

TEO LT, AB

INTERIM CONSOLIDATED REPORT FOR THE SIX MONTHS OF 2007

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

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1. Reporting period for which this report has been prepared

January – June of 2007

2. Issuer and its contact details

Name of the Issuer	TEO LT, AB (hereinafter – TEO or “the Company”) (till 5 May 2006 was named AB Lietuvos Telekomas)
Legal 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 of Enterprise	121215434
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
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.

As on 30 June 2007, TEO Group consisted of the parent company, TEO LT, AB, and its daughter companies: UAB Lintel, UAB Baltic Data Center, UAB Kompetencijos Ugdymo Centras and UAB Voicecom. TEO is a sole founder and owner of a non-profit organisation VšĮ TEO Sportas. UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA.

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. 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.

5. Data about securities traded on regulated market

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.

6. Information about results of Issuer's activities

The total consolidated TEO Group's revenue for the six months of 2007 was LTL 379 million, an increase by 4.6 per cent over the total revenue of LTL 362 million for the six months of 2006. Total revenue, excluding Comliet construction activities that contributed LTL 1.7 million during the year 2006, grew by 5.1 per cent over the year.

EBITDA for the six months of 2007 went down by 7.1 per cent to LTL 172 million over LTL 185 million for the six months of 2006. EBITDA margin also went down to 45.5 per cent from 51.2 per cent in 2006.

Profit before income tax for the six months of 2007 was up by 14.2 per cent and amounted to LTL 93 million (LTL 82 million a year ago).

Profit for the period (including minority interest and profit from discontinued operations) amounted to LTL 77 million, an increase by 18.4 per cent over LTL 65 million a year ago.

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 30 June 2007 total amount of borrowings of TEO Group amounted to LTL 8.1 million.

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.

More information about the Company's activities and financial results for the six months of 2007 is provided in TEO LT, AB Consolidated Interim Financial Statements for the six months of 2007.

7. Information about own shares of 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 30 June 2007, 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.

8. Information about Issuer's daughter companies

As on 30 June 2007, TEO Group consisted of the parent company, TEO LT, AB, (Savanorių ave. 28, LT-03501 Vilnius, www.teo.lt) and its daughter companies: UAB Lintel (J. Galvydžio str. 7/Žygio str. 97, LT-08222 Vilnius, www.lintel.lt; 100 per cent of shares), UAB Baltic Data Center (Žirmūnų str. 141, LT-09128 Vilnius, www.bdc.lt; 100 per cent of shares), UAB Kompetencijos Ugdymo Centras (Palangos str. 4, LT-01117 Vilnius, www.kuc.lt; 100 per cent of shares) and UAB Voicecom (Savanorių ave. 28, LT-03501 Vilnius; 100 per cent of shares). TEO is a sole founder and owner of a non-profit organisation VšĮ TEO Sportas (Savanorių ave. 28, LT-03116 Vilnius). UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA.

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

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. UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA, which is a dormant company.

UAB Voicecom has the permission to use the national network of mobile analogue cellular radio communication of the NMT-450 standard. Permission is valid until 31 October 2007.

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

VšĮ TEO Sportas supports TEO women basketball team, a multiple champion of Lithuania and Baltic States. Fitness center ZEBRA SPORT at P. Lukšio str. 34 in Vilnius operated by TEO Sportas ceased its operations on 1 June 2007. TEO is the sole founder of non-profit organisation VšĮ TEO Sportas.

9. Important event during the reporting period

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

As of 12 February 2007 shareholders of UAB Mikrovisatos TV 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).

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 Board proposed 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. The Board also 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.

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.

On 13 June 2007, the Board of TEO LT, AB elected Jörgen Latte as Chairman of the Board. The Board also elected Anders Gylder, Jörgen Latte and Björn Lindegren as members of the Remuneration Committee and Matti Hyyrynen, Joakim Sundström and Gert Tiivas as members of the Audit Committee.

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

10. Issuer's activities plans and forecasts

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.

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

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.

11. Information about Issuer's research and development activities

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.

Also since December 2006 TEO together with the partners from Estonian Elion, Kaunas Technology University and UAB VRS Group is participating in the EU financed BP6 program project for Creation of automated digital cross media content production, aggregation and distribution through multimedia system. The project should end by September 2008.

