

TEO LT, AB

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

23-07-2008 No. 02-~~154~~

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, Arūnas Šikšta, 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 2008 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 2008 (21 page)

General Manager

A blue ink signature of Arūnas Šikšta, consisting of a stylized 'A' followed by a vertical line and a small hook at the top.

Arūnas Šikšta

Chief Financial Officer and
Deputy General Manager

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

Jan-Erik Elsėrius

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TEO LT, AB

INTERIM CONSOLIDATED REPORT FOR THE SIX MONTHS OF 2008

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

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1. Reporting period for which this report has been prepared

January – June of 2008

2. Issuer and its contact details

Name of the Issuer	TEO LT, AB (hereinafter – TEO or “the Company”)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Name of Register of Legal Entities	State Enterprise Centre of Registers
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.

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

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

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

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

As on 30 June 2008, TEO Group consisted of the parent company, TEO LT, AB, and its daughter companies: UAB Lintel, UAB Baltic Data Center, UAB Nacionalinė Skaitmeninė Televizija, 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.

4. Agreements with intermediaries of public trading in securities

On 1 December 2000, the Company and AB SEB 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 Baltic Main 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 Depositary 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.

Securities of the Company's subsidiaries are not traded publicly as subsidiaries are limited companies and 100% owned by the Company.

6. Information about results of Issuer's activities

The total consolidated TEO Group's revenue for the first six months of 2008 was LTL 410 million, an increase by 8.3 per cent over the total revenue of LTL 379 million for the first six months of 2007.

EBITDA for the first six months of 2008 went up by 7.3 per cent to LTL 185 million over LTL 172 million in the first six months of 2007. EBITDA margin stood at 45.1 per cent (45.5 per cent in 2007).

Profit before income tax in the first six months of 2008 was up by 11.8 per cent and amounted to LTL 104 million (LTL 93 million a year ago).

Profit for the period amounted to LTL 89 million, an increase by 16 per cent over LTL 77 million a year ago. Over the year, the profit margin went up from 20.3 per cent to 21.8 per cent.

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.
- Acceptance of new products of the Company by the market.
- Fluctuation of currencies' exchange rates.
- General economic situation in the Republic of Lithuania.
- Changes in the Lithuanian legislation.
- Changes in the regulation of accounting and taxation systems.
- As of 30 June 2008 total amount of borrowings of TEO Group amounted to LTL 7.2 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 2008 is provided in TEO LT, AB Consolidated Interim Financial Statements for the six months of 2008.

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. UAB Lintel took over all the rights, assets, obligations and liabilities of UAB Lintkom.

In July 2007, the Board of TEO LT, AB decided to acquire from UAB Lintel treasury stocks. In September 2007, the Company took over the treasury stocks from UAB Lintel. Now TEO LT, AB holds 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 31 December 2007, TEO Group consisted of the parent company, TEO LT, AB, (registered on 6 February 1992, code 121215434, name of the Register of Legal Entities: State Enterprise Center of Registers; address: Savanorių ave. 28, LT-03501 Vilnius tel.: +370 5 262 15 11; fax. +370 5 212 66 65; e-mail address: info@teo.lt; internet address: www.teo.lt) and its subsidiaries:

Name of the company	Date of registration, code, name of Register of Legal Entities	Contact details	TEO part in the share capital of the company (%)	Part of TEO votes (%)
UAB Lintel	27 July 1992, code 110401957, State Enterprise Center of Registers	J. Galvydžio str. 7/Žygio str. 97, LT-08222 Vilnius, Lithuania tel. +370 5 236 8301, fax. +370 5 2783322, www.lintel.lt	100.00	100.00
UAB Baltic Data Center	17 December 2001, code 125830791, State Enterprise Center of Registers	Žirmūnų str. 141, LT-09128 Vilnius, Lithuania tel. +370 5 274 8360, fax. +370 5 2783399, www.bdc.lt	100.00	100.00

UAB Nacionalinė Skaitmeninė Televizija	12 September 2007, code 301110538, State Enterprise Center of Registers	Savanorių ave. 125, LT-44146 Kaunas tel. +370 5 236 8840, fax. +370 5 278 3123	100.00	100.00
UAB Kompetencijos Ugdymo Centras	5 July 1995, code 134517169, State Enterprise Center of Registers	Palangos str. 4, 3rd Floor LT-01117 Vilnius, Lithuania tel. +370 5 274 8477, fax. +370 5 2121569, www.kuc.lt	100.00	100.00
UAB Voicecom	6 March 2001, code 210860630, State Enterprise Center of Registers	Savanorių ave. 28, LT-03501 Vilnius, Lithuania tel. +370 5 236 7209 fax. +370 5 231 3860	100.00	100.00
VšĮ TEO Sportas	28 April 1998, code 124366950, State Enterprise Center of Registers	Savanorių ave. 28, LT-03116 Vilnius, Lithuania tel. +370 5 278 8944 fax. +370 5 278 8831 www.teobasket.lt	-(a)	100.00

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

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

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

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

On 3 January 2008, TEO acquired 100 per cent stake in UAB Nacionaline Skaitmenine Televizija, which has two licenses for re-broadcasting of television channels through digital terrestrial television (DVB-T) networks. In March 2008, TEO Group started provision of digital terrestrial television service. In July 2008, started process of changing Nacionalinė Skaitmeninė Televizija legal status from closed joint-stock company (UAB) to joint-stock company (AB). Later this company will be merged into TEO LT, AB.

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

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

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

On 15 February 2007, TEO LT, AB sold its 100 per cent stake in OOO Comliet-Kaliningrad (ul. Pugachiova 14a, RUS-236000 Kaliningrad, Kaliningrad Region, Russian Federation). The company was

acquired from the then subsidiary UAB Comliet (held 95 per cent stake in OOO Comliet-Kaliningrad) and UAB Comliet Sprendimai (5 per cent stake) on 31 January 2006.

9. Important event during the reporting period

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

From 4 January 2008 Nerijus Ivanauskas, Chief Marketing Officer and Deputy General Manager of TEO LT, AB, also took a position of General Manager of UAB Nacionalinė Skaitmeninė Televizija.

In March, TEO LT, AB Group started provision of the digital terrestrial television service *Skaitmeninė GALA (Digital GALA)*, which will enable using the highest-quality television services almost in the whole of Lithuania. The new service's users will have the possibility to watch up to 40 popular TV channels. The monthly fee for Digital GALA is 29 litas per month. Service is provided on behalf of TEO Group member Nacionalinė Skaitmeninė Televizija.

In March, the Company received a resignation letter of its Board member Gert Tiivas. He resigned from the Board on 28 April 2008. Gert Tiivas (born in 1973), a Managing director of East Capital Explorer (Sweden), was a member of the Board of TEO LT, AB since 24 April 2006 and was member of the Audit Committee.

