

# RESULTS FOR THE YEAR 2009

TEO LT, AB GROUP

26-03-2010

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# HIGHLIGHTS OF 2009

- Moderate revenue declined by 1.3%
- Expenses are under control and down by 0.1%
- EBITDA margin at 41.5%
- Net profit increased by 5.7%
- Number of FTTH connections exceeded 50 thousand
- Total number of TV service users exceeded 100 thousand
- Capital investments amounted to LTL 117 million
- TeliaSonera Group increased its holding in TEO up to 64.90% of shares and 68.08% of votes
- UAB Baltic Data Center acquired UAB Interdata, a webhosting service provider



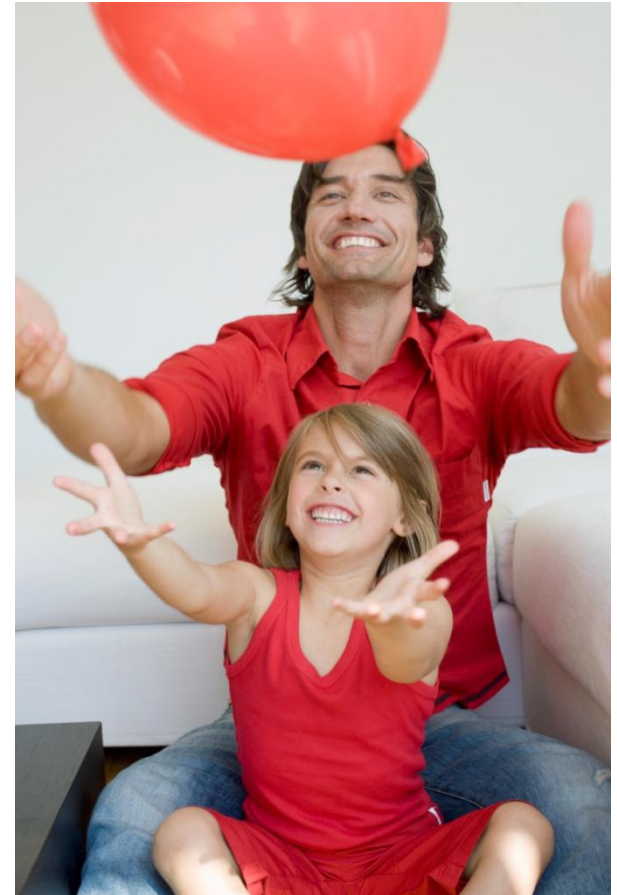
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# TEO LEADERSHIP IN LITHUANIA

- **No. 1** in fixed voice telephony
- **No. 1** in broadband internet
- **No. 1** in data communication and leased lines
- **No. 1** in internet television (IPTV)
- **No. 1** in digital terrestrial television (DVB-T)
- **No. 1** in information provision services
- **No. 1** in data center business
- **No. 1** in the social partnership
- **The only** Lithuanian company listed in London
- **The most** liquid stock on Vilnius stock exchange



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# BUSINESS OF TEO



**VOX** - voice services for residential customers



**ZEBRA** - internet services for residential customers



**GALA** – digital television services



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

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# TEO – PART OF TELIASONERA GROUP

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

Company	Stake (%)
Eesti Telekom (Estonia)	100.00
Omnitel (Lithuania)	100.00
TEO (Lithuania)	64.90
LMT (Latvia)	60.27
Lattelecom (Latvia)	49.00



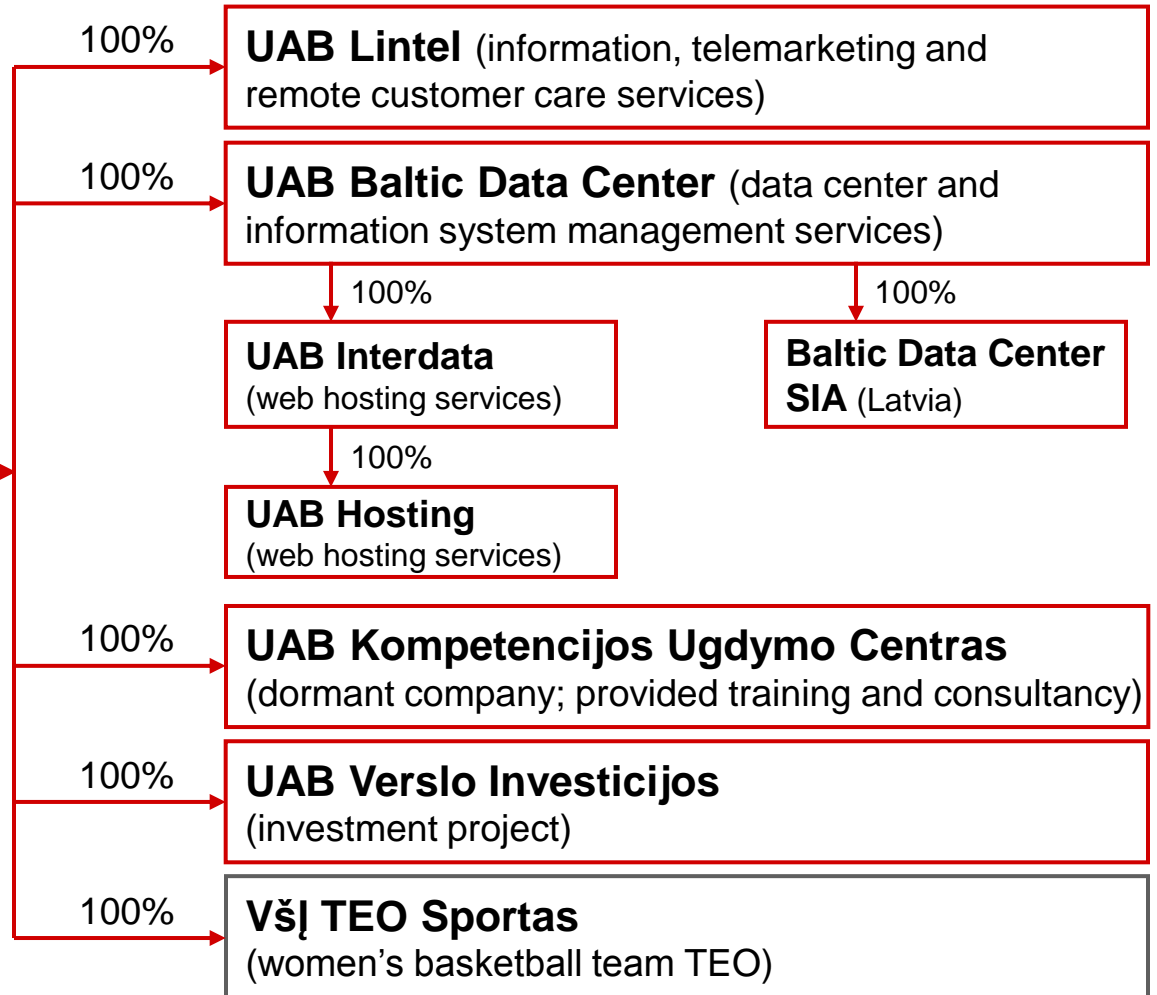
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# TEO GROUP

