
COUNTRY OF
FAST INTERNE
NASDAQ
Annual Report
2012

CEO's word

Dear all,

2012 was a year of challenges and innovations in the Lithuanian telecommunications market. First of all, the year 2012 was memorable as the year of transition to digital terrestrial television. We were especially active in this area. We not only contributed to the smooth transition to new technologies, but also improved our existing services and developed new ones in order to remain one of the most advanced telecommunication companies.

We upgraded our Interactive GALA TV service with new features that literally converted regular television to an entertainment hub.

Last year, we completed the project of the next-generation fiber-optic network development in multi dwelling-houses. Now high-speed Internet access and interactive television (IPTV) services are available to almost two-thirds of Lithuanian households.

Despite the decline of the Lithuanian telecommunications market, over the last year the number of TEO Internet users increased by 4 per cent up to 385 thousand, while TV service users – by 12 per cent. Revenue from the well-accepted in the market IT services provided by TEO Group grew by more than 30 per cent already for the third year in a row.

Developing our telecommunications business, we followed the attitude that sustainable business development can only be achieved by listening to the needs of social partners – customers, employees and business, as well as by assessing the impact of our activities on the environment and nature.

In 2013, with the country's economy recovering from recession, along with growing competition, it is important to retain existing customers and attract new ones. We will continue the development of the fast next-generation fiber-optic network in Lithuania, by focusing more on individual private houses and settlements. By improving our internal processes, we will continue to effectively manage our operating expenses.

The investment over the last few years reaching nearly one billion litas, also successfully developed technologies and new services have created good prospects for our business. The year 2013 will be the year of new experiences for TEO customers. We will work and invest in further improvement of the quality of our services and customer care.

Giedrius Vegys,
Acting General Manager of TEO LT, AB

What is TEO?

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

TEO is:

No.1

telecom operator in terms of revenue in Lithuania

in broadband Internet

in pay-TV

in fixed voice telephony

in data communication and leased lines

TEO subsidiary, Lintel, is a leader in the directory inquiry and Contact Centres business in Lithuania and another subsidiary, Baltic Data Center, is a leader in the management of data centers and information systems in the Baltic States.

TEO Group is a part of TeliaSonera Group, which provides telecommunications services in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain.

Shares of TEO LT, AB are listed on NASDAQ OMX Vilnius stock exchange (ticker – TEO1L).

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 15 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.

TEO head office is located at Lvovo str. 25 in Vilnius. The Company's services are available all over Lithuania.

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

Main brand and services

ZEBRA – Internet services for residential customers via fiber-optic (FTTH), copper (DSL) and wireless (WiFi) access.

GALA – television services: digital terrestrial television (DVB-T) service *Digital GALA* and Internet television (IPTV) service – *Interactive GALA*.

TEO VERSLAS – voice, Internet, data communication and IT services and solutions for business customers.

TEO Group

TEO also has a 100 per cent stakes in **UAB Kompetencijos Ugdymo Centras** (till June 2009 it provided training and consultancy services) and **UAB Verslo Investicijos** (investment project).

In July 2010, a not-for-profit organisation **VšĮ Ryšių Istorijos Muziejus** for management of the Company's Communications History Museum in Kaunas was founded by TEO.

On 23 April 2013 UAB Interdata was merged into UAB Hostex.

Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA, which is a dormant company.

Membership in organisations

In 2012, members of TEO Group were members of the following Lithuanian and international organisations:

Organizations of the Republic of Lithuania:

- Association Investor's Forum (TEO)
- Association of Lithuanian Chambers of Commerce, Industry and Crafts (TEO)
- Vilnius Chamber of Commerce, Industry and Crafts (TEO)
- Šiauliai Chamber of Commerce, Industry and Crafts (TEO)
- Panevėžys Chamber of Commerce, Industry and Crafts (TEO)
- Šiauliai Association of Industrialists (TEO)
- Mažeikiai Association of Industrialists (TEO)
- Lithuanian Advertising Association Advertising Bureau (TEO)
- Association of Human Resource Professionals (TEO and Lintel)
- National Network of Responsible Business in Lithuania (TEO and Lintel)
- Swedish Chamber of Commerce in Lithuania (Baltic Data Center)

International organizations:

- European Telecommunications Network Operators' Association (ETNO) (TEO)
- UNPD Global Compact (TEO and Lintel)

Key indicators

Key indicators

	2012	2011	Change (%)
Revenue (LTL million)	760	750	▲ 1.4
Profit for the year (LTL million)	159	154	▲ 3.0
Capital investments (LTL million)	151	156	▼ 3.5
Market capitalisation (LTL million)	2,060	1,610	▲ 28.0
Number of fixed telephone lines in service	605,424	647,524	▼ 6.5
Number of broadband Internet connections	385,863	372,212	▲ 3.7
Number of TV service customers	169,285	151,175	▲ 12.0
Number of employees at the end of period	3,257	3,303	▼ 1.4

More information about TEO Group financial results for the year 2012 is available in Financial Statements for the year 2012.

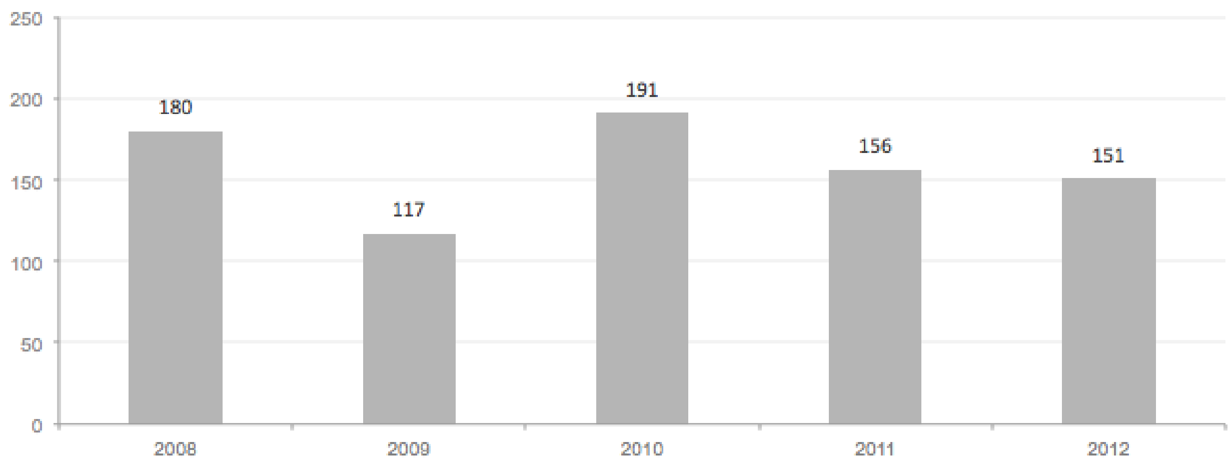
Revenue

Breakdown of revenue (LTL million)

	2012	2011	Change (%)
Fixed voice telephony services	355	374	▼ 5.2
Internet services	172	161	▲ 6.9
Data communication and network capacity services	87	92	▼ 5.2
TV services	57	48	▲ 20.1
IT services	64	48	▲ 35.2
Other services	25	27	▼ 9.7
Total	**760**	**750**	▲ **1.4**

Investments

Capital investments (LTL million)



Important events

JANUARY

The exhibition "Communications Employees – on the Watch of Freedom", related to events of 13 January 1991 at radio, TV and telecommunications objects, was opened in the Communications History Museum in Kaunas.

