



TEO LT, AB

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

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

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

TEO Group financial statements for the six months of 2007 are not audited. TEO Group financial statements for the year ended 31 December 2006 are audited by the auditors.

CONSOLIDATED BALANCE SHEET OF TEO GROUP (LTL thousand)

ASSETS	2007-06-30	2006-12-31
Non-current assets		
Property, plant and equipment	622,091	644,164
Intangible assets	29,328	33,538
Other non-current assets	3,609	4,951
	655,028	682,653
Current assets		
Inventories	8,919	8,154
Receivables, prepayments and accrued revenue	114,112	248,719
Current profit tax receivable	822	723
Held-to-maturity investments	60,257	40,419
Trading investments	33,554	34,287
Cash and cash equivalents	223,326	232,581
Assets held for sale	575	1,515
	441,565	566,398
TOTAL ASSETS	1,096,593	1,249,051

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

EQUITY	2007-06-30	2006-12-31
Shareholders' equity		
Share capital	814,913	814,913
Treasury shares	(120,000)	(120,000)
Legal reserve	81,499	81,499
Translation differences	8	(1)
Retained earnings	208,356	333,301
	984,776	1,109,712
Minority interest	--	--
Total equity	984,776	1,109,712
LIABILITIES		
Non-current liabilities		
Borrowings	7,345	7,764
Deferred tax liabilities	13,739	17,481
Grants	3,554	4,727
Deferred revenue	1,932	2,634
	26,570	32,606
Current liabilities		
Trade, other payables and accrued liabilities	77,360	94,690
Current income tax liabilities	7,056	11,140
Borrowings	831	818
Liabilities related to assets held for sale	--	85
	85,247	106,733
Total liabilities	111,817	139,339
TOTAL EQUITY AND LIABILITIES	1,096,593	1,249,051

CONSOLIDATED PROFIT (LOSS) STATEMENT OF TEO GROUP (LTL thousand)

	April – June 2007	April – June 2006	January – June 2007	January – June 2006
Revenue	192,981	181,750	378,786	362,159
Other income	710	695	1,840	1,498
Employee related expenses	(40,036)	(31,084)	(76,301)	(61,083)
Network interconnection expenses	(31,023)	(26,429)	(56,919)	(49,897)
Other operating expenses	(39,616)	(34,693)	(78,606)	(70,158)
Depreciation, amortisation and impairment charge	(42,037)	(51,643)	(84,476)	(104,859)
Other gain (loss), net	3,001	1,467	3,402	2,882
Operating profit	43,980	40,063	87,726	80,542
Finance income	3,203	1,053	5,851	2,071
Finance costs	(150)	(472)	(294)	(1,001)
Finance income (costs), net	3,053	581	5,557	1,070
Share of result of associates	--	1	--	41
Profit before income tax	47,033	40,645	93,283	81,653
Income tax	(7,883)	(7,377)	(16,255)	(15,822)
Profit for the period from continuing operations	39,150	33,268	77,028	65,831
Discontinued operations:				
Profit (loss) for the period from discontinued operations	(2)	--	-	(748)
Profit for the period	39,148	33,268	77,028	65,083
Attributable to:				
Equity holders of the Company	39,148	33,268	77,028	64,955
Minority interest	--	--	--	128
	39,148	33,268	77,028	65,083
Earnings per share for profit attributable to the equity holders of the Company (in litas)	0.050	0.043	0.099	0.084

CONSOLIDATED CHAS FLOW STATEMENT OF TEO GROUP (LTL thousand)

	January – June 2007	January – June 2006
Operating activities		
Profit for the period from continuing operations	77,028	65,831
Adjustments for:		
Income tax	16,255	15,822
Depreciation, amortisation and impairment charge	84,476	104,859
Share of result of associates	--	(41)
Elimination of gain and losses	(3,402)	(6,339)
Interest income	(7,182)	(3,318)
Interest expenses	169	318
Other non-cash transactions	913	609
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	(765)	196
Trade and other accounts receivable	(12,588)	(12,635)
Trade and other accounts payable and deferred revenue	1,047	(8,108)
Cash generated from operations	155,951	157,194
Interest paid	(181)	(316)
Interest received	6,684	3,787
Tax paid	(23,995)	(17,774)
Net cash from operating activities	138,459	142,891

