclude the transaction in agreed terms and conditions. It is planned to implement the transaction by mid of February 2007. Announcement disclosed content of confidential announcements of material event of 14 and 22 September and 18 December 2006.

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.

47. Business strategy and its foreseen changes during the next financial (economic) year

In 2007, TEO Group will seek to increase consolidated revenue by increasing number of broadband internet services users, by maintaining existing voice service customers and revenue as well as looking for new revenue streams from IT and other new business areas. The Group should maintain high EBITDA margin and increase consolidated profit.

In 2007 the Company will continue to develop IP TV services by creating new service functionalities, expanding number of TV channels and packages.

From March 2007 TEO introduced charges for using ZEBRA wireless internet access service and will continue a rapid development of its wireless internet network by 2009 investing up to LTL 35 million and increasing number of hot-spots until 20 thousand.

In 2007, the strategic priority will be given to development of IT services, wireless internet access network and fibre to the user (FFTx) projects.

TEO subsidiaries should increase their external revenue; look for new markets and business areas. In 2007, Baltic Data Center is planning to invest LTL 1.9 million into new IT service management system. In total TEO Group in 2007 plans to devote LTL 164 million for capital investments.

Uncertainties in the future

The present annual prospectus - report contains certain forward-looking statements with respect to the financial situation, performance results and business of TEO Group. These forward-looking statements represent TEO Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, such as those that include the words "potential", "estimated" and similar expressions or variations on such expressions, may be considered as "forward-looking statements".