

# RESULTS FOR THE YEAR 2011

(approved by the Annual General Meeting of Shareholders)

TEO LT, AB GROUP

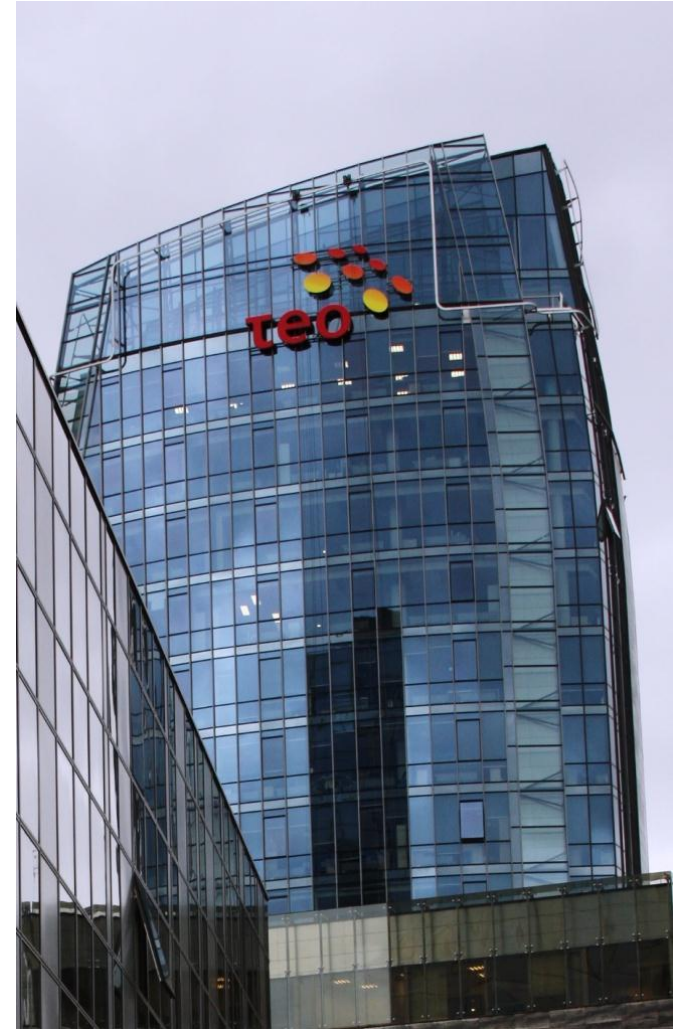
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# THIS IS TEO

- The largest integrated telecommunication, IT and television services provider in Lithuania
- **TEO vision:**  
'Your best partner in communicating with the constantly changing world'  
*By employing the most modern technologies we enable our customers to reach people, knowledge and entertainment*
- **TEO mission:**  
'To create value for shareholders and customers by providing professional and high-quality telecommunications, TV and IT services'



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# MAIN EVENTS IN 2011

- In January, TEO shares became listed on German stock exchanges
- In April, TEO shareholders elected a new Board
- In May, UAB Hostex took over a 100% stake in UAB Interdata from UAB Baltic Data Center
- In June, Malin Frenning became a Chairwoman of the Board
- In June, TeliaSonera AB took over a controlling interest in TEO from Amber Teleholding A/S
- In June, a new customer care centre was opened in Vilnius
- In July, a new Division of Customer Operations and Quality was established in TEO
- During July-September TeliaSonera AB additionally acquired 0.21% of TEO shares



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# NEW SERVICES AND PROJECTS

- In March, BDC provided Cloud computing solutions for the electronic census of Lithuanian population
- At the end of March, the list of IPTV channels was supplemented with Sony Entertainment Television
- In April, Facebook and feeds from news portals appeared on IPTV customers' TV screens
- In May, the speed of ZEBRA FTTH Internet increased up to 300 Mbps
- During August-September TEO provided telecommunications and equipment rental services to organizers of EuroBasket 2011
- In September, a new music streaming portal Myliumuzika.lt was launched
- In October, "Virtual Office", a Microsoft Exchange-based service, was offered to small businesses
- From the end of November, YouTube became available on TV screens of IPTV users
- In December, TEO provided telecommunications services during the OSCE Ministerial Council session in Vilnius

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# TEO AWARDS IN 2011

- The Best Investor Relations in the Baltic Countries and on the Vilnius Stock Exchange, the Best Annual Report and the Best Investor Relations On-line, as well as the most attractive Lithuanian company to small investors (NASDAQ OMX Baltic Market Awards)
- The Most Successful Listed Company in the Baltic States (Baltic Corporate Excellence Awards)
- Socially Responsible Enterprise, The Best Employer and The Most Environment Friendly Enterprise (National Responsible Business Awards)



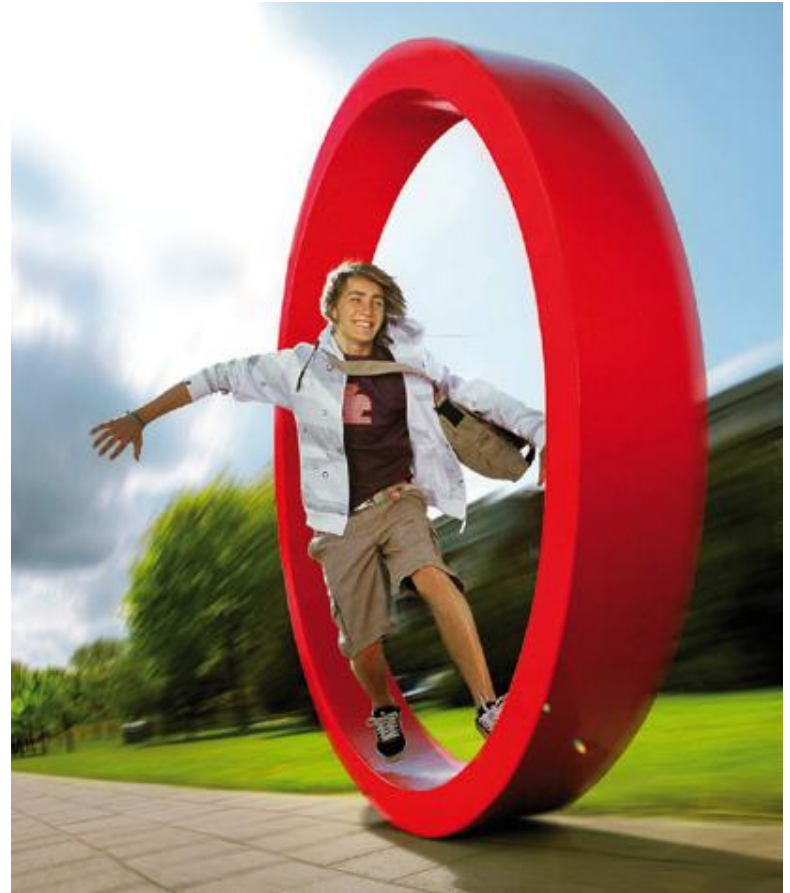
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# TEO LEADERSHIP IN LITHUANIA

- **No. 1** telecom operator in terms of revenue
- **No. 1** in fixed voice telephony
- **No. 1** in broadband internet
- **No. 1** in data communication and leased lines
- **No. 1** in internet television (IPTV)
- **No. 1** in digital terrestrial television (DVB-T)
- **No. 1** in information provision services
- **No. 1** in data center business
- **The most** liquid stock on NASDAQ OMX Vilnius stock exchange



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# BUSINESS OF TEO



**VOX** - voice services for residential customers



**ZEBRA** - internet services for residential customers



**GALA** – digital television services



**TEO VERSLAS** - voice, internet, data communication and IT services for business customers

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# TEO – PART OF TELIASONERA GROUP

- TeliaSonera provides telecommunication services in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain.
- TeliaSonera Group in Baltic States:

Company	Stake (%)
Eesti Telekom (Estonia)	100.00
Omnitel (Lithuania)	100.00
TEO (Lithuania)	68.29
LMT (Latvia)	60.27
Latt telecom (Latvia)	49.00



