

TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
CONSOLIDATED INTERIM REPORT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2011
(UNAUDITED)

Beginning of the financial year	1 January 2011
End of reporting period	30 June 2011
Name of the company	TEO LT, AB (hereinafter – TEO or “the Company”)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Code of enterprise	121215434
Name of Register of Legal Entities	State Enterprise Centre of Registers
Registered office	Lvovo str. 25, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 1511
Fax number	+370 5 212 6665
Internet address	www.teo.lt
Main activities	Integrated telecommunication, IT and TV services to residential and business customers in Lithuania

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(All tabular amounts are in LTL '000 unless otherwise stated)

MANAGEMENT REPORT

Management's comment on financial results for the first six months of 2011:

"TEO achieved a healthy net profit of LTL 77 million for the first half of 2011. Although revenue for the first 6 months of 2011 decreased by 4.4 per cent compared to the same period in 2010, the Company managed to reach good profitability by accordingly reducing its costs. EBITDA margin stands at a high 40.8 per cent, which is only by 0.4 percentage points lower than it was during the same period in 2010.

TEO continues its investments into the next generation fiber optic network. Although the broadband customer base increased by around 8 per cent, due to high competition and market penetration strategy revenue from Internet services was slightly lower than a year ago. Revenue from TV services was by 26 per cent higher than for the same period in 2010. New customers' acquisition rate remains high – TEO had 25 per cent more TV customers than it had in the middle of 2010. The upcoming switchover to digital television signal transmission in 2012 gives TEO a good opportunity for further increase of its pay-TV customer base."

Key figures of TEO Group

	January - June		
Financial figures	2011	2010	Change (%)
Revenue (LTL thousand)	369,809	386,997	(4.4)
EBITDA (LTL thousand)	150,982	159,584	(5.4)
EBITDA margin (%)	40.8	41.2	
Operating profit (LTL thousand)	85,109	94,186	(9.6)
Operating profit margin (%)	23.0	24.3	
Profit before income tax (LTL thousand)	85,904	94,910	(9.5)
Profit before income tax (%)	23.2	24.5	
Profit for the period (LTL thousand)	76,649	83,553	(8.3)
Profit for the period margin (%)	20.7	21.6	
Earnings per share (LTL)	0.099	0.108	
Number of shares excluding treasury stocks (thousand)	776,818	776,818	
Financial ratios	30 June 2011	30 June 2010	
Return on capital employed (%)	17.2	17.3	
Return on average assets (%)	15.3	15.6	
Return on shareholders' equity (%)	15.7	16.1	
Gearing ratio (%)	(15.6)	(22.6)	
Debt to equity ratio (%)	0.5	0.6	
Current ratio (%)	373.6	437.1	
Rate of turnover of assets (%)	68.3	71.6	
Equity to assets ratio (%)	90.7	90.6	
Operating figures	30 June 2011	30 June 2010	Change (%)
Number of fixed telephone lines in service	671,415	703,061	(4.5)
Number of broadband Internet connections (DSL, FTTB, FTTH and other, excluding WiFi)	325 563	302 306	7.7
Number of IP TV customers	72,545	60,410	20.1
Number of DVB-T customers	69,939	53,687	30.3
Number of personnel (head-counts) at the end of period	3,374	3,277	3.0
Number of full-time employees at the end of the period	2,941	2,893	1.7

(All tabular amounts are in LTL '000 unless otherwise stated)

Breakdown of TEO Group revenue

	April - June		Change	January - June		Change
	2011	2010	(%)	2011	2010	(%)
Voice telephony services	93,569	106,774	(12.4)	190,528	212,140	(10.2)
Internet and data communication services	62,025	64,469	(3.8)	124,717	129,373	(3.6)
TV services	11,311	9,070	24.7	22,405	17,775	26.0
IT services	10,909	8,643	26.2	20,249	15,774	28.4
Other services	6,213	6,047	2.7	11,910	11,935	(0.2)
Total	184,027	195,003	(5.6)	369,809	386,997	(4.4)

Revenue

The total consolidated TEO Group's revenue for the first six months of 2011 was LTL 370 million, a decrease by 4.4 per cent over the total revenue of LTL 387 million for the first six months of 2010. The total revenue for the second quarter of 2011 was LTL 184 million, a slight decline of 0.9 per cent over the total revenue of LTL 186 million for the first quarter of 2011.

Compared with the revenue for the first quarter of 2011, revenue from TV, IT and other services during the second quarter of 2011 continued to grow while revenue from voice telephony and internet and data communication services went down.

Share of revenue from voice telephony services from total amount of revenue continued to shrink and amounted to 51.5 per cent of total revenue for the first half of 2011. Share of revenue from Internet and data communications services reached 33.7 per cent, television services – 6.1 per cent, IT services – 5.5 per cent and other services – 3.2 per cent.

Revenue from voice telephony services continued to decline due to decreased number of telephone lines in service, lower traffic volume and lower average revenue per user (ARPU).

During January-June 2011, the total number of main telephone lines in service decreased by 17.6 thousand, while over the last twelve months – by 31.6 thousand lines. Lower number of voice telephony service users resulted in decrease of revenue from subscription fees in January-June 2011 by 5.7 per cent compared with the same period a year ago.

Favourable conditions of flat-fee payment plans and reduced national networks' interconnection fees resulted in increased volumes of both business and residential customers' calls to mobile operator networks by 1.8 and 30.6 per cent, respectively, during the first half of 2011 compared with the same period a year ago.

However, total traffic volume generated by residential and business customers decreased by 5.6 and 11.4 per cent, respectively. As a result, over the year revenue from traffic charges went down by 21.4 per cent.

Over the year revenue from networks' interconnection services decreased by 6.8 per cent due to decreased traffic volumes of international transit.

In March 2011 TEO has offered major business enterprises and organisations its cloud computing-based voice telephony services. The new Virtual IP PBX (Hosted Internet Protocol Private Branch Exchange) service will allow organisations to create telephone networks without using any additional equipment installed in the office. The virtual system of telephony networks will enable calling short numbers, diverting or redirecting calls, arranging telephone conferences as well as using other solutions facilitating teamwork.

According to the Report of the Communications Regulatory Authority (CRA) for the first quarter of 2011, TEO

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market share of the fixed-line telephony market in terms of customers amounted to 90.9 per cent and in terms of revenue – to 93.7 per cent. In terms of revenue TEO had 30.5 per cent of the network interconnection market.

During January-June 2011 the total number of broadband Internet access (excluding WiFi) users increased by 8.8 thousand, while over the last twelve months – by 23.3 thousand.

Number of Internet connections over the next generation fiber optic network using FTTH (Fiber to the home) and FTTB (Fiber to the building) technologies continued to grow and by the end of June 2011, 36.5 per cent of the total number of TEO broadband Internet access (excluding WiFi) users had fiber optic access.

Over the year the number of FTTH and FTTB connections increased by 41.3 per cent to 119 thousand, while the number of copper DSL connections went down by 5.3 per cent.

At the end of June 2011 out of total 325 thousand broadband connections (excluding WiFi), 206 thousand were copper DSL connections and 119 thousand – fiber optic.

In May 2011 TEO increased the speed of FTTH Internet up to 300 Mbps and unified the speed of information download from both Lithuanian and foreign servers. The speed of the “Premium FTTH” plan, intended for customers with high demands on speed, was tripled up to 300 Mbps, while the speed of the most popular plan “Optimal FTTH” was increased up to 100 Mbps. The speed of “Basic FTTH” was doubled up to 40 Mbps, while the speed of the plan “Para” (“Twenty-Four Hours”), which is intended for users who do not use the Internet a lot, was up to 10 Mbps both in Lithuania and abroad.

Compared with the first half of 2010, revenue from Internet services for the first half of 2011 decreased by 1.8 per cent and revenue from data communication and network services – by 6.5 per cent.

According to the CRA Report, the Company’s market share of the total Internet providers market in terms of revenue during the first quarter of 2011 amounted to 38.6 per cent while its share of the market of broadband Internet using fixed connection was 51.2 per cent. On 31 March 2011 Internet penetration per 100 residents of Lithuania was 28 per cent, while the penetration of broadband Internet using fixed connection was 21.6 per cent. In terms of revenue TEO had 62.2 per cent of the leased lines market and 66.2 per cent of the data communication market.

During January-June 2011 the total number of TV service customers increased by 11.3 thousand: number of digital terrestrial television (DVB-T) service *Digital GALA* users increased by 6.7 thousand and number of IPTV service *Interactive GALA* increased by 4.6 thousand.

From April, customers of IPTV service have possibility to browse the social networking website Facebook, to view photo albums on the website Flickr and to read news on popular news portals right on their TV screens.