On 13 March 2008 the Board of TEO LT, AB decided:

- To approve the draft of the Company's audited annual financial statements for the year 2007, prepared according to International Financial Reporting Standards, and to propose the Company's Annual General Meeting of Shareholders to approve the audited annual financial statements of the Company for the year 2007.
- To approve the Company's Consolidated Annual Report for the year 2007, prepared by the Company and assessed by the auditors, and to present the Consolidated Annual Report of the Company for information to the Company's Annual General Meeting of Shareholders.
- To approve the draft of the Company's profit allocation for the year 2007 and to propose for the Annual General Meeting of Shareholders to allocate the profit according to the draft of the profit allocation: from the Company's distributable profit to allocate LTL 194,204 thousand (EUR 56,245 thousand) for the dividend payment for the year 2007 or LTL 0.25 (EUR 0.072) dividend per share. For annual payments (tantiemes) to the members of the Board for the year 2007 to allocate LTL 378 thousand (EUR 109 thousand), i.e. LTL 54 thousand per one member of the seven-members' Board.
- To convoke the Annual General Meeting of Shareholders in TEO LT, AB headquarters, at room 157, Savanorių ave. 28, Vilnius, Lithuania, at 13.00 on 29th of April 2008, and to propose to the Annual General Meeting of Shareholders' the following draft 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.
 - 3) Allocation of the Company's profit for the year 2007.
 - 4) Election of the Company's auditor.
 - 5) Election of the Company's Board member.
- To propose to the Annual General Meeting of Shareholders to elect UAB PricewaterhouseCoopers as the Company's audit enterprise for two years to make the audit of the Company's financial statements for the year 2008 and 2009 and to make assessment of the Company's Consolidated Annual Reports for the year 2008 and 2009.

The Annual General Meeting of TEO LT, AB shareholders on 29 April 2008:

- approved audited Company's annual financial statements for the year 2007, prepared according to the International Financial Reporting Standards. Consolidated Annual Report of the Company for the year 2007, prepared by the Company, assessed by the auditors and approved by the Board of Directors was also presented to the shareholders.

- allocated the Company's profit of the year 2007 according the draft of profit allocation presented for Annual General Meeting of Shareholders: from the Company's distributable profit was allocated LTL 194,204 thousand (EUR 56,245 thousand) for the dividend payment for the year 2007 or LTL 0.25 (EUR 0.072) dividend per share. For annual payments (tantiemes) to the members of the Board for the year 2007 allocated LTL 378 thousand (EUR 109 thousand), i.e. LTL 54 thousand per one member of the seven-members' Board.

- elected UAB PricewaterhouseCoopers as the Company's audit enterprise for two years to make the audit of the Company's financial statements for the year 2008 and 2009 and to make assessment of the Company's Consolidated Annual Reports for the year 2008 and 2009. Authorized 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 480,000 (four hundred and eighty thousand) litas (VAT excluded) for the audit of the Company's financial statements for the two financial years and assessment of the Company Consolidated Annual Report for the year 2008 and 2009 (i.e. 240,000 (two hundred and forty thousand) litas (VAT excluded) per one year).

The agenda issue of election of the Company's Board member was not discussed as no candidates for elections to the Board member position were received.

On 28 May 2008, the Company paid out dividend for the year 2007 of LTL 0.26 per share.

On 10 June 2008 the Board of TEO LT, AB decided:

- To submit the proposal to the Company's shareholders regarding the merger by acquisition of UAB Nacionalinė Skaitmeninė Televizija into TEO LT, AB and to request for permission to prepare draft of the reorganisation conditions.

- To convoke the Extraordinary General Meeting of Shareholders in TEO LT, AB headquarters, at room 157, Savanoriu ave. 28, Vilnius, Lithuania, at 13.00 on 15th of July 2008, and to propose to the Annual General Meeting of Shareholders' the following draft agenda: 1) As regards preparation of the draft reorganisation conditions with the view of merging by acquisition UAB Nacionalinė Skaitmeninė Televizija into TEO LT, AB; 2) Election of the Company's Board member. On 11 June 2008 Amber Teleholding A/S, as a shareholder of TEO LT, AB, proposed to elect Mr. Justas Pipinis to the Board of the Company for the current term of the Board.

TEO LT, AB decided to reorganize its subsidiary UAB Nacionalinė Skaitmeninė Televizija into AB Nacionalinė Skaitmeninė Televizija by changing its legal status from closed joint-stock company to joint-stock company.

On 15 July 2008, Extraordinary General Meeting of TEO LT, AB shareholders decided: 1) To approve preparation of the draft reorganisation conditions with the view of merging by acquisition UAB Nacionalinė Skaitmeninė Televizija into TEO LT, AB on condition that UAB Nacionalinė Skaitmeninė Televizija changes its legal form into a public company before the public announcement of the reorganisation conditions. 2) To elect to the Board of the Company for the current term of the Board Mr Justas Pipinis, proposed by Amber Teleholding A/S. Mr Justas Pipinis (born in 1973) is Managing Director of East Capital Holding AB (Sweden) and East Capital International AB (Sweden). Also he is Board member and Chairman of number of subsidiaries of East Capital Holding AB. Justas Pipinis has no direct interest in the share capital of TEO LT, AB. As of 30 June 2008 East Capital owned 29,495,360 shares of TEO LT, AB which amounts to 3.62 per cent of the Company's share capital and 3.80 per cent of votes. Following The Governance Code for the Companies Listed on the Vilnius Stock Exchange Justas Pipinis is regarded as independent and non-executive member of the Board.

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 2008, TEO AB, LT is strongly focused on increasing IPTV / DVB -T as well as data communications and broadband internet customer base and retaining existing voice services' customers. The Company is strongly oriented towards offering integrated IT and telecommunications service packages to the business customers segment.

The revenue growth in 2008 should come from increase in revenue from new areas of activities such as IT and television services as well as higher revenue per users of broadband internet services.

In order to streamline TEO Group structure and increase efficiency it is planned during the second half of 2008 to merge subsidiary Nacionalinė Skaitmeninė Televizija into TEO LT, AB.

Following the order of the Communications Regulatory Authority of the Republic of Lithuania of 31 January 2008 on prices for calls initiation, calls termination, national and international transit services on the public telephone network of TEO LT, AB at a fixed location the Company publicly announced a new standard proposal for networks interconnection along with a new networks interconnection services structure and by 40 per cent decreased networks interconnection tariffs.

In June 2008, the Company's capital investments program was revised. Capital investments for the year 2008, excluding construction of the Company's head-quarters, should amount up to LTL 182 million and will be oriented towards improvement of the network, quality of services and development of digital terrestrial TV services.

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.

38,095,242 shares are treasury stocks that have no rights to exercise any property and non-property rights provided by the Law of the Republic of Lithuania on Companies. Therefore, the number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders is 776,817,518.

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

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

As on 15 July 2008, 31,641,670 ordinary shares of the Company (3.88% of the total share capital) were represented by 3,164,167 GDRs.

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

13. Shareholders

The number of shareholders on the day of the last General Meeting of Shareholders, which was held on 15 July 2008, was 14,964.

