

# **TEO LT, AB**

## **INTERIM CONSOLIDATED REPORT FOR THE SIX MONTHS OF 2007**

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

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## 1. Reporting period for which this report has been prepared

January – June of 2007

## 2. Issuer and its contact details

Name of the Issuer	<b>TEO LT, AB</b> (hereinafter – TEO or “the Company”) (till 5 May 2006 was named AB Lietuvos Telekomas)
Legal form	public company (joint-stock company)
Date and place of registration	6 February 1992, Board of Vilnius City
Date and place of re-registration	8 July 1998, Ministry of Economy of the Republic of Lithuania
Registration No.:	BI 98 - 195
Code of Enterprise	121215434
Registered office	Savanoriu ave. 28, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 15 11
Fax number	+370 5 212 66 65
E-mail address	info@teo.lt
Internet address	www.teo.lt

## 3. Nature of the Issuer’s core business

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

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

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

## 4. Agreements with intermediaries of public trading in securities

On 1 December 2000, the Company and AB SEB Vilniaus Bankas, Gedimino ave. 12, LT-01103 Vilnius, made an agreement on accounting of the Company’s securities and services related to the accounting of securities.

## 5. Data about securities traded on regulated market

The following securities of TEO LT, AB are included into the Official List of the Vilnius Stock Exchange (VSE ticker: TEO1L):

Type of shares	Number of shares	Nominal value (in litas)	Total nominal value (in litas)	Issue Code
Ordinary registered shares	814,912,760	1	814,912,760	12391

32,596,510 TEO LT, AB Global Depository Receipts (1 GDR represents 10 ORS) are admitted to the Official List of the UK Listing Authority and could be traded on the Main Market of London Stock Exchange. TEO GDRs could be traded on the PORTAL market, a subsidiary of the Nasdaq Stock Market Inc.

Following the directives of European Union, the Company is informed that GDRs of TEO are included in Frankfurt Deutsche Börse Stock Exchange trading within the Open Market (*Freiverkehr*) and being traded on the Munich Stock Exchange.

## 6. Information about results of Issuer's activities

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

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

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

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

The main risk factors associated with the activities of TEO LT, AB are as follows:

- Changes in the legal regulation of the Company's activities.
- Competition with other telecommunications market players.
- General economic situation in the Republic of Lithuania.
- Fluctuation of currencies' exchange rates.
- Changes in the Lithuanian legislation.
- Changes in the regulation of accounting and taxation systems.
- As of 30 June 2007 total amount of borrowings of TEO Group amounted to LTL 8.1 million.

The Group's and the Company's activities expose it to a variety of financial risks. Foreign exchange risk arising from various currency exposures primarily with respect to US Dollar (USD) and Special Drawing Rights (SDR) is controlled by hedging the foreign currency exposure of its purchase contracts and debt commitments. The Group has no significant concentrations of credit risk outside TeliaSonera Group. The Group has policies that limit the amount of credit exposure to any one financial institution. Liquidity risk is managed by the Group Treasury, which is required to maintain a minimum required liquidity position as defined in the Group's Treasury policy. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

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

## 7. Information about own shares of the Issuer

On 12 June 2000, during the Initial Public Offering UAB Lintkom, then a subsidiary of UAB Lintel, which is a subsidiary of the Company, acquired 12,698,412 ordinary registered shares of the Company (1 share price was LTL 3.15) and 2,539,683 Global Depository Receipts of the Company (1 GDR price was USD 7.875) (1 GDR represents 10 ordinary registered shares of the Company). Overall, UAB Lintkom held 4.67 per cent of the Company's share capital.

In September 2002, the Company acquired all shares of UAB Lintkom from UAB Lintel. In December 2003, the Company transferred all UAB Lintkom shares back to UAB Lintel. In March 2004, reorganisation of Lintel and Lintkom by merger of UAB Lintkom into UAB Lintel was started and in May 2004 was over. After reorganisation UAB Lintel continues its operations while UAB Lintkom terminated its operations. Now

TEO subsidiary UAB Lintel holds 4.67 per cent of the Company's shares that following the Lithuanian Company Law are considered as treasury stocks of the Company.