12. Structure of the Issuer's share capital

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 and there are no restrictions on transferred of securities.

13. Shareholders

As on 30 June 2006, the total number of TEO LT, AB shareholders was 13,502. 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.

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

Name and surname of the shareholder (name of enterprise, type and registered office, code in the register of enterprises)	Number of ordinary registered shares owned by the right of ownership	Part in the share capital (%)	Part of votes given by the shares owned by the right of ownership (%)	Part of votes held together with persons acting together (%)
Amber Teleholding A/S (a), c/o „TeliaSonera Danmark A/S“, Holmbladsgade 139, DK-2300 Copenhagen S, Denmark, code 20758694	488,947,656	60.00	62.94	---
East Capital Asset Management AB, Norra Kungstornet, Kungsgatan 30, Box 1364, SE-111 93 Stockholm, Sweden, code 556564-5370	42,007,382 (b)	5.15	5.41	--

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

(b) 12,387,412 ordinary registered shares and 2,961,997 Global Depository Receipts.

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

As on 30 June 2007, on the basis of 76,123,880 TEO LT, AB shares there were issued 7,612,388 Global Depository Receipts that amounted to 9.34 per cent of the Company's share capital.

In 2007, the State of Lithuania represented by the State Property Fund reduced its shareholding in TEO LT, AB from 1.61 per cent (31 December 2006) to 1.54 per cent (30 June 2007) by continuously giving up shares of the Company as a compensation to Lithuanian citizens for the realty redeemable by the State of Lithuania.

As on 30 June 2007, the State of Lithuania represented by the State Property Fund held 12,528,255 shares that amounted to 1.54 per cent of the Company's share capital and 1.61 per cent of votes. State of Lithuania represented by the State Tax Inspectorate held 362,630 shares that amounted to 0.044 per cent of the Company's share capital and 0.047 per cent of votes. In total, State of Lithuania held 12,890,885 shares that amounted to 1.58 per cent of the Company's share capital and 1.66 per cent of votes

As on 30 June 2007, 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.

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal except treasury stocks (in total 38,095,242 shares) that have no rights to exercise any property and non-property rights provided by the Lithuanian Law on Companies. Therefore number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders is 776,817,518.

The Company is not aware of any agreements between the shareholders that could limit transfer of securities and/or their ability to exercise their voting rights.

14. Employees

On 30 June 2007 total number of TEO Group employees was 3,274. During January – June 2007 number of employees increased by 176 and over the year – by 448. On 30 June 2006 total number of employees amounted to 2,826 and by the year end amounted to 3,098.

The breakdown of TEO Group employees as of 30 June 2007:

Name of the company	Number of employees
TEO LT, AB	2,436
UAB Lintel	676
UAB Baltic Data Center	126
UAB Kompetencijos Ugdymo Centras	22
VšĮ TEO Sportas	14
Total	3,274

Information about employees of TEO LT, AB as of 30 June 2007:

Group of employees	Average number of employees	Average monthly salary (in litas)
Leading Managers	13	23,533
Operation Level Managers	405	4,399
Leading Specialist	81	4,027
Specialists	1,846	1,953
Technicians	91	1,788
Total	2,436	2,555

From 25 April 2007 a new Collective Bargaining Agreement between TEO LT, AB, as the employer, and employees of TEO LT, AB, represented by joint representation of Trade Unions came into force.

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. The Collective Bargaining Agreement of the Company grants a number of additional social guarantees to employees of TEO.

15. Procedure for amendment of the Issuer's By-laws

TEO LT, AB By-laws provide that the General Meeting shall have an exclusive competence to amend and supplement the By-laws of the Company, except for the cases provided for in the Law on Companies of the Republic of Lithuania. A qualified majority of 2/3 of votes present during the General Meeting shall be required at the General Meeting to adopt decisions concerning the amendment of the By-laws.

16. Managing bodies of the Issuer

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

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

The Members of the Board serving on the Board of the Company are acting jointly as a governing body of the Company. The Board consists of seven Members of the Board. The Members of the Board are elected for a term of two years. The Chairman of the Board is elected by the Board from its members for two years. The Members of the Board are elected by the General Meeting in the procedure established by the Law on Companies of the Republic of Lithuania. The Board institutes two Committees: Audit and Remuneration. Three members of the Board comprise each committee.