Shareholders of TEO LT, AB as on 15 July 2008:

Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)	Number of ordinary registered shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)	Share of votes held together with persons acting in concert (%)
Amber Teleholding A/S (a), c/o „TeliaSonera Danmark A/S“, Holmbladsgade 139, DK-2300 Copenhagen S, Denmark, code 20758694	488,947,656	60.00	62.94	-
TEO LT, AB, Savanorių pr. 28, LT-03501 Vilnius, Lithuania, code 121215434 (Treasury stocks)	38,095,242 (b)	4.67	-	-
State of Lithuania (d)	11,728,985 (c)	1.44	1.51	-
Other shareholders	276,140,877	33.89	35.55	-
Total:	814 912 760	100.00	100.00	-

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

(b) 12,698,412 ordinary registered shares and 2,539,683 Global Depository Receipts.

(c) The State Property Fund (11,366,355 shares) and the State Tax Authorities (362,630 shares).

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. One ordinary registered share of TEO LT, AB gives one vote in the General Meeting of Shareholders.

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.

On 28 May 2008, the Company paid out to the shareholders LTL 194,204 thousand of dividends or 0.25 litas per share for the year 2007. Following the Law dividends were paid to the shareholders who on the dividend record day, 29 April 2008, i.e. the day of the Annual General Meeting of Shareholders, were on the Shareholders' List of the Company. Dividends to all share and GDR holders were paid in cash.

14. Employees

On 30 June 2008 total number of TEO Group employees (headcount) was 3,261 while number of full-time employees was 2,887 as part-time employees are recalculated into full-time employees and number does not include employees on maternity/paternity leave.

Over the total number of employees (headcount) went down by 13 while number of full-time employees eased by 148. On 30 June 2007 total number of employees (headcount) was 3,274 and number of full-time employees amounted to 3,035.

The breakdown of TEO Group employees as of 30 June 2008:

Name of the company	Number of employees (headcount)	Number of full-time employees
TEO LT, AB	2,236	2,160
UAB Lintel	822	530
UAB Baltic Data Center	171	167
UAB Kompetencijos Ugdymo Centras	25	24
VšĮ TEO Sportas	7	4.5
UAB Nacionalinė Skaitmeninė Televizija	-	0.5
UAB Voicecom	-	0.5
Total	3,261	2,887

Information about employees of TEO LT, AB as of 30 June 2008:

Group of employees	Average number of employees	Average monthly salary (in litas)
Leading Managers	11	30,727
Operation Level Managers	304	4,991
Specialists	1,819	2,544
Technicians	102	1,981
Total	2,236	

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, is valid from 25 April 2007.

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.

Gert Tiivas, member of the Board and member of the Audit Committee, has resigned from 28 April 2008. The agenda issue of election of the Company's Board member was not discussed during the Annual General Meeting of Shareholders, which took place on 29 April 2008, as no candidates for elections to the Board member position were received. On 11 June 2008 Amber Teleholding A/S, as a shareholder of TEO LT, AB, proposed to elect Mr. Justas Pipinis to the Board of the Company for the current term of the Board. On 15 July 2008, Extraordinary General Meeting of TEO LT, AB shareholders decided to elect to the Board of the Company for the current term of the Board Mr Justas Pipinis, proposed by Amber Teleholding A/S.

BOARD



Jörgen Latte (born in 1954)

Chairman of the Board of **TEO LT, AB**, as member of the Board for the two-year term elected on 26 April 2007 (nominated by Amber Teleholding A/S), Chairman of the Remuneration Committee of the Board.

Education

University of Stockholm, *Bachelor of Business Administration*

Employment

TeliaSonera AB Business Area Broadband Services (Sweden), *CFO*

Current Board Assignments

Eesti Telekom AS (Estonia), *member of the Supervisory Board*
 Elion Ettevõtte AS (Estonia), *Chairman of the Supervisory Board*
 TeliaSonera Sverige Net Fastigheter AB (Sweden), *Chairman of the Board*
 Telia Lithuania AB (Sweden), *Chairman of the Board*
 Amber Teleholding A/S (Denmark), *Chairman of the Board*
 Tilts Communications A/S (Denmark), *Chairman of the Board*
 Telia Pensionfund (Sweden), *member of the Board*
 TeliaSonera International Carrier AB (Sweden), *member of the Board*
 TeliaSonera Försäkring AB (Sweden), *member of the Board*
 TeliaSonera Skanova Access AB (Sweden), *member of the Board*
 Stofa A/S (Denmark), *member of the Board*
 NextGenTel Holding ASA (Norway), *member of the Board*
 Avnos AB (Sweden), *deputy member of the Board*

TeliaSonera AB (Sweden), through its subsidiary Amber Teleholding A/S (Denmark), which nominated Jörgen Latte to the Board of TEO LT, AB, has 488,947,656 shares of TEO LT, AB that accounts to 60 per cent of the share capital and gives 62.94 per cent of votes.

Jörgen Latte has no direct interest in the share capital of TEO LT, AB.

He is not involved in the business of other Lithuanian companies and does not have interest in the share capital of Lithuanian companies.



Anders Gylder (born in 1950)

Member of the Board of **TEO LT, AB**, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

Education

Linköping Institute of Technology, *Master of Science in Engineering*


Employment


TeliaSonera AB Business Area Broadband Services (Sweden), *Executive Vice President*

Current Board Assignments

Lattelecom SIA (Latvia), *Deputy Chairman of the Supervisory Council, member of Remuneration Committee, and Business Planning and Finance Committee*
 Amber Teleholding A/S (Denmark), *member of the Board*

	Tilts Communications A/S (Denmark), <i>member of the Board</i>
	TeliaSonera AB (Sweden), through its subsidiary Amber Teleholding A/S (Denmark), which nominated Anders Gylder to the Board of TEO LT, AB, has 488,947,656 shares of TEO LT, AB that accounts to 60 per cent of the share capital and gives 62.94 per cent of votes.
	Anders Gylder has no direct interest in the share capital of TEO LT, AB.
	He is not involved in the business of other Lithuanian companies and does not have interest in the share capital of Lithuanian companies.

	Ove Alm (born in 1959)	
	Member of the Board of TEO LT, AB , elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S).	
	Education	University of Uppsala, <i>Master of Business Administration, International Business</i> Royal Institute of Technology (KTH), Stockholm, <i>Master of Science, Engineering Physics</i>
	Employment	TeliaSonera AB Business Area Broadband Services (Sweden), <i>Head of Product and Production</i>
	Current Board Assignments	
	Lattelecom SIA (Latvia), <i>member of the Supervisory Board</i> Telia Stofa A/S (Denmark), <i>member of the Board</i> NextGenTel Holding ASA (Norway), <i>member of the Board</i>	
	TeliaSonera AB (Sweden), through its subsidiary Amber Teleholding A/S (Denmark), which nominated Ove Alm to the Board of TEO LT, AB, has 488,947,656 shares of TEO LT, AB that accounts to 60 per cent of the share capital and gives 62.94 per cent of votes.	
Ove Alm has no direct interest in the share capital of TEO LT, AB.		
He is not involved in the business of other Lithuanian companies and does not have interest in the share capital of Lithuanian companies.		

