



TEO ANNUAL REPORT | 2007 |

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WHAT IS TEO?

TEO LT, AB Group is the largest Lithuanian broadband Internet access and voice telephony services operator, providing integrated telecommunication, IT and TV services to residents and business.

TEO Group is a part of TeliaSonera Group, the Nordic and Baltic telecommunications leader.

Shares of TEO LT, AB are listed on the Vilnius Stock Exchange (ticker – TEO1L) and TEO Global Depository Receipts (GDR) are traded on the London Stock Exchange (ticker – TEOL).

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. TEO and UAB Omnitel as members of TeliaSonera Group are regarded as related entities in Lithuania, therefore TEO is considered as SMP on the market of voice call termination at public mobile network of UAB Omnitel.

TEO GROUP

TEO LT, AB

Voice, Internet, wholesales, data communication, IT, digital TV services; Internet portal zebra.lt



TEO Group as of 5 January 2008.

KEY INDICATORS

	2007	2006	2005	2004	2003
Revenue (LTL million)	793	735	733	721	808
EBITDA (LTL million)	352	352	354	336	386
EBITDA margin (%)	44.4	47.9	48.5	46.6	47.8
Profit (loss) before income tax (LTL million)	196	162	109	41	(38)
Profit (loss) for the year (LTL million)	163	131	84	34	(35)
Earnings per share (LTL)	0.21	0.17	0.11	0.04	(0.05)
Dividend per share (LTL)	0.25 (a)	0.26	0.16	0.13	0.06

NOTE. (a) On 13 March 2008 the Board of the Company proposed to the Annual General Meeting of Shareholders that will take place on 29 April 2008 to pay a dividend of LTL 0.25 per share for the year 2007.

TEO BUSINESS PHILOSOPHY

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.

MISSION

TO CREATE VALUE FOR SHAREHOLDERS AND CUSTOMERS BY PROVIDING PROFESSIONAL AND HIGH-QUALITY TELECOMMUNICATIONS, TV AND IT SERVICES.

VALUES

OPENNESS

WE COOPERATE OPENLY AND WE ARE OPEN FOR NOVELTIES AND CHANGES.

RELIABILITY

WE ARE RELIABLE IN RELATIONS WITH CUSTOMERS, COLLEAGUES AND SOCIETY AND KEEPING PROMISES.

BUSINESS MINDED

WE UNDERSTAND BUSINESS ENVIRONMENT AND CREATE VALUE FOR CUSTOMERS AND SHAREHOLDERS.

PARTNERSHIP

OUR RELATIONS WITH CUSTOMERS AND COLLEAGUES ARE BASED ON GOOD WILL AND RESPECT.

IMPORTANT EVENTS IN 2007

On 15 February

TEO sold OOO Comliet-Kaliningrad, a company in the Russian Federation.

From 1 March

The Company introduced charges for using the Internet access at WiFi hot-spots.

On 15 March

A new IT service – Computer Rent and Sale for business customers – was started.

On 6 April

TEO signed an agreement for transmission of digital terrestrial TV programs.

On 23 April

The zebra.lt Internet portal offered a novelty in Lithuania – the possibility to post personal videos online for free.

On 26 April

A new Board of TEO was elected during the Annual General Meeting.

The Company's first Corporate Social Responsibility Report was presented to the shareholders.

On 10 May

The Company offered its IPTV users new services – Virtual Cinema Theatre and Games on TV.

On 28 May

A new Online Backup service was offered to customers.

On 30 May

An upgraded online customer self-service system "Mano TEO" (My TEO) was started.

On 1 June

TEO commenced the installation of a new-generation fiber-optic (FTTH) access network in Lithuania.

From 1 July

The wireless (WiFi) Internet became available to the ZEBRA wireless Internet users in 27 countries of the world.

In October

TEO completed the installation of the new-generation backbone network.

On 22 November

The Company started providing a new IPTV service – Video-On-Demand (VOD).

GENERAL MANAGER'S WORD



Dear Shareholders of TEO,

Last year for TEO Group was a year full of hard work, big and small victories. The Company's financial results for the year 2007 were the best over the last four years. Over the year, the Company's revenue increased by 8 per cent showing positive trends in all services areas. Revenue for the fourth quarter of 2007 went up even by 12 per cent, year-on-year. We are indeed proud to report a 24.7 per cent net profit growth. An increase in operating expenses is just a temporary factor in order to stimulate an increase of the Company's market share, activities in the new business areas as well as improvement of the internal structure.

It is very important that over the last year, by upholding sustainable development of new business areas, TEO has become a universal company which manages an extremely wide spec-

"THE COMPANY'S FINANCIAL RESULTS FOR THE YEAR 2007 WERE THE BEST OVER THE LAST FOUR YEARS".

trum of new technologies. The establishment of such a universal business model provides a stable basis for future revenues as well as success. In this respect, the agreement signed at the end of 2007 for the acquisition of the shares of UAB Nacionalinė Skaitmeninė Televizija has particular significance. This investment enables us to start providing digital terrestrial TV services all over Lithuania. We are ready to allocate significant investments and organizational capacities for the development of TV services in 2008.

The strategic guides of our actions on the market in 2008 are also clear. In the residential customers segment, we are going to be especially strongly focused on further increasing IPTV, DVB-T as well as broadband Internet customer base. In the business customers segment, we will make every effort to offer IT/Telco service packages to companies and organisations.

This year we will also invest in the Internet content area and will seek to increase its share in the Company's services and revenue.

In the area of corporate and marketing communication, we see the need to apply modern methods, original instruments to present to the public and customers the services and technological capabilities of TEO. Some of them are going to be a novelty for the country's marketing specialists.

One of the reasons of the regular success of TEO – its ability to change constantly and to react creatively to the market challenges. The company's management team is in constant search for new solutions not only for developing products and services, but also for correcting internal structures and the models of cooperation among units. In 2008, we envisage to continue the internal reorganisation and structure optimisation process that was started last autumn and the essence of which – the company's transformation from a technology-based company into a sales-focused one, the merging of the currently separate technological and sales competences into one universal TEO specialist who is ready to solve all customer problems.

I believe that in the stormy sea of stock markets in 2008 TEO will reliably – as until now – perform its mission and will generate a profitable return on investment.

Arūnas Šikšta
General Manager of TEO LT, AB

THE LITHUANIAN ELECTRONIC COMMUNICATIONS MARKET

TEO – a leader on Internet, data communication and fixed-line telephony markets in Lithuania.

During 2007, the revenues of the Lithuanian electronic communications market continued to grow. According to the Report of the Communications Regulatory Authority (the CRA), in 2007 the total revenue of the market, as compared to the data for 2006, grew by 10.3 per cent and amounted to LTL 2.9 billion. The electronic communications market includes fixed-line telephony, mobile telephony, leased lines, Internet access, data communication, cable television and microwave multi-channel television (MMDS) services, and also wire radio and radio and television programs transmission services.

Breakdown of the Lithuanian electronics communications market revenue during 2007 (LTL million):

Mobile telephony services	1,387.2
Networks' interconnection services	673.2
Fixed-line telephony services	412.7
Internet access services	313.0
Cable and MMDS television services	71.7
Data communication services	55.6
Leased lines services	26.7
Radio and TV programs transmission services	25.3
Services of provision of physical optical lines' fibers	6.9
Wire radio services	1.6
In total:	2,973.9

The number of computer and Internet users in Lithuania keeps increasing. According to the data of the market research company TNS-Gallup, at the end of 2007 52 per cent of households had computers and 40 per cent - an access to the Internet. According to the data of the CRA, at the end of the fourth quarter of 2007 almost 45 per cent of Internet users used the Internet access services provided by TEO, while the number of the Company's broadband Internet access users constituted more than a half (50.5 per cent) of the total number of broadband Internet access users in Lithuania.

During 2007, the number of broadband Internet access users in Lithuania increased by 37.7 per cent or by almost 139 thousand – from 368.7 thousand at the beginning of the year up to 507.6 thousand at the end of the year. At the end of 2007, the number of broadband Internet access users per 100 inhabitants of Lithuania was 15.1. The most rapid growth was in the number of users, connected to the broadband Internet via wireless communication lines (a yearly increase by 96.7 per cent), via the mobile telephone network (83.1 per cent), via

optical communication lines (79.8 per cent) and via local area networks (LAN) (43.5 per cent). DSL Internet access via copper remains the most popular means of access to the Internet (its share of the total number of Internet users is 39.8 per cent), while dial-up (fixed-line) Internet access is declining in popularity (1 per cent of users).

The fast development of broadband Internet was influenced by expanded Internet access territories, new forms of access and tax refunds for people purchasing personal computers and Internet access services. For example, over the year the number of wireless Internet (WiFi) hot-spots in Lithuania increased by almost 3.5 times and at the end of the year reached 3,457, of which even 3,182 belonged to TEO. According to the data as on 31 December 2007, Internet access services in Lithuania were provided by 115 service providers.

In 2007, the total number of fixed telephone lines in Lithuania increased by 0.89 per cent or 7.1 thousand and at the end of the year reached 799 thousand. 93.8 per cent of fixed-line telephony subscribers were TEO customers, while 6.2 per cent – customers of alternative operators. At the end of the year, there were 48 companies engaged in the provision of fixed telephone communication services in Lithuania. The number of fixed telephone lines per 100 inhabitants was 23.7, or 45.2 lines per 100 households. During the year the number of payphones decreased by 31.8 per cent from 3,575 down to 2,440.

According to the Company's estimation, at the end of 2007 the number of customers using the IPTV services provided by TEO (17,453) constituted 4.3 per cent of the Lithuanian multi-channel television market. In March 2008, TEO also launched the provision of digital terrestrial television (DVB-T) services.

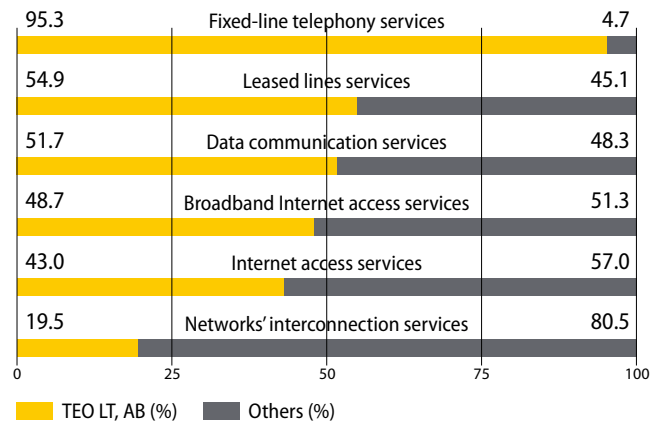
In 2007, TEO actively involved in the activities of TV signals transmission via terrestrial television (DVB-T) transmitter networks.