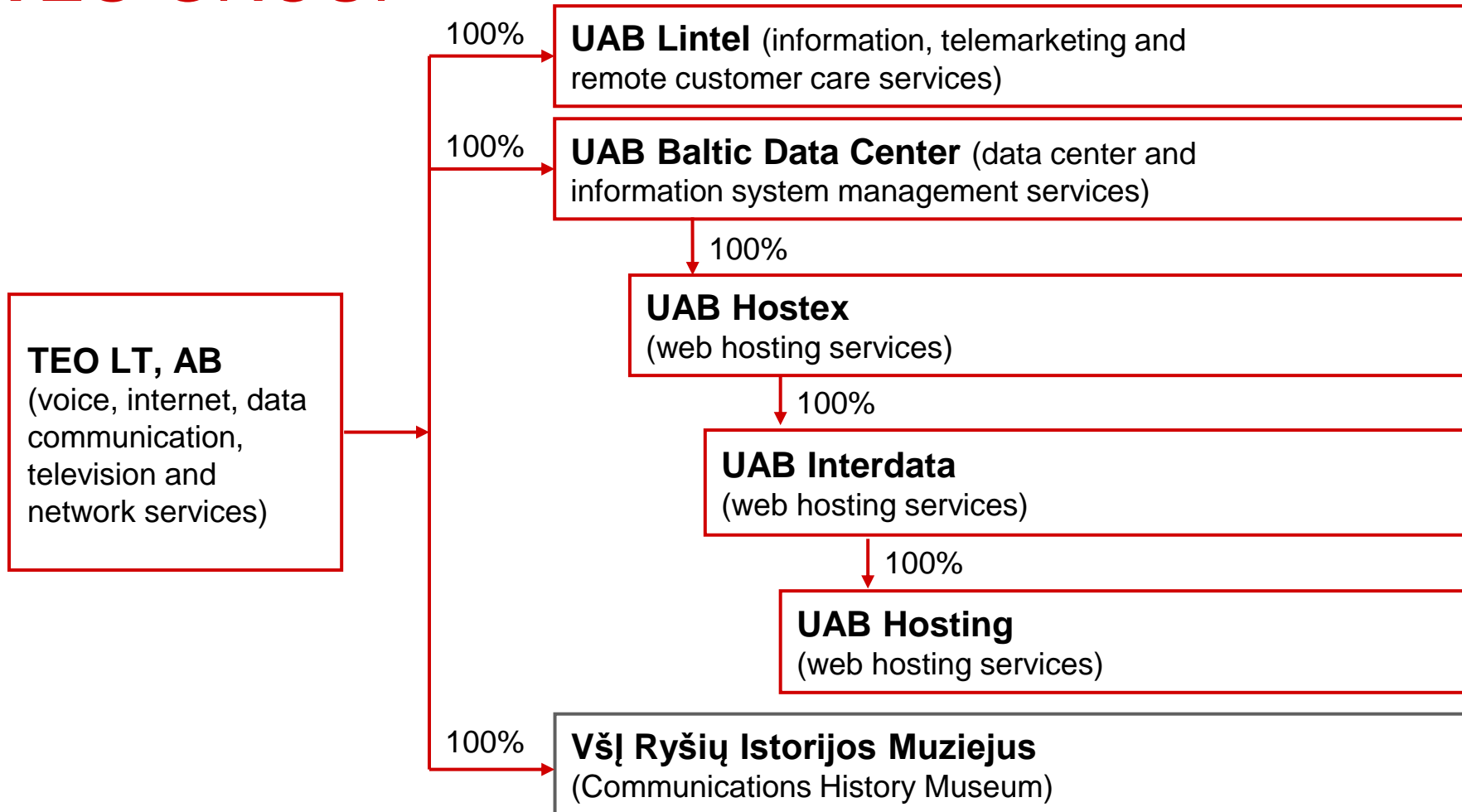
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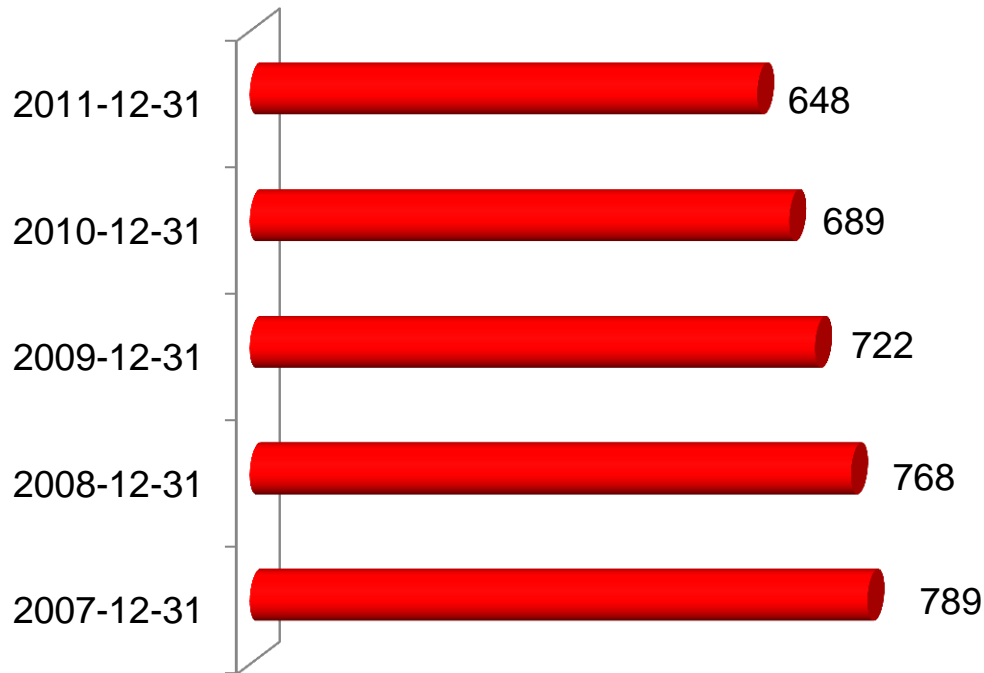
# TEO GROUP



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# VOICE TELEPHONY SERVICES

Number of telephone lines (thou.)



- During 2011 the total number of main telephone lines in service decreased by 41.5 thousand lines.
- Total traffic volume generated by residential and business customers decreased by 7.6 and 11.6 per cent, respectively
- In March 2011, TEO has offered major business enterprises and organisations its cloud computing-based voice telephony service – Virtual IP PBX

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# INTERNET PLANS FOR RESIDENTIAL CUSTOMERS

Internet plan	Monthly fee (incl. VAT)	Internet speed (Mbps)	
		Fiber optic (FTTH/FTTB) access	Copper (DSL) access
'Premium'	LTL 79.90	up to <b>300</b>	up to <b>12</b>
'Optimal'	LTL 49.90	up to <b>100</b>	up to <b>8</b>
'Basic'	LTL 39.90	up to <b>50</b>	up to <b>4</b>
'24 hours'	LTL 9.90	up to <b>10</b>	up to <b>1</b>

- In May 2011, TEO increased the speed of Internet access over fiber optic (FTTH/FTTB) up to 300 Mbps, and Internet speed in Lithuania and abroad became the same

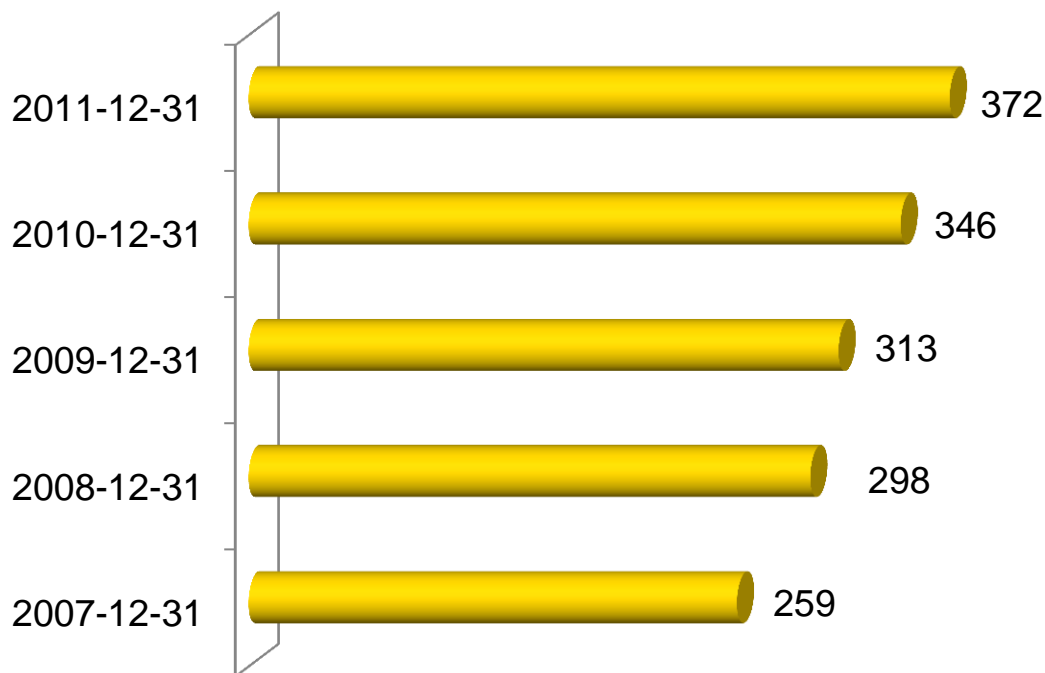
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# INTERNET SERVICES

Number of broadband connections (thou.)



- During 2011, the total number of broadband connections increased by 26 thousand
- 140 thousand of fiber optical (FTTB, FTTH) connections
- 35 thousand WiFi connection users
- 3,385 WiFi hot-spots network – the largest in the country
- TEO increased the speed of international Internet traffic up to 77 Gbps
- Almost 54% of Lithuania's direct international Internet traffic goes through TEO connections

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# DIGITAL TERRESTRIAL TELEVISION

- Digital terrestrial television (DVB-T) service *Skaitmeninė GALA (Digital GALA)* was launched in March 2008
- It offers up to 40 TV channels all over the country and 3 HDTV channels in Vilnius and Kaunas regions
- Monthly fee from September 2011 was increased from 29 to 29.90 litas
- The list of channels at the end of 2011 was supplemented with Sony Entertainment Television
- DVB-T transmitters networks cover more than 95% of Lithuanian population
- TEO operates 2 out of 4 national networks of DVB-T transmitters (10 TV channels per network)



[WWW.GALA.LT](http://WWW.GALA.LT)

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# INTERNET TELEVISION

- Internet television (IPTV) service *Interaktyvioji GALA* (*Interactive GALA*) was launched in October 2006
- Basic package consist of more than 50 TV channels
- 7 additional packages: news, sports, cinema, leisure, knowledge, for kids and HDTV (in total more than 30 TV channels)
- Monthly fee from September 2011 was increased from 35 to 39.90 litas
- Video-on-demand offers more than 1700 video records
- Private video recording (PVR) functionality
- Gaming, karaoke, digital radio, horoscopes, weather forecasts and etc.
- In 2011, Facebook, Flickr, Picasa, YouTube and news feed from Lithuanian news portals became available on TV screen