According to the CRA Report, at the end of March 2011 TEO market share of the digital television service market in terms of customers amounted to 48.3 per cent and in terms of revenue – 43.6 per cent. TEO market share of the total pay-TV services market in terms of customers was 22.2 per cent. On 31 March 2011 digital pay-TV penetration per 100 households of Lithuania was 21.3 per cent

Consolidated TEO Group revenue from IT services was mainly generated by the Company’s subsidiary UAB Baltic Data Center that provides data center and information system management services to local and multinational enterprises.

In May 2011, UAB Hostex, a subsidiary of Baltic Data Center that was acquired in September 2010, took over from Baltic Data Center a 100 per cent stake in UAB Interdata. UAB Hostex, UAB Interdata and its subsidiary UAB Hosting provide web hosting and data center services to residential and small companies as well as Internet portals.

In June 2011, TEO and Lukoil Baltija, one of the country’s largest oil product retailers, signed agreements for the provision of data center, Internet, data communication and voice telephony services. The total value of the

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three-year contract is about LTL 1.8 million. From now on, Lukoil Baltija will co-locate its servers in one of the data centers of Baltic Data Center. TEO also expanded the data communication services network, which now interconnects all 119 petrol stations, 3 petrol storage depots and two administrative buildings of Lukoil Baltija.

TEO Group revenue from other services consists of the following non-telecommunication services: Contact Center services of UAB Lintel, lease of premises, advertising, fines for termination of agreements and other.

In May, Lintel, a leading provider of directory inquiry and Contact Centre services in Lithuania, expanded the possibilities of the country's most popular Directory Inquiry Service 118 and launched the provision of assistance and consultations to computer users by phone 118

In June Lintel upgraded its information system, interconnecting the company's six contact centres. The new system Avaya Aura will allow further improving quality of services and will provide new opportunities for communication, for example, the consultants will be able to communicate with callers in video.

Over the year revenue from Contact Center services increased by 13.9 per cent while revenue from other non-core business services decreased by 16.3 per cent.

TEO Group's other income consists of interest income from investments held to maturity. Gain or loss from sale of property, plant and equipment, as well as gain or loss on currency exchange is recorded at net value as other gain (loss).

Operating expenses

In 2011 the Company continues to keep its costs under control in spite of increased number of employees and development of new business areas. Total operating expenses of the Group for the first half of 2011 were by 3.8 per cent lower than total operating expenses a year ago.

Over the year employee-related expenses increased by 1 per cent as the total number of employees (headcount) in TEO Group increased by 97 (mainly in TEO) from 3,277 to 3,374. During the first half of 2011, the total number of employees went down by 112 mainly due to personnel restructuring in Lintel. In terms of full-time employees, the total number of employees in TEO Group during January-June of 2011 went down by 77 (also mainly in Lintel).

Interconnection expenses decreased by 6.5 per cent due to lower international transit traffic volumes and reduced fees for national interconnection. Other expenses decreased 6 per cent in spite of development of television and IT services.

Earnings

EBITDA for the first six months of 2011 went down by 5.4 per cent to LTL 151 million over LTL 160 million in the first six months of 2010. Nevertheless, EBITDA margin stood above 40 per cent and amounted to 40.8 per cent (41.2 per cent in 2010).

Depreciation and amortisation charges remained almost on the same level (increased by 0.7 per cent) and in January-June of 2011 amounted to 17.8 per cent of total revenue (16.9 a year ago). Operating profit was by 9.6 per cent lower than a year ago, while operating profit margin was 23 per cent (24.3 per cent a year ago).

Net financial income in January-June of 2011 was by 9.7 per cent higher than year ago.

As a result, profit before income tax in the first half of 2011 was down by 9.5 per cent and amounted to LTL 86 million (LTL 95 million a year ago).

Since 1 January 2010 profit tax rate in Lithuania is 15 per cent. Following the provisions of the Law on Corporate Profit Tax regarding tax relief for investments in new technologies, the profit tax relief for the first half of 2011 amounted to LTL 5.3 million (LTL 3.8 million in 2010).

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Profit for the period amounted to LTL 77 million, while a year ago it was LTL 84 million, a decrease by 8.3 per cent. The profit margin was 20.7 per cent (21.6 per cent a year ago).

Balance sheet and cash flow

During January-June 2011 total assets of TEO Group decreased by 9.9 per cent mainly due to payment of dividends for the year 2010.

Total non-current assets declined by 0.5 per cent and amounted to 72.1 per cent of total assets. In May, following the resolution of the Annual General Meeting of Shareholders of 28 April 2011, dividend of the total amount of LTL 140 million or LTL 0.18 per share for the year 2010 were paid to the shareholders of the Company. Therefore, total current assets decreased by 27.7 per cent and amounted to 27.9 per cent of the total assets, whereof cash and held-to-maturity investments alone represented 14.6 per cent of total assets.

As of 30 June 2011 an amount of LTL 40 million was deposited with TeliaSonera AB, a controlling shareholder of the Company, for the short term and interest at the market rate.

Due to dividend payment, shareholders' equity decreased by 6.2 per cent, but still amounted to 90.7 per cent of the total assets.

On 28 April 2011 the Annual General Meeting of Shareholders decided to decrease the Company's obligatory reserve by 3,817,000 litas and to reallocate this amount to the Company's retained earnings.

At the end of June 2011 total amount of borrowings included mainly financial liabilities related to financial leasing of premises and amounted to LTL 4.8 million. Net debt was negative and amounted to LTL 150 million. The net debt to equity ratio was negative and amounted to 15.6 per cent.

Net cash flow from operating activities in the first half of 2011 was by 0.8 per cent lower than a year ago.

Major portion (LTL 55 million) of cash spent during January-June of 2011 for capital investments was payments for investments made in 2010. As of 31 December 2010 this amount was recorded in the balance sheet as current liabilities.

During the first six months of 2011 capital investments amounted to LTL 63 million (LTL 51 million a year ago). The majority of capital investments (92 per cent or LTL 58 million) went to expansion of the core network and development of the next generation fiber optic access network. The remaining part was invested into IT systems (LTL 4 million) and renovation of premises (LTL 1 million). In June, TEO opened a new customer care centre in Vilnius. This is already the third such centre in the capital of the country. In total, there are 16 customer care centres of TEO currently operating in major cities of Lithuania.

As a result by the end of June, TEO had 593 thousand households passed (556 thousand at the end of 2010), or around a half of the country's households, by the FTTH network. Next-generation services are being developed at the fastest rate in the country's biggest cities – they are available for use to approximately 86 per cent of residents in Vilnius, 95 per cent in Klaipėda, 75 per cent in Kaunas, more than half of Panevėžys and Šiauliai residents.

Due to capital investments and dividend payment, cash and cash equivalents during January-June 2011 decreased by LTL 105 million.

Share capital and shareholders

The share capital of the Company amounts to 776,817,518 litas and consists of 776,817,518 ordinary registered shares with a nominal value of 1 litas each. It was reduced from 814,912,760 litas to 776,817,518 litas and registered at the Register of Legal Entities on 3 September 2010 following the decision of the Annual General Meeting of Shareholders, held on 26 April 2010, to cancel 38,095,242 treasury stocks and to reduce the Company's authorised share capital by 38,095,242 litas. Treasury stocks were cancelled on 9 September 2010.

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Treasury stocks that amounted to 4.67 per cent of the total number of the Company shares were acquired during the Initial Public Offering (IPO) in year 2000 and they had 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 shares that provide voting rights during the General Meeting remains unchanged and is 776,817,518.

On 1 July 2010 the Company terminated its Global Depository Receipts (GDR) programme. The Company delisted TEO GDRs from the Official List of the UK Listing Authorities and discontinued trading in TEO GDRs on the London Stock Exchange as of 30 June 2010. TEO GDR programme was run since June 2000. According to the programme, one GDR represented 10 ordinary registered shares of the Company.

Ordinary registered shares of TEO LT, AB (ISIN code LT0000123911) are listed on the Main List of NASDAQ OMX Vilnius stock exchange (code: TEO1L). NASDAQ OMX Vilnius stock exchange is a home market for TEO shares.

In January 2011 TEO shares were included into the trading lists of Berlin Stock Exchange (Berlin Open Market (Freiverkehr), Frankfurt Stock Exchange (Open Market (Freiverkehr), Munich Stock Exchange and Stuttgart Stock Exchange. TEO share's symbol on German stock exchanges is ZWS.