The Lithuanian information technologies (IT) market is developing fast, too. The growth of this market is estimated to be 20-30 per cent per year. Due to that, foreign investors are also more actively entering the Lithuanian IT market through acquisition of controlling stakes in companies. According to the data of the research carried out by Prime Investment, by revenue for the first half of 2007, more than half of the top 20 Baltic IT companies are Lithuanian. UAB Baltic Data Center, a subsidiary of TEO, was ranked in the 6th position in the Baltic States according to revenue from IT services for the first half of 2007.

TEO entered the IT market in 2006 and in the year 2007 offered even more novelties: computer rent and sale, and online backup services.

TEO competes on all electronic communications markets, except mobile telephony services.

TEO shares of the electronic communications market by revenues for the fourth quarter of 2007



INNOVATION, RESEARCH AND DEVELOPMENT ACTIVITIES

In 2007, **TEO** actively participated in scientific research and technological development activities both within the Company and on the national level.

In 2007 Director of Strategic Development and Research Unit of TEO chaired the National Networked and Electronic Media Technology Platform. This Platform involves the participation of more than 20 companies and scientific research organizations acting in the area of networked and electronic media technologies. In 2007, the Platform's partners jointly prepared the joint vision for the development of the Lithuanian networked and electronic media technology sector and the long-term strategic research plan for this sector until 2016. Also, a workshop was held where issues relevant to content dissemination in Lithuania were discussed.

In cooperation with partners – Tilde IT and the Real Time Computer Systems Centre at the Faculty of Informatics of the Kaunas University of Technology (KTU) – TEO continued to implement the LTL 3 million worth research and technological development project TV Mozaika (TV Mosaic), co-financed from the European Union structural funds. The aim of the project – to develop a prototype of the IPTV interactive services and content management and provision system that will provide possibilities to external participants of the IPTV value chain to provide interactive IPTV services through integrating into the service provision system of TEO via the special interfaces created for these participants.

In collaboration with the KTU specialists, the Company also participated in another project – “High Technologies and Equipment of Future Housing”, aimed at creating an intelligent housing system, which would not only improve housing com-

fort, but most importantly – would reduce the costs of energy consumed by households and would allow efficient use of natural resources. The system would provide the consumer with the possibility to manage and control, on a centralized basis, utility services, automated systems, alarm systems, and other installed systems. The system will also promote dialogue and the search for shared solutions between residents and housing maintenance organizations, for example, district heating networks, electricity supply networks, etc.

Being a leader in innovations in its business area, TEO actively participates in technological development activities on European level as well. In 2007, TEO, as a participant of the international consortium, continued the activities of the international project AXMEDIS under the Sixth Framework Programme (FP6) of the European Commission that was launched in 2006. The consortium gathered by TEO involves Elion (Estonia), Kaunas University of Technology and UAB VRS Grupė. Members of AXMEDIS – 35 partners, such as BBC, Eutelsat, Hewlett Packard, Tiscali, Giunti Interactive Labs, XIM and scientific research institutions, such as the University of Florence (Università degli Studi di Firenze, UNIFI), University of Reading, École Polytechnique Fédérale de Lausanne (EPFL). The aim of the project – to develop an automated system for cross media content production, aggregation and multi-channel distribution that would allow to reduce the costs of cross media (Multi-media) production and distribution, make it more diverse and easily available to users in Europe.

NEW SERVICES OF TEO GROUP

Nerijus Ivanauskas,
Chief Marketing Officer:

"BY DEVELOPING
NEW SERVICES AND
SOLUTIONS, WE SEEK
TO IMPROVE THE
QUALITY OF LIFE OF
TEO CUSTOMERS AND
TO INCREASE THE
COMPETITIVENESS OF
BUSINESSES".

■ DIGITAL TV DEVELOPMENT

During 2007 TEO continued improving the Internet technology-based (IPTV) interactive digital television service GALA, which was launched in 2006. In spring, the Company supplemented its basic package of GALA TV channels with regional TV programmes and offered the first virtual entertainment services – Games on TV and Virtual Cinema Theatre, the latter of which in autumn was replaced by Virtual Video-On-Demand. The Virtual Video-On-Demand service allows customers, simply by using a remote control, to select and rent any film they want from a large list of dramas, comedies, action or horror films. TEO has also upgraded the TV service design and the management of services. The electronic program guide has become more comprehensive and attractive – it is possible to preview the schedule of TV programs for several days ahead and to set reminders, which help not to miss favourite programs. Starting from summer, lovers of adrenalin were offered a new package of sports channels.

At the beginning of 2008, TEO acquired UAB Nacionalinė Skaitmeninė Televizija, which has two licences for re-broadcasting of television channels over digital terrestrial television (DVB-T) networks. This is a long-term and strategic investment of TEO that confirms the Company's objective to actively contribute to digital TV development in Lithuania and to ensure a smooth transition to digital TV and the 'switch off' of analogue TV broadcasting by 2012.

In March 2008, TEO LT, AB Group of companies offered digital terrestrial television services to residents of Lithuania. At the end of 2007, the network of digital terrestrial television transmitters covered more than 76 per cent of the Lithuanian population.

Upon the launch of digital terrestrial television services, the Internet technologies-based (IPTV) digital television service is called Interactive GALA (*Interaktyvioji GALA*), while the digital terrestrial television (DVB-T) service – Digital GALA (*Skaitmeninė GALA*).



Interactive GALA –

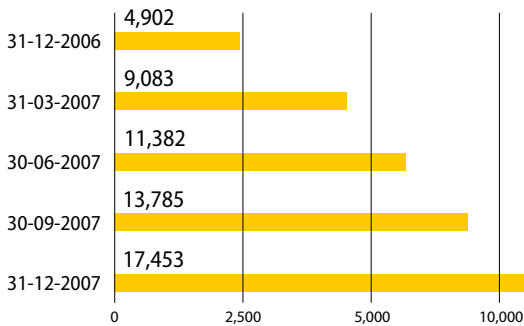
more than 70 of the world's most popular TV programmes re-broadcasted over the Internet network of TEO and intended for customers who want more interactivity and additional services – Video-On-Demand, e-mail or Internet on a TV screen.



Digital GALA –

more than 10 free-to-air and 20 encoded television programmes re-broadcasted over the digital terrestrial television (DVB-T) transmitter networks of TEO and the Lithuanian Radio and Television Centre. This television is available to more than 76 per cent of Lithuanian residents.

Number of Interactive GALA TV service users



The TEO-owned **www.zebra.lt** Internet portal was the first of Lithuania's largest news Internet portals to offer a novelty in April 2007 – the possibility to post personal videos online for free. This is another step in seeking that users create the portal's content by themselves.

NEW MEANS OF INTERNET ACCESS

In 2007, TEO commenced the installation of a new-generation fiber-optic (FTTH – Fiber to the Home) access network and offered residential customers new Internet payment plans with a symmetrical speed of up to 10 Mbps within Lithuania and of up to 6 Mbps abroad. The new-generation fiber-optic network provides users with the possibility to enjoy the extremely high quality of different services through a single Internet access line: to make telephone calls, to watch digital TV, to browse the Internet and to send video records simultaneously. Residents of the five biggest cities of Lithuania and business customers were the first ones to start using the advantages provided by the fiber-optic network.

From March 2007 the Company introduced charges for using the Internet access services at WiFi hot-spots. For non-TEO cus-

tomers, the monthly fee for the ZEBRA Wireless Internet is LTL 50 or LTL 5 per hour, while for residential users of the ZEBRA Internet – LTL 9.99, for TEO business customers – from LTL 9.99 up to LTL 25.

From July 2007, TEO entered into cooperation with the Dutch company Trustive and provided the ZEBRA Wireless Internet users with the possibility to use the wireless Internet at more than 10 thousand WiFi Internet hot-spots in 27 countries of the world. Correspondingly, customers who use the services provided by Trustive's partners can also use the ZEBRA Wireless Internet services in Lithuania.

At the end of 2007, the Internet access speed at 3,182 ZEBRA WiFi Internet hot-spots in Lithuania was 10 Mbps and more.

	31-12-2007	31-12-2006	Change
Number of DSL Internet connections sold to retail customers	229,145	176,147	52,998
Number of wireless Internet connections via the WiFi network	19,612	--	19,612
Number of Internet connections via local area networks (LAN)	5,778	2,472	3,306
Number of Internet connections via the fiber-optic network (FTTH)	1,654	--	1,654
Number of DSL Internet connections sold to wholesale customers	2,363	2,155	208
Number of broadband Internet connections in total:	258,552	180,774	77,778
Number of dial-up Internet access users	5,094	10,539	(5,445)
Number of wireless Internet (WiFi) hot-spots	3,182	804	2,378
Number of the VoIP service users	1,813	1,135	678

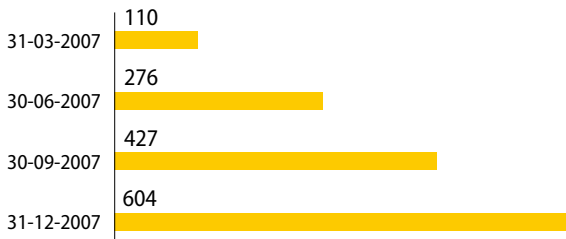
IT SERVICE INNOVATIONS

In 2007, TEO brought several IT innovations to the market. At present, the Company offers business customers to use the following services: computer rent and sale, local network installation, computer maintenance, online backup and other IT services.

Wishing to demonstrate the advantages of its IT services, in September-October 2007 the Company presented the quality and professionally provided IT services, without which efficient business would not exist in the modern technology world, to business customers in Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys regions. Seminars were held in unusual places – different aeroclubs and airplane hangars.

The selection of such unconventional meeting places was not by chance – the work of airport and IT specialists has similarities. The efficiency and success of both aviation and IT industries depends on the work of professional teams and the professional team of TEO specialists, who presented new service, offers and guarantees the most safe and highest-quality partnership.