During NASDAQ OMX Baltic Market Awards TEO was awarded for the Best Investor Relations in the Baltic Countries and on the Vilnius Stock Exchange, the Best Annual Report and the Best Investor Relations On-line, as well as the most attractive Lithuanian company to small investors.

FEBRUARY

The Safer Internet Academy, organised for the fourth year in succession, began its tour around Lithuania.

MARCH

TEO transferred management of its entertainment news portal Zebra.lt to UAB "15 min".

APRIL

Shareholders of the Company decided to pay out 0.20 litas dividend per share for the year 2011 and elected UAB PricewaterhouseCooper as the Company's audit company for two years.

MAY

During the National Responsible Business Awards TEO was recognised as Socially Responsible Enterprise 2011.

TeliaSonera acquired 7.87 per cent of TEO shares from East Capital and crossed the threshold of 75 per cent of votes.The Safe Internet Academy tour around Lithuania came to an end.

JUNE

TeliaSonera implemented a takeover bid to buy up the remaining shares of TEO and acquired shares in the open market.

For the third year in a row, TEO was recognized as the most successful company in the Baltic States.

JULY

TeliaSonera AB increased its holding in TEO up to 88.15 per cent.

Arūnas Šikšta, General Manager of TEO LT, AB, was appointed as the Chairman of the Commission for implementation of the reform of state-owned enterprises.

AUGUST

Baltic Data Center prolonged the cooperation agreement with the Central Electoral Commission of the Republic of Lithuania for another 3 years.

SEPTEMBER

Baltic Data Center received a confirmation that its service management system met all the latest requirements of the ISO/IEC 20000 standard.

OCTOBER

The Company implemented a unique professional development and creativity development project for senior-grade shoolchildren – TEO Burės (TEO Sails).

Arūnas Šikšta, CEO of TEO, closed the trading session of the NASDAQ OMX Stock Exchange in New York

NOVEMBER

The fourth conference for IT specialist from local municipalities organised by TEO and the Association of Local Authorities in Lithuania was held in Vilnius.

DECEMBER

Baltic Data Center signed agreement with the Ministry of Foreign Affairs of the Republic of Lithuania and became the new sponsor of the Lithuanian Presidency of the EU Council.

New services and projects

JANUARY

TEO launched long-term computer and office equipment rental services for businesses and organizations.

FEBRUARY

"Tadas Blinda. The Beginning", the Lithuanian movie which had received extremely high attention from the audience, became available for watching on the GALA Video-On-Demand in High Definition (HD) format.

MARCH

TEO increased the speed of the ZEBRA Internet plan "Bazinis šviesolaidis" ("Basic FTTH") from 40 Mbps to 50 Mbps and the Internet plan "Startas" ("Start") – up to 2 Mbps.
The Company launched two additional ZEBRA Internet services: "Laiko kontrolė" ("Time Control") and "Saugykla" ("Storage").
The safest in Lithuania cooling system was installed in the data center of Baltic Data Center.Customers of TEO were enabled to pay for all services of the Company through the payment system "Viena sąskaita".

APRIL

Upgrade of the SLA (Service Level Agreement) monitoring system for monitoring of service quality parameters and controlling fault elimination time periods.

MAY

TEO offered residential customers to use bundled Internet, digital television and voice telephony services "Namai 1" ("Home 1"), "Namai 2" ("Home 2") and "Namai 3" ("Home 3").
Lintel offered a smartphone application 118. Users of Interactive GALA had a possibility to watch Eurovision semi-finals and the Grand final in High Definition (HD).
Baltic Data Center offered data storage services based on IBM solutions.

JUNE

TEO offered "Storage for Business", a data storage service for businesses.
Baltic Data Center (BDC) signed an agreement for hosting the equipment of NASDAQ OMX Vilnius in the data center of BDC.
TEO and VIASAT World Limited signed an agreement on rebroadcasting of 8 channels to Interactive GALA TV users.

JULY

Users of Interactive GALA had a possibility to watch London Summer Olympic Games in High Definition (HD).

AUGUST

TEO offered its customer new additional payment plans, enabling them to make calls to Lithuanian mobile network subscribers for 0 cents per minute.
Users of Interactive GALA were offered a new additional service – "Startover". Launch of a new service for residential customers of TEO – a TV set for a monthly fee.

SEPTEMBER

TEO and the Palanga Town Municipality Administration signed a contract for the installation of a video surveillance system and the provision of data communication services.
Lintel's contact center in Kaunas started to provide services to people with hearing disabilities.

OCTOBER

On 29 October 2012 Lithuania shut down analogue TV broadcasting.

Awards

- **The Best Investor Relations in the Baltic Countries, the Best Annual Report and the Best Investor Relations On-line, as well as one of the most attractive Lithuanian company to small investors** (NASDAQ OMX Baltic Market Awards)

- **The Most Successful Listed Company in the Baltic States** (Baltic Corporate Excellence Awards)

- **Socially Responsible Enterprise** (National Responsible Business Awards)

The Lithuanian electronic communications market

- During 2012, the revenue of the Lithuanian electronic communications sector, compared to 2011, decreased by 5.2 per cent.
- The total revenue of the market amounted to LTL 2.3 billion (in 2011 – LTL 2.4 billion).
- In 2012, in terms of revenue, the growth was recorded only in the markets of dark fiber (18 per cent) and pay-TV services (7.5 per cent).
- The market of mobile telephony services decreased by 3 per cent, fixed-line telephony services – 9.4 per cent, networks' interconnection – 35.9 per cent, radio and television programs transmission – 13 per cent, Internet access – 1.8 per cent, leased lines – 1.9 per cent and data communication – 0.2 per cent.

Internet services market

- During 2012, the number of Internet users in Lithuania increased by 6.6 per cent or by 65.3 thousand – up to 1,054.4 thousand.
- At the end of 2012, the number of broadband Internet access users per 100 inhabitants of Lithuania was 35.4.
- The most rapid growth was in the number of users, connected to the Internet via wireless connections (20.4 per cent), fiber-optic communication lines (11.9 per cent) and via mobile telecommunications networks (9.6 per cent).
- Almost 403 thousand or 38.2 per cent of the total number of Internet users connect to the Internet via fiber-optic lines. This is one of the best indicators in Europe.
- Internet access services are provided by 100 operators. The largest Internet service providers by the number of subscribers: TEO LT, AB (36.5 per cent), UAB Omnitel (15.8 per cent), UAB Bitė Lietuva (9 per cent), AB Lietuvos radijo ir televizijos centras (Lithuanian Radio and Television Centre) (6.7 per cent), UAB Cgates (5.6 per cent).