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



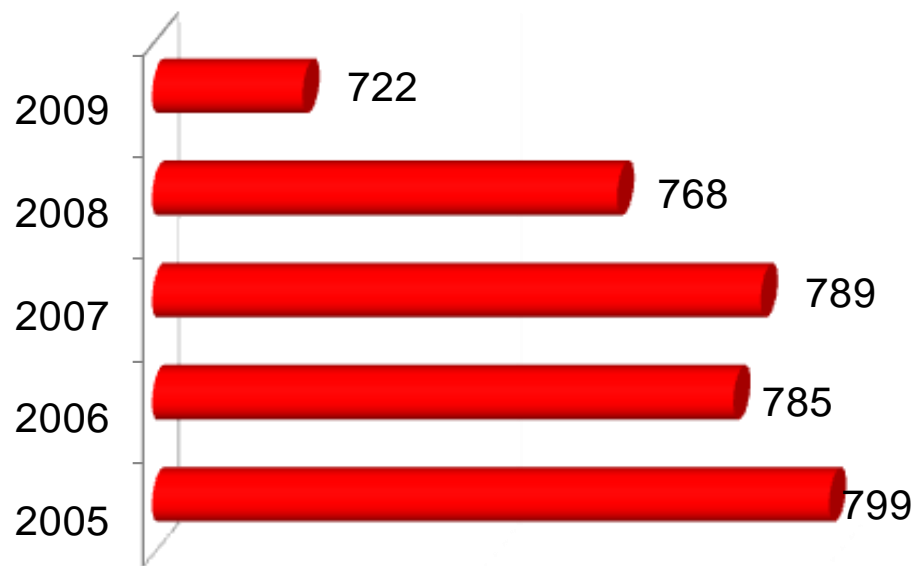
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# VOICE TELEPHONY SERVICES

Number of main lines in service  
(thou.)



- More disconnections in 2009 due to economic slow-down
- Almost all residential customers are subscribers of one or more payment plans
- In May 2009, new flat fee payment plans for residential customers were introduced
- In 2009, residential customers' traffic increased by 1.3%, business customers' traffic decreased by 18.2%

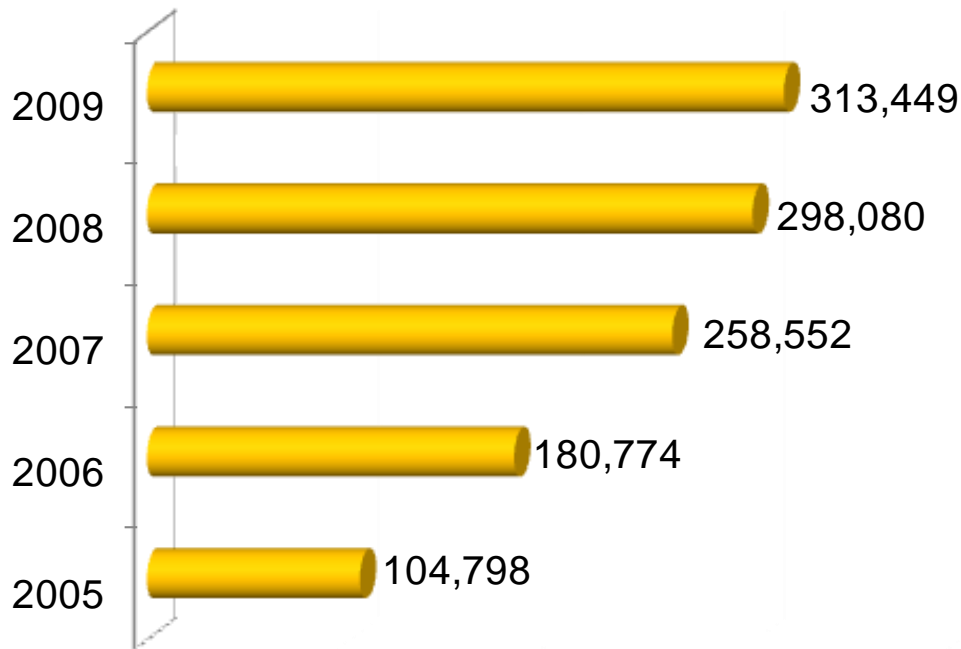
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# SWITCHOVER FROM COPPER TO OPTICAL NETWORK BASED BROADBAND