As of 30 June 2007, UAB Lintel held 12,698,412 ordinary registered shares of TEO LT, AB and 2,539,683 TEO LT, AB GDRs, i.e. 4.67 per cent of TEO share capital.

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

## **8. Information about Issuer's daughter companies**

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

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

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

UAB Lintel is the largest in terms of business volumes and the most modern, in terms of technologies and management, Call Center service provider in Lithuania. It handles around 16 million contacts per year. Lintel also provides Directory Inquiry Service 118, telemarketing and customer care services. UAB Lintel also holds 4.67 per cent of treasury stocks of the Company's.

UAB Baltic Data Center is one of the most rapidly growing IT services to enterprise customer providers in Lithuania. Services provided by UAB Baltic Data Center comprise a complex enterprise systems maintenance package that implies Server, Data Base and data streams as well as IT Service Desk services. UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA, which is a dormant company.

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

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

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

## **9. Important event during the reporting period**

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

As of 12 February 2007 shareholders of UAB Mikrovisatos TV cancelled preliminary share sale – purchase agreement with TEO. On 20 December 2006, TEO announced that the Company signed a Memorandum of Understanding with shareholders of Mikrovisata TV regarding acquisition of 100 per cent

stake in UAB Mikrovisata TV and submitted an application to Lithuanian Competition Council for permission of market concentration. It was planned to complete the transaction by mid of February 2007.

On 15 February 2007, TEO LT, AB, following the Board permission of 16 March 2006, sold OOO Comliet-Kaliningrad, a company in the Russian Federation, that the Company on 31 January 2006 took over from its then subsidiary UAB Comliet (owned 95 per cent of OOO Comliet-Kaliningrad) and UAB Comliet Sprendimai, a subsidiary of UAB Comliet, (owned 5 per cent of the company).

In March 2007, the Company introduced charges for Internet access at its wireless ZEBRA internet hot-spots and started provision of a new computer rent and sale service for business customers.

On 14 March 2007, the Board of TEO LT, AB decided to convoke the Annual General Meeting of TEO LT, AB Shareholders on 26 April 2007. The Board proposed for the Annual General Meeting to allocate from the Company's distributable profit LTL 201,973 thousand (EUR 58,495 thousand) for the dividend payment for the year 2006 or LTL 0.26 (EUR 0.075) dividend per share. For annual payments to the members of the Board for the year 2006 to allocate LTL 378 thousand (EUR 109 thousand), i.e. LTL 54 thousand per one member of the seven-members Board. The Board also approved audited financial statements of TEO LT, AB Group for the year 2006 prepared according to International Financial Reporting Standards and Consolidated Annual Report of the Company for the year 2006.

The annual general meeting of TEO LT, AB (hereinafter 'the Company' or 'TEO') shareholders on 26 April 2007 made the following decisions: 1) To approve audited Company's annual financial statements for the year 2006, prepared according to the International Financial Reporting Standards. To the shareholders was also presented Consolidated Annual Report of the Company for the year 2006, prepared by the Company, read by the audit and approved by the Board of Directors. 2) To allocate the Company's profit of the year 2006 according the draft of profit allocation presented for Annual General Meeting of Shareholders as follows: to allocate from the Company's distributable profit LTL 201,973 thousand (EUR 58,495 thousand) for the dividend payment for the year 2006 or LTL 0.26 (EUR 0.075) dividend per share. For annual payments to the members of the Board for the year 2006 to allocate LTL 378 thousand (EUR 109 thousand), i.e. LTL 54 thousand per one member of the seven-member Board. The Company plans to pay out dividends on the 23 May 2007. 3) To recall from the Board of the Company all members of the Board: Erik Hallberg, Morgan Ekberg, Matti Hyyrynen, Brita Hanberger, Gert Tiivas, Gintautas Žintelis and Valdo Kalm. 4) To elect to the Board of the Company for new term of the Board (for 2 years): 1. Mr Jörgen Latte, proposed by Amber Teleholding A/S, 2. Mr Anders Gylder, proposed by Amber Teleholding A/S, 3. Mr Ove Alm, proposed by Amber Teleholding A/S, 4. Mr Joakim Sundström, proposed by Amber Teleholding A/S, 5. Mr Björn Lindegren, proposed by Amber Teleholding A/S, 6. Mr Matti Hyyrynen as proposed to Amber Teleholding A/S by East Capital, 7. Mr Gert Tiivas as proposed to Amber Teleholding A/S by East Capital.