The number of shareholders on the shareholders registration day for the Annual General Meeting of Shareholders, which was held on 28 April 2011, was 14,530.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 June 2011:

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 (%)
TeliaSonera AB (publ), Stureplan 8, Stockholm, SE- 106 63, Sweden, code 556103-4249	528,843,272	68.08	68.08	-
East Capital Asset Management AB, Kungsgatan 33, Stockholm, SE-111 93, Sweden, code 556564-5370	53,380,568	6.87	6.87	-
Other shareholders	194,593,678	25.05	25.05	-
TOTAL:	776,817,518	100.00	100.00	-

In June 2011 TeliaSonera AB took over from its subsidiary Amber Teleholding A/S the controlling interest in TEO (62.94 per cent of shares and votes). Before the transaction TeliaSonera AB directly held 5.14 per cent of the Company's shares and votes. The Commission for Assessment of Conformity of Potential Participants of Enterprises of Strategic or Considerable Importance to National Security to the Interests of National Security has made a conclusion that TeliaSonera AB conforms to the interests of national security and may take over the shares of TEO. The Radio and Television Commission of Lithuania also gave a permission to transfer the controlling interest of the re-broadcasting license holder TEO from Amber Teleholding A/S to TeliaSonera AB.

During January-June 2011 Republic of Lithuania, represented by State Enterprise State Property Fund, reduced its holding in the Company from 3,075,315 (31-Dec-2010) to 2,047 (30-Jun-2011) shares. As of 30 June 2011, Republic of Lithuania, represented by State Tax Inspectorate, held 362,630 shares. In total, the Republic of Lithuania has 364,677 shares of the Company or 0.05 per cent of the share capital and votes.

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Information about trading in TEO shares on NASDAQ OMX Vilnius stock exchange in January-June of 2011 in litas:

Opening price (LTL)	Highest price (LTL)	Lowest price (LTL)	Last price (LTL)	Average price (LTL)	Turnover (units)	Turnover (LTL)
2.472	2.472	2.027	2,262	2.325	20,988,521	48,795,128

Information about trading in TEO shares on NASDAQ OMX Vilnius stock exchange in January-June of 2011 in euros:

Opening price (EUR)	Highest price (EUR)	Lowest price (EUR)	Last price (EUR)	Average price (EUR)	Turnover (units)	Turnover (EUR)
0.716	0.716	0.587	0.655	0.673	20,988,521	14,132,046

TEO market capitalisation as on 30 June 2011 was LTL 1,757 million (EUR 509 million).

Other material information

The Annual General Meeting of shareholders, held on 28 April 2011, decided to approve the audited annual financial statements of the Company for the year 2010; from the Company's distributable profit of LTL 144,333 thousand to allocate LTL 139,827 thousand for the dividend payment for the year 2010 or LTL 0.18 dividend per share; for annual payments (tantiemes) to seven members of the Board for the year 2010 to allocate LTL 378 thousand, i.e. LTL 54 thousand per one member of the Board; not to approve reduction of the authorised capital of the Company by LTL 120,000,000 from LTL 776,817,518 to LTL 656,817,518 by cancelling 120,000,000 ordinary registered shares of one litas nominal value each for payment of Company's funds to the shareholders of the Company, proposed by the shareholders of the Company, that jointly held 10.48 per cent of the Company's shares and votes; to reduce number of the Board members from seven to six; to decrease the Company's obligatory reserve by 3,817,000 litas and to reallocate this amount to the Company's retained earnings; to elect to the Board of the Company Malin Frenning, Lars Klasson, Joakim Sundström, Tiia Tuovinen, Inga Skisaker (all proposed by Amber Teleholding A/S) and Jonas Pilkauskas (proposed by East Capital) for a new two years term of the Board.

On 2 May 2011 UAB Baltic Data Center, a subsidiary of TEO LT, AB, transferred a 100 per cent stake in UAB Interdata to another subsidiary UAB Hostex.

On 26 May 2011 the Register of Legal Persons registered a new wording of the By-Laws of the Company which provides that the Board of TEO shall consist of six members of the Board.

On 9 June 2011 the Board elected Malin Frenning as Chairwoman of the Board and appointed Joakim Sundström, Tiia Tuovinen and Inga Skisaker (independent member of the Board) as the members of Audit Committee for the term of two years. Malin Frenning, Lars Klasson and Jonas Pilkauskas (independent member of the Board) were appointed as the members of Remuneration Committee for the term of one year (until 9 June 2012).

The Board also approved establishment of a Division of Customer Operations and Quality since 1 July 2011 and appointed Eglutė Bivainienė as Chief Operational Officer (Head of the Division of Customer Operations and Quality). Starting from July 2011, TEO will have five divisions – Sales and Customer Care Division, Service Development and Marketing Division, Network Technology Division, Business Process and Quality Division, Finance Division, and 5 main support units of the Company.

Members of the managing bodies

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 Annual General Meeting of Shareholders, held on 28 April 2011, decided to reduce number of member of the Board from seven to six.

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Members of the Board as of 30 June 2011:

Name, surname	Position in the Board	Employment	Ownership of TEO shares
Malin Frenning	Chairwoman of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), President of Business Area Broadband Services	-
Lars Klasson	Member of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), Business Area Broadband Services, Chief Technology Officer	-
Joakim Sundström	Member of the Board, member of the Audit Committee	TeliaSonera AB (Sweden), Business Area Broadband Services, Vice President of Business Control	-
Tiia Tuovinen	Member of the Board, member of the Audit Committee	TeliaSonera Finland Oyj (Finland), General Counsel for Broadband Services and Vice President for Real Estates and Property Planning in Finland	-
Inga Skisaker	Member of the Board, member of the Audit Committee	Nordea Bank Finland Plc Lithuania Branch, General Manager	-
Jonas Pilkauskas	Member of the Board, member of the Remuneration Committee	A partner in law firm TARK GRUNTE SUTKIENĖ	-

Following provisions of The Governance Code for the Companies Listed on NASDAQ OMX Vilnius stock exchange, all members of the Board are regarded as non-executive members of the Board, and Inga Skisaker and Jonas Pilkauskas are regarded as independent members of the Board. Information about other Board assignments of the members of the Company's Board is provided at the Company's webpage www.teo.lt.

Members of Administration as of 30 June 2011:

Name, surname	Position in the Company	Current Board Assignments	Ownership of TEO shares
Arūnas Šikšta	General Manager (CEO)	International Business School at Vilnius University, member of the Council and lector; Big Brothers Big Sisters International, Philadelphia, U.S.A., member of the Board	-
Darius Gudačiauskas	Chief Sales Officer and Deputy General Manager	UAB Lintel, a subsidiary of TEO LT, AB, Chairman of the Board	-
Nerijus Ivanauskas	Chief Marketing Officer and Deputy General Manager	-	-
Darius Didžgalvis	Chief Technology Officer and Deputy General Manager	UAB Baltic Data Center, a subsidiary of TEO LT, AB, Chairman of the Board; UAB Hostex, a subsidiary of UAB Baltic Data Center, Chairman of the Board; UAB Interdata, a subsidiary of UAB Hostex, Chairman of the Board	-
Giedrius Vegys	Chief Financial Officer	UAB Baltic Data Center, a subsidiary of TEO LT, AB, member of the Board	-

(All tabular amounts are in LTL '000 unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		April - June		January - June	
	Note	2011	2010	2011	2010
Revenue		184,026	195,003	369,809	386,997
Other income		175	240	341	663
Employee related expenses		(37,741)	(38,532)	(78,148)	(77,407)
Interconnection expenses		(26,836)	(31,999)	(54,740)	(58,557)
Other operating expenses		(42,757)	(46,440)	(86,549)	(92,087)
Depreciation, amortisation and impairment of fixed assets	3	(33,444)	(32,511)	(65,873)	(65,398)
Other gain/ (loss) - net		220	(95)	269	(25)
Operating profit		43,643	45,666	85,109	94,186
Finance income		583	346	1,155	817
Finance costs		(170)	(38)	(361)	(93)
Finance income/ costs - net		413	308	794	724
Profit before income tax		44,056	45,974	85,903	94,910
Income tax	8	(5,137)	(5,470)	(9,254)	(11,357)
Profit for the period		38,919	40,504	76,649	83,553
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		38,919	40,504	76,649	83,553
Profit and comprehensive income attributable to:					
Owners of the Parent		38,919	40,504	76,649	83,553
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in litas per share)	9	0.050	0.052	0.099	0.108

