

# RESULTS FOR THE TWELVE MONTHS OF 2011

TEO LT, AB GROUP

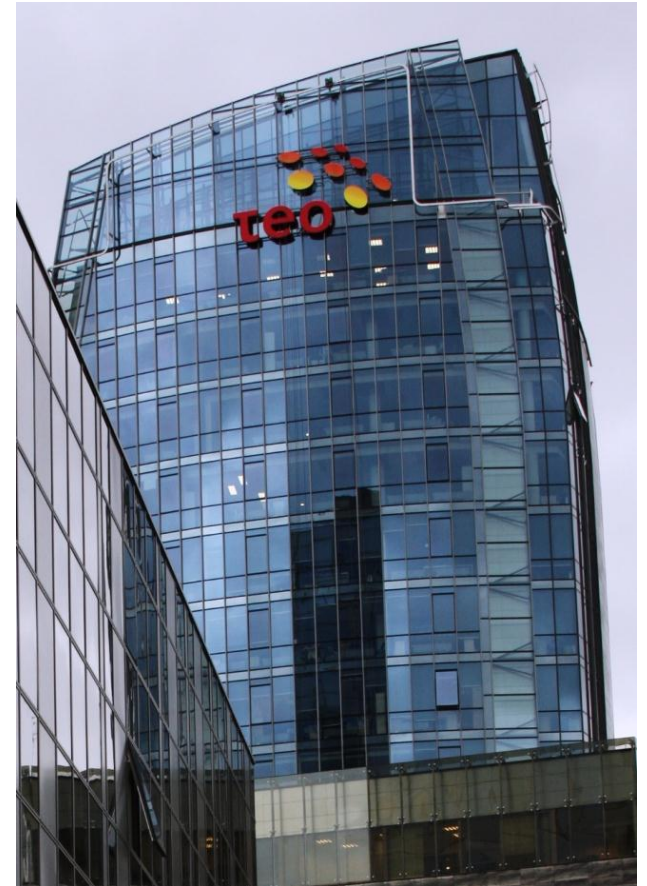
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# HIGHLIGHTS OF Q4 2011

- TEO launched the music streaming portal “Myliumuzika.lt”
- “Virtual Office”, a Microsoft Exchange-based service, was offered to small businesses
- Baltic Data Center signed agreements with Sergel and Rimi Latvia for provision of IT infrastructure services
- TEO provided telecommunications services during the OSCE Ministerial Council session in Vilnius
- YouTube became available on TV screens of IPTV users
- The list of DVB-T channels was supplemented Sony Entertainment Television
- The New Year’s Eve broadcasting of the LNK TV show in HD format was available to GALA IPTV and DVB-T users



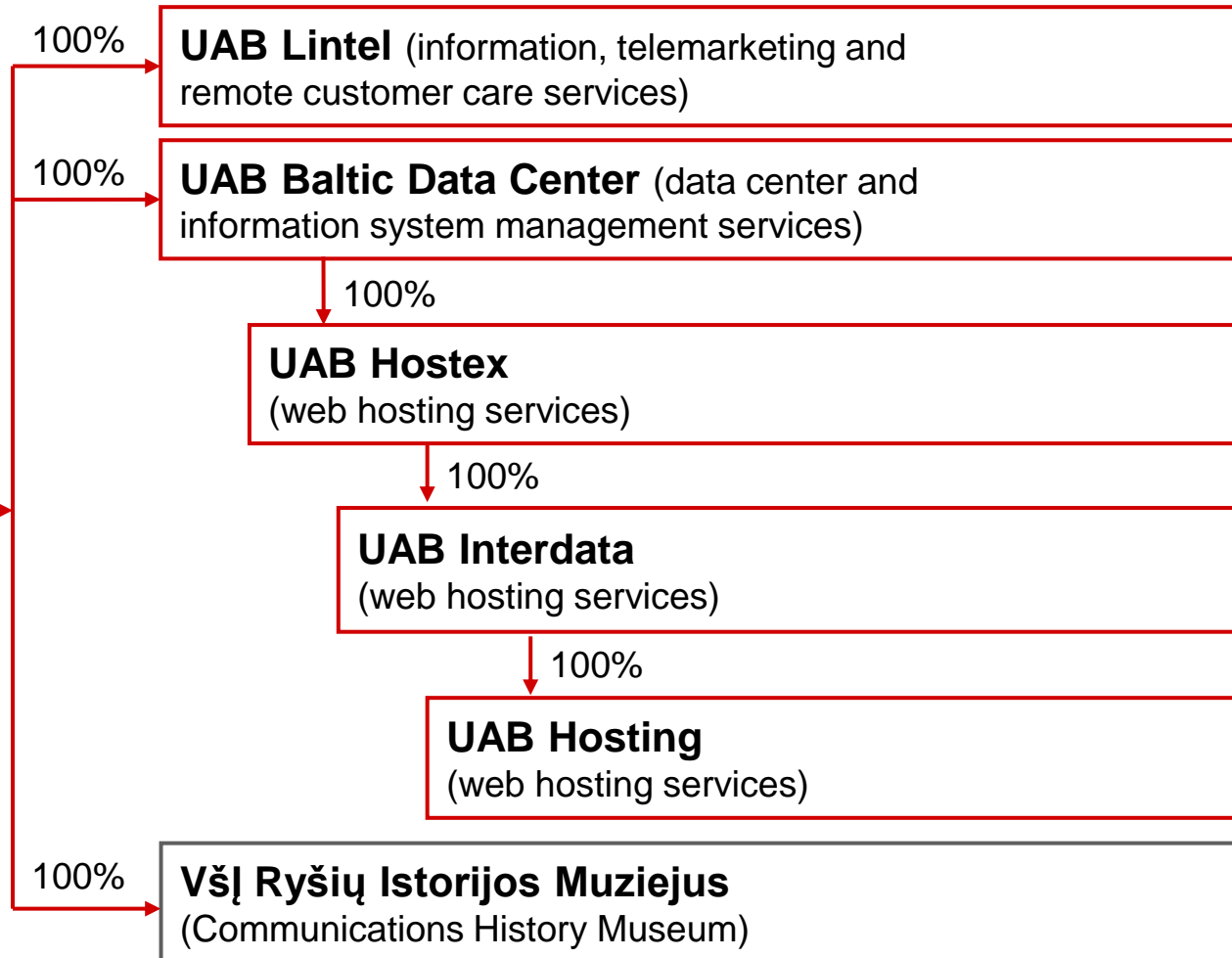
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# TEO GROUP