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

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

## **10. Issuer's activities plans and forecasts**

In 2007, TEO Group will seek to increase consolidated revenue by increasing number of broadband internet services users, by maintaining existing voice service customers and revenue as well as looking for new revenue streams from IT and other new business areas. The Group should maintain high EBITDA margin and increase consolidated profit.

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

In 2007, the strategic priority will be given to development of IT services, wireless internet access network and fibre to the user (FFTx) projects.

TEO subsidiaries should increase their external revenue; look for new markets and business areas. In 2007, Baltic Data Center is planning to invest LTL 1.9 million into new IT service management system. In total TEO Group in 2007 plans to devote LTL 164 million for capital investments.

## 11. Information about Issuer's research and development activities

In December 2006, TEO received support of LTL 2 million from European Union Structural Fund for implementation of research and development project Creation of prototype of IP TV interactive services and content management and provision systems. This project will last until September 2008.

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

## 12. Structure of the Issuer's share capital

The share capital of TEO LT, AB registered in the Register of Legal Persons is 814,912,760 litas.

According to the type of shares, the structure of TEO LT, AB share capital is as follows:

Type of shares	Number of shares	Nominal value (in litas)	Total nominal value (in litas)	Part in the share capital (%)
Ordinary registered shares (ORS)	814,912,760	1	814,912,760	100.00
Total:	814,912,760	--	814,912,760	100.00

All shares of TEO LT, AB are paid for and there are no restrictions on transferred of securities.

## 13. Shareholders

As on 30 June 2006, the total number of TEO LT, AB shareholders was 13,502. The number of shareholders on the day of the last Annual General Meeting of Shareholders, which was held on 26 April 2007, was 12,827.

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

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

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

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

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

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

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

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

As on 30 June 2007, UAB Lintel, a subsidiary of TEO LT, AB, held 12,698,412 ordinary registered shares of TEO LT, AB and 2,539,683 GDRs of the Company, i.e. 4.67 per cent of the Company's share capital. Following the Lithuanian Company Law TEO shares held by UAB Lintel are considered as treasury stocks.

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

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

## 14. Employees

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

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

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



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

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

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

This Collective Bargaining Agreement applies only to employees of the Company. If provisions of Collective Bargaining Agreement are more favourable than the same provisions of individual labour agreements, then provisions of Agreement shall apply. If provisions of Agreement are more favourable than new legislation imposed during the period of Agreement validity, provisions of Agreement shall apply. The Collective Bargaining Agreement of the Company grants a number of additional social guarantees to employees of TEO.

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

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

## 16. Managing bodies of the Issuer

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

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

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

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

The Annual General Meeting of TEO LT, AB shareholders on 26 April 2007 decided to recall from the Board of the Company all members of the Board: Erik Hallberg, Morgan Ekberg, Matti Hyrynen, Brita Hanberger, Gert Tiivas, Gintautas Žintelis and Valdo Kalm.

Shareholders elected to the Board of the Company for new term of the Board (for 2 years) nominees proposed by Amber Teleholding A/S: Jörgen Latte, Anders Gylder, Ove Alm, Joakim Sundström, Björn Lindegren, Matti Hyrynen (proposed to Amber Teleholding A/S by East Capital) and Gert Tiivas (proposed to Amber Teleholding A/S by East Capital).

#### Board (as of 30 June 2007)



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

CFO of TeliaSonera Sweden.

A member of the Supervisory Boards of Telia Pensionfund (Sweden), LMT (Latvia) and Eesti Telekom (Estonia); Chairman of the Board of Telia Electronic Commerce AB (Sweden), Infonet Svenska AB (Sweden), TeliaSonera Sverige Net Fastigheter AB (Sweden), TeliaSonera Sverige Finans AB (Sweden), TeliaSonera Payphone AB (Sweden), TeliaSonera Sverige Asset Finance AB (Sweden) and adminson AB (Sweden); a member of the Board of Sergel Kreditjänster AB (Sweden), TeliaSonera International Carrier AB (Sweden) and TeliaSonera Försäkring AB; a deputy member of the Board of Avnos AB (Sweden).