WWW.GALA.LT

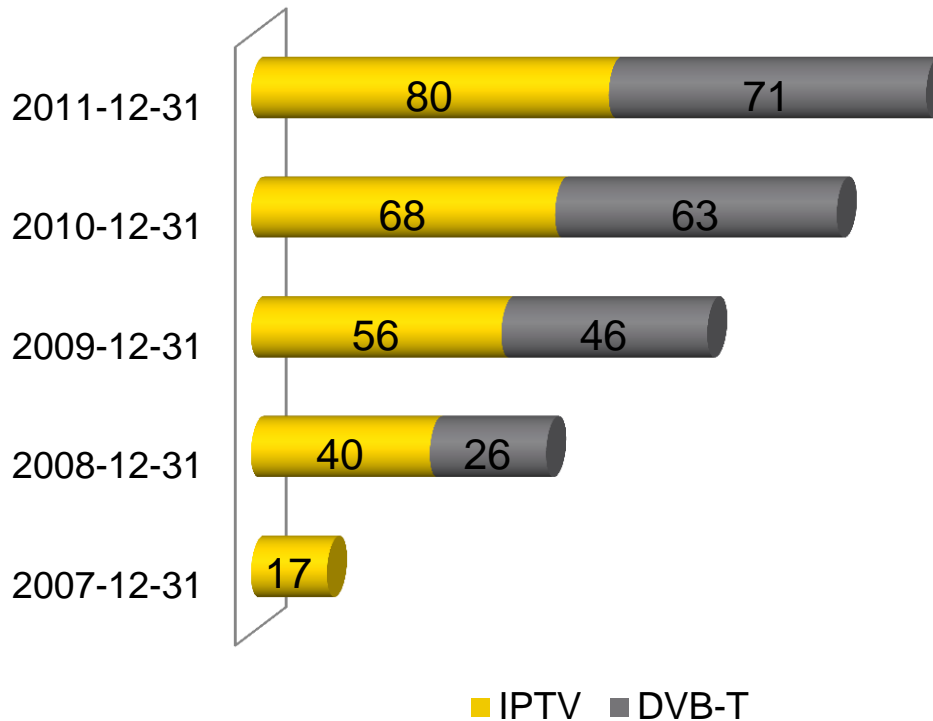
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# TELEVISION SERVICES

Number of TV services users (thou.)



- During 2011 the total number of television service users increased by 20 thousand and exceeded 151 thousand
- On 29 October 2012 Lithuania shall switch from analogue to digital TV broadcasting

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# TEO GROUP IT SERVICES



- Baltic Data Center (BDC) – data centers and outsourced IT services leader in Baltic region
- 7 data centers fully complying with international standards
- Outsourced IT services portfolio
- More than 210 highly skilled IT professionals
- Professional support 24x7 (IT Service Desk)
- Long term contract with DnB NORD Finance Group for IT infrastructure implementation and management
- International information security certificate ISO 27001
- Webhosting services



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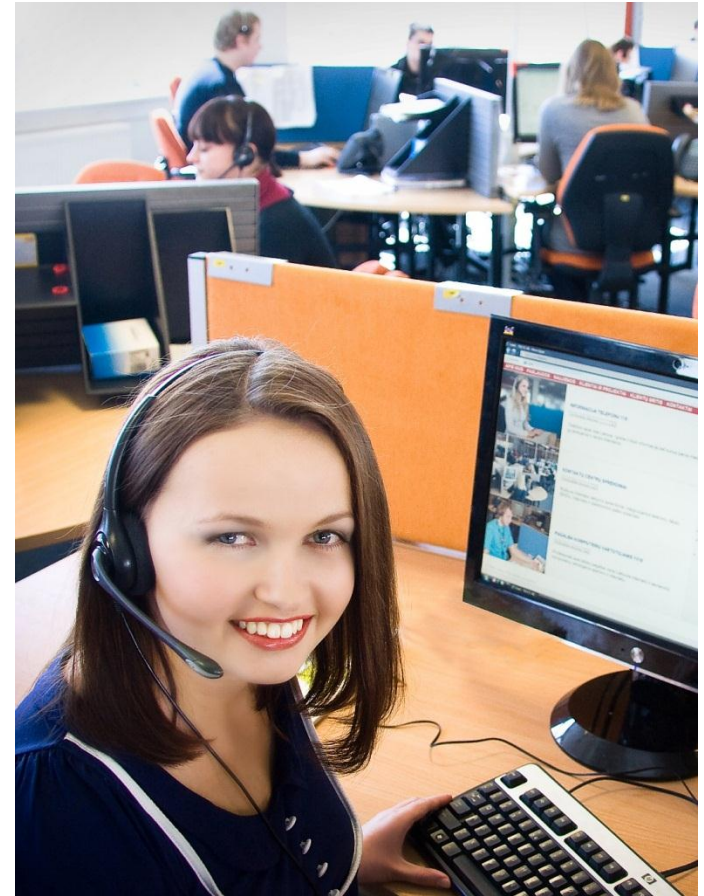




# OTHER GROUP SERVICES



- Lintel – the largest and most modern Call Center service provider in Lithuania
- 6 Call Centers handle around 15 million calls a year
- All geographically remote Call Centers are connected into one virtual Call Center
- Directory Inquiry Service 118
- Telemarketing and remote customer care services for business customers
- IT consultations service 24x7

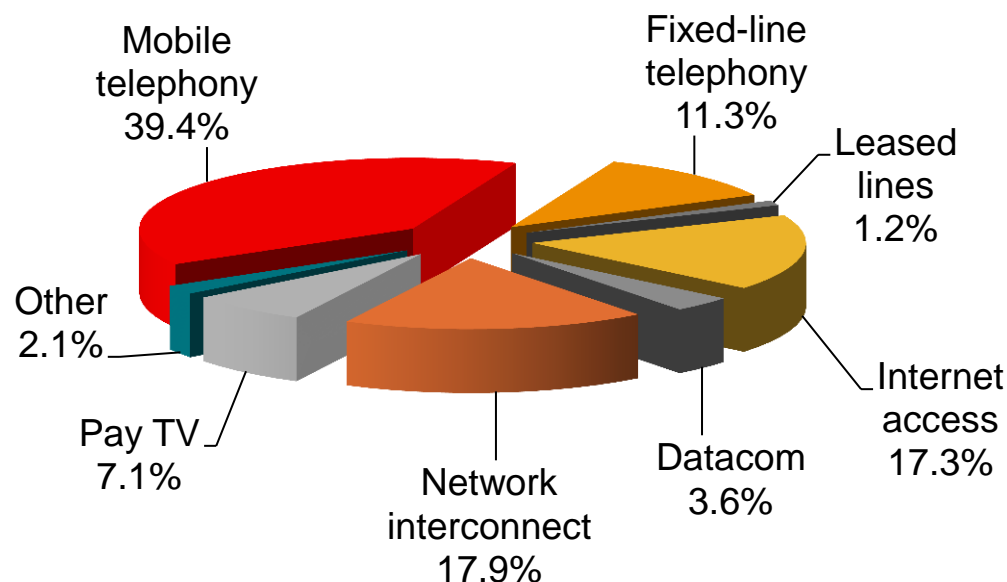


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# TELECOMMUNICATION MARKET IN LITHUANIA (2011)

- Total revenue: LTL 2,394 million  
(2010: LTL 2,574 million)
- Change: (7.0)%
- Penetration per 100 residents:
  - fixed voice: 22.7
  - mobile voice: 154.3
  - broadband Internet: 30.9
  - fixed broadband: 22.9
  - digital Pay-TV: 25.2
- Capital investments: LTL 360 million  
(2010: LTL 321 million)

Revenue breakdown by segments



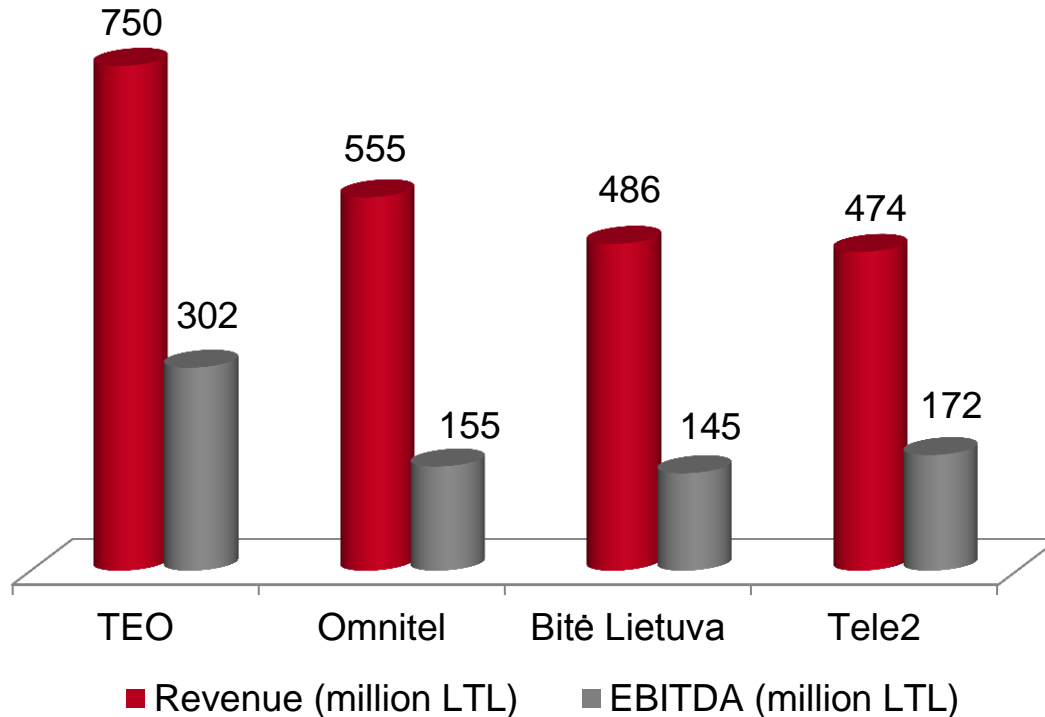
Source: Report of Communications Regulatory Authority

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# MAJOR PLAYERS ON LITHUANIAN TELECOMMUNICATIONS MARKET (2011)

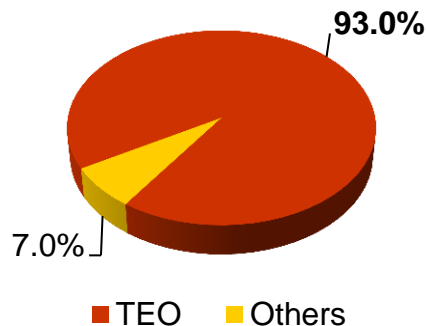


- TEO is the largest operator in Lithuania in terms of revenue.
- Omnitel, Tele2 and Bitė Lietuva are mobile operators
- Change in revenue (y-o-y):
  - TEO (3.1)%
  - Omnitel (7.7)%
  - Bitė Lietuva (5.9)%
  - Tele2 (1.2)%
- Omnitel and TEO belong to TeliaSonera Group.