Number of IT service users



VOICE TELEPHONY

By actively offering Internet services and new payment plans, in 2007 we managed not only to sustain, but also to increase the number of lines used by residential customers, while the traffic generated by residential customers remained the same as in 2006. At the end of 2007, 99 per cent of the Company's residential customers used different plans. The most popular payments plans – *Lietuvoje (In Lithuania)* and *Nemokami skambučiai į pasirinktą numerį (Free Calls to a Selected Number)*.

During 2007, the number of telephone lines used by business customers also increased, while the payment plans intended for business customers were used by about 35 per cent of business customers.

Taking into consideration the fast-paced development of broadband Internet in Lithuania and abroad as well as the needs of customers to communicate with their family members and business partners abroad, in 2007 we developed a new payment plan *Artimas* for residential customers and offered the *ZEBRA VoIP calls* service to business customers.

The **Artimas** payment plan is intended for unlimited communication with family members abroad. For the monthly fee of LTL 25, TEO customers can make or receive calls to their home telephone number, while persons abroad use their personal computers for telephone calls.

ZEBRA VoIP calls is the service intended for TEO customers who go abroad frequently. A special software application allows to cheaply and conveniently make calls from a computer abroad to any telephone number in Lithuania and to receive calls to a computer anywhere in the world where Internet access is available.

	31-12-2007	31-12-2006	Change
Number of lines used by residential customers	608,460	605,732	2,728
Number of lines used by business customers	178,046	175,651	2,395
Number of payphones	2,440	3,575	(1,135)
In total:	788,946	784,958	3,988

INQUIRY SERVICE 118

Inquiry Service 118, provided by UAB Lintel, a subsidiary of TEO, retains its leading positions (according to the data of UAB Baltijos Tyrimai, the market share held by Inquiry Service 118 is 87 per cent). This service continues to improve and searches for new forms of activity. In 2007, Lintel created a WAP site with the engine for searching private customers and implemented the Fast-Changing Information Service, which allows business customers to additionally provide information about ongoing sales promotion, discount and loyalty campaigns, menus, price-lists, repertoires or programmes, and service users – to get such information.

CONTACT CENTER SERVICES

In 2007, in addition to telemarketing and telesales services, UAB Lintel started offering customers new value-added services: packing and delivery of postal items and dispatch of letters.

IT Help Desk Service 1518 was launched by UAB Lintel in August 2006. In 2007, the additionally installed service capabilities allowed offering users a whole range of IT problem resolution and consulting services. Starting from March 2007, Lintel consultants help residential customers resolve problems related to computer or Internet usage not only over the phone, but also by remotely connecting to the customer's computer. The pilot project of on-site support, which was started in September 2007 in cooperation with partner company BMS Megapolis, proved successful and in February 2008 it started as a new service.

■ WHOLESALE INTERNET SERVICES

Due to the growth in demand for international Internet connectivity in Lithuania, TEO, the wholesale Internet services of which are used by more than a half of national Internet service providers (ISPs), has increased the speed of its direct international Internet channels from 5.4 Gbps up to 11.6 Gbps. The Company has 4 independent international Internet channels.

TEO makes perfect use of its geographical position – it has become a “bridge” of voice, Internet and data communication services between Eastern and Western Europe countries. During 2007, there was a rapid growth in the sales of all international wholesale services – voice, Internet and data communication. In October 2007, the Company installed the second optical connection with the networks of Belarus telecommunications operator Beltelecom. The speed rate of data transmission via optical lines has increased up to 5.5 Gbps.



■ TEO – ONE OF THE BEST BRANDS IN LITHUANIA

TEO was presented as one of Lithuania's strongest brands in the album of the best Lithuanian brands "Lithuania Superbrands 2007" that was released in November 2007.

On 28 November 2007, during the World Communication Awards 2007, an awards' ceremony organised every year by Total Telecom, the re-branding campaign of TEO implemented in 2006 was *Highly Commended*.

CHANGES IN CUSTOMER CARE

Darius Gudačiauskas,
Chief Sales Officer:

“FOR TEO CUSTOMERS –
ONLY QUALIFIED AND
UNIVERSAL SERVICE”.



In 2007, the Company completed the implementation of the project Aitvaras (Kite), which allowed to make the sales process more flexible by granting more authority as well as more responsibility to sales staff. Another step – to provide more authority and responsibility to the front-office employees (working directly with customers), i.e. service installation and maintenance specialists, and to supplement their activities with the sales function. In order to reach that target, a project called Šuolis (Jump) was started at the end of 2007. In implementing the project, the first steps were the merging of regional sales and service installation units and the liquidation of the chain of residential customer sales managers. Now, the same customer care specialist will be responsible both for the quality preparation of all access elements for the service provision and for the service installation and fault elimination. Also, definite customer care territories have been established within which the groups of customer care employees should feel like real

masters in charge of the situation, solve technical issues in a qualified manner, maintain close relations with customers and offer them the most useful services that meet their expectations. Therefore, it is very important to increase the competence of engineers and telecommunications specialists, to promote their knowledge of service installation in all access elements.

■ TARGET – HIGH-QUALITY CUSTOMER CARE

The goal of all reforms in the organisation of sales is to improve the quality of customer care, to increase the customers' loyalty and satisfaction. The main quality measurement criterion should be the customer's satisfaction. In spite of the facts that during the year 2007 changes were implemented in the organisation of sales and the number of customer applications, orders and visits continued to grow, the researches show that the high level of customer care was sustained.

According to the “mystery shopping” research, carried out by TNS Gallup in 2007, TEO stands high among the telecommunications companies carrying out such researches. Direct customer service at Customer Care Centres was evaluated at 9.0 points, whereas average evaluation of the telecommunication sector – 8.5. As the conducted researches reveal, the level of customer service by phone in all telecommunications companies, including TEO, is higher than the general average of companies participating in the researches. TEO customer service by phone was evaluated at 9.3 points, while the general evaluation of companies of all business areas – 8.8, the average of the telecommunications sector – 9.0.

■ ONLINE CUSTOMER SELF-SERVICE SYSTEM

In May 2007, an upgraded online customer self-service system of TEO www.manoteo.lt (My TEO) was started. By providing its customers with the possibility to use the online self-service system, TEO, as a socially responsible company, is determined to make a relevant contribution to environmental protection – to seek elimination of paper bills sent by mail and to expand the channel for the presentation of bills electronically. 197 thousand of TEO customers have chosen to receive bills electronically.

The system **My TEO**, which operates 24 hours a day, allows placing online orders of new services, managing already ordered ones and paying for the services provided by the Company, reviewing the spreadsheets of telephone calls and statistics on the usage of other services, exchanging the accumulated points of the “Bičiuliai” (Friends) Loyalty Program for services or prizes, and getting special offers.

■ RENOVATION OF CUSTOMER CARE CENTRES

In 2007, a new concept of customer care centres was created. The renovation of customer care centres is a part of the consistent re-branding project and represents the next step in implementing comprehensive upgrade and improvement of TEO customer care.

In October 2007, the first renovated customer care centre opened its doors in Kaunas. At the beginning of 2008, the Company completed the renovation of its customer care centres in Klaipėda, Panevėžys, Alytus, Marijampolė, Utena and Mažeikiai.

The renovated customer care centres are more functional and

convenient. Customers at these centres are provided services and information faster. It is possible to get consultations or pay for services at special fast-service or self-service points.

Customers willing to test TEO services and to make sure of their quality have the possibility to do that at special demonstration stands of the digital television GALA and ZEBRA Internet. A conference hall for presentations and new comfortable spaces has been designed for business customers to meet with sales managers.

■ CUSTOMER CARE BY PHONE

In 2007, the further continued development of self-service by phone allowed to simplify customer care by leaving one main residential customer care phone number 1817 and the self-service number 117. The IT Help Desk Service 1518 was further successfully developed. Now specialists provide consultations not only over the phone, but also, in case of more serious problems, can remotely connect to the user’s computer.

TEO customers can sell TEO services as well. If they recommend that their friends and acquaintances order the installation of the services provided by TEO, they can get even one month’s free usage of the services they already use.

■ THE PROJECT OF THE YEAR

TEO subsidiary UAB Baltic Data Center, together with the world’s leading IT solution company Hewlett-Packard (HP), has signed a contract with DnB NORD finance group on the implementation and management of a new IT infrastructure, which will interconnect the group’s banks operating in six countries.

The bank’s IT infrastructure, which is going to be the most modern one in Eastern Europe, will enable DnB NORD group to provide seamless banking services to customers in Denmark, Finland, Poland, Estonia, Latvia and Lithuania. The communication between banking institutions operating in different countries and the central IT system will be provided by TEO. This, probably the biggest in Lithuania finance sector’s IT infrastructure project, will employ the most up-to-date technologies and solutions that will be implemented together with Baltic Data Center’s partners – HP and Oracle. The value of the contract is LTL 38 million.

Baltic Data Center will install an underground data center facility in Vilnius that will ensure compliance with the highest security requirements, including also protection against electromagnetic pulse. The company will employ new high qualified IT specialists to maintain the infrastructure and will invest in its employees’ training.

This contract is an extremely high evaluation of the competences of TEO Group’s specialists and of its capabilities.

INSTALLATION OF THE NEW-GENERATION NETWORK

Darius Didžgalvis,
Chief Technology Officer:



"AS A RESULT OF EVOLVING TECHNOLOGIES AND CHANGING INFORMATION CONTENT, THE DATA TRAFFIC OF INTERNET USERS INCREASED DRAMATICALLY, THEREFORE WE INEVITABLY HAD TO IMPLEMENT AN ESSENTIAL UPGRADING OF TEO NETWORK".

In October 2007, TEO completed the installation of the New-generation network, which will enable to provide higher quality services to customers. The infrastructure of the new-generation network consists of data centres, backbone network and user access. The upgrading of all of these components will considerably improve the reliability of services provided and reduce the number of possible faults by more than two times.

Upon completion of the upgrading works of the backbone network of TEO, it has become more reliable as it is structured according to different customer needs and, in addition, the network nodes are duplicated. Services are formed on this basis of a regional principle, therefore possible local faults will no longer have any effect on the general operation of the network.

A part of the new-generation network – fiber-optic user access – in future will allow increasing the speed of Internet access provided to end users up to 1 Gbps. The fiber-optic network will provide users with the possibility to enjoy the extremely

high quality of different services through a single Internet access line: to make telephone calls, to watch digital TV, to browse the Internet and to send video records simultaneously.

