



**TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
CONSOLIDATED INTERIM REPORT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010
(UNAUDITED)**

Beginning of the financial year	1 January 2010
End of reporting period	30 June 2010
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	Savanoriu ave. 28, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 15 11
Fax number	+370 5 212 66 65
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 2010:

"While the Lithuanian electronic communications market contracted by more than 11 per cent (CRA data for Q1 2010) and the recession continued, TEO revenue for the first half of the year 2010 was down by only 5.3 per cent. Although the number of fixed telephony customers continued to decline, TEO managed to reduce churn for the second quarter in a row. On the other hand, decreasing telephony customers were successfully replaced with new broadband and TV customers. Total customer increase, excluding telephony, was over 51 thousand or 13.2 per cent, compared to the same period in 2009. This allowed the Company to maintain its high EBITDA level and net profitability (41.2 and 21.6 per cent respectively). TEO continued deployment of its next generation network by allocating for that purpose even more funds than in 2009."

Key figures of TEO Group

Financial figures	January - June		Change (%)
	2010	2009	
Revenue (LTL thousand)	386,997	408,864	(5.3)
EBITDA (LTL thousand)	159,584	189,953	(16.0)
EBITDA margin (%)	41.2	46.5	
Operating profit (LTL thousand)	94,186	117,115	(19.6)
Operating profit margin (%)	24.3	28.6	
Profit before income tax (LTL thousand)	94,910	118,381	(19.8)
Profit for the period (LTL thousand)	83,553	91,889	(9.1)
Profit for the period margin (%)	21.6	22.5	
Earnings per share (LTL)	0.108	0.118	(9.1)
Number of shares excluding treasury stocks (thousand)	776,818	776,818	

Financial ratios	30 June 2010	30 June 2009	
Return on capital employed (%)	17.3	19.8	
Return on average assets (%)	15.6	17.7	
Return on shareholders' equity (%)	16.1	16.1	
Gearing ratio (%)	(22.6)	(20.1)	
Debt to equity ratio (%)	0.6	0.7	
Current ratio (%)	437.1	485.9	
Rate of turnover of assets (%)	71.6	73.4	
Equity to assets ratio (%)	90.6	91.8	

Operating figures	30 June 2010	30 June 2009	Change (%)
Number of fixed telephone lines in service	703,061	742,577	(5.3)
Digitalisation rate (%)	94.4	93.9	
Number of broadband Internet connections (DSL, FTTB, FTTH, WiFi and other)	326,948	303,789	7.6
Number of IP TV customers	60,410	47,915	26.1
Number of DVB-T customers	53,687	37,872	41.8
Number of wireless Internet (WiFi) hot-spots	3,899	4,136	(5.7)
Number of personnel (head-counts) at the end of period	3,277	3,112	5.3
Number of full-time employees at the end of the period	2,893	2,791	3.7

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

Breakdown of TEO Group revenue

	April - June		Change (%)	January - June		Change (%)
	2010	2009		2010	2009	
Voice telephony services	106,774	114,221	(6.5)	212,140	232,528	(8.8)
Internet and data communication services	64,469	69,718	(7.5)	129,373	140,226	(7.7)
TV services	9,070	6,474	40.1	17,775	12,715	39.8
IT services	8,643	5,622	53.7	15,774	10,519	50.0
Other services	6,047	7,612	(20.6)	11,935	12,876	(7.3)
Total	195,003	203,647	(4.2)	386,997	408,864	(5.3)

Revenue

The total consolidated TEO Group's revenue for the first six months of 2010 was LTL 387 million, a decrease by 5.3 per cent over the total revenue of LTL 409 million for the first six months of 2009. The total revenue for the second quarter of 2010 was LTL 195 million, an increase by 1.6 per cent over the total revenue of LTL 192 million for the first quarter of 2010.

Compared with the revenue for the first quarter of 2010, all revenue groups for the second quarter of 2010 except revenue from internet and data communication services increased.

Share of revenue from voice telephony services from total amount of revenue amounted to 54.8 per cent, Internet and data communications services – 33.4 per cent, television services – 4.6 per cent, IT services – 4.1 per cent and other services – 3.1 per cent of total revenue for the first half of 2010.

Over the year revenue from voice telephony services decreased due to decreased number of telephone lines in service, lower traffic volume and lower average revenue per user (ARPU). The main decrease was in the business customer segment.

During January-June 2010, the total number of main telephone lines in service decreased by 18.9 thousand. Lower number of voice telephony service users resulted in decrease of revenue from subscription fees in January-June 2010 by 11.7 per cent compared with the same period a year ago.

In February 2010, TEO offered lower prices for calls to mobile and other fixed networks of Lithuania for residential and business customers of the Company using flat-fee payment plans, and from June calls to mobile network of Omnitel for flat-fee payment plan subscribers are free of charge.

Favourable conditions of different flat-fee payment plans resulted in increased by 10.9 per cent volumes of international traffic in both business and residential segments over the last twelve months, and increase by 2.2 per cent in traffic volumes of residential customers' domestic long-distance calls.

However, total traffic volume generated by residential and business customers decreased by 1 and 17.2 per cent, respectively. As a result, over the year revenue from traffic charges went down by 23.4 per cent.

From 1 January 2010 prices for calls termination in the fixed network during peak hours were reduced from 6 cents to 5.42 cents (excluding VAT) and during off-peak hours – from 3.6 cents to 2.79 cents (excluding VAT) per minute.

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

Over the year revenue from networks' interconnection services increased by 16.7 per cent due to increased traffic volumes of international transit.

According to the Report of the Communications Regulatory Authority (CRA) for the first quarter of 2010, TEO market share of the fixed-line telephony market in terms of customers amounted to 93.7 per cent and in terms of revenue – to 94.5 per cent. In terms of revenue TEO had 23.2 per cent of the network interconnection market.

During January-June 2010, the total number of broadband Internet access users increased by 13.5 thousand, while over the last twelve months – by 23.2 thousand.

Internet connections over the next generation fiber optic network using FTTH (Fiber to the home) and FTTB (Fiber to the building) technologies continued to substitute connections over copper lines (DSL technology). By the end of June 2010, almost 26 per cent of the total number of TEO broadband Internet access users had fiber optic access.