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

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).

Board (as of 30 June 2007)



Jörgen Latte (born in 1954) – Chairman of the Board, a member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

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) – a member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

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) – a member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S).

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) – a member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Audit Committee of the Board.

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) – a member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

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.



Matti Hyrynen (born in 1954) – a member of the Board since 26 April 2002 (re-elected for the two-year term on 26 April 2007; nominated by East Capital through Amber Teleholding A/S), member of the Audit Committee of the Board.

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

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



Gert Tiivas (born in 1973) – a member of the Board since 24 April 2006 (re-elected for the two-year term on 26 April 2007; nominated by East Capital through Amber Teleholding A/S), member of the Audit Committee of the Board.

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

Member of 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)

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.

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 during January-June 2006 (in litas)	Annual bonus for 2006 (in litas)	Tantiemes for 2006 (in litas)	Dividends for 2006 (in litas)	Total (in litas)
On the average per member of the Company's Board (a)	80,555	4,643	46,286	--	131,484
Total amount for all members of the Company's Board (a)	563,887	32,500	324,000	--	920,387
On the average per member of the Administration of the Company (b)	241,015	402,000	--	5,636	648,651
Total amount for all members of the Administration of the Company (b)	1,205,077	2,010,000	--	28,181	3,243,258

NOTES: (a) The Board consist of seven members; (b) 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 compensations (tantiemes) for 6 members of the Board were paid in June 2007 (LTL 324 thousand) and for one member – in July (LTL 54 thousand).

On 26 April 2007, the Annual General Meeting of TEO LT, AB Shareholders resolved to allocate LTL 202 million for the dividend for the year 2006 or 0.26 litas per one share. Dividends for the year 2006 were paid to the shareholders on 23 May 2007.

During the reporting period none of Board or Administration member received any remunerations, tantiemes and other payments from the profit from the companies, where the Company holds more than 20 per cent of their share capital as well as the Company did not extended to the members of managing bodies any loans, guarantees and warranties, which ensure the fulfilment of their obligations.

17. Information about compliance with the Governance Code

TEO LT, AB essentially follows a 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. The Board institutes two Committees: Audit and Remuneration. Three members of the Board comprise each committee.

Following the Governance Code all members of newly elected Board are considered non-executive directors, whereby two out of seven members represent minority shareholders. In June the Board elected member of Audit and Remuneration Committees. All members of Audit Committee have financial background and 2 out of 3 Committee members represent minority shareholders.

TEO LT, AB

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

19-07-2007 No. 02-~~188~~

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Nerijus Ivanauskas, Chief Marketing Officer and Deputy General Manager, temporary acting as General Manager of TEO LT, AB, and Jan-Erik Elsėrius, Chief Financial Officer and Deputy General Manager of TEO LT, AB, hereby confirm that, to the best of our knowledge, the attached TEO LT, AB Interim Consolidated Report for the six months of 2007 includes a fair review of the development and performance of the business.

ENCLOSURE: TEO LT, AB Interim Consolidated Report of for the six months of 2007 (15 pages)

Chief Marketing Officer and
Deputy General Manager,
temporary acting as General Manager

A handwritten signature in black ink, appearing to read "Nerijus Ivanauskas".

Nerijus Ivanauskas

Chief Financial Officer and
Deputy General Manager

A handwritten signature in blue ink, appearing to read "Jan-Erik Elsėrius".

Jan-Erik Elsėrius

D. Džiaugys, tel. +370 5 236 7878, fax. +370 5 231 3860, e-mail: darius.dziaugys@teo.lt

TEO LT, AB

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS OF 2007

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

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TEO LT, AB (hereinafter – TEO or “the Company”) Group 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.

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

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

TEO Group financial statements for the six months of 2007 are not audited. TEO Group financial statements for the year ended 31 December 2006 are audited by the auditors.