	Joakim Sundström (born in 1959)	
	Member of the Board of TEO LT, AB , elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Audit Committee of the Board.	
	Education	Stockholm University, <i>Bachelor of Business Administration</i>
	Employment	TeliaSonera AB Business Area Broadband Services (Sweden), <i>Vice President of Business Control</i>

Current Board Assignments

Lattelecom SIA (Latvia), *member of the Supervisory Board and the Audit Committee*
 Sergel Kreditföretag AB (Sweden), *member of the Board*
 TeliaSonera Skanova Access AB (Sweden), *deputy member of the Board*

TeliaSonera AB (Sweden), through its subsidiary Amber Teleholding A/S (Denmark), which nominated Joakim Sundström to the Board of TEO LT, AB, has 488,947,656 shares of TEO LT, AB that accounts to 60 per cent of the share capital and gives 62.94 per cent of votes.

Joakim Sundström has no direct interest in the share capital of TEO LT, AB.

He is not involved in the business of other Lithuanian companies and does not have interest in the share capital of Lithuanian companies.



Björn Lindegren (born in 1949)

Member of the Board of **TEO LT, AB**, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

Education

Bachelor of Law, Degree in Maritime Law

Employment

TeliaSonera AB Business Area Broadband Services (Sweden), *Senior Legal Advisor*

Current Board Assignments

TeliaSonera Network Sales AB (Sweden), *member of the Board*
 TeliaSonera International Carrier AB (Sweden), *member of the Board*
 TeliaSonera Sverige Asset Finance AB (Sweden), *member of the Board*
 TeliaSonera Skanova Access AB (Sweden), *member of the Board*
 TeliaSonera Sverige Net Fastigheter AB (Sweden), *member of the Board*
 Telia Electronic Commerce AB (Sweden), *member of the Board*
 Konsumenternas tele-och Internetbyrå AB (Sweden), *member of the Board*
 Telia Lithuania AB (Sweden), *member of the Board*
 Amber Teleholding A/S (Denmark), *member of the Board and Managing Director*
 Tilts Communications A/S (Denmark), *member of the Board and Managing Director*

TeliaSonera AB (Sweden), through its subsidiary Amber Teleholding A/S (Denmark), which nominated Björn Lindegren to the Board of TEO LT, AB, has 488,947,656 shares of TEO LT, AB that accounts to 60 per cent of the share capital and gives 62.94 per cent of votes.

Björn Lindegren has no direct interest in the share capital of TEO LT, AB.

He is not involved in the business of other Lithuanian companies and does not have interest in the share capital of Lithuanian companies.



Matti Hyrynen (born in 1954)

Member of the Board of **TEO LT, AB** since 26 April 2002 (re-elected for the two-year term on 26 April 2007; nominated by East Capital through Amber Teleholding A/S), Chairman of the Audit Committee of the Board.

Education	Helsinki University, <i>Master's Degree in Mathematics</i>
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Employment	European Bank for Reconstruction and Development, <i>Head of the Vilnius Representative Office and responsible for the bank's business in the three Baltic countries</i>
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Current Board Assignments

AB Siauliu Bankas (Lithuania), *member of the Supervisory Council*
AS Estonian Cell (Estonia), *member of the Supervisory Council*

As of 30 June 2008 East Capital (Sweden), a company that nominated Matti Hyrynen to the Board of TEO LT, AB, held 29,495,360 shares of TEO LT, AB that accounts to 3.62 per cent of the share capital and gives 3.80 per cent of votes.

Matti Hyrynen has no direct interest in the share capital of TEO LT, AB.

He does not have interest in the share capital of Lithuanian companies.



Justas Pipinis (born in 1973)

Member of the Board of **TEO LT, AB**, elected for the current term of the Board on 15 July 2008 (nominated by Amber Teleholding A/S)

Education	Stockholm University, <i>Bachelor of Business Administration</i>
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Employment	East Capital International AB (Sweden), <i>CEO</i> East Capital Holding AB (Sweden), <i>CEO</i>
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Current Board Assignments

Avec Asset Management AS, *member of the Board*
East Capital AB, *member of the Board*
East Capital Alternative Investments Ltd, *Director*
East Capital Asset Management AB, *member of the Board*
East Capital Explorer AB (publ), *member of the Board*
East Capital Explorer Investments AB, *member of the Board*
East Capital Financial Institutions II AB; *member of the Board*
East Capital Financials Fund AB, *Chairman of the Board*
East Capital Financials Fund Investors AB (publ), *Chairman of the Board*
East Capital International AB, *Chairman of the Board*
East Capital Norway AS, *Chairman of the Board*
East Capital Power Utilities Fund AB (publ), *Chairman of the Board*
East Capital Private Equity AB, *member of the Board*
East Capital (LUX) SICAV, *Chairman of the Board*
MFG Intressenter AB, *member of the Board*

SN Intressenter AB, *member of the Board*
Stingray Holding AB, *member of the Board*

As of 30 June 2008 East Capital (Sweden), held 29,495,360 shares of TEO LT, AB that accounts to 3.62 per cent of the share capital and gives 3.80 per cent of votes.

Justas Pipinis has no direct interest in the share capital of TEO LT, AB.

He is not involved in the business of other Lithuanian companies and does not have interest in the share capital of Lithuanian companies.

ADMINISTRATION



Arūnas Šikšta (born in 1968)

General Manager (CEO) of **TEO LT, AB** from 2 January 2004

Education

Klaipėda University, Natural Science Faculty, *Degree in Management (1995)*
From 2007 he studies at Vienna University of Economics and Business Administration, PMBA

Previous employment

1992-1993 – Lithuanian Open Society Fund, *program coordinator*
1993-1996 – Lithuanian–Dutch joint venture Seceurtronics Technicom, *Executive Director*
1996-1997 – Lithuanian Agricultural Bank, *Director of Marketing Department*
1997-1999 – AS Hansapank (Estonia), International Relations and Network Department, *Lithuanian Project Manager*
1999-June 2001 – AB Hansabankas (Lithuania), *Chairman of the Board*
June 2001-November 2003 – AB Hansa-LTB (Lithuania), *Chairman of the Board*
June 2001-November 2003 – Hansabank Group (Estonia), *member of the Board*

Current Board Assignments

UAB Voicecom, a subsidiary of TEO LT, AB, *Chairman of the Board*
AAS Gjensidige Baltic, a subsidiary of Norwegian non-life insurance company Gjensidige Forsikring BA, *Deputy Chairman of the Board*
International Business School at Vilnius University, *member of the Council*
Big Brothers Big Sisters International, Philadelphia, U.S.A., *member of the Board*

Arūnas Šikšta has no direct interest in the share capital of TEO LT, AB.