Voice services market

Fixed telephony services

- During 2012, the total number of fixed telephone lines in Lithuania decreased by 5.2 per cent or 36.5 thousand – down to 675.4 thousand.
- At the end of 2012, the number of fixed telephone lines per 100 inhabitants in Lithuania was 22.1.
- 89.5 per cent of fixed-line telephony subscribers were TEO customers, while 10.5 per cent – customers of alternative operators.
- At the end of 2012, there were 48 undertakings engaged in the provision of fixed telephony services in Lithuania: 35 – national and international calls, 8 – only international calls, 5 – only wholesale (transit) services.
- 35 operators use the IP protocol, 16 of which – cable TV and data communication networks.

Mobile telephony services

- Over the year, the number of active mobile telephone subscribers increased by 1.2 per cent or 59 thousand – up to 4,997 thousand.
- The number of active mobile telephone subscribers per 100 inhabitants in Lithuania was 167.7.
- Mobile telephony services in Lithuania are provided by 3 operators (UAB Omnitel, UAB Bitė Lietuva, and UAB Tele2) and 4 service providers. Other 6 undertakings act as resellers of the services provided by other operators to their subscribers.
- At the end of 2012, 39 per cent of active mobile telephone subscribers were customers of Omnitel, 38.4 per cent – Tele2, 20.7 per cent – Bitė Lietuva and 2 per cent – other service providers.

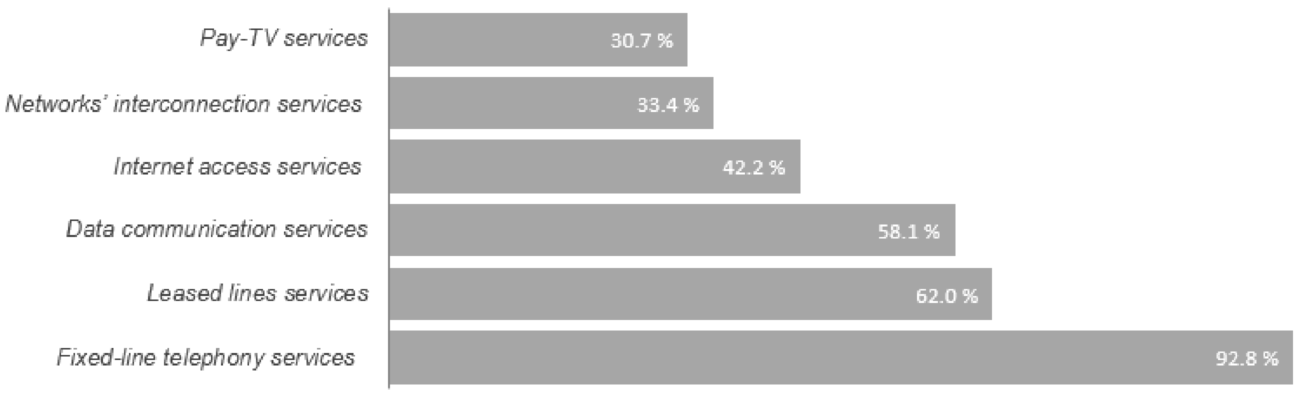
TV services market

- At the end of 2012, the total number of pay-TV subscribers was 709.6 thousand, i.e. 6.2 per cent more than at the end of 2011 when the number of TV subscribers was 668.2 thousand.
- Over the year, the number of digital television service users increased by 17.3 per cent – up to 399 thousand, and by the end of 2012 amounted to 56.2 per cent of the total number of pay-TV service subscribers.
- The number of Internet Protocol-based television (IPTV), satellite, digital cable and digital terrestrial television (DVB-T) service users continued to grow, while the number of cable analogue and microwave multi-channel television subscribers decreased.
- The number of digital pay-TV subscribers per 100 households in Lithuania was 32.1.
- At the end of 2012, cable television services were provided by 41 undertakings, microwave multi-channel television (MDTV) services – by 2 undertakings.
- 21 operators provided digital television services through cable, 2 – microwave multi-channel and 2 – digital terrestrial television networks; 9 operators provided IPTV and 1 – satellite digital television services.
- At the end of 2012, the number of TEO digital television (IPTV and DVB-T) users (169.3 thousand) constituted 23.9 per cent of the total number of pay-TV subscribers in Lithuania.

TEO market shares

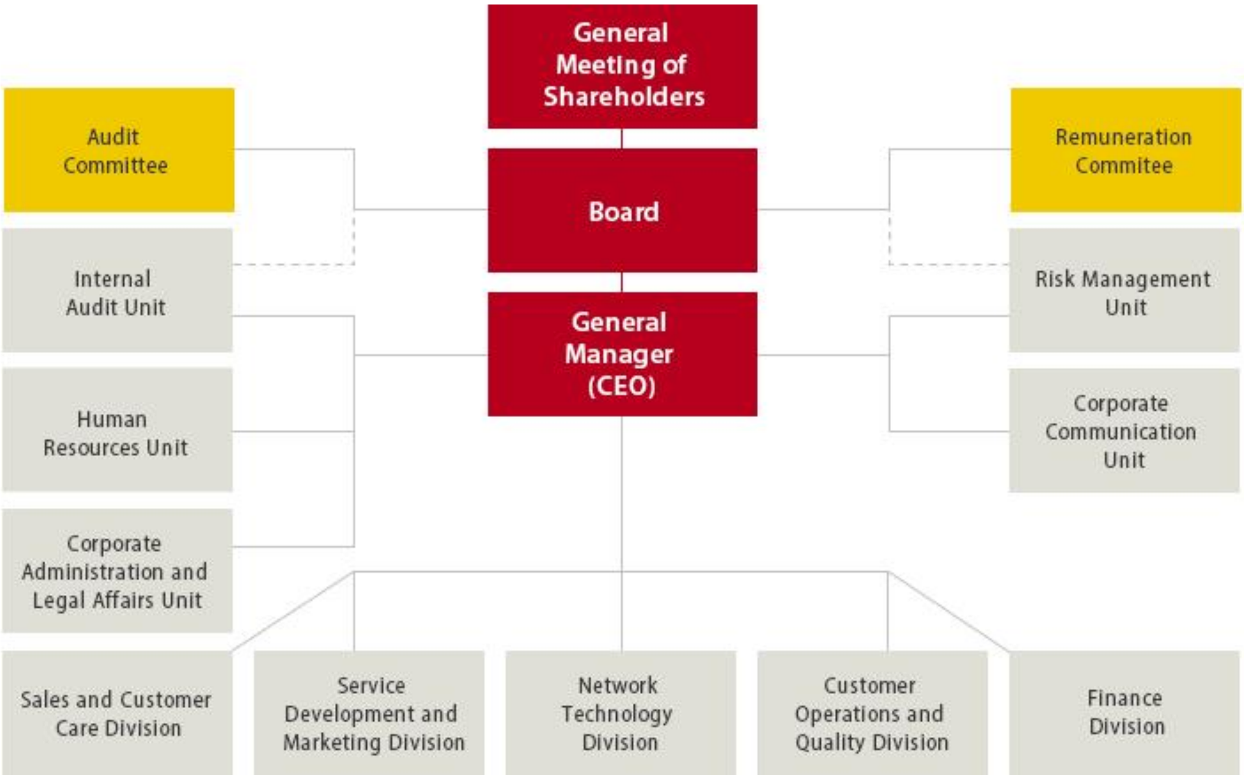
TEO market shares by revenues for the 4th quarter of 2011

