

TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
CONSOLIDATED INTERIM REPORT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012
(UNAUDITED)

Beginning of the financial year	1 January 2012
End of reporting period	30 June 2012
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 2012:

"With economy struggling to take a clear direction for growth and the decreasing telecommunications market TEO revenue for the first half of 2012 increased by 3 per cent (y-o-y) and reached LTL 381 million. It was the third quarter in a row when the Company managed to compensate falling voice revenues with revenues from other services. The revenue increase in 2012 was driven by Internet services, which grew by 7.5 per cent, IPTV services (37 per cent growth) and IT services (60 per cent growth).

TEO continued its next-generation fiber-optic network development and further increased customer intake in this segment. The number of Internet users connected to TEO fiber-optic network increased by more than 26 per cent and exceeded 150 thousand at the end of June 2012. The number of customers of TEO flagship TV services product – "Interactive GALA" – increased by more than 17 per cent (y-o-y). Revenue from IT services was higher due to successful new international contracts.

The Company's operating expenses were under strict control and increased by 3.7 per cent mostly due to an increase in the cost of goods sold. Capital investment stood at LTL 52 million, slightly lower than during the same period in 2011. Most of the investments TEO is making are aimed at the next-generation fiber-optic network build out."

KEY FIGURES OF TEO GROUP

Financial figures	January - June		Change (%)
	2012	2011	
Revenue (LTL thousand)	380,722	369,809	3.0
EBITDA (LTL thousand)	154,284	150,982	2.2
EBITDA margin (%)	40.5	40.8	
Operating profit (LTL thousand)	88,926	85,109	4.5
Operating profit margin (%)	23.4	23.0	
Profit before income tax (LTL thousand)	89,502	85,904	4.2
Profit before income tax (%)	23.5	23.2	
Profit for the period (LTL thousand)	78,281	76,649	2.1
Profit for the period margin (%)	20.6	20.7	
Earnings per share (LTL)	0.101	0.099	
Number of shares excluding treasury stocks (thousand)	776,818	776,818	
Financial ratios	30 June 2012	30 June 2011	
Return on capital employed (%)	17.5	17.2	
Return on average assets (%)	15.6	15.3	
Return on shareholders' equity (%)	15.5	15.7	
Gearing ratio (%)	(16.2)	(15.6)	
Debt to equity ratio (%)	0.4	0.5	
Current ratio (%)	374.4	373.6	
Rate of turnover of assets (%)	68.3	68.3	
Equity to assets ratio (%)	90.9	90.7	

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

Operating figures	30 June 2012	30 June 2011	Change (%)
Number of fixed telephone lines in service	625,671	671,415	(6.8)
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi and other)	377,045	357,957	5.3
Number of TV services customers	156,364	142,484	9.7
Number of personnel (head-counts)	3,193	3,374	(5.4)
Number of full-time employees	2,783	2,941	(5.4)

BREAKDOWN OF TEO GROUP REVENUE

	April - June		Change (%)	January - June		Change (%)
	2012	2011		2012	2011	
Voice telephony services	92,593	93,569	(1.0)	179,255	190,528	(5.9)
Internet services	43,061	38,990	10.4	84,337	78,486	7.5
Data communication and network capacity services	21,608	23,035	(6.2)	43,873	46,231	(5.1)
TV services	13,848	11,311	22.4	27,581	22,405	23.1
IT services	12,817	10,909	17.5	32,383	20,249	59.9
Other services	6,303	6,213	1.4	13,293	11,910	11.6
Total	190,230	184,027	3.4	380,722	369,809	3.0

REVENUE

The total consolidated TEO Group's revenue for the second quarter of 2012 was LTL 190 million, an increase by 3.4 per cent over the total revenue of LTL 184 million for the second quarter of 2011. The **total revenue** for the first six months of 2012 was LTL 381 million, an increase by 3 per cent over the total revenue of LTL 370 million for the first six months of 2011.

Compared with the revenue for the first half of 2011, revenue from Internet, TV, IT and other services during the first half of 2012 continued to grow while revenue from voice telephony and data communication and network capacity services went down.

Share of revenue from voice telephony services from total amount of revenue continued to shrink and amounted to 47.1 per cent of total revenue for the first half of 2012. Share of revenue from Internet services reached 22.2 per cent, data communication and network capacity services – 11.5 per cent, television services – 7.2 per cent, IT services – 8.5 per cent and other services – 3.5 per cent.

Although revenue from **voice telephony services** during the six months of 2012 declined but voice telephony revenue for the second quarter was by 6.8 per cent higher than revenue for the first quarter of 2012 due to increased revenue from voice transit services.

During January-June 2012, the total number of main telephone lines in service decreased by 21.9 thousand, while over the last twelve months – by 45.7 thousand lines. Lower number of voice telephony service users resulted in decrease of revenue from subscription fees in January-June 2012 by 11.2 per cent compared with the same period a year ago.

Reduced national networks' interconnection fees resulted in increased volumes of both residential and business customers' calls to mobile operator networks by 1.8 and 9.4 per cent, respectively, during the first half of 2012 compared with the same period a year ago.

However, total traffic volume generated by residential and business customers decreased by 11.6 and 10.9 per cent, respectively. As a result, over the year revenue from traffic charges went down by 3.4 per cent.

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

During the second quarter of 2012 revenue from networks' interconnection services increased by 13.2 per cent and resulted that revenue from networks' interconnection services for the six months was by 0.1 per cent higher than a year ago.

In May 2012, TEO offered residential customers to use bundled Internet, digital television and voice telephony services "Namai 1" ("Home 1") for 79.90 litas, "Namai 2" ("Home 2") for 99.90 litas and "Namai 3" ("Home 3") for 119.90 litas. Users of bundled services are also able to use some other services at no additional charge.

During January-June 2012 the total number of **broadband Internet access** users increased by 4.8 thousand, while over the last twelve months – by 19.1 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 2012, more than 40 per cent of the total number of TEO broadband Internet access users had fiber-optic access.