He is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies



Darius Gudačiauskas (born in 1975)

Chief Sales Officer and Deputy General Manager of **TEO LT, AB** from 1 March 2006

Education

Vilnius Gediminas Technical University, *Bachelor degree of Business Administration (1997), Master of Business Administration (1999), Doctor of Social Sciences, Economics (2005)*

Previous employment

1996-1999 – McDonald's Baltics, *Marketing Manager (Coordinator) Baltics*
1999-2001 – Philip Morris Baltics, *Brand Manager*
2001-2004 – AB bankas Hansabankas (Lithuania), *Director of Marketing and Public Relations Department*
February 2004-February 2006 – AB Lietuvos Draudimas (Lithuania), *Sales Director and member of the Board*

Current Board Assignments

UAB Lintel, a subsidiary of TEO LT, AB, *Chairman of the Board*

Darius Gudačiauskas 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.



Nerijus Ivanauskas (born in 1970)

Chief Marketing Officer and Deputy General Manager of **TEO LT, AB** from 1 March 2006

Education

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

Previous employment

1996-1998 – UAB Lintel, *Marketing Director*
January-October 1998 – AB Lietuvos Telekomas, *Deputy Marketing Director*
November 1998-October 2001 – UAB Lietuvos Telekomo Verslo Sprendimai, *Marketing and Product Development Director*
November 2001-June 2002 – AB Lietuvos Telekomas, *Director of Voice Sector*
July 2002-July 2003 – Oracle East Central Europe Limited Vilnius Branch, *Territory Manager*
July 2003-March 2006 – AB Lietuvos Telekomas, *Deputy Chief Marketing and Sales, Director of Sales Department, Director of Marketing Department*

Current Board Assignments

UAB Nacionalinė Skaitmeninė Televizija, a subsidiary of TEO LT, AB, *Member of the Board*

and General Manager

Nerijus Ivanauskas has no direct interest in the share capital of TEO LT, AB.

He is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.



Darius Didžgalvis (born in 1969)

Chief Technology Officer and Deputy General Manager of **TEO LT, AB** from 9 February 2005

Education

Kaunas University of Technology, *Engineer in radio electronics (1993)*, *MSc in Telecommunication Engineering (2001)*, *International Executive MBA (2003)*

Previous employment

1993-1996 – AB Lietuvos Telekomas, Klaipėda Branch, *Engineer*
 1996-1998 – AB Lietuvos Telekomas, Klaipėda Branch, *Manager of Technical Operation Unit*
 1998-1999 – AB Lietuvos Telekomas, Network Operation Department, *Director of West Region Technical Center*
 1999-2001 – AB Lietuvos Telekomas, Network Department, *Director of Operation Sector and Services Delivery Sector*
 2001-2005 – AB Lietuvos Telekomas, *Director of Wholesales Department*

Current Board Assignments

UAB Nacionalinė Skaitmeninė Televizija, a subsidiary of TEO LT, AB, *Chairman of the Board*

UAB Voicecom, a subsidiary of TEO LT, AB, *member of the Board*

Darius Didžgalvis 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.



Jan-Erik Elsérius (born in 1943)

Chief Financial Officer and Deputy General Manager of **TEO LT, AB** from 1 March 2004; Head of Treasury and Investor Relations Unit of **TEO LT, AB**.

Education

Uppsala University, *BA in Management, Managerial Economy, Political Economy and Statistics (1967)*

Previous employment

1969-1972 – Stockholm City/County Council, Financial Division
 1972-1975 – Swedish Telecom Administration (Telia), *Head of the Public Office of Financial Division*
 1975-1976 – Swedish Telecom Administration (Telia), *responsible for the Long term Planning and accountable to the Director General*

1976-1980 – Swedtel assignment in East Africa
 1982-1997 – TeleLarm AB (Sweden), *Finance Director, from September 1997 Director General*
 1998-1999 – Securitas Larm AB (Sweden), *Deputy Managing Director*
 From 29 March 1999 – AB Lietuvos Telekomas, *Chief Financial Officer, Director of Finance Department*

Current Board Assignments

UAB Lintel, a subsidiary of TEO LT, AB, *member of the Board*
 UAB Voicecom, a subsidiary of TEO LT, AB, *member of the Board*
 Swedish Chamber of Commerce in Lithuania, *member of the Board*

Jan-Erik Elsérius 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 2008 (in litas)	Annual bonus for 2007 paid in 2008 (in litas)	Tantiemes for 2007 paid in 2008 (in litas)	Dividends for 2007 paid in 2008 (in litas)	Total (in litas)
On the average per one member of the Company's Board (a)	-	-	7,714	-	7,714
Total amount for all members of the Company's Board (a)	-	-	54,000	-	54,000
On the average per one member of the Administration of the Company (b)	268,475	349,820	-	5,419	623,714
Total amount for all members of the Administration of the Company (b)	1,342,376	1,749,100	-	27,097	3,118,573

NOTES: (a) The Board consist of seven members; (b) Members of the Company's Administration are 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 29 April 2008, 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 2007 (as of 31 December 2007 the Board of the Company consisted of seven Board members). The annual compensation (tantiemes) for one member of the Board was paid in June 2008 (LTL 54 thousand) and for the rest six members – in July (LTL 324 thousand).

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 the Board are considered non-executive directors, whereby two out of seven members represent minority shareholders and are regarded as independent members of the Board.

TEO LT, AB

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

23-07-2008 No. 02-~~151~~

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, Arūnas Šikšta, 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 2008, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit 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 2008
(17 pages)

General Manager

Arūnas Šikšta

Chief Financial Officer and
Deputy General Manager

Jan-Erik Elsėrius

A blue ink signature of Arūnas Šikšta, consisting of a stylized, angular script.A blue ink signature of Jan-Erik Elsėrius, written in a cursive, flowing script.

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 2008

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

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

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

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

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

CONSOLIDATED BALANCE SHEET OF TEO GROUP (LTL thousand)

ASSETS	2008-06-30	2007-12-31
Non-current assets		
Property, plant and equipment	632,823	657,962
Intangible assets	42,234	29,643
Trade and other receivables	2,502	3,166
	677,559	690,771
Current assets		
Inventories	3,795	4,943
Trade and other receivables	121,563	121,691
Current profit tax receivable	2,847	5,749
Held-to-maturity investments	90,592	116,726
Trading investments	-	34,561
Cash and cash equivalents	165,446	229,350
Assets held for sale	1,743	1,851
	385,986	514,871
TOTAL ASSETS	1,063,545	1,205,642

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

EQUITY	2008-06-30	2007-12-31
Shareholders' equity		
Share capital	814,913	814,913
Treasury shares	(120,000)	(120,000)
Legal reserve	81,499	81,499
Retained earnings	189,284	294,167
	965,696	1,070,579
Minority interest	-	-
Total equity	965,696	1,070,579
LIABILITIES		
Non-current liabilities		
Borrowings	6,395	6,809
Deferred tax liabilities	6,315	9,530
Grants	1,814	2,768
Deferred revenue	1,710	1,900
	16,234	21,007
Current liabilities		
Trade, other payables and accrued liabilities	79,605	112,047
Current income tax liabilities	945	104
Borrowings	820	805
Provisions	245	1,100
	81,615	114,056
Total liabilities	97,849	135,063
TOTAL EQUITY AND LIABILITIES	1,063,545	1,205,642