CONSOLIDATED BALANCE SHEET OF TEO GROUP (LTL thousand)

ASSETS	2007-06-30	2006-12-31
Non-current assets		
Property, plant and equipment	622,091	644,164
Intangible assets	29,328	33,538
Other non-current assets	3,609	4,951
	655,028	682,653
Current assets		
Inventories	8,919	8,154
Receivables, prepayments and accrued revenue	114,112	248,719
Current profit tax receivable	822	723
Held-to-maturity investments	60,257	40,419
Trading investments	33,554	34,287
Cash and cash equivalents	223,326	232,581
Assets held for sale	575	1,515
	441,565	566,398
TOTAL ASSETS	1,096,593	1,249,051

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

EQUITY	2007-06-30	2006-12-31
Shareholders' equity		
Share capital	814,913	814,913
Treasury shares	(120,000)	(120,000)
Legal reserve	81,499	81,499
Translation differences	8	(1)
Retained earnings	208,356	333,301
	984,776	1,109,712
Minority interest	--	--
Total equity	984,776	1,109,712
LIABILITIES		
Non-current liabilities		
Borrowings	7,345	7,764
Deferred tax liabilities	13,739	17,481
Grants	3,554	4,727
Deferred revenue	1,932	2,634
	26,570	32,606
Current liabilities		
Trade, other payables and accrued liabilities	77,360	94,690
Current income tax liabilities	7,056	11,140
Borrowings	831	818
Liabilities related to assets held for sale	--	85
	85,247	106,733
Total liabilities	111,817	139,339
TOTAL EQUITY AND LIABILITIES	1,096,593	1,249,051

CONSOLIDATED PROFIT (LOSS) STATEMENT OF TEO GROUP (LTL thousand)

	April – June 2007	April – June 2006	January – June 2007	January – June 2006
Revenue	192,981	181,750	378,786	362,159
Other income	710	695	1,840	1,498
Employee related expenses	(40,036)	(31,084)	(76,301)	(61,083)
Network interconnection expenses	(31,023)	(26,429)	(56,919)	(49,897)
Other operating expenses	(39,616)	(34,693)	(78,606)	(70,158)
Depreciation, amortisation and impairment charge	(42,037)	(51,643)	(84,476)	(104,859)
Other gain (loss), net	3,001	1,467	3,402	2,882
Operating profit	43,980	40,063	87,726	80,542
Finance income	3,203	1,053	5,851	2,071
Finance costs	(150)	(472)	(294)	(1,001)
Finance income (costs), net	3,053	581	5,557	1,070
Share of result of associates	--	1	--	41
Profit before income tax	47,033	40,645	93,283	81,653
Income tax	(7,883)	(7,377)	(16,255)	(15,822)
Profit for the period from continuing operations	39,150	33,268	77,028	65,831
Discontinued operations:				
Profit (loss) for the period from discontinued operations	(2)	--	-	(748)
Profit for the period	39,148	33,268	77,028	65,083
Attributable to:				
Equity holders of the Company	39,148	33,268	77,028	64,955
Minority interest	--	--	--	128
	39,148	33,268	77,028	65,083
Earnings per share for profit attributable to the equity holders of the Company (in litas)	0.050	0.043	0.099	0.084

CONSOLIDATED CHAS FLOW STATEMENT OF TEO GROUP (LTL thousand)

	January – June 2007	January – June 2006
Operating activities		
Profit for the period from continuing operations	77,028	65,831
Adjustments for:		
Income tax	16,255	15,822
Depreciation, amortisation and impairment charge	84,476	104,859
Share of result of associates	--	(41)
Elimination of gain and losses	(3,402)	(6,339)
Interest income	(7,182)	(3,318)
Interest expenses	169	318
Other non-cash transactions	913	609
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	(765)	196
Trade and other accounts receivable	(12,588)	(12,635)
Trade and other accounts payable and deferred revenue	1,047	(8,108)
Cash generated from operations	155,951	157,194
Interest paid	(181)	(316)
Interest received	6,684	3,787
Tax paid	(23,995)	(17,774)
Net cash from operating activities	138,459	142,891

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

Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(80,627)	(28,677)
Proceeds from disposal of PPE, intangible assets, assets held for sale	3,060	71,934
Acquisition/disposal of held-to-maturity investments, net	(18,757)	71,827
Acquisition of subsidiaries	--	(5,062)
Disposal of subsidiaries	989	11,695
Dividends received	--	47
Loan granted/repaid	150,000	(100,000)
Net cash from investing activities	54,665	21,764
Financing activities		
Repayment of borrowings	(406)	(5,457)
Dividends paid to the shareholders	(201,973)	(124,291)
Net cash from financing activities	(202,379)	(129,748)
Increase (decrease) in cash and cash equivalents	(9,255)	34,907
Movement in cash and cash equivalents		
At start of the period	232,581	149,601
Increase (decrease) during the period	(9,255)	34,907
At end of the period	223,326	184,508