Number of broadband connections



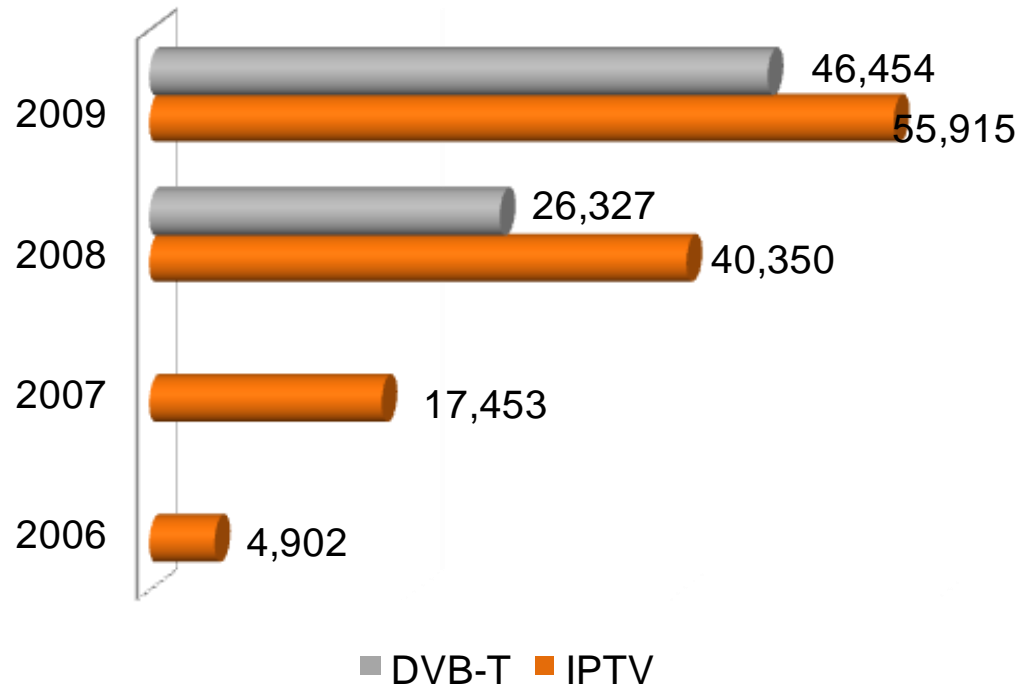
- Construction of FTTH (Fiber-to-the-home) access network started in 2007
- 63 thousand of optical FTTB and FTTH connections
- 3,998 WiFi hot-spots network – largest in the country
- 23 thousand WiFi connection users
- 53% of Lithuania's international internet traffic goes through TEO direct international connections

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# TELEVISION – FASTEST GROWING NEW BUSINESS AREA

Number of digital TV service users



- Interactive IPTV service with more than 80 TV channels, video on demand, games and karaoke was launched in October 2006
- Digital terrestrial televisions (DVB-T) providing up to 40 TV channels was introduced in March 2008
- TEO operates 2 out of 4 national DVB-T networks for transmission of 10 TV programs per network
- HDTV broadcasting of 4 IPTV and 3 DVB-T channels started in 2009
- By 2012 TV broadcasting in Lithuania should switch from analogue to digital

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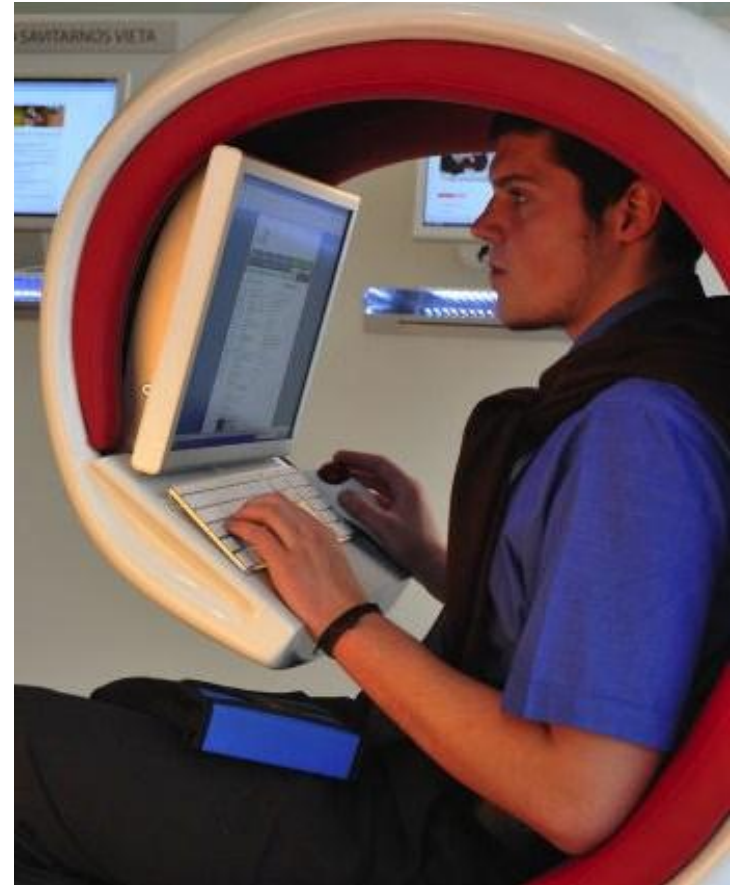
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# TEO GROUP IT SERVICES