Switchover from copper to fiber-optic Internet access continues: over the year the number of FTTH and FTTB connections increased by 26.4 per cent, while the number of copper DSL connections went down by 7.9 per cent.

At the end of June 2012 out of total 377 thousand broadband connections, 151 thousand were fiber-optic connections, 190 thousand – copper DSL connections and 36 thousand – wireless connections via WiFi network.

From the 1st of March, TEO increased the speed of the ZEBRA Internet plans "Startas" ("Start") from 1 up to 2 Mbps and "Bazinis šviesolaidis" ("Basic FTTH") – from 40 up to 50 Mbps, and consequently increased monthly fees for the Internet plans "Start", "Basic Plus" and "Basic FTTH" by 3 litas.

In March, the Company offered two new additional services. The ZEBRA Internet service "Saugykla" ("Storage"), an online data storage service, enables storing up 300 GB of data on a highly secure server. The new service allows keeping important data safe in the event of a computer failure or theft. The service "Laiko kontrolė" ("Time Control") helps Internet users plan their children's leisure time – to limit the time they can spend on the Internet. The service allows users to set a specific time when their Internet access will be limited. The new services are available for use to the majority of TEO customers at no extra charge for one year (the standard price for the each of the services is 4.90 litas per month).

In June, TEO offered the service "Saugykla verslui" ("Storage for Business") for small and medium-sized businesses, too. It enables business customers to store up to 1 terabyte of data in a secure data center, and to access documents from everywhere where Internet access is available.

During January-June 2011 the total number of **television service** customers increased by 5.2 thousand, while over the last twelve months – by 13.9 thousand. Over the year the number of IPTV service users went up by 12.5 thousand and by the end of June 2012 exceeded 85 thousand. As of 30 June 2012, the number of digital terrestrial television (DVB-T) users amounted to 71.4 thousand.

IPTV services customers were offered a possibility to watch the year's most important sporting and music events: Semi-Finals and the Grand Final of the Eurovision Song Contest, the crucial matches of the European Football Championship and the London Summer Olympic Games in High Definition (HD) format.

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. During the first quarter of 2012 Baltic Data Center recorded one-off sales of IT equipment which contributed to the growth of revenue from IT services.

In January 2012, TEO launched long-term computer and office equipment rental services for businesses and organizations. Customers are able to rent equipment presented on the website www.iranga.teo.lt, which contains several hundreds of laptops, tablets and desktops, servers, printers, monitors and other computer accessories, for 2 or 3 years, and later rent or purchase new equipment.

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In May 2012, Baltic Data Center implemented the Storwize V7000 solutions from IBM in its data centers. These solutions enable customers to not only make a trouble-free change of the storage capacity required for storing data, but also to change the Service Level Agreement (SLA) without stopping the system. In this way, the company's customers have the flexibility to adapt to the changing needs of their business and to make an efficient use of their funds for IT management.

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 March 2012, TEO signed an agreement on the transfer of its entertainment news Internet portal Zebra.lt. to UAB "15 min", owned by the media group Schibsted ASA. According to the agreement, "15 min" took over the news portal and its management from TEO and will use the brand name and the Internet domain Zebra.lt. The portal is one of the most popular entertainment news portals in Lithuania, with particular emphasis on celebrity life and entertainment news. The portal has on average 450 thousand unique visitors per month.

In May 2012, Lintel offered 118, an application for smartphones. It differs from other information search solutions in that it not only finds business and residential contacts, but also can determine the user's location and provide information that is relevant to a person located at that particular point. The application 118 uses the business and residential contact database, from which information is provided by phone 118 and on the website www.118.lt.

Over the year revenue from other non-core business services increased by 41 per cent while revenue from Contact Center services decreased by 7.3 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).

MARKET INFORMATION

According to the Reports of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue in the first quarter of 2012 decreased by 5.8 and 8.4 per cent compared with the first and the fourth quarter of 2011, respectively, and amounted to LTL 587 million.

	TEO market share in terms of customers (%)		TEO market share in terms of revenue (%)	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Fixed voice telephony services	89.9	90.9	93.0	93.7
Data communication services	n/a	n/a	59.7	66.2
Leased line services	n/a	n/a	59.3	62.2
Internet access services (total)	37.4	38.9	41.4	38.6
Fixed Internet access services	50.4	50.3	53.6	51.2
Pay-TV services (total)	23.2	21.6	29.6	25.4
Digital pay-TV services	44.2	48.3	44.9	43.6
Network interconnection services	n/a	n/a	33.9	30.5

On 31 March 2012 Internet penetration per 100 residents of Lithuania was 31.3 per cent (28 per cent a year ago), while the penetration of broadband Internet using fixed connection was 23.2 per cent (21.6 per cent a year ago). Digital pay-TV penetration per 100 households was 26.3 per cent (21.3 per cent a year ago), and the penetration of fixed voice telephony lines per 100 residents – 21.5 per cent (22.5 per cent a year ago).

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OPERATING EXPENSES

Total operating expenses of the Group for the second quarter of 2012 were by 3.2 per cent higher than total operating expenses a year ago, but by 5.1 per cent lower than for the first quarter of 2012. Total operating expenses for the first half of 2012 were by 3.7 per cent higher than total operating expenses for the same period year ago due to one-off sales of IT equipment by Baltic Data Center and bonuses paid during the first quarter of 2012 as well as increased international transit volumes in the second quarter of 2012.

During the second quarter of 2012 **cost of goods sold** increased by 4.5 per cent, compared with the second quarter of 2011, and for the six months of 2012 they increased by 4.6 per cent, compared with the same period in 2011.