Over the year the number of FTTH and FTTB connections increased 2 times to 85 thousand, while the number of copper DSL connections used by retail customers went down by 8.8 per cent.

At the end of June 2010 out of total 327 thousand broadband connections, 216 thousand were copper DSL connections sold to retail customers, 85 thousand – fiber optic connections, 25 thousand – wireless connections via WiFi network and 1 thousand DSL connections were the ones sold to wholesale customers.

From March, the Company increased the speed of FTTH Internet payment plans two-fold and introduced the new payment plan of 200 Mbps. From May, the speed of DSL Internet payment plans for residential customers within the country was also increased by up to 4 times, while international bandwidths – even by up to 8 times. From now on, the speed of the DSL broadband Internet plans in Lithuania and abroad is the same.

Compared with the first quarter of 2010, revenue from Internet services for the second quarter of 2010 increased by 1.3 per cent, while revenue from data communication and network services decreased by 3.7 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 2010 amounted to 39.8 per cent while its share of the market of broadband Internet using fixed connection was 49.8 per cent. On 31 March 2010 Internet penetration per 100 residents of Lithuania was 24.3 per cent, while the penetration of broadband Internet using fixed connection was 19.3 per cent. In terms of revenue TEO had 63.8 per cent of the leased lines market and 69.3 per cent of the data communication market.

During January-June 2010 the total number of TV service customers increased by 11.7 thousand: number of digital terrestrial television (DVB-T) service *Digital GALA* users increased by 7.2 thousand and number of IPTV service *Interactive GALA* increased by 4.5 thousand.

From May, users of *Interactive GALA* could record and replay programs and movies of 77 TV channels.

According to the CRA Report, at the end of March 2010 TEO market share of the digital television service market in terms of customers amounted to 45.6 per cent and in terms of revenue – 39.9 per cent. TEO market share of the total pay-TV services market in terms of customers was 17.9 per cent. On 31 March 2010 digital pay-TV penetration per 100 households of Lithuania was 16.9 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.

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In February, Baltic Data Center secured a contract for provision of IT Service Desk service to three companies of the Carlsberg Group in Lithuania, Latvia and Estonia, and in June it launched an upgraded and currently the most environmentally-friendly data center in Central and Eastern Europe that uses the KyotoCooling technology for server cooling.

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

Over the year revenue from Contact Center services increased by 6.5 per cent while revenue from other non-core business services decreased by 19.2 per cent.

In March 2010, Lintel offered a new service – free inquiries for continuously-updated information about companies and services by calling 1808. Calls are charged for the communication cost only according to the rates applied by a respective operator.

UAB Lintel is expanding its activities as demand for customer care by phone services is continuously growing and the volumes of which grew by more than one fifth over the last year alone. Lintel is planning to employ approximately 200 additional customer care specialists by the end of 2010.

TEO Group's other income, that consist of interest income from held to maturity investments and loans, for January-June 2010 decreased by 89.1 per cent over the other income a year ago. Other gain (loss) from sale of property and currency exchange during the year decreased by 103.1 per cent.

Operating expenses

In 2010, the Company continues its cost control policy while increasing number of Internet and TV customers, and developing IT business. Total operating expenses of the Group for the first half of 2010 were by 1 per cent higher than total operating expenses a year ago.

Employee-related expenses decreased by 10.3 per cent. During January-June 2010 the total number of employees (headcount) in TEO Group increased by 217 (mainly in Lintel) from 3,060 to 3,277, while over the year the total number of employees increased by 165. In terms of full-time employees, the total number of employees in TEO Group over the year increased by 102.

Interconnection expenses increased by 13.7 per cent due to higher international transit traffic volumes, while national interconnection fees went down.

Other expenses increased 4.6 per cent due to development of television and IT services. With the growing number of television service users the Company is spending more for acquisition of TV content and customer end equipment, while the expansion of the DVB-T network caused higher expenses for TV program broadcasting over the DVB-T network.

Earnings

Due to decrease in revenue and other income, EBITDA for the first six months of 2010 went down by 16 per cent to LTL 160 million over LTL 190 million in the first six months of 2009. Nevertheless, EBITDA margin stood above 40 per cent and amounted to 41.2 per cent (46.5 per cent in 2009).

Depreciation and amortisation charges decreased by 10.2 per cent and in January-June of 2010 amounted to 16.9 per cent of total revenue (17.8 a year ago). Operating profit was by 19.6 per cent lower than a year ago, while the operating profit margin reached 24.3 per cent (28.6 per cent a year ago).

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Net financial income in January-June of 2010 was also by 42.8 per cent lower than year ago due to lower interest rates.

As a result, profit before income tax in the first half of 2010 was down by 19.8 per cent and amounted to LTL 95 million (LTL 118 million a year ago).

From 1 January 2009 the profit tax rate in Lithuania was increased from 15 to 20 per cent and from 1 January 2010 it was reduced back to 15 per cent.

Profit for the period amounted to LTL 84 million, while a year ago it was LTL 92 million, a decrease by 9.1 per cent. The profit margin was 21.6 per cent (22.5 per cent a year ago).

Balance sheet and cash flow

During January-June 2010 total assets of TEO Group decreased by 9.1 per cent mainly due to payment of dividends for the year 2009.

Due to depreciation and amortisation, total non-current assets decreased by 2.6 per cent and amounted to 65.8 per cent of total assets. In May, following the resolution of the Annual General Meeting of Shareholders of 26 April 2010, dividend of the total amount of LTL 163 million or LTL 0.21 per share for the year 2009 were paid to the shareholders of the Company. Therefore, total current assets decreased by 19.4 per cent and amounted to 34.2 per cent of the total assets, whereof cash, held-to-maturity investments and loans to banks alone still represented 21 per cent of the total assets.

Due to dividend payment, shareholders' equity decreased by 7.8 per cent, but still amounted to 90.6 per cent of the total assets.

At the end of June 2010 the total amount of borrowings included mainly financial liabilities related to financial leasing of premises and amounted to LTL 5.6 million. Net debt was negative and amounted to LTL 214 million. The net debt to equity ratio was negative and amounted to 22.6 per cent.

Net cash flow from operating activities in the first half of 2010 was by 5 per cent higher than a year ago.