(All tabular amounts are in LTL '000 unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Note	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	3	706,301	706,430
Intangible assets	3	45,628	49,341
Investment property		10,794	10,794
Trade and other receivables		1,977	1,820
Deferred tax assets		682	711
		765,382	769,096
Current assets			
Inventories		4,751	6,091
Trade and other receivables		124,588	124,724
Current income tax receivable		11,673	18,946
Held-to-maturity investments		50,173	40,184
Cash and cash equivalents		104,981	219,526
Assets held for sale		21	-
		296,187	409,471
Total assets		1,061,569	1,178,567
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	5	776,818	776,818
Legal reserve	6	77,682	81,499
Retained earnings		108,760	168,121
Total equity		963,260	1,026,438
LIABILITIES			
Non-current liabilities			
Borrowings		3,734	4,233
Deferred tax liabilities		11,341	10,290
Deferred revenue and accrued liabilities		3,962	5,814
		19,037	20,337
Current liabilities			
Trade, other payables and accrued liabilities		78,129	130,564
Current income tax liabilities		59	39
Borrowings		1,084	1,189
		79,272	131,792
Total liabilities		98,309	152,129
Total equity and liabilities		1,061,569	1,178,567

(All tabular amounts are in LTL '000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Treasury shares	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2010	814,913	(120,000)	81,499	250,222	1,026,634
Net profit	-	-	-	83,553	83,553
Total recognised income and expenses	-	-	-	83,553	83,553
Dividends paid for 2009	-	-	-	(163,132)	(163,132)
Balance at 30 June 2010	814,913	(120,000)	81,499	170,643	947,055
Balance at 1 January 2011	776,818	-	81,499	168,121	1,026,438
Net profit	-	-	-	76,649	76,649
Total comprehensive income for the period	-	-	-	76,649	76,649
Dividends paid for 2010	-	-	-	(139,827)	(139,827)
Reduction of legal reserve	-	-	(3,817)	3,817	-
Balance at 30 June 2011	776,818	-	77,682	108,760	963,260

(All tabular amounts are in LTL '000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOW

	January - June	
	2011	2010
Operating activities		
Profit for the period	76,649	83,553
Income tax	9,254	11,357
Depreciation, amortisation and impairment of fixed assets	65,873	65,398
Other gains and losses	(269)	25
Interest income	(1,155)	(1,479)
Interest expenses	117	119
Other non-cash transactions	143	271
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	1,340	{2,196}
Trade and other receivables	(23)	(7,045)
Trade, other payables and accrued liabilities	(9,086)	(6,020)
Cash generated from operations	142,843	143,983
Interest paid	(117)	(119)
Interest received	1,155	2,086
Tax paid	(878)	(1,762)
Net cash from operating activities	143,003	144,188
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(107,677)	(68,064)
Proceeds from disposal of PPE and intangible assets	208	125
Acquisition of held-to-maturity investments, amounts loaned to banks	(70,000)	(187,561)
Disposal of held-to-maturity investments, repayment of amounts loaned to banks	60,352	252,149
Net cash used in investing activities	(117,117)	(3,351)
Financing activities		
Repayment of borrowings	(604)	(529)
Dividends paid to shareholders of the Company	(139,827)	(163,132)
Net cash used in financing activities	(140,431)	(163,661)
Increase (decrease) in cash and cash equivalents	(114,545)	(22,824)
Movement in cash and cash equivalents		
At the beginning of the year	219,526	181,943
Increase (decrease) in cash and cash equivalents	(114,545)	(22,824)
At the end of the period	104,981	159,119

(All tabular amounts are in LTL '000 unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The consolidated interim financial statements for the six months period ending 30 June 2011 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2010.

The presentation currency is litas. The financial statements are presented in thousand of litas, unless indicated otherwise. The financial statements are prepared under the historical cost convention.

Financial statements for the period ended 30 June 2011 are not audited. Financial statements for the year ended 31 December 2010 are audited by the external auditor UAB PricewaterhouseCoopers.

2 Segment information

The Company's management considers the business from the Group's perspective and considers the performance of the Company and each subsidiary separately. The management assesses the performance of the Company and its subsidiaries based on measure of Net profit.

The Company's activity is the segment that meets the quantitative thresholds required by IFRS 8 and it is reported as Broadband segment. This segment uses the national fixed telecommunications network to provide fixed voice, broadband and data communications, TV broadcasting services and related value-added services.

The Company's subsidiaries do not meet the quantitative thresholds required by IFRS 8. The results of the subsidiaries are combined and disclosed in the 'other segment' column. The profile of each subsidiary is described in Note 4.

	Broadband segment		Other segment		Eliminations		Total Group	
	January-June		January-June		January-June		January-June	
	2011	2010	2011	2010	2011	2010	2011	2010
Segment revenue	348,269	369,254	47,098	45,015	(25,558)	(27,272)	369,809	386,997
Inter-segment revenue	(5,369)	(4,981)	(20,189)	(22,291)	25,558	27,272	-	-
Revenue from external customers	242,900	364,273	26,909	22,724	-	-	369,809	386,997
Profit for the period	79,492	86,618	4,135	4,992	(6,978)	(8,057)	76,649	83,553
Total Assets	1,028,502	1,017,693	91,436	83,392	(58,369)	(55,268)	1,061,569	1,045,817

(All tabular amounts are in LTL '000 unless otherwise stated)

3 Property, plant and equipment and intangible assets

	Property, plant and equipment	Intangible assets
Six months ended 30 June 2010		
Opening net book amount as at 31 December 2009	651,712	37,076
Additions	50,696	557
Disposals and retirements	245	-
Reclassification	(549)	(165)
Depreciation and amortisation charge	60,411	4,987
Closing net book amount as at 30 June 2010	641,203	32,481
Six months ended 30 June 2011		
Opening net book amount as at 31 December 2010	706,430	49,341
Additions	61,327	1,149
Disposals and retirements	260	-
Reclassification	(393)	208
Depreciation and amortisation charge	60,803	5,070
Closing net book amount as at 30 June 2011	706,301	45,628

4 Investments in subsidiaries and associates

The subsidiaries included in the Group's consolidated financial statements are indicated below:

Subsidiary	Country of incorporation	Ownership interest in %		Profile
		30 June 2011	31 December 2010	
UAB Lintel	Lithuania	100%	100%	Provider of Directory Inquiry Service 118 and Contact Center services.
UAB Baltic Data Center	Lithuania	100%	100%	The subsidiary provides information technology infrastructure services to the Group and third parties.
UAB Hostex	Lithuania	100%	100%	The web hosting and data center services providing subsidiary of UAB Baltic Data Center acquired in September 2010.
UAB Interdata	Lithuania	100%	100%	The web hosting services providing subsidiary of UAB Hostex (till May 2011 was subsidiary of UAB Baltic Data Center).
UAB Hosting	Lithuania	100%	100%	The web hosting services providing subsidiary of UAB Interdata.
Baltic Data Center SIA	Latvia	100%	100%	The dormant subsidiary of UAB Baltic Data Center.

(All tabular amounts are in LTL '000 unless otherwise stated)

UAB Kompetencijos Ugdymo Centras	Lithuania	100%	100%	The dormant subsidiary that used to provide training and consultancy services.
UAB Verslo Investicijos	Lithuania	100%	100%	The subsidiary for implementation of an investment project.
VšĮ Ryšių Istorijos Muziejus	Lithuania	100%	100%	A non-profit organisation established by the Company in July 2010 for management of the Company's Communications History Museum.

5 Share capital and treasury shares

From September 2010 authorised share capital comprises 776,817,518 ordinary shares of LTL 1 par value each. The authorised share capital was reduced from LTL 814,912,760 to LTL 776,817,518 by cancelling 38,095,242 treasury shares. All shares are fully paid up.

The Group treated the Company's shares held by the Company as treasury shares and directly deducted them from shareholders' equity in the Group's balance sheet at their purchase cost of LTL 120 million.

6 Legal reserve

Following the decision of the Annual General Meeting of Shareholders held on 28 April 2011 the Company's obligatory reserve was decreased by 3,817,000 litas and this amount was reallocated to the Company's retained earnings.

7 Income tax

Tax expenses for the period comprise current and deferred tax.

Profit for 2011 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2010: 15 per cent).

According to amendments to Law on Corporate Profit Tax which provides tax relief for investments in new technologies the Company's calculated profit tax relief in 2011 amounted to LTL 5.3 million (2010: LTL 3.8 million).

8 Earnings per share

Basic earnings per share are calculated by dividing the net profit (loss) for the period by the weighted average number of ordinary shares in issue during the period. The Group has no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share.

For calculation of the weighted average number of shares in issue (thousands) treasury shares (38,095) were always deducted from the number of ordinary shares (814,913), therefore the treasury shares cancellation in September 2010 had no effect on the weighted average number of shares and for the both reporting periods amounted to 776,818.

(All tabular amounts are in LTL '000 unless otherwise stated)

	January - June	
	2011	2010
Net profit	76,649	83,553
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	0.099	0.108

9 Dividends per share

A dividend that relates to the period to 31 December 2010 was approved the Annual General Meeting of Shareholders on 28 April 2011. The total amount of allocated dividend, that was paid off in May 2011 was 139,827 thousand litas or 0.18 litas per ordinary share.