Source: Report of the Communications Regulatory Authority



Structure of governance

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



Corporate governance structure valid as of 31 December 2012.

The decisions of the **General Meeting** made regarding the matters of competence of the General Meeting, are binding upon the Shareholders, the Board, 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 six members. The Annual General Meeting of the Shareholders, held on 28 April 2011, decided to reduce the number of the Board members from seven to six. The members of the Board are elected for a term of two years. The Chairman/Chairwoman 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 accordance with the procedure established by the Law on Companies of the Republic of Lithuania. 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.

On 28 April 2011, the Annual General Meeting of Shareholders elected Malin Frenning, Lars Klasson, Joakim Sundström, Tiia Tuovinen, Inga Skisaker (all proposed by Amber Teleholding A/S, the then subsidiary of TeliaSonera

AB) and Jonas Pilkauskas (proposed by East Capital) for the two-year term (till 28 April 2013).

On 9 June 2011, the Board elected Malin Frenning as Chairwoman of the Board and appointed Joakim Sundström, Tiia Tuovinen and Inga Skisaker (an independent member of the Board) as the members of the Audit Committee for the term of two years. In 2012, Malin Frenning, Lars Klasson and Jonas Pilkauskas (an independent member of the Board) were re-elected as the members of the Remuneration Committee for the term of one year.

Following The Governance Code for the Companies Listed on NASDAQ OMX Vilnius stock exchange, all six members are non-executive directors. Four members of the Board represent TeliaSonera Group and two members of the Board – Inga Skisaker and Jonas Pilkauskas who represent minority interest – are regarded as independent members of the Board.

More information about the Board activities in 2012 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 2012 and its appendix, which is an integral part of the Company's Financial Statements.

Board

Malin Frenning (born in 1967)

Chairwoman of the Board of TEO LT, AB from 9 June 2011 till 25 April 2013 , member of the Board from 26 April 2010 till 28 April 2011 and from 28 April 2011 till 25 April 2013 (nominated by Amber Teleholding A/S, the then subsidiary of TeliaSonera AB), member of the Remuneration Committee of the Board; re-elected for the new two-year term on 25 April 2013

Education

Luleå University of Technology (Sweden), *Master of Science in Mechanical Engineering*

Employment

TeliaSonera AB (Sweden), *President of Business Area Broadband Services*

Current Board Assignments

TeliaSonera Network Sales AB (Sweden), *Chairwoman of the Board*
TeliaSonera International Carrier AB (Sweden), *Chairwoman of the Board*
TeliaSonera Skanova Access AB (Sweden), *Chairwoman of the Board*
Elion Ettevõtted AS (Estonia), *Chairwoman of the Supervisory Council*
ESRI S-Group AB (Sweden), *member of the Board*
Cygate Group AB (Sweden), *member of the Board*

TeliaSonera AB (Sweden) that through the then subsidiary Amber Teleholding A/S (Denmark) nominated Malin Frenning to the Board of TEO LT, AB, as of 31 December 2012 had 684,791,575 shares of TEO LT, AB that accounts to 88.15 per cent of the share capital and votes.

Malin Frenning has no direct interest in the share capital of TEO LT, AB.

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

Lars Klasson (born in 1965)

Member of the Board of TEO LT, AB from 28 April 2011 till 25 April 2013 (nominated by Amber Teleholding A/S, the then subsidiary of TeliaSonera AB), member of the Remuneration Committee of the Board

Education

University of Linköping (Sweden), *Master of Business Administration*

Employment

TeliaSonera AB (Sweden), Business Area Broadband Services, *Chief Technology Officer*

Current Board Assignments

Eesti Telekom AS (Estonia), *member of Supervisory Council*

TeliaSonera AB (Sweden) that through the then subsidiary Amber Teleholding A/S (Denmark) nominated Lars Klasson to the Board of TEO LT, AB, as of 31 December 2012 had 684,791,575 shares of TEO LT, AB that accounts to 88.15 per cent of the share capital and votes.

Lars Klasson has no direct interest in the share capital of TEO LT, AB.

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

Joakim Sundström (born in 1959)

Member of the Board of TEO LT, AB from 26 April 2007 till 28 April 2009, from 28 April 2009 till 28 April 2011 and from 28 April 2011 till 25 April 2013, re-elected for the two-year term on 28 April 2011 (nominated by Amber Teleholding A/S, the then subsidiary of TeliaSonera AB), Chairman of the Audit Committee of the Board

Education
Stockholm University (Sweden), *Bachelor of Business Administration*

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

Current Board Assignments
Lattelecom SIA (Latvia), *member of the Supervisory Council, member of the Audit Committee, and member of the Business Planning and Finance Committee*
TeliaSonera Network Sales AB (Sweden), *member of the Board*
TeliaSonera Net Fastigheter AB (Sweden), *member of the Board*
TeliaSonera Skanova Access Sales AB (Sweden), *deputy member of the Board*
Tilts Communications A/S (Denmark), *member of the Board*

TeliaSonera AB (Sweden) that through the then subsidiary Amber Teleholding A/S (Denmark), nominated Joakim Sundström to the Board of TEO LT, AB, as of 31 December 2012 had 684,791,575 shares of TEO LT, AB that accounts to 88.15 per cent of the share capital and votes.

Joakim Sundström has no direct interest in the share capital of TEO LT, AB.