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



**Anders Gylder** (born in 1950) – a member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

Executive Vice President at TeliaSonera AB Business Area Broadband Services.

A member of the Supervisory Board of Eesti Telekom (Estonia).

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



**Ove Alm** (born in 1959) – a member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S).

Head of Product and Production at TeliaSonera AB Business Area Broadband Services.

A member of the Board of Telia Stofa A/S (Denmark) and NextGenTel Holding ASA (Norway).

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



**Joakim Sundström** (born in 1959) – a member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Audit Committee of the Board.

Director of Business Control at TeliaSonera AB Business Area Broadband Services.

Not involved in activities of other companies.

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



**Björn Lindegren** (born in 1949) – a member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

General Counsel at TeliaSonera Business Area Broadband Services.

A member of the Board of TeliaSonera Network Sales AB, TeliaSonera International Carrier AB, TeliaSonera Sverige Asset Finance AB, TeliaSonera Payphone AB, TeliaSonera Net Fastigheter AB, Infonet Svenska AB, Telia Electronic Commerce AB, Telia Lithuania AB and Föräldrakooperativet Lurifaxen i Farsta.

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



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

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

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



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

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

Member of the Supervisory Councils of the Tallinn Stock Exchange (Estonia), Baltika AS (Estonia), Arco Varavalitsemise AS (Estonia), Cantik Enterprises Ltd. (Ukraine), Pervomayskaya Zarya Ltd. (Russian Federation), JSC Open Investments (Russian Federation), Russian Real Estate Investment Company AB (Sweden) and Explorer Property Fund – Baltic States AB (Sweden)

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

#### General Manager (CEO)



**Arūnas Šikšta** (born in 1968) from 2 January 2004 took the office of General Manager (CEO) of the Company.

He has a degree in Management from Natural Science Faculty of Klaipėda University (1995).

From 1992 to 1993 he worked as program coordinator at Lithuanian Open Society Fund. Between 1993 and 1996 he was employed by Lithuanian – Dutch joint venture Seceurtronics Technicom as Executive Director. In the period from 1996 to 1997 he held a position of Director of Marketing Department of Lithuanian Agricultural Bank, and from 1997 to 1999 he was Lithuanian Project Manager at International Relations and Network Department of AS Hansapank, Estonia. From May 1999 till June 2001 he was appointed to the position of Chairman of the Board of the bank AB Hansabankas. From June 2001 till 1 November 2003 he was Chairman of the Board of the bank AB Hansa-LTB and member of the Board of Hansabank Group, Estonia.

Chairman of the Board of UAB Voicecom, a member of the Council of the International Business School at Vilnius University, a member of the Board of Big Brothers Big Sisters International, Philadelphia, U.S.A.

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

#### Chief Sales Officer and Deputy General Manager



**Darius Gudačiauskas** (born in 1975) from 1 March 2006 took the office of Chief Sales Officer and Deputy General Manager of the Company.

He has a Bachelor degree of Business Administration (1997), Master of Business Administration (1999) and Doctor of Social Sciences, Economics (2004), at Vilniaus Gedimino Technical University.

From 1999 till 2001 he worked as Marketing Manager (Coordinator) Baltics at McDonald's Baltics and Brand Manager at Philip Morris Baltics. During the period of 2001-2004 he was Director of Marketing and Public Relations Department at AB bankas Hansabankas. From February 2004 till February 2006 he held a position of Sales Director and member of the Board of AB Lietuvos Draudimas.

Chairman of UAB Lintel.

He has 13,719 shares of TEO LT, AB that accounts for 0.0017 per cent of the share capital and gives 0.0018 per cent of votes. He is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

#### Chief Marketing Officer and Deputy General Manager



**Nerijus Ivanauskas** (born in 1970) from 1 March 2006 took the Office of Chief Marketing Officer and Deputy General Manager of the Company.

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

From 1996 till 1998 he worked as Marketing Director of UAB Lintel, during January – October of 1998 – Deputy Marketing Director at AB Lietuvos Telekomas, from November 1998 till October 2001 - Marketing and Product Development Director of UAB Lietuvos Telekomo Verslo Sprendimai. During November 2001 and June 2002 he worked as Director of Voice Sector at Lietuvos Telekomas. In July 2002 he left the Company and for one year worked as Territory Manager of Oracle East Central Europe Limited Vilnius Branch. In July 2003 he returned to Lietuvos Telekomas and held positions of Deputy Chief Marketing and Sales, Director of Sales Department and Director of Marketing Department.

