

TEO LT, AB ANNUAL REPORT 2008



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WHAT IS TEO?

TEO LT, AB Group is the largest integrated telecommunication, IT and television services provider in Lithuania.

TEO has the largest share of fixed voice telephony, Internet, data communication and leased lines markets. Also, the Company is a leader in provision of Internet and digital terrestrial television services in the country. TEO subsidiary, Lintel, has the largest share of the directory inquiry services market in Lithuania and another subsidiary, Baltic Data Center, is a leader in data center business in Baltic States.

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

Shares of TEO LT, AB are listed on NASDAQ OMX Vilnius stock exchange (ticker – TEO1L) and TEO Global Depositary 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 having SMP on the market of voice call termination in the public mobile network of UAB Omnitel.



GENERAL MANAGER'S WORD

Dear TEO shareholders,

As General Manager of TEO I have the honour to introduce the Company's annual report for the fifth time, and for the first time in such a contradictory economic context that surrounds us today. The cycle of recession entered by the global economy has an inevitable impact on every single branch of the Lithuanian economy, including the telecommunication sector.

Notwithstanding the rapidly deteriorating business environment, the results achieved by TEO in 2008 are very good. The financial result is better than planned, though such factors as increased regulation in the network interconnection services market, growing inflation and energy costs had a negative impact on revenue. Last year the Company achieved a record increase in the number of customers using digital terrestrial television and interactive television services and, in addition, successfully retained the share of the market of Internet and data communications services where, despite strict regulation and a tight competitive situation, we remain strong market leaders.

The results that we managed to achieve last year are the outcomes of our efforts for a number of years. We had forecasted the economic recession and we had been making preparations for it in the last several years: we enhanced our operating efficiency,

strengthened our positions on the market by increasing the number of services and thus diversifying the revenue. Last year, we also succeeded in reasonable cost management and sustaining one of the highest EBITDA margin among European telecommunications operators. The Company is in a strong financial position at the moment, it operates on its own rather than borrowed funds and therefore it has better resistance to the changes taking place in the financial market than many other market players.

All these achievements would not have been possible without 3 thousand employees of TEO Group, their professionalism, co-operation, enthusiasm and very often dedicated work day and night. In the presence of you all, investors, I should say once again to all the employees of TEO Group - sincerely thank you!

Which strategy will be followed by the Company's administration in 2009? This year, we expect to sustain the Company's revenue and the maximum possible level of profitability. A lot of our expectations are related with the fiber-optic Internet network that has been under active development for a few years and digital television services. We have accomplished the construction of the digital terrestrial television broadcasting network, which today covers virtually the entire territory of Lithuania. The number of customers using these services keeps growing at a very fast rate. The total number of users of both television services, Interactive GALA and Digital GALA, is approaching 100 thousand. The growth of the Company's services will be

inevitably affected by the present situation on the market and in the economy, and increasing regulation of the telecommunications sector. Taking this into consideration and in order to sustain the high profitability of the Company, we will proceed with a complex reduction of operating expenses, first of all, those not related with employee's remuneration, and exert our efforts to ensure the high quality of our services. I believe that all these efforts will render us more flexible in adapting ourselves to the conditions of economic slowdown.

There is a long list of managerial recipes, instruments and patterns of operation during economic slowdown, some of which have already been employed by us, some of them are still waiting for their time to come. But there is hardly a better recipe for securing the company's success in a crisis situation than the one that has been already applied by us for many years, i.e. ongoing search for optimum combination of the interests of investors, customers and employees. Continuous efforts and continuous creation, in which we all should have equal involvement by our professionalism, intelligence, responsibility and goodwill.

This year it is more important than ever to aspire to the same goal and to work together with you in making the decisions that would secure development and profitable business for the Company.

Arūnas Šikšta,
General Manager of TEO LT, AB

TEO GROUP

In January 2008, TEO acquired a 100 per cent stake in **UAB Nacionalinė Skaitmeninė Televizija**. The company had two licenses for re-broadcasting of television channels through digital terrestrial television (DVB-T) networks and from March 2008 started provision of digital terrestrial television services *Skaitmeninė GALA (Digital GALA)*.

In August, Nacionalinė Skaitmeninė Televizija changed its legal status from closed joint-stock company to joint-stock company and became AB Nacionalinė Skaitmeninė Televizija. On 31 December 2008, after the reorganisation process, AB Nacionalinė Skaitmeninė Televizija was merged into TEO LT, AB and ceased its activities as a legal entity.

On 31 December 2008 TEO sold its 100 per cent stake in subsidiary **UAB Voicecom**, which had the licence to use the national network of mobile analogue cellular radio communication of the NMT-450 standard.

On 23 December 2008 TEO acquired a 100 percent stake in a newly established and dormant company **UAB Verslo Investicijos**. The company was acquired for the implementation of a short-term investment project.

TEO LT, AB

Voice, Internet, data communication, IT, television and network services;
Internet portal zebra.lt

100%	UAB Lintel Information, telemarketing and remote customer care services
100%	UAB Baltic Data Center Data center and information system management services
100%	UAB Kompetencijos Ugdymo Centras Training and consultancy services
100%	UAB Verslo Investicijos Investment project
100%	VšĮ TEO Sportas Women's basketball team TEO

TEO Group as of 31 December 2008.

KEY FINANCIAL INDICATORS

	2008	2007	2006	2005	2004
Revenue (LTL million)	826	793	735	730	721
EBITDA (LTL million)	349	352	352	354	336
EBITDA margin (%)	42.2	44.4	47.9	48.5	46.6
Profit before income tax (LTL million)	190	196	162	109	41
Profit for the year (LTL million)	160	163	131	84	34
Earnings per share (LTL)	0.21	0.21	0.17	0.11	0.04
Dividend per share (LTL)	0.23(a)	0.25	0.26	0.16	0.13

NOTE. (a) The Board of the Company proposed to the Annual General Meeting of Shareholders that will take place on 28 April 2009 to pay a dividend of LTL 0.23 per share for the year 2008.

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.



TEOBUS in the City Hall Square in Vilnius

IMPORTANT EVENTS IN 2008

On 3 January TEO acquired a 100 per cent stake in UAB Nacionalinė Skaitmeninė Televizija.

In March the digital terrestrial television (DVB-T) service *Digital GALA (Skaitmeninė GALA)* was launched.

From **28 April** Gert Tiivas, a member of the Board, resigned from the Board.

On 29 April the Annual General Meeting of TEO Shareholders decided to pay a dividend of LTL 0.25 per share for the year 2007 and elected UAB PricewaterhouseCoopers as the Company's audit company for two years.

In April UAB Baltic Data Center, a subsidiary of TEO, was recognized as one of the best IT service providers in Europe.

In May at the Most Respected Company Awards, the Company was recognized as the most efficiently governed company, and according to the results of the public opinion poll – the most respected one.

In June at the Baltic Corporate Excellence Awards the Company was recognized as the most successful listed company in Lithuania.

On 15 July the Extraordinary General Meeting of TEO Shareholders decided to approve preparation of the draft reorganisation conditions for UAB Nacionalinė Skaitmeninė Televizija merger into TEO and elected Justas Pipinis to the Board of the Company.

From **1 August** the Company reduced by 40 per cent the network interconnection fees for Lithuanian operators whose customers make calls to TEO network, and for TEO customers reduced prices for calls to the networks of other Lithuanian fixed-line operators.

On 25 August Nacionalinė Skaitmeninė Televizija, a subsidiary of TEO, changed its legal status from closed joint-stock company to joint-stock company.

In September Baltic Data Center opened the first in Lithuania underground data center facility.

On October 15 the Boards of TEO LT, AB and AB Nacionalinė Skaitmeninė Televizija approved the reorganization conditions of the companies.

In October IR Magazine, the international magazine for investor relations (IR) professionals, awarded TEO LT, AB for the best investor relations by a Lithuanian company.

On 25 November the Extraordinary General Meeting of TEO Shareholders approved the reorganisation by merging of AB Nacionalinė Skaitmeninė Televizija into TEO LT, AB and approved a new edition of the By-laws of TEO LT, AB.

On 3 December during the OMX Baltic Market Awards TEO was awarded for the Best Investor Relations in Lithuania.

On 4 December Justas Pipinis, a member of the Board, resigned from the Board.

On 19 December the Company signed an agreement on sales of a 100 per cent stake in TEO subsidiary UAB Voicecom.

On 23 December TEO acquired 100 per cent shares of a newly established and dormant company UAB Verslo Investicijos.

On 31 December AB Nacionalinė Skaitmeninė Televizija was merged by acquisition into TEO LT, AB and the reorganisation of the companies was completed.



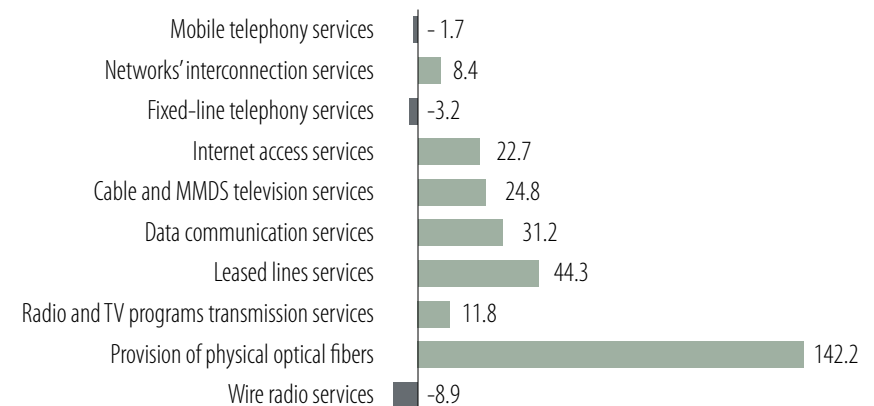
MARKET OVERVIEW

During 2008, the revenue of the Lithuanian electronic communications market continued to grow. According to the Report of the Communications Regulatory Authority (CRA), in 2008 the total revenue of the market, compared to the data for 2007, grew by 5.1 per cent and amounted to LTL 3.1 billion. The electronic communications market includes fixed-

Breakdown of the Lithuanian electronics communications market revenue during 2008 (LTL million):

Mobile telephony services	1,363.31
Networks' interconnection services	730.31
Fixed-line telephony services	399.70
Internet access services	384.07
Cable and MMDS television services	89.48
Data communication services	72.96
Leased lines services	38.46
Radio and TV programs transmission services	28.27
Provision of physical optical fibers	16.80
Wire radio services	1.43
In total:	3,124.79

Change in revenue 2007-2008 (%)



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.

In 2008, the most rapid growth was in the markets of provision of physical optical fibers (142 per cent), leased lines services (44.3 per cent), data communication services (31.2 per cent), cable television and microwave multi-channel television (MMDS) services (24.8 per cent) and Internet access services (22.7 per cent). Whereas the markets of fixed-line and mobile telephony services decreased, respectively, by 3.2 per cent and 1.7 per cent.