■ ACCESS NETWORK DEVELOPMENT

In 2007, technical possibilities for fiber-optic access, based on the FTTH (Fiber To The Home) technology, were installed in more than 2 thousand houses. The copper broadband access network was expanded as well. The number of new DSL (Digital Subscriber Line) lines installed during 2007 was 78 thousand. At the end of the year DSL access nodes were installed in 1,014 locations.

During 2007, 2,378 wireless broadband Internet access points were installed in different places of Lithuania. At the end of the year 2007, TEO had 3,182 wireless Internet WiFi technology-based access points.

■ BACKBONE DATA COMMUNICATION NETWORK

After TEO launched the provision of Internet television (IPTV), Internet telephony (VoIP), new-generation optic access services, requirements for the backbone data communication network have been amended. Qualitative requirements have been especially increased. The network is to ensure high transmission capacity and be reliable. Due to that, in 2007 it was decided to implement a radical upgrade of the network – to increase its transmission capacity by installing new-generation IP/MPLS and Metro Ethernet networks, and its reliability – by duplicating the main elements of the backbone network and fragmenting them according to different customer needs.

In order to ensure the reliability of international Internet, in 2007 different international Internet access points were expanded. At the end of the year, the total speed of international Internet connection was about 12 Gbps.

THE MAIN PRINCIPLES OF THE NEW-GENERATION NETWORK ARE AS FOLLOWS:

- Strict structure
- The main elements are duplicated
- Services are separated at a level of aggregation
- The network topology is as simple as possible
- Typical configuration on the main nodes
- The network is easily expandable

■ TELEVISION

During 2007 the Company continued to develop Internet television (IPTV) and to expand the network of digital terrestrial television transmitters.

In 2007, the following technical possibilities were created for new interactive IPTV services: a virtual cinema theatre (NVOD – Near Video On Demand) and interactive games became operational from the beginning of the year, and a virtual film rental (VOD – Video On Demand) – from November. IPTV users have the possibility to watch more than 70 TV channels, rent more than 170 films, play 20 games and use other interactive services.

At the end of 2007 the network of digital terrestrial television (DVB-T) transmitters worked already in the five biggest cities

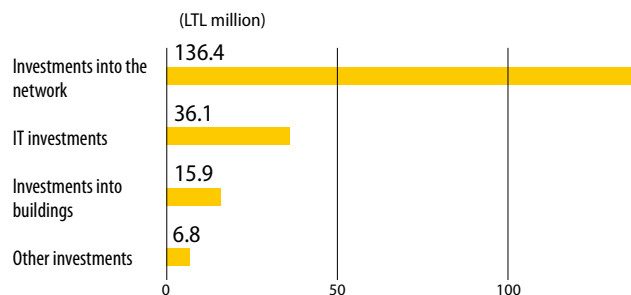
and their suburbs and the DVB-T signal was available to 76 per cent of residents of Lithuania. In 2008, the DVB-T network will be further expanded and by the end of the year 95 per cent of residents will have the possibility to watch digital broadcasts.

■ TELEPHONY

In 2007, much attention was paid to increasing the reliability of telephony services provided on the basis of the VoIP (Voice Over IP) technology and well as to assuring their quality. In 2007, the VoIP services development platform was implemented and adjusted. On the basis of the platform, a terminal equipment management system was created to allow eliminating manual configuration which, due to improving equipment, became complicated and required high qualifications and diligence of staff.

In 2007, capital investments of TEO Group amounted to LTL 195.2 million.

Breakdown of capital investments in 2007



THE ORGANIZATION AND PEOPLE

Edis Kasperavičius,
Director of Human Resources Unit:

“IN 2007, THERE WERE FURTHER SIGNIFICANT CHANGES IN THE GROUP’S STRUCTURE, MANAGEMENT, CORPORATE CULTURE, QUALITY OF SERVICES AND CUSTOMER CARE”.



In addition to the intensive development of services, one of the main targets in 2007 was to assure the quality of services; therefore the entire chain of customer care processes, starting from sales and ending with installation and maintenance, is concentrated in one division.

■ NEW ORGANISATIONAL STRUCTURE OF TEO

Employees from regional service installation and maintenance sectors have been transferred to new Sales and Customer Care Division. The strategy of service sales to residential customers and the channels of residential customer care have been changed. Service sales have been also included in the functions of engineers and telecommunications specialists. This will enable not only to better know and service the Company’s customers in specific geographical territories, but also eventually reach the level when specialists with universal competencies will both sell and install all services.

For the same purpose, Process and Quality Management Department has been transferred to this Division: the former’s

functions are closely related with service sales, installation and maintenance processes. Its specialists intensively cooperate with sales, installation and maintenance specialists, therefore their presence in one and the same organizational unit should provide better conditions for their cooperation and assure better quality of services.

New Network Technology Division focuses its activities on the management and development of the backbone network, and also network operation and construction. These tasks are reflected in the name of this Division as well as Departments within its structure: Network Development and Management Department and Network Maintenance Department. Information Technology Department and some regional units have also remained within its structure.

After having concentrated all sales and customer care processes in one Division, regional centres have become the units of Sales and Customer Care Division. As they took over all the functions of residential and small and medium-size business customer care, Business Customers Department can pay all its attention to the care provided to the biggest as well as VIP customers, to provide them complex solutions of our services.

This is reflected in the new name of this Department – Business Solutions Department.

IT Business Development Unit ceased to exist within the structure of the parent company: all its activities, related to the provision of IT services to small and medium-size companies, were transferred to TEO subsidiary Baltic Data Center. Having combined the IT service areas of all business company segments, Baltic Data Center has become an IT company, capable of offering continuing IT services. At the same time, this will allow paying more attention to the development of specific competencies of its employees and to better manage business processes.

There are even more changes in the new organizational structure – the names of some structural units have been specified: Service Development and Marketing Division (formerly Marketing Division), Corporate Administration and Legal Affairs Unit (formerly separate Administration Unit and Corporate and Legal Affairs Unit).

■ EMPLOYEES – THE MOST IMPORTANT INVESTMENT

As usually, a lot of attention was paid to the development of professional and managerial competences. In 2007, more than 2,300 (75 per cent) employees of the Group participated in different training programmes, including the project training programmes supported by the Republic and Lithuania and co-financed by the European Union Social Fund. The Management Training Programme was continued and more than 230 managers participated in different training programmes. The Company traditionally continued to support its employees' studies for Master's degree in different universities of Lithuania and abroad. In 2007, TEO allocated, on the average, 23 hours of training per employee (in 2006 – 12 hours). More than LTL 4.3 million, including financial support from the European Union Social Fund, were allocated for the development of employee competencies and increasing their competitiveness.

Seeking to ensure the continuity of the organization's activities and its competitive advantage, maintaining and developing the main competences of the Company, the procedure for the identification, development and motivation of key employees was implemented. The procedure served as a basis to identify the employees of key importance to the Company's business. The employees were covered by investment life and additional health insurance, their reserve was formed, business leadership coaching and excellence training programmes were prepared and trainings were conducted.

The Company paid much attention to improve the attractiveness of its image as an employer: human resources specialists further developed relations with Lithuanian universities, actively participated in career events, cooperated with university career centers. The number of undergraduates alone who performed internship at the Group's companies was more than 100 and some of them remained to work there. The total num-

ber of new employees employed during 2007 was 582.

Traditionally, cooperation among the Group's companies and units was promoted and evaluated. The 2007 survey involved evaluation of the activities of 70 units and 3 subsidiaries, stressing the importance of cooperation, openness, responsibility and proactiveness in mutual relations. 215 managers and specialists of the Company took part in the survey. The survey results confirmed the continuously improving cooperation among the Company's units.

The Company's subsidiary Competence Development Center, having even more expanded the scopes of high technologies, project management and management training, successfully provided services to external customers as well as the companies of TEO Group.

■ NEW COLLECTIVE BARGAINING AGREEMENT

Developing long-term experience in cooperation with social partners, in 2007 the Collective Bargaining Agreement was updated and signed. The Agreement defines general organizational principles in the areas of ensuring safe and healthy working conditions, material liability, work remuneration, working and rest time, and employee training, and also expands guarantees and benefits, which help ensure the social security of employees. The parties who signed the Agreement shall be responsible for fulfilment of their obligations, exchange information, and base their relations on mutual trust, understanding and goodwill.

■ PLANS FOR THE FUTURE

In 2008, we will further seek enhance the Company's management efficiency, strengthen the responsibility and loyalty of managers and employees, develop professional competences of our employees, especially in priority areas of business development, improve performance quality as well as the employee motivation system.

At the end of 2007, the total number of employees (headcount) in TEO Group was 3,177 (in December 2006 – 3,064).

Breakdown of employees by companies:

Company name	Number of employees (headcount)
TEO LT, AB	2,274
UAB Lintel	738
UAB Baltic Data Center	136
UAB Kompetencijos Ugdyimo Centras	22
VšĮ TEO Sportas	7

SPONSORSHIP AND SOCIAL RESPONSIBILITY

Valdas Kaminskas,
Director of Corporate Communication Unit:

“IN 2007, TEO ALLOCATED CONSIDERABLE RESOURCES TO THE IMPLEMENTATION OF VARIOUS SOCIAL AND CULTURAL PROJECTS AND PROMOTED THE SOCIAL DEVELOPMENT AND WELFARE OF SOCIETY, STRENGTHENED AND FOSTERED PHILANTHROPIC TRADITIONS IN LITHUANIA”.



■ THE PROGRESS OF SOCIETY

The Company remained one of the biggest sponsorship providers in Lithuania and in 2007 allocated LTL 4.6 million to support public, educational, cultural, sports and social projects.

In 2007, TEO started developing a new direction of support – promoting voluntarism among people. The diffusion of the ideas of voluntarism was started from the Company’s employees, by providing them with information and knowledge about voluntarism and the benefits of voluntary activities to the society.

Together with public institution Volunteers’ Centre (VšĮ Savanorių Centras), a memo “How to become a volunteer?” was published and distributed among TEO employees. The memo was the first publication to provide information about a big number of Lithuanian public organisations inviting volunteers to join them in their work. This memo was distributed to the Company’s employees in the beginning of December 2007 – on the eve of the International Volunteer Day.