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

Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(80,627)	(28,677)
Proceeds from disposal of PPE, intangible assets, assets held for sale	3,060	71,934
Acquisition/disposal of held-to-maturity investments, net	(18,757)	71,827
Acquisition of subsidiaries	--	(5,062)
Disposal of subsidiaries	989	11,695
Dividends received	--	47
Loan granted/repaid	150,000	(100,000)
Net cash from investing activities	54,665	21,764
Financing activities		
Repayment of borrowings	(406)	(5,457)
Dividends paid to the shareholders	(201,973)	(124,291)
Net cash from financing activities	(202,379)	(129,748)
Increase (decrease) in cash and cash equivalents	(9,255)	34,907
Movement in cash and cash equivalents		
At start of the period	232,581	149,601
Increase (decrease) during the period	(9,255)	34,907
At end of the period	223,326	184,508

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

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share Capital	Treasury Shares	Legal reserves	Translation differences	Retained earnings		
Balance at 1 January 2006	814,913	(120,000)	81,499	(21)	327,171	2,329	1,105,891
Dividends paid for the year 2005	--	--	--	--	(124,291)	--	(124,291)
Net profit	--	--	--	--	64,955	128	65,083
Currency translation differences	--	--	--	25	--	--	25
Acquisition of minority interest	--	--	--	--	--	(2,457)	(2,457)
Balance at 30 June 2006	814,913	(120,000)	81,499	4	267,835	--	1,044,251
Balance at 1 January 2007	814,913	(120,000)	81,499	(1)	333,301	--	1,109,712
Dividends paid for the year 2006	--	--	--	--	(201,973)	--	(201,973)
Net profit	--	--	--	--	77,028	--	77,028
Currency translation differences	--	--	--	9	--	--	9
Balance at 31 March 2007	814,913	(120,000)	81,499	8	208,356	--	984,776

EXPLANATORY LETTER

TEO Group is the largest Lithuanian broadband Internet access and voice telephony services operator, providing integrated telecommunication, IT and TV services to residents and business. TEO LT, AB is listed on the Vilnius Stock Exchange (VSE ticker: TEO1L) and on the London Stock Exchange (LSE ticker: TEOL).

TEO is a consolidated subsidiary of TeliaSonera AB (Sweden) via its wholly-owned subsidiary Amber Teleholding A/S (Denmark), which holds 60 per cent of TEO shares. As on 30 June 2007, 5.15 per cent of the Company's capital was owned by East Capital Asset Management AB (Sweden), 1.58 per cent - by the State of Lithuania, 4.67 per cent of the shares are Treasury Stocks held by UAB Lintel, a member of TEO Group.

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

- access to the public telephone network at a fixed location for residential customers;
- access to the public telephone network at a fixed location for non-residential customers;
- publicly available local and/or national telephone services provided at a fixed location for residential customers;
- publicly available international telephone services provided at a fixed location for residential customers;

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

As TeliaSonera AB through Amber Mobile Teleholding AB owns 100 per cent of UAB Omnitel shares, 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 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 the 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 the then subsidiary UAB Comliet (held 95 per cent stake in OOO Comliet-Kaliningrad) and UAB Comliet Sprendimai (5 per cent stake) on 31 January 2006.

TEO 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 www.zebra.lt, which is one of the most visited Internet portals.

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.

UAB Baltic Data Center is one of the most rapidly growing providers of IT services for enterprise customers 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 the 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.