In 2008, the growth in the number of fixed broadband Internet users slowed down in Lithuania. During 2008, the number of broadband Internet users in Lithuania increased by 16.3 per cent or by almost 82.5 thousand – from 507.6 thousand at the beginning of the year up to 590.1 thousand at the end of 2008. At the end of 2008, the number of broadband Internet access users per 100 inhabitants of Lithuania was 17.6.

The most rapid growth was in the number of users, connected to the broadband Internet via fiber-optic communication lines (a yearly increase by 72.3 per cent). The number of users, connected via wireless communication lines increased by

15.5 per cent, and the number of users connected via DSL lines – by 8.5 per cent. DSL Internet access via copper still remains the most popular Internet access (its share of the total number of fixed broadband Internet users is 42.5 per cent).

The number of users, connected to the broadband Internet via mobile telecommunications networks, is growing as well. During 2008, the number of such users increased by almost 69.3 per cent – from 68.4 thousand at the beginning of the year up to 115.9 thousand at the end of the year.

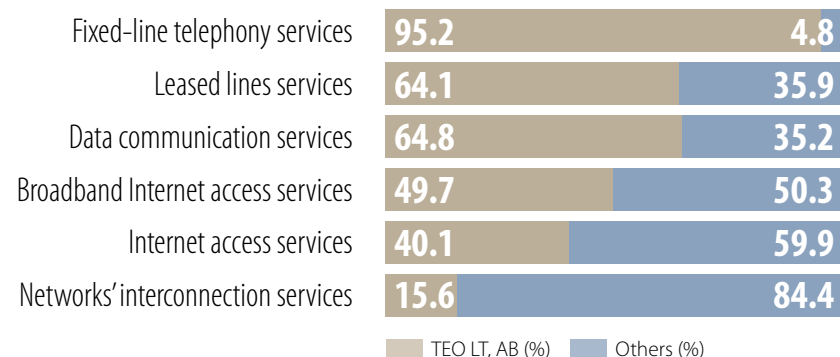
The fast development of broadband Internet was influenced by expanded Internet access territories and new forms of access. For example, over the year the number of wireless Internet (WiFi) hot-spots in Lithuania increased by almost 30 per cent and at the end of the year reached 4,506, of which even 4,203 belonged to TEO. Ac-

cording to the data as of 31 December 2008, Internet access services in Lithuania were provided by 113 service providers.

During 2008, the total number of fixed telephone lines in Lithuania decreased by 1.8 per cent or 14.5 thousand and at the end of 2008 reached 784.9 thousand. 93.4 per cent of fixed-line telephony subscribers were TEO customers, while 6.6 per cent – customers of alternative operators. At the end of 2008, there were 47 companies engaged in the provision of fixed telephony services in Lithuania. The number of fixed telephone lines per 100 inhabitants was 23.4, or 43.8 lines per 100 households.

According to the Company's estimation, at the end of 2008 the number of TEO customers using digital television (IPTV and DVB-T) services (66.7 thousand) constituted about 12 per cent of the Lithuanian multi-channel television market.

TEO shares of the electronic communications market by revenues for the fourth quarter of 2008





TEO AXMEDIS demonstrator on the Internet

INNOVATION, RESEARCH AND DEVELOPMENT ACTIVITIES

In September 2008, TEO together with its partners successfully accomplished the scientific research project for creation of TEO interactive TV services content management and provision system *TV Mozaika*. The project was co-financed from the EU Structural Funds under the Single Programming Document 2004-2006. The project that lasted over two years created prerequisites for the faster expansion of digital television possibilities in Lithuania.

During the project, TEO specialists together with the Kaunas University of Technology (KTU) and UAB Tilde IT conducted an analysis of business models for digital content dissemination as well as a technical feasibility study, and developed technical specifications for the implementation of the system's prototype. Based on that analysis, TEO developed and tested the prototype of the system for the provision and management of interactive TV services. During the project implementation, the specialists from the Company acquired new technological knowledge, attended important conferences, exchanged their experience with specialists of

telecommunication operators from other countries, co-operated with KTU scientists.

TV Mozaika enables interconnection of the service user, the service provider's transmission infrastructure and the content provider's equipment. The developed system's prototype also includes video copyright management and charging models. Video content providers will be encouraged by the project to create interactive video content services and independently manage the process of providing such services. This will open substantially wider opportunities for the customers to choose desired additional services for viewing on their TV screen. Yet before the project was completed, the system which was still under development received a lot of attention from potential video content providers.

In 2008, TEO, as a member of the international consortium, finished its activities in the international integrated project AXMEDIS launched in 2006 under the Sixth Programme Framework (FP 6) of the European Commission. Members of this project – 35 European business enterprises and scientific institutions such as Hewlett Packard, Tiscali, Eutelsat, BBC, Giunti Interactive Labs, XIM, University of Florence (Università degli Studi di Firenze, UNIFI), University of Reading, École Polytechnique Fédérale de Lausanne (EPFL), etc. The consortium gathered by TEO included Elion (Estonia), Kaunas University of Technolo-

gy and UAB VRS Grupė. The project AXMEDIS is aimed at developing an automated system for cross media content production, aggregation and multi-channel distribution, which would enable to reduce digital content production and distribution costs, to make it more diverse and better accessible to users.

The final presentation of the project to general public and representatives appointed by the European Commission took place at the global exhibition IBC 2008, held in September 2008, in Amsterdam (Netherlands). At the AXMEDIS consortium stand in the above-named exhibition, among other exhibits, a demonstrator of AXMEDIS facilities via IPTV network with the use of an STB, which was created by TEO together with VRS and the Real Time Computer Systems Centre at the Faculty of Informatics of the Kaunas University of Technology (KTU), was also displayed. The AXMEDIS technology adaptation for video content transmission to IPTV users, which was developed by AXMEDIS partners, was tested on TEO demonstrator. The European Commission representatives gave positive evaluations of the project results.



NEW SERVICES OF TEO GROUP

THE START OF THE DIGITAL TERRESTRIAL TELEVISION

The biggest novelty in 2008 was the launch of digital terrestrial television (DVB-T) service *Digital GALA* (*Skaitmeninė GALA*) in March. This accelerated the

development of digital television in Lithuania. During the first year of the service's existence, the number of its users exceeded 26 thousand.

To be able to actively contribute to the development of digital TV in Lithuania, at the beginning of 2008 TEO acquired Nacionalinė Skaitmeninė Televizija, which had two licenses for re-broadcasting of television channels through digital terrestrial television (DVB-T) networks. By means of this technology, the digital-quality picture and sound are transmitted over the air, whereas the signal is received with an ordinary indoor or outdoor antenna. This enables providing the digital television service in a much wider geographical area than cable televisions, the territory of provision of which is restricted by service provision networks. The high-quality TV service is now also available for enjoyment to people living in more remotely located towns and rural areas who until now simply did not have such possibility and had to be contented with 3-4 analogue television channels.

Digital GALA broadcasts up to 40 TV channels – the world's most popular movie, music, cognitive, news and sports channels, including the exclusive basketball channel, NBA TV. *Digital GALA* users can also use extra options: to choose the desired language of broadcasting of

some TV channels, restrict watching of selected channels with a PIN code. The exclusive feature of this service is its mobility. This TV is not tied to a specific address, so you can take a TV set-top box, let's say, to your garden, connect the antenna and watch the digital TV there.

At the beginning of the year, when the service was launched, the network of digital terrestrial television (DVB-T) transmitters covered more than 76 per cent of Lithuanian population, whereas at the end of the year, upon completion of the expansion of the main network of transmitters, the service became available to almost all residents of the country.

The Company builds and manages two out of the four national digital terrestrial television networks, each of which can broadcast 10 television programs. At the beginning of 2009, there were 20 transmitters all over Lithuania, and in 2009 it is planned to install several other transmitters, which will strengthen the TV signal and thus improve the quality of the service.

INTERNET TELEVISION DEVELOPMENT

Upon offering to the market the digital terrestrial television (DVB-T) service *Digital GALA*, the Internet technologies-based (IPTV) digital television service, launched by TEO in 2006, was renamed into

Main menu screen of *Interactive GALA**Interactive GALA (Interaktyvioji GALA).*

During 2008, it was further improved and supplemented with new possibilities.

First of all, the attractiveness of *Interactive GALA* was increased by replacing less popular channels with more often watched ones. In 2008, the basic package of channels was supplemented with NBA TV, which had been especially awaited by basketball fans. Also, other channels, such as Foxlife, FoxCrime, Hallmark, Sport1 and Nickelodeon were added, while the additional News channels package was supplemented with CNBC, Sky News International and France 24. In July, the Company offered a new package of additional channels – “For the Kids”, including three channels broadcasted by the Walt Disney Company in English – Playhouse Disney, Toon Disney and Disney Channel, and the German children’s channel, Kika. In total, *Interactive GALA* offers more than 80 television channels.

	“Basic Plus”	“Optimal Plus”	“Premium Plus”
Internet speed in Lithuania via copper DSL access	up to 1 Mbps	up to 4 Mbps	up to 10 Mbps
Internet speed in Lithuania via fiber-optic (FTTH, FTTB) access	up to 10 Mbps	up to 40 Mbps	up to 100Mbps
Speed of international Internet connection	up to 0,5 Mbps	up to 2 Mbps	up to 6 Mbps
Price (per month)	36 litas	49 litas	99 litas

In September, the users of *Interactive GALA* were offered a new service – *My TV Recordings (Mano TV įrašai)*, enabling to watch the programmes of MTV and Lietuvos Rytas TV at the times convenient for the customers.

At the end of 2008, the provision of another new service offered by the *Interactive GALA* TV service was started – *GALA Karaoke*. This is a unique service in Lithuania, because *GALA Karaoke* is provided via TV and it does not require any additional devices (a microphone, a record-player or karaoke song discs). At present, 300 popular, well-known songs in the Lithuanian and English languages are offered. In future, it is planned to offer popular songs in the Russian language and children’s songs.

In 2008, the virtual entertainment service – Games on TV – was supplemented with new games. The collection of films of the Virtual Video-On-Demand service, launched in 2007 and particularly valued by users, is also constantly updated.

NEW INTERNET ACCESS POSSIBILITIES

In June 2008, TEO updated and simplified the package of ZEBRA Internet services, provided to residential customers. Since then, new residential customers are offered only the following three new payment plans: “Premium Plus”, “Optimal Plus” and “Basic Plus”. As compared with the previous payment plans, their speed in Lithuania increased by up to 4 times, whereas from abroad – up to 2 times.

In addition, depending on the selected plan, users are free of charge provided with the possibility, either temporary or permanently, to use the ZEBRA Wireless (WiFi) Internet service in the city.