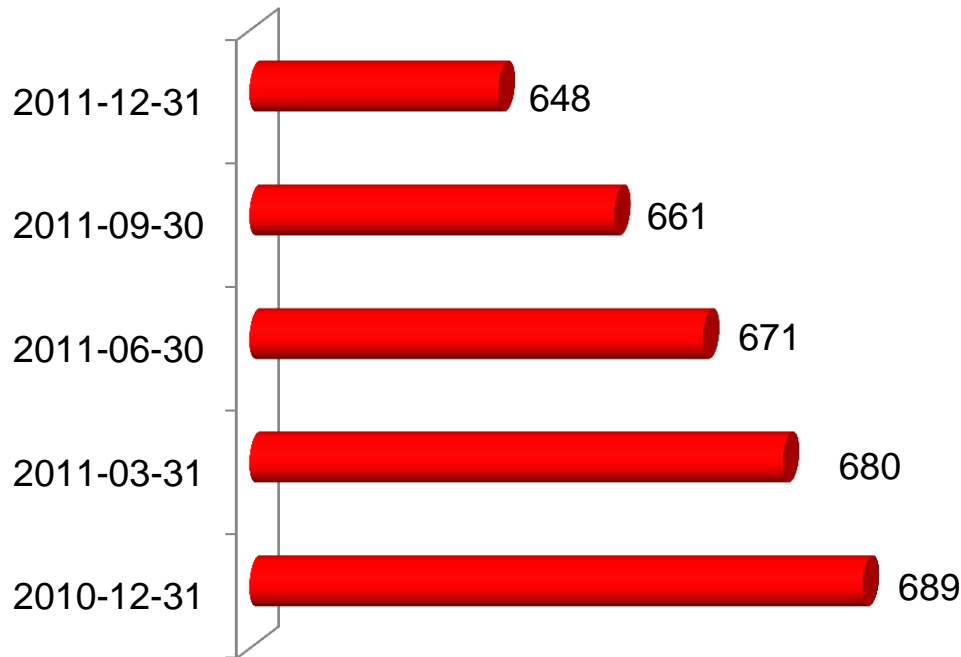
**TEO LT, AB**  
(voice, internet, data communication, television and network services; Internet portal *Zebra*)



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# VOICE TELEPHONY SERVICES

Number of telephone lines (thou.)

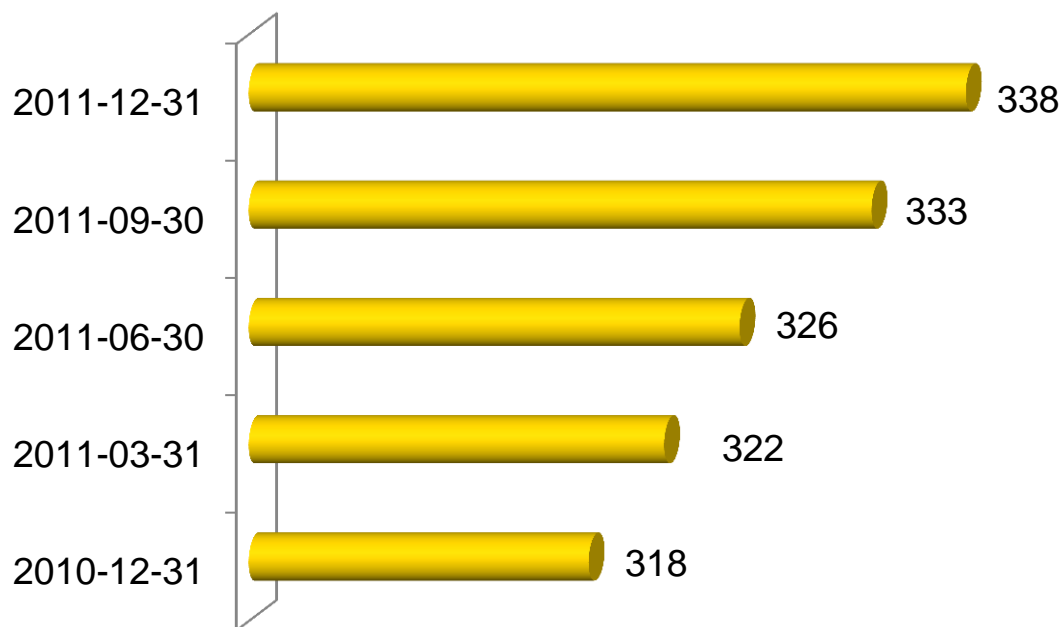


- During October-December 2011, the total number of main telephone lines in service decreased by 13.2 thousand, while over the last twelve months – by 41.5 thousand lines.
- Total traffic volume generated by residential and business customers decreased by 7.6 and 11.6 per cent, respectively

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# INTERNET SERVICES

Number of broadband connections  
(excl. WiFi) (thou.)

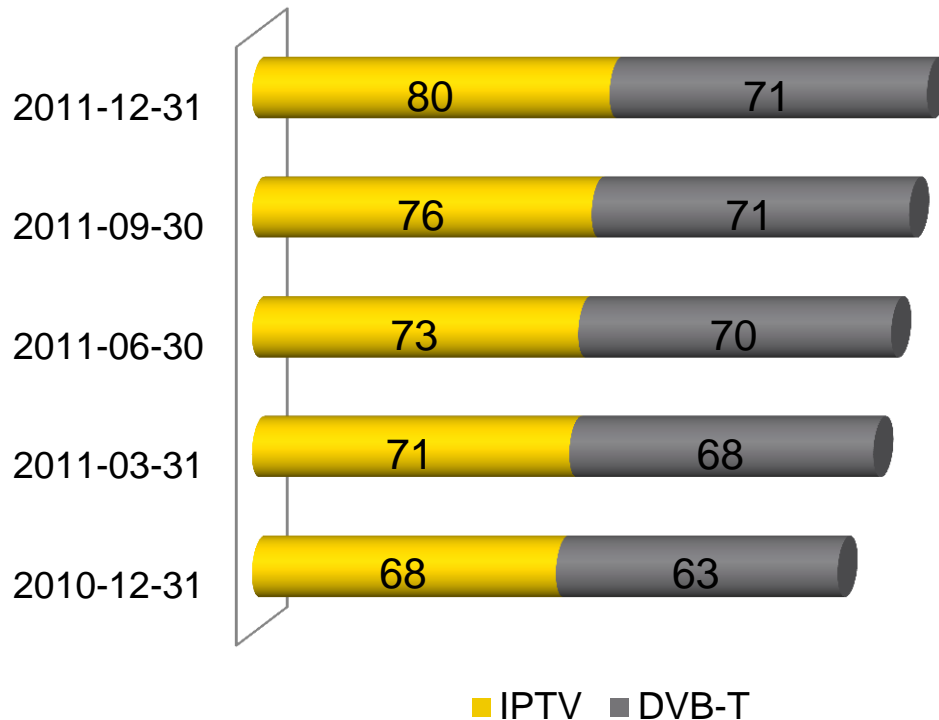


- During October-December 2011, the total number of broadband Internet access users increased by 4.5 thousand, while over the last twelve months – by 20.9 thousand
- 140 thousand of fiber optical (FTTB, FTTH) connections
- 35 thousand WiFi connection users
- 3,385 WiFi hot-spots network – the largest in the country
- Almost 54% of Lithuania's direct international Internet traffic goes through TEO connections

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# TELEVISION SERVICES

Number of TV services users (thou.)