10 Related party transactions

The Group is controlled by TeliaSonera AB (publ) which owns 68.08 per cent of the Company's shares. In June 2011 TeliaSonera AB took over from its subsidiary Amber Teleholding A/S a controlling interest in the Company (62.94 per cent of shares). Before that TeliaSonera AB directly owned 5.14 per cent of the Company's shares. The following transactions were carried out with related parties:

Sales and purchases from TeliaSonera AB and its subsidiaries:

	January - June	
	2011	2010
Sales of telecommunication and other services	21,918	20,320
Total sales of telecommunication and other services	21,918	20,320
Purchases of assets	260	-
Purchases of services	12,400	14,059
Total purchases of assets and services	12,660	14,059

Balances arising from sales/purchase of assets/services to/from TeliaSonera AB and its subsidiaries:

	As at 30 June	
	2011	2010
Receivables from related parties	3,238	2,096
Accrued revenue from related parties	2,706	3,218
Total receivables and accrued revenue from related parties	5,944	5,314
Payables to related parties	660	1,075
Accrued expenses to related parties	-	128
Total payables and accrued expenses to related parties	660	1,203

(All tabular amounts are in LTL '000 unless otherwise stated)

As of 30 June 2011 an amount of LTL 40 million accounted in the Balance sheet as Cash and cash equivalents was deposited with TeliaSonera AB, for the short term and interest at a market rate. For the period ended 30 June 2011 amount of LTL 91 thousand of interest income was accounted in the Statement of comprehensive income as Finance income and in the Balance sheet as Trade and other receivables.

TEO Group does not have loans granted/received to/from related parties.

The total amount of annual payments (tantiemes) assigned to the seven members of the Board of the Company for the year 2010 during January-June 2011 amounted to LTL 378 thousand (2010: LTL 378 thousand). As of 30 June 2011 the amount of LTL 108 thousand of tantiemes was paid to two members of the Board.

MANAGEMENT CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Following Article 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 Giedrius Vegys, Chief Financial Officer of TEO LT, AB, hereby confirm that, to the best of our knowledge, the not audited TEO LT, AB Interim Consolidated Financial Statements for the period ended 30 June 2011, 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 of TEO LT, AB and the Group of undertakings.

General Manager

Arūnas Šikšta

Chief Financial Officer

Giedrius Vegys

Vilnius, 18 July 2011

INTERIM CONSOLIDATED REPORT

Approved by the Board
as at 18 July 2011

Reporting period

January-June 2011

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 the Register of Legal Entities	State Enterprise Centre of Registers
Company code	121215434
Registered office	Lvovo str. 25, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 1511
Fax number	+370 5 212 6665
Internet address	www.teo.lt

Main activities of the Group

TEO LT, AB Group is the largest integrated telecommunication, IT and television services provider to residential and business customers in Lithuania. TEO Group is a part of TeliaSonera Group, a telecommunication services provider in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain.

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 enables 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.

The Communication Regulatory Authority (CRA) of Lithuania has designated the Company together with its related legal entities 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;
- digital terrestrial television (DVB-T) broadcasting transmission services for end-users of content provision services using radio frequencies (channels) assigned to TEO LT, AB.

As TeliaSonera AB (publ) (Sweden) 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 2011, 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: Lvovo str. 25, LT-03501 Vilnius tel.: +370 5 262 1511; fax. +370 5 212 6665; Internet address: www.teo.lt) and its subsidiaries:

Name of the company	Date of registration, code, name of the Register of Legal Entities	Contact details	TEO share in the share capital of the company (%)	TEO share of 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 5278 3322, 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 5 278 3399, www.bdc.lt	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 5 236 7214, fax. +370 5 231 3444	100.00	100.00
UAB Verslo Investicijos	13 November 2008, code 302247778, State Enterprise Center of Registers	Jogailos str. 9A / A.Smetonos str. 1, LT-01116, Vilnius, Lithuania tel. + 370 5 236 7330, fax. +370 5 278 3613	100.00	100.00
VšĮ Ryšių Istorijos Muziejus	13 July 2010, code 302528309, State Enterprise Center of Registers	Rotušės sq. 19, LT- 44279 Kaunas, Lithuania tel. +370 37 321 131 fax. +370 37 424 344, www.teo.lt	-	100.00

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 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. On 6 September 2010, UAB Baltic Data Center acquired a 100 per cent stake in UAB Hostex, a web hosting and data center services provider. On 2 May 2011, UAB Hostex took over from Baltic Data Center a 100 per cent stake in UAB Interdata, which has a subsidiary, UAB Hosting. Both entities provide web hosting services. In Latvia Baltic Data Center owns a dormant subsidiary – Baltic Data Center SIA.

UAB Kompetencijos Ugdymo Centras is a dormant company which till June 2009 was providing consultancy and training services. UAB Verslo Investicijos was acquired in 2008 for the implementation of an investment project.

In July 2010, TEO transferred owners' rights of VšĮ TEO Sportas, a not-for-profit organisation that supported women basketball team, to a not-for-profit organisation VšĮ Vici Sport. VšĮ TEO Sportas was established and solely owned by the Company

On 13 July 2010, a not-for-profit organisation VšĮ Ryšių Istorijos Muziejus for management of the Company's Communications History Museum in Kaunas was established. The organisation is solely founded and owned by TEO.

TEO LT, AB has no branches and representative offices.

Agreements with intermediaries of public trading in securities

Since 1 December 2000 the Company and AB SEB Bankas (code 112021238), Gedimino ave. 12, LT-01103 Vilnius, have an agreement on accounting of the Company's securities and services related to the accounting of securities.

Data about securities traded on regulated market

The following securities of TEO LT, AB are included into the Main List of NASDAQ OMX Vilnius stock exchange (code: TEO1L):

Type of shares	Number of shares	Nominal value (in LTL)	Total nominal value (in LTL)	Issue Code
Ordinary registered shares	776,817,518	1	776,817,518	LT0000123911

On 3 September 2010, following the decision of the Annual General Meeting of Shareholders held on 26 April 2010, the share capital of the Company was reduced from 814,912,760 litas to 776,817,518 litas and, accordingly, the number of the Company's shares included into Main List of NASDAQ OMX Vilnius stock exchange was reduced from 814,912,760 to 776,817,518.

Till 30 June 2010, 32,596,510 TEO LT, AB Global Depository Receipts (1 GDR represented 10 ORS) were admitted to the Official List of the UK Listing Authority and were traded on the Main Market of the London Stock Exchange (code: TEOL). TEO GDRs could be traded on the NASDAQ PORTAL market (U.S.A.).

On 25 March 2010 the Board of the Company decided to terminate the Global Depository Receipts (GDR) programme, including delisting of GDRs from the London Stock Exchange. TEO terminated its Global Depository Receipts (GDR) programme, based on the Deposit Agreement dated 15 June 2000 between the then AB Lietuvos Telekomas (now – TEO LT, AB) and the then Bankers Trust Company (now – Deutsche Bank Trust Company Americas), as of 1 July 2010.

Following the Board's decision the Company delisted TEO Regulation S GDRs (ISIN US88074Q2075) and Rule 144A GDRs (ISIN US88074Q1085) from the Official List of the UK Listing Authorities and discontinued trading in TEO GDRs type Reg S (ISIN US88074Q2075) on the London Stock Exchange (ticker: TEOL) as of 30 June 2010.

TEO GDRs have been included into the trading lists of the Frankfurt Stock Exchange's (Deutsche Börse) Open Market (*Freiverkehr*) and of the Munich Stock Exchange's third segment.

In January 2011, TEO ordinary shares were included into the trading lists of the Berlin Stock Exchange (Berlin Open Market called *Freiverkehr*), the Frankfurt Stock Exchange (Open Market (*Freiverkehr*)), the Munich Stock Exchange and the Stuttgart Stock Exchange. TEO share's symbol on German stock exchanges is ZWS.

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

Information about results of the Company's activities

TEO achieved a healthy net profit of LTL 77 million for the first half of 2011. Although revenue for the first 6 months of 2011 decreased by 4.4 per cent compared to the same period in 2010, the Company managed to reach good profitability by accordingly reducing its costs. EBITDA margin stands at a high 40.8 per cent, which is only 0.4 per cent lower than it was during the same period in 2010.

TEO continues its investments into the next generation fiber optic network. Although the broadband customer base increased by around 8 per cent, due to high competition and market penetration strategy revenue from Internet services was slightly lower than a year ago. Revenue from TV services was by 26 per cent higher than for the same period in 2010. New customers' acquisition rate remains high – TEO had 25 per cent more TV customers than it had in the middle of 2010. The upcoming switchover to digital television signal transmission in 2012 gives TEO a good opportunity for further increase of its pay-TV customer base.