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

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share Capital	Treasury Shares	Legal reserves	Translation differences	Retained earnings		
Balance at 1 January 2006	814,913	(120,000)	81,499	(21)	327,171	2,329	1,105,891
Dividends paid for the year 2005	--	--	--	--	(124,291)	--	(124,291)
Net profit	--	--	--	--	64,955	128	65,083
Currency translation differences	--	--	--	25	--	--	25
Acquisition of minority interest	--	--	--	--	--	(2,457)	(2,457)
Balance at 30 June 2006	814,913	(120,000)	81,499	4	267,835	--	1,044,251
Balance at 1 January 2007	814,913	(120,000)	81,499	(1)	333,301	--	1,109,712
Dividends paid for the year 2006	--	--	--	--	(201,973)	--	(201,973)
Net profit	--	--	--	--	77,028	--	77,028
Currency translation differences	--	--	--	9	--	--	9
Balance at 31 March 2007	814,913	(120,000)	81,499	8	208,356	--	984,776

EXPLANATORY LETTER

TEO Group is the largest Lithuanian broadband Internet access and voice telephony services operator, providing integrated telecommunication, IT and TV services to residents and business. TEO LT, AB is listed on the Vilnius Stock Exchange (VSE ticker: TEO1L) and on the London Stock Exchange (LSE ticker: TEOL).

TEO is a consolidated subsidiary of TeliaSonera AB (Sweden) via its wholly-owned subsidiary Amber Teleholding A/S (Denmark), which holds 60 per cent of TEO shares. As on 30 June 2007, 5.15 per cent of the Company's capital was owned by East Capital Asset Management AB (Sweden), 1.58 per cent - by the State of Lithuania, 4.67 per cent of the shares are Treasury Stocks held by UAB Lintel, a member of TEO Group.

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 a fixed location for residential customers;
- publicly available international telephone services provided at a fixed location for residential customers;

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

As TeliaSonera AB through Amber Mobile Teleholding AB owns 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 the mobile network of Omnitel.

As on 30 June 2007, TEO Group consisted of the parent company, TEO LT, AB, (Savanorių ave. 28, LT-03501 Vilnius, www.teo.lt) and its daughter companies: UAB Lintel (J. Galvydžio str. 7/Žygio str. 97, LT-08222 Vilnius, www.lintel.lt; 100 per cent of shares), UAB Baltic Data Center (Žirmūnų str. 141, LT-09128 Vilnius, www.bdc.lt; 100 per cent of shares), UAB Kompetencijos Ugdymo Centras (Palangos str. 4, LT-01117 Vilnius, www.kuc.lt; 100 per cent of shares) and UAB Voicecom (Savanorių ave. 28, LT-03501 Vilnius; 100 per cent of shares). TEO is the sole founder and owner of a non-profit organisation VšĮ TEO Sportas (Savanorių ave. 28, LT-03116 Vilnius). UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA.

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

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 www.zebra.lt, which is one of the most visited Internet portals.

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.

UAB Baltic Data Center is one of the most rapidly growing providers of IT services for enterprise customers 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. UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA, which is a dormant company.

UAB Voicecom has the permission to use the national network of mobile analogue cellular radio communication of the NMT-450 standard. Permission is valid until 31 October 2007.

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

VšĮ TEO Sportas supports TEO women basketball team, a multiple champion of Lithuania and the Baltic States. Fitness center ZEBRA SPORT at P. Lukšio str. 34 in Vilnius operated by TEO Sportas ceased its operations on 1 June 2007. TEO is the sole founder of non-profit organisation VšĮ TEO Sportas.

TEO Group accounting

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

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

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

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

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 50 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 identified on acquisition, net of any accumulated impairment loss.