During the first six months of 2010 capital investments amounted to LTL 51 million. The majority of capital investments (96 per cent or LTL 49 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 1 million) and renovation of premises (LTL 1 million). In March, TEO opened a new customer care centre in Vilnius.

Due to dividend payment, cash and cash equivalents during January-June 2010 decreased by LTL 23 million.

Share capital and shareholders

The share capital of the Company remains unchanged since 1997 and amounts to 814,912,760 litas. It consists of 814,912,760 ordinary registered shares with a nominal value of one litas each.

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

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 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

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Company's authorised capital – cancellation of the Company's treasury shares. The Company's authorised capital shall be reduced by way of annulment of the Company's treasury shares. Following the terms and procedures set by the Law, the authorised share capital of the Company will be reduced during the second half of 2010.

Since June 2000 TEO ran a Global Depository Receipts (GDR) programme. 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.

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.

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. During April-June 2010 2,918,122 GDRs (including 2,539,683 TEO treasury GDRs) were cancelled and converted into ordinary registered shares. According to the Global Depository Receipts programme's conditions upon closure of the GDR programme any outstanding GDRs shall be sold by the depository bank and the proceeds distributed to GDR holders.

Shares of TEO are listed on the Main List of NASDAQ OMX Vilnius stock exchange (code: TEO1L) and till 30 June 2010 the Company's GDRs were traded on the London Stock Exchange (LSE) (code: TEOL).

The number of shareholders on the shareholders registration day for the Annual General Meeting of Shareholders, which was held on 26 April 2010, was 13,874.

Shareholders of TEO LT, AB as on 30 June 2010:

Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)	Number of ordinary registered shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)	Share of votes held together with persons acting in concert (%)
Amber Teleholding A/S (a), c/o TeliaSonera Danmark A/S, Holmbladsgade 139, DK-2300 Copenhagen S, Denmark, code 20758694	488,947,656	60.00	62.94	68.08
TeliaSonera AB (publ) (a), Stureplan 8, Stockholm, SE- 106 63, Sweden, code 556103-4249	39,895,616	4.90	5.14	68.08
East Capital Asset Management AB, Kungsgatan 33, Stockholm, SE-111 93, Sweden, code 556564-5370	45,648,261	5.60	5.88	-

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TEO LT, AB, Savanorių pr. 28, LT-03501 Vilnius, Lithuania, code 121215434 (treasury stocks)	38,095,242	4.67	-	-
Republic of Lithuania, represented by State Enterprise State Property Fund, Vilniaus g. 16, LT- 01507, Vilnius, Lithuania, code 110073154	3,584,385	0.44	0.46	-
Republic of Lithuania, represented by State Tax Inspectorate, Vasario 16-osios g. 15, LT-01514 Vilnius, Lithuania, code 188659752	362,630	0.04	0.05	-
Other shareholders	198,378,970	24.35	25.53	-
TOTAL:	814,912,760	100.00	100.00	-

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

Information about trading in TEO shares on NASDAQ OMX Vilnius stock exchange in January–June 2010:

Opening price (LTL)	Lowest price (LTL)	Highest price (LTL)	Last price (LTL)	Average price (LTL)	Turnover (units)	Turnover (LTL)
1.86	1.84	2.47	2.04	2.22	39,598,959	88,063,578

Information about trading in TEO GDRs on the London Stock Exchange in January–June 2010:

Opening price (USD)	Lowest price (USD)	Highest price (USD)	Last price (USD)	Average price (USD)	Turnover (units)	Turnover (USD)
7.78	6.75	9.91	7.24	8.33	0	0

TEO market capitalisation as on 30 June 2010 was LTL 1,662 million.

Other material information

On 24 February 2010, the Lithuanian Communications Regulatory Authority (CRA) recognised TEO having significant market power on the market of digital terrestrial television (DVB-T) broadcasting transmission services for end-users of content provision services using radio frequencies (channels) assigned to TEO. The Company operates two national digital terrestrial television transmission networks. There are four national networks of DVB-T transmitters. One network transmits 10 television programs.

In March 2010, Håkan Dahlström, the Chairman of the Board of TEO LT, AB, was elected as a member of the Board of UAB Omnitel (Lithuania). UAB Omnitel is 100 per cent owned by TeliaSonera AB (publ).

In April 2010, TEO signed an agreement with UAB Nekilnojamojo Turto Gama regarding the lease of premises in Vilnius, at Lvovo str. 25, and is planning to move the Company's head-office from Savanoriu ave. 28 to Lvovo str. 25 by the end of 2010.

On 26 April 2010 the Annual General Meeting of Shareholders decided to approve the audited annual financial statements of the Company for the year 2009; to allocate from the Company's distributable profit LTL 163,132 thousand for the dividend payment for the year 2009 (LTL 0.21 dividend per share); to allocate

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LTL 378 thousand for annual payments (tantiemes) to seven members of the Board for the year 2009; to elect UAB PricewaterhouseCoopers as the Company's audit enterprise; to cancel 38,095,242 treasury shares and reduce the Company's authorised share capital from 814,912,760 litas to 776,817,518 litas as well as amend the By-laws of the Company accordingly; to elect Malin Frenning to the Board of the Company for the current term of the Board instead of Anders Gylder who resigned from the Board as of 26 April 2010.

In June 2010, the Board decided to elect to the Remuneration Committee of the Company for the one-year term the following members of the Board: Hakan Dahlstrom, Malin Frenning and Lars Ohnemus.

In June, the Board decided to transfer owners' rights of VŠĮ TEO Sportas, a non-profit organisation that supported women basketball team TEO and which was established and solely owned by TEO, to a non-profit organisation VŠĮ Vici Sport as the Company already in February 2010 informed that it would no longer support the women's basketball team from the next season starting Autumn 2010.

Also, the Board decided to establish a non-profit organisation for management of the Company's Communications History Museum in Kaunas. On 13 July 2010, Register of Legal Entities registered a non-profit organisation VŠĮ Ryšių Istorijos Muziejus (The Communications History Museum), which is solely founded and owned by TEO LT, AB.

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.