TEO also invites its customers, who use the old ZEBRA payment plans (“Takas iD1”, “Takas iD2”, “Premium Internet”, “Optimal Internet” and “Basic Internet”) to choose, instead, the updated Internet plans. Having chosen the “Plus” plan, they would use up to 4 times faster Internet

	31-12-2007	31-03-2008	30-06-2008	30-09-2008	31-12-2008
Number of Interactive GALA (IPTV) users	17,453	23,067	27,963	32,777	40,350
Number of Digital GALA (DVB-T) users	-	1,612	6,554	14,692	26,327
In total:	17,453	24,679	34,517	47,469	66,677



In 2008, the portal www.zebra.lt was renewed

connection, though the service fee would not change or change slightly.

In September 2008, residential users of ZEBRA Internet services were offered a new service – *Triple Protection (Triguba apsauga)*, which provided users with the possibility to browse, communicate and pay on the Internet much more securely.

The development of the new-generation fiber-optic (FTTH – Fiber to the Home) access network started by TEO in 2007 was continued in 2008 as well. At the end of the year, the new fiber-optic access network was installed in more than 5 thousand multi-family apartment houses, i.e. about 291 thousand households. The symmetric speed provided by this technology, depending on a chosen plan, is even up to 100 Mbps in Lithuanian and up to 6 Mbps in foreign networks. 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.

During 2008, the number of ZEBRA WiFi Internet hot-spots in Lithuania increased by over one thousand. In total, there are more than 4 thousand places where Internet access is available with the

download speed of up to 10 Mbps. Whereas abroad, the operators' network of Trustive, a partner of TEO, provides possibilities to use the wireless Internet at more than 8 thousand WiFi Internet hot-spots in 27 countries of the world.

From May, business customers, having ordered the Internet service of TEO, can also use the Zebra Wireless Internet service free of charge for half a year.

RENEWED INTERNET PORTAL

In July 2008, the substantially renewed portal ZEBRA.LT of TEO was launched. A highly modern design and navigating system have been developed; the quantity and diversity of the articles daily made available to readers have doubled. The portal ZEBRA.LT provides more music, cinema, event news, weekly programmes for 78 television channels, a comprehensive events guide for the whole Lithuania. The renewed portal ZEBRA.LT seeks to become the most popular portal among Lithuanian users looking for a good time online – reading news, playing,

listening to the radio, watching videos, communicating and planning quality leisure time

NOVELTIES IN IT SERVICES

In 2008, TEO Group changed the model for provision of IT services – at the beginning of the year, IT services from the parent company were migrated to subsidiary UAB Baltic Data Center. By concentrating all IT services provided by the Group in one company it is sought to organize activities in a more efficient manner and to provide higher quality services.

In 2008, Baltic Data Center improved and increased the attractiveness of its computer rent and sale, local area network installation, computer maintenance, online backup and other IT services offered to business customers.

In September 2008, the renewed computer rent service was introduced to business customers. The configurations of the computer equipment offered for rent were improved and the assortment was supple-

	31-12-2008	31-12-2007	Change
Number of lines used by residential customers	591,485	608,460	(16,975)
Number of lines used by business customers	174,482	178,046	(3,564)
Number of payphones	1,838	2,440	(602)
In total:	767,805	788,946	(21,141)



The website www.118.lt was launched last year

mented. The company started offering for rent not only standard computer equipment, but also specific ones: projectors, servers, uninterrupted power supply sources, computer accessories, etc.

VOICE TELEPHONY

In March 2008, the Company updated its calls payment plan *Universal (Universalusis)* for residential customers. Now this plan allows making unlimited calls within TEO network, international calls cost from 19 cents/min., calls to mobile networks – 30 cents/min. in the evenings and 50 cents/min. in the daytime. The monthly fee for the payment plan – 50 litas, whereas retired and the socially disadvantaged people are offered a 30 per cent discount.

As a result of updating the *Universal* payment plan with unlimited local and domestic long-distance calls, the traffic generated by residential customers, as compared with 2007, increased by 4.4 per cent. The *Universal* payment plan in 2008 was the most popular payment plan – in the course of the year it was ordered by nearly 40 thousand users.

From February 2008, the Company stopped providing the service of temporary disconnection of the telephone line with the possibility to receive incoming calls. As a result, the number of telephone lines used by residential customers decreased.

However, active offering of Internet services and new payment plans produced results – from February, the number of active lines used by residential customers increased by 35 thousand.

For business customers, from November 2008 the Company updated the payment plan *Calls in the Country (Pokalbiai šalyje)*. This payment plan provides from 1 to 15 hours of free calls within TEO network for a flat-rate monthly fee. The monthly subscription fee for a telephone line (or ISDN services) is already included into the monthly fee for the payment plan. As a result of this change, business customers can enjoy up to 2-3 times longer calls (depending on the selected payment plan option) than allowed by the standard tariffs for the services provided by TEO for the same amount.

In May, business customers were also offered a new possibility of the ZEBRA VoIP calls service, enabling to make calls from certain NOKIA phones. Calls from abroad to Lithuania are charged at up to 15 times lower rates, while incoming calls from Lithuania cost nothing. The ZEBRA VoIP service allows business customers, by using special software, cheaply and conveniently make or receive calls to a computer anywhere in the world where Internet access is available. After having installed the software in their computers, business customers have the

possibility to call to fixed-line or mobile telecommunications networks both in Lithuania and abroad.

Implementing the pricing model established by the Communications Regulatory Authority of the Republic of Lithuania, the Company from August 2008 reduced by 40 per cent the network interconnection fees for Lithuanian operators whose customers make calls to TEO network. The following rates per minute are applied: 6 cents (excluding VAT) during peak hours and 3.6 cents (excluding VAT) during off-peak hours.

From 1 August 2008, the Company also reduced the tariffs for calls to other fixed-line networks in Lithuania. For TEO customers, calls to the networks of other Lithuanian fixed-line operators are charged at the tariff rate starting from 10 cents (including VAT) per minute. At present, TEO customers have the possibility to make calls to 10 fixed-line operators' networks of Lithuania.

INQUIRY SERVICE 118

The results of the market survey conducted in 2008 showed that the Inquiry Service 118, provided by UAB Lintel, a subsidiary of TEO, retained its leading position on the directory inquiry services market. According to the data of UAB Baltijos Tyrimai, 88 per cent of directory inquiry service users most frequently called 118.



THE FIRST UNDERGROUND DATA CENTRE IN LITHUANIA

In 2008, UAB Baltic Data Center installed the first underground data centre in Lithuania satisfying the highest safety requirements. The exclusive feature of the new data centre is a possibility to protect the hardware and data stored in it against negative electromagnetic radiation even in the event of a nuclear explosion.

It is the third data centre of Baltic Data Center, which belongs to TEO LT, AB Group. The data centre with no analogues in Lithuania enables assurance of sustainability of the activities of many organisations, which mainly depend on uninterrupted operation of information systems and data security.

In the first half of 2008, the service users were offered several new services: in February – airline ticket booking and hotel reservations services, and in May – the event ticket booking service.

Launched in September 2008, the *118 Notebook* service enables getting the fixed or mobile phone number of a specific person and other publicly available private contact information quickly and simply. Contact information can be entered into *118 Notebook* by calling number 118 or by filling out a registration form on the Internet.

In 2008, Lintel also entered the market of online services – the portal www.118.lt started its activities in December. This website contains information about companies and organizations, their contact information, working hours, the services they provide or the products they offer. The information is supplemented with maps pinpointing the location of searched objects. A fast and convenient search engine has been integrated into the website.

IT HELP DESK SERVICE 1518

Lintel's IT Help Desk Service 1518, offering IT problem solution and consulting by phone, continued growing in popularity: during 2008, 42 thousand calls were answered, i.e. by 75 per cent more than in

2007, whereas the total duration of calls increased by even 2.6 times.

Already since 2006, Lintel consultants have been helping residential customers solve problems related to computer or Internet usage over the phone, since 2007 – also by remotely connecting to the customer's computer, and since February 2008 it has become possible to request for on-site support.

CONTACT CENTER SERVICES

In 2008, the largest in Lithuania Contact Center, run by UAB Lintel, received 56 per cent more revenues from outsourcing services in 2008 than in the previous year.

One of the most important projects in 2008 was the second phase of improving the customer care process of the State Social Insurance Fund (SODRA) – implementation of the customer care system based on the one-stop scheme.

The Lintel's new Contact Centre started its activities in April 2009, in Vilnius. It is already the fifth Contact Centre, Lintel's other centres are in Kaunas, Klaipėda, Panevėžys and Radviliškis. Lintel consultants working in Vilnius are currently providing services to TEO business customers. As the outsourcing of customer care functions to specialised companies grows in popularity, Lintel provides remote

customer care services not only to TEO customers, but also to the customers of other largest Lithuanian companies.

WHOLESALE INTERNET SERVICES

Due to the rapid growth in demand for international Internet connectivity in Lithuania, TEO, the retail Internet services of which are used by approximately 50 per cent of all Internet users in Lithuania, and the wholesale Internet services – by more than a half of national Internet service providers (ISPs), constantly increases the speed of its international Internet channel.

In 2008, TEO installed two new optical connections with the networks of foreign operators and increased the speed of international Internet connection up to 28 Gbps. TEO became the first company in Lithuania to interconnect its networks with foreign operators via 10 Gbps optical connections.

TEO was also the first in Lithuania to interconnect its networks with Golden Telecom, one of the biggest Internet service providers in Russia. The connection with the transmission capacity of 1 Gbps will allow TEO customers to have faster and more reliable connection with Russia.



CHANGES IN CUSTOMER CARE

UNIVERSAL TELECOMMUNICATION SPECIALISTS

In 2008, the Company completed the implementation of the project *Šuolis (Jump)*, aimed at enhancing the work of technicians – engineers and telecommunication specialists – improvement of their professional qualifications. Upon implementation of this project, TEO customers are served by uni-

versal telecommunication specialists having necessary competences to sell services to the customers, to prepare all network access elements for quality provision of the service, to install services, to eliminate any faults, to consult the customers.

Specialists involved in direct contact with the customers, i.e. installing and maintaining the services, are provided with more responsibilities and powers to deal with the customers' problems on site.

In order to enhance work efficiency engineers were equipped with mobile computers having possibility of remote connection to the Company's IT systems. Furthermore, definite customer care territories were established and specific groups of employees were appointed to serve them.

This customer care model makes the TEO telecommunication specialists feel themselves in control of the situation, at any time they can deal with technical issues in a qualified and efficient way, to maintain friendly relations with the customers and to offer them services that are most useful and ensure the best satisfaction of their expectations.

MORE USER-FRIENDLY SELF-SERVICE SYSTEM

Possibilities of the Company's new online self-service system at www.manoteo.lt

launched in May 2007 underwent further development in the last year.