TEO Group accounting

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

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

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

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

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

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

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

Key figures of TEO Group

Financial figures	January – June 2007	January – June 2006	Change (%)
Revenue (LTL thousand)	378,786	362,159	4.6
EBITDA (LTL thousand)	172,202	185,401	-7.1
EBITDA margin (%)	45.5	51.2	
Operating profit (LTL thousand)	87,726	80,542	8.9
Operating profit margin (%)	23.2	22.2	
Profit before income tax (LTL thousand)	93,283	81,653	14.2
Profit for the period (LTL thousand)	77,028	65,083	18.4
Profit for the period margin (%)	20.3	18.0	
Earnings per share (LTL)	0.099	0.084	18.6
Number of shares excluding treasury stocks (thousand)	776,818	776,818	
Capital investments (LTL thousand)	80,627	28,677	181.2
Financial ratios			
Return on capital employed (a) (%)	16.3	13.4	
Return on average assets (a) (%)	14.0	11.8	
Return on shareholders' equity (a) (%)	13.4	10.6	
Gearing ratio (%)	-31.4	-24.5	
Debt to equity ratio (%)	0.8	1.2	
Current ratio (%)	518.0	542.6	
Rate of turnover of assets (a) (%)	63.1	61.9	
Equity to assets ratio (%)	89.8	89.1	

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

The total consolidated TEO Group's revenue for the first 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 first 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. The total revenue for April – June 2007 was LTL 193 million, an increase by 6.2 per cent over the total revenue of LTL 182 million for April – June of 2006.

During the first six months of 2007 share of revenue from traditional voice telephony services from total amount of revenue continued to shrink and amounted to 69.2 per cent of total revenue, while share of Internet and data communications revenue continued to grow and amounted to 26.4 per cent. Revenue

from IT services amounted to 1.3 per cent, television services – 0.7 per cent and other services – 2.4 per cent of total revenue for January – June 2007.

Breakdown of TEO Group revenue (LTL thousand)

	April-June 2007	April-June 2006	Change (%)	January-June 2007	January-June 2006	Change (%)
Voice telephony services	132,634	132,281	0.3	262,249	261,432	0.3
Internet and data communication services	51,447	44,192	16.4	100,044	88,122	13.5
TV services	1,401	--	100.0	2,474	--	100.0
IT services	2,189	1,715	27.6	4,944	3,084	60.3
Construction activities (Comliet)	--	--	--	--	1,651	-100.0
Other revenues	5,310	3,562	49.1	9,075	7,870	15.3
Total	192,981	181,750	6.2	378,786	362,159	4.6
Total excluding revenue from construction activities	192,981	181,750	6.2	378,786	360,508	5.1

Compared with the revenue for the first six months of 2006, revenue from subscription fees for the first six months of 2007 increased by 1.7 per cent, value added services – by 21.1 per cent and network interconnection services – by 12.3 per cent, while revenue from traffic charges and wholesales services went down by 9.1 and 30.1 per cent, respectively.

During January – June 2007, the total number of main telephone lines in service increased by 2.8 thousand lines: 28.2 thousand new telephone lines were installed, while 25.4 thousand lines were disconnected.

	January – June 2007	January – June 2006	Change (%)
Number of fixed lines in service	787,726	786,144	0.2
Digitalisation rate (%)	94.0	93.7	0.3
Number of broadband Internet connections (DSL, LAN, WiFi)	212,648	135,274	57.2
Number of wireless Internet (WiFi) hot-spots	1,750	477	266.9
Number of IP TV customers	11,382	--	100.0
Number of VoIP customers	1,538	--	100.0
Number of IT services customers	276	--	100.0
Number of personnel at the end of period	3,274	2,826	15.9

Total calls traffic for the first six months of 2007, compared to the same period of 2006, declined by 3.8 per cent. Traffic of local calls decreased by 4.7 per cent, long distance domestic calls – by 0.5 per cent and international calls – by 2 per cent, but fixed-to-mobile traffic increased by 1 per cent.

According to the Report of the Communications Regulatory Authority (CRA) for the first quarter of 2007, TEO market share of the fixed-line telephony market in terms of customers amounted to 93.5 per cent and in terms of revenue – to 95.9 per cent. In terms of revenue TEO had 18.8 per cent of the networks' interconnection market.