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

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

Key figures of TEO Group

Financial figures	January – June 2007	January – June 2006	Change (%)
Revenue (LTL thousand)	378,786	362,159	4.6
EBITDA (LTL thousand)	172,202	185,401	-7.1
EBITDA margin (%)	45.5	51.2	
Operating profit (LTL thousand)	87,726	80,542	8.9
Operating profit margin (%)	23.2	22.2	
Profit before income tax (LTL thousand)	93,283	81,653	14.2
Profit for the period (LTL thousand)	77,028	65,083	18.4
Profit for the period margin (%)	20.3	18.0	
Earnings per share (LTL)	0.099	0.084	18.6
Number of shares excluding treasury stocks (thousand)	776,818	776,818	
Capital investments (LTL thousand)	80,627	28,677	181.2
Financial ratios			
Return on capital employed (a) (%)	16.3	13.4	
Return on average assets (a) (%)	14.0	11.8	
Return on shareholders' equity (a) (%)	13.4	10.6	
Gearing ratio (%)	-31.4	-24.5	
Debt to equity ratio (%)	0.8	1.2	
Current ratio (%)	518.0	542.6	
Rate of turnover of assets (a) (%)	63.1	61.9	
Equity to assets ratio (%)	89.8	89.1	

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

The total consolidated TEO Group's revenue for the first six months of 2007 was LTL 379 million, an increase by 4.6 per cent over the total revenue of LTL 362 million for the first six months of 2006. Total revenue excluding Comliet construction activities that contributed LTL 1.7 million during the year 2006 grew by 5.1 per cent over the year. The total revenue for April – June 2007 was LTL 193 million, an increase by 6.2 per cent over the total revenue of LTL 182 million for April – June of 2006.

During the first six months of 2007 share of revenue from traditional voice telephony services from total amount of revenue continued to shrink and amounted to 69.2 per cent of total revenue, while share of Internet and data communications revenue continued to grow and amounted to 26.4 per cent. Revenue

from IT services amounted to 1.3 per cent, television services – 0.7 per cent and other services – 2.4 per cent of total revenue for January – June 2007.

Breakdown of TEO Group revenue (LTL thousand)

	April-June 2007	April-June 2006	Change (%)	January-June 2007	January-June 2006	Change (%)
Voice telephony services	132,634	132,281	0.3	262,249	261,432	0.3
Internet and data communication services	51,447	44,192	16.4	100,044	88,122	13.5
TV services	1,401	--	100.0	2,474	--	100.0
IT services	2,189	1,715	27.6	4,944	3,084	60.3
Construction activities (Comliet)	--	--	--	--	1,651	-100.0
Other revenues	5,310	3,562	49.1	9,075	7,870	15.3
Total	192,981	181,750	6.2	378,786	362,159	4.6
Total excluding revenue from construction activities	192,981	181,750	6.2	378,786	360,508	5.1

Compared with the revenue for the first six months of 2006, revenue from subscription fees for the first six months of 2007 increased by 1.7 per cent, value added services – by 21.1 per cent and network interconnection services – by 12.3 per cent, while revenue from traffic charges and wholesales services went down by 9.1 and 30.1 per cent, respectively.

During January – June 2007, the total number of main telephone lines in service increased by 2.8 thousand lines: 28.2 thousand new telephone lines were installed, while 25.4 thousand lines were disconnected.

	January – June 2007	January – June 2006	Change (%)
Number of fixed lines in service	787,726	786,144	0.2
Digitalisation rate (%)	94.0	93.7	0.3
Number of broadband Internet connections (DSL, LAN, WiFi)	212,648	135,274	57.2
Number of wireless Internet (WiFi) hot-spots	1,750	477	266.9
Number of IP TV customers	11,382	--	100.0
Number of VoIP customers	1,538	--	100.0
Number of IT services customers	276	--	100.0
Number of personnel at the end of period	3,274	2,826	15.9

Total calls traffic for the first six months of 2007, compared to the same period of 2006, declined by 3.8 per cent. Traffic of local calls decreased by 4.7 per cent, long distance domestic calls – by 0.5 per cent and international calls – by 2 per cent, but fixed-to-mobile traffic increased by 1 per cent.

According to the Report of the Communications Regulatory Authority (CRA) for the first quarter of 2007, TEO market share of the fixed-line telephony market in terms of customers amounted to 93.5 per cent and in terms of revenue – to 95.9 per cent. In terms of revenue TEO had 18.8 per cent of the networks' interconnection market.