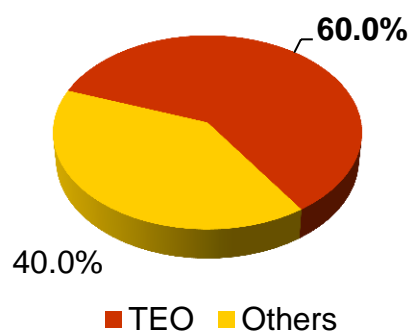
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# TEO MARKET SHARE IN TERMS OF REVENUE (Q4 2011)

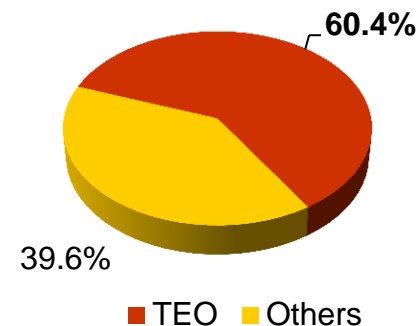
Fixed telephony



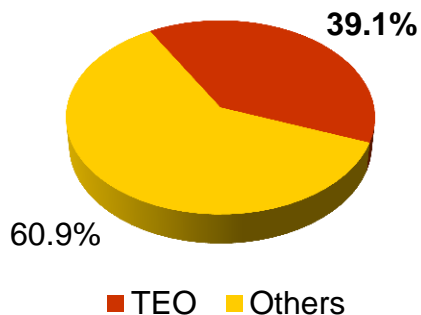
Leased lines



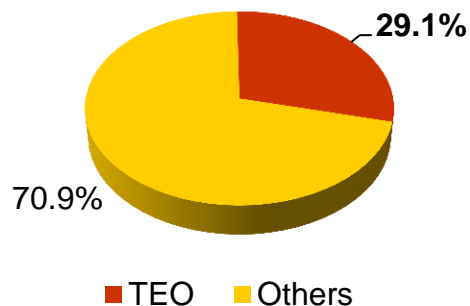
Data communication



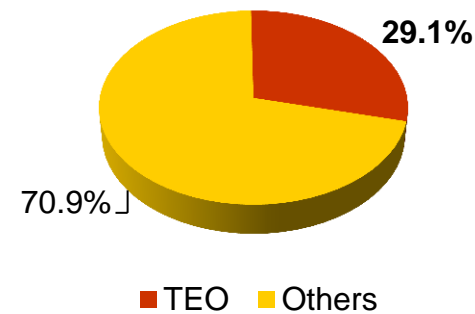
Internet access



Pay TV



Networks interconnection



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# TEO COMPETES IN ALL AREAS EXCEPT MOBILE VOICE

Market	Market revenue for 2011 (LTL million)	Change from 2010 (%)	Number of players	TEO share in Q4 2011 (%)
Fixed voice	271	(10.5)	52	93.0
Leased lines	28	(21.4)	11	60.0
Internet access	414	2.0	103	39.1
Data communication	86	(0.8)	15	60.4
Network interconnection	428	(19.4)	>5	29.1
Pay-TV	171	7.5	45	29.1
TV and radio program transmission	24	21.7	2	n/a
Mobile voice	945	(4.1)	3+4	-

Source: Report of Communications Regulatory Authority

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# FIXED VOICE TELEPHONY MARKET IN LITHUANIA (Q4 2011)

- 52 companies are providing fixed voice services:
  - 39 provide national and international calls
  - 7 – only international calls
  - 6 – only wholesales (transit) services
- 38 companies are using IP network, 19 of them CATV and data communication networks
- Number of alternative operators' subscribers: 65.7 thousand or 9.2% of total subscribers' number
- TEO market share (Q4 2011) in terms of:
  - total number of customers: 90.8%
  - total traffic: 94.0%
  - revenue from local calls: 99.3%
  - revenue from domestic long distance calls: 89.4%
  - revenue from international calls: 72.3%

Source: Report of Communications Regulatory Authority



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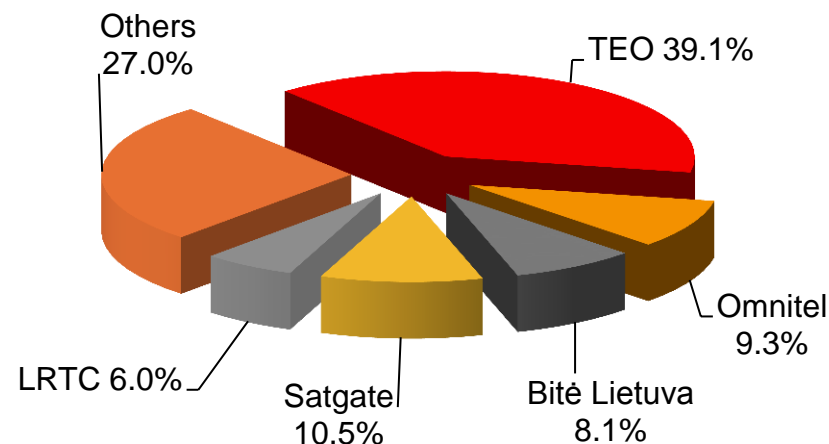


# INTERNET ACCESS MARKET IN LITHUANIA (Q4 2011)

Access type	Number of users ('000)	Change from Q4 2010 (%)
Fiber optics	360	17.0
Via mobile network	257	32.2
DSL	198	(7.2)
Wireless	107	20.4
Via CATV networks	46	(6.0)
Via LAN	21	(15.6)
<b>Total:</b>	<b>989</b>	<b>12.5</b>

Source: Report of Communications Regulatory Authority

Q4 2011 revenue by service providers



- TEO has 53.6% of the broadband Internet using fixed connection market in terms of revenue

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# PAY TV MARKET IN LITHUANIA (Q4 2011)

Access type	Number of operators	Number of users ('000)	Change to Q4 2010 (%)	Revenue 2011 (mLTL)	Change to 2010 (%)
Analogue CATV	44	328	(9.3)	68	(5.1)
<b>Digital:</b>					
Digital CATV	17	78	81.1	12	63.5
Digital MVDS	3	19	(6.4)	6	(6.8)
IP TV	7	83	18.0	25	31.2
DVB-T	2	72	12.8	21	26.4
Digital satellite	1	84	6.1	39	1.9
<b>Total digital:</b>	<b>23</b>	<b>336</b>	<b>21.5</b>	<b>103</b>	<b>17.7</b>
<b>Total:</b>		<b>664</b>	<b>4.1</b>	<b>171</b>	<b>7.5</b>

- TEO has 45% of all digital TV users and 22.8% of all pay TV users.

Source: Report of Communications Regulatory Authority

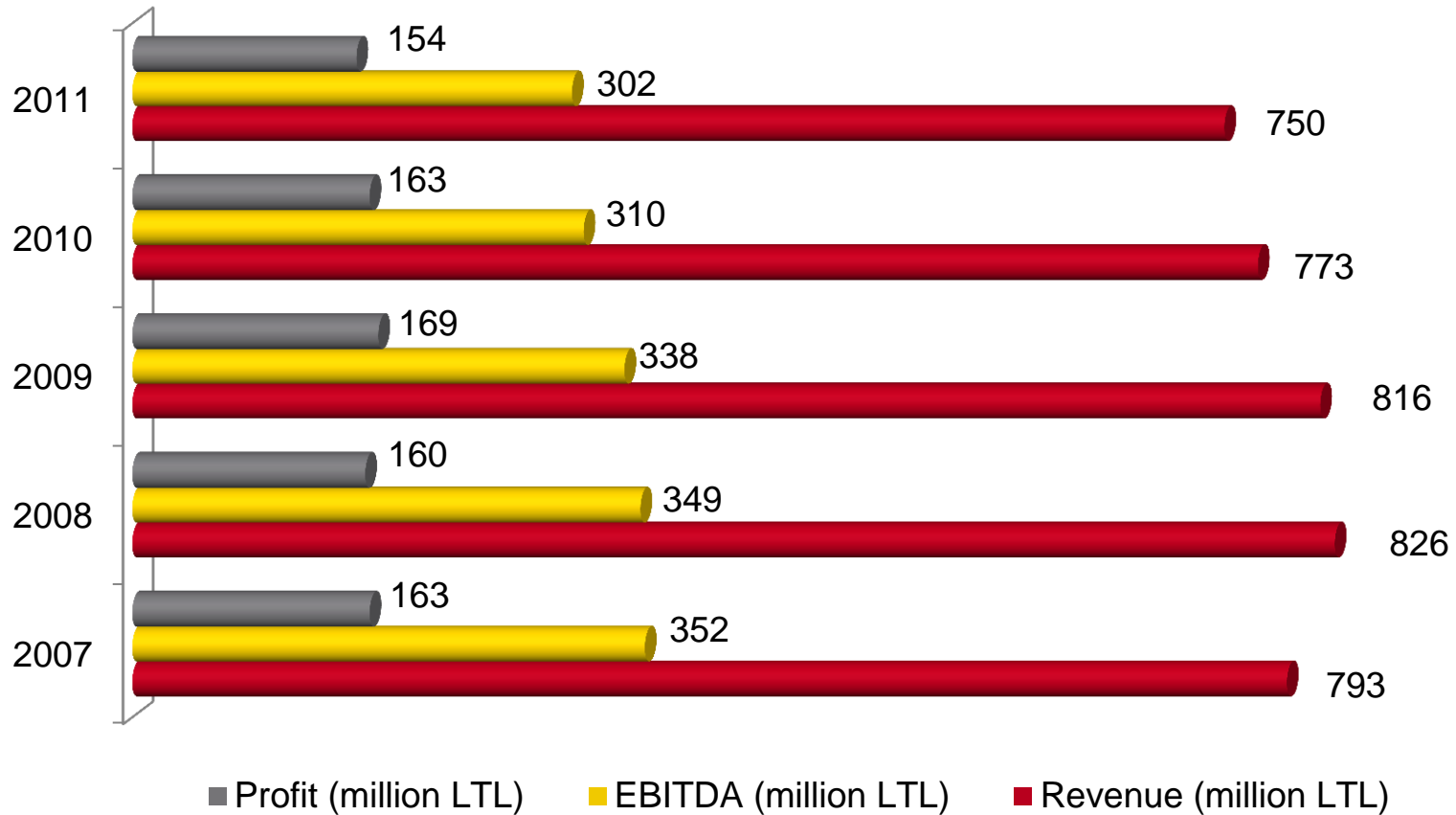
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# REVENUE, EBITDA & NET PROFIT