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

#### Chief Operating Officer and Deputy General Manager



**Darius Didžgalvis** (born in 1969) from 9 February 2005 holds an office of Chief Operating Officer and Deputy General Manager of the Company.

He is engineer in radio electronics (1993), MSc in Telecommunication Engineering (2001) and International Executive MBA (2003).

In 1993 he started working in Lietuvos Telekomas as engineer in Kretinga. From 1996 till 1998 he worked as Manager of Technical Operation Unit at Klaipėda Branch of Lietuvos Telekomas. During 1998 – 1999 he was Director of West Region Technical Center of Network Operation Department, during 1999 – 2001 worked as Director of Operation Sector and Services Delivery Sector at Network Department. From 2001 to 2005 he was Director of Wholesales Department.

Chairman of UAB Baltic Data Center and member of the Board of UAB Voicecom.

He has 4,669 shares of TEO LT, AB that accounts for 0.0005 per cent of the share capital and gives 0.0006 per cent of votes. He is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

### Chief Financial Officer and Deputy General Manager



**Jan-Erik Elsérius** (born in 1943) from 1 March 2004 holds an office of Chief Financial Officer and Deputy General Manager, and also he is a Head of Treasury and Investor Relations Unit of the Company.

In 1967, he graduated from Uppsala University as BA in Management, Managerial Economy, Political Economy and Statistics.

Between 1969 and 1972, he was employed by Stockholm City/County Council in the Financial Division. From 1972, he was Head of the Public Office of Financial Division of the Swedish Telecom Administration (Telia). From 1975, he was responsible for the Long term Planning and accountable to the Director General. In the period from 1976 to 1980, he worked for the Swedtel. In July 1982, he was appointed to the position of the Finance Director of TeleLarm AB, where he occupied various managerial positions, in September 1997 he was appointed as the Director General. Following the merger with the Securitas Teknik AB in 1998, he was appointed as the Deputy Managing Director of the new company Securitas Larm AB. In 29 March 1999, he was appointed to the position of Chief Financial Officer and Director of Finance Department of AB Lietuvos Telekomas.

Member of the Board of UAB Lintel and UAB Voicecom.

He has 90,000 shares of TEO LT, AB that accounts for 0.011 per cent of the share capital and 0.0116 per cent of votes. He is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Information about the total and average amount per person of the remunerations, tantiemes and other payments from the profit by the Issuer during the reporting period:

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

NOTES: (a) The Board consist of seven members; (b) Members of the Company's Administration were General Manager, Chief Sales Officer and Deputy General Manager, Chief Marketing Officer and Deputy General Manager, Chief Operating Officer and Deputy General Manager, and Chief Financial Officer and Deputy General Manager.

On 26 April 2007, the Annual General Meeting of TEO LT, AB Shareholders resolved to assign LTL 378 thousand for the payment of annual compensations (tantiemes) for the year 2006 (as of 31 December 2006 the Board of the Company consisted of seven Board members). The annual compensations (tantiemes) for 6 members of the Board were paid in June 2007 (LTL 324 thousand) and for one member – in July (LTL 54 thousand).

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

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

## **17. Information about compliance with the Governance Code**

TEO LT, AB essentially follows a recommendatory Corporate Governance Code for the Companies Listed on the Vilnius Stock Exchange (hereinafter 'the Governance Code') adopted in August 2006. According to the Articles of Association of TEO LT, AB the governing bodies of the Company are the General Shareholder's Meeting, the Board and the General Manager. There is no Supervisory Council in the Company. The Board consists of seven Members that are elected for the period of two years. The Board institutes two Committees: Audit and Remuneration. Three members of the Board comprise each committee.

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

TEO LT, AB

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

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

#### CONFIRMATION OF RESPONSIBLE PERSONS

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

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

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

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

Nerijus Ivanauskas

Chief Financial Officer and  
Deputy General Manager

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

Jan-Erik Elsėrius

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