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

Tiia Tuovinen (born in 1964)

Member of the Board of TEO LT, AB from 28 April 2009 till 28 April 2011 and from 28 April 2011 till 25 April 2013 (nominated by Amber Teleholding A/S, the then subsidiary of TeliaSonera AB), member of the Audit Committee of the Board; re-elected for the new two-year term on 25 April 2013

Education

University College London (United Kingdom), *Master of Laws*
University of Helsinki (Finland), *Master of Laws*

Employment

TeliaSonera Finland Oyj (Finland), *General Counsel for Broadband Services and Vice President for Real Estates and Property Planning in Finland*

Current Board Assignments

Lattelecom SIA (Latvia), *member of the Supervisory Council*
TeliaSonera Finland Oyj (Finland), *member of the Board*
TeliaSonera International Carrier AB (Sweden), *member of the Board*
Tilts Communications A/S (Denmark), *member of the Board and Managing Director*
Kekkilä Oy (Finland), *member of the Board*
Member of the Board of several real estate companies in Helsinki, Finland

TeliaSonera AB (Sweden) that through the then subsidiary Amber Teleholding A/S (Denmark) nominated Tiia Tuovinen to the Board of TEO LT, AB, as of 31 December 2012 had 684,791,575 shares of TEO LT, AB that accounts to 88.15 per cent of the share capital and votes.

Tiia Tuovinen has no direct interest in the share capital of TEO LT, AB.

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

Inga Skisaker (born in 1971)

Member of the Board of TEO LT, AB from 28 April 2011 till 25 April 2013 (nominated as independent candidate by Amber Teleholding A/S, the then subsidiary of TeliaSonera AB), member of the Audit Committee of the Board; re-elected for the new two-year term on 25 April 2013

Education

Vilnius University (Lithuania), *Master of International Business Administration*

Employment

Nordea Bank Finland Plc Lithuania Branch, *General Manager*

Current Board Assignments

Baltic Management Institute (Lithuania), *member of the Board*
Investors Forum (Lithuania), *member of the Board*

TeliaSonera AB (Sweden) that through the then subsidiary Amber Teleholding A/S (Denmark) nominated Inga Skisaker as independent candidate to the Board of TEO LT, AB, as of 31 December 2012 had 684,791,575 shares of TEO LT, AB that accounts to 88.15 per cent of the share capital and votes.

Inga Skisaker has no direct interest in the share capital of TEO LT, AB.

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

Jonas Pilkauskas (born in 1974)

Member of the Board of TEO LT, AB from 28 April 2011 till 25 April 2013, elected for the two-year term on 28 April 2011 (nominated as independent candidate by East Capital), member of the Remuneration Committee of the Board

Education

Vilnius University (Lithuania), *Diploma from Faculty of Law (1997)*
From 1995 to 1996 studied at the University of Swansea, Wales (United Kingdom) and at John Marshall Law School in Chicago (U.S.A.).

Employment

Law firm TARK GRUNTE SUTKIENĖ (Lithuania), *of counsel*

Current Board Assignments

East Capital Asset Management AB (Sweden) that nominated Jonas Pilkauskas as independent candidate to the Board of TEO LT, AB, as of 31 December 2012 had no shares of TEO LT, AB.

Jonas Pilkauskas together with related persons (as this concept is described in Polish laws) holds 19,645,318 shares of Trakcja – Tiltra SA (Poland), that accounts to 8.46 per cent of share capital and votes. Trakcja – Tiltra SA has two subsidiaries in Lithuania – Tiltra Group AB and AB Kauno Tiltai.

Also he has 17.6 per cent of UAB PME Capital (Lithuania) shares.

Jonas Pilkauskas has no direct interest in the share capital of TEO LT, AB.

Top Management

Giedrius Vegys (born in 1959)

Acting General Manager of TEO LT, AB from 23 February 2013
From 1 April 2009 he was Chief Financial Officer of TEO LT, AB

Education

Vilnius University, *Faculty of Economic Cybernetics and Finance (1982)*
Helsinki School of Economics, *Executive MBA (2001)*

Current Board Assignments

UAB Baltic Data Center, a subsidiary of TEO LT, AB, *member of the Board*
UAB Lintel, a subsidiary of TEO LT, AB, *member of the Board*

Giedrius Vegys has no direct interest in the share capital of TEO LT, AB.

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

Edis Kasperavičius (born in 1961)

Chief Sales Officer of TEO LT, AB from 14 February 2013
From 5 March 2004 he was Director of Human Resource Unit of TEO LT, AB

Education

Vilnius University, *Master of Psychology (1985)* and *Scholarship in Pedagogics (equivalent of doctorate) (1992)*
Baltic Management Institute, *Master of International Business Administration (2012)*

Current Board Assignments

UAB Lintel, a subsidiary of TEO LT, *member of the Board*
UAB Kompetencijos Ugdymo Centras (Competence Development Center), a subsidiary of TEO LT, AB, *Chairman of the Board and Director*
Baltic Management Institute (Lithuania), *member of the Board*
Lithuanian HR Association, *member of the Board*

Edis Kasperavičius has no direct interest in the share capital of TEO LT, AB.

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

Nerijus Ivanauskas (born in 1970)

Chief Marketing Officer and Deputy General Manager of TEO LT, AB from 1 March 2006

Education

Vilnius University, *Bachelor of Econometrics (1993)*
International Management School, Budapest, Hungary, *Candidate Master of Business Administration (1995)*
Emory University, Atlanta, U.S.A., *Master of Business Administration (1996)*

Nerijus Ivanauskas has no direct interest in the share capital of TEO LT, AB.

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

Darius Didžgalvis (born in 1969)

Chief Technology Officer and Deputy General Manager of TEO LT, AB from 9 February 2005

Education
Kaunas University of Technology, *Engineer in radio electronics (1993), MSc in Telecommunication Engineering (2001), International Executive MBA (2003)*

Current Board Assignments
UAB Baltic Data Center, a subsidiary of TEO LT, AB, *Chairman of the Board*
UAB Hostex, as subsidiary of UAB Baltic Data Center, *member of the Board*
UAB Interdata, a subsidiary of UAB Hostex, *member of the Board*

Darius Didžgalvis has no direct interest in the share capital of TEO LT, AB.

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

Eglutė Bivainienė (born in 1967)

Chief Operational Officer of TEO LT, AB from 1 July 2011

Education
Vilnius University, *Diploma in Economics and Mathematics (1990)*
ISM University of Management and Economics, *Master of Business Administration studies*

Current Board Assignments
UAB Lintel, a subsidiary of TEO LT, AB, *Chairwoman of the Board*

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

Antanas Poška (born in 1967)

Acting Chief Financial Officer of TEO LT, AB from 23 February 2013.
From 17 December 2012 he was Director of Accounting Unit of TEO LT, AB.

Education
Vilnius University, Diploma in Accounting and Analysis (1993)

Antanas Poška has no direct interest in the share capital of TEO LT, AB.