BalticDataCenter

- BDC – leader in the management of data centers and information systems in the Baltic States
- 5 data centers fully complying with international standards
- More than 180 highly skilled IT professionals
- More than 700 managed servers
- More than 1,000 TB of data
- More than 4,000 supported digital workplaces
- Professional support 24x7 (IT Service Desk)
- Long term contract with DnB NORD Finance Group for IT infrastructure implementation and management
- PC maintenance service for small and medium size companies
- Webhosting services



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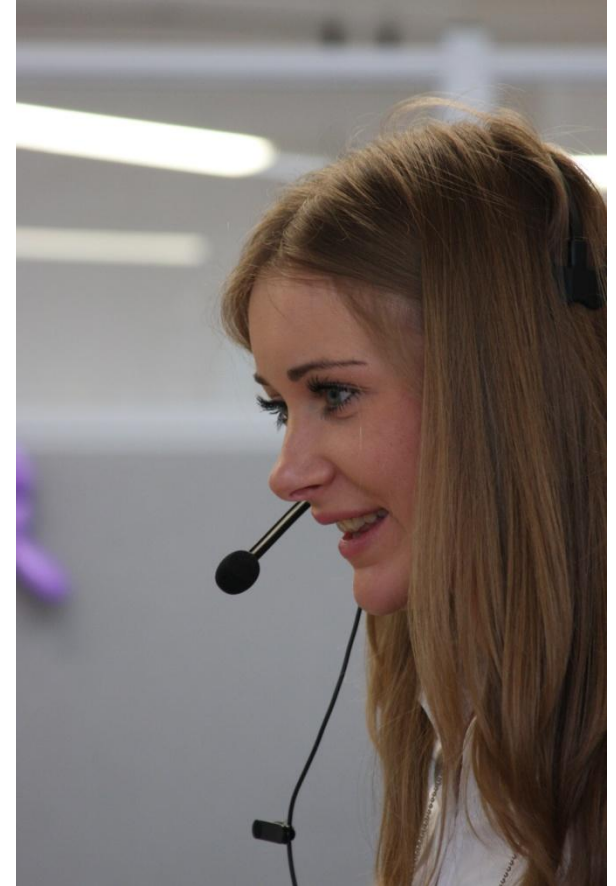
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# OTHER GROUP SERVICES



- Lintel – the largest and most modern Call Center service provider in Lithuania
- 5 Call Centers handle around 14 million calls a year
- All geographically remote Call Centers are connected into one virtual Call Center for total 470 working places
- Directory Inquiry Service 118 (market share: 87%)
- Telemarketing and remote customer care services for business customers
- IT consultations service 24x7

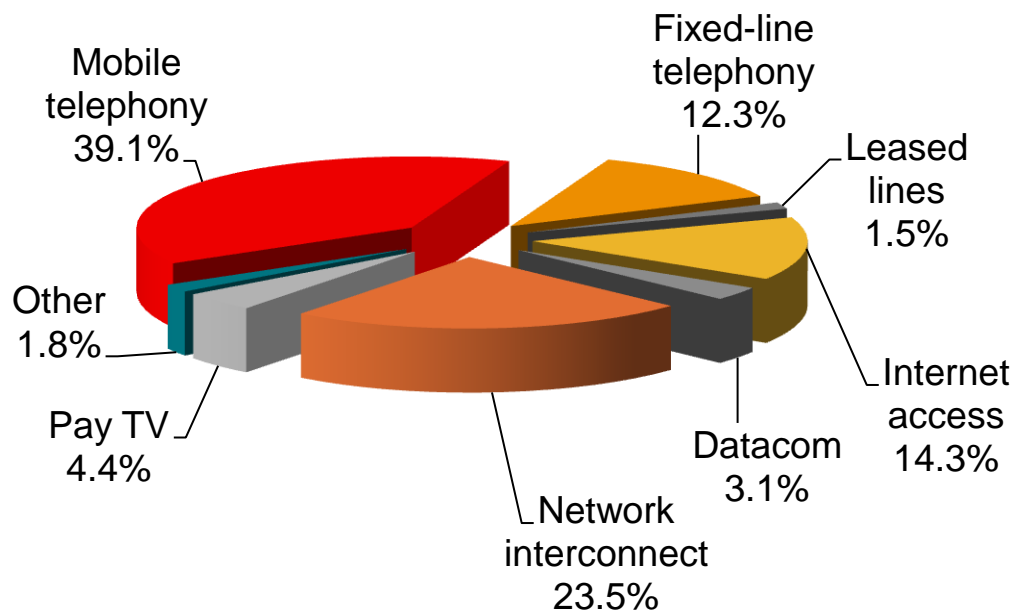


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# TELECOMMUNICATION MARKET IN LITHUANIA IN 2009

- Total revenue: LTL 2,883 million  
(2008: LTL 3,125 million)
- Change: (7.7)%
- Penetration per 100 residents:
  - fixed voice: 22.5
  - mobile voice: 149.0
  - internet: 23.9
  - fixed broadband: 19.0
  - pay TV: 16.1
- Capital investments: LTL 328 million  
(2008: LTL 454 million)