During January – June 2007, the number of broadband Internet access users increased by almost 32 thousand and in March exceeded 200 thousand. Out of total 212.6 thousand broadband connections, 204 thousand are DSL connections sold to retail customers. 3.8 thousand customers connect to the Internet via local area networks (LAN), 2.5 thousand – via the wireless (WiFi) network and 2.3 thousand DSL connections are sold to wholesales customers.

From March the Company introduced charges for usage of wireless broadband Internet access (based on WiFi technology) at TEO hot-spots. Currently for residential TEO Internet service user monthly fee is LTL 9.99, for TEO business customer, depending on the number of users, monthly fee ranges from LTL 9.99 up to LTL 25 and for non-TEO customer monthly fee is LTL 50 or LTL 5 per hour.

From July 2007, thanks to the new roaming service, users of the ZEBRA wireless Internet service have the possibility to use the wireless Internet at more than 10 thousand wireless Internet hot-spots of 56 operators in 27 countries.

TEO commenced the installation of the first in Lithuania new-generation fiber-optic network, the fibers of which will be installed up to the user's computer (FTTH), and from 1 June 2007 the Company offered new Internet payment plans ("Basic Plus", "Optimal Plus" and "Premium Plus") to residential customers that have access to fiber (FTTH) or local (LAN) network

Compared with the first six months of 2006, revenue from Internet broadband access services for the first six months of 2007 went up by 20.5 per cent while revenue from dial-up Internet service went down by 60.5 per cent. Revenue from data communication and network capacity sale services increased by 21.6 and 8.9 per cent, respectively.

According to the Report of the CRA, the Company's market share of the total Internet providers' market in terms of revenue during the first quarter of 2007 amounted to 43.6 per cent, while its share of the broadband Internet access market was 46.8 per cent. On 31 March 2007 broadband Internet penetration per 100 residents of Lithuania was 12.1 per cent. In terms of revenue TEO had 55.1 per cent of the leased lines market and 50.6 per cent of the data communications market.

In 2007, the Company continuously expands its portfolio of IT services for business customers: in March TEO offered a new computer rent and sale service, in May – an online backup service.

Developing interactive digital television according to the concept "More Than Television", in May TEO offered new services of a virtual cinema theatre and game on TV to the users of its Internet television (IP-TV) service GALA.

During the first six months of 2007, other income (interest income from bonds acquired and loans granted) increased by 22.8 per cent over the other income for the same period year ago, while other gain (loss) from sale of property, investments and etc. over the year also increased by 18 per cent.

Total operating expenses of the Group in the first six months of 2007 were by 16.9 per cent higher than total operating expenses a year ago. Almost all groups of expenses increased: employee related expenses increased by 24.9 per cent, interconnection expenses – by 14.1 per cent, other operating expenses – by 12 per cent. In the group of other operating expenses, the biggest increase was in expenses related to the acquisition of telecommunication equipment, network expenses and energy, premises and transportation expenses.

Increase in operating expenses is in line with the Company's plans and is related to entering into new service areas such as IT and TV, growth of internet and interconnect services as well as increase in number of personnel and salaries.

During April – June 2007, the total number of employees (headcount) in TEO Group went up from 3,192 to 3,274, and over the year the total number of employees increased by 448: in the parent company, TEO, the number of employees increased by 373, in Lintel – by 38, in Baltic Data Center – by 47, in Kompetencijos Ugdymo Centras – by 12, but in TEO Sportas – decreased by 22.

Increased total revenue did not offset increased total expenses and as the result EBITDA for the first six months of 2007 went down by 7.1 per cent to LTL 172 million over LTL 185 million for the first six months of 2006. EBITDA margin also went down to 45.5 per cent from 51.2 per cent in 2006.

Depreciation and amortisation charges continuously went down over the year by 19.4 per cent and during the first six months of 2007 amounted to 22.3 per cent of total revenue (29 per cent a year ago). Consequently, operating profit was 8.9 per cent higher than a year ago and operating profit margin was 23.2 per cent (22.2 per cent a year ago).

Due to repayment of the loan in 2006 and received higher interest income on cash and cash equivalents net financial income during the first six months of 2007 was more than 5 times higher than year ago.

Profit before income tax for the first six months of 2007 was up by 14.2 per cent and amounted to LTL 93 million (LTL 82 million a year ago). Profit for the period (including minority interest and profit from discontinued operations) amounted to LTL 77 million, an increase by 18.4 per cent over LTL 65 million a year ago. Over the year, the profit margin went up from 18 per cent to 20.3 per cent.