Employee-related expenses for the second quarter were by 7.5 per cent higher than a year ago, but by 11.9 per cent lower than for the first quarter of 2012. Nevertheless, employee-related expenses for January-June 2012 increased by 10.9 per cent due to paid bonuses during the first quarter of 2012. Over the year the total number of employees (headcount) in TEO Group decreased by 181 (mainly in TEO and Lintel) from 3,374 to 3,193. During the first half of 2012, the total number of employees went down by 110. In terms of full-time employees, the total number of employees in TEO Group during January-June of 2012 went down by 144 (mainly in TEO and Lintel), while over the last twelve months – by 158 from 2,941 to 2,783.

Other expenses for the second quarter and the first half of 2012 decreased by 7 and 10.8 per cent, respectively due to lower expenses for marketing, bad debts and business trips, and continuous cost saving policy.

EARNINGS

EBITDA for the second quarter of 2012 went up by 3.6 per cent to LTL 80 million over LTL 77 million in the second quarter of 2011. EBITDA margin amounted to 42 per cent (41.9 per cent in 2011). EBITDA for the first half of 2012 increased by 2.2 per cent to LTL 154 million over LTL 151 million for the same period year ago. EBITDA margin remained almost on the same level and amounted to 40.5 per cent (40.8 per cent in 2011).

Depreciation and amortisation charges slightly went down by 1.3 and 0.8 per cent during the second quarter and the first half of 2012, respectively, and in January-June of 2012 amounted to 17.2 per cent of total revenue (17.8 a year ago).

Operating profit (EBIT) in the second quarter of 2012 was up by 7.4 per cent and in the first half of 2012 – by 4.5 per cent. Operating profit margin for the second quarter of 2012 was 24.6 per cent (23.7 per cent a year ago) and for the first half of 2012 – 23.4 per cent (23 per cent in 2011).

Net financial income in January-June of 2012 was by 27.7 per cent lower than year ago.

Profit before income tax in the second quarter of 2012 went up by 6.9 per cent and amounted to LTL 47 million (LTL 44 million a year ago). Profit before income tax in the first half of 2012 was up by 4.2 per cent and amounted to LTL 90 million (LTL 86 million a year ago).

Since 1 January 2010 the 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 2012 amounted to LTL 4.1 million (LTL 5.3 million in 2011). Due to that **income tax expenses** for the first six months of 2012 were by 21.2 per cent higher than a year ago.

Profit for the period in April-June 2012 amounted to LTL 41 million, while a year ago it was LTL 39 million, an increase by 5.7 per cent. The profit margin was 21.6 per cent (21.1 per cent a year ago). Profit for the period in January-June 2012 amounted to LTL 78 million, an increase by 2.1 per cent over the profit of LTL 77 million for the same period year ago. The profit margin remained almost on the level and was 20.6 per cent (20.7 per cent a year ago).

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BALANCE SHEET AND CASH FLOW

During January-June 2012 **total assets** of TEO Group decreased by 6.7 per cent mainly due to payment of dividends for the year 2011.

Total **non-current** assets declined by 1.8 per cent and amounted to 73.6 per cent of total assets. In May, following the resolution of the Annual General Meeting of Shareholders of 24 April 2012, dividend of the total amount of LTL 155 million or LTL 0.20 per share for the year 2011 were paid to the shareholders of the Company. Therefore, total **current assets** decreased by 18.2 per cent and amounted to 26.4 per cent of the total assets, whereof cash and held-to-maturity investments alone represented 15.1 per cent of total assets.

Due to dividend payment, **shareholders' equity** decreased by 7.4 per cent, but still amounted to 90.9 per cent of the total assets.

At the end of June 2012 total amount of **borrowings** included mainly financial liabilities related to financial leasing of premises and amounted to LTL 3.7 million. Net debt was negative and amounted to LTL 156 million. The net debt to equity ratio was negative and amounted to 16.2 per cent.

Net cash flow from operating activities in the first half of 2011 was by 9.8 per cent higher than a year ago.

The part of cash (LTL 10.4 million) spent during January-June of 2012 for capital investments was settlement for investments made in 2011. As of 31 December 2011 this amount was recorded in the balance sheet as current liabilities.

During the first six months of 2012 **capital investments** amounted to LTL 52 million (LTL 63 million a year ago). The majority of capital investments (80 per cent or LTL 41 million) went to development of the next generation fiber-optic access network and expansion of the core network. The remaining part was invested into IT systems (LTL 9 million) and other.

As a result by the end of June, TEO had 732 thousand households passed (593 thousand at the end of 2010), or 61 per cent of the country's households, by the FTTH network.

Due to dividend payment, capital investments and investments of free cash into held-to-maturity investments, **cash and cash equivalents** during January-June 2012 decreased by LTL 84 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. The number of TEO shares that provide voting rights during the General Meeting remains unchanged and is 776,817,518.

776,817,518 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.

From January 2011 TEO shares are 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 (17 April 2012) for the Annual General Meeting of Shareholders, which was held on 24 April 2012, was 14,317.

In June 2011 TeliaSonera AB took over from its subsidiary Amber Teleholding A/S the controlling interest in

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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. During the third quarter of 2011 TeliaSonera AB additionally acquired 1,661,566 shares (0.21 per cent of the total number of share) and increased its holding up to 68.29 per cent.

On 10 May 2012, TeliaSonera AB acquired from the funds managed by East Capital Asset Management AB and East Capital AB, and Coneglen Limited in total 61,129,044 ordinary registered shares of TEO (i.e. 7.87 per cent of all the shares of the Company) paying EUR 0.637 (equivalent in LTL 2.20) per 1 ordinary registered share of the Company and crossed the threshold of 75 per cent of votes at General Meeting of TEO shareholders.

In connection to that acquisition TeliaSonera AB announced its intension to launch the voluntary takeover bid to buy up the remaining shares of the Company for the price of EUR 0.637 per share. TeliaSonera AB also placed an order to NASDAQ OMX Vilnius stock exchange to buy shares of the Company for the price of EUR 0.637 per share.