Customers of seven Lithuanian Banks (Swedbank, SEB, Snoras, DnB Nord, Danske, Parex and Ūkio bankas) are provided with a possibility to log on to the online self-service system *Mano TEO (My TEO)* by using the same login passwords that they use to log on to the electronic banking systems of their banks. Customers of the above-mentioned banks are offered a possibility of easy payment of invoices for TEO services – the data required for executing a payment order are entered automatically.

Customers using the electronic banking services of SEB bank and Swedbank can receive electronic invoices directly into their online banking accounts, where they can not only view them, but also pay them.

Through active invitation of its customers to choose electronic invoices instead of paper ones sent by post, TEO makes its contribution to environmental protection and saving of natural resources. The number of TEO customers receiving electronic invoices jumped from 197 thousand in 2007 up to 249 thousand in 2008.

LESS PAPERWORK WHEN ORDERING SERVICES

In summer 2008, the procedure of preparation of contract documents for residential customers was changed – agreements were entirely



During 2008 seven customer care units were renovated

refused. Now TEO customer care specialists have to prepare and the customers – to sign only one document – an order form which includes all contractual obligations. All necessary data into the order form are imported automatically, therefore orders are processed in a faster and more efficient manner.

RENOVATED CUSTOMER CARE UNITS

The project of renovation of customer care units was completed in 2008. The first renovated customer care unit was opened in October 2007, in Kaunas, while during 2008, customer care units were renovated in Klaipėda, Panevėžys, Alytus, Marijampolė, Utena, Mažeikiai and Šiauliai. In February 2008, a TEO services demonstration site was opened in the shopping centre Tilžė in Šiauliai, while in August, a mobile services demonstration trailer – TEOBUS – was introduced to the public.

The renovation of the customer care units and the search for new forms of services demonstration represent a part of the consistent re-branding project and the next step towards implementing the overall upgrade and improvement of TEO customer care.

The renovated customer care units are more functional and convenient, visitors receive information and services in a more efficient way. Consulting services are available and payment for services can be made at special fast-service or self-service points. Customers willing to test TEO services can do

that at special demonstration stands of the digital television GALA and ZEBRA Internet. New comfortable spaces and a conference halls for presentations have been designed for business customers to meet with sales managers.

IMPROVEMENT OF CUSTOMER CARE QUALITY

Communication with a customer is one of the vital customer care components. Direct communication of the Company's employees with the customers creates the general impression about the Company and its employees. Only good impression ensures customers' satisfaction and increases their loyalty to the Company. Therefore, a new Customer Communication Standard was approved in February 2008, on the basis of which the quality of direct customer care is maintained and improved in TEO. The new requirements replaced the Customer Care Standard that had been effective in the Company since 2004.

The Customer Communication Standard establishes the key requirements for businesslike, professional communication of TEO personnel with the customers and instructs on the way of formation of a favourable attitude towards the customers in order to ensure the development of a high customer care culture. The Customer Communication Standard is a constituent part of the Company's quality management system.

PROJECT OF THE YEAR

TOP-LEVEL SOLUTIONS FOR THE TOP-LEVEL SUMMIT

On 7-8 February 2008, Vilnius hosted the summit of the NATO Defence Ministers, one of subcontractors of which was TEO LT, AB. The duty of the Company was to ensure reliable telephone and Internet communications, and to install the local area network during the summit.

The NATO summit in Vilnius was attended by over 50 delegations from different countries of the world and international organisations, over 1000 participants and journalists.

TEO already had experience in providing services for top-level events – the Company successfully provided services for the NATO summit in 2005. The peculiarity of such summits is that most of the organisational requirements represent confidential information, therefore even the organisers of such event do not know some details in advance. Only the requirements for quality, but not quantity are clear.

Before the summit, five LITEXPO pavilions were interconnected by a fiber-optic cable, a local TV network was designed and cabled, and a local area network was installed. During the summit, all services were provided in time and of good quality: public fixed-line communication services, Internet via optical access, lease of optical fibers. During the event, a team of TEO specialists was on duty ready to respond to any minor failures.



TECHNOLOGY DEVELOPMENT

DATA COMMUNICATION NETWORK

One of the major achievements in 2008 was the increased speed for the residential users of Internet services in June. Depending on the selected payment plan, the speed of international Internet was increased by 100 per cent – up to 6 Mbps, while the speed of Internet in Lithuania reached 10 Mbps for DSL access users and for optical access users – up to 100 Mbps.

The project on the upgrading of Internet services for medium-size business customers was also completed in 2008. Dynamic speed management functionality was implemented as an additional service, which provides users with the possibility to increase the Internet speed by themselves. Furthermore, the DSL access speed for medium-size business customers was separated and unlimited in Lithuania, while the speed of international Internet was increased by two times.

In September 2008, the *Triple Protection* service was offered for DSL access users. The service protects customers' computers from viruses, Trojan horses, worms, spyware and adware. In order to reduce electronic mail spam, there was introduced a control ensuring prevention of users' infected computers from sending spam messages to other Internet users.

BACKBONE IP NETWORK

The year 2008 witnessed rapid development of the MPLS (Multi-Protocol Label Switching) technology-based backbone Metro network. During the year, the capacity of the backbone MPLS network was increased up to 20 Gbps, while the regional Metro network was expanded to 270 localities. The main backbone network nodes in the five biggest cities of Lithuania are geographically duplicated, which enables

reducing the impact of *force majeure* circumstances on the Company's services.

Further development of the MPLS Metro network – increasing the backbone network's capacity up to 50 Gbps, the number and capacity of regional rings – is planned for the year 2009.

TRANSMISSION NETWORK

The major changes that took place in 2008 in the transmission network included launching of the first international DWDM (Dense Wavelength Division Multiplexing) system and transition to 10G technologies at the international level.

In April 2008, the equipment, enabling connection to Polish operator Exatel via DWDM technology, was installed. The next step was the first international 10 Gbps broadband Internet connection between Kaunas and Suwalki, and further connection to the Level3 PoP (Point of Presence) node situated in Warsaw. Besides, additional DWDM nodes were installed in the main cities of Lithuania.

Further development of the backbone network will be carried out in 2009. The DWDM system connection between Klaipėda and Marijampolė will be installed, development of international DWDM systems will be carried out between Lazdijai and Hrodna, and the international

10 Gbps Internet connection with Frankfurt am Main will be established.

ACCESS NETWORK

During 2008 the copper DSL access network was expanded by 50 thousand new lines. About 45 thousand new and existing customers were connected. The existing customers were switched over from other old-type DSL nodes, not supporting new TEO services.

A lot of attention and investments were allocated to the development of a new generation fiber-optical FTTH (Fiber to the Home) access network. During the year, the fiber-optical network was installed in 1,862 multi-family houses (926 located in cities and 936 in district towns) and by the end of 2008 there were 5,114 multi-family houses where TEO fiber-optic (FTTH or FTTB (Fiber to the Building)) network was installed. This means, that by the end of 2008 the new generation broadband access was available to 291 thousand households in Lithuania.

Rapid development of the FTTH access network and the search for more efficient FTTH technological solutions as well as their implementation are planned for 2009. Migration of the customers using DSL technology to the new-generation ADSL2+/FTTH technologies will continue.

TELEVISION

In 2008, the package of Internet television (IPTV) channels was expanded and trial high-definition (HD) television broadcasting was carried out during the Olympic Games.

Over 200 films were added to the Video-On-Demand film lists of *Interactive GALA* television service in 2008. A new interactive television service – *My TV Recordings* was launched in September, which enables viewing the records of the last 7 days' programmes, while in November, another entertainment – *GALA Karaoke* – was introduced.

Broadcasting of the high-definition television (HDTV) and launch of the *Weather on TV* service are planned for 2009.

Following acquisition of Nacionalinė Skaitmeninė Televizija by TEO in 2008, integration of the technological equipment of the digital terrestrial television (DVB-T) into TEO systems was carried out. In March, the digital terrestrial television service *Digital GALA* was launched. The electronic programme guide (EPG) service was put into operation in May; while in the course of the year, new channels were added.

TEO completed the expansion of its main network of DVB-T transmitters and today

the digital terrestrial television service is available almost in the whole of Lithuania.

In January 2009, DVB-T transmitters started working in their full capacity in Alytus, Marijampolė, Raseiniai, Anykščiai, Skuodas and Visaginas. Total number of transmitters operating in Lithuania is 20, which offer up to 40 TV channels. In 2009, a few more transmitters, strengthening the television signal and thus improving the service quality, will be installed in the country.

TELEPHONY

One of the main events in the telephony in 2008 was migration of the FM, CPS (a regulated service) services and the Centrex service *Grupė* (for business subscribers) from Siemens to Ericsson IN (Intelligent Network) platform. After the migration of nearly 80 thousand subscribers was finished, the Siemens IN load dropped down by about 60 per cent.

In 2008, the general telephony plan for 2009-2013 was drawn up. The works planned for the next year include upgrading of the VoIP (Voice over IP) platform, modification of the Vilnius international and transit telephone exchange, development of new services.

TEO Group Investments in 2008

	(LTL million)
Investments into the network	127.0
IT investments	25.4
Investments into the renovation of buildings and customer care units	19.5
Transport	6.7
Other investments	1.8
In total:	180.4



THE ORGANISATION AND EMPLOYEES

The year 2008 witnessed further successful enhancement of the organisation's management efficiency, development of the responsibility and loyalty of the Company's managers and employees, improvement of professional competences of the employees and increasing of services sales potential, improvement of the customer care quality and working conditions. The structure of the

organisation developed at the end of 2007 enabled successful management of the organisation and business processes, improvement of co-operation and the quality of services.

EMPLOYEE TRAINING

The career management system was launched last year to help to link the employees' career expectations with the Company's targets and needs, to secure more efficient development of the employees' potential, to strengthen their motivation and loyalty, to create conditions for their professional improvement. In order to achieve efficiency in business management a Coaching programme was developed, which involved all managers of TEO. The key principles of this programme are as follows: focusing on solutions, recognition of employees by involving them into the search for new ideas and proposals, and realisation of their proposals in business development.

The third programme to train the key employees' reserve – Business Leaders' Training was launched in 2008. The programme is aimed at securing business sustainability and competitive advantages of the organisation, by maintaining and developing the key competences of the Company. 25 per cent of the programme participants were promoted and appointed to managerial positions during the year.

As usually, a lot of attention was focused on the development of professional and social competences. In 2008, over 3,000 of TEO Group employees took part in various educational programmes, including projects supported by the Republic of Lithuania and co-financed by the Social Fund of the European Union. Traditionally, TEO supported Master's degree of its employees in various Lithuanian and foreign universities. In total about 30 training hours on the average were assigned per employee of TEO in 2008 (in 2007 – 28 hours), while the investment made into employees' competence improvement and competitiveness enhancement, including the support from the Social Fund of the European Union amounted to over LTL 4.1 million (in 2007 – LTL 4.3 million).