More information about the Company's activities and financial results for the first six months of 2011 is provided in TEO LT, AB Consolidated Interim Financial Statements for the period of six months ended 30 June 2011.

Information about related party transactions

Information about related party transactions is provided in Note 10 of TEO LT, AB Consolidated Interim Financial Statements for the six months period ended 30 June 2011.

Following the International Financial Reporting Standards as adopted by the EU, the parties related to the Company are

the Company's subsidiaries, companies that belong to TeliaSonera Group and top management of the Company. Companies that belong to TeliaSonera Group and top management of the Company are regarded as related parties to TEO Group (hereinafter – “the Group”). Transactions with related parties are carried out based on the arm's length principle.

The Company and its subsidiaries are providing to each other telecommunications, Call Center, IT and other services. The Company has extended loans to its subsidiaries UAB Baltic Data Center and UAB Hostex. The Company's subsidiaries have no interest in the share capital of TEO LT, AB.

The Company and the Group through its largest shareholder, TeliaSonera AB (publ), are related to TeliaSonera Group that provides telecommunication services in 20 countries. The main buyers and providers of telecommunications services to the Group are UAB Omnitel (Lithuania), TeliaSonera International Carrier (Sweden), Elion Ettevõtte AS (Estonia), LMT (Latvia), TeliaSonera Finland Oyj (Finland).

Risk management

The main risk factors associated with the activities of the Company 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.
- Currency exchange rates fluctuations.
- 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 2011 the total amount of borrowings of TEO Group amounted to LTL 4.8 million.

The Group's and the Company's activities expose it to the following financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk, liquidity risk. The Group's Policy for Treasury Management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group.

The Company's financial risk management is carried out by the Group's Treasury unit under policies approved by the Board of Directors. This unit identifies and evaluates financial risks in close co-operation with the Group's operating units. 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.

Information about the Company's financial risk management is provided in Note 3 of TEO LT, AB Financial Statements for the year ended 31 December 2010.

Plans and forecasts

In 2011, the Company will further continue investments into its FTTH network based on the best interest of TEO service users and shareholders.

Research and development activities

There were no major research and development projects undertaken during 2011, except the ongoing development and improvement of the Company's services.

Share capital

The share capital of the Company amounts to 776,817,518 litas and consists of 776,817,518 ordinary registered shares with a nominal value of 1 litas each. It was reduced from 814,912,760 litas to 776,817,518 litas and registered at the Register of Legal Entities on 3 September 2010 following the decision of the Annual General Meeting of Shareholders, held on 26 April 2010.

The Annual General Meeting of Shareholders on 26 April 2010 decided to cancel 38,095,242 treasury stocks and to reduce the Company's authorised share capital by 38,095,242 litas from 814,912,760 litas to 776,817,518 litas, and accordingly amend the By-laws of the Company. The purpose of reduction of the Company's authorised capital was

cancellation of the Company's treasury stocks. The Company's authorised capital was reduced by way of annulment of the Company's treasury stocks. Treasury stocks were cancelled on 9 September 2010.

Treasury stocks that amounted to 4.67 per cent of the total number of the Company shares were acquired during the Initial Public Offering (IPO) in year 2000 and they had 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 shares that provide voting rights during the General Meeting remains unchanged and is 776,817,518.

Home market for TEO shares is NASDAQ OMX Vilnius, Lithuania. Ordinary registered shares of TEO LT, AB (ISIN code LT0000123911) are listed on the Main List of NASDAQ OMX Vilnius stock exchange (symbol: TEO1L).

Following the Board's decision of 25 March 2010 the Company terminated its Global Depository Receipts (GDR) programme, based on the Deposit Agreement dated 15 June 2000 between the then AB Lietuvos Telekomas (now – TEO LT, AB) and the then Bankers Trust Company (now – Deutsche Bank Trust Company Americas), as of 1 July 2010, and delisted TEO Regulation S GDRs (ISIN US88074Q2075) and Rule 144A GDRs (ISIN US88074Q1085) from the Official List of the UK Listing Authorities and discontinued trading in TEO GDRs type Reg S (ISIN US88074Q2075) on the London Stock Exchange as of 30 June 2010.

The Company's Global Depository Receipts (GDR) programme was run since June 2000. According to the programme, one GDR represented 10 ordinary registered shares of the Company. Shares were held by the depository bank, Deutsche Bank Trust Company Americas, 60 Street, New York, NY 10005, U.S.A. GDRs till 30 June 2010 were traded on the London Stock Exchange (LSE) (symbol: TEOL).

As on 30 June 2011, there were no ordinary shares of the Company represented by GDRs, while as on 30 June 2010, 1,071,250 ordinary shares of the Company (0.13% of the total share capital) were represented by 107,125 GDRs. According to the Global Depository Receipts programme's conditions, upon closure of the GDR programme any outstanding GDRs were sold by the depository bank and the proceeds distributed to GDR holders.

Information about treasury stocks

On 12 June 2000, during the Initial Public Offering UAB Lintkom, the then 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 May 2004, after reorganisation of Lintel and Lintkom by merger of UAB Lintkom into UAB Lintel the treasury stocks were transferred to UAB Lintel.

In July 2007, the Board of TEO LT, AB decided to acquire the treasury stocks from UAB Lintel. In September 2007, the Company took over the treasury stocks from UAB Lintel.

Since September 2007 TEO LT, AB 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. Following the Law of the Republic of Lithuania on Companies, treasury stocks have no rights to exercise any property and non-property rights provided by the Law on Companies.

On 26 April 2010, the Annual General Meeting of Shareholders decided to cancel 38,095,242 treasury shares and to reduce the Company's authorised share capital by 38,095,242 Litass.

In May 2010, following the Company's Board decision to terminate the Global Depository Receipts (GDR) programme of TEO, the Company converted its 2,539,683 treasury GDRs into 25,396,830 ordinary registered shares. On 9 September 2010, all TEO treasury stocks (in total 38,095,242 shares) were cancelled.

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

Shareholders

The number of shareholders on the shareholders registration day for the Annual General Meeting of Shareholders, which was held on 28 April 2011, was 14,530.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 June 2011:

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 (%)
TeliaSonera AB (publ), Stureplan 8, Stockholm, SE- 106 63, Sweden, code 556103-4249	528,843,272	68.08	68.08	-
East Capital Asset Management AB, Kungsgatan 33, Stockholm, SE-111 93, Sweden, code 556564-5370	53,380,568	6.87	6.87	-
Other shareholders	194,593,678	25.05	25.05	-
TOTAL:	776,817,518	100.00	100.00	-

In June 2011, TeliaSonera AB (publ) took over from its subsidiary Amber Teleholding A/S the controlling interest in TEO (62.94 per cent of shares and votes). Before the transaction TeliaSonera AB directly held 5.14 per cent of the Company's shares and votes. The Commission for Assessment of Conformity of Potential Participants of Enterprises of Strategic or Considerable Importance to National Security to the Interests of National Security has made a conclusion that TeliaSonera AB (publ) conforms to the interests of national security and may take over the shares of TEO LT, AB. The Radio and Television Commission of Lithuania also gave a permission to transfer the controlling interest of the re-broadcasting license holder TEO LT, AB from Amber Teleholding A/S to TeliaSonera AB (publ).

During January-June 2011, Republic of Lithuania, represented by State Enterprise State Property Fund, reduced its holding in the Company from 3,075,315 (31-Dec-2010) to 2,047 (30-Jun-2011) shares. As of 30 June 2011, Republic of Lithuania, represented by State Tax Inspectorate, held 362,630 shares. In total, the Republic of Lithuania has 364,677 shares of the Company or 0.05 per cent of the share capital and votes.

Shareholders' rights

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. Treasury stocks, which were cancelled in September 2010, had no rights to exercise any property and non-property rights provided by the Lithuanian Law on Companies. Therefore, the number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders before and after treasury stocks' cancellation was and is the same, and amounts to 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.

Dividends

On 26 May 2011, the Company paid out to the shareholders LTL 139,827 thousand of dividends or 0.18 litas per share for the year 2010. Following the Law, dividends were paid to the shareholders who on the dividend record day, 12 May 2011, i.e. the tenth business day after the Annual General Meeting of Shareholders, were on the Shareholders' List of the Company. Dividends to all shareholders were paid in cash.