On 30 May 2012 the Bank of Lithuania approved TeliaSonera's circular of the non-competitive voluntary takeover bid to buy up the remaining shares of the Company for the price of EUR 0.637 per share. The implementation of the takeover bid commenced on 5 June 2012 and terminated on 29 June 2012.

During takeover bid sell orders for 12,719,908 shares of the Company were placed. In addition, TeliaSonera during the period from 8 May to 26 June 2012 acquired 74,289,039 shares and during 27-29 June 2012 – 6,148,746 shares; in total – 80,437,785 shares of the Company in the open market.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 June 2012:

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, Stureplan 8, Stockholm, SE-106 63, Sweden, code 556103-4249	665,922,921	85.72	85.72	-
Other shareholders	110,894,597	14.28	14.28	-
TOTAL:	776,817,518	100.00	100.00	-

After settlement of all sell orders placed into the takeover bid on 4 July 2012 and settlement for shares acquired during 27-29 June 2012, TeliaSonera AB owns 684,791,575 shares or 88.15 per cent of the total share capital of the Company.

Information about **trading in TEO shares** on NASDAQ OMX Vilnius stock exchange in January-June of 2012:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
LTL	2.075	2.313	2.061	2.199	2.201	89,578,023	197,161,457
EUR	0.601	0.670	0.597	0.640	0.637	89,578,023	57,101,905

TEO market capitalisation as on 30 June 2012 was LTL 1,708 million (EUR 495 million).

OTHER MATERIAL INFORMATION

The Annual General Meeting of shareholders, held on 24 April 2012, decided to approve the audited annual consolidated financial statements of the Company for the year 2011; to allocate the Company's profit for the year 2011 as follows: from the Company's distributable profit of LTL 161,163 thousand to allocate LTL

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155,364 thousand for the dividend payment for the year 2011 or LTL 0.20 dividend per share; for annual payments (tantiemes) to six members of the Board for the year 2011 to allocate LTL 324 thousand, i.e. LTL 54 thousand (EUR 15.6 million) per one member of the Board; to elect UAB PricewaterhouseCoopers as the Company's audit enterprise for the period of two years to perform the audit of the annual consolidated financial statements of the Company for the year 2012 and 2013, and to make the assessment of the consolidated annual reports of the Company for the year 2012 and 2013.

On 27 June 2012, Arūnas Šikšta, General Manager of TEO LT, AB submitted to AB Žemaitijos Pienas a notification about his resignation from the Board of AB Žemaitijos Pienas, and on 2 July 2012, by the decree of the Prime Minister of the Republic of Lithuania, he was appointed as the Chairman of the Commission for implementation of the reform of state-owned enterprises.

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.

Members of the Board as of 30 June 2012:

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, Chairman 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	Law firm TARK GRUNTE SUTKIENĖ, of counsel	-

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.

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Members of Administration:

Name, surname	Position in the Company	Current Board Assignments	Ownership of TEO shares
Arūnas Šikšta	General Manager (CEO)	AB Žemaitijos Pienas (Lithuania), member of the Board (till 9 July 2012); Big Brothers Big Sisters International, (U.S.A.), member of the Board; Chairman of the Commission for implementation of the reform of state-owned enterprises (Lithuania) (from 2 July 2012)	-
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	-
Eglutė Bivainienė	Chief Operational Officer	-	-
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	2012	2011	2012	2011
Revenue		190,231	184,026	380,722	369,809
Cost of goods sold		(50,294)	(48,146)	(100,856)	(96,411)
Employee-related expenses		(40,578)	(37,741)	(86,648)	(78,148)
Other expenses		(19,948)	(21,448)	(40,033)	(44,878)
Other income		321	175	647	341
Other gain/ (loss) - net		157	220	451	269
Depreciation, amortisation and impairment of fixed assets	3	(33,005)	(33,444)	(65,357)	(65,873)
Operating profit		46,884	43,643	88,926	85,109
Finance income		274	583	810	1,155
Finance costs		(73)	(169)	(234)	(361)
Finance income/ costs - net		201	414	576	794
Profit before income tax		47,085	44,056	89,502	85,903
Income tax	6	(5,951)	(5,137)	(11,221)	(9,254)
Profit for the period		41,134	38,919	78,281	76,649
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		41,134	38,919	78,281	76,649
Profit and comprehensive income attributable to:					
Owners of the Parent		41,134	38,919	78,281	76,649
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in litas per share)	7	0.053	0.050	0.101	0.099

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

CONSOLIDATED BALANCE SHEET

	Note	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	3	724,806	734,926
Intangible assets	3	38,912	42,922
Investment property		10,794	10,794
Trade and other receivables		6,060	6,407
Deferred tax assets		489	583
		781,061	795,632
Current assets			
Inventories		7,033	3,353
Trade and other receivables		112,566	111,834
Current income tax receivable		126	8,096
Held-to-maturity investments		55,125	30,186
Cash and cash equivalents		104,986	188,589
		279,836	342,058
Total assets		1,060,897	1,137,690
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	5	776,818	776,818
Legal reserve		77,682	77,682
Retained earnings		109,514	186,597
Total equity		964,014	1,041,097
LIABILITIES			
Non-current liabilities			
Borrowings		2,776	3,259
Deferred tax liabilities		15,858	13,993
Deferred revenue and accrued liabilities		3,503	3,628
		22,137	20,880
Current liabilities			
Trade, other payables and accrued liabilities		72,938	74,739
Current income tax liabilities		850	-
Borrowings		958	974
		74,746	75,713
Total liabilities		96,883	96,593
Total equity and liabilities		1,060,897	1,137,690

(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 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
Balance at 1 January 2012	776,818	-	77,682	186,597	1,041,097
Net profit	-	-	-	78,281	78,281
Total comprehensive income for the period	-	-	-	78,281	78,281
Dividends paid for 2011	-	-	-	(155,364)	(155,364)
Balance at 30 June 2012	776,818	-	77,682	109,514	964,014