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

Main units

Kastytis Kmitas
Director of Internal Audit Unit

Vytautas Bučinskas
Director of Risk Management Unit

Bertil Abrahamsson
Acting Director of Human Resources Unit

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

Antanas Bubnelis
Director of Corporate Communication Unit

Sales and Customer Care Division

Larijus Lapinskas
Director of Business Solutions Department

Adomas Ginevičius
Director of Sales Development Department

Arnoldas Žukauskas
Director of Carrier Business Department

Stasys Paplauskas
Director of Business Projects Management Unit

Gintaras Bilevičius
Director of Vilnius Regional Center

Loreta Ivašauskienė
Director of Kaunas Regional Center

Loreta Suodaitienė
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

Network Technology Division

Gintaras Monkevičius

Director of Network Development and Management Department

Haroldas Šulčinskas

Director of Network Maintenance Department

Edvardas Linkevičius

Director of Information Technology Department

Customer Operations and Quality Division

Povilas Kaminskas

Director of Services and Process Management Department

Gintarė Žilinskienė

Director of Service Quality Assurance Department

Renaldas Radvila

Director of Customer Care Channels Development Department

Finance Division

Dalius Redeckas

Director of Economics Department

General Manager Advisor

Rasa Norkienė

Advisor for Corporate Image Formation

Subsidiaries

Laurynas Šeškevičius
Director of UAB Lintel

Aleksandr Samuchov
Director of UAB Baltic Data Center

Pranas Slušnys
Director of UAB Hostex and UAB Interdata

Share capital

The share capital of the Company amounts to 776,817,518 litas and consists of 776,817,518 ordinary registered shares with a nominal value of 1 litas each.

One ordinary registered share of TEO LT, AB gives one vote at the General Meeting of Shareholders. The number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders is 776,817,518.

The share capital of the Company was reduced from 814,912,760 litas to 776,817,518 litas by cancellation of 38,095,242 treasury stocks. Treasury stocks that amounted to 4.67 per cent of the total number of the Company shares were acquired during the Initial Public Offering (IPO) in the year 2000 and they had no rights to exercise any property and non-property rights provided by the Law of the Republic of Lithuania on Companies.

From June 2000 till 1 July 2010 the Company ran the Global Depository Receipts (GDR) programme. According to the programme, one GDR represented 10 ordinary registered shares of the Company. TEO GDRs were listed on the Official List of the UK Listing Authorities and were traded on the London Stock Exchange.

Size and structure of TEO LT, AB capital (%)

	Size of the capital (LTL)	Paprastosios vardinės akcijos	Tarptautiniai depozitoriumo pakvitavimai
31-12-2012	776,817,518	100.00	-
31-12-2011	776,817,518	100.00	-
31-12-2010	776,817,518	100.00	-
31-12-2009	814,912,760	96.26	3.74
31-12-2008	814,912,760	96.12	3.88

Shareholders

The main shareholder of TEO – TeliaSonera AB, a telecommunications operator that directly controls 88.15 per cent of the Company's shares.

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

In June 2011 TeliaSonera AB took over from its subsidiary Amber Teleholding A/S the controlling interest in TEO (62.94 per cent of shares and votes). Before the transaction TeliaSonera AB directly held 5.14 per cent of the Company's shares and votes. During the third quarter of 2011 TeliaSonera AB additionally acquired 0.21 per cent of share and increased its holding up to 68.29 per cent.

On 10 May 2012, TeliaSonera AB acquired from the funds managed by East Capital Asset Management AB and East Capital AB, and Coneglen Limited in total 7.87 per cent of the Company's shares and crossed the threshold of 75 per cent of votes at the General Meeting of Shareholders of TEO.

In connection to that acquisition, TeliaSonera AB announced its intension to launch the voluntary takeover bid to buy up the remaining shares of the Company for the price of EUR 0.637 per share. TeliaSonera AB also placed an order to NASDAQ OMX Vilnius stock exchange to buy shares of the Company for the price of EUR 0.637 per share.

On 30 May 2012 the Bank of Lithuania approved TeliaSonera's circular of the non-competitive voluntary takeover bid to buy up the remaining shares of the Company. The implementation of the takeover bid commenced on 5 June 2012 and terminated on 29 June 2012.

During the takeover bid (from 5 till 29 June 2012) sell orders for 1.63 per cent of shares of the Company were placed. In addition, during the period from 8 May to 29 June 2012, TeliaSonera acquired 10.35 per cent of the Company's shares in the open market.

The number of shareholders on the shareholders registration day (14 April 2012) for the Annual General Meeting of Shareholders, which was held on 24 April 2012, was 14,317.

Shareholders by countries

Breakdown of TEO LT, AB shareholders by the country of residence as of 31 December 2012

Country	Number of shareholders	Number of shares	Share of TEO share capital (%)
Sweden	8	684,804,215	88.16
Lithuania	11,407	72,227,538	9.30
Estonia	443	12,279,158	11.21
Luxemburg	3	2,157,528	1.58
France	3	1,586,900	0.20
Latvia	34	1,558,285	0.20
United Kingdom	16	982,702	0.13

U.S.A	38	628,666	0.08
New Zealand	1	322,079	0.04
Belgium	3	93,940	0.01
Cyprus	1	52.365	0.01
Germany	7	30,707	0.00
The Netherlands	3	24,967	0.00
Ireland	7	16,907	0.00
Russia	4	8,999	0.00
Australia	3	7,681	0.00
Austria	1	7,000	0.00
Belarus	1	5,603	0.00
China	1	5,250	0.00
South Korea	1	5,100	0.00
Finland	1	4,957	0.00
Moldova	1	2,423	0.00
Switzerland	1	2,071	0.00
Italy	1	1,400	0.00
Poland	1	364	0.00
Argentina	1	287	0.00
Republic of South Africa	1	200	0.00
Spain	1	150	0.00
Canada	1	76	0.00
	11,997	776,817,518	**100.00**

Shareholders' structure

Breakdown of TEO LT, AB shareholders registered in Lithuania as of 31 December 2012

	Number of shareholders	Number of shares	Share of TEO share capital (%)
Private individuals	11,352	68,220,655	8.78
Financial institutions	13	2,575,568	0.33
Legal entities	41	1,068,450	0.14
State of Lithuania, represented by State Property Fund	1	362,865	0.05
	11,407	72,227,538	**9.30**