Important events during the reporting period

The Annual General Meeting of TEO LT, AB (hereinafter 'the Company' or 'TEO') shareholders, held on 28 April 2011, decided to approve the audited annual financial statements of the Company for the year 2010; from the Company's distributable profit of LTL 144,333 thousand to allocate LTL 139,827 thousand for the dividend payment for the year 2010 or LTL 0.18 dividend per share; for annual payments (tantiemes) to seven members of the Board for the year 2010 to allocate LTL 378 thousand, i.e. LTL 54 thousand per one member of the Board; not to approve reduction of the authorised capital of the Company by LTL 120,000,000 from LTL 776,817,518 to LTL 656,817,518 by cancelling 120,000,000

ordinary registered shares of one litas nominal value each for payment of Company's funds to the shareholders of the Company, proposed by the shareholders of the Company, that jointly held 10.48 per cent of the Company's shares and votes; to reduce number of the Board members from seven to six; to decrease Company's obligatory reserve by 3,817,000 litas and to reallocate this amount to the Company's retained earnings; to elect to the Board of the Company Malin Frenning, Lars Kalsson, Joakim Sundström, Tiia Tuovinen, Inga Skisaker (all proposed by Amber Teleholding A/S) and Jonas Pilkauskas (proposed by East Capital) for a new two years term of the Board.

On 2 May 2011, UAB Baltic Data Center, a subsidiary of TEO LT, AB, transferred a 100 per cent stake in UAB Interdata to another subsidiary UAB Hostex.

On 26 May 2011, the Register of Legal Persons registered a new wording of the By-Laws of the Company which provides that the Board of TEO shall consist of six members of the Board.

On 9 June 2011, the Board elected Malin Frenning as Chairwoman of the Board and appointed Joakim Sundström, Tiia Tuovinen and Inga Skisaker (independent member of the Board) as the members of Audit Committee for the term of two years. Malin Frenning, Lars Kalsson and Jonas Pilkauskas (independent member of the Board) were appointed as the members of Remuneration Committee for the term of one year (until 9 June 2012).

The Board also approved establishment of a Division of Customer Operations and Quality since 1 July 2011 and appointed Eglutė Bivainienė as Chief Operations Officer (Head of the Division of Customer Operations and Quality). Starting from July 2011, TEO will have five divisions – Sales and Customer Care Division, Service Development and Marketing Division, Network Technology Division, Business Process and Quality Division, and Finance Division, and 5 main units of the Company.

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

Procedure for amending the Company'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.

Personnel

Number of TEO Group employees:

	30 June 2011	30 June 2010
Number of personnel (head-counts)	3,374	3,277
Number of full time employees	2,941	2,893

While counting full-time employees, the number of part-time employees is recalculated into full-time employees, and this number does not include employees on maternity/paternity leave.

The breakdown of the number of TEO Group employees (head-counts) by the companies:

Name of the company	30 June 2011	30 June 2010	Change
TEO LT, AB	2,087	2,031	56
UAB Lintel	1,044	1,036	8
UAB Baltic Data Center	186	187	(1)
UAB Hostex	41	-	41
UAB Interdata	5	14	(9)
UAB Hosting	3	3	-
VšĮ TEO Sportas	-	3	(3)
UAB Kompetencijos Ugdymo Centras	3	3	-
VšĮ Ryšių Istorijos Muziejus	5	-	5
TOTAL:	3,374	3,277	97

The currently valid 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 from 25 April 2007.

This Collective Bargaining Agreement applies only to employees of TEO LT, AB. If provisions of the Collective Bargaining Agreement are more favourable than the same provisions of individual labour agreements, then provisions of the Agreement shall apply. If provisions of the Agreement are more favourable than new legislation imposed during the period of the Agreement validity, provisions of the Agreement shall apply. The Collective Bargaining Agreement of the Company grants a number of additional social guarantees to employees of TEO. More detailed information about the Collective Bargaining Agreement is provided in TEO LT, AB Consolidated Annual Report for the year ended 31 December 2010.

Managing Bodies

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 Board of the Company represents the shareholders and performs supervision and control functions.

The decisions of the General Meeting made regarding the matters of competence of the 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 the General Meeting of the Shareholders of the Company is the fifth business day prior to the General Meeting or the repeated General Meeting. The person, participating in the General Meeting and having the right to vote, shall deliver his/her identification proving document. In case the person is not a shareholder he/she is to present a document, proving his/her right to vote at the General Meeting.

The Members of the Board serving on the Board of the Company are acting jointly as a governing body of the Company. The Annual General Meeting of the Shareholders, held on 28 April 2011, decided to reduce the number of the Board members from seven to six. The new wording of the Company's By-laws was registered on 26 May 2011. 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 accordance with 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 that are approved by the General Manager define the duties and authority of the General Manager and his/her Deputies as well as other officers of the Company in more details.

On 28 April 2011, upon termination of the two years term of the Board, the Annual General Meeting of Shareholders elected Malin Frenning, Lars Klasson, Joakim Sundström, Tiia Tuovinen, Inga Skisaker (all proposed by Amber Teleholding A/S, a subsidiary of TeliaSonera AB) and Jonas Pilkauskas (proposed by East Capital) for a new two years term of the Board.

On 9 June 2011, the Board elected Malin Frenning as Chairwoman of the Board and appointed Joakim Sundström, Tiia Tuovinen and Inga Skisaker (independent member of the Board) as the members of Audit Committee for the term of two years. Malin Frenning, Lars Klasson and Jonas Pilkauskas (independent member of the Board) were appointed as the members of Remuneration Committee for the term of one year (until 9 June 2012).

The Board's activities

During January–June 2011 four meetings of the Board were held. All meetings were convened according to the preliminary approved schedule of the Board meetings. During all Board meetings in 2011 there was quorum prescribed by legal acts. The Board approved financial statements for the 12 months of 2010 and the first 3 months of 2011, financial statements and the consolidated annual report for the year ended 31 December 2010, convoked the Annual General Meetings of Shareholders, proposed to the Annual General Meeting a profit allocation for the year 2010, decrease of the Company's obligatory reserve and reduction of number of the Board members, approved the sale of a 100 per cent stake in UAB Interdata to UAB Hostex, elected a new Chairwoman of the Board, members of the Audit and Remuneration Committees, approved establishment of a new Division of Customer Operations and Quality, followed up implementation of the business and investment plan for the year 2011.

During the first half of 2011 no meetings of the Remuneration Committee were held as there were no changes in the Company's remuneration policy and no appointments that should be approved by the Remuneration Committee. During January-June 2011, one meeting of the Audit Committee for consideration and approval of the draft of consolidated financial statements for the year 2010, draft of consolidated annual report for the year 2010, draft of profit allocation for the year 2010 and internal audit plan for the year 2011 as well as risk management issues was held on 25 March 2011. The Audit Committee meeting was attended by all members of the Committee and meeting was chaired by the Chairman of the Audit Committee.

On 28 April 2011, the Annual General Meeting of TEO LT, AB shareholders resolved to assign LTL 378 thousand for the payment of annual payments (tantiemes) for the year 2010 to seven members of the Board, i.e. LTL 54 thousand per one member of the Board. As on 30 June 2011 annual payments (tantiemes) for the year 2010 were paid only to two members of the Board (in total LTL 108 thousand) who had provided written requests to the Company.

Members of the Board as of 30 June 2011

Malin Frenning (born in 1967) – Chairwoman of the Board of TEO LT, AB, member of the Board since 26 April 2010, re-elected for the two-year term on 28 April 2011 (nominated by Amber Teleholding A/S, the then subsidiary of TeliaSonera AB), member of the Remuneration Committee of the Board. Education: Luleå University of Technology (Sweden), Master of Science in Mechanical Engineering. Employment: TeliaSonera AB (publ) (Sweden), President of Business Area Broadband Services. Current Board assignments: TeliaSonera Network Sales AB (Sweden), Chairwoman of the Board; TeliaSonera International Carrier AB (Sweden), Chairwoman of the Board; TeliaSonera Skanova Access AB (Sweden), Chairwoman of the Board; NextGenTel AS (Norway), Chairwoman of the Board; Elion Ettevõtte AS (Estonia), Chairwoman of the Supervisory Council; ESRI S-Group AB (Sweden), member of the Board. TeliaSonera AB (Sweden) that through the then subsidiary Amber Teleholding A/S (Denmark), nominated Malin Frenning to the Board of TEO LT, AB, has 528,843,272 shares of TEO LT, AB that accounts to 68.08 per cent of the share capital and votes. Malin Frenning has no direct interest in the share capital of TEO LT, AB. She is not involved in the business of other Lithuanian companies and does not have interest in the share capital of Lithuanian companies.