In 2007, TEO and VšĮ Savanorių Centras, together with their partners: the Lithuanian Free Market Institute and the public poll

and market research company TNS Gallup, launched another voluntarism-related project – a systematic research of voluntarism, which is aimed to explore Lithuanian citizens’ opinion on voluntarism, legal environment, experience of foreign countries. The research will be completed and presented to the public in autumn 2008.

Promoting the progress of society and wishing to join efforts towards the creation of such future in which we would like to live and work, where increasing resources would be allocated for material and spiritual creation, in 2007, TEO supported a new project – the survey of civil spirit of the Lithuanian society.

The first such survey in Lithuania was initiated by the Civil Society Institute. It was conducted in order to assess the status of the society and its trends, seeking to draw the attention of citizens and politicians to problems in the development of the civil society and, accordingly, of democracy in Lithuania, because both the quality of democracy and general welfare of the political society depends, to a great extent, on the civil powers possessed by the society. Since now, the Civil Power Index will be determined and announced every year.

The first survey conducted in late 2007 shows that the development of the civil society in Lithuania faces certain difficulties. In 2007 the Lithuanian **Civil Power Index** was **33.9** points out of 100 possible.

The survey showed that the civic participation of Lithuanians is oriented at community activities and social solidarity:

- 45 per cent of residents stated that in the last year they donated money, items or otherwise supported persons or non-governmental organisations;
- 31 per cent of residents took part in environment cleaning undertakings;
- 17 per cent – local community activities;
- 11 per cent of Lithuanian citizens applied to the state institutions to report on breaches of law;
- other civic actions (activities of non-governmental organisations, demonstrations, strikes, etc.) were attended by less than 1 of 10 residents;
- as many as 40 per cent of Lithuanian citizens were not involved in any civic activities in recent years.

■ EDUCATION, INFORMATION SOCIETY, DEVELOPMENT OF FUTURE LEADERS

In 2007, already for the fourth year in a row, TEO sponsored the Information Technology contest for school pupils, "Beaver", initiated by the Ministry of Education and Science of the Republic of Lithuania, the Centre of Information Technologies of Education and the Institute of Mathematics and Informatics.

Every year, more and more participants take interest in the contest "Beaver". As compared with the first contest arranged in 2004, last year the contest attracted a two times bigger number of participants. 7,000 pupils from 324 schools took part in the contest arranged in 2007.

During the Information Technology contest "Beaver", through solving original tasks, pupils of grades 5-12 can get familiar with the advantages of IT and children are encouraged to use computers and reveal the advantages provided by modern technologies. More than 100 tasks for the least year's contest were created by IT enthusiasts from 9 countries.

In 2007, TEO granted support to public institution National Student Academy (VšĮ Nacionalinė Moksleivių Akademija) developing children with exceptional abilities.

The National Student Academy (NMA) is a unique and the only organisation in Lithuania for gifted children uniting the most gifted children in various fields from all over Lithuania. The NMA focuses its attention not only on specific knowledge but also on personality development. The NMA was founded in 2004 on the initiative of Lithuanian businessmen. Every year, three children having extremely high achievements in science and five – in music spheres receive individual support from the Mstislav Rostropovich Charity and Support Foundation.

In October 2007, the international conference "Gifted Children: Challenges and Possibilities", organized by the National Student Academy, was held in Kaunas. The conference was devoted to psychological and pedagogical education of extremely gifted children and youth. The conference was attended by the internationally recognized experts in gifted children research and the representatives of the countries developing policies for the education of gifted children who presented their reports during plenary meetings of the conference. TEO became the sponsor of the above-mentioned conference.

In 2007, for the second time TEO supported the yearly schoolchildren's competition organised by the national committee for the Joint World's Colleges for a scholarship for studies in colleges abroad. Advanced eleventh form pupils are invited to take part in the competition; upon completion of studies, pupils are issued international baccalaureate certificate which is adequate to general certificate.

Study and living expenses of students are covered by colleges, but a part of expenses must be paid by students, their parents and the national committee of the Joint World's Colleges. Therefore, TEO granted three scholarships to free competition laureates from any financial problems preventing them from studies. These scholarships will provide assistance to gifted children who are deprived from financial support of their families to study. TEO also granted funds to cover administration expenses of the project.

The international youth entrepreneurship competition Profas (Ace), organised by public institution PROFAT and Lithuanian business leaders for the third year, is becoming a more and more popular form of communication between business representatives and students. In 2007, TEO joined this initiative for the second time – granted financial support to this unique project. Furthermore, the Company's representatives were invited to join the youth's business ideas assessment commission.

■ CULTURE

In 2007, TEO further supported some big cultural festivals and events. For the fifth year in sequence, the Company granted its support to the International Modern Dance Festival organised by Kaunas Dance Theatre AURA. Recently, this festival gained immense international recognition – world's premieres are introduced at the festival. In 2007, the Company sponsored one of the biggest cultural events in summer – festival Palanga Summer. Its events were visited by over 100,000 Lithuanian citizens and guests. The Vilnius Small Theatre, supported by TEO, proceeded with further development of children plays programme.

In September 2007, the team of Lithuanian designers organised an original action "Designers for Ecology" in Vilnius. During the action, everyone who brought 20 plastic bags could exchange them into the bags created by famous Lithuanian designers and made from environmentally-friendly materials, such as recycled paper, cotton, linen.

The action was aimed to show the citizens into which dumpsites our cities can turn, if we are not concerned about damage caused to environment. TEO approved of this idea by joining the action and supporting this initiative – the logo of ZEBRA (Internet services provided by TEO) was placed on the original bags created by the designers.

In February 2007, projection of the film "Whisper of Sin", authors of which are Algimantas Puipa and writer Jurga Ivanauskaitė, was launched in the cinema theatres of Lithuania. The scenario of the film is based on the "bestseller" of J. Ivanauskaitė "The Witch and The Rain", interwoven with motifs of other novels by the national award laureate – "Placebo" and "Gone With The Dreams". The film "Whisper of Sin" – an important event for Lithuanian cinema. Production of this film was supported by TEO.

A new GALA Film Festival that started in November 2007 was sponsored by TEO. The name of the service – the digital television GALA – provided by TEO became a part of the project's name. According to the festival organisers, the digital television GALA and the new festival are interrelated by the quality contents and focus on cinema lovers.

In January 2008, Pravda, a free culture publication, awarded the prizes to the best newcomers of the last year for the third time. The GALA Festival, having outrivalled 6 nominees, won in the category the "Best Newcomer in Cinema 2007". In the awards organised by the Pravda, almost 65,000 people cast their votes this year.

On 29 August 2007, a sculpture dedicated for the Lithuanian basketball was solemnly unveiled in Vilnius. The sculpture was created within the framework of the project "To Those We Are Proud Of", one of the sponsors of which was TEO.

The sculpture of impressive size symbolizing a hand holding a basketball ball, created by famous Lithuanian sculptor and painter Tadas Gutauskas, has the names of the 37 most distinguished Lithuanian basketball players and their coaches engraved on it.

Every citizen of Lithuania had the possibility to elect and vote online for the most distinguished Lithuanian basketball players, thus contributing to the creation of the sculpture and becoming its co-author. The names of the elected ones – 24 men basketball players, 8 women basketball players and 5 coaches – were eternalized on the columns of the sculpture. Every four years, new names of basketball players and events significant for the history of the Lithuanian basketball will be engraved on the sculpture, therefore it will never lose its relevance in the future.

In 2007, TEO allocated about LTL 300 thousand to the Communications Development Museum in Kaunas for its maintenance and for renewing its collection of exhibits. The museum contains collections of post, radio, telegraph, telephone and informatics exhibits revealing the development of communications in Lithuania and all over the world since the 16th century, documentary materials on the history of communications means. These exhibits are important not only for Lithuania, but also for all Eastern Europe.

■ SOCIAL PROJECTS

The friendship between TEO and the Children Support Centre (VšĮ Paramos Vaikams Centras) has continued for three years now. The Children Support Centre in Lithuania organises a programme having deep traditions in the world "Big Brothers Big Sisters" inviting adults in their free time to communicate with children suffering from psychological crisis and hardships, to help them to overcome their problems and to understand how strong the power of friendship is.

TEO support enables to invite more children to take part in the programme Big Brothers Big Sisters, to organise various events and festivals, camps, as well as to draw public attention to the programme and assistance offered by it to a child in trouble. In 2007, TEO employees donated LTL 30 thousand to the Children Support Centre.

In 2007, different ideas of “Stop Bullying”, a child abuse prevention campaign, were implemented on the initiative of the Child Line, providing support by telephone and Internet.

The “Stop Bullying” campaign, implemented by the Child Line, received attention from diplomats residing in Lithuania as well as from public figures. On 27 January 2007, Robertas Povilaitis, Head of the Child Line, was presented a Man of Tolerance 2006 award from the Sugihara Foundation – Diplomats for Life.

During 2007 the volunteers of the Youth Line in Vilnius, Kaunas and Klaipėda answered almost 100,000 calls from all over Lithuania. The volunteers often have to help persons who consider committing suicide – every day they receive several such calls.

In 2007, the Internet counselling program “Letters to a Friend” of the Youth Line was renewed and its activities were expanded substantially. From now on, all letters are answered within 12 hours on the average. More than 150 letters are received per month. One girl left the following message in the Response column: “It seems that you are writing such nonsense and it will not be interesting to anybody, because my troubles are not theirs, but it is the only place where I get help, which others can’t offer”.

In 2007, the Company continued to support the publishing of books in Braille. With support from TEO, VšĮ Brailio Knyga (“Braille Book”) published another book from the popular book series about Harry Potter – “Harry Potter and the Goblet of Fire”, and also started publishing the book “Harry Potter and the Half-Blood Prince”. So visually handicapped children will have the possibility to enjoy all the books by J. K. Rowling about Harry Potter, a young sorcerer, that have been translated so far into Lithuanian. With the Company’s support, the following books have been also published in Braille: “Best Friend” by Vytautas Račickas and “Lost Vilnius” by Vladas Drėma.

■ SUPPORT TO COMMUNITIES

By actively participating in community life, TEO creates relations with residents of local communities. In 2007, the Company supported 60 cultural projects in communities, festivals in cities and towns, other initiatives of communities. Especially big attention was given to festivals with unique traditions, reflecting the cultural or historical oneness of towns.