Revenue breakdown by segments



Source: Report of Communications Regulatory Authority

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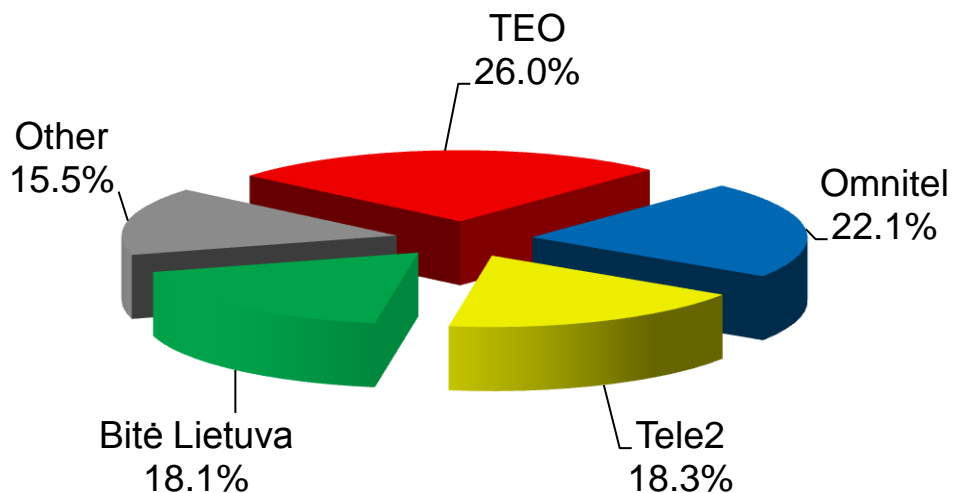
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# MAJOR PLAYERS ON TELECOMMUNICATION MARKET IN 2009

- TEO is the largest operator in Lithuania in terms of revenue
- Only 4 operators in Lithuania have a market share higher than 2%
- Total revenue of other 155 companies amounted to 15.5%
- Omnitel and TEO belongs to TeliaSonera Group
- In total, Omnitel and TEO have 48.1% of the Lithuanian telecommunications market

Revenue breakdown by operators



Source: Report of Communications Regulatory Authority

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# TEO COMPETES IN ALL AREAS EXCEPT MOBILE VOICE

Market	Market revenue for 2009 (LTL million)	Change to 2008 (%)	Number of players	TEO share in Q4 2009 (%)
Fixed voice	355	(11.2)	48	94.3
Leased lines	44	15.6	13	63.2
Internet access	412	7.4	109	39.3
Data communication	88	20.6	14	70.2
Network interconnection	677	(7.3)	>5	16.9
Pay TV	127	42.1	47	n/a
TV and radio program transmission	30	7.4	2	n/a
Mobile voice	1,126	(17.4)	3+4	-

Source: Report of Communications Regulatory Authority

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# FIXED VOICE TELEPHONY MARKET IN LITHUANIA IN 2009

- 48 companies are providing fixed voice services:
  - 36 provide national and international calls
  - 6 only international calls
  - 6 only wholesales (transit) services
- 32 companies are using IP network, 15 of them CATV and data communication networks
- Number of alternative operators subscribers: 52.8 thousand or 6.8% of total subscribers' number
- TEO market share (Q4 2009) in terms of:
  - total number of customers: 93.2%
  - total traffic: 96.2%
  - revenue from local calls: 99.2%
  - revenue from domestic long distance calls: 92.4%
  - revenue from international calls: 78.0%

Source: Report of Communications Regulatory Authority



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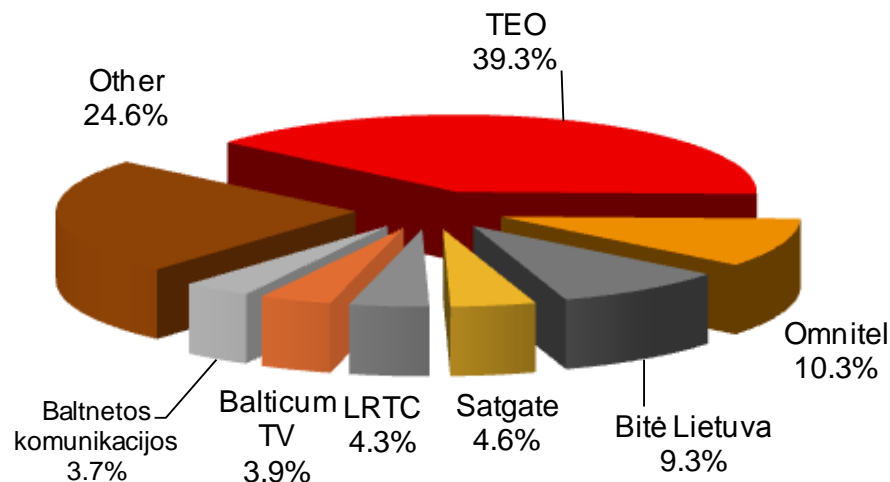