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January - June	
	2012	2011
Operating activities		
Profit for the period	78,281	76,649
Income tax	11,221	9,254
Depreciation, amortisation and impairment of fixed assets	65,357	65,873
Other gains and losses	(451)	(269)
Interest income	(810)	(1,155)
Interest expenses	130	117
Other non-cash transactions	(249)	143
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	(3,680)	1,340
Trade and other receivables	(385)	(23)
Trade, other payables and accrued liabilities	6,991	(9,086)
Cash generated from operations	156,405	142,843
Interest paid	(130)	(117)
Interest received	1,416	1,155
Tax paid	(642)	(878)
Net cash from operating activities	157,049	143,003
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(60,294)	(107,677)
Proceeds from disposal of PPE and intangible assets	507	208
Acquisition of held-to-maturity investments	(136,068)	(70,000)
Disposal of held-to-maturity investments	111,067	60,352
Net cash used in investing activities	(84,788)	(117,117)
Financing activities		
Repayment of borrowings	(500)	(604)
Dividends paid to shareholders of the Company	(155,364)	(139,827)
Net cash used in financing activities	(155,864)	(140,431)
Increase (decrease) in cash and cash equivalents	(83,603)	(114,545)
Movement in cash and cash equivalents		
At the beginning of the year	188,589	219,526
Increase (decrease) in cash and cash equivalents	(83,603)	(114,545)
At the end of the period	104,986	104,981

(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 2012 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 2011.

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 2012 are not audited. Financial statements for the year ended 31 December 2011 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	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment revenue	346,907	348,269	55,596	47,098	(21,781)	(25,558)	380,722	369,809
Inter-segment revenue	(5,348)	(5,369)	(16,433)	(20,189)	21,781	25,558	-	-
Revenue from external customers	341,559	342,900	39,163	26,909	-	-	380,722	369,809
Profit for the period	79,136	79,492	4,181	4,135	(5,036)	(6,978)	78,281	76,649
Total Assets	1,021,927	1,028,502	101,314	91,436	(62,344)	(58,369)	1,060,897	1,061,569

(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 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
Six months ended 30 June 2012		
Opening net book amount as at 31 December 2011	734,926	42,922
Additions	50,827	750
Disposals and retirements	328	-
Reclassification	(8)	(14)
Depreciation and amortisation charge	60,611	4,746
Closing net book amount as at 30 June 2012	724,806	38,912

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 2012	31 December 2011	
UAB Lintel	Lithuania	100%	100%	The subsidiary provides 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.
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 dormant 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 of the Company.
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 for management of the Company's Communications History Museum.

5 Share capital and treasury shares

The authorised share capital comprises 776,817,518 ordinary shares of LTL 1 par value each. All shares are fully paid up.

6 Income tax

Tax expenses for the period comprise current and deferred tax.

Profit for 2012 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2011: 15 per cent).

According to amendments to the Law on Corporate Profit Tax which provides tax relief for investments in new technologies the Company's calculated profit tax relief in 2012 amounted to LTL 4.1 million (2011: LTL 5.3 million).

7 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. The weighted average number of shares for the both reporting periods amounted to 776,818.

	January - June	
	2012	2011
Net profit	78,281	76,649
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	0.101	0.099

8 Dividends per share

A dividend that relates to the period to 31 December 2011 was approved the Annual General Meeting of Shareholders on 24 April 2012. The total amount of allocated dividend, that was paid off in May 2012 was 155,364 thousand litas or 0.20 litas per ordinary share.

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

9 Related party transactions

The Group is controlled by TeliaSonera AB (Sweden) which as of 30 June 2012 owned 85.72 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. During the third quarter of 2011 TeliaSonera AB additionally acquired 0.21 per cent of the Company's shares. In May-June 2012, TeliaSonera AB acquired 7.87 per cent of the Company's shares over direct deals and 9.56 per cent on the stock exchange. Settlement and transfer of the title for the Company's shares acquired by TeliaSonera AB during takeover bid (1.64 per cent) and on the stock exchange (0.79 per cent) took place after 30 June 2012.

The Group carried out the following transactions with related parties:

Sales and purchases from TeliaSonera AB and its subsidiaries:

	January - June	
	2012	2011
Sales of telecommunication and other services	23,890	21,918
Total sales of telecommunication and other services	23,890	21,918
Purchases of assets	-	260
Purchases of services	10,582	12,400
Total purchases of assets and services	10,582	12,660

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

	As at 30 June	
	2012	2011
Receivables from related parties	4,488	3,238
Prepayment to related parties	4,715	-
Accrued revenue from related parties	3,473	2,706
Total receivables and accrued revenue from related parties	12,676	5,944
Payables to related parties	746	660
Accrued expenses to related parties	-	-
Total payables and accrued expenses to related parties	746	660

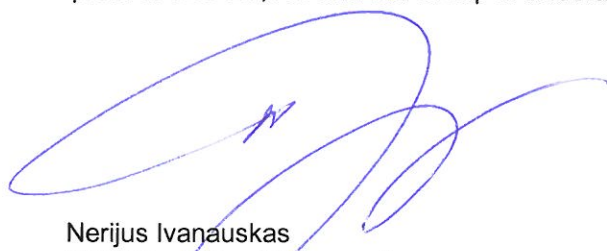
For the period ended 30 June 2012 the amount of LTL 102 thousand of interest income was accounted in the Statement of Comprehensive Income as Finance income and the amount of LTL 17 thousand was accounted in the Balance Sheet as Trade and other receivables. The base for calculating interest income was the prepayment to a related party.

The total amount of annual payments (tantiemes) assigned to the six members of the Board of the Company for the year 2011 during January-June 2012 amounted to LTL 324 thousand (2011: LTL 378 thousand). As of 30 June 2012 the amount of LTL 216 thousand of tantiemes, assigned for the year 2010-2011, was not paid to four members of the Board.