IMPROVING WORKING CONDITIONS

Working conditions for the employees of TEO Group underwent further improvements in 2008. All employees of the Group who have worked for the Company for at least one year (about 90 per cent of the employees in total) are covered by additional health insurance, the package of services of which can be chosen from several options by everyone at his/her own discretion. Over 80 per cent of the employees received a 15 per cent pay rise, on average, in 2008.

Traditionally, a lot of attention was paid to the employees' participation in cultural and sport events: the Company pays for gyms and swimming pools in all regional centres, organises the employees' sports competitions, finances game tickets for the supporters of the women's basketball team TEO, which has been participating in the women's basketball tournament Euroleague for many years, and at the end of the year organised the supporters' trip to the important match in Slovakia.

The Social Needs Fund as usual provided assistance to the employees during hard moments of their life.

THE EMPLOYEES' OPINION MATTERS

The organisation considers its employees' opinion highly important; therefore three surveys were conducted in 2008: the employee opinion poll (TEOmeter), the activity management process, and the co-operation assessment. It revealed that the employees highly appreciate competitive advantages of the Company, its responsibility in respect of the environment and society, initiative in implementing novelties. The following specific programmes were developed on the basis of the survey results and are under implementation: the Coaching programme for managers, the career management system, the co-operation promotion programme, the sessions of

which were attended by over 420 employees. The managers of the Company's subsidiaries and structural units consider the survey results when discuss priorities of the organisation development, set specific targets and plan actions. Target synchronisation events organised at the beginning of every year are turning into a good tradition.

THE EMPLOYER'S IMAGE

According to the survey conducted by TNS Gallup, every year TEO is on the list of the most desirable employers. The year 2008 was not an exception. Human resources specialists continued close relations with the Lithuanian higher education establishments, took active participation in career events, co-operated

with career centres at universities. The number of undergraduates alone who performed internship at the Group's companies was more than 60, some of them were employed.

TARGETS FOR 2009

In 2009, efforts in the personnel management field will be oriented to further enhancement of management efficiency, strengthening of the responsibility and loyalty of managers and employees, as well as development of social competence of the management and professional competences of the employees, strengthening of the potential of customer care and service sales of the entire organisation.

Breakdown of employees by companies:

Company name	31-2-2008	31-12-2007	Change
TEO LT, AB	2,183	2,274	(91)
UAB Lintel	934	738	196
UAB Baltic Data Center	186	136	50
UAB Kompetencijos Ugdymo Centras	22	22	-
VšĮ TEO Sportas	7	7	-
In total:	3,332	3,177	155



SPONSORSHIP AND SOCIAL RESPONSIBILITY

In 2008, TEO made significant social investments, initiated and supported new projects, which evoked great response in the society.

In total, TEO allocated over LTL 4 million for support and implementation of social projects (this amount does not include Company's support in terms of telecommunication services and employees' working hours spent working on social projects).

During 2008 the Company signed over 230 support and co-operation agreements,

while the number of such agreements in 2007 was 189.

PROMOTION OF VOLUNTEERING

In 2008, TEO continued its policy for promotion of volunteering in Lithuania. In order to assess the actual situation of volunteering and critical issues in that area in Lithuania, TEO in 2008 together with its partners initiated two surveys: the public opinion poll and the legal environment survey.

The survey results were introduced to the public during the international conference Volunteering in Lithuania: Challenges and Prospects which took place at the end of 2008 and was dedicated for discussion of economic, organisational and legal problems for the development of voluntary activities.

The conference held at the Seimas of the Republic of Lithuania also included an overview of the non-governmental sector, the European Parliament's position regarding this issue and presentation of the experience of foreign countries – Italy and Croatia – in the field of volunteering promotion. After the conference its organisers signed a petition, in which the country's highest government officials were invited to support the initiative of the members of the European Parliament to declare 2011 as the European Year of Volunteering.

	Funds allocated by TEO in 2008:
Volunteering promotion: from surveys in this field and support to actually working volunteer organisations to involvement of the employees into volunteering projects	LTL 96 thousand
Development of future leaders: educational projects, realisation of young people's ideas (in business and social fields); development of information technologies and science	LTL 150 thousand
Promotion of social communication and co-operation: festivities of towns and cities; projects initiated by local communities	LTL 1.2 million
Promotion of innovations: knowledge of state-of-the-art technologies presentation to society, digital divide reduction projects	LTL 71 thousand
Support to sports: women's basketball team TEO	LTL 2.5 million



Jazzing GALA Street in Palanga

In order to provide more information to the public about volunteering activities, TEO released an educational publication entitled „Volunteering in Lithuania: WHAT? WHERE? HOW?“ in which the most important results of the public opinion poll and the legal environment survey, practical advice and the contact information of organisations welcoming volunteers was provided.

DEVELOPMENT OF FUTURE LEADERS

The targeted investments of TEO in 2008 were intended for both scientific initiatives and development of the country's promising youth – the would-be future leaders.

Already for the fifth year in a row, about 7 thousand school children of the country had the opportunity to reveal their skills at the international information technology contest *Beaver*, initiated by the Ministry of Education and Science and the Institute of Mathematics and Information Science. During the contest, school children solved the tasks requiring skills in logics, structured thinking, and general historical knowledge, created for the competition by not only Lithuanian, but also foreign teachers and university lecturers.

Another example of long-term cooperation of TEO with youth development organizations is the

traditional Competition of Lithuanian Schools' Websites, in which 100 Lithuanian and 7 Latvian schools took part in 2008.

TEO objective to contribute to the development of future leaders is proved by its continuing co-operation with public institution National Student Academy, which develops children with exceptional abilities. In 2008, TEO allocated financial support for scholarships of the students of this Academy. In addition, in 2008, TEO supported the yearly school children's competition organised by the national committee of the Joint World's Colleges for scholarships for studies in Italian, Norwegian and Hong Kong colleges.

PROMOTION OF SOCIAL CO-OPERATION

In 2008, TEO supported and co-operated in the preparation of a number of cultural projects throughout Lithuania. One of the most interesting ones was *Jazzing GALA Street*. It was a part of the festival *Palanga Summer* sponsored by the Company. During the project, free live performances of not only jazz grands, but also less famous professional performers from different countries of Europe were held throughout the summer. Among other events organized in the seaside and patronised by TEO – the *Sea Festival* and *Klaipėda Jazz Festival*, which always are highly popular.

The *GALA Festival* of non-commercial films, sponsored by TEO, accelerated its pace in 2008. During the first season (November 2007 – May 2008), 37 films were shown, which attracted an audience of over 10 thousand. With the festival gaining momentum, film shows were also launched in Kaunas and Panevėžys, not only in Vilnius. In January 2008, the festival received a prize from the culture publication „Pravda“ as the best newcomer of the year.

In 2008, TEO also sponsored the production of the biographic documentary „Dance in the Desert“ in memoriam of famous writer, artist, traveller and photographer Jurga Ivanauskaitė (1961–2007).

The same as in previous years, in 2008 the Company gratuitously provided numbers, which contribute to the public campaigns aimed at helping those who have suffered different kinds of disasters or mobilizing society in solving social problems. During 2008, people calling from their fixed-line phones to TEO short numbers donated nearly LTL 400 thousand for various support projects, campaigns and initiatives (in 2007 – LTL 330.3 thousand). The short numbers, 800- or 900-line services, allocated by TEO, helped TEO public partners not only to collect support, but also to provide various forms of consultation.

TEO LT, AB AWARD IN 2008



"National Responsible Business Award 2008" –
The Most Social Company of the Year
(category of large Lithuanian corporations)

More information about TEO social activities and progress made in the social responsibility field is available in the
[TEO Social Responsibility Report 2008](#).

"Harry Potter and the Deathly Hallows", the 7th and the last book of the Harry Potter novel series, which was published in Braille in January 2008, was a memorable social solidarity project of TEO. Lithuania is one of the few countries in Europe where all the 7 books by J.K. Rowling about Harry Potter, a young sorcerer, have been published in the script understandable by the blind.

In 2008, TEO supported nearly 90 (in 2007 – 60) town and city festivities, cultural projects, other initiatives of local communities.

In 2008, TEO also supported involvement of local communities and healthy lifestyle: renovated outdoor basketball courts in Alytus, Radviliškis, Švenčionys. During the project's implementation period from 2007 to 2008, TEO renovated in total 24 outdoor playing courts in different towns of the country.

In 2008, TEO provided support in the form of 250 computers to local communities of five big regions of the country, which were distributed to the people needing them most.

PROMOTION OF INNOVATIONS

One of all Lithuania-relevant projects supported by TEO in 2008 – a web-based smart voting tool – *Mano Balsas (My Vote)* (www.manobalsas.lt). In just the first three months of the project's existence, the website manobalsas.lt was visited by 140

thousand people. The project received a very high recognition by society and specialists and a number of different awards.

Already for the second year in a row, TEO continued its co-operation with the Communications Regulatory Authority and the Ministry of Education and Science in implementing the European Commission (EC) programme "Safer Internet LT" in Lithuania. During 2008, for the website of the "Safer Internet" programme www.draugiskasinternetas.lt TEO regularly provided educational information about the Internet's opportunities and threats that both children and parents can encounter on the Internet.

SUPPORTING WOMEN'S BASKETBALL

In 2008, TEO further remained the biggest supporter of the women's basketball team TEO. It is the strongest women basketball team in the Baltic region and one of the most powerful ones in Europe.

In 2008, for the ninth time in a row, basketball players of the team TEO became the winners of the Baltic Women's Basketball League Championship and won the Winners' Cup of the Lithuanian Women's Basketball League for the eleventh time. TEO is the only Lithuanian team playing in the Europe's most prestigious women's basketball tournament – EuroLeague.



Women's basketball team TEO

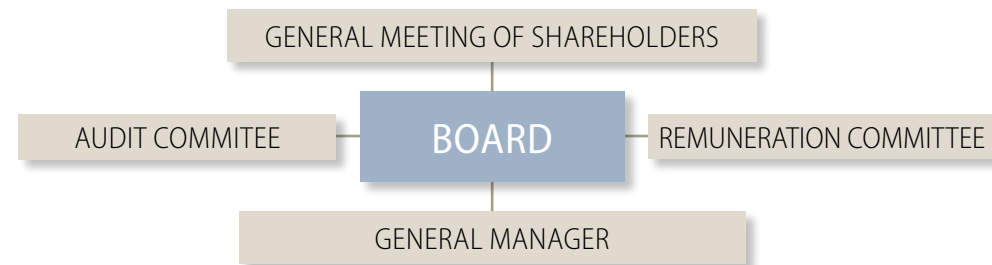
CORPORATE GOVERNANCE AND MANAGEMENT

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 Board, the two-year term of which will terminate in April 2009, was elected during the Annual General Meeting of Shareholders on 26 April 2007. Then the shareholders elected to the Board the following nominees proposed by the largest shareholder of the Company, Amber Teleholding A/S: Jörgen Latte, Anders Gylder, Ove Alm, Joakim Sundström and Björn Lindegren, as well as Matti Hyyrynen and Gert Tiivas proposed to Amber Teleholding A/S by East Capital. Matti Hyyrynen and Gert Tiivas were regarded as independent members of the Board.