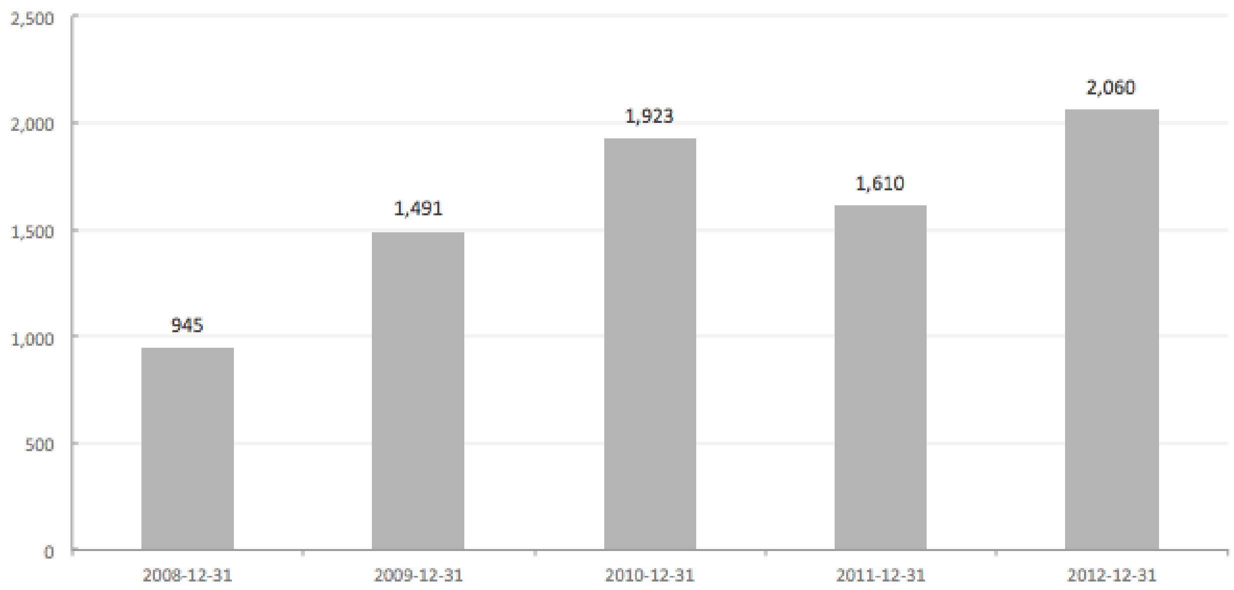
Trading in shares

Ordinary registered shares of TEO (ISIN code LT0000123911) are listed on the Main List of NASDAQ OMX Vilnius stock exchange (code: TEO1L).

From January 2011, TEO ordinary shares are included into the trading lists of the Berlin Stock Exchange (Berlin Open Market called *Freiverkehr*), the Frankfurt Stock Exchange (Open Market (*Freiverkehr*)), the Munich Stock Exchange and the Stuttgart Stock Exchange. TEO share's symbol on German stock exchanges is ZWS.

During 2012 TEO share price on NASDAQ OMX Vilnius stock exchange increased by 27.8 per cent, while the shares' turnover, compared to the year 2011, increased by 2.4 times.

Market capitalisation (LTL million)



NASDAQ OMX Vilnius (LTL)

Trading in TEO shares on NASDAQ OMX Vilnius stock exchange in LTL

	2008	2009	2010	2011	2012
Opening price (LTL)	2.380	1.160	1.860	2.472	2.075
Highest price (LTL)	2.390	2.030	2,483	2.472	2.659
Lowest price (LTL)	1.130	1.070	1.840	1.837	2.061
Average price (LTL)	1.880	1.510	2.231	2.206	2.209
Closing price (LTL)	1.160	1.830	2.476	2.072	2.652
Volume (units)	138,576,177	18,713,919	62,892,242	40,643,808	98,430,559
Turnover (LTL million)	261.19	274.70	140.32	89.67	217.44
Capitalisation (LTL million)	945.30	1,491.29	1,923.13	1,609.32	2,060.12

Trading in TEO shares on NASDAQ OMX Vilnius stock exchange from 12-06-2000 till 31-12-2012 in LTL

NASDAQ OMX Vilnius (EUR)

Trading in TEO shares on NASDAQ OMX Vilnius stock exchange in EUR

	2008	2009	2010	2011	2012
Opening price (EUR)	0.689	0.336	0.539	0.716	0.601
Highest price (EUR)	0.692	0.588	0.719	0.716	0.770
Lowest price (EUR)	0.327	0.310	0.533	0.532	0.597
Average price (EUR)	0.544	0.437	0.646	0.639	0.640
Closing price (EUR)	0.336	0.530	0.717	0.600	0.768
Volume (units)	138,576,177	181,713,919	62,892,242	40,643,808	98,430,559
Turnover (EUR million)	75.64	79.56	40.64	25.97	62.97
Capitalisation (EUR million)	273.78	431.91	556.98	466.09	596.60

Trading in TEO shares on NASDAQ OMX Vilnius stock exchange from 12-06-2000 till 31-12-2012 in EUR

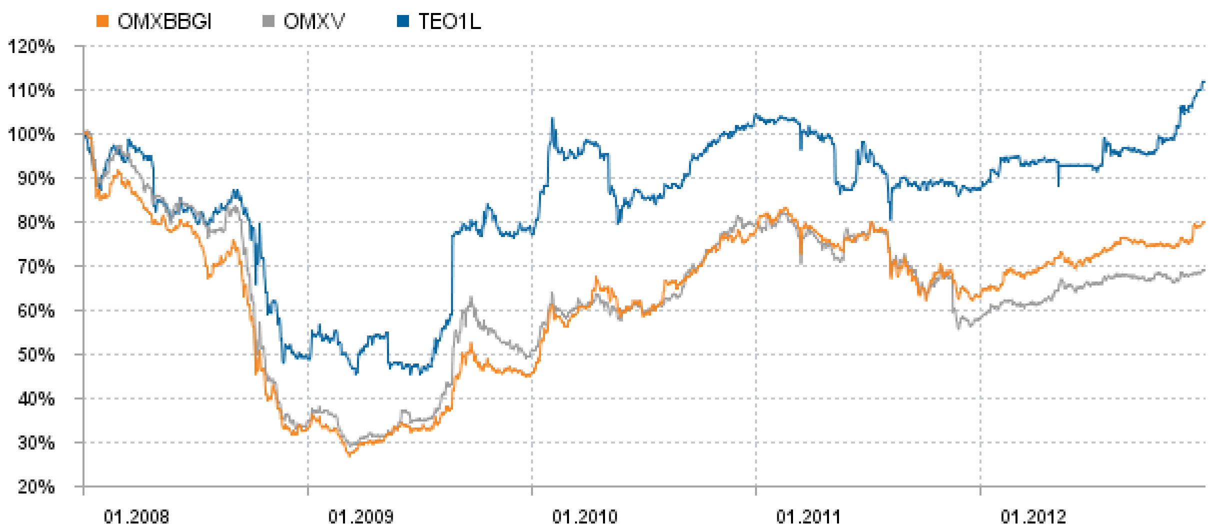
Indexes

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:

- **Benchmark index (OMX Baltic Benchmark)** is available on the Baltic level. The index consists of a portfolio of the largest and most traded shares, representing all sectors available on the NASDAQ OMX Baltic Market.
- **Tradable index (OMX Baltic 10)** is available on the Baltic level and consists of the 10 most actively traded stocks on the NASDAQ OMX Baltic Market.
- **All Share indexes (OMX Baltic, OMX Tallinn, OMX Riga, OMX Vilnius)** are available on both local and Baltic level and include the shares listed on the Main and Secondary lists of the Baltic exchanges.
- **OMX Baltic Telecommunication Sector** index is based on the Industry Classification Benchmark (ICB) developed by FTSE Group.