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

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, Nerijus Ivanauskas, Chief Marketing Officer and Deputy General Manager, acting 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 Consolidated Interim Financial Statements for the six months period ended 30 June 2012, 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.

A large, stylized blue ink signature of Nerijus Ivanauskas, featuring a prominent loop and a long horizontal stroke.

Nerijus Ivanauskas
Chief Marketing Officer and
Deputy General Manager,
acting General Manager

A blue ink signature of Giedrius Vegys, consisting of a series of connected, flowing loops.

Giedrius Vegys
Chief Financial Officer

Vilnius, 16 July 2012

INTERIM CONSOLIDATED REPORT

Approved by the Board
as at 16 July 2012

Reporting period

January-June 2012

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 (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location;
- 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 (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 2012, 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), subsidiaries of TEO LT, AB and subsidiaries of UAB Baltic Data Center (UAB Hostex, UAB Interdata, UAB Hosting and Baltic Data Center SIA).

The following companies are subsidiaries of TEO LT, AB:

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.rysiumuziejus.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 Internet portal www.myliumuzika.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 15 million contacts per year. For residential customers Lintel provides Directory Inquiry Service 118, and for business customers – telemarketing and remote customer care services.

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. In May 2011, UAB Hostex, a subsidiary of Baltic Data Center took over from Baltic Data Center a 100 per cent stake in UAB Interdata. UAB Interdata has a dormant subsidiary UAB Hosting. UAB Hostex and UAB Interdata provide web hosting and data center services to residential customers and small companies as well as Internet portals. 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 a not-for-profit organisation, VšĮ Ryšių Istorijos Muziejus, was founded for management of the Company's Communications History Museum in Kaunas. TEO LT, AB is a sole owner of VšĮ Ryšių Istorijos Muziejus.

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.

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

With economy struggling to take a clear direction for growth and the decreasing telecommunications market TEO revenue for the first half of 2012 increased by 3 per cent (y-o-y) and reached LTL 381 million. It was the third quarter in a row when the Company managed to compensate falling voice revenues with revenues from other services. The revenue increase in 2012 was driven by Internet services, which grew by 7.5 per cent, IPTV services (37 per cent growth) and IT services (60 per cent growth).

TEO continued its next-generation fiber-optic network development and further increased customer intake in this segment. The number of Internet users connected to TEO fiber-optic network increased by more than 26 per cent and exceeded 150 thousand at the end of June 2012. The number of customers of TEO flagship TV services product – "Interactive GALA" – increased by more than 17 per cent (y-o-y). Revenue from IT services was higher due to successful new international contracts.

The Company's operating expenses were under strict control and increased by 3.7 per cent mostly due to an increase in the cost of goods sold. Capital investment stood at LTL 52 million, slightly lower than during the same period in 2011. Most of the investments TEO is making are aimed at the next-generation fiber-optic network build out.

More information about the Company's activities and financial results for the first six months of 2012 is provided in TEO LT, AB Consolidated Interim Financial Statements for the period of six months ended 30 June 2012.

Information about related party transactions

Information about related party transactions is provided in Note 9 of TEO LT, AB Consolidated Interim Financial Statements for the six months period ended 30 June 2012.

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. 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.

TEO and TEO Group through its largest shareholder, TeliaSonera AB, are related to TeliaSonera Group that provides telecommunication services in 20 countries. The main buyers and providers of telecommunications services to TEO Group are UAB Omnitel (Lithuania), TeliaSonera International Carrier (Sweden), Elion Ettevotted 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 2012 the total amount of borrowings of TEO Group amounted to LTL 3.7 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 2011.

Plans and forecasts

TEO anticipates that in 2012, although some GDP increase is expected, the economic situation will be difficult due to uncertainties in the Euro zone, also high emigration and jobless population trends. However, the Company, with its developed next-generation network and business processes, feels confident that it will be able to provide customers with top speed and quality services in the coming future.

Research and development activities

There were no major research and development projects undertaken during 2012, except the on-going 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, 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. The number of TEO shares that provide voting rights during the General Meeting remains unchanged and is 776,817,518.

776,817,518 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.

Information about treasury stocks

TEO LT, AB treasury stocks, which by TEO Group were acquired on 12 June 2000 during the Initial Public Offering, were cancelled on 9 September 2010, following the Annual General Meeting of Shareholders decision of 26 April 2010 to cancel 38,095,242 treasury stocks (or 4.67 per cent of TEO share capital) and to reduce the Company's authorised share capital by 38,095,242 litas. Treasury stocks had no rights to exercise any property and non-property rights provided by the Law of the Republic of Lithuania on Companies.

Since September 2010 the Company has had no treasury stocks. The Company has never acquired any shares from the management of the Company.

Shareholders

The number of shareholders on the shareholders registration day (17 April 2012) for the Annual General Meeting of Shareholders, which was held on 24 April 2012, was 14,317.

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. During the third quarter of 2011 TeliaSonera AB additionally acquired 1,661,566 shares (0.21 per cent of the total number of share) and increased its holding up to 68.29 per cent.

On 10 May 2012, TeliaSonera AB acquired from the funds managed by East Capital Asset Management AB and East Capital AB, and Coneglen Limited in total 61,129,044 ordinary registered shares of TEO (i.e. 7.87 per cent of all the shares of the Company) paying EUR 0.637 (equivalent in LTL 2.20) per 1 ordinary registered share of the Company and crossed the threshold of 75 per cent of votes at General Meeting of TEO shareholders.

In connection to that acquisition TeliaSonera AB announced its intension to launch the voluntary takeover bid to buy up the remaining shares of the Company for the price of EUR 0.637 per share. TeliaSonera AB also placed an order to NASDAQ OMX Vilnius stock exchange to buy shares of the Company for the price of EUR 0.637 per share.