Members of the Board as of 30 June 2010:

Name, surname	Position in the Board	Employment	Ownership of TEO shares
Håkan Dahlström	Chairman of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), President of Business Area Mobility Services	-
Malin Frenning	Member of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), Deputy Head of Business Area Broadband Services	-
Ove Alm	Member of the Board	TeliaSonera AB (Sweden), Business Area Broadband Services, Head of Networks	-
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	-
Lars Ohnemus	Member of the Board, member of the Remuneration Committee	Baltic Property Trust Partner Services A/S (Denmark), Chief Executive Officer; Baltic Management Institute (Lithuania) and Copenhagen Business School (Denmark), Visiting Assoc. Professor	-

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Martynas Česnavičius	Member of the Board, member of the Audit Committee	Investment funds Amber Trust I and Amber Trust II (Luxemburg), Advisors	UAB Profinance, a 50 per cent owned company, holds 45,000 shares of TEO LT, AB
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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 Lars Ohnemus and Martynas Česnavičius 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:

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 Interdata, a subsidiary of UAB Baltic Data Center, member 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

	Note	April - June		January - June	
		2010	2009	2010	2009
Revenue		195,003	203,647	386,997	408,864
Other income		240	2,577	663	6,093
Employee related expenses		(38,532)	(39,566)	(77,407)	(86,278)
Interconnection expenses		(31,999)	(26,527)	(58,557)	(51,522)
Other operating expenses		(46,440)	(44,574)	(92,087)	(88,020)
Depreciation, amortisation and impairment of fixed assets	3	(32,511)	(35,399)	(65,398)	(72,838)
Other gain/ (loss) - net		(95)	390	(25)	816
Operating profit		45,666	60,548	94,186	117,115
Finance income		346	577	817	1,633
Finance costs		(38)	(273)	(93)	(367)
Finance income/ costs - net		308	304	724	1,266
Profit before income tax		45,974	60,852	94,910	118,381
Income tax	8	(5,470)	(12,426)	(11,357)	(26,492)
Profit for the period		40,504	48,426	83,553	91,889
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		40,504	48,426	83,553	91,889
Profit and comprehensive income attributable to:					
Owners of the Parent		40,504	48,426	83,553	91,889
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in litas per share)	9	0.052	0.062	0.108	0.118

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

CONSOLIDATED BALANCE SHEET

	Note	30 June 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	3	641,203	651,712
Intangible assets	3	32,481	37,076
Investment property	4	10,794	10,794
Trade and other receivables		3,783	7,343
		688,261	706,925
Current assets			
Inventories		7,724	5,528
Trade and other receivables		121,856	111,230
Current income tax receivable		8,765	19,792
Held-to-maturity investments		10,001	100,561
Loans to banks		50,091	24,738
Cash and cash equivalents		159,119	181,943
		357,556	443,792
Total assets		1,045,817	1,150,717
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	6	814,913	814,913
Treasury shares		(120,000)	(120,000)
Legal reserve		81,499	81,499
Retained earnings		170,643	250,222
Total equity		947,055	1,026,634
LIABILITIES			
Non-current liabilities			
Borrowings		4,674	5,121
Deferred tax liabilities		6,680	6,551
Grants		159	560
Deferred revenue and accrued liabilities		5,444	3,828
		16,957	16,060
Current liabilities			
Trade, other payables and accrued liabilities		75,743	100,854
Current income tax liabilities		266	277
Borrowings		959	1,042
Provisions	7	4,837	5,850
		81,805	108,023
Total liabilities		98,762	124,083
Total equity and liabilities		1,045,817	1,150,717

(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 2009	814,913	(120,000)	81,499	259,818	1,036,230
Net profit	-	-	-	91,889	91,889
Total recognised income and expenses	-	-	-	91,889	91,889
Dividends paid for 2008	-	-	-	(178,668)	(178,668)
Balance at 30 June 2009	814,913	(120,000)	81,499	173,039	949,451
Balance at 1 January 2010	814,913	(120,000)	81,499	250,222	1,026,634
Net profit	-	-	-	83,553	83,553
Total comprehensive income for the period	-	-	-	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

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January - June	
	2010	2009
Operating activities		
Profit for the period	83,553	91,889
Income tax	11,357	26,492
Depreciation, amortisation and impairment of fixed assets	65,398	72,838
Other gains and losses	25	(816)
Interest income	(1,479)	(7,726)
Interest expenses	119	135
Other non-cash transactions	271	(122)
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	(2,196)	2,589
Trade and other receivables	(7,045)	(2,583)
Trade, other payables and accrued liabilities	(6,020)	(25,322)
Cash generated from operations	143,983	157,374
Interest paid	(119)	(135)
Interest received	2,086	1,633
Tax paid	(1,762)	(21,534)
Net cash from operating activities	144,188	137,338
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(68,064)	(90,042)
Proceeds from disposal of PPE and intangible assets	125	998
Acquisition of held-to-maturity investments, amounts loaned to banks	(187,561)	(289,999)
Disposal of held-to-maturity investments, repayment of amounts loaned to banks	252,149	346,976
Net cash used in investing activities	(3,351)	(32,067)
Financing activities		
Repayment of borrowings	(529)	(413)
Dividends paid to shareholders of the Company	(163,132)	(178,668)
Net cash used in financing activities	(163,661)	(179,081)
Increase (decrease) in cash and cash equivalents	(22,824)	(73,810)
Movement in cash and cash equivalents		
At the beginning of the year	181,943	149,898
Increase (decrease) in cash and cash equivalents	(22,824)	(73,810)
At the end of the period	159,119	76,088

(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 2010 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 2009.

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 2010 are not audited. Financial statements for the year ended 31 December 2009 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 5.

	Broadband segment		Other segment		Eliminations		Total Group	
	January-June		January-June		January-June		January-June	
	2010	2009	2010	2009	2010	2009	2010	2009
Segment revenue	369,254	396,804	45,015	40,508	(27,272)	(28,448)	386,997	408,864
Inter-segment revenue	(4,981)	(5,440)	(22,291)	(23,008)	27,272	28,448	-	-
Revenue from external customers	364,273	391,364	22,724	17,500	-	-	386,997	408,864
Profit for the period	86,618	106,267	4,992	1,667	(8,057)	(16,045)	83,553	91,889
Total Assets	1,017,693	1,024,716	83,392	96,129	(55,268)	(86,224)	1,045,817	1,034,621

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

3 Property, plant and equipment and intangible assets

	Property, plant and equipments	Intangible assets
Six months ended 30 June 2009		
Opening net book amount as at 31 December 2008	669,413	41,792
Additions	51,452	1,042
Disposals and retirements	206	-
Reclassification	(596)	1
Depreciation and amortisation charge	67,094	5,744
Closing net book amount as at 30 June 2009	652,969	37,091
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

4 Investment property

As at 30 June 2010 the Group as investment property accounted construction in progress, which was reclassified from assets held for sale in end of 2009.