In cooperation with town municipalities, TEO started implementing the children and youth engagement project, during which outdoor basketball courts in 21 towns were renovated – ground covers, stands were changed or renovated, backboards and basket hoops were installed.

In October 2007, schoolchildren already received an opportunity to play on renovated basketball courts in Panevėžys, Anykščiai, Kelmė, Tauragė, Klaipėda,

Druskininkai, Joniškis and Marijampolė. The Company, through implementing the project of basketball courts renovation, seeks to contribute to the promotion of local communities’ lives, active and healthy lifestyles and especially engagement of children. The locations of outdoor basketball courts have been selected in such way as to maximize their effective use – on most of them schoolchildren play during daytime and people from surrounding houses – during after-school hours.

It is interesting that the ground covers of basketball courts are made of acrylic material, which is manufactured using rubber granules, derived from recycled used car tyres.

■ SPORTS AND HEALTHY LIFESTYLE PROMOTION

In 2007, TEO was the biggest supporter of the Vilnius women’s basketball team TEO.

TEO – the strongest women basketball team in the Baltic region and one of the most powerful ones in Europe. In 2007, the team became the champion of the Lithuanian Women’s Basketball League for the tenth time, and also took the 1st place at the Baltic Women’s Basketball League for the eighth season in succession. It is the only Lithuanian team fighting in the Europe’s most prestigious women’s basketball tournament – EuroLeague.

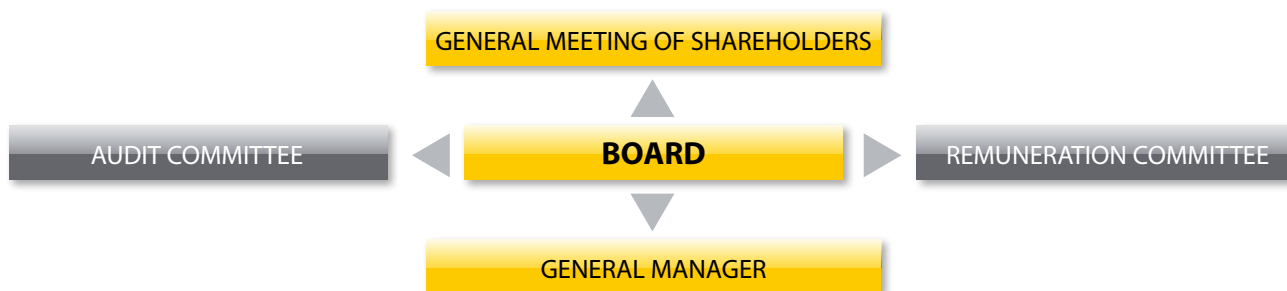
Seeking to encourage the holidaymakers of the most popular Lithuanian resort to spend their leisure and holiday time actively and purposefully, already for the second year in a row, in summer 2007 the Company opened a ZEBRA Club on the beach in Palanga that became an active leisure zone.

Every morning, ZEBRA Sport instructors invited holidaymakers to start their day with ZEBRA exercise, afternoons – by joining a ZEBRA fiesta and playing active beach games: small football, beach volleyball and various relay races.

The high-speed wireless Internet access was available at the ZEBRA Club. The Club’s visitors had the possibility to check their e-mail, browse the Internet and read the hottest news free of charge.

MANAGEMENT AND CORPORATE GOVERNANCE

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



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

The members of the Board serving on the Board of the Company are acting jointly as a governing body of the Company. The Board consists of seven members 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 of the Republic of Lithuania on Companies. 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 define 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 Hyyrynen, 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 Hyyrynen (proposed to Amber Teleholding A/S by East Capital) and Gert Tiivas (proposed to Amber Teleholding A/S by East Capital).

Gert Tiivas resigned from the Board as of 28 April 2008.

■ BOARD

(as of 31 December 2007)



Jörgen Latte

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

CFO of TeliaSonera AB Business Area Broadband Services (Sweden).

Chairman of the Supervisory Board of Elion Ettevõtte AS (Estonia); Deputy Chairman of the Supervisory Board of Lattelecom (Latvia); member of the Supervisory Board and Audit Committee of Eesti Telekom (Estonia); Chairman of the Board of Infonet Svenska AB (Sweden), TeliaSonera Sverige Net Fastigheter AB (Sweden), TeliaSonera Skanova Access AB (Sweden), Telia Electronic Commerce AB (Sweden), Telia Lithuania AB (Sweden), Adminson AB (Sweden), Amber Teleholding A/S (Denmark) and Tilts Communications A/S (Denmark); member of the Board of Telia Pensionfund (Sweden), TeliaSonera International Carrier AB (Sweden), TeliaSonera Försäkring AB, Stofa A/S (Denmark) and NextGenTel Holding ASA (Norway); a deputy member of the Board of Avnos AB (Sweden).

TeliaSonera AB (Sweden), through its subsidiary Amber Teleholding A/S (Denmark), which nominated Jörgen Latte to the Board of TEO LT, AB, has 488,947,656 shares of TEO LT, AB that accounts to 60 per cent of the share capital and gives 62.94 per cent of votes.

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



Anders Gylder

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

Executive Vice President at TeliaSonera AB Business Area Broadband Services (Sweden). From 1 January 2008 CEO of TeliaSonera Skanova Access AB (Sweden).

A member of the Supervisory Board and the Remuneration and Nomination Committee of Eesti Telekom (Estonia); member of the Supervisory Board of Elion Ettevõtte AS (Estonia).

TeliaSonera AB (Sweden), through its subsidiary Amber Teleholding A/S (Denmark), which nominated Anders Gylder to the Board of TEO LT, AB, has 488,947,656 shares of TEO LT, AB that accounts to 60 per cent of the share capital and gives 62.94 per cent of votes.

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



Ove Alm

(born in 1959) – a member of the Board of TEO LT, AB, 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 (Sweden).

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

TeliaSonera AB (Sweden), through its subsidiary Amber Teleholding A/S (Denmark), which nominated Ove Alm to the Board of TEO LT, AB, has 488,947,656 shares of TEO LT, AB that accounts to 60 per cent of the share capital and gives 62.94 per cent of votes.

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



Joakim Sundström

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

Vice President of Business Control at TeliaSonera AB Business Area Broadband Services (Sweden).

A member of the Supervisory Board and the Audit Committee of Lattelecom (Latvia); member of the Board of Sergel Kreditjtjänster AB (Sweden).

TeliaSonera AB (Sweden), through its subsidiary Amber Teleholding A/S (Denmark), which nominated Joakim Sundström to the Board of TEO LT, AB, has 488,947,656 shares of TEO LT, AB that accounts to 60 per cent of the share capital and gives 62.94 per cent of votes.

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



Björn Lindegren

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

General Counsel at TeliaSonera AB Business Area Broadband Services (Sweden).

A member of the Supervisory Board of Lattelecom (Latvia); member of the Board of TeliaSonera Network Sales AB, TeliaSonera International Carrier AB, TeliaSonera Sverige Asset Finance AB, TeliaSonera Skanova Access AB, TeliaSonera Net Fastigheter AB, Telia Electronic Commerce AB and Telia Lithuania AB; member of the Board and managing director of Amber Teleholding A/S (Denmark).

TeliaSonera AB (Sweden), through its subsidiary Amber Teleholding A/S (Denmark), which nominated Björn Lindegren to the Board of TEO LT, AB, has 488,947,656 shares of TEO LT, AB that accounts to 60 per cent of the share capital and gives 62.94 per cent of votes.

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



Matti Hyryrynen

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

Head of the Vilnius Representative Office of European Bank for Reconstruction and Development and responsible for the bank's business in the three Baltic countries.

As of 31 December 2007 East Capital (Sweden), a company that nominated Matti Hyryrynen to the Board of TEO LT, AB, held 18,601,390 shares and 1,398,965 GDRs of TEO LT, AB that accounts to 4 per cent of the share capital and gives 4.20 per cent of votes.

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



Gert Tiivas

(born in 1973) – a member of the Board of TEO LT, AB 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 of TEO LT, AB.

Managing director of East Capital Explorer (Sweden).

Member of the Board of Baltika AS (Estonia), AVEC Asset Management AS (Estonia), Cantik Enterprises Ltd. (Ukraine), Pervomayskaya Zarya Ltd. (Russian Federation), JSC Open Investments (Russian Federation), RURIC AB (Sweden), Explorer Property Fund – Baltic States AB (Sweden), AVEC Baltic Property

Fund AB (Sweden), Henryland Ltd. (Ukraine), East Capital Explorer Investments (Sweden) and East Capital Power Utilities Fund (Sweden)

As of 31 December 2007 East Capital (Sweden), a company that nominated Gert Tiivas to the Board of TEO LT, AB and is affiliated with East Capital Explorer, held 18,601,390 shares and 1,398,965 GDRs of TEO LT, AB that accounts to 4 per cent of the share capital and gives 4.20 per cent of votes.

Gert Tiivas has no direct 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 of Lithuanian companies.

■ MANAGEMENT

(as of 31 December 2007)

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 2007 he studies at Vienna University of Economics and Business Administration, PMBA.

Chairman of the Board of UAB Voicecom, a subsidiary of TEO LT, AB; Deputy Chairman of the Board of AAS Gjensidige Baltic, a subsidiary of Norwegian non-life insurance company Gjensidige Forsikring BA; 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 Vilnius Gediminas Technical University.

Chairman of UAB Lintel, a subsidiary of TEO LT, AB.

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 4 January 2008 member of the Board and General Manager of UAB Nacionalinė Skaitmeninė Televizija, a subsidiary of TEO LT, AB.

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 Technology Officer and Deputy General Manager



Darius Didžgalvis

(born in 1969) from 9 February 2005 holds an office of Chief Technology 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).

Chairman of the Board of UAB Nacionalinė Skaitmeninė Televizija; member of the Board of UAB Voicecom. Both companies are subsidiaries of TEO LT, AB.

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 Elsėrius

(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.

Member of the Board of UAB Lintel and UAB Voicecom. Both companies are subsidiaries of TEO LT, AB. Member of the Board of Swedish Chamber of Commerce in Lithuania.

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.