# INTERNET ACCESS MARKET IN LITHUANIA IN 2009

Access type	Number of users ('000)	Change to 2008 (%)
Fiber optics	255	56.0
DSL	228	(9.1)
Via mobile network	160	38.1
Wireless	69	16.9
Via CATV networks	53	(19.3)
Via LAN	27	(44.6)
Dial-up	2	(42.3)
Via leased-lines	1	(7.2)
<b>Total:</b>	<b>796</b>	<b>12.2</b>

Source: Report of Communications Regulatory Authority

Q4 2009 revenue by service providers



- TEO has 49.8% of broadband internet using fixed connection market in terms of revenue

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# PAY TV MARKET IN LITHUANIA IN 2009

Access type	Number of operators	Number of users ('000)	Change to 2008 (%)	Revenue Q4 2009 (mLTL)	Change to Q3 2009 (%)
Analogue CATV	47	372	(0.1)	17.3	(6.4)
<b>Digital:</b>					
Digital CATV	16	27	42.1	1.4	10.8
Digital MVDS	4	21	9.9	1.7	(2.4)
IP TV	7	58	40.7	4.1	7.7
DVB-T	2	47	76.9	3.4	25.9
Digital satellite	1	74	n/a	10.2	8.4
<b>Total digital:</b>	<b>30</b>	<b>227</b>	n/a	<b>20.8</b>	<b>9.9</b>
<b>Total:</b>		<b>599</b>	<b>22.5</b>	<b>38.1</b>	<b>1.9</b>

- TEO has 96.7% of IPTV and 99.5% of DVB-T customers; in total, 17.1% of all pay TV users

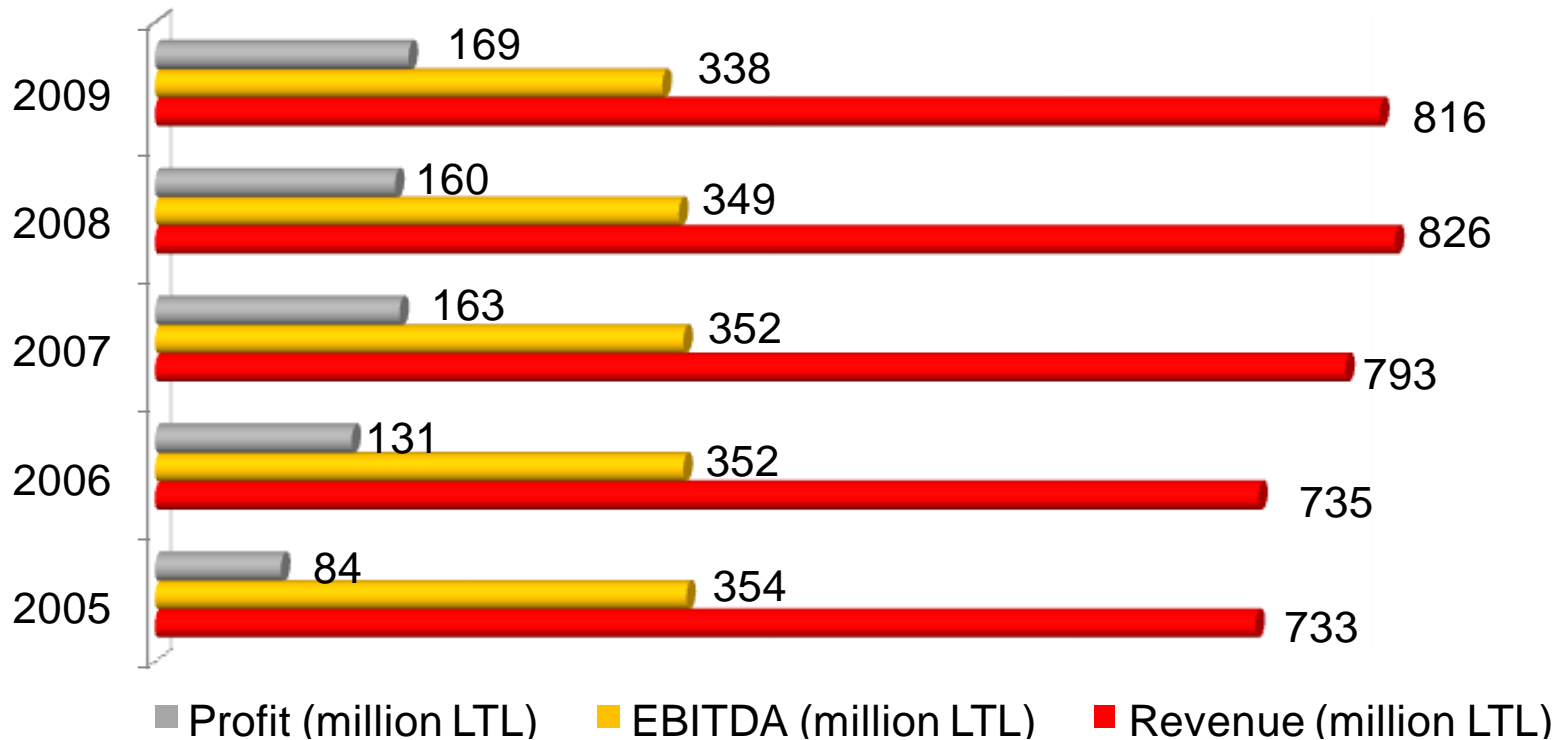
Source: Report of Communications Regulatory Authority

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# TEO REVENUE, EBITDA AND NET PROFIT