5 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 2010	31 December 2009	
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 Interdata	Lithuania	100%	100%	The webhosting services providing subsidiary of UAB Baltic Data Center.
UAB Hosting	Lithuania	100%	100%	The webhosting 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 the investment project.
VšĮ TEO Sportas	Lithuania	100%	100%	Through this non-profit organisation the Company used to support a women's basketball team. In June 2010, the Board allowed to sell this entity to the third party.

6 Share capital and treasury shares

Authorised share capital comprises 814,912,760 ordinary shares of LTL 1 par value each. All shares are fully paid up.

The Group treats the Company's shares held by the Company as treasury shares and directly deducts them from shareholders' equity in the Group's balance sheet at their purchase cost of LTL 120.0 million as at 30 June 2010.

On 26 April 2010, the Annual General Meeting of Shareholders decided to cancel 38,095,242 treasury shares and reduce the Company's authorised share capital by LTL 38,095,242 from LTL 814,912,760 to LTL 776,817,518. As on 30 June 2010 the authorised share capital was not reduced yet.

7 Provisions

The Group and the Company established a provision as of 31 December 2009 for restructuring costs. The restructuring provision comprises compensations to employees as a result of the planned Company restructuring.

Provisions for restructuring utilization during January – June 2010:

Opening net book amount at 31 December 2009	5,850
Additions	-
Used provisions	1,013
Closing net book amount at 30 June 2010	4,837

8 Income tax

The tax expenses for the period comprise current and deferred tax.

Profit for 2010 is taxable at a rate of 15% in accordance with Lithuanian regulatory legislation on taxation (2009: 20%). A new profit tax rate at 15% was adopted by the Lithuanian Parliament on 28 December of 2009.

9 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.

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

The weighted average number of shares in issue (thousands) for the period ended 30 June 2010 is calculated as follows: 814,913 (ordinary shares) less 38,095 (treasury shares) results in 776,818. The weighted average number of shares for the period ended 30 June 2009 was the same – 776,818.

	January - June	
	2010	2009
Net profit	83,553	91,889
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818
Earnings per share (LTL)	0.108	0.118

10 Dividends per share

A dividend that relates to the period to 31 December 2009 was approved the Annual General Meeting of Shareholders on 26 April 2010. The total amount of allocated dividend, that was paid off in May 2010 was 163,132 thousand litas or 0.21 litas per ordinary share.

11 Related party transactions

The Group is controlled by TeliaSonera AB (publ) which directly owns 4.90% and indirectly, through its subsidiary Amber Teleholding A/S, 60% of the Company's shares. In total, the ultimate parent of the Group, TeliaSonera AB (publ), owns 64.90% of the Company's shares. The following transactions were carried out with related parties:

Sales and purchases from TeliaSonera AB (publ) and its subsidiaries:

	January - June	
	2010	2009
Sales of telecommunication and other services	20,320	22,279
Total sales of telecommunication and other services	20,320	22,279
Purchases of assets	-	10
Purchases of services	14,059	15,758
Total purchases of assets and services	14,059	15,768

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

	As at 30 June	
	2010	2009
Receivables from related parties	2,096	2,281
Accrued revenue from related parties	3,218	2,083
Total receivables and accrued revenue from related parties	5,314	4,364
Payables to related parties	1,075	1,666
Accrued expenses to related parties	128	195
Total payables and accrued expenses to related parties	1,203	1,861

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

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 during January–June 2010 amounted to LTL 378 thousand (2009: LTL 378 thousand). As on 30 June 2010 the amount of LTL 108 thousand of tantiemes was paid to two members of the Board.

12 Events after balance sheet day

Following the Board's decision the Company established a non-profit organisation, VšĮ Ryšių Istorijos Muziejus, for management of the Company's Communications History Museum in Kaunas. The entity was registered on 13 July 2010.

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, Darius Gudačiauskas, Chief Sales Office 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 Interim Consolidated Financial Statements for the period ended 30 June 2010, 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.

Chief Sales Office and Deputy
General Manager,
Acting General Manager



Darius Gudačiauskas

Chief Financial Officer



Giedrius Vegys

Vilnius, 16 July 2010

INTERIM CONSOLIDATED REPORT

Reporting period

January-June 2010

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	Savanoriu ave. 28, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 15 11
Fax number	+370 5 212 66 65
Internet address	www.teo.lt

Main activities of the Group

TEO LT, AB Group is the largest Lithuanian broadband Internet access and voice telephony services operator, providing integrated telecommunication, IT and TV services to residents and business. TEO Group is a part of TeliaSonera Group that provides telecommunications services 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) 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 2010, TEO Group consisted of the parent company, TEO LT, AB, (registered on 6 February 1992, code 121215434, name of the Register of Legal Entities: State Enterprise Center of Registers; address: Savanorių ave. 28, LT-03501 Vilnius tel.: +370 5 262 15 11; fax. +370 5 212 66 65; 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 TEO Sportas	28 April 1998, code 124366950, State Enterprise Center of Registers	Savanorių ave. 28, LT-03116 Vilnius, Lithuania tel. +370 5 236 8792 fax. +370 5 231 3650	-	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 14 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 30 November 2009, UAB Baltic Data Center acquired a 100 per cent stake in one of the leading web-hosting services providers, UAB Interdata, which has a subsidiary, UAB Hosting. Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA, which is a dormant company.

Till June 2009 UAB Kompetencijos Ugdymo Centras used to provide consultancy and training services. A newly established company UAB Verslo Investicijos was acquired by TEO LT, AB in December 2008 for the implementation of an investment project.

In February 2010, the Company announced that it will terminate support for TEO women basketball team, a multiple champion of Lithuania and the Baltic States, from the next season, starting in the autumn of 2010, through its solely owned non-profit organisation VšĮ TEO Sportas. In June 2010, the Board of TEO LT, AB decided to transfer owners' rights of TEO Sportas to the third party, a non-profit organisation VšĮ Vici Sport.