- During October-December 2011 the total number of television service users increased by 4.1 thousand up to 151 thousand
- From 1 September TEO increased monthly fees for DVB-T and IPTV services by 0.90 and 4.90 litas accordingly
- On 29 October 2012 Lithuania shall switch from analogue to digital TV broadcasting

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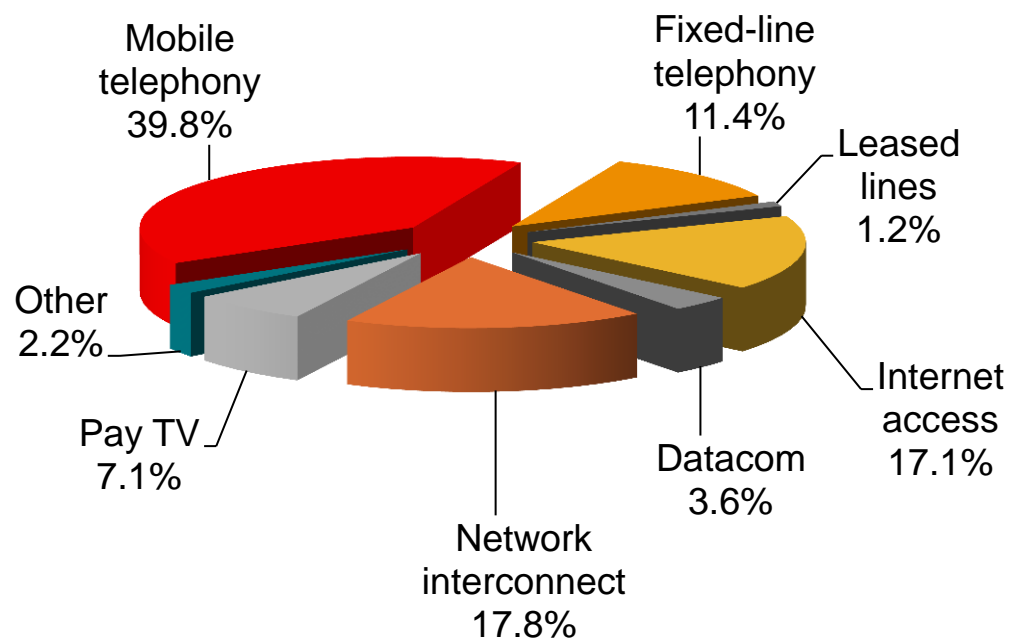
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# TELECOMMUNICATION MARKET IN LITHUANIA (9m 2011)

- Total revenue: LTL 1,791 million  
(9m 2010: LTL 1,941 million)
- Change: (7.7)%
- Penetration per 100 residents:
  - fixed voice: 22.1
  - mobile voice: 153.6
  - broadband Internet: 29.8
  - fixed broadband: 22.4
  - digital Pay-TV: 23.8
- Capital investments: LTL 260 million  
(9m 2010: LTL 189 million)

Revenue breakdown by segments



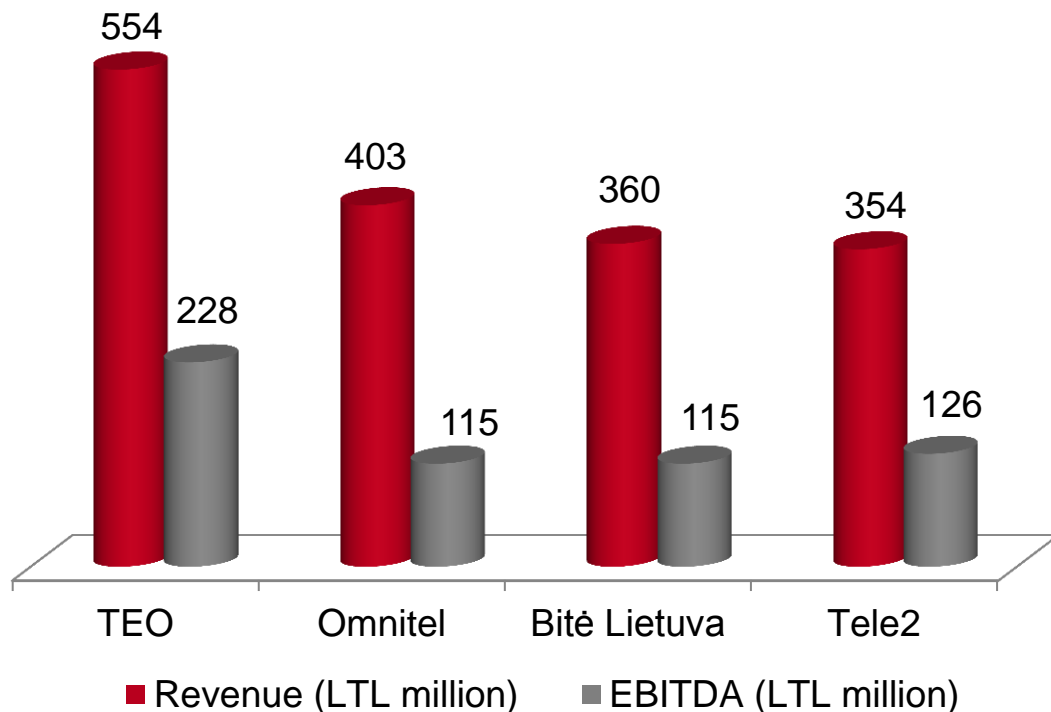
Source: Report of Communications Regulatory Authority

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# MAJOR PLAYERS ON LITHUANIAN TELECOMMUNICATIONS MARKET (9m 2011)



- TEO is the largest operator in Lithuania in terms of revenue
- Omnitel, Tele2 and Bitė Lietuva are mobile operators
- Change in revenue (y-o-y):
  - TEO (4.6)%
  - Omnitel (9.7)%
  - Bitė Lietuva (6.4)%
  - Tele2 0.5%
- Omnitel and TEO belong to TeliaSonera Group

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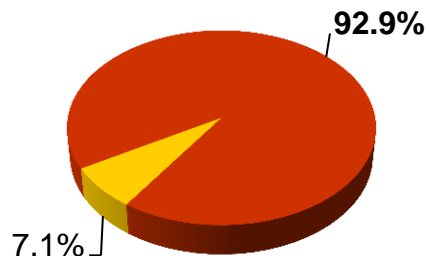
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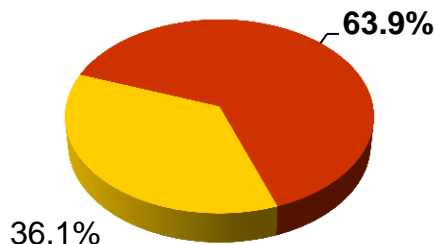
# TEO MARKET SHARE IN TERMS OF REVENUE (Q3 2011)