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# MAJOR FINANCIAL INDICATORS

(thousand LTL)	2009	2008	Change (%)
Revenue	815,551	826,267	(1.3)
Operating expenses	486,701	487,076	(0.1)
EBITDA	338,087	349,071	(3.1)
EBITDA margin	41.5%	42.2%	
Depreciation and amortization	142,040	166,833	(14.9)
Operating profit	196,047	182,238	7.6
Operating profit margin	24.0%	22.1%	
Net profit	169,072	159,908	5.7
Profit margin	20.7%	19.4%	
Earnings per share (LTL)	0.218	0.206	5.7



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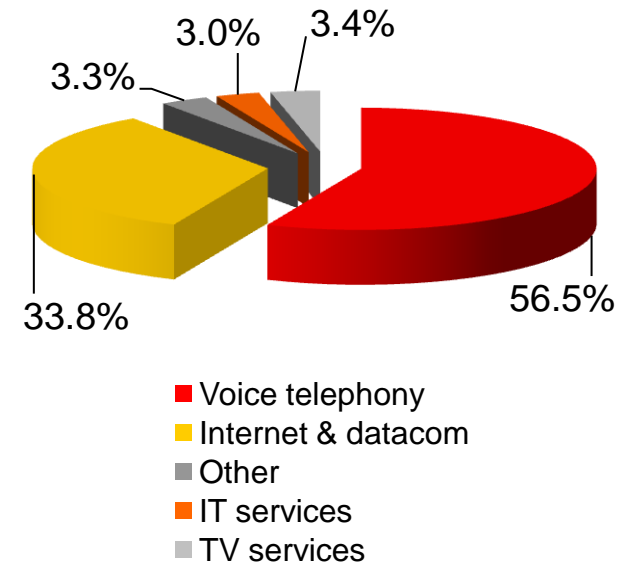
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# REVENUE

(thousand LTL)	2009	2008	Change (%)
Voice telephony services	461,180	508,510	(9.3)
Internet & data communications services	275,339	256,662	7.3
TV services	27,598	16,457	67.7
IT services	24,866	21,282	16.8
Other services	26,568	23,356	13.8
<b>Total:</b>	<b>815,551</b>	<b>826,267</b>	<b>(1.3)</b>

Breakdown of revenue for 2009

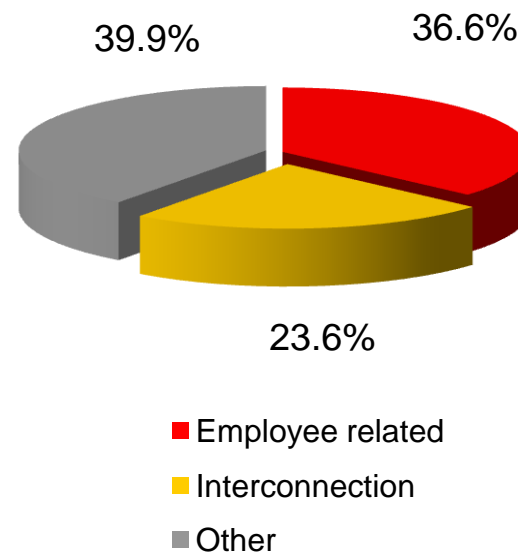


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# OPERATING EXPENSES

(thousand LTL)	2009	2008	Change (%)
Employee related	178,029	183,382	(2.9)
Interconnection	114,663	119,997	(4.4)
Other	194,009	183,697	5.6
<b>Total:</b>	<b>486,701</b>	<b>487,076</b>	<b>(0.1)</b>