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# MAJOR FINANCIAL INDICATORS

(thousand LTL)	2011	2010	Change (%)
Revenue	749,784	773,423	(3.1)
Operating expenses	449,228	464,968	(3.4)
EBITDA	302,287	310,477	(2.6)
EBITDA margin	40.3%	40.1%	
Depreciation and amortization	132,453	131,702	0.6
Operating profit	169,834	178,775	(5.0)
Operating profit margin	22.7%	23.1%	
Net profit	154,486	162,935	(5.2)
Profit margin	20.6%	21.2%	
Earnings per share (LTL)	0.199	0.210	



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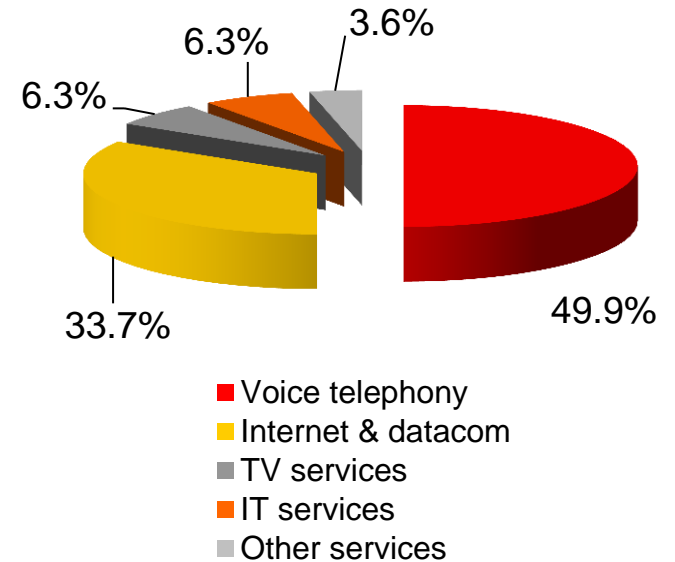
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# REVENUE

(thousand LTL)	2011	2010	Change (%)
Voice telephony services	374,435	415,561	(9.9)
Internet & data communications services	252,955	256,844	(1.5)
TV services	47,503	37,738	25.9
IT services	47,535	36,067	31.8
Other services	27,356	27,213	0.5
<b>Total:</b>	<b>749,784</b>	<b>773,423</b>	<b>(3.1)</b>

Breakdown of revenue for 2011

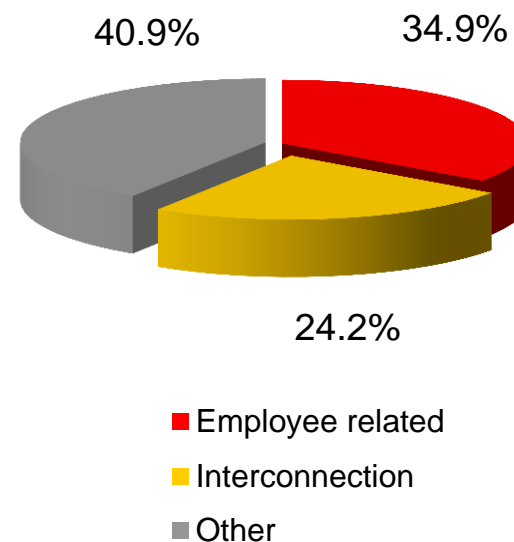


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# OPERATING EXPENSES

(thousand LTL)	2011	2010	Change (%)
Employee related	156,809	157,647	(0.5)
Interconnection	108,620	118,073	(8.0)
Other	183,799	189,248	(2.9)
<b>Total:</b>	<b>449,228</b>	<b>464,968</b>	<b>(3.4)</b>

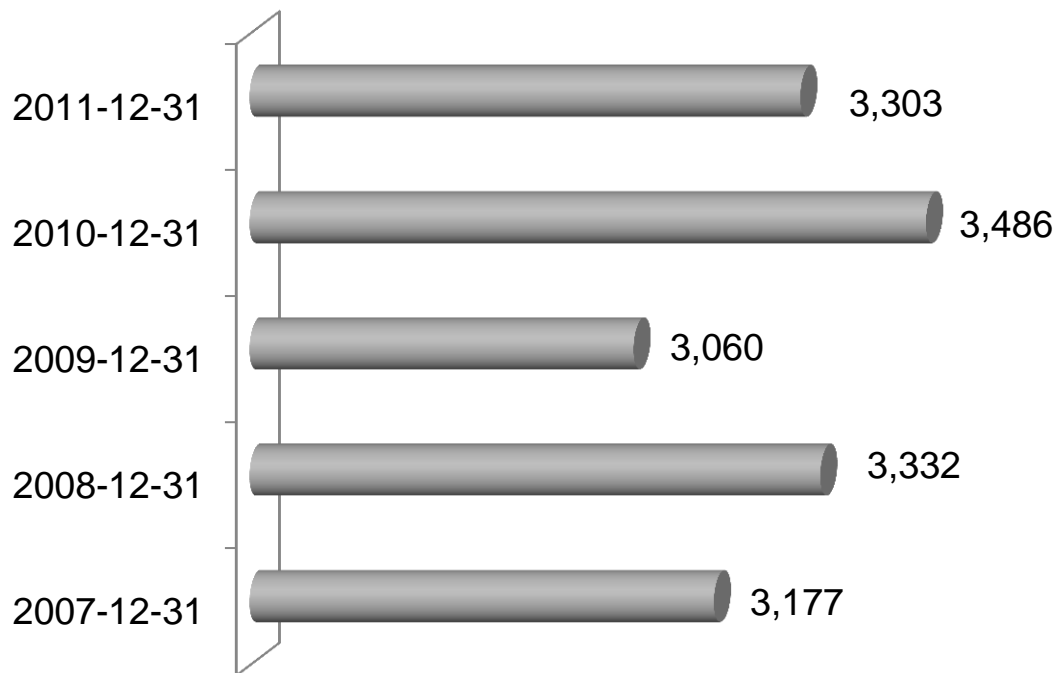
Breakdown of expenses  
for 2011



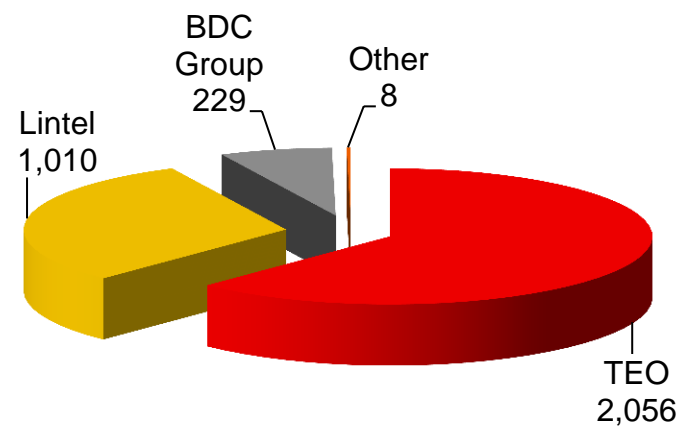
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# EMPLOYEES

Number of TEO Group employees



Breakdown of TEO Group employees (31-12-2011)



- During 2011 number of employees went down by 183 (mainly in Lintel)

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# BALANCE SHEET

(thousand LTL)	2011-12-31	2010-12-31	Change (%)
Total assets	1,137,690	1,178,567	(3.5)
Cash, held-to-maturity investments, loans to banks	218,775	259,710	(14.8)
Equity	1,041,097	1,026,438	1.4
Borrowings	4,233	5,422	(21.9)
Net debt	(214,542)	(254,288)	
Gearing ratio	(20.6)%	(24.8)%	
ROAA	15.3%	16.1%	
ROE	15.4%	16.4%	

- In 2011, following the decision of AGM the Company reduced its obligatory reserve by LTL 3,817 thousand and reallocated this amount to the Company's retained earnings