During January – June 2007, the number of broadband Internet access users increased by almost 32 thousand and in March exceeded 200 thousand. Out of total 212.6 thousand broadband connections, 204 thousand are DSL connections sold to retail customers. 3.8 thousand customers connect to the Internet via local area networks (LAN), 2.5 thousand – via the wireless (WiFi) network and 2.3 thousand DSL connections are sold to wholesales customers.

From March the Company introduced charges for usage of wireless broadband Internet access (based on WiFi technology) at TEO hot-spots. Currently for residential TEO Internet service user monthly fee is LTL 9.99, for TEO business customer, depending on the number of users, monthly fee ranges from LTL 9.99 up to LTL 25 and for non-TEO customer monthly fee is LTL 50 or LTL 5 per hour.

From July 2007, thanks to the new roaming service, users of the ZEBRA wireless Internet service have the possibility to use the wireless Internet at more than 10 thousand wireless Internet hot-spots of 56 operators in 27 countries.

TEO commenced the installation of the first in Lithuania new-generation fiber-optic network, the fibers of which will be installed up to the user's computer (FTTH), and from 1 June 2007 the Company offered new Internet payment plans ("Basic Plus", "Optimal Plus" and "Premium Plus") to residential customers that have access to fiber (FTTH) or local (LAN) network

Compared with the first six months of 2006, revenue from Internet broadband access services for the first six months of 2007 went up by 20.5 per cent while revenue from dial-up Internet service went down by 60.5 per cent. Revenue from data communication and network capacity sale services increased by 21.6 and 8.9 per cent, respectively.

According to the Report of the CRA, the Company's market share of the total Internet providers' market in terms of revenue during the first quarter of 2007 amounted to 43.6 per cent, while its share of the broadband Internet access market was 46.8 per cent. On 31 March 2007 broadband Internet penetration per 100 residents of Lithuania was 12.1 per cent. In terms of revenue TEO had 55.1 per cent of the leased lines market and 50.6 per cent of the data communications market.

In 2007, the Company continuously expands its portfolio of IT services for business customers: in March TEO offered a new computer rent and sale service, in May – an online backup service.

Developing interactive digital television according to the concept "More Than Television", in May TEO offered new services of a virtual cinema theatre and game on TV to the users of its Internet television (IP-TV) service GALA.

During the first six months of 2007, other income (interest income from bonds acquired and loans granted) increased by 22.8 per cent over the other income for the same period year ago, while other gain (loss) from sale of property, investments and etc. over the year also increased by 18 per cent.

Total operating expenses of the Group in the first six months of 2007 were by 16.9 per cent higher than total operating expenses a year ago. Almost all groups of expenses increased: employee related expenses increased by 24.9 per cent, interconnection expenses – by 14.1 per cent, other operating expenses – by 12 per cent. In the group of other operating expenses, the biggest increase was in expenses related to the acquisition of telecommunication equipment, network expenses and energy, premises and transportation expenses.

Increase in operating expenses is in line with the Company's plans and is related to entering into new service areas such as IT and TV, growth of internet and interconnect services as well as increase in number of personnel and salaries.

During April – June 2007, the total number of employees (headcount) in TEO Group went up from 3,192 to 3,274, and over the year the total number of employees increased by 448: in the parent company, TEO, the number of employees increased by 373, in Lintel – by 38, in Baltic Data Center – by 47, in Kompetencijos Ugdymo Centras – by 12, but in TEO Sportas – decreased by 22.

Increased total revenue did not offset increased total expenses and as the result EBITDA for the first six months of 2007 went down by 7.1 per cent to LTL 172 million over LTL 185 million for the first six months of 2006. EBITDA margin also went down to 45.5 per cent from 51.2 per cent in 2006.

Depreciation and amortisation charges continuously went down over the year by 19.4 per cent and during the first six months of 2007 amounted to 22.3 per cent of total revenue (29 per cent a year ago). Consequently, operating profit was 8.9 per cent higher than a year ago and operating profit margin was 23.2 per cent (22.2 per cent a year ago).

Due to repayment of the loan in 2006 and received higher interest income on cash and cash equivalents net financial income during the first six months of 2007 was more than 5 times higher than year ago.