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	814,912,760	1	814,912,760	LT0000123911

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.

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

The total consolidated TEO Group's revenue for the first six months of 2010 was LTL 387 million, a decrease by 5.3 per cent over the total revenue of LTL 409 million for the first six months of 2009.

EBITDA for the first six months of 2010 went down by 16 per cent to LTL 160 million over LTL 190 million in the first six months of 2009. Nevertheless, EBITDA margin stood above 40 per cent and amounted to 41.2 per cent (46.5 per cent in 2009).

Profit before income tax in the first half of 2010 was down by 19.8 per cent and amounted to LTL 95 million (LTL 118 million a year ago).

Profit for the period amounted to LTL 84 million while a year ago it was LTL 92 million, a decrease by 9.1 per cent. The profit margin was 21.6 per cent (22.5 per cent a year ago).

More information about the Company's activities and financial results for the first six months of 2010 is provided in TEO LT, AB Consolidated Interim Financial Statements for the period of six months ended 30 June 2010.

Information about related party transactions

Information about related party transactions is provided in Note 11 of TEO LT, AB Consolidated Interim Financial Statements for the six months period ended 30 June 2010.

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's subsidiaries have no interest in the share capital of TEO LT, AB.

The Company and the Group directly and indirectly through its largest shareholder, Amber Teleholding A/S, a subsidiary of 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 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 2010 the total amount of borrowings of TEO Group amounted to LTL 5.6 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 on 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 2009.

Plans and forecasts

In 2010, TEO focuses on further development of its next generation network and continues its revenue diversification. Quality of service and cost control remains on the Company's list of top priorities. With its rapidly expanding digital terrestrial television services, TEO contributes to Lithuania's transition from analogue to digital television broadcasting.

In 2010, capital investments are oriented towards continuous expansion of the fibre-optic access network, improvement of quality of services and development of digital TV services.

Research and development activities

There were no major research and development projects undertaken during 2010, except the ongoing development and improvement of the Company's services.

Share capital

The share capital of the Company remains unchanged since 1997 and amounts to 814,912,760 litas. It consists of 814,912,760 ordinary registered shares with a nominal value of one litas each.

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

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 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 – cancellation of the Company's treasury shares. The Company's authorised capital shall be reduced by way of annulment

of the Company's treasury shares. Following the terms and procedures set by the Law the authorised share capital of the Company will be reduced during the second half of 2010.

Shares of TEO LT, AB are listed on the Main List of NASDAQ OMX Vilnius stock exchange (code: TEO1L).

Since 2000 the Company ran a Global Depository Receipts (GDR) programme. 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. The Company's GDRs were traded on the London Stock Exchange (LSE) (code: TEOL).

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.

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. During January-June 2010 2,944,541 GDRs (including 2,539,683 TEO treasury GDRs) were cancelled and converted into ordinary registered shares. According to the Global Depository Receipts programme's conditions, upon closure of the GDR programme any outstanding GDRs shall be 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.

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.

As of 30 June 2010, TEO LT, AB held 38,095,242 ordinary registered shares of TEO LT, AB, 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 Lit. As on 30 June 2010, treasury shares were not cancelled and authorised share capital was not reduced yet.

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 26 April 2010, was 13,874.

Shareholders of TEO LT, AB as on 30 June 2010:

Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)	Number of ordinary registered shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)	Share of votes held together with persons acting in concert (%)
Amber Teleholding A/S (a), c/o TeliaSonera Danmark A/S, Holmbladsgade 139, DK-2300 Copenhagen S, Denmark, code 20758694	488,947,656	60.00	62.94	68.08
TeliaSonera AB (publ) (a), Stureplan 8, Stockholm, SE- 106 63, Sweden, code 556103-4249	39,895,616	4.90	5.14	68.08
East Capital Asset Management AB, Kungsgatan 33, Stockholm, SE-111 93, Sweden, code 556564-5370	45,648,261	5.60	5.88	-
TEO LT, AB, Savanorių pr. 28, LT-03501 Vilnius, Lithuania, code 121215434 (treasury stocks)	38,095,242	4.67	-	-
Republic of Lithuania, represented by State Enterprise State Property Fund, Vilniaus g. 16, LT- 01507, Vilnius, Lithuania, code 110073154	3,584,385	0.44	0.46	-
Republic of Lithuania, represented by State Tax Inspectorate, Vasario 16-osios g. 15, LT-01514 Vilnius, Lithuania, code 188659752	362,630	0.04	0.05	-
Other shareholders	198,378,970	24.35	25.53	-
TOTAL:	814,912,760	100.00	100.00	-

NOTES: (a) Amber Teleholding A/S is a fully owned subsidiary of TeliaSonera AB (publ)

Shareholders' rights

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

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

Dividends

On 26 May 2010, the Company paid out to the shareholders LTL 163,132 thousand of dividends or 0.21 litas per share for the year 2009. Following the Law, dividends were paid to the shareholders who on the dividend record day, 10 May 2010, i.e. the tenth business day after the Annual General Meeting of Shareholders, were on the Shareholders' List of the Company. Dividends to all share and GDR holders were paid in cash.

Important events during the reporting period

On 24 February 2010, the Lithuanian Communications Regulatory Authority (CRA) recognised TEO having significant market power on the market of digital terrestrial television (DVB-T) broadcasting transmission services for end-users of content provision services using radio frequencies (channels) assigned to TEO. The Company operates two national digital terrestrial television transmission networks. There are four national networks of DVB-T transmitters. One network transmits 10 television programs.

In March 2010, Håkan Dahlström, the Chairman of the Board of TEO LT, AB, was elected as a member of the Board of UAB Omnitel (Lithuania). UAB Omnitel is 100 per cent owned by TeliaSonera AB (publ).

In April 2010, TEO signed an agreement with UAB Nekilnojamojo Turto Gama regarding the lease of premises in Vilnius, at Lvovo str. 25, and is planning to move the Company's head-office from Savanoriu ave. 28 to Lvovo str. 25 by the end of 2010.