On 30 May 2012 the Bank of Lithuania approved TeliaSonera's circular of the non-competitive voluntary takeover bid to buy up the remaining shares of the Company for the price of EUR 0.637 per share. The implementation of the takeover bid commenced on 5 June 2012 and terminated on 29 June 2012.

During takeover bid sell orders for 12,719,908 shares of the Company were placed. In addition, TeliaSonera during the period from 8 May to 26 June 2012 acquired 74,289,039 shares and during 27-29 June 2012 – 6,148,746 shares; in total – 80,437,785 shares of the Company in the open market.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 June 2012:

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, Stureplan 8, Stockholm, SE-106 63, Sweden, code 556103-4249	665,922,921	85.72	85.72	-
Other shareholders	110,894,597	14.28	14.28	-
TOTAL:	776,817,518	100.00	100.00	-

After settlement of all sell orders placed into the takeover bid on 4 July 2012 and settlement for shares acquired during 27-29 June 2012, TeliaSonera AB owns 684,791,575 shares or 88.15 per cent of the total share capital of the Company.

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 23 May 2012, the Company paid out to the shareholders LTL 155,364 thousand of dividends or 0.20 litas per share for the year 2011. Following the Law, dividends were paid to the shareholders who on the dividend record day, 9 May 2012,

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 shareholders, held on 24 April 2012, decided to approve the audited annual consolidated financial statements of the Company for the year 2011; to allocate the Company's profit for the year 2011 as follows: from the Company's distributable profit of LTL 161,163 thousand to allocate LTL 155,364 thousand for the dividend payment for the year 2011 or LTL 0.20 dividend per share; for annual payments (tantiemes) to six members of the Board for the year 2011 to allocate LTL 324 thousand, i.e. LTL 54 thousand per one member of the Board; to elect UAB PricewaterhouseCoopers as the Company's audit enterprise for the period of two years to perform the audit of the annual consolidated financial statements of the Company for the year 2012 and 2013, and to make the assessment of the consolidated annual reports of the Company for the year 2012 and 2013.

On 4 May 2012, Saulius Markūnas, Director of UAB Baltic Data Center, a subsidiary of TEO LT, AB, left this position, and a new Director of UAB Baltic Data Center – Aleksandras Samuchovas, who used to work as Director of Business Solutions Department of TEO, was appointed on 11 June 2012.

On 7 May 2012, TEO received the information from its shareholder TeliaSonera AB, that on 7 May 2012 TeliaSonera AB entered into legally binding agreement with (i) the funds managed by East Capital Asset Management AB; (ii) the funds managed by East Capital AB and (iii) Coneglen Limited, on sale to TeliaSonera AB in total 61,129,044 ordinary registered shares of the Company for a price of EUR 0.637 (equivalent in LTL 2.20) per 1 ordinary registered share of the Company. The payment for the Company's shares and the transfer of title to the Company's shares took on 10 May 2012 and TeliaSonera AB crossed the threshold of 75 per cent of votes at the General Meeting of the Company's shareholders.

On 7 May 2012, the Company received the information from East Capital AB on behalf of East Capital Baltic Fund, East Capital Eastern European Fund, East Capital Lux Eastern European Fund, Coneglen Ltd. (East Capital Special Opportunities fund) and East Capital Explorer about disposal of 56,651,367 ordinary registered shares of TEO LT, AB, which amounts to 7.29 per cent of the total number of shares.

On 7 May 2012, TeliaSonera AB informed about its intention to launch the voluntary takeover bid to acquire 185,183,636 ordinary registered shares of TEO LT, AB constituting 23.84 per cent of votes at the General Meeting of Shareholders of the Company.

On 10 May 2012, TeliaSonera AB informed that the next day after the execution of 7 May 2012 agreement between TeliaSonera AB and (i) the funds managed by East Capital Asset Management AB; (ii) the funds managed by East Capital AB and (iii) Coneglen Limited, on acquisition from the Sellers of 61,129,044 ordinary registered shares of the Company, TeliaSonera AB acting through its broker SEB Enskilda Baltic Equities (SEB Pank), placed an order to NASDAQ OMX Vilnius stock exchange to buy shares of the Company for the price of EUR 0.637 per share.

On 30 May 2012, the Bank of Lithuania approved circular of the non-competitive voluntary takeover bid by TeliaSonera AB to buy up the remaining ordinary registered voting shares of the Company for the price of EUR 0.637 per 1 ordinary registered share of the Company with nominal value of 1 LTL each. Commencement of the implementation of the takeover bid is on 5 June 2012, termination – on 29 June 2012. Circular of the voluntary takeover bid by TeliaSonera AB and its summary was published on 4 June 2012.

On 13 June 2012, the Board of TEO LT, AB announced its opinion regarding the tender offer in respect of the Company's shares.

On 27 June 2012, Arūnas Šikšta, General Manager of TEO LT, AB submitted to AB Žemaitijos Pienas a notification about his resignation from the Board of AB Žemaitijos Pienas, and on 2 July 2012, by the decree of the Prime Minister of the Republic of Lithuania, he was appointed as the Chairman of the Commission for implementation of the reform of state-owned enterprises.

On 2 July 2012, TEO received the information from TeliaSonera AB, that during non-competitive voluntary takeover bid to buy up the remaining ordinary registered voting shares of the Company which was completed on 29 June 2012 sell orders for 12,719,908 shares of the Company were placed. In addition, TeliaSonera AB acquired 80,437,785 shares of the Company in the open market during the period from May 8 to June 29. The settlement of all sell orders placed into the Takeover bid took place on 4 July 2012. After the settlement, TeliaSonera AB owns 88.15 percent of the total share capital. Together with the completion of the Takeover bid, TeliaSonera AB also stopped purchases of Company's shares

in an open market.