Board members Jörgen Latte, Anders Gylder and Björn Lindegren were elected to the Remuneration Committee, and independent Board members Matti

TEO LT, AB AWARDS IN 2008

“Most Respected Lithuanian Companies Awards”:

- The most efficiently governed company
- The most respected company by results of the public opinion poll

More information about the Board's activities in 2008 and disclosure of the Company's compliance with the principles and recommendation set by The Governance Code for the Companies Listed on NASDAQ OMX Vilnius stock exchange is provided in TEO LT, AB Consolidated Annual Report for the year 2008 and its appendix which is an integral part of the Company's **Financial Statements for the year ended 31 December 2008**.



TEO Board and Management members before meeting in Kaunas in September 2008

Hyrynen and Gert Tiivas together with Joakim Sundström composed the Audit Committee.

Instead of Gert Tiivas who resigned from the Board as of 28 April 2008, a new Board member, Justas Pipinis, proposed to Amber Teleholding A/S by East Capital, was elected during the Extraordinary General Meeting of Shareholders on 15 July 2008. Justas Pipinis was Managing Director of

East Capital Holding AB (Sweden) and East Capital International AB (Sweden). He was also elected to the Audit Committee.

As of 4 December 2008 Justas Pipinis resigned from the Board of the Company and the Extraordinary General Meeting of Shareholders held on 9 February 2009 elected to the Board an independent candidate Martynas Česnavičius, proposed by Amber Teleholding A/S. Martynas

Česnavičius also became a member of the Audit Committee.

Upon termination of the two-year term of the Board that was elected at the Annual General Meeting of Shareholders on 26 April 2007, Amber Teleholding A/S, the largest shareholder of TEO LT, AB, which owns 60 per cent of the Company's share capital, proposed to the Annual General Meeting of Shareholders to be held on 28 April 2009 to re-elect the current members of the Board Anders Gylder, Ove Alm and Joakim Sundström, representing TeliaSonera, and the independent member of the Board Martynas Česnavičius. And, instead of Jörgen Latte, Björn Lindegren (both representing TeliaSonera AB) and the independent member of the Board Matti Hyrynen to elect to the Board of TEO the representatives of TeliaSonera AB Håkan Dahlström and Tiia Tuovinen as well as the independent candidate Lars Ohnemus.

Following provisions of The Governance Code for the Companies Listed on NASDAQ OMX Vilnius stock exchange all nominees upon election would be regarded as non-executive members of the Board, while Lars Ohnemus and Martynas Česnavičius would be regarded as independent members of the Board.



Jörgen Latte
(born in 1954)

BOARD (as of 31 March 2009)

Chairman of the Board, as member of the Board for the two-year term elected on 26 April 2007 (nominated by Amber Teleholding A/S), Chairman of the Remuneration Committee of the Board.

Education:

University of Stockholm (Sweden), Bachelor of Business Administration.

Employment:

TeliaSonera AB Business Area Broadband Services (Sweden), Senior Vice President.

Current Board Assignments:

Eesti Telekom AS (Estonia), member of the Supervisory Board; Elion Ettevõtte AS (Estonia), Chairman of the Supervisory Board; TeliaSonera Sverige Net Fastigheter AB (Sweden), Chairman of the Board; Amber Teleholding A/S (Denmark), Chairman of the Board; Telia Pensionfund (Sweden), member of the Board; TeliaSonera International Carrier AB (Sweden), member of the Board; TeliaSonera Försäkring AB (Sweden), member of the Board; Avnos AB (Sweden), deputy member of the Board.

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 and 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)

Member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

Education:

Linköping Institute of Technology (Sweden), Master of Science in Engineering.

Employment:

TeliaSonera AB Business Area Broadband Services (Sweden), Executive Vice President.

Current Board Assignments:

Lattelecom SIA (Latvia), Deputy Chairman of the Supervisory Council, member of Remuneration Committee, and Business Planning and Finance Committee; Amber Teleholding A/S (Denmark), member of the Board; Tilts Communications A/S (Denmark), member of the Board.

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 and 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)

Member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S).

Education:

University of Uppsala (Sweden), Master of Business Administration, International Business; Royal Institute of Technology (KTH), Stockholm (Sweden), Master of Science, Engineering Physics.

Employment:

TeliaSonera AB Business Area Broadband Services (Sweden), Head of Product and Production.

Current Board Assignments:

Lattelecom SIA (Latvia), member of the Supervisory Board; NextGenTel Holding ASA (Norway), member of the Board.

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 and 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)

Member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Audit Committee of the Board.

Education:

Stockholm University (Sweden), Bachelor of Business Administration.

Employment:

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

Current Board Assignments:

Lattelecom SIA (Latvia), member of the Supervisory Board, member of the Audit Committee, and member of the Business Planning and Finance Committee; Sergel Kredittjanster AB (Sweden), member of the Board; TeliaSonera Skanova Access AB (Sweden), deputy member of the Board; Tilts Communications A/S (Denmark), member of the Board.

TeliaSonera AB (Sweden), 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 and 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)

Member of the Board, elected for the two-year term on 26 April 2007 (nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board.

Education:

Bachelor of Law, Degree in Maritime Law.

Employment:

TeliaSonera AB Skanova Access (Sweden), Senior Legal Advisor.

Current Board Assignments:

Konsumenternas tele-och Internetbyrå AB (Sweden), member of the Board; Amber Teleholding A/S (Denmark), member of the Board and Managing Director.

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 and is not involved in the business of other Lithuanian companies and does not have interest in the share capital of Lithuanian companies.



**Matti
Hyrynen**
(born in 1954)

Member of the Board since 26 April 2002 (re-elected for the two-year term on 26 April 2007; nominated by East Capital through Amber Teleholding A/S), Chairman of the Audit Committee of the Board.

Education:

Helsinki University (Finland), Master's Degree in Mathematics.

Employment:

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

Current Board Assignments:

AB Siaulių Bankas (Lithuania), member of the Supervisory Council; AS Estonian Cell (Estonia), member of the Supervisory Council; AS Tallinna Vesi (Estonia), member of the Supervisory Council.

As of 31 March 2009 East Capital (Sweden), a company that nominated Matti Hyrynen to the Board of TEO LT, AB, held 17,917,836 shares of TEO LT, AB that accounts to 2.20 per cent of the share capital and gives 2.32 per cent of votes.

Matti Hyrynen has no direct interest in the share capital of TEO LT, AB and does not have interest in the share capital of Lithuanian companies.



Martynas
Česnavičius
(born in 1972)

Member of the Board, elected for the current term of the Board on 9 February 2009 (nominated by Amber Teleholding A/S), member of the Audit Committee of the Board.

Education:

Vilnius University (Lithuania), Diploma in Banking and Finance.

Employment:

Investment funds Amber Trust I and Amber Trust II (Luxemburg), Advisor.

Current Board Assignments (all in Lithuania):

UAB Malsena Plius, Chairman of the Board; AB Amilina, member of the Board; AB Kauno Pieno Centras, member of the Board; AB Sanitas, member of the Board; AB Snaigė, member of the Board; UAB Atradių Studija, member of the Board; UAB Laisvas Nepriklausomas Kanalas, member of the Board; UAB Litagros Prekyba, member of the Board; UAB Meditus, member of the Board; UAB Sidabra, member of the Board.

TeliaSonera AB (Sweden), through its subsidiary Amber Teleholding A/S (Denmark), which nominated Martynas Česnavičius 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.

UAB Profinance, a company where Martynas Česnavičius has a 50 per cent stake, holds 45,000 shares of TEO LT, AB that accounts to 0.0055 per cent of the share capital and gives 0.0058 per cent of votes. Also he has a 31 per cent stake in UAB Atradių Studija.

Martynas Česnavičius has no direct interest in the share capital of TEO LT, AB.

MANAGEMENT OF THE COMPANY (as of 31 March 2009)

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, Lithuania (1995). From 2007 he studies at Vienna University of Economics and Business Administration, PMBA.

Deputy Chairman of the Board of AAS Gjensidige Baltic, a subsidiary of Norwegian non-life insurance company Gjensidige Forsikring BA.

Member of the Council of the International Business School at Vilnius University, Lithuania.

Member of the Board of Big Brothers Big Sisters International, Philadelphia, U.S.A.

Arūnas Šikšta 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



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 (2005), at Vilnius Gediminas Technical University, Lithuania.

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

Darius Gudačiauskas 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



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 a Bachelor degree in Econometrics from Vilnius University, Lithuania, (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).

Nerijus Ivanauskas 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



Darius Didžgalvis

(born in 1969) from 9 February 2005 holds the office of Chief Technology Officer and Deputy General Manager of the Company.

From Kaunas Technology University, Lithuania, he graduated as engineer in radio electronics (1993), MSc in Telecommunication Engineering (2001) and International Executive MBA (2003).

Chairman of the Board of UAB Baltic Data Center, a subsidiary of TEO LT, AB.

Darius Didžgalvis 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



Jan-Erik Elsérius

(born in 1943) till 31 March 2009 he held the office of Chief Financial Officer and Deputy General Manager, and was Head of Treasury and Investor Relations Unit of the Company.

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

Member of the Board of UAB Lintel, a subsidiary of TEO LT, AB.

Jan-Erik Elsérius 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.



Giedrius Vegys

(born in 1959) from 1 April 2009 holds the office of Chief Financial Officer of the Company.

In 1982, he graduated from Vilnius University, Lithuania, Faculty of Economic Cybernetics and Finance, and has an Executive MBA degree (2001) from Helsinki School of Economics, Finland.

Member of the Board of UAB Baltic Data Center, a subsidiary of TEO LT, AB.

Giedrius Vegys has no shares 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.