Fixed telephony



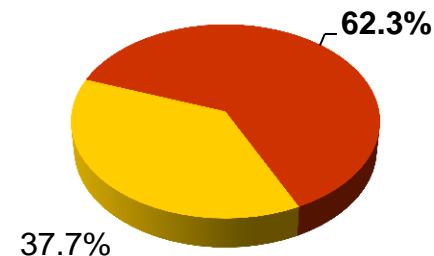
TEO Others

Leased lines



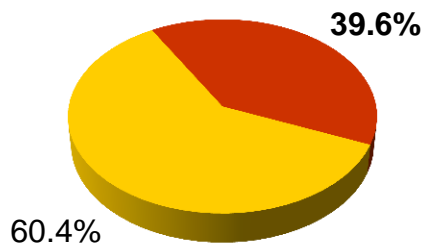
TEO Others

Data communication



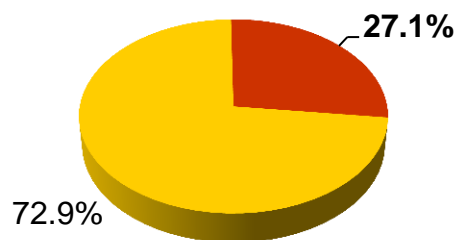
TEO Others

Internet access



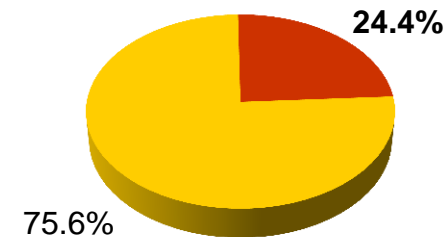
TEO Others

Pay TV



TEO Others

Networks interconnection



TEO Others

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# TEO COMPETES IN ALL AREAS EXCEPT MOBILE VOICE

Market	Market revenue for 9m 2011 (LTL million)	Change from 9m 2010 (%)	Number of players	TEO share in Q3 2011 (%)
Fixed voice	204	(10.9)	50	92.9
Leased lines	21	(22.7)	11	63.9
Internet access	306	0.5	103	39.6
Data communication	64	(1.5)	15	62.3
Network interconnection	318	(24.2)	>5	24.4
Pay-TV	127	7.3	45	27.1
TV and radio program transmission	24	21.7	2	n/d
Mobile voice	712	(4.1)	3+4	-

Source: Report of Communications Regulatory Authority

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# FIXED VOICE TELEPHONY MARKET IN LITHUANIA (Q3 2011)

- 50 companies are providing fixed voice services:
  - 39 provide national and international calls
  - 5 – only international calls
  - 6 – only wholesales (transit) services
- 36 companies are using IP network, 19 of them CATV and data communication networks
- Number of alternative operators' subscribers: 68.6 thousand or 9.4% of total subscribers' number
- TEO market share (Q3 2011) in terms of:
  - total number of customers: 90.6%
  - total traffic: 93.6%
  - revenue from local calls: 99.0%
  - revenue from domestic long distance calls: 87.5%
  - revenue from international calls: 70.9%

Source: Report of Communications Regulatory Authority



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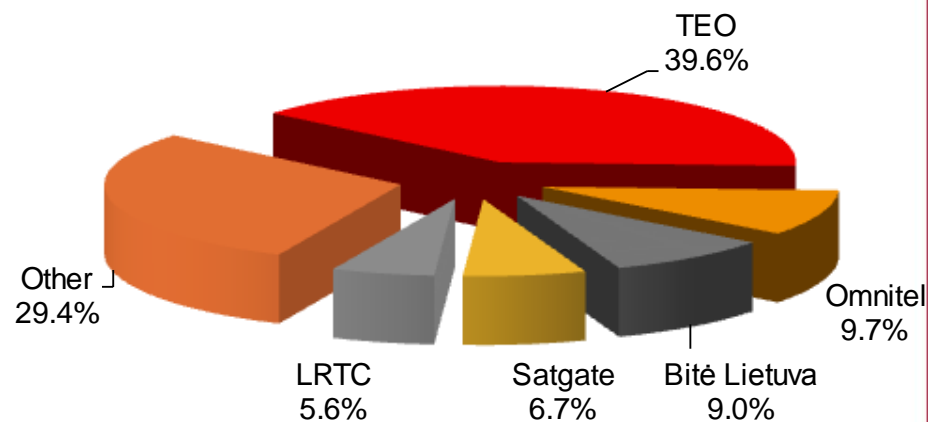


# INTERNET ACCESS MARKET IN LITHUANIA (Q3 2011)

Access type	Number of users ('000)	Change from Q3 2010 (%)
Fiber optics	344	17.7
Via mobile network	240	28.1
DSL	203	(5.9)
Wireless	101	21.7
Via CATV networks	46	(6.1)
Via LAN	22	(12.8)
Via leased-lines	1	(21.9)
<b>Total:</b>	<b>957</b>	<b>12.0</b>

Source: Report of Communications Regulatory Authority

Q3 2011 revenue by service providers



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

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# PAY TV MARKET IN LITHUANIA (Q3 2011)

Access type	Number of operators	Number of users ('000)	Change to Q3 2010 (%)	Revenue 9m 2011 (mLTL)	Change to 9m 2010 (%)
Analogue CATV	44	344	(8.2)	52	(1.9)
<b>Digital:</b>					
Digital CATV	17	64	70.5	8	54.8
Digital MVDS	3	19	(3.8)	4	(7.2)
IP TV	7	79	20.0	18	29.2
DVB-T	2	72	22.4	16	28.3
Digital satellite	1	84	8.9	29	3.0
<b>Total digital:</b>	<b>23</b>	<b>318</b>	<b>22.7</b>	<b>75</b>	<b>17.1</b>
<b>Total:</b>		<b>651</b>	<b>4.6</b>	<b>127</b>	<b>7.3</b>

- TEO has 46.3% of all digital TV users and 22.6% of all pay TV users.

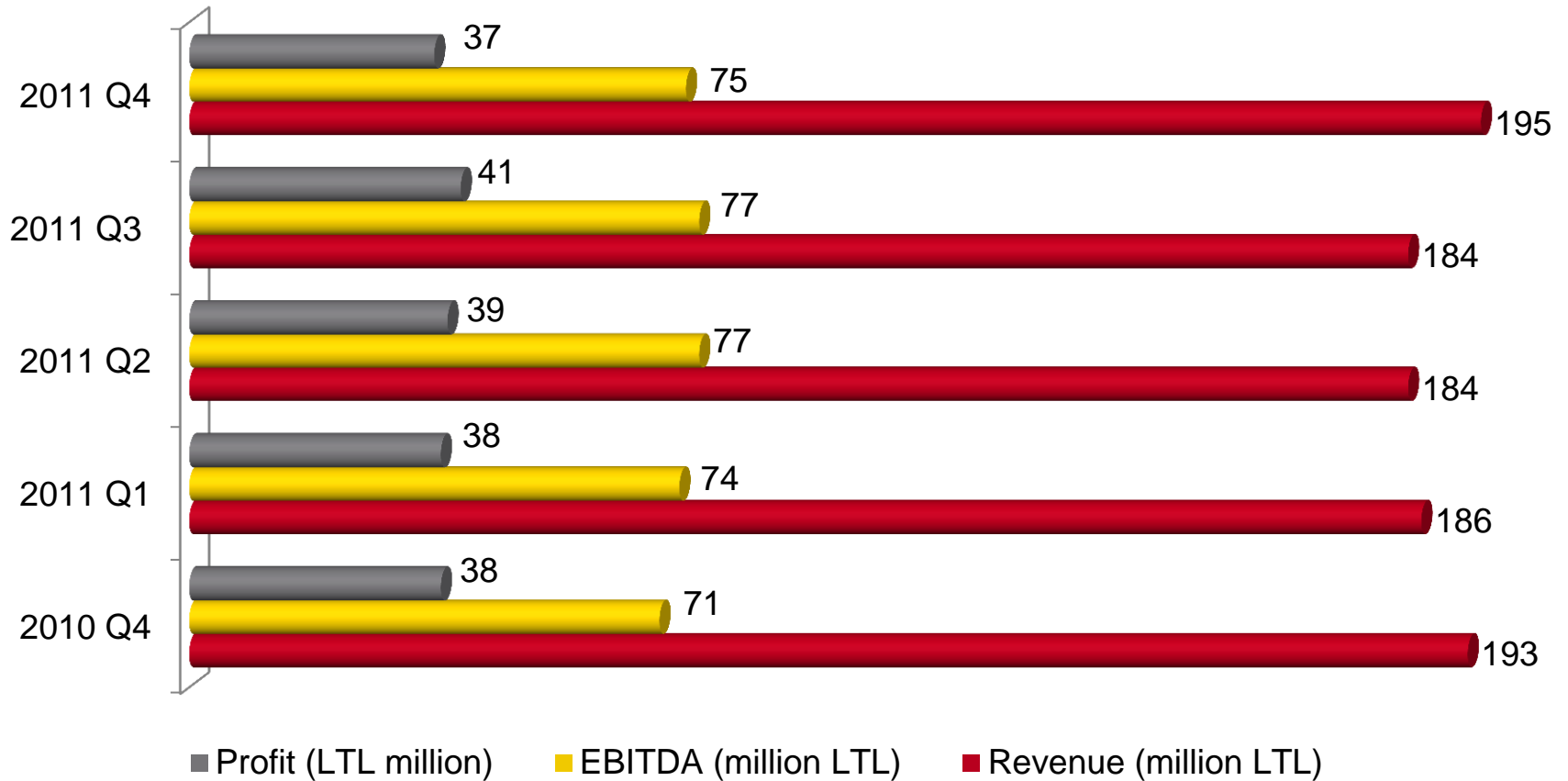
Source: Report of Communications Regulatory Authority