Profit before income tax for the first 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. Over the year, the profit margin went up from 18 per cent to 20.3 per cent.

Discontinued operations imply result of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija activities during January – February of 2006 and OOO Comliet-Kaliningrad activities from February 2006 till February 2007.

Due to dividend payment and assets depreciation, the total assets of TEO Group during January – June 2007 decreased by 12.2 per cent. Non-current assets decreased by 4 per cent and amounted to 59.7 per cent of the total assets. Current assets decreased by 22 per cent and amounted to 40.3 per cent of total assets, but, in spite of dividend payment in cash, trading investment and held-to-maturity investments alone represented 28.9 per cent of the total assets. In February 2007, TeliaSonera AB repaid the loan of LTL 150 million to TEO, therefore receivables, prepayments and accrued revenue on the balance sheet decreased. In May, following the resolution of the Annual General Meeting of Shareholders of 26 April 2007, dividend of total LTL 202 million or LTL 0.26 per share were paid to the shareholders of TEO.

Due to dividend payment, shareholders' equity decreased by 11.3 per cent but still amounted to 89.8 per cent of the total assets.

Borrowings of TEO Group

Borrower	Lender	Currency	Book value (LTL thousand)
UAB Baltic Data Center	UAB Sampo Banko Lizingas (car leasing)	LTL	1
TEO LT, AB	UAB Nordea Finance Lithuania (car leasing)	LTL	169
TEO LT, AB	AB Invaldos Nekilnojamo Turto Fondas (premises leasing)	LTL	8,006
Total			8,176

In December 2006, TEO fully repaid its loan to European Bank for Reconstruction and Development. At the end of June 2007, the total amount of borrowings, including financial liabilities related to financial leasing of premises and vehicles, amounted to LTL 8 million. Net debt was negative and amounted to LTL 309 million. The net debt to equity ratio was 31.4 per cent.

At the beginning of 2007, the Company paid LTL 19 million for the non-current assets acquired in 2006, therefore that decreased trade, other amounts payable and accrued liabilities on the balance sheet, but increased cash used for acquisition of the assets in the cash flow statement.

Net cash flow from operating activities during the first six months of 2007 was by 3.1 per cent lower than net cash from operating activities a year ago. Capital investments increased by 2.8 times but, due to the loan repayment by TeliaSonera, more cash was returned than used in investing activities.

Net cash flow from operating and investing activities amounted to LTL 193 million, but after payment of dividends of LTL 202 million, cash and cash equivalents during the first six months of 2007 decreased by LTL 9 million.

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

A preliminary share purchase agreement, signed in December 2006 for acquisition of a 100 per cent stake in UAB Mikrovisatos TV, was terminated in February 2007 by the shareholders of UAB Mikrovisatos TV.

During the first six months of 2007, the Company invested LTL 43 million into the network: the first stage of backbone IP network upgrading was completed, a rapid development of wireless Internet and new generation fiber optic access networks was commenced, the speed of direct international Internet connections channels was increased from 6 to 9 Gbps. Investments into IT amounted to LTL 8.8 million, and investments into premises, including construction of a new TEO building in Vilnius at Lvovo str. 21A, amounted to LTL 9.2 million. In 2007, TEO Group is planning to allocate LTL 164 million for capital investments and LTL 33 million – for construction of the new office building.

TEO LT, AB

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

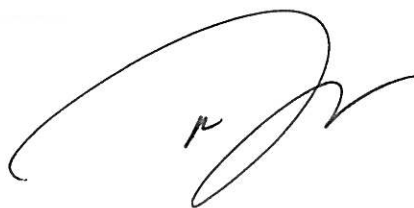
19-07-2007 No. 02-*287*

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 not audited TEO LT, AB Interim Consolidated Financial Statements of for the six months of 2007, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of TEO LT, AB and the Group of undertakings.

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

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

A black ink signature of Nerijus Ivanauskas, written in a cursive style.

Nerijus Ivanauskas

Chief Financial Officer and
Deputy General Manager

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

Jan-Erik Elsėrius

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