On 26 April 2010 the Annual General Meeting of Shareholders decided to approve the audited annual financial statements of the Company for the year 2009; to allocate from the Company's distributable profit LTL 163,132 thousand for the dividend payment for the year 2009 (LTL 0.21 dividend per share); to allocate LTL 378 thousand for annual payments (tantiemes) to seven members of the Board for the year 2009; to elect UAB PricewaterhouseCoopers as the Company's audit enterprise; to cancel 38,095,242 treasury shares and reduce the Company's authorised share capital from 814,912,760 litas to 776,817,518 litas as well as amend the By-laws of the Company accordingly; to elect Malin Frenning to the Board of the Company for the current term of the Board instead of Anders Gylder who resigned from the Board as of 26 April 2010.

In June 2010, the Board decided to elect to the Remuneration Committee of the Company for the one-year term the following members of the Board: Hakan Dahlstrom, Malin Frenning and Lars Ohnemus (an independent member of the Board).

Also, the Board decided to transfer owners' rights of VšĮ TEO Sportas, a non-profit organisation that supported women basketball team TEO and which was established and solely owned by the Company, to a non-profit organisation VšĮ Vici Sport as the Company already in February 2010 informed that it would no longer support the women's basketball team from the next season starting Autumn 2010. An amount of more than LTL 2 million per year used to be allocated through TEO Sportas to the above mentioned team.

The Board decided to establish a non-profit organisation for management of the Company's Communications History Museum in Kaunas. On 13 July 2010, Register of Legal Entities registered a non-profit organisation VšĮ Ryšių Istorijos Muziejus (The Communications History Museum). TEO LT, AB is the sole founder and owner of this organisation.

All material events related to the activity of the Company have been submitted to the Lithuanian Securities Commission, NASDAQ OMX Vilnius Stock Exchange, London Stock Exchange (till 30 June 2010), 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:

	<u>30 June 2010</u>	<u>30 June 2009</u>
Number of personnel (head-counts)	3,277	3,112
Number of full time employees	2,893	2,791

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 TEO Group employees as of 30 June 2010:

Name of the company	Number of employees (headcount)	Number of full-time employees
TEO LT, AB	2,031	1,952
UAB Lintel	1,036	747
UAB Baltic Data Center	187	178
VšĮ TEO Sportas	3	2
UAB Kompetencijos Ugdymo Centras	3	1
UAB Interdata	14	10
UAB Hosting	3	3
	3,277	2,893

Latest amendments to the 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 1 June 2009.

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 LT, AB. More detailed information about the Collective Bargaining Agreement is provided in TEO LT, AB Addition to Consolidated Annual Report for the year ended 31 December 2009.

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 Board consists of seven Members. 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.

Instead of Anders Gylder, a member of the Board, who resigned from the Board as of 26 April 2010, a new member – Malin Frenning – was elected for the current term of the Board during the Annual General Meeting of Shareholders on 26 April 2010.

In June 2010, the Board elected Håkan Dahlström, Malin Frenning and Lars Ohnemus (an independent member of the Board) as members of the Remuneration Committee for the one-year term.

The Board's activities

During January–June 2010 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 2010 there was quorum prescribed by legal acts. The Board approved financial statements for the 12 months of 2009 and the first 3 months of 2010, financial statements and the consolidated annual report for the year ended 31 December 2009, convoked the Annual General Meetings of Shareholders, proposed to the Annual General Meeting a profit allocation for the year 2009, the Company's audit enterprise, two alternative proposals regarding treasury stocks and amendments of the By-laws of the Company, decided to terminate TEO GDRs program and delist TEO GDRs from the London Stock Exchange, approved the lease of premises for the Company's head-office, transfer of owners' right of VŠĮ TEO Sportas and establishment of a non-profit organization for management of the Company's Communications History Museum in Kaunas, followed up implementation of the business and investment plan for the year 2010.

During the first half of 2010 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 2010, one meeting of the Audit Committee for review and discussion of financial results for the year 2009 was held on 25 March 2010. The Audit Committee meeting was attended by all members of the Committee and meeting was chaired by the Chairman of the Audit Committee.

On 26 April 2010, 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 2009 to seven members of the Board, i.e. LTL 54 thousand per one member of the Board. As on 30 June 2010 annual payments (tantiemes) for the year 2009 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 2010

Håkan Dahlström (born in 1962) – Chairman of the Board of TEO LT, AB, as member of the Board for the two-year term elected on 28 April 2009 (nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board. Education: Linköping University (Sweden), Master of Engineering in Computer Technology and Heriot Watt University (Scotland), Master of Science in Digital Technology. Employment: TeliaSonera AB (publ) (Sweden), President of Business Area Mobility Services. Current Board assignments: Telia Norge Holding AB (Sweden), Chairman of the Board; Telia Nättjänster Norden AB (Sweden), Chairman of the Board; Latvijas Mobilais Telefons SIA (Latvia), Chairman of the Board; UAB Omnitel (Lithuania), Chairman of the Board; TeliaSonera Denmark A/S (Denmark), Chairman of the Board; Netcom AS (Norway), Chairman of the Board; Netcom ASA (Norway), Chairman of the Board; Telia Netcom Holding AS (Norway), Chairman of the Board; Xfera Móviles S.A. (Spain), Member of the Board. TeliaSonera AB (Sweden) directly and indirectly, through its subsidiary Amber Teleholding A/S (Denmark), which nominated Håkan Dahlström to the Board of TEO LT, AB, has 528,843,272 shares of TEO LT, AB that accounts to 64.90 per cent of the share capital and gives 68.08 per cent of votes. Håkan Dahlström 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.

Malin Frenning (born in 1967) – a member of the Board of TEO LT, AB since 26 April 2010 (nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board. Education: Luleå University of Technology, Master of Science in Mechanical Engineering. Employment: TeliaSonera AB (publ) (Sweden) Business Area Broadband Services, Deputy Head. Current Board assignments: TeliaSonera Network Sales AB (Sweden), Chairwomen of the Board; TeliaSonera International Carrier AB (Sweden), Chairwomen of the Board; ESRI S-Group AB (Sweden), member of the Board. TeliaSonera AB (Sweden) directly and indirectly, through its subsidiary Amber Teleholding A/S (Denmark), which nominated Malin Frenning to the Board of TEO LT, AB, has 528,843,272 shares of TEO LT, AB that accounts to 64.90 per cent of the share capital and gives 68.08 per cent of 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.