MAIN UNITS



Kastytis Kmitas
Director of Internal Audit Unit



Vytautas Bučinskas
Director of Risk Management Unit



Edis Kasperavičius
Director of Human Resources Unit



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



Valdas Kaminskas
Director of Corporate
Communication Unit



Vytautas Valionis,
Director of Strategic Development
and Research Unit

SALES AND CUSTOMER CARE DIVISION



Aleksandr Samuchov
Director of Business Solutions
Department



Raimondas Geleževičius
Director of Sales Development
Department



Arnoldas Žukauskas
Director of Carrier Business
Department



Renaldas Radvila,
Director of Process and Quality
Management Department



Laurynas Šeškevičius
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 Business Customers
Marketing Department



Daiva Tonkūnienė
Director of Residential Customers
Marketing 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



Dzintra Tamulienė
Director of Accounting
Department



Rasa Norkienė
Corporate Image
Formation Advisor

SUBSIDIARIES



Remigijus Šeris
Director of UAB Lintel



Saulius Markūnas
Director of UAB Baltic Data Center



Donatas Šedys
Director of UAB Kompetencijos
Ugdymo Centras



Arvydas Tamašauskas
Director of VšĮ TEO Sportas

The organisational and personnel structure as of 31 March 2009.



TEO SHARES AND SHAREHOLDERS

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

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

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 2008, 31,641,670 ordinary shares of the Company (3.88% of the total share capital) were represented by 3,164,167 GDRs.

Structure of TEO LT, AB capital (%)

	Ordinary registered shares	Global Depository Receipts
31-12-2008	96.12	3.88
30-09-2008	96.12	3.88
30-06-2008	96.12	3.88
31-03-2008	95.65	4.35
31-12-2007	93.20	6.80

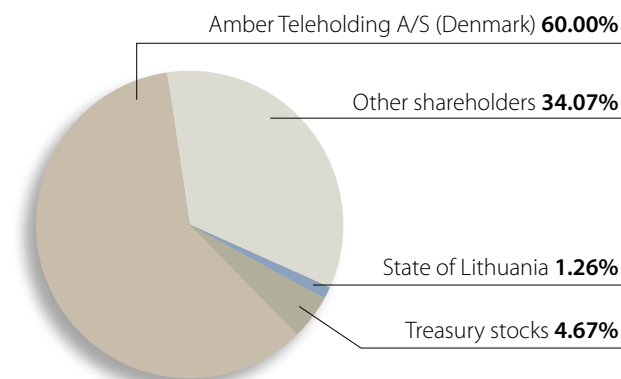
SHAREHOLDERS

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 2008, 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 1.57 per cent (31 Dec. 2007) to 1.26 per cent (31 Dec. 2008).

The number of shareholders on the day of the last General Meeting of Shareholders, which was held on 9 February 2009, was 15,802.

Shareholders of TEO LT, AB as of 31 December 2008



Breakdown of TEO LT, AB shareholders by the country of residence as of 31 December 2008

Country	Number of shareholders	Number of shares	Share of TEO share capital (%)
Denmark	1	488,947,656	60.00
Lithuania	15,595	140,284,952	17.21
Estonia	9	79,519,230	9.76
U.S.A. (a)	35	41,205,789	5.06
Sweden	12	38,027,369	4.67
Channel Islands	1	10,252,500	1.26
United Kingdom	15	5,997,108	0.74
Latvia	8	4,849,563	0.60
Germany	3	2,841,805	0.35
Finland	7	967,310	0.12
Iceland	1	894,426	0.11
France	2	333,100	0.04
Cayman Islands	1	224,952	0.03
Slovenia	2	174,000	0.02
Switzerland	3	149,429	0.02
Russia	3	70,401	0.01
Norway	2	55,929	0.01
Austria	2	25,430	0.00
Luxemburg	2	19,712	0.00
Netherlands	1	18,000	0.00
Ireland	6	16,602	0.00
Belarus	2	15,930	0.00
China	1	5,250	0.00
South Korea	1	5,100	0.00
Bahamas	1	3,780	0.00
Poland	1	3,000	0.00
Israel	1	2,000	0.00
Italy	1	1,400	0.00
Belgium	1	750	0.00
Argentina	1	287	0.00
	15,721	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 2008

	Number of shareholders	Number of shares	Share of TEO share capital (%)
Private individuals	15,414	94,937,135	11.65
Legal entities	132	17,179,204	2.11
Banks and financial institutions	19	11,995,884	1.47
State of Lithuania, represented by State Property Fund	1	9,888,363	1.21
Insurance companies	14	4,809,642	0.59
Investment funds	7	949,337	0.12
State of Lithuania, represented by State Tax Authorities	3	362,630	0.04
Financial brokerage companies	5	162,757	0.02
	15,595	140,284,952	17.21

TRADING IN TEO SHARES

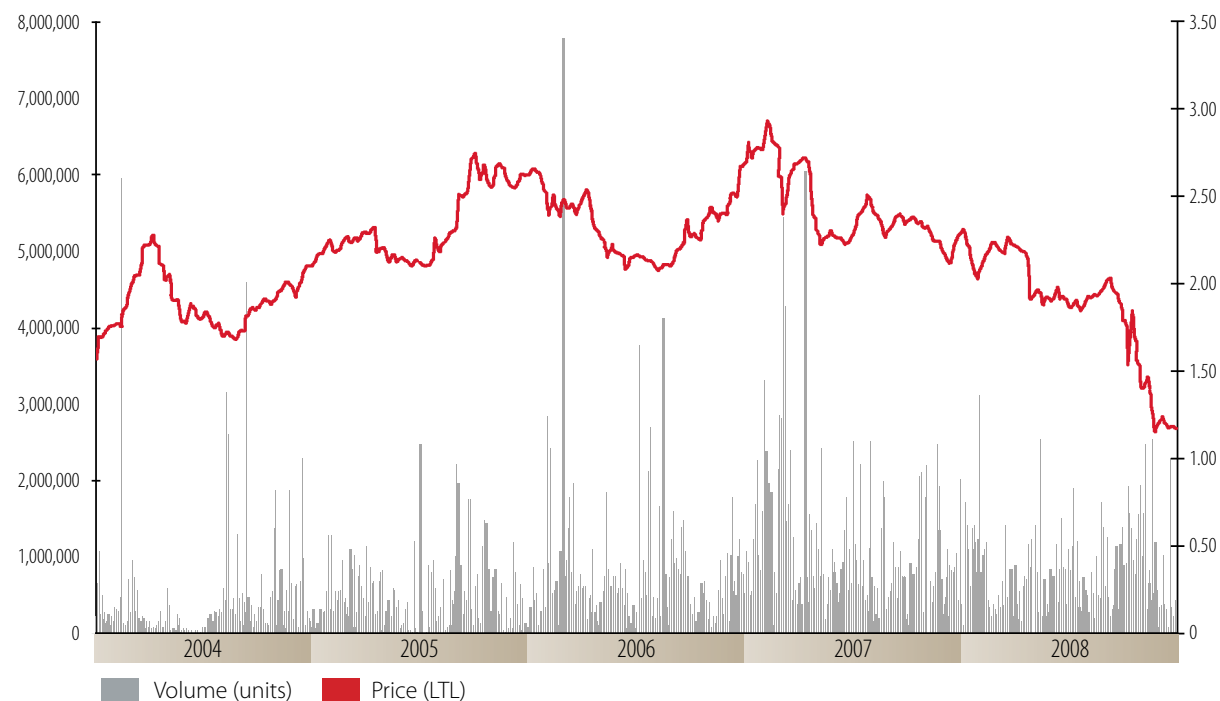
Shares of the Company are listed on the Main List of NASDAQ OMX Vilnius stock exchange (trading code: TEO1L).

In 2008, trading in TEO shares was strongly influenced by the negative trends on global equity markets. During the year TEO share price on NASDAQ OMX Vilnius stock exchange dipped by 51.3 per cent.

Trading in TEO shares on NASDAQ OMX Vilnius stock exchange

	2008	2007	2006	2005	2004
Opening price (LTL)	2.38	2.77	2.71	-	-
Highest price (LTL)	2.39	3.08	2.80	2.85	2.36
Lowest price (LTL)	1.13	2.16	2.10	2.15	1.56
Average price (LTL)	1.88	2.54	2.40	2.41	1.91
Closing price (LTL)	1.16	2.37	2.76	2.71	2.15
Volume (units)	138,576,177	197,630,335	132,841,063	83,526,590	71,877,806
Turnover (LTL million)	261.19	502.85	318.32	201.68	136.34
Capitalisation (LTL million)	945.30	1,931.34	2,249.16	2,208.41	1,752.06

Trading in the Company's shares on the NASDAQ OMX Vilnius stock exchange during 2004-2008



TRADING IN TEO GDRs

TEO Global Depository Receipts (GDR) are traded on the London Stock Exchange (trading code: TEOL).

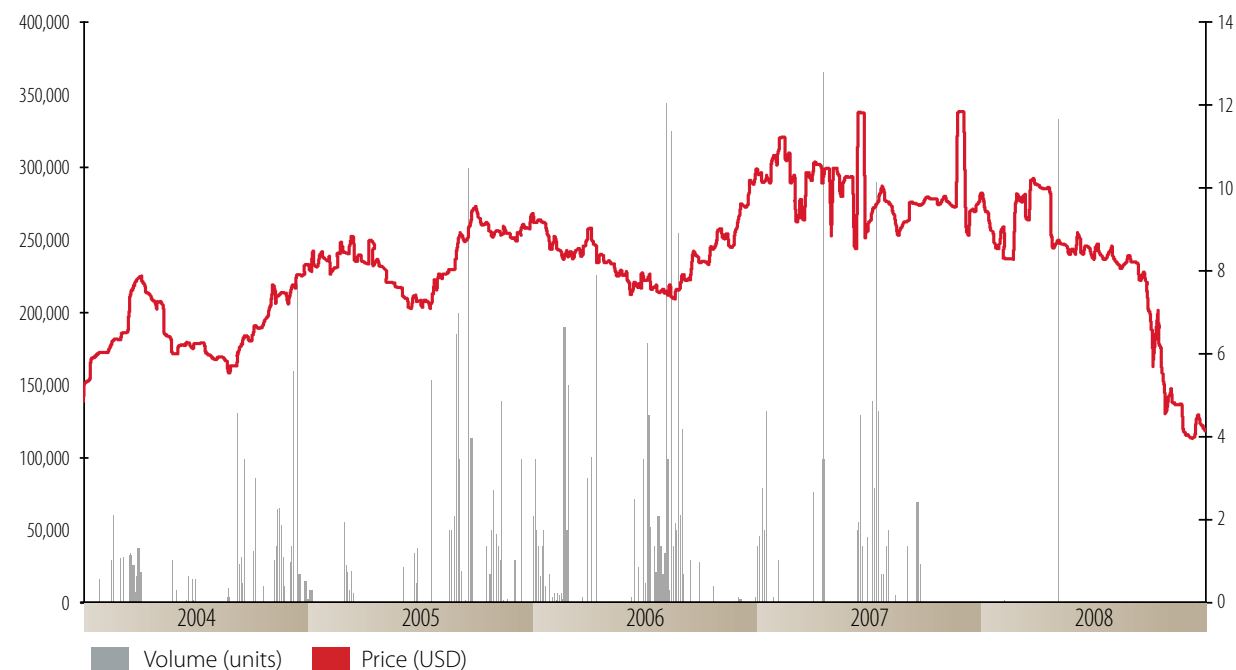
Trading in TEO Global Depository Receipts on London Stock Exchange decreased significantly as during 2008 the number of outstanding GDRs as a percentage of the total share capital of the Company went down from 6.8 to 3.88 per cent. GDRs were converted into ordinary shares and traded on NASDAQ OMX Vilnius stock exchange.