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# REVENUE, EBITDA & NET PROFIT



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# MAJOR FINANCIAL INDICATORS

(thousand LTL)	Q4 2011	Q4 2010	Change (%)	12 months of 2011	12 months of 2010	Change (%)
Revenue	195,477	192,542	1.5	749,784	773,423	(3.1)
Operating expenses	121,648	122,363	(0.6)	449,228	464,968	(3.4)
EBITDA	74,527	70,862	5.2	302,287	310,477	(2.6)
EBITDA margin	38.1%	36.8%		40.3%	40.1%	
Depreciation and amortization	34,184	33,324	2.6	132,453	131,702	0.6
Operating profit	40,343	37,538	7.5	169,834	178,775	(5.0)
Operating profit margin	20.6%	19.5%		22.7%	23.1%	
Net profit	37,195	37,781	(1.5)	154,486	162,935	(5.2)
Profit margin	19.0%	19.6%		20.6%	21.2%	
Earnings per share (LTL)	0.048	0.049		0.199	0.210	

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# REVENUE

(thousand LTL)	Q4 2011	Q4 2010	Change (%)	12 months of 2011	12 months of 2010	Change (%)
Voice telephony services	94,868	99,308	(4.5)	374,435	415,561	(9.9)
Internet & data communications services	65,779	63,344	3.8	252,955	256,844	(1.5)
TV services	13,156	10,474	25.6	47,503	37,738	25.9
IT services	14,419	11,467	25.7	47,535	36,067	31.8
Other services	7,255	7,948	(8.7)	27,356	27,213	0.5
<b>Total:</b>	<b>195,477</b>	<b>192,541</b>	<b>1.5</b>	<b>749,784</b>	<b>773,423</b>	<b>(3.1)</b>

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# OPERATING EXPENSES

(thousand LTL)	Q4 2011	Q4 2010	Change (%)	12 months of 2011	12 months of 2010	Change (%)
Employee related	41,382	42,691	(3.1)	156,809	157,647	(0.5)
Interconnection	29,667	28,466	4.2	108,620	118,073	(8.0)
Other	50,599	51,206	(1.2)	183,799	189,248	(2.9)
<b>Total:</b>	<b>121,648</b>	<b>122,363</b>	<b>(0.6)</b>	<b>449,228</b>	<b>464,968</b>	<b>(3.4)</b>

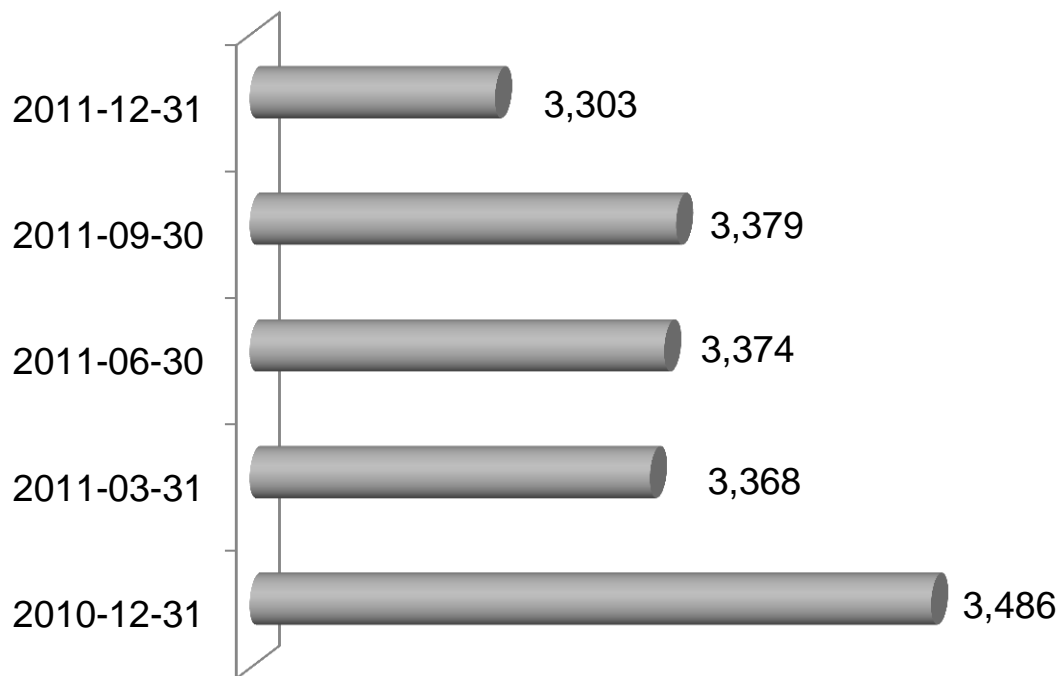
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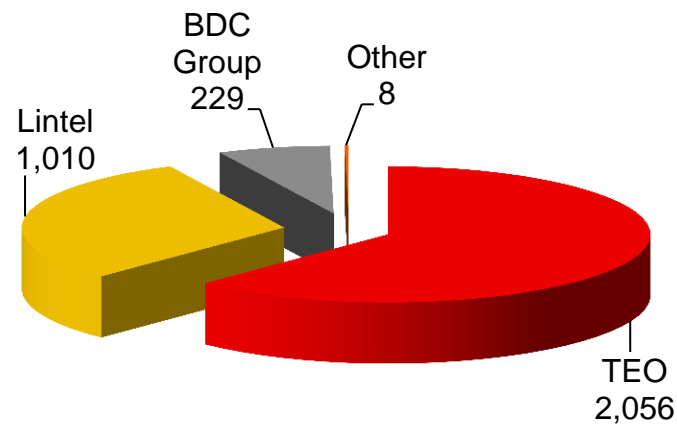