CONSOLIDATED INCOME STATEMENT OF TEO GROUP (LTL thousand)

	April – June 2008	April – June 2007	January – June 2008	January – June 2007
Revenue	203,307	192,981	410,110	378,786
Other income	1,386	710	3,494	1,840
Employee related expenses	(43,391)	(40,036)	(84,301)	(76,301)
Network interconnection expenses	(30,192)	(31,023)	(60,768)	(56,919)
Other operating expenses	(41,000)	(39,616)	(85,227)	(78,606)
Depreciation, amortisation and impairment charge	(42,613)	(42,037)	(86,019)	(84,476)
Other gain (loss), net	277	3,001	1,503	3,402
Operating profit	47,774	43,980	98,792	87,726
Finance income	3,367	3,203	6,074	5,851
Finance costs	(140)	(150)	(549)	(294)
Finance income (costs), net	3,227	3,053	5,525	5,557
Profit before income tax	51,001	47,033	104,317	93,283
Income tax	(6,913)	(7,883)	(14,996)	(16,255)
Profit for the period from continuing operations	44,088	39,150	89,321	77,028
Discontinued operations:				
Profit (loss) for the period from discontinued operations	-	(2)	-	-
Profit for the period	44,088	39,148	89,321	77,028
Attributable to:				
Equity holders of the Company	44,088	39,148	89,321	77,028
Minority interest	-	-	-	-
	44,088	39,148	89,321	77,028
Earnings per share for profit attributable to the equity holders of the Company (in litas)	0.057	0.050	0.155	0.099

CONSOLIDATED CASH FLOW STATEMENT OF TEO GROUP (LTL thousand)

	January – June 2008	January – June 2007
Operating activities		
Profit for the period from continuing operations	89,321	77,028
Income tax	14,996	16,255
Depreciation, amortisation and impairment charge	86,019	84,476
Elimination of gain and losses	(1,503)	(3,402)
Interest income	(7,599)	(7,182)
Interest expenses	148	169
Other non-cash transactions	146	913
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	1,229	(765)
Trade and other accounts receivable	(2,524)	(12,588)
Trade and other accounts payable and deferred revenue	(1,322)	1,047
Cash generated from operations	178,911	155,951
Interest paid	(148)	(181)
Interest received	4,104	6,684
Tax paid	(14,469)	(23,995)
Net cash from operating activities	168,398	138,459

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

Investing activities	January – June 2008	January – June 2007
Purchase of property, plant and equipment (PPE) and intangible assets	(88,395)	(80,627)
Proceeds from disposal of PPE, intangible assets, assets held for sale	1,019	3,060
Acquisition/disposal of held-to-maturity investments, net	29,619	(18,757)
Acquisition/disposal of trading investments, net	35,411	-
Acquisition of subsidiaries	(16,078)	-
Disposal of subsidiaries	725	989
Loan granted/repaid	-	150,000
Net cash from investing activities	(37,699)	54,665
Financing activities		
Repayment of borrowings	(399)	(406)
Dividends paid to the shareholders	(194,204)	(201,973)
Net cash from financing activities	(194,603)	(202,379)
Increase (decrease) in cash and cash equivalents	(63,904)	(9,255)
Movement in cash and cash equivalents		
At start of the period	229,350	232,581
Increase (decrease) during the period	(63,904)	(9,255)
At end of the period	165,446	223,326

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

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share Capital	Treasury Shares	Legal reserves	Translation differences	Retained earnings		
Balance at 1 January 2007	814,913	(120,000)	81,499	(1)	333,301	-	1,109,712
Dividends paid for the year 2006	-	-	-	-	(201,973)	-	(201,973)
Net profit	-	-	-	-	77,028	-	77,028
Currency translation differences	-	-	-	9	--	-	9
Balance at 30 June 2007	814,913	(120,000)	81,499	8	208,356	-	984,776
Balance at 1 January 2008	814,913	(120,000)	81,499	-	294,167	-	1,070,579
Dividends paid for the year 2007	-	-	-	-	(194,204)	-	(194,204)
Net profit	-	-	-	-	89,321	-	89,321
Balance at 30 June 2008	814,913	(120,000)	81,499	-	189,284	-	965,696

EXPLANATORY LETTER

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

The authorized share capital of TEO LT, AB is 814,912,760 litas. It consists of 814,912,760 ordinary registered shares with a nominal value of one litas each.

38,095,242 shares are treasury stocks that have no rights to exercise any property and non-property rights provided by the Law of the Republic of Lithuania on Companies. Therefore, the number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders is 776,817,518.

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

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

As on 15 July 2008, 31,641,670 ordinary shares of the Company (3.88% of the total share capital) were represented by 3,164,167 GDRs.

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

The number of shareholders on the day of the last General Meeting of Shareholders, which was held on 15 July 2008, was 14,964.

Shareholders of TEO LT, AB as on 15 July 2008:

Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)	Number of ordinary registered shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)	Share of votes held together with persons acting in concert (%)
Amber Teleholding A/S (a), c/o „Teliasonera Danmark A/S“, Holmbladsgade 139, DK-2300 Copenhagen S, Denmark, code 20758694	488,947,656	60.00	62.94	-
TEO LT, AB, Savanorių pr. 28, LT-03501 Vilnius, Lithuania, code 121215434 (Treasury stocks)	38,095,242 (b)	4.67	-	-
State of Lithuania (d)	11,728,985 (c)	1.44	1.51	-
Other shareholders	276,140,877	33.89	35.55	-
Total:	814 912 760	100.00	100.00	-

NOTE: (a) Amber Teleholding A/S is a fully owned subsidiary of Swedish TeliaSonera AB.
(b) 12,698,412 ordinary registered shares and 2,539,683 Global Depository Receipts.
(c) The State Property Fund (11,366,355 shares) and the State Tax Authorities (362,630 shares).