■ MAIN UNITS

Kastytis Kmitas,
Director of Internal Audit Unit



Giedrius Vegys,
Director of Risk Management Unit



Edis Kasperavičius,
Director of Human Resources Unit



Eglė Gudelytė-Harvey,
Director of Corporate Administration
and Legal Affairs Unit



Vytautas Valionis,
Director of Strategic Development
and Research Unit



Valdas Kaminskas,
Director of Corporate
Communication Unit

■ ADVISOR TO GENERAL MANAGER

Ugnius Trumpa,
Corporate Strategy Advisor

SALES AND CUSTOMER CARE DIVISION

Aleksandr Samuchov,
Director of Business Solutions
Department



Vytautas Bučinskas,
Director of Sales Development
Department



Arnoldas Žukauskas,
Director of Carrier Business
Department



Renaldas Radvila,
Director of Process and Quality
Management Department



Raimondas Geleževičius,
Director of Vilnius Regional Center



Loreta Ivašauskienė,
Director of Kaunas Regional Center



Larijus Lapinskas,
Director of Klaipėda Regional
Center



Arvydas Murza,
Director of Šiauliai Regional Center



Rimantas Misevičius,
Director of Panevėžys Regional
Center

■ SERVICE DEVELOPMENT AND MARKETING DIVISION

Nerilė Mažeikienė,
Director of Service
Development Department



Andrius Danilaitis,
Director of Market
Segmentation Department



Daiva Jakštienė,
Acting Director of Advertising
Department



Mantas Katinas,
Director of Internet Content
Development Department

■ NETWORK TECHNOLOGY DIVISION

Aleksas Naudžiūnas,
Director of Network Development
and Management Department



Haroldas Šulčinskas,
Director of Network
Maintenance Department



Gintaras Monkevičius,
Director of Information
Technology Department

■ FINANCE DIVISION

Aldona Galdikaitė,
Director of Economics Department,
Director of UAB Voicecom



Dzintra Tamulienė,
Director of Accounting Department

■ SUBSIDIARIES

Remigijus Šeris,
Director of UAB Lintel



Saulius Markūnas,
Director of UAB Baltic Data
Center



Vygintas Jasiulis,
Director of UAB Kompetencijos
Ugdymo Centras



Arvydas Tamašauskas,
Director of VšĮ TEO Sportas

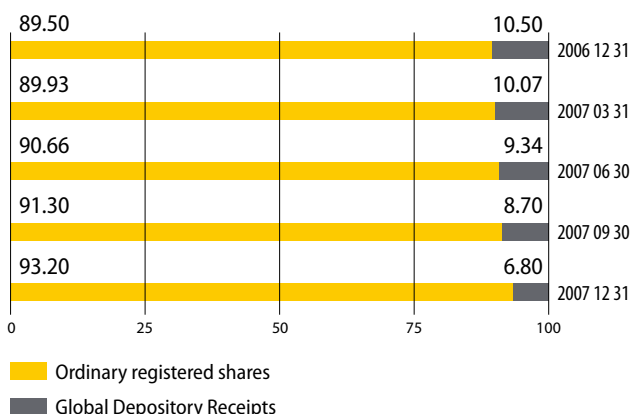
TEO SHARES AND SHAREHOLDERS

The share capital of TEO LT, AB consists of 814,912,760 ordinary registered shares of LTL 1 nominal value each.

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

From 2000 the Company runs a Global Depository Receipt (GDR) program. According to the program, one GDR represents 10 ordinary registered shares of the Company. As on 31 December 2007, 55,390,530 ordinary shares of the Company (6.80% of the total share capital) were represented by 5,539,053 GDRs.

Structure of TEO LT, AB capital (%)



SHAREHOLDERS

The main shareholder of TEO is TeliaSonera AB, a Nordic and Baltic telecommunications leader, that indirectly through its subsidiary Amber Teleholding A/S controls 60 per cent of the Company's shares.

In September 2007, TEO took over treasury stocks from its subsidiary UAB Lintel. The treasury stocks were acquired during the Initial Public Offering in the year 2000. At the end of 2007, TEO LT, AB held 12,698,412 ordinary registered shares and 2,539,683 GDRs, i.e. 4.67 per cent of the Company's share capital.

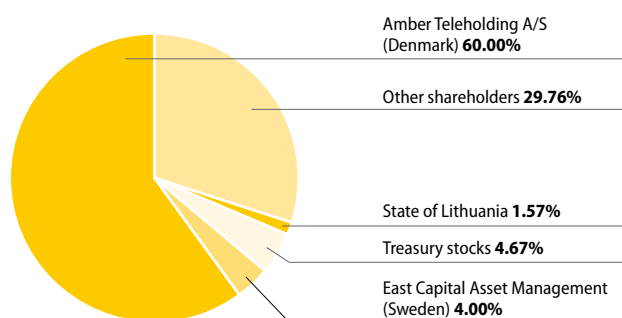
In 2007, the State of Lithuania continued to give up shares of the Company as compensation to Lithuanian citizens for realty redeemable by the State of Lithuania, so its shareholding went down from 1.66 per cent (31 Dec. 2006) to 1.57 per cent (31 Dec. 2007).

Swedish investment fund East Capital also reduced its stake in the Company's share capital from 5.57 per cent at the beginning of 2007 to 4 per cent at the end of 2007.

Other more than 14 thousand shareholders of the Company held 29.76 per cent of shares.

In 2007, a record dividend of LTL 202 million or LTL 0.26 per share were paid.

Shareholders of TEO LT, AB as of 31 December 2007



Breakdown of TEO LT, AB shareholders by the country of residence as of 31 December 2007

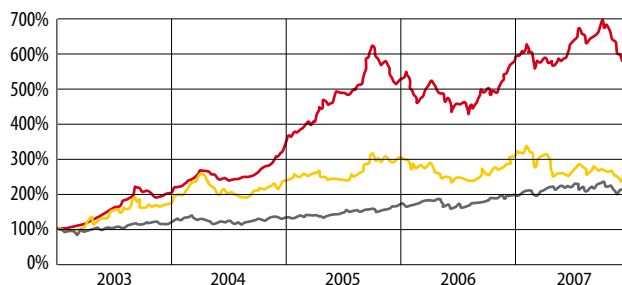
Country	Number of shareholders	Number of shares	Share TEO share capital (%)
Denmark	1	488,947,656	60.00%
Lithuania	13,987	129,869,881	15.94%
Estonia	10	73,463,497	9.01%
U,S,A, (a)	33	65,873,870	8.08%
Sweden	13	43,773,672	5.37%
United Kingdom	12	4,004,763	0.49%
Iceland	3	2,554,138	0.31%
South Korea	2	2,115,100	0.26%
Latvia	11	1,919,022	0.24%
Finland	8	690,507	0.08%
Germany	5	689,241	0.08%
France	2	593,100	0.07%
Cayman Islands	1	162,352	0.02%
Norway	2	51,646	0.01%
Slovenia	1	34,500	0.00%
Italy	4	32,388	0.00%
Switzerland	2	28,029	0.00%
Russia	3	25,401	0.00%
Greece	4	18,670	0.00%
The Netherlands	1	18,000	0.00%
Republic of Belarus	2	14,400	0.00%
Australia	1	12,500	0.00%
Luxemburg	1	7,610	0.00%
China	1	5,250	0.00%
Ireland	4	3,850	0.00%
Poland	1	3,000	0.00%
Austria	1	430	0.00%
Argentina	1	287	0.00%
Total	14,117	814,912,760	100.00%

NOTE: (a) The Depository Bank of the Global Depository Receipts program is registered in U.S.A.

Breakdown of TEO LT, AB shareholders registered in Lithuania as of 31 December 2007

	Number of shareholders	Number of shares	Share of TEO share capital (%)
Private individuals	13,837	80,671,699	9.90%
Legal entities	101	16,143,450	1.98%
Banks and financial institutions	11	13,351,575	1.64%
State of Lithuania, represented by State Property Fund	1	12,442,855	1.53%
Insurance companies	16	3,445,183	0.42%
Investment funds	9	3,161,938	0.39%
State of Lithuania, represented by State Tax Authorities	3	362,630	0.04%
Financial brokerage companies	9	290,551	0.04%
	13,987	129,869,881	15.94%

TEO LT, AB share price and Vilnius Stock Exchange indexes development during 2003-2007



	2003-01-01	2007-12-31	Change (%)
■ OMX Vilnius Index	84.78	514.23	506.55
■ OMX Nordic 40 Index	633.37	1,264.78	99.69
■ TEO LT, AB share price	0.95 LTL	2.37 LTL	149.47

■ TRADING IN TEO SHARES

Shares of the Company are listed on the Baltic Main List of the Vilnius Stock Exchange (VSE) (trading code: TEO1L) and TEO GDRs are traded on the London Stock Exchange (LSE) (trading code: TEOL).

In 2007, trading in TEO shares was very volatile and strongly influence by trends on global equity markets.

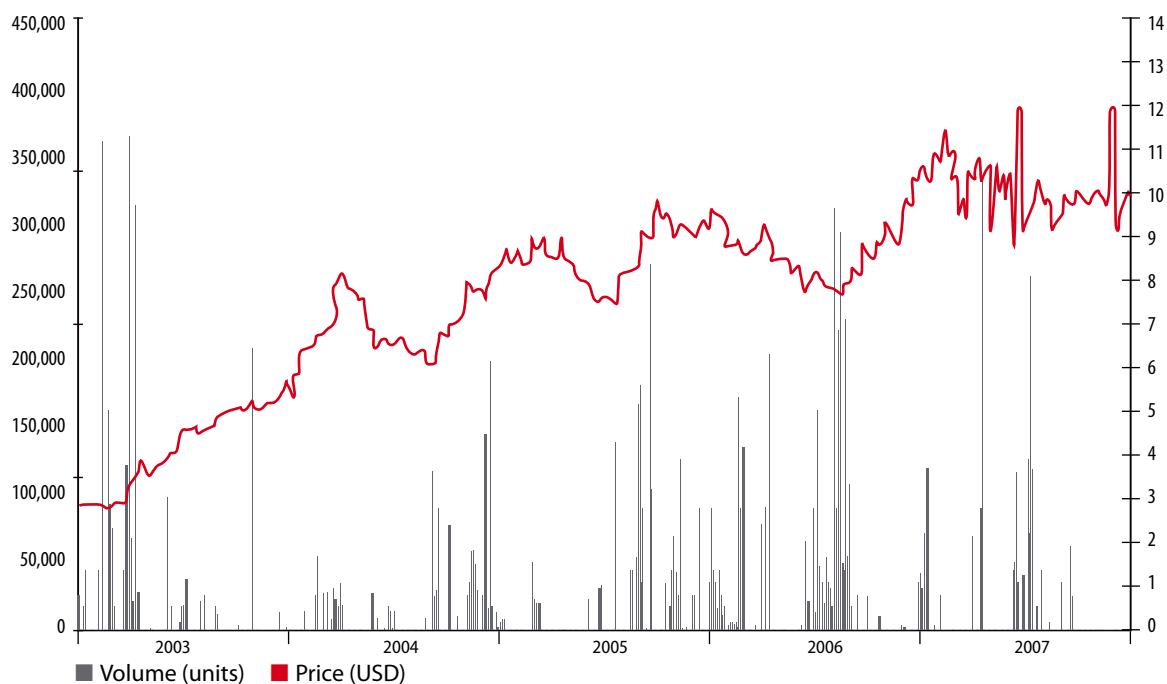
Trading in the Company's shares on the Vilnius Stock Exchange during 2003-2007