TEO LT, AB share price and NASDAQ OMX Vilnius stock exchange indexes development during 2008-2012

	01-01-2008	31-12-2012	Pokytis (%)
OMX Vilnius Index	684.91	546.98	▼ 20.14
OMX Vilnius Index	514.23	355.08	▼ 30.95
TEO LT, AB share price (EUR)	0.69	0.77	▲ 11.89



Dividends

Each year the Company pays dividends although there is no officially approved dividend policy.

After 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 dividends were paid out. Starting from 2003 till 2008 each year the amount of dividends paid out per share was higher than consolidated earnings per share for 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 2012, the Company paid out to the shareholders LTL 155.4 million of dividends or 0.20 litas per share for the year 2011. Following the Law, the dividends were paid to the shareholders who at the end of the tenth business day following the Annual General Meeting that adopted a decision on dividend payment, i.e. on 9 May 2012 were shareholders of TEO LT, AB. On 23 May 2012 dividends to shareholders were paid in cash.

The Annual General Meeting of TEO LT, AB Shareholders, where a decision regarding the allocation of the profit for the year 2012 should be adopted, will be held on 25 April 2013. After adoption of the decision to pay dividends for the year 2012, dividends would be paid to the shareholders who at the end of the tenth business day after the General Meeting, i.e. on 10 May 2013, will be shareholders of the Company.

	2008	2009	2010	2011	2012
Consolidated earnings per share (LTL)	0.21	0.22	0.21	0.20	0.20
Paid out dividend per share (LTL)	0.23	0.21	0.21	0.20	0.20
Retained earnings of Parent company (LTL thousand)	183,376	166,076	144,333	161,163	160,668
Paid out dividend amount (LTL thousand)	178,668	163,132	139,827	155,364	155,364

Main figures of TEO Group

Financial figures	2008	2009	2010	2011	2012
Revenue (LTL million)	826	816	773	750	760
EBITDA (LTL million)	349	338	310	302	307
EBITDA margin (%)	42.4	41.5	40.1	40.3	40.4
Operating profit (LTL million)	182	196	179	170	177
Operating profit margin (%)	22.1	24.0	23.1	22.7	23.2
Profit before income tax (LTL million)	190	198	180	172	177
Profit before income tax margin (%)	22.9	24.3	23.3	23.2	23.3
Profit for the period (LTL million)	160	169	163	154	159
Profit margin (%)	19.4	20.7	21.1	20.6	20.9
Total assets (LTL million)	1,183	1,151	1,179	1,138	1,159
Shareholders' equity (LTL million)	1,036	1,027	1,026	1,041	1,045
Capital investments (LTL million)	180	117	191	156	151
Number of shares, excluding treasury stocks (thousand)	776,818	776,818	776,818	776,818	776,818
Earnings per share (LTL)	0.21	0.22	0.21	0.20	0.20
Paid out dividend per share (LTL)	0.23	0.21	0.18	0.20	0.20
Share price at the end of period (LTL)	1.160	1.830	2.476	2.072	2.652
Ratios	**31-12-2008**	**31-12-2009**	**31-12-2010**	**31-12-2011**	**31-12-2012**
Return on capital employed (%)	18.5	19.5	17.8	17.2	17.6
Average return on assets (%)	16.0	17.6	16.1	15.3	15.8
Return on shareholders' equity (%)	15.7	16.9	16.4	15.4	15.7
Gearing ratio (%)	(30.4)	(29.3)	(24.8)	(20.6)	(22.2)
Debt to equity ratio (%)	0.7	0.6	0.5	0.4	0.3
Current ratio (%)	353.7	410.8	310.7	459.6	386.8
Rate of turnover of assets (%)	72.6	73.4	69.7	67.3	67.9
Equity to assets ratio (%)	87.6	89.2	87.1	91.5	90.1
Dividend payout ratio (%)	111.7	96.5	96.9	96.4	96.7
Price to earnings ratio	5.6	8.3	8.3	10.4	12.9

Operating figures	31-12-2008	31-12-2009	31-12-2010	31-12-2011	31-12-2012
Number of fixed telephone lines in service	767,805	721,953	689,012	647,524	605,424
Number of broadband Internet connections in total:	298,080	313,449	345,865	372,212	385,863
- DSL connections	250,770	228,090	212,948	197,405	183,396
- connections via the fiber-optic network (FTTB, FTTH)	24,258	62,828	103,812	140,242	162,038
- connections via the WiFi network	23,052	22,531	29,105	34,565	40,429
Number of wireless Internet (WiFi) hot-spots	4,203	3,998	3,785	3,385	3,013
Number of TV service users in total:	66,677	102,369	131,188	151,175	169,285
- IPTV customers	40,350	55,915	67,909	79,918	94,665
- DVB-T customers	26,327	46,454	63,279	71,257	74,620
Number of personnel at the end of period	3,332	3,060	3,486	3,303	3,257

Information to investors

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders of TEO LT, AB will be held at the head-office of TEO LT, AB at Lvovo str. 25, Vilnius, Lithuania, at 1 p.m. on Thursday, 25 April 2013.

Shareholders who at the end of the General Meeting of Shareholders' accounting day, i.e. 18 April 2013, will be shareholders of the Company have a right to participate and vote at the General Meeting of Shareholders.

One ordinary registered share of TEO LT, AB gives one vote at the General Meeting of Shareholders. The share capital of the Company consists of 776,817,518 ordinary registered shares of one litas nominal value each. Therefore, the number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders is 776,817,518.

Dividends for the year 2012

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 2012 and dividend payment, i.e. on 10 May 2013 (dividend record day), will be shareholders of TEO LT, AB.

According to the rules of NASDAQ OMX Vilnius stock exchange, the ownership right to the shares acquired through Automatically Matched trades is transferred on the third business day after conclusion of the transaction. The ex-dividend day for TEO shares is 8 May 2013.

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.

Following the Lithuanian legislation, dividends paid to:
- natural persons–residents of the Republic of Lithuania and natural persons–residents of foreign countries are subject to withholding Personal income tax of 20 per cent;
- legal entities of the Republic of Lithuania and legal entities–residents of foreign countries are subject to withholding Corporate income tax of 15 per cent, unless otherwise provided for by the laws.

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), before dividend payout or Claim for Refund of Tax Withheld at Source, form FR0022 (DAS-2), after dividend payout.

Financial Reports

The Financial Statements, Consolidated Annual and Corporate Social Responsibility Reports of TEO LT, AB for the year 2012 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 2013, TEO Group financial results will be released on the following dates:
- Interim Consolidated Financial Statements for the period ended 31 March 2013: April 17
- Interim Consolidated Financial Statements for the period ended 30 June 2013: July 16
- Interim Consolidated Financial Statements for the period ended 30 September 2013: October 15

Equity Research

The following banks and securities brokerage houses analyzed the results and the value of the Company's shares in 2012:

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