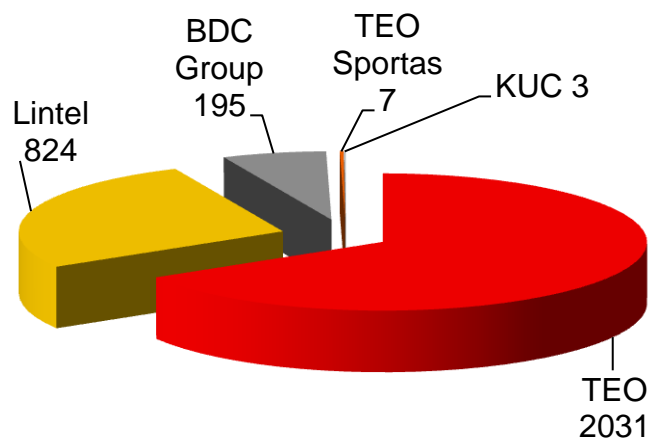
Breakdown of expenses  
for 2009



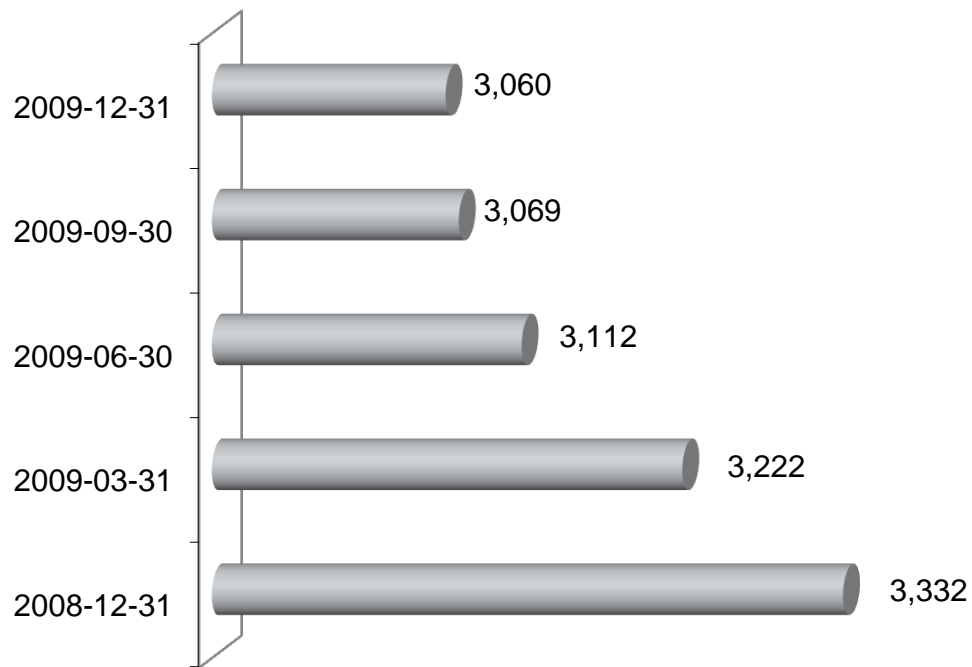
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# EMPLOYEES

Breakdown of TEO Group employees (31-12-2009)



Number of TEO Group employees



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# STRONG BALANCE SHEET

(thousand LTL)	2009-12-31	2008-12-31	Change
Total assets	1,150,717	1,182,623	(2.7)%
Cash, held-to-maturity investments, loans to banks	307,242	322,193	(4.6)%
Equity	1,026,634	1,036,230	(0.9)%
Borrowings	6,163	6,808	(9.5)%
Net debt	(301,079)	(315,385)	
Gearing ratio	(29.3)%	(30.4)%	
ROAA	17.6%	16.0%	
ROE	16.9%	15.7%	

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# CASH FLOW

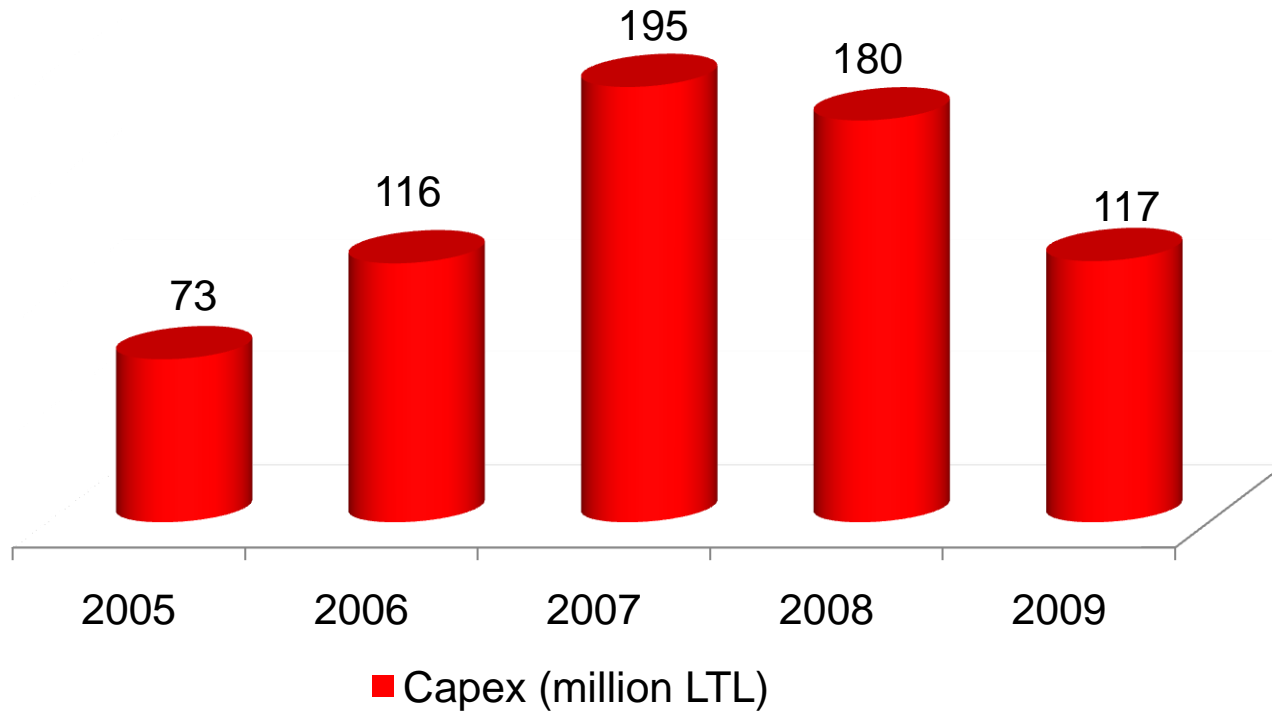
(thousand LTL)	2009	2008
Net cash from operating activities	293,673	315,964
Net cash used in investing activities	(82,062)	(200,407)
Net cash used in financing activities	(179,566)	(195,009)
Increase in cash and cash equivalents	32,045	(79,452)

- Capital investments during 2009 amounted to LTL 117 million
- In May 2009, LTL 179 million (i.e. 0.23 litas per share) of dividends for year 2008 were paid
- In November 2009, Baltic Data Center acquired a web-hosting service provider, Interdata

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