Trading in TEO shares on the Vilnius Stock Exchange

	2007	2006	2005	2004	2003
Opening price (LTL)	2.77	2.71	-	-	0.91
Highest price (LTL)	3.08	2.80	2.85	2.36	1.74
Lowest price (LTL)	2.16	2.10	2.15	1.56	0.83
Average price (LTL)	2.54	2.40	2.41	1.91	1.32
Closing price (LTL)	2.37	2.76	2.71	2.15	1.57
Volume (units)	197,630,335	132,841,063	83,526,590	71,877,806	46,444,633
Turnover (LTL million)	502.85	318.32	201.68	136.34	61.41
Capitalisation (LTL million)	1,931.34	2,249.16	2,208.41	1,752.06	1,279.41

Trading in the Company's Global Depository Receipts on the London Stock Exchange during 2003-2007



Trading in TEO Global Depository Receipts on London Stock Exchange was not as active in 2007 as in 2006 because more GDR are converted into ordinary shares and traded on Vilnius Stock Exchange.

Trading in TEO Global Depository Receipts on the London Stock Exchange

	2007	2006	2005	2004	2003
Highest price (USD)	12.00	10.60	9.82	8.50	5.50
Lowest price (USD)	8.83	7.70	7.45	5.26	2.65
Closing price (USD)	10.04	10.60	9.30	8.50	5.50
Volume (units)	2,590,357	4,203,108	2,226,190	1,940,320	2,892,798
Turnover (GBP million)	13.02	19.09	17.56	7.82	6.10

INFORMATION TO INVESTORS

■ ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of TEO LT, AB will be held at the head-office of TEO LT, AB at Savanorių ave. 28, Vilnius, Lithuania, at 1 p.m. on Tuesday, 29 April 2008.

Shareholders who at the end of the shareholders' meeting record day, 22 April 2008, will be on the Shareholders' List of the Company have the right to participate and vote in the Annual General Meeting.

One ordinary registered share (ORS) of TEO LT, AB gives one vote in the General Meeting of Shareholders. Share capital of the Company consists of 814,912,760 ordinary registered shares of one litas nominal value each. 38,095,242 shares are treasury stocks that have no rights to exercise any property and non-property rights provided by the Law of the Republic of Lithuania on Companies. Therefore, the number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders is 776,817,518.

According to the TEO LT, AB Global Depository Receipt (GDR) program, one GDR represents 10 ordinary registered shares. Depository bank - Deutsche Bank Trust Company Americas, 60 Street, New York, NY 10005, U.S.A.

■ DIVIDENDS

Dividends will be paid to the shareholders who on the dividend record day, 29 April 2008, i.e. the day of the Annual General Meeting of Shareholders, will be on the Shareholders' List of the Company.

The Trading Rules of the Vilnius Stock Exchange stipulate that the right of ownership of securities transferred via transactions on the central market is to be passed on the day of settlement for the transaction on the central market, i.e. the third business day after conclusion of the transaction. Trading in TEO shares on the central market of the Vilnius Stock Exchange will be stopped on 29 April 2008 from 1 p.m., i.e. during the Annual General Meeting of Shareholders.

In 2007, the Company paid out to the shareholders LTL 201,973 thousand of dividends or 0.26 litas per share for the year 2006. Following the Law dividends were paid to the shareholders who on the dividend record day, 26 April 2007, i.e. the day of the Annual General Meeting of Shareholders, were on the Shareholders' List of the Company. On 23 May 2007 dividends to all share and GDR holders were paid in cash.

The Law of the Republic of Lithuania on Companies provides that dividends are to be paid within one month from the day of making a decision on profit distribution. Following the Lithuanian legislation, dividends for the year 2007 are subject to

the withholding tax of 15 per cent, if the law does not provide exceptions.

■ FINANCIAL REPORTS

The Annual Report of TEO LT, AB for the year 2007 in the English and Lithuanian languages as well as other Company's financial reports and press releases are available online at www.teo.lt.

In 2008, TEO Group financial results will be released on the following dates:

- Consolidated Financial Statements for the first 3 months of 2008: April 17
- Consolidated Financial Statements for the first 6 months of 2008: July 21
- Consolidated Financial Statements for the first 9 months of 2008: October 15.

■ EQUITY RESEARCH

The following banks and securities brokerage houses analyzed the value of the Company's share in 2007:

DnB NOR	Hansabank Markets
Tel. +370 5 239 3776	Tel. +370 5 268 4395

Orion Securities	EVLI Group
Tel. +370 5 239 2158	Tel. +372 640 5700

SEB Enskilda	Žabolis ir Partneriai
Tel. +370 5 268 1237	Tel. +370 5 266 1259

■ INVESTOR RELATIONS

Darius Džiaugys,
Head of Information Sector,
Corporate Communication Unit,
Tel + 370 5 236 78 78
Fax + 370 5 231 38 60
e-mail: darius.dziaugys@teo.lt

■ BEST INVESTOR RELATIONS IN LITHUANIA

In October, for the fourth time international IR Magazine recognised TEO as the Lithuanian company maintaining the best relations with its investors.

During the second Baltic Market Awards arranged by OMX's exchanges in Vilnius, Tallinn and Riga for recognizing the best practices in investor relations, TEO LT, AB for the second time received the main award. The Lithuanian telecommunications company was awarded for the Best Investor Relations in the Baltic Countries and for the second time TEO was elected as the Best Investor Relations of Vilnius Stock Exchange.

CONTACT INFORMATION

TEO LT, AB

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Fax + 370 5 212 6665
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UAB Lintel

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LT-08222 Vilnius, Lithuania
Tel. 1808, + 370 5 236 8301
Fax + 370 5 278 3322
www.lintel.lt

UAB Baltic Data Center

Žirmūnų str. 141
LT-09128 Vilnius, Lithuania
Tel. + 370 5 274 8360
Fax + 370 5 278 3399
www.bdc.lt

UAB Kompetencijos Ugdymo Centras

Palangos str. 4, 3rd Floor
LT-01117 Vilnius, Lithuania
Tel. + 370 5 274 8477
Fax + 370 5 212 1569
www.kuc.lt

UAB Voicecom

Savanorių ave. 28
LT-03501 Vilnius, Lithuania
Tel. + 370 5 236 7209
Fax + 370 5 231 3860

VšĮ TEO Sportas

Savanorių ave. 28
LT-03116 Vilnius, Lithuania
Tel. + 370 5 276 8790
Fax + 370 5 271 3650
www.teobasket.lt

MAIN FIGURES OF TEO GROUP

FINANCIAL FIGURES	2007	2006	2005	2004	2003
Revenue (LTL million)	793	735	730	721	808
EBITDA (LTL million)	352	352	354	336	386
EBITDA margin (%)	44.4	47.9	48.5	46.6	47.8
Operating profit (LTL million)	185	158	106	45	(11)
Operating profit margin (%)	23.4	21.6	14.5	6.2	(1.4)
Profit (loss) before income tax (LTL million)	196	162	109	41	(38)
Net profit (loss) (LTL million)	163	131	84	34	(35)
Net profit margin (%)	20.5	17.8	11.5	4.7	(4.3)
Total assets (LTL million)	1,206	1,249	1,259	1,280	1,542
Shareholders' equity (LTL million)	1,071	1,110	1,104	1,121	1,136
Capital investments (LTL million)	195	116	73	75	51
Number of shares, excluding treasury stocks (thousand)	776,818	776,818	776,818	776,818	776,818
Earnings per share (LTL)	0.21	0.17	0.11	0.04	(0.05)
Paid out dividend per share (LTL)	0.25 (a)	0.26	0.16	0.13	0.06
Share price at the end of period (LTL)	2.37	2.76	2.71	2.15	1.57
RATIOS					
Return on capital employed (%)	18.4	14.4	9.6	3.7	(0.8)
Average return on assets (%)	15.7	12.6	8.3	3.3	(0.7)
Return on shareholders' equity (%)	15.3	11.8	7.5	2.9	(3.1)
Gearing ratio (%)	(34.8)	(26.9)	(25.8)	(8.7)	7.5
Debt to equity ratio (%)	0.7	0.8	1.7	1.8	17.9
Current ratio (%)	443.6	536.5	519.0	306.0	93.3
Rate of turnover of assets (%)	67.0	58.6	57.5	51.2	47.3
Equity to assets ratio (%)	88.8	88.8	87.7	87.6	73.7
Dividend payout ratio (%)	119.3 (a)	154.9	149.5	313.7	(134.6)
Price to earnings ratio	11.3	16.2	24.6	53.8	(31.4)
OPERATING FIGURES					
Number of fixed telephone lines in service	788,946	784,958	798,617	819,147	828,318
Penetration of lines per 100 residents	23.4	23.2	23.5	23.9	24.0
Digitalisation rate (%)	94.0	93.9	93.5	92.7	91.2
Number of broadband Internet connections (DSL, LAN, FTTH, WiFi)	258,552	180,774	104,798	50,199	25,085
Number of wireless Internet (WiFi) hot-spots	3,182	804	287	-	-
Number of IP TV customers	17,453	4,902	-	-	-
Number of personnel at the end of period	3,177	3,098	3,005	3,120	3,586

NOTE. (a) On 13 March 2008 the Board of the Company proposed to the Annual General Meeting of Shareholders that will take place on 29 April 2008 to pay a dividend of LTL 0.25 per share for the year 2007.

TEO LT, AB
Savanorių Ave. 28
LT-03501 Vilnius, Lithuania
www.teo.lt

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