All material events related to the activity of the Company have been submitted to the Financial Services and Market Supervision Department of the Bank of Lithuania, 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 2012	30 June 2011	Change (%)
Number of personnel (head-counts)	3,193	3,374	(5.4)
Number of full time employees	2,783	2,941	(5.4)

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 2012	30 June 2011	Change
TEO LT, AB	1,979	2,087	(108)
UAB Lintel	974	1,044	(70)
UAB Baltic Data Center	193	186	7
UAB Hostex	37	41	(4)
UAB Interdata	2	5	(3)
UAB Hosting	1	3	(2)
UAB Kompetencijos Ugdymo Centras	2	3	(1)
VšĮ Ryšių Istorijos Muziejus	5	5	-
	3,193	3,374	(181)

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 2011.

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/Chairwoman 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 2012 four ordinary and two extraordinary meetings of the Board were held. Four ordinary meetings were convened according to the preliminary approved schedule of the Board meetings, and two extraordinary meetings were related to TeliaSonera's voluntary takeover bid. During all Board meetings in 2012 there was quorum prescribed by legal acts. The Board approved financial statements for the 12 months of 2011 and the first 3 months of 2012, financial statements and the consolidated annual report for the year ended 31 December 2011, convoked the Annual General Meetings of Shareholders, proposed to the Annual General Meeting a profit allocation for the year 2011, formulated the opinion of the Board regarding the tender offer by TeliaSonera AB in respect of the Company's shares, followed up implementation of the business and investment plan for the year 2012.

During the first half of 2012 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 2012, two meetings of the Audit Committee for consideration and approval of the draft of consolidated financial statements for the year 2011, draft of consolidated annual report for the year 2011, draft of profit allocation for the year 2011 and internal audit plan for the year 2012 as well as risk management issues were held. The Audit Committee meetings were attended by all members of the Committee and meetings were chaired by the Chairman of the Audit Committee.

On 24 April 2012, the Annual General Meeting of TEO LT, AB shareholders resolved to assign LTL 324 thousand for the payment of annual payments (tantiemes) for the year 2011 to six members of the Board, i.e. LTL 54 thousand per one member of the Board. As of 30 June 2012 the total amount of LTL 216 thousand of tantiemes, assigned to the Board members for the year 2010-2011, was not paid to four members of the Board who had not provided written requests to the Company.

Members of the Board as of 30 June 2012

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 (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; Cygate 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, as of 30 June 2012 had 665,922,921 shares of TEO LT, AB that accounted to 85.72 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 (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, as of 30 June 2012 had 665,922,921 shares of TEO LT, AB that accounted to 85.72 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), Chairman 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, as of 30 June 2012 had 665,922,921 shares of TEO LT, AB that accounted to 85.72 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; 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, as of 30 June 2012 had 665,922,921 shares of TEO LT, AB that accounted to 85.72 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, as of 30 June 2012 had 665,922,921 shares of TEO LT, AB that accounted to 85.72 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: Law firm TARK GRUNTE SUTKIENĖ (Lithuania), of counsel. East Capital Asset Management AB (Sweden) that nominated Jonas Pilkauskas as independent candidate to the Board of TEO LT, AB, as of 30 June 2012 had no shares of TEO LT, AB. Jonas Pilkauskas together with related persons (as this concept is described in Polish laws) holds 19,645,318 shares of Trakcja – Tiltra SA,

Poland, that accounts to 8.46 per cent of share capital and votes. Trakcja – Tiltra SA has two subsidiaries in Lithuania – Tiltra Group AB and AB Kauno Tiltai. Jonas Pilkauskas also holds a 17.6 per cent stake in UAB PME Capital (Lithuania). He has no direct interest in the share capital of TEO LT, AB.

Members of the Company's Administration as of 30 June 2012

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: AB Žemaitijos Pienas (Lithuania), member of the Board (till 9 July 2012); Big Brothers Big Sisters International (U.S.A.), member of the Board; Chairman of the Commission for implementation of the reform of state-owned enterprises (Lithuania) (from 2 July 2012). 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) 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 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) from 9 February 2005 took the 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 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.

Eglutė Bivainienė (born in 1967) from 1 July 2011 took the office of Chief Operational Officer of TEO LT, AB. Education: Vilnius University (Lithuania) Diploma in Economics and Mathematics (1990); ISM University of Management and Economics (Lithuania) Master of Business Administration studies. Eglutė Bivainienė 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 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 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.

During January–June 2012, 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

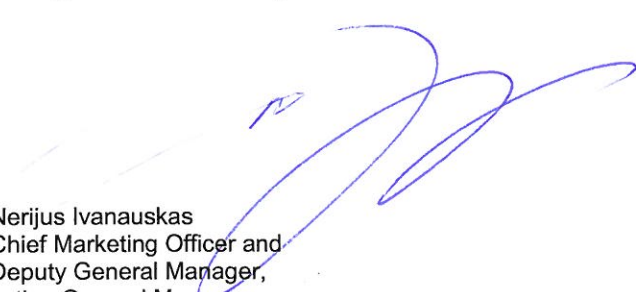
TEO LT, AB essentially follows a recommendatory Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius stock exchange (hereinafter 'the Governance Code') adopted in August 2006, amended in December 2009 and valid from 1 January 2010. According to the By-Laws of TEO LT, AB the governing 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 decision of the Annual General Meeting of Shareholders, held on 28 April 2011, the Board of TEO LT, AB consists of six members who are elected for the term of two years. The Board 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 members of the Board are considered non-executive directors, whereby two out of six members are independent members of the Board. The members of the Audit Committee for the two years' term were elected in June 2011 and members of the Remuneration Committee for the one year term were also 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, Nerijus Ivanauskas, Chief Marketing Officer and Deputy General Manager, acting 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 Consolidated Interim Report for the six months period ended 30 June 2012 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.

A large, stylized signature in blue ink, written over a faint circular stamp.

Nerijus Ivanauskas
Chief Marketing Officer and
Deputy General Manager,
acting General Manager

A signature in blue ink, written in a cursive style.

Giedrius Vegys
Chief Financial Officer