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

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

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

As on 30 June 2008, TEO Group consisted of the parent company, TEO LT, AB, (Savanorių ave. 28, LT-03501 Vilnius, www.teo.lt) and its daughter companies:

Name of the company	Activities of the company	Legal address	TEO part in the share capital of the company (%)	Part of TEO votes (%)
UAB Lintel	Information, telemarketing and remote customer care services	J. Galvydžio str. 7/Žygio str. 97, LT-08222 Vilnius, www.lintel.lt	100.00	100.00
UAB Baltic Data Center	Data center and information system management services	Žirmūnų str. 141, LT-09128 Vilnius, www.bdc.lt	100.00	100.00
UAB Nacionalinė Skaitmeninė Televizija	Re-broadcasting of TV channels through DVB-T networks	Savanorių pr. 125, LT-44146 Kaunas	100.00	100.00
UAB Kompetencijos Ugdymo Centras	Training and consultancy	Palangos str. 4, LT-01117 Vilnius, www.kuc.lt	100.00	100.00
UAB Voicecom	NMT-450 network	Savanorių ave. 28, LT-03501 Vilnius	100.00	100.00
VšĮ TEO Sportas	Women's basketball team	Savanorių ave. 28, LT-03116 Vilnius, www.teobasket.lt	--(a)	100.00

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

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

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

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

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

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

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

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

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

TEO Group accounting

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

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

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

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

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

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

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

Key figures of TEO Group

Financial figures	January – June 2008	January – June 2007	Change (%)
Revenue (LTL thousand)	410,110	378,786	8.3
EBITDA (LTL thousand)	184,811	172,202	7.3
EBITDA margin (%)	45,1	45,5	
Operating profit (LTL thousand)	98,792	87,726	12.6
Operating profit margin (%)	24,1	23,2	
Profit before income tax (LTL thousand)	104,317	93,283	11.8
Profit for the period (LTL thousand)	89,321	77,028	16.0
Profit for the period margin (%)	21,8	20,3	
Earnings per share (LTL)	0,115	0,099	16.0
Number of shares excluding treasury stocks (thousand)	776,818	776,818	-
Financial ratios	2008-06-30	2007-06-30	
Return on capital employed (a) (%)	19.7	16.3	
Return on average assets (a) (%)	16.8	14.0	
Return on shareholders' equity (a) (%)	16.8	13.4	
Gearing ratio (%)	-25.8	-31.4	
Debt to equity ratio (%)	0.7	0.8	
Current ratio (%)	472.9	518.0	
Rate of turnover of assets (a) (%)	70.6	63.1	
Equity to assets ratio (%)	90.8	89.8	

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

Revenue

The total consolidated TEO Group's revenue for the first six months of 2008 was LTL 410 million, an increase by 8.3 per cent over the total revenue of LTL 379 million for the first six months of 2007. The total revenue for April – June 2008 was LTL 203 million, an increase by 5.4 per cent over the total revenue of LTL 193 million for April – June of 2007.

During the first six months of 2008 share of revenue from traditional voice telephony services from total amount of revenue continued to shrink and amounted to 63.2 per cent of total revenue, while share of Internet and data communications revenue continued to grow and amounted to 29.8 per cent. Revenue

from IT services amounted to 2.8 per cent, television services – 1.7 per cent and other services – 2.5 per cent of total revenue for January – June 2008.

Breakdown of TEO Group revenue (LTL thousand)

	April-June 2008	April-June 2007	Change (%)	January-June 2008	January-June 2007	Change (%)
Voice telephony services	128,215	132,634	(3.3)	259,330	262,249	(1.1)
Internet and data communication services	61,746	51,447	20.0	122,416	100,044	22.4
IT services	4,957	2,189	126.5	11,387	4,944	130.3
TV services	3,836	1,401	173.8	6,910	2,474	179.3
Other revenues	4,553	5,310	(14.3)	10,067	9,075	10.9
Total	203,307	192,981	5.4	410,110	378,786	8.3

Compared with the revenue for the first six months of 2007, revenue from subscription fees for the first six months of 2008 increased by 3.2 per cent and value added services – by 5.8 per cent although that did not off-set a decline in revenue from traffic charges and network interconnection services – by 8.7 per cent and 7.1 per cent, respectively. Revenue from wholesales services went down by 8.5 per cent, too.

During January – June 2008, the total number of main telephone lines in service decreased by 12.9 thousand lines because from February 2008 the Company terminated provision of temporary disconnected telephone line with incoming calls service. On the other hand number of active lines increased by 40 thousand. In total, during the first six months of 2008 there were installed 24.5 thousand new telephone lines while 37.4 thousand lines were disconnected.

	2008-06-30	2007-06-30	Change (%)
Number of fixed lines in service	776,052	787,726	(1.5)
Digitalisation rate (%)	93.9	94.0	(0.1)
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi)	277,676	212,648	30.6
Number of wireless Internet (WiFi) hot-spots	3,761	1,750	114.9
Number of IP TV customers	27,963	11,382	145.7
Number of DVB-T customers	6,554	-	-
Number of IT services customers	799	276	189.5
Number of personnel (head-counts) at the end of period	3,261	3,274	(0.4)
Number of full time employees at the end of the period	2,887	3,035	(4.8)

Total calls traffic for the first six months of 2008, compared to the same period of 2007, declined by just 1.9 per cent as traffic generated by residential customers increased by 2.7 per cent while traffic generated by business customers continued to go down due to competition with other operators.

An increase in residential customers' traffic due to marketing campaigns and public holidays as well as in March improved *Universalusis (Universal)* payment plan for residential customers caused increase in total long distance domestic calls' traffic by 6.9 per cent. Total traffic of local calls decreased by 3.4 per cent, international calls – by 0.6 per cent and fixed-to-mobile traffic – by 6.9 per cent.

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

According to the Report of the Communications Regulatory Authority (CRA) for the first quarter of 2008, TEO market share of the fixed-line telephony market in terms of customers amounted to 94.6 per cent and in terms of revenue – to 95.4 per cent. In terms of revenue TEO had 19.5 per cent of the networks' interconnection market.

During January–June of 2008, the number of broadband Internet access users increased by 19.1 thousand. Out of total 277.7 thousand broadband connections, 242 thousand are copper DSL connections sold to retail customers, 20.2 thousand are wireless connections via the WiFi network, 13.2 thousand are fiber optic connections (7.5 thousand Fiber to the building (FTTB) and 5.7 thousand Fiber to the home (FTTH)) and 2.3 thousand DSL connections are the connections sold to wholesales customers.

Compared with the first six months of 2007, revenue from Internet broadband access services for the first six months of 2008 went up by 23.7 per cent while revenue from dial-up Internet service went down by 47.1 per cent as the number of dial-up Internet service users over the year decreased by half from 6.9 thousand to 3.7 thousand. Revenue from data communication and network capacity sale services increased by 22.5 and 30.2 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 2008 amounted to 41.6 per cent, while its share of the broadband Internet access market was 47.7 per cent. On 31 March 2008 broadband Internet penetration per 100 residents of Lithuania was 15.8 (a year ago – 12.1 per cent). In terms of revenue TEO had 54.7 per cent of the leased lines market and 51.8 per cent of the data communications market.

In March 2008, TEO Group started provision of digital terrestrial television service *Skaitmeninė GALA (Digital GALA)*, which will enable using the highest-quality television services almost in the whole of Lithuania. The new service's users have the possibility to watch 37 popular TV channels broadcasted through digital terrestrial (DVB-T) television transmitters.

The monthly fee for *Digital GALA* is 29 litas, but TEO customers who order service till 8 August 2008, first 12 months will use it for free.

At the end of June 2008 there were 6,554 subscribers of digital terrestrial television service *Digital GALA*. During January-June 2008, the number of IPTV service *Interaktyvioji GALA (Interactive GALA)*, previously called just GALA, increased by 10.5 thousand and at the end of June amounted to 28 thousand.