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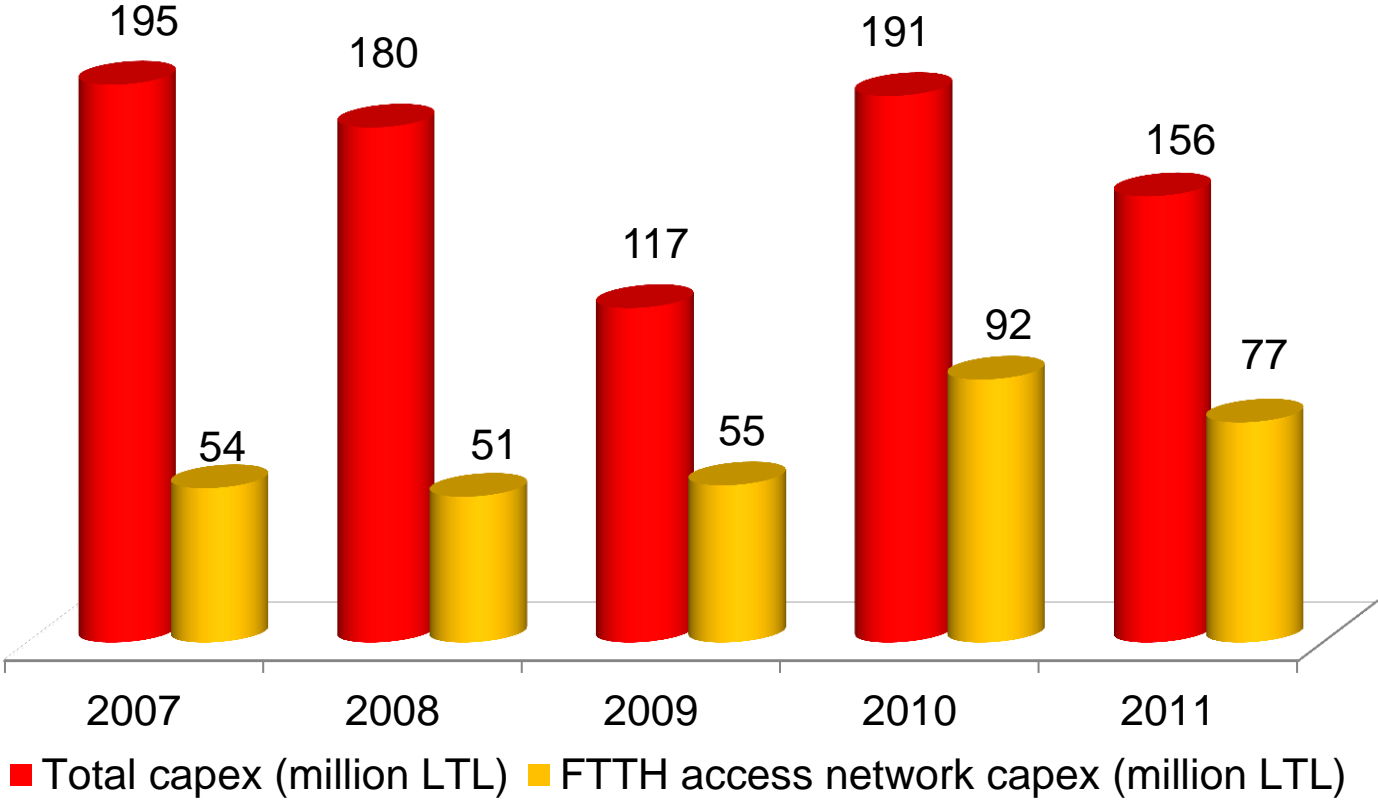
# CASH FLOW

(thousand LTL)	2011	2010
Net cash from operating activities	297,735	214,992
Net cash used in investing activities	(187,656)	(77,064)
Net cash used in financing activities	(141,016)	(163,960)
Increase in cash and cash equivalents	(30,937)	(26,032)

- Capital investments during 2011 amounted to LTL 156 million (LTL 191 million in 2010)
- LTL 138 million went to expansion of the core network and fiber-optic access network
- LTL 13 million was invested into IT systems, LTL 3 million into transport and LTL 2 million into renovation of premises
- In May 2011, the Company paid out LTL 140 million of dividends of for the year 2010 (i.e. 0.18 litas per share)

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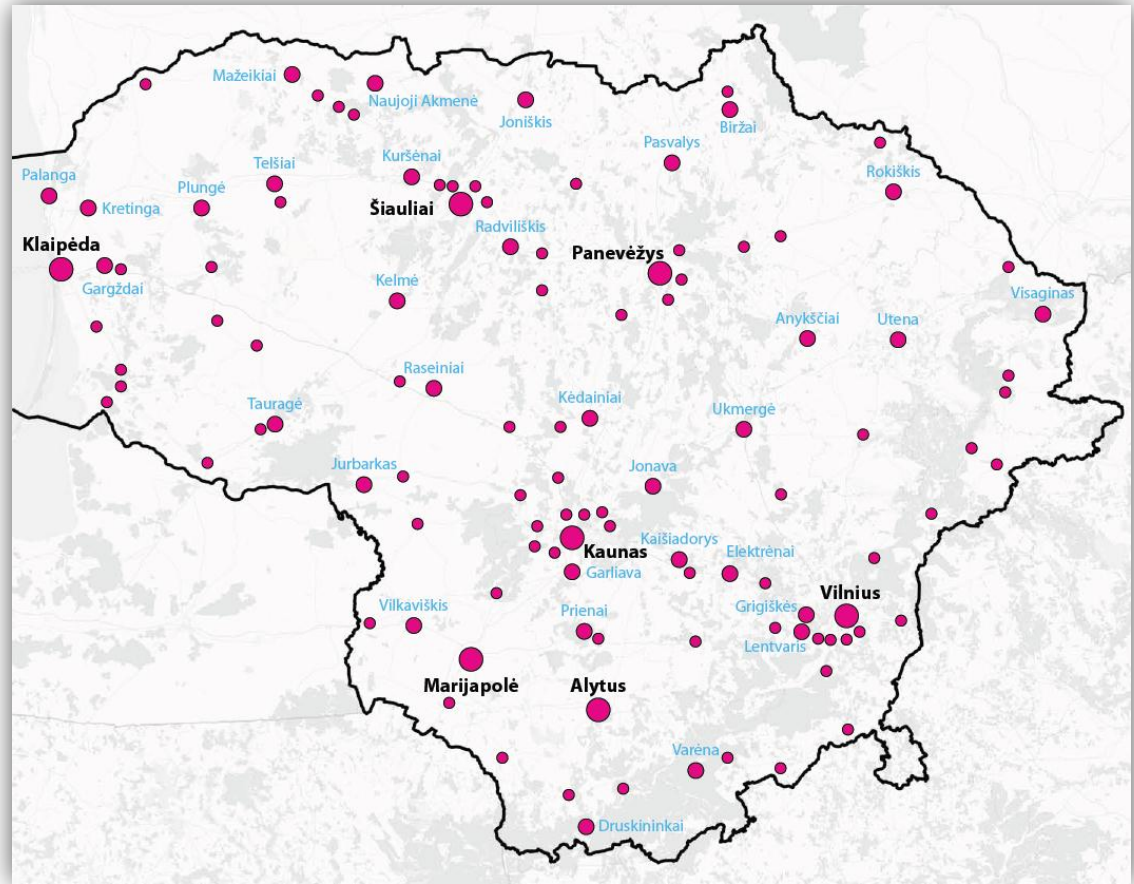
# CAPITAL INVESTMENTS





# FTTH NETWORK

- TEO next-generation FTTH network operates in more than 100 Lithuanian cities and towns
- 705 thousand households, or 59 per cent of the country's households, by the end of 2011 were passed by TEO FTTH network
- Lithuania is No. 1 in Europe in terms of FTTH/B penetration (Source: FTTH Council Europe)