# EMPLOYEES

Number of TEO Group employees



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



- During October-December 2011 number of employees went down by 76 (in Lintel and TEO)

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# BALANCE SHEET

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

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

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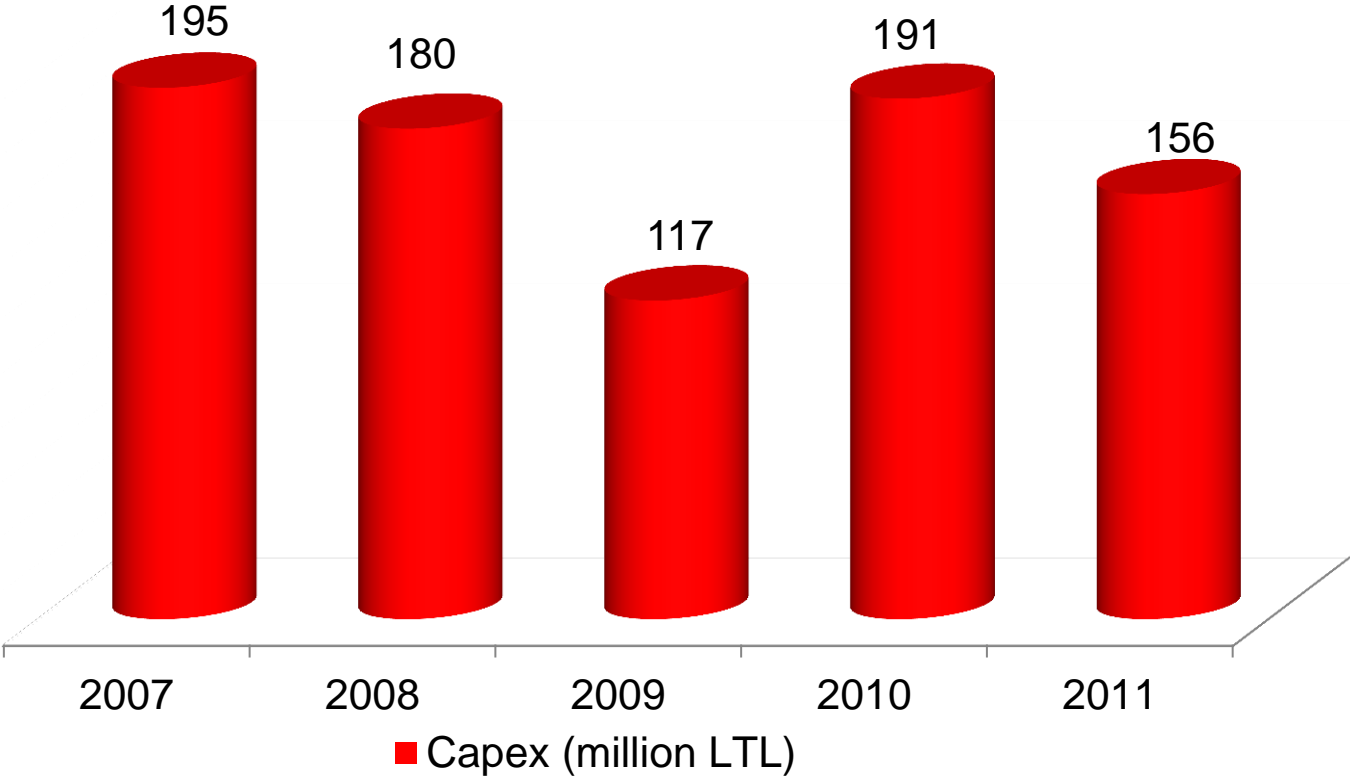
# CASH FLOW

(thousand LTL)	12 months of 2011	12 months of 2010
Net cash from operating activities	297,735	214,992
Net cash used in investing activities	(187,656)	(77,064)
Net cash used in financing activities	(141,016)	(163,960)
Increase in cash and cash equivalents	(30,937)	(26,032)

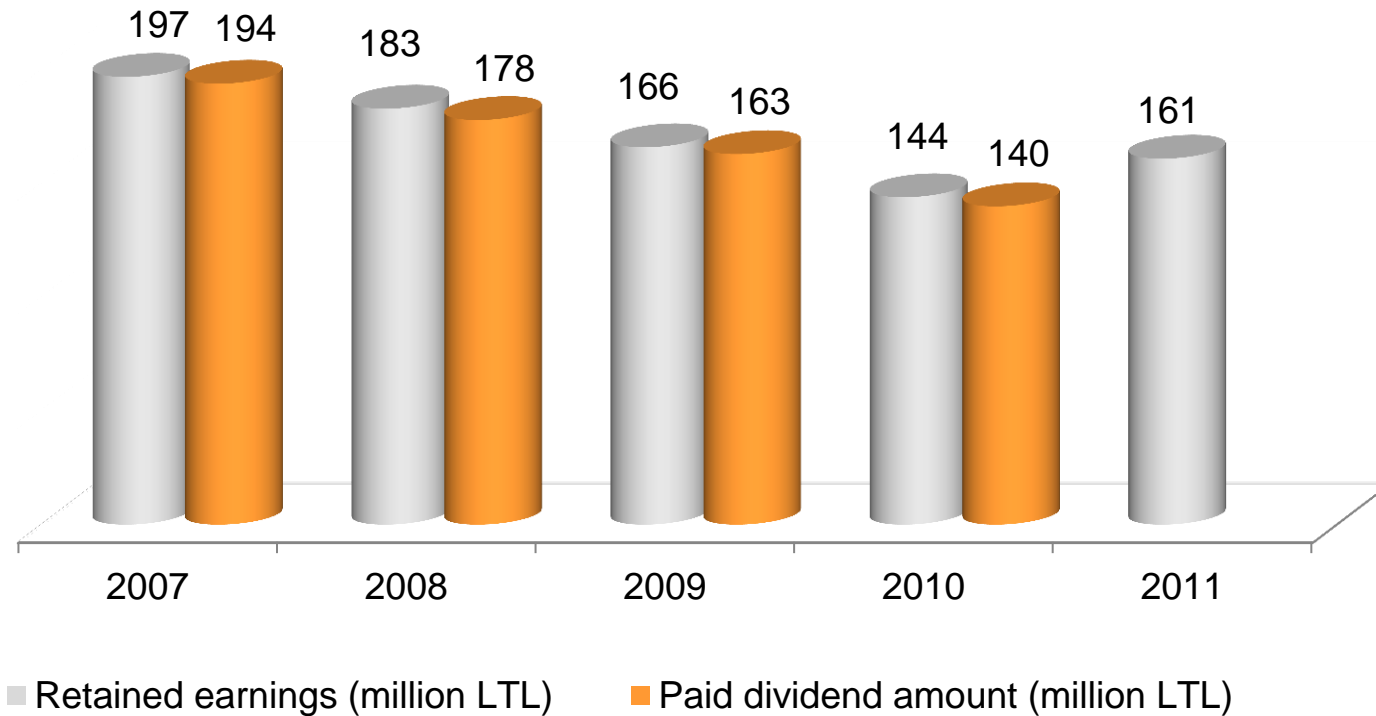
- Capital investments during Q4 2011 amounted to LTL 52 million, while during 12 months of 2011 – LTL 156 million (LTL 191 million in 2010)
- LTL 138 million went to expansion of the core network and fiber-optic access network
- LTL 13 million was invested into IT systems, LTL 3 million into transport and LTL 2 million into renovation of premises
- By the end of 2011, TEO had 705 thousand households passed (556 thousand at the end of 2010), or 59 per cent of the country's households, by the FTTH network
- In May 2011, the Company paid out LTL 140 million of dividends of for the year 2010 (i.e. 0.18 litas per share)