From July TEO offered to users of *Interactive GALA* service a new additional TV channels' package for children that contains three TV channels for children created by Disney Corporation.

During the second quarter of 2008 UAB Baltic Data Center signed a 3 year contract with company Vilniaus Duona for the maintenance and support of servers and other IT infrastructure.

During the first three months of 2008 the Company implemented a few special telecommunications projects by order of governmental institutions and increased its revenue from other services by LTL 1.3 million. Revenue from special projects during the first six months of 2007 amounted to LTL 2 million.

Revenue from other services consists also of the following non-telecommunication services: lease of premises, Contact Center services of UAB Lintel, consultancy and training services of UAB Kompetencijos Ugdymo Centras, fitness center services operated by TEO Sportas till June 2007.

Other income, that consist of interest income from bonds acquired, for January-June of 2008 increased by more than 3 times over the other income a year ago. Other gain (loss) from sale of property, investments and etc. decreased by 2.3 times.

Operating expenses

Total operating expenses of the Group in the first six months of 2008 were by 8.7 per cent higher than total operating expenses a year ago. All major groups of expenses increased: employee related expenses increased by 10.5 per cent, networks' interconnection expenses – by 6.8 per cent, other operating expenses – by 8.4 per cent. In the group of other operating expenses, the biggest increase was in expenses related to IT and network expenses as well as energy, premises and transportation expenses.

During January–June 2008 the total number of employees (headcount) in TEO Group went up from 3,177 (31 December 2007) to 3,261 (30 June 2008) while number of full-time employees went down from 2,907 to 2,887, as part-time employees are recalculated into full-time employees and number does not include employees on maternity/paternity leave.

Earnings

EBITDA for the first six months of 2008 went up by 7.3 per cent to LTL 185 million over LTL 172 million in the first six months of 2007. EBITDA margin stood at 45.1 per cent (45.5 per cent in 2007).

Due to higher investments in 2007-2008, depreciation and amortisation charges over the year increased by 1.8 per cent and during January-June of 2008 amounted to 21 per cent of total revenue (22.3 a year ago). Nevertheless, operating profit was 12.6 per cent higher than a year ago and operating profit margin was 24.1 per cent (23.2 per cent a year ago).

Net financial income in January-June of 2008 was by 0.6 per cent lower than a year ago due to lower market rates.

Profit before income tax in the first six months of 2008 was up by 11.8 per cent and amounted to LTL 104 million (LTL 93 million a year ago). Profit for the period amounted to LTL 89 million, an increase by 16 per cent over LTL 77 million a year ago. Over the year, the profit margin went up from 20.3 per cent to 21.8 per cent.

Balance sheet

During January–June 2008 the total assets of TEO Group decreased by 11.8 per cent mainly due to dividend for the year 2007 payment.

Due to depreciation non-current tangible assets decreased by 3.8 per cent, while non-current intangible assets increased by 42.5 per cent due to acquisition of TV channels re-broadcasting licences (acquisition of UAB Nacionalinė Skaitmeninė Televizija). Total non-current assets amounted to 63.7 per cent of the total assets.

In May, following the resolution of the Annual General Meeting of Shareholders of 29 April 2008, dividend of total LTL 194 million or LTL 0.25 per share were paid to the shareholders of TEO. Therefore, current assets decreased by 25 per cent and amounted to 36.3 per cent of the total assets, whereof cash and trading investments alone represented 24 per cent of the total assets.

Due to dividend payment, shareholders' equity decreased by 9.8 per cent but still amounted to 90.8 per cent of the total assets.

At the end of June 2008, the total amount of borrowings included only financial liabilities related to financial leasing of premises and amounted to LTL 7.2 million. Net debt was negative and amounted to LTL 249 million. The net debt to equity ratio was negative and amounted to 25.8 per cent.

Cash flow

Net cash flow from operating activities during the first six months of 2008 was by 21.6 per cent higher than net cash from operating activities a year ago.

During January-June of 2008 an amount of LTL 55.8 million was allocated for capital investments. Majority of cash was invested into the network – LTL 43.8 million (or 78.5 per cent of all investments), LTL 7.4 million (13.3 per cent) into upgrading of buildings, LTL 3.9 million (7 per cent) into IT and LTL 0.7 million (1.3 per cent) went to other investments. The remaining portion of cash spent during January-March of 2008 for capital investments was payments for investments made in 2007.

In June 2008, the Company's capital investments program was revised. Capital investments for the year 2008, excluding construction of the Company's head-quarters, should amount up to LTL 182 million and will be oriented towards improvement of the network, quality of services and development of digital terrestrial TV services.

During the first half of 2008 the network of digital terrestrial television (DVB-T) transmitters which was operational in the biggest cities of Lithuania was expanded into Biržai, Druskininkai, Mažeikiai, Rokiškis, Tauragė, Telšiai, Ukmergė and Utena. From now on *Digital GALA* service is available to 95 percent of the residents of Lithuania.

In May 2008, the Company installed a new optical connection with foreign operators and increased its international Internet speed up to 20 gigabits per second (Gbps). TEO became the first company in Lithuania having interconnected its networks with a foreign operator via 10 Gbps optical connection. In the end of this year, TEO is planning to install another optical connection and increase international Internet speed up to 28 Gbps.

In 2007, TEO started a project of customer care centers' renovation. By the end June 2008 premises for serving residential and business customers were renovated in Kaunas, Klaipėda, Alytus, Marijampolė, Utena and Mažeikiai. In July was completed renovation of customer care centers in Siauliai and Panevėžys. During 2008 the customer care center in Tauragė will be renovated as well.

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

On 3 January 2008, TEO LT, AB completed transaction on acquisition of 100 per cent stake in UAB Nacionalinė Skaitmeninė Televizija. UAB Nacionalinė Skaitmeninė Televizija has two licenses for re-broadcasting of television channels through digital terrestrial television (DVB-T) networks.

Due to capital investments, acquisition of UAB Nacionalinė Skaitmeninė Televizija (LTL 16 million) and payment of dividends for the year 2007 (LTL 194 million), cash and cash equivalents during the first six months of 2008 decreased by LTL 64 million.

Other material information

Instead of Gert Tiivas, a member of the Board, who resigned from the Board as of 28 April 2008, a new member – Justas Pipinis – was elected for the current term of the Board during an Extraordinary General Meeting of Shareholders on 15 July 2008.

Extraordinary General Meeting of Shareholders also approved the preparation of the draft reorganisation conditions for the merge by acquisition of UAB Nacionalinė Skaitmeninė Televizija into TEO LT, AB. Currently Nacionalinė Skaitmeninė Televizija is changing its legal status from closed joint-stock company (UAB) to joint-stock company (AB).

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

Following the order of the Communications Regulatory Authority of the Republic of Lithuania of 31 January 2008 on prices for calls initiation, calls termination, national and international transit services on the public telephone network of TEO LT, AB at a fixed location the Company publicly announced a new standard proposal for networks interconnection along with a new networks interconnection services structure and by 40 per cent decreased networks interconnection tariffs.