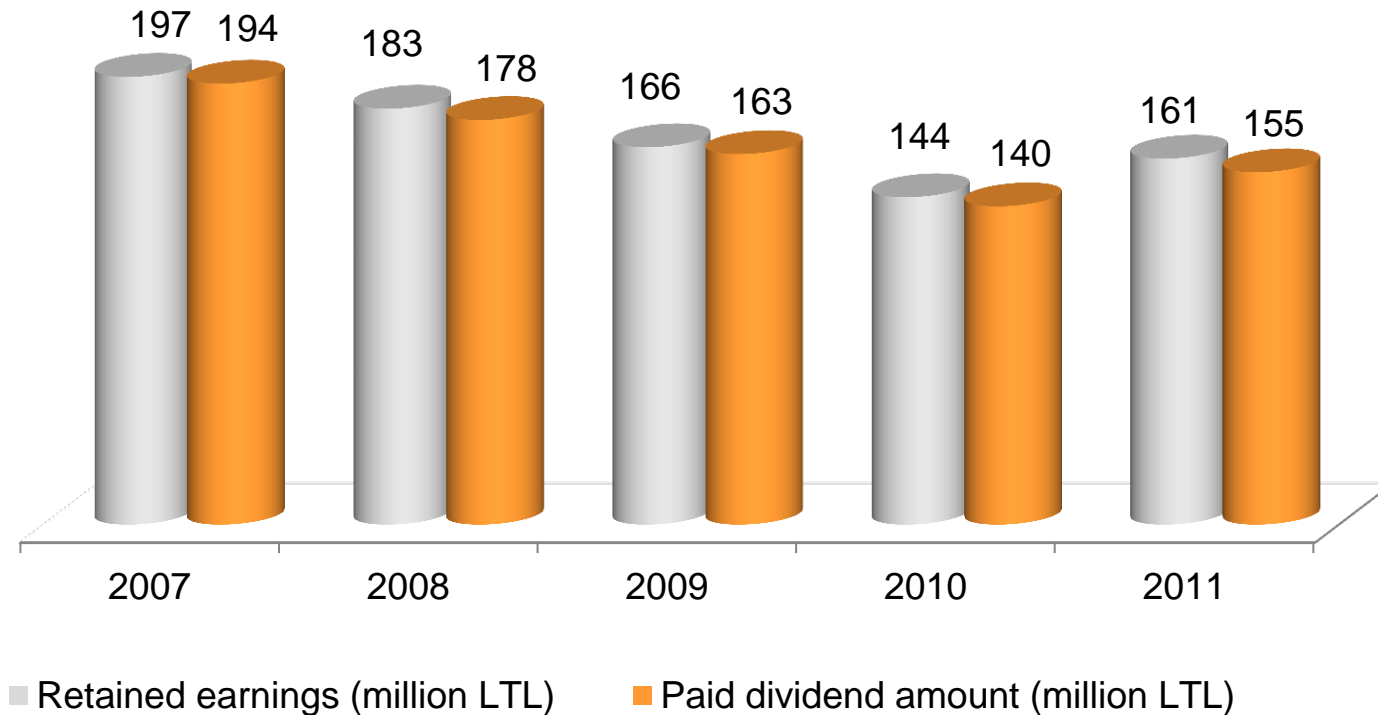


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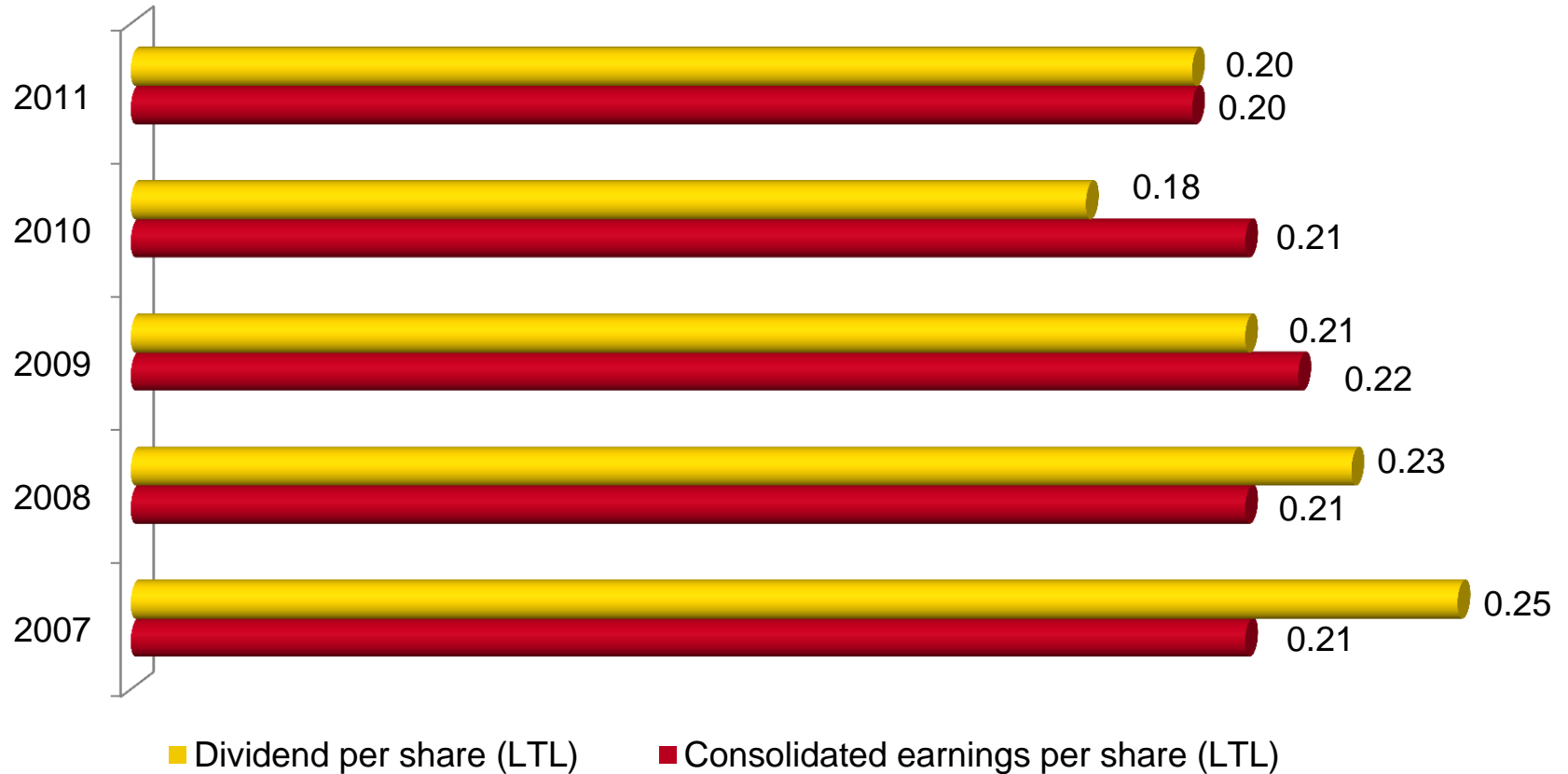
# TEO RETAINED EARNINGS VS DIVIDENDS



- Following the Lithuanian Law on Company dividends shall be paid from the Parent company's retained earnings
- The Annual General Meeting of Shareholders held on 24 April 2012 decided to pay LTL 155 million or LTL 0.20 per share of dividends for the year 2011

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# DIVIDEND PAYOUT



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# SHAREHOLDERS OF TEO

	Part of share capital and votes	
	2011-12-31	2010-12-31
Amber Teleholding A/S (Denmark)	--	62.94%
TeliaSonera AB (Sweden)	68.29%	5.14%
East Capital (Sweden)	7.24%	6.80%
State of Lithuania	0.05%	0.44%
Other shareholders	24.42%	24.68%

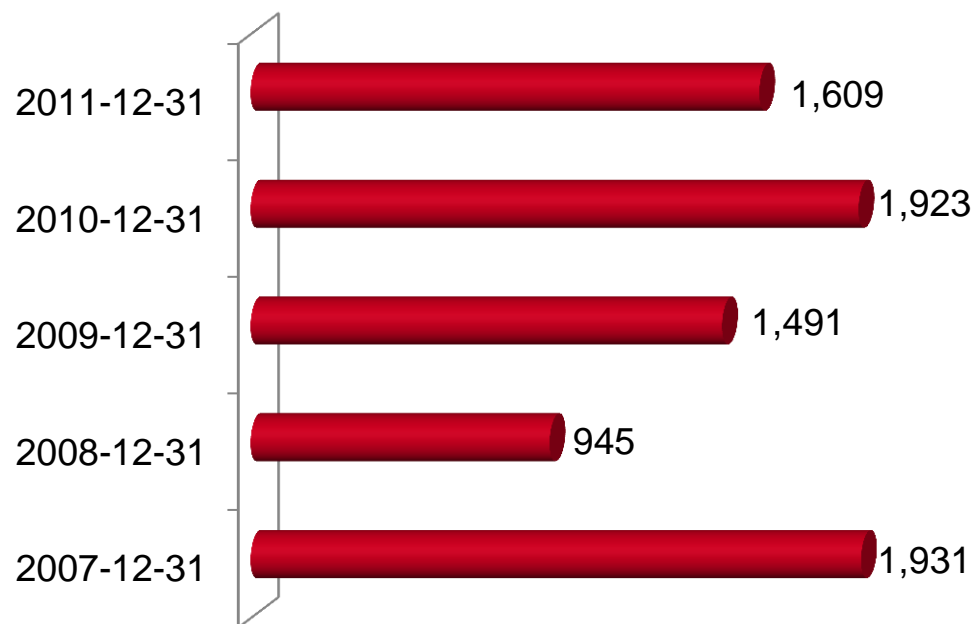
- In June 2011, TeliaSonera AB took over from its subsidiary Amber Teleholding A/S a controlling interest in TEO (62.94%) and during July-September additionally acquired 0.21% of the Company's shares
- Republic of Lithuania, represented by State Property Fund, disposed its holding in TEO. Since 2003 State Property Fund was giving away TEO shares as compensation to Lithuanian citizens for realty redeemable by the State of Lithuania
- But Republic of Lithuania, represented by State Tax Inspectorate, still holds 362,865 shares of the Company

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# TEO SHARES

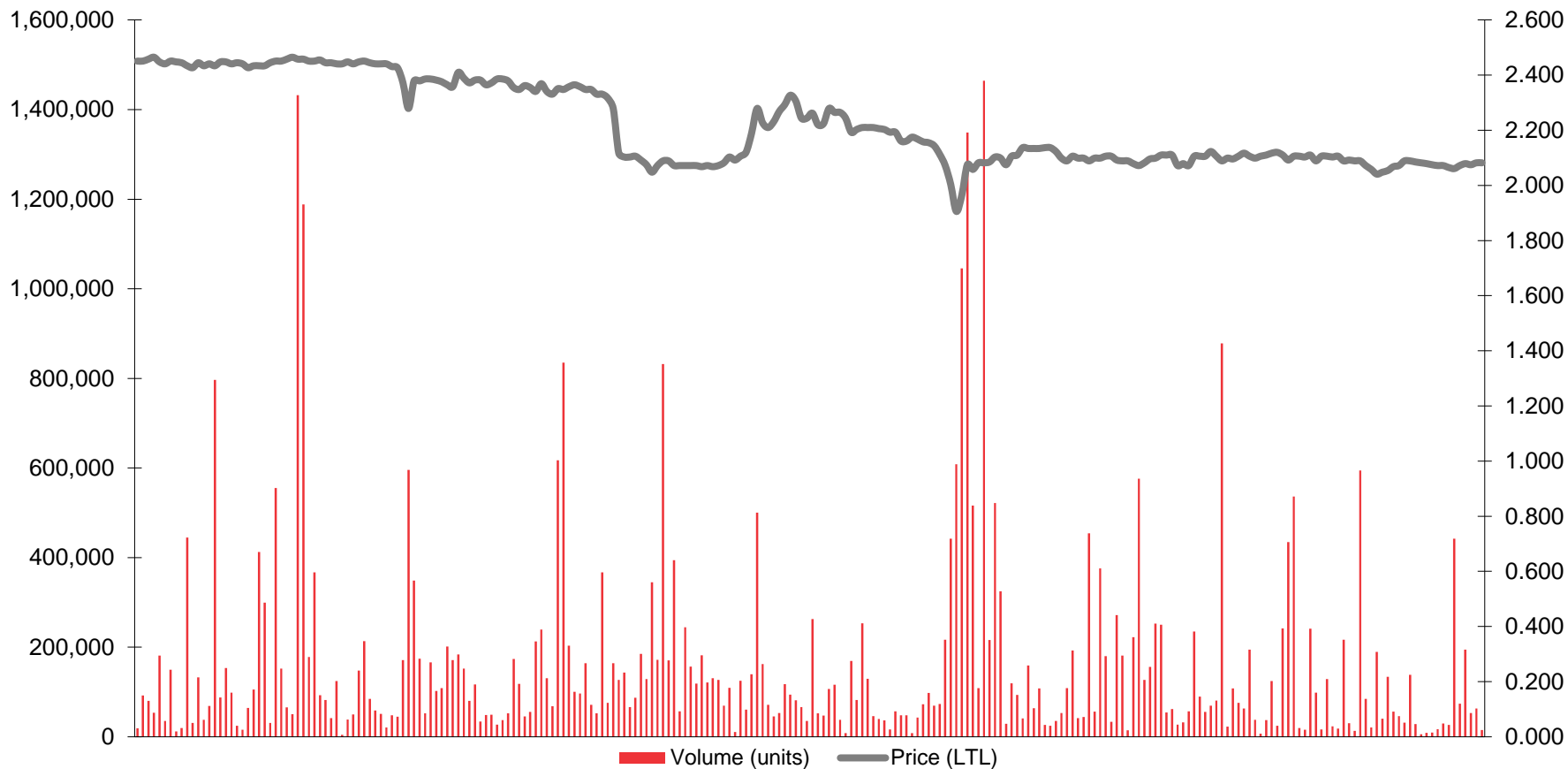
- Shares are listed on NASDAQ OMX Vilnius stock exchange (ticker: TEO1L)
- In January 2011, TEO shares were included into the trading lists of a few German stock exchange (ticker: ZWS)
- Share price on NASDAQ OMX Vilnius:
  - 01-01-2011: LTL 2.472
  - high: LTL 2.472
  - low: LTL 1.837
  - 31-12-2011: LTL 2.072
- Turnover on NASDAQ OMX Vilnius stock exchange during 2011: 40.6 million shares or LTL 89.7 million