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# CAPITAL INVESTMENTS



# TEO RETAINED EARNINGS VS DIVIDENDS



- Following the Lithuanian Law on Company dividends shall be paid from the Parent company's retained earnings
- Retained earnings of the Parent company for 2011 amounted to LTL 161 million or LTL 0.207 per share

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# SHAREHOLDERS OF TEO

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

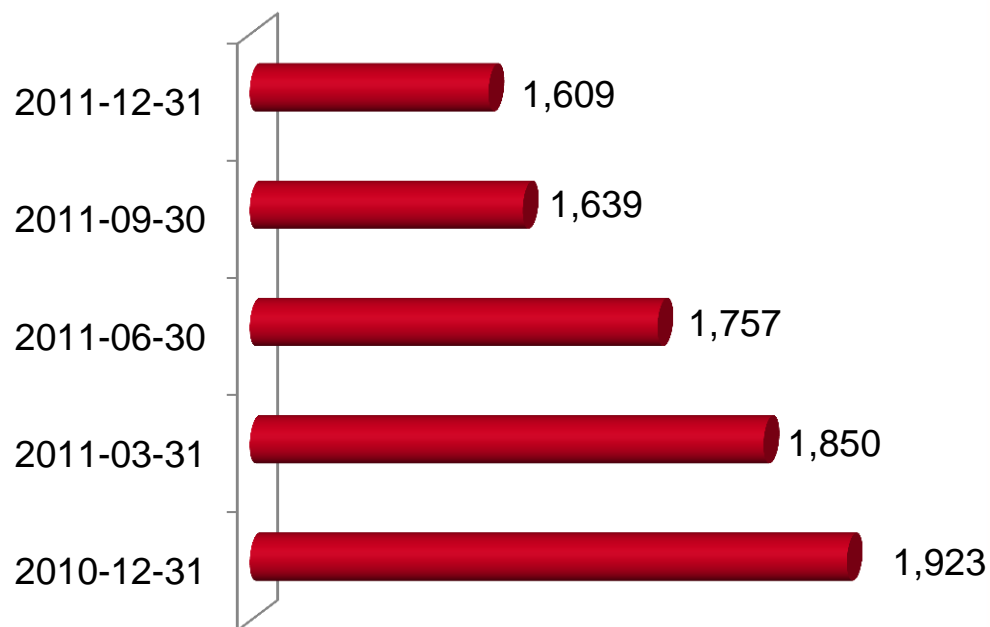
- In June 2011, TeliaSonera AB (publ) took over from its subsidiary Amber Teleholding A/S a controlling interest in TEO (62.94%) and during July-September additionally acquired 0.21% of the Company's shares
- Republic of Lithuania, represented by State Property Fund, disposed its holding in TEO. Since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

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# TEO SHARES

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

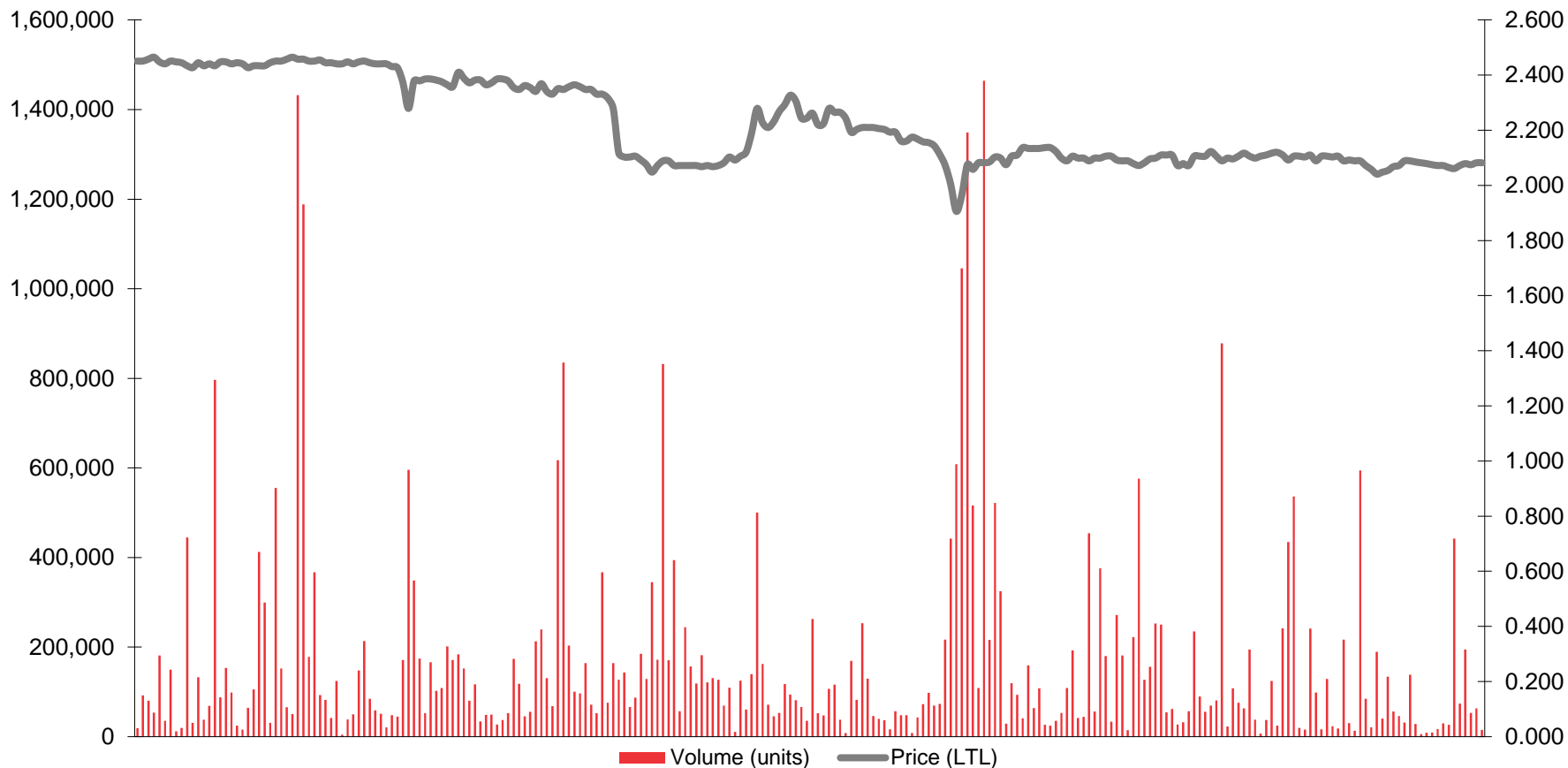
Market Capitalisation (LTL million)