Ove Alm (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 2009 (nominated by Amber Teleholding A/S). Education: University of Uppsala, Master of Business Administration, International Business; Royal Institute of Technology (KTH), Stockholm, Master of Science, Engineering Physics. Employment: TeliaSonera AB (publ) (Sweden) Business Area Broadband Services, Head of Networks. Current Board assignments: Lattelecom SIA (Latvia), member of the Supervisory Council; NextGenTel Holding ASA (Norway), member of the Board. TeliaSonera AB (Sweden) directly and indirectly, through its subsidiary Amber Teleholding A/S (Denmark), which nominated Ove Alm to the Board of TEO LT, AB, has 528,843,272 shares of TEO LT, AB that accounts to 64.90 per cent of the share capital and gives 68.08 per cent of votes. Ove Alm has no direct interest in the share capital of TEO LT, AB. He is not involved in the business of other Lithuanian companies and does not have interest in the share capital of Lithuanian companies.

Joakim Sundström (born in 1959) – a member of the Board of TEO LT, AB since 26 April 2007, re-elected for the two-year term on 28 April 2009 (nominated by Amber Teleholding A/S), Chairman of the Audit Committee of the Board. Education: Stockholm University, Bachelor of Business Administration. Employment: TeliaSonera AB Business Area Broadband Services (Sweden), 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; Sergel Kredittjanster AB (Sweden), member of the Board; TeliaSonera Skanova Access AB (Sweden), deputy member of the Board; Tilts Communications A/S (Denmark), member of the Board. TeliaSonera AB (Sweden) directly and indirectly, through its subsidiary Amber Teleholding A/S (Denmark), which nominated Joakim Sundström to the Board of TEO LT, AB, has 528,843,272 shares of TEO LT, AB that accounts to 64.90 per cent of the share capital and gives 68.08 per cent of votes. Joakim Sundström has no direct interest in the share capital of TEO LT, AB. He is not involved in the business of other Lithuanian companies and does not have interest in the share capital of Lithuanian companies.

Tiia Tuovinen (born in 1964) – a member of the Board of TEO LT, AB, elected for the two-year term on 28 April 2009 (nominated by Amber Teleholding A/S), 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 and Managing Director of several real estate companies in Helsinki, Finland. TeliaSonera AB (Sweden) directly and indirectly, through its subsidiary Amber Teleholding A/S (Denmark), which nominated Tiia Tuovinen to the Board of TEO LT, AB, has 528,843,272 shares of TEO LT, AB that accounts to 64.90 per cent of the share capital and gives 68.08 per cent of 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.

Lars Ohnemus (born in 1962) – a member of the Board of TEO LT, AB, elected for the two-year term on 28 April 2009 (nominated as independent candidate by Amber Teleholding A/S), member of the Remuneration Committee of the Board. Education: Copenhagen Business School (Denmark), Bachelor degree in Finance & Administration, Master degree in Corporate Finance & Marketing, and Doctor of Philosophy (PhD). Employment: Baltic Property Trust Partner Services A/S (Denmark), Chief Executive Officer, and Baltic Management Institute (Lithuania) and Copenhagen Business School (Denmark), Visiting Assoc. Professor. Current Board assignments: Baltic Management Institute (Lithuania), member of the Board; RetNemt.dk (Denmark), member of the Board; Baltic Property Trust Asset Management (Denmark), member of the Board. TeliaSonera AB (Sweden) directly and indirectly, through its subsidiary Amber Teleholding A/S (Denmark), which nominated Lars Ohnemus as independent candidate to the Board of TEO LT, AB, has 528,843,272 shares of TEO LT, AB that accounts to 64.90 per cent of the share capital and gives 68.08 per cent of votes. Lars Ohnemus 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.

Martynas Česnavičius (born in 1972) – a member of the Board of the Company since 9 February 2009, re-elected for the two-year term of the Board on 28 April 2009 (nominated as independent candidate by Amber Teleholding A/S), member of the Audit Committee of the Board. Education: Vilnius University (Lithuania), Diploma in Banking and Finance. Employment: Investment funds Amber Trust I and Amber Trust II (Luxemburg), Advisor. Current Board assignments: AB Snaigė, Chairman of the Board; UAB Malsena Plius, Chairman of the Board; AB Amilina, member of the Board; AB Kauno Pieno Centras, member of the Board; AB Sanitas, member of the Board; UAB Atradimų Studija, member of the Board; UAB Laisvas Nepriklausomas Kanalas, member of the Board; UAB Litagros Prekyba, member of the Board; UAB Meditus, member of the Board. TeliaSonera AB (Sweden) directly and indirectly, through its subsidiary Amber Teleholding A/S (Denmark), which nominated Martynas Česnavičius as independent candidate to the Board of TEO LT,

AB, has 528,843,272 shares of TEO LT, AB that accounts to 64.90 per cent of the share capital and gives 68.08 per cent of votes. UAB Profinance, a company where Martynas Česnavičius has a 50 per cent stake, holds 45,000 shares of TEO LT, AB that accounts to 0.0055 per cent of the share capital and gives 0.0058 per cent of votes. Also he has a 31 per cent stake in UAB Atradimų Studija. Martynas Česnavičius has no direct interest in the share capital of TEO LT, AB.

Members of the Company's Administration as of 30 June 2010

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 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 Interdata, a subsidiary of UAB Baltic Data Center, member 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.

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 2010, 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 and amended in December 2009. 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. The Board of TEO LT, AB consists of seven members who are 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 members of the Board are considered non-executive directors, whereby two out of seven members are independent and represent minority shareholders. One independent member of the Board is a member of the Remuneration Committee and the other one is member of the Audit Committee. Two out of three members of the Audit Committee have financial background.

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, Darius Gudačiauskas, Chief Sales 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 Interim Consolidated Report for the six months period ended 30 June 2010 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.

Chief Sales Office and Deputy
General Manager,
Acting General Manager

A handwritten signature in blue ink, appearing to read 'Darius Gudačiauskas'.

Darius Gudačiauskas

Chief Financial Officer

A handwritten signature in blue ink, appearing to read 'Giedrius Vegys'.

Giedrius Vegys