Trading in TEO Global Depository Receipts on the London Stock Exchange

	2008	2007	2006	2005	2004
Highest price (USD)	10.48	12.00	10.60	9.82	8.50
Lowest price (USD)	4.41	8.83	7.70	7.45	5.26
Closing price (USD)	4.67	10.04	10.60	9.30	8.50
Volume (units)	337,241	2,590,357	4,203,108	2,226,190	1,940,320
Turnover (GBP million)	3.01(a)	13.02	19.09	17.56	7.82

NOTE. (a) GDR turnover for 2008 is presented in US dollars.

Trading in the Company's Global Depository Receipts on the London Stock Exchange during 2004-2008



INDEXES

TEO LT, AB shares as one of the most liquid stocks on NASDAQ OMX Vilnius stock exchange are included into calculation of the following indexes of NASDAQ OMX Baltic stock exchanges:

- **OMX Baltic Benchmark (OMXBB)** index consists of the largest and most traded stocks on the OMX's Baltic Market, representing all sectors;
- **OMX Baltic 10 (OMXB10)** is a tradable index consisting of the 10 most actively traded stocks on the Baltic exchanges;
- **OMX Baltic (OMXB)** is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90 per cent of the outstanding shares;
- **OMX Baltic Telecommunication Sector index** consist of TEO LT, AB and Eesti Telecom (Estonia) shares;
- **OMX Vilnius All Share (OMXV)** is an all-share index which includes all the shares listed on the Main and Secondary lists on NASDAQ OMX Vilnius with exception of the shares of the companies where a single shareholder controls at least 90 per cent of the outstanding shares.

TEO LT, AB share price and NASDAQ OMX Vilnius stock exchange indexes development during 2004-2008

	01-01-2004	31-12-2008	Change (%)
OMX Baltic Benchmark	264.49	228.12	(13.75)
OMX Vilnius Index	174.48	176.25	2.73
TEO LT, AB share price (LTL)	1.58	1.16	(26.58)



DIVIDENDS

Each year the Company pays dividends although there is no officially approved dividend policy. After the Initial Public Offering (IPO) in 2000, the amount allocated for dividend payment amounted to 50-70 per cent of yearly net profit. In 2003, the Company suffered a loss, but dividend were paid out. Starting from 2003, each year the dividend paid out per share was higher than consolidated earnings per share for a respective year. That is because according to the provisions of the Law of the Republic of Lithuania on Companies, dividends should be paid from retained earnings of the Parent company of the Group, i.e. from retained earnings of TEO LT, AB. Since 2006 the Company has been paying almost the maximum amount of dividends allowed by the laws – 96-98 per cent of retained earnings of the Parent company.

In 2008, the Company paid out to the shareholders LTL 194,204 thousand of dividends or 0.25 litas per share for the year 2007. Following the Law, the dividends were paid to the shareholders who on the dividend record day, 29 April 2008, i.e. the day of the Annual General Meeting of Shareholders, were on the Shareholders' List of the Company. On 28 May 2008 dividends to all share and GDR holders were paid in cash.

	2008	2007	2006	2005	2004
Consolidated earnings per share (LTL)	0.21	0.21	0.17	0.11	0.04
Paid out dividend per share (LTL)	0.23(a)	0.25	0.26	0.16	0.13
Retained earnings of the Parent company (LTL thousand)	183,376	197,298	211,104	168,486	129,478
Paid out dividend amount (LTL thousand)	178,668(a)	194,204	201,973	124,291	100,986

NOTE. (a) The Board of the Company proposed to the Annual General Meeting of Shareholders that will take place on 28 April 2009 to pay a dividend of LTL 0.23 per share for the year 2008.

Following amendments to the Law of the Republic of Lithuania on Companies, starting from 2009 dividends shall be paid to the shareholders who at the end of the tenth business day following the Annual General Meeting that adopts a decision on dividend payment will be on the Shareholders' List of the company.

The Annual General Meeting of TEO LT, AB Shareholders, where a decision regarding the allocation of the profit for the year 2008 should be adopted, will be held on 28 April 2009. After adoption of the decision to pay dividends for the year 2008, dividends will be paid to the shareholders who at the end of the tenth business day after the General Meeting, i.e. on 13 May 2009, will be shareholders of TEO LT, AB.



Updated information to investors is available on the Company's webpage www.teo.lt

INFORMATION FOR 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, 28 April 2009.

Shareholders who at the end of the shareholders' meeting record day, 21 April 2009, 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 FOR THE YEAR 2008

Dividends will be paid to the shareholders who at the end of the tenth business day following the Annual General Meeting that adopts a decision on allocation of the profit for the year 2008 and dividend payment, i.e. on 13 May 2009 (dividend record day), will be shareholders of TEO LT, AB.

The Trading Rules of NASDAQ OMX 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 NASDAQ OMX Vilnius stock exchange will be stopped on 28 April 2009 from 1 p.m., i.e. during the Annual General Meeting of Shareholders.

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 allocation of the profit.

TAXATION OF DIVIDENDS

Following the Lithuanian legislation, dividends for the year 2008 paid to:

- natural persons–residents of the Republic of Lithuania are subject to withholding Personal income tax of 20 per cent and Compulsory Health Insurance tax of 6 per cent (in total 26 per cent);
- legal entities of the Republic of Lithuania and legal entities–residents of foreign countries are subject to withholding Corporate income tax of 20 per cent, unless otherwise provided for by the laws;
- natural persons–residents of foreign countries are subject to withholding Personal income tax of 20 per cent.

Residents of the foreign countries, which have concluded agreements on Avoidance of Double Taxation with the Republic of Lithuania, could take advantage of reduced tariffs provided by such agreements by submitting Claim for Reduction or Exemption from the Anticipatory Tax Withheld at Source, form FR0021 (DAS-1).

FINANCIAL REPORTS

The Annual Report of TEO LT, AB for the year 2008 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 2009, TEO Group financial results will be released on the following dates:

- Interim Consolidated Financial Statements for the period ended 31 March 2009 – **April 17;**
- Interim Consolidated Financial Statements for the period ended 30 June 2009 – **July 21;**
- Interim Consolidated Financial Statements for the period ended 30 September – **October 16.**



INVESTOR RELATIONS

Darius Džiaugys,
Head of Information Sector,
Corporate Communication Unit,
TEO LT, AB
Tel + 370 5 236 78 78
e-mail: darius.dziaugys@teo.lt

EQUITY RESEARCH

The following banks and securities brokerage houses analyzed results and value of the Company's share in 2008:

FinHill
Tel. +370 640 39804

Hansabank Markets
Tel. +370 5 268 4733

Orion Securities
Tel. +370 5 246 1692

SEB Enskilda
Tel. +370 5 268 1237

TEO LT, AB AWARDS IN 2008



Baltic Corporate Excellence Awards –
The most successful listed company in Lithuania



OMX Baltic Market Awards –
Best Investor Relations in Lithuania



IR Magazine Awards –
Best Investor Relations by
a Lithuanian company

MAIN FIGURES OF TEO GROUP

FINANCIAL FIGURES	2008	2007	2006	2005	2004
Revenue (LTL million)	826	793	735	730	721
EBITDA (LTL million)	349	352	352	354	336
EBITDA margin (%)	42.2	44.4	47.9	48.5	46.6
Operating profit (LTL million)	182	185	158	106	45
Operating profit margin (%)	22.1	23.4	21.6	14.5	6.2
Profit before income tax (LTL million)	190	196	162	109	41
Profit for the period (LTL million)	160	163	131	84	34
Profit margin (%)	19.4	20.5	17.8	11.5	4.7
Total assets (LTL million)	1,183	1,206	1,249	1,259	1,280
Shareholders' equity (LTL million)	1,036	1,071	1,110	1,104	1,121
Capital investments (LTL million)	180	195	111	73	75
Number of shares, excluding treasury stocks (thousand)	776,818	776,818	776,818	776,818	776,818
Earnings per share (LTL)	0.21	0.21	0.17	0.11	0.04
Paid out dividend per share (LTL)	0.23(a)	0.25	0.26	0.16	0.13
Share price at the end of period (LTL)	1.16	2.37	2.76	2.71	2.15
RATIOS	31-12-2008	31-12-2007	31-12-2006	31-12-2005	31-12-2004
Return on capital employed (%)	18.5	18.4	14.4	9.6	3.7
Average return on assets (%)	16.0	15.7	12.6	8.3	3.3
Return on shareholders' equity (%)	15.7	15.3	11.8	7.5	2.9
Gearing ratio (%)	(30.4)	(34.8)	(26.9)	(25.8)	(8.7)
Debt to equity ratio (%)	0.7	0.7	0.8	1.7	1.8
Current ratio (%)	353.7	451.4	536.5	519.0	306.0
Rate of turnover of assets (%)	72.6	67.0	58.6	57.5	51.2
Equity to assets ratio (%)	87.6	88.8	88.8	87.7	87.6
Dividend payout ratio (%)	111.7(a)	119.3	154.9	149.5	313.7
Price to earnings ratio	5.6	11.3	16.2	24.6	53.8

NOTE. (a) The Board of the Company proposed to the Annual General Meeting of Shareholders that will take place on 28 April 2009 to pay a dividend of LTL 0.23 per share for the year 2008.

OPERATING FIGURES	31-12-2008	31-12-2007	31-12-2006	31-12-2005	31-12-2004
Number of fixed telephone lines in service	767,805	788,946	784,958	798,617	819,147
Penetration of lines per 100 residents	23.4	23.4	23.2	23.5	23.9
Digitalisation rate (%)	94.0	94.0	93.9	93.5	92.7
Total number of broadband Internet connections:	298,080	258,819	181,012	105,039	50,372
- DSL connections sold to retail customers	248,553	229,145	176,147	102,117	47,465
- connections via the fiber-optic network (FTTB, FTTH)	23,947	7,432	2,472	-	-
- connections via the WiFi network	23,052	19,612	-	-	-
- DSL connections sold to wholesale customers	2,217	2,363	2,155	2,681	2,734
- connections via leased lines and fiber-optic cables	311	267	238	241	173
Number of wireless Internet (WiFi) hot-spots	4,203	3,182	804	287	-
Number of IPTV customers	40,350	17,453	4,902	-	-
Number of DVB-T customers	26,327	-	-	-	-
Number of personnel at the end of period	3,332	3,177	3,098	3,005	3,120

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