Market Capitalisation (LTL million)



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# TRADING IN TEO SHARES ON NASDAQ OMX VILNIUS STOCK EXCHANGE IN 2011

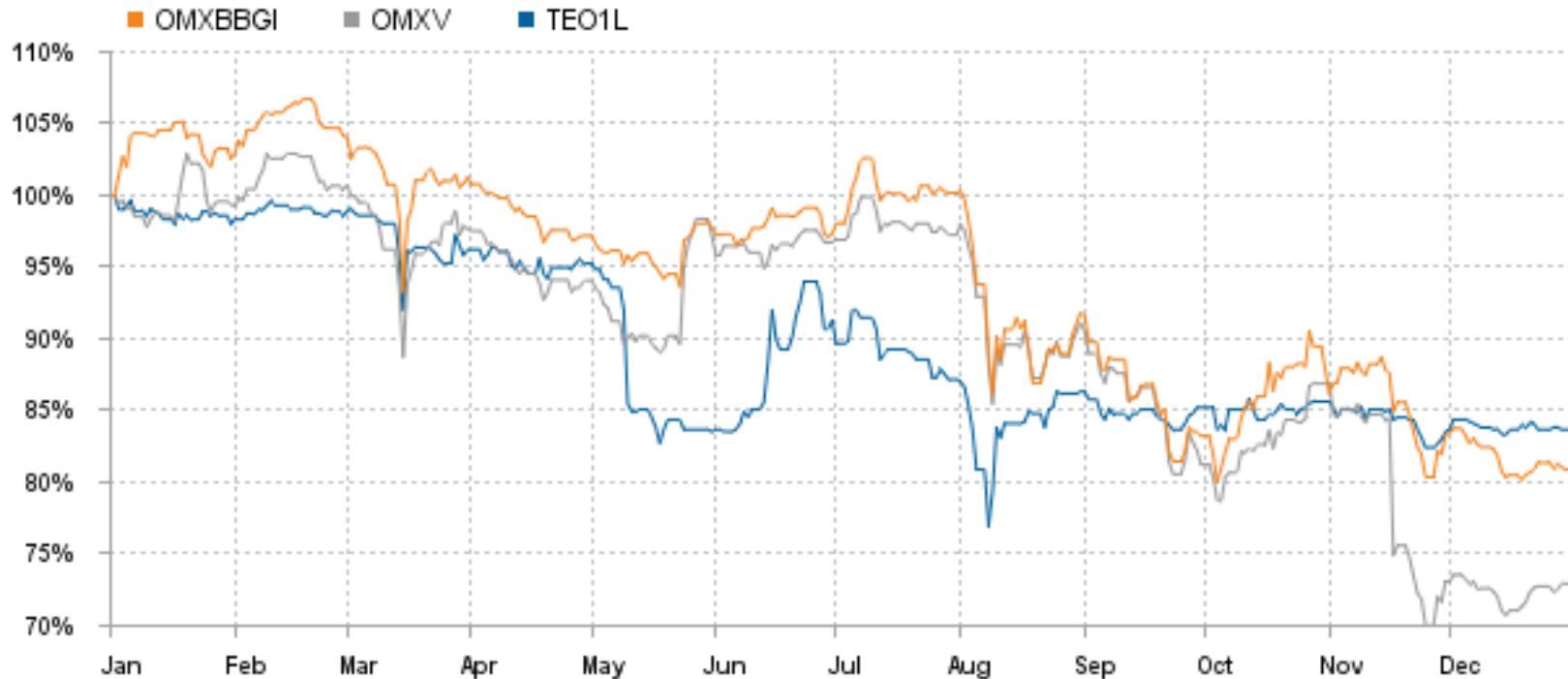


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# TEO SHARE AND NASDAQ OMX VILNIUS STOCK EXCHANGE INDEXES COMPARISON



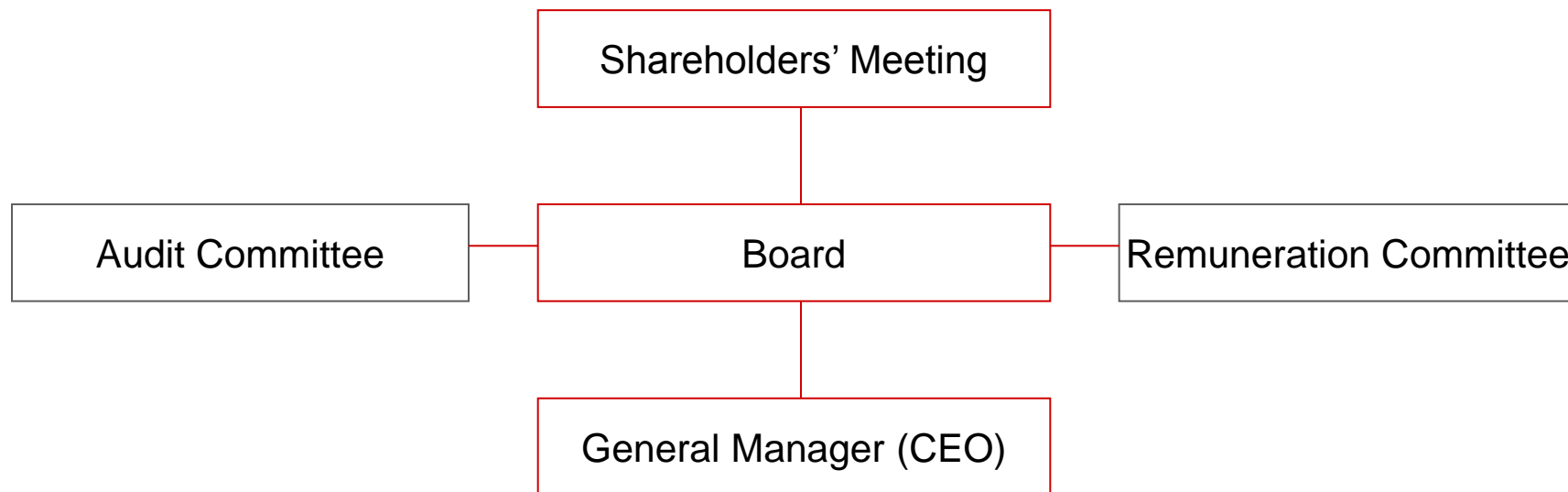
Source: NASDAQ OMX Vilnius

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# TEO CORPORATE GOVERNANCE



- The Annual General Meeting of Shareholders held on 28 April 2011 decided to reduce the number of the Board members from 7 to 6, and elected a new Board for the 2 years term
- The Annual General Meeting of Shareholders held on 24 April 2012 decided to elect UAB PricewaterhouseCoopers as the Company's independent auditor for 2 years term

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# NEWLY ELECTED TEO BOARD



**Malin Frenning,**  
Representative of  
TeliaSonera AB



**Lars Klasson,**  
Representative of  
TeliaSonera AB



**Joakim Sundström,**  
Representative of  
TeliaSonera AB



**Tiia Tuovinen,**  
Representative of  
TeliaSonera AB



**Inga Skisaker,**  
Independent member  
of the Board



**Jonas Pilkauskas,**  
Independent member  
of the Board

- Malin Frenning is Chairwoman of the Board
- Audit Committee: Joakim Sundström, Tiia Tuovinen and Inga Skisaker
- Remuneration Committee: Malin Frenning, Lars Klasson and Jonas Pilkauskas
- Members of the Board have no direct interest in the share capital of TEO

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# TEO MANAGEMENT



**Darius Gudačiauskas**  
(born in 1975),  
Chief Sales Officer  
and Deputy  
General Manager

**Giedrius Vegys**  
(born in 1959)  
Chief Financial  
Officer

**Nerijus Ivanauskas**  
(born in 1970),  
Chief Marketing  
Officer and Deputy  
General Manager

**Arūnas Šikšta**  
(born in 1968),  
General Manager  
(CEO)

**Eglutė Bivainienė**  
(born in 1967)  
Chief Operational  
Officer

**Darius Didžgalvis**  
(born in 1969)  
Chief Technology  
Officer and Deputy  
General Manager

- Top managers of the Company do not own any shares of the Company

24-04-2012

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# TEO - SOCIALLY RESPONSIBLE COMPANY

- In 2005, the Company joined the UN Global Compact
- Since 2007 TEO annually issues its Social Corporate Responsibility Reports
- In its activities, TEO uses only the most innovative means and the most modern technological processes that meet all ecological standards and help reduce the negative impact on the environment
- In 2011, the Company reduced fuel consumption by 11.4 per cent, electricity – 6.2 per cent, water – by 3.2 per cent and office paper usage by 1 per cent



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THANK YOU FOR YOUR  
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