Lars Klasson (born in 1965) – a member of the Board of TEO LT, AB, elected for the two-year term on 28 April 2011 (nominated by Amber Teleholding A/S, the then subsidiary of TeliaSonera AB), member of the Remuneration Committee of the Board. Education: University of Linköping (Sweden), Master of Business Administration. Employment: TeliaSonera AB (publ) (Sweden), Business Area Broadband Services, Chief Technology Officer. Current Board Assignments: AS Eesti Telekom (Estonia), member of Supervisory Council; NextGenTel AS (Norway), member of the Board. TeliaSonera AB (Sweden), that through the then subsidiary Amber Teleholding A/S (Denmark), nominated Lars Klasson to the Board of TEO LT, AB, has 528,843,272 shares of TEO LT, AB that accounts to 68.08 per cent of the share capital and votes. Lars Klasson 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) – a member of the Board of TEO LT, AB since 26 April 2007, re-elected for the two-year term on 28 April 2011 (nominated by Amber Teleholding A/S, the then subsidiary of TeliaSonera AB), member of the Audit Committee of the Board. Education: Stockholm University (Sweden), Bachelor of Business Administration. Employment: TeliaSonera AB (publ) (Sweden), Business Area Broadband Services, Vice President of Business Control. Current Board assignments: Lattelecom SIA (Latvia), member of the Supervisory Council, member of the Audit Committee, and member of the Business Planning and Finance Committee; TeliaSonera Network Sales AB (Sweden), member of the Board; TeliaSonera Net Fastigheter AB (Sweden), member of the Board; TeliaSonera Skanova Access Sales AB (Sweden), deputy member of the Board; Tilts Communications A/S (Denmark), member of the Board. TeliaSonera AB (Sweden), that through the then subsidiary Amber Teleholding A/S (Denmark), nominated Joakim Sundström to the Board of TEO LT, AB, has 528,843,272 shares of TEO LT, AB that accounts to 68.08 per cent of the share capital and 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.

Tiia Tuovinen (born in 1964) – a member of the Board of TEO LT, AB since 28 April 2009, re-elected for the two-year term on 28 April 2011 (nominated by Amber Teleholding A/S, the then subsidiary of TeliaSonera AB), member of the Audit Committee of the Board. Education: University College London (United Kingdom), Master of Laws and University of Helsinki (Finland), Master of Laws. Employment: TeliaSonera Finland Oyj (Finland), General Counsel for Broadband Services and Vice President for Real Estates and Property Planning in Finland. Current Board assignments: Lattelecom SIA (Latvia), member of the Supervisory Council; TeliaSonera Finland Oyj (Finland), member of the Board; TeliaSonera International Carrier AB (Sweden), member of the Board; Tilts Communications A/S (Denmark), member of the Board and Managing Director; Tectia Oyj (Finland), member of the Board; member of the Board of several real estate companies in

Helsinki, Finland. TeliaSonera AB (Sweden), that through the then subsidiary Amber Teleholding A/S (Denmark), nominated Tiia Tuovinen to the Board of TEO LT, AB, has 528,843,272 shares of TEO LT, AB that accounts to 68.08 per cent of the share capital and votes. Tiia Tuovinen has no direct interest in the share capital of TEO LT, AB. She is not involved in the business of other Lithuanian companies and does not have interest in the share capital of Lithuanian companies.

Inga Skisaker (born in 1971) – a member of the Board of TEO LT, AB, elected for the two-year term on 28 April 2011 (nominated as independent candidate by Amber Teleholding A/S, the then subsidiary of TeliaSonera AB), member of the Audit Committee of the Board. Education: Vilnius University (Lithuania), Master of International Business Administration. Employment: Nordea Bank Finland Plc Lithuania Branch, General Manager. Current Board assignments: Baltic Management Institute (Lithuania), member of the Board; Investors Forum (Lithuania), member of the Board. TeliaSonera AB (Sweden), that through the then subsidiary Amber Teleholding A/S (Denmark) nominated Inga Skisaker as independent candidate to the Board of TEO LT, AB, has 528,843,272 shares of TEO LT, AB that accounts to 68.08 per cent of the share capital and votes. She has no direct interest in the share capital of TEO LT, AB.

Jonas Pilkauskas (born in 1974) – a member of the Board of TEO LT, AB, elected for the two-year term on 28 April 2011 (nominated as independent candidate by East Capital), member of the Remuneration Committee of the Board. Education: Vilnius University (Lithuania), Faculty of Law (Diploma, 1997). From 1995 to 1996 studied at the University of Swansea, Wales (United Kingdom) and at John Marshall Law School in Chicago (U.S.A.). Employment: A partner in law firm TARK GRUNTE SUTKIENĖ (Lithuania). East Capital Asset Management AB (Sweden), that nominated Jonas Pilkauskas as independent candidate to the Board of TEO LT, AB, as of 30 June 2011 has 53,380,568 shares of TEO LT, AB that accounted to 6.87 per cent of the share capital and votes. He has no direct interest in the share capital of TEO LT, AB.

Members of the Company's Administration as of 30 June 2011

Arūnas Šikšta (born in 1968) from 2 January 2004 took the office of General Manager (CEO) of the Company. Education: Klaipėda University (Lithuania), Natural Science Faculty, Degree in Management (1995), and Vienna University of Economics and Business (Austria), Master of Business Administration (2009). Current Board assignments: International Business School at Vilnius University (Lithuania), member of the Council and lector; Big Brothers Big Sisters International (Philadelphia, U.S.A.), member of the Board. Arūnas Šikšta has no 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) from 1 March 2006 took the office of Chief Sales Officer and Deputy General Manager of the Company. Education: Vilnius Gediminas Technical University (Lithuania), Bachelor degree of Business Administration (1997), Master of Business Administration (1999), Doctor of Social Sciences, Economics (2005). Current Board assignments: UAB Lintel, a subsidiary of TEO LT, AB, Chairman of the Board. Darius Gudačiauskas 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.

Nerijus Ivanauskas (born in 1970) from 1 March 2006 took the Office of Chief Marketing Officer and Deputy General Manager of the Company. Education: Vilnius University (Lithuania), 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). Nerijus Ivanauskas has no 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) from 9 February 2005 holds an office of Chief Technology Officer and Deputy General Manager of the Company. Education: Kaunas University of Technology (Lithuania), Engineer in radio electronics (1993), MSc in Telecommunication Engineering (2001), International Executive MBA (2003). Current Board assignments: UAB Baltic Data Center, a subsidiary of TEO LT, AB, Chairman of the Board; UAB Hostex, a subsidiary of UAB Baltic Data Center, Chairman of the Board; UAB Interdata, a subsidiary of UAB Hostex, Chairman of the Board. Darius Didžgalvis has no 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.

Giedrius Vegys (born in 1959) from 1 April 2009 took the office Chief Financial Officer of the Company. Education: Vilnius University (Lithuania), Faculty of Economic Cybernetics and Finance (1982) and Helsinki School of Economics (Finland), Executive MBA (2001). Current Board assignments: UAB Baltic Data Center, a subsidiary of TEO LT, AB, member of the Board. Giedrius Vegys has no shares 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.

During January–June 2011, there were no loans, guarantees or sponsorship granted to the members of the Board or Management by the Company as well as none of subsidiaries paid salaries or other payouts to the members of the Board or Management of the Company for being members of their managing bodies.

Information about compliance with the Governance Code

TEO LT, AB essentially follows a recommendatory Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius stock exchange (hereinafter 'the Governance Code') adopted in August 2006, amended in December 2009 and valid from 1 January 2010. According to the By-Laws of TEO LT, AB the governing bodies of the Company are the General Shareholder's Meeting, the Board and the General Manager. The Law of the Republic of Lithuania on Companies provides that Lithuanian companies at their discretion could have either two (Supervisory Council and Board) or only one collegial governing body. There is no Supervisory Council in TEO LT, AB. Following the Annual General Meeting of Shareholders, held on 28 April 2011, decision the Board of TEO LT, AB consists of six members. The Board is elected for the term of two years, represents the shareholders, and performs supervision and control functions. The Board institutes two Committees: Audit and Remuneration. Three members of the Board comprise each committee.

Following the Governance Code, all on 28 April 2011 for the new two years' term elected members of the Board are considered non-executive directors, whereby two out of six members are independent members of the Board. New members of the Audit Committee for the two years' term and new members of the Remuneration Committee for the one year term were elected in June 2011 by the Board. Two members of the Audit Committee have financial background and one member of this Committee is an independent member of the Board.

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 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 Giedrius Vegys, Chief Financial Officer of TEO LT, AB, hereby confirm that, to the best of our knowledge, TEO LT, AB Interim Consolidated Report for the six months period ended 30 June 2011 includes a fair review of the development and performance of the business and the position of the Company and the Group of undertakings in relation to the description of the main risks and contingencies faced thereby.

General Manager

Arūnas Šikšta

Chief Financial Officer

Giedrius Vegys