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

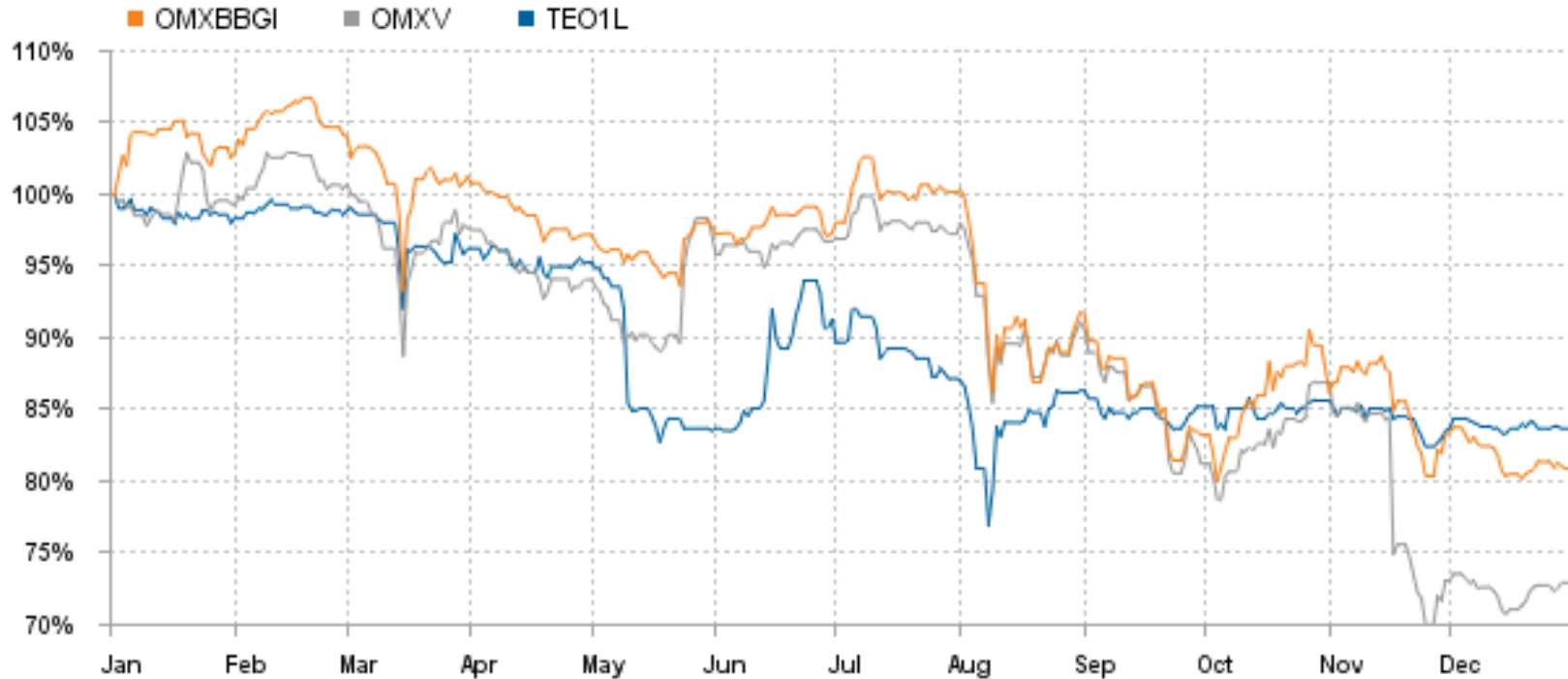


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# TEO SHARE AND NASDAQ OMX VILNIUS STOCK EXCHANGE INDEXES COMPARISON



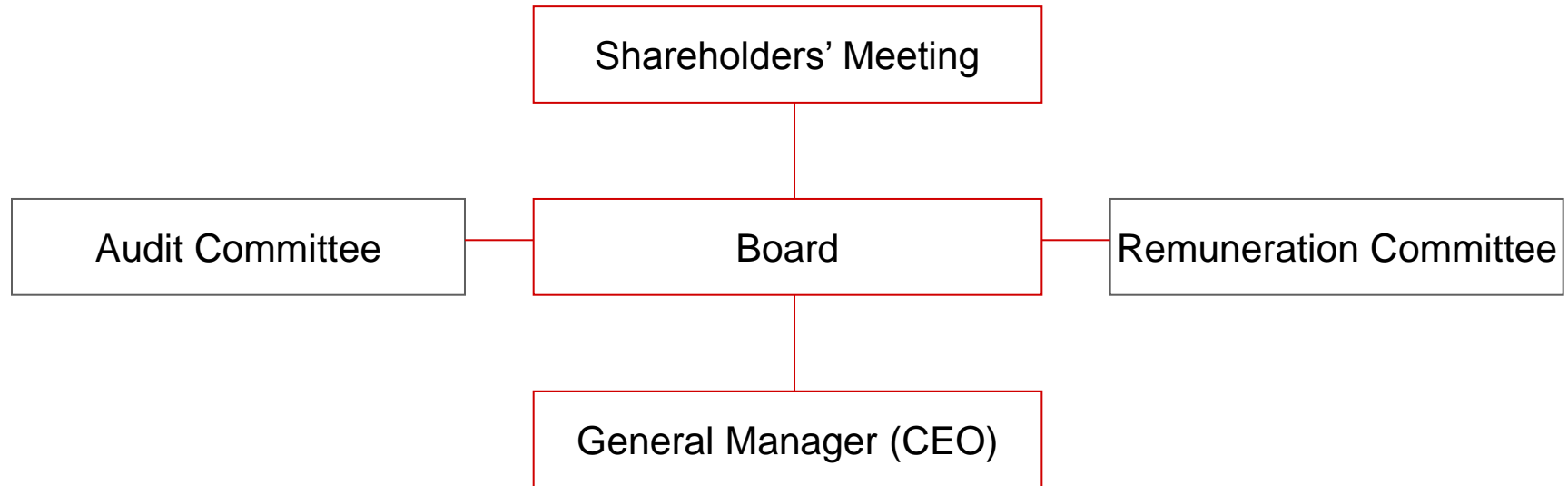
Source: NASDAQ OMX Vilnius

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# TEO CORPORATE GOVERNANCE



- The last Annual General Meeting of Shareholders was held on 28 April 2011
- The AGM decided to reduce the number of the Board members from 7 to 6
- A new Board for the 2 years term was elected
- The Company's independent auditor, UAB PricewaterhouseCoopers, for the 2 years term was elected in 2010

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# TEO BOARD



**Malin Frenning,**  
Representative of  
TeliaSonera AB



**Lars Klasson,**  
Representative of  
TeliaSonera AB



**Joakim Sundström,**  
Representative of  
TeliaSonera AB



**Tiia Tuovinen,**  
Representative of  
TeliaSonera AB



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



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

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

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# TEO MANAGEMENT



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

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

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

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

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

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

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

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