Discontinued operations imply result of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija activities during January – February of 2006 and OOO Comliet-Kaliningrad activities from February 2006 till February 2007.

Due to dividend payment and assets depreciation, the total assets of TEO Group during January – June 2007 decreased by 12.2 per cent. Non-current assets decreased by 4 per cent and amounted to 59.7 per cent of the total assets. Current assets decreased by 22 per cent and amounted to 40.3 per cent of total assets, but, in spite of dividend payment in cash, trading investment and held-to-maturity investments alone represented 28.9 per cent of the total assets. In February 2007, TeliaSonera AB repaid the loan of LTL 150 million to TEO, therefore receivables, prepayments and accrued revenue on the balance sheet decreased. In May, following the resolution of the Annual General Meeting of Shareholders of 26 April 2007, dividend of total LTL 202 million or LTL 0.26 per share were paid to the shareholders of TEO.

Due to dividend payment, shareholders' equity decreased by 11.3 per cent but still amounted to 89.8 per cent of the total assets.

Borrowings of TEO Group

Borrower	Lender	Currency	Book value (LTL thousand)
UAB Baltic Data Center	UAB Sampo Banko Lizingas (car leasing)	LTL	1
TEO LT, AB	UAB Nordea Finance Lithuania (car leasing)	LTL	169
TEO LT, AB	AB Invaldos Nekilnojamo Turto Fondas (premises leasing)	LTL	8,006
Total			8,176

In December 2006, TEO fully repaid its loan to European Bank for Reconstruction and Development. At the end of June 2007, the total amount of borrowings, including financial liabilities related to financial leasing of premises and vehicles, amounted to LTL 8 million. Net debt was negative and amounted to LTL 309 million. The net debt to equity ratio was 31.4 per cent.

At the beginning of 2007, the Company paid LTL 19 million for the non-current assets acquired in 2006, therefore that decreased trade, other amounts payable and accrued liabilities on the balance sheet, but increased cash used for acquisition of the assets in the cash flow statement.

Net cash flow from operating activities during the first six months of 2007 was by 3.1 per cent lower than net cash from operating activities a year ago. Capital investments increased by 2.8 times but, due to the loan repayment by TeliaSonera, more cash was returned than used in investing activities.

Net cash flow from operating and investing activities amounted to LTL 193 million, but after payment of dividends of LTL 202 million, cash and cash equivalents during the first six months of 2007 decreased by LTL 9 million.

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

A preliminary share purchase agreement, signed in December 2006 for acquisition of a 100 per cent stake in UAB Mikrovisatos TV, was terminated in February 2007 by the shareholders of UAB Mikrovisatos TV.

During the first six months of 2007, the Company invested LTL 43 million into the network: the first stage of backbone IP network upgrading was completed, a rapid development of wireless Internet and new generation fiber optic access networks was commenced, the speed of direct international Internet connections channels was increased from 6 to 9 Gbps. Investments into IT amounted to LTL 8.8 million, and investments into premises, including construction of a new TEO building in Vilnius at Lvovo str. 21A, amounted to LTL 9.2 million. In 2007, TEO Group is planning to allocate LTL 164 million for capital investments and LTL 33 million – for construction of the new office building.

TEO LT, AB

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

19-07-2007 No. 02-*287*

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Nerijus Ivanauskas, Chief Marketing Officer and Deputy General Manager, temporary acting as General Manager of TEO LT, AB, and Jan-Erik Elsėrius, Chief Financial Officer and Deputy General Manager of TEO LT, AB, hereby confirm that, to the best of our knowledge, the attached not audited TEO LT, AB Interim Consolidated Financial Statements of for the six months of 2007, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of TEO LT, AB and the Group of undertakings.

ENCLOSURE: TEO LT, AB Interim Consolidated Financial Statements of for the six months of 2007 (15 pages)

Chief Marketing Officer and
Deputy General Manager,
temporary acting as General Manager

A black ink signature of Nerijus Ivanauskas, written in a cursive style.

Nerijus Ivanauskas

Chief Financial Officer and
Deputy General Manager

A blue ink signature of Jan-Erik Elsėrius, written in a cursive style.

Jan-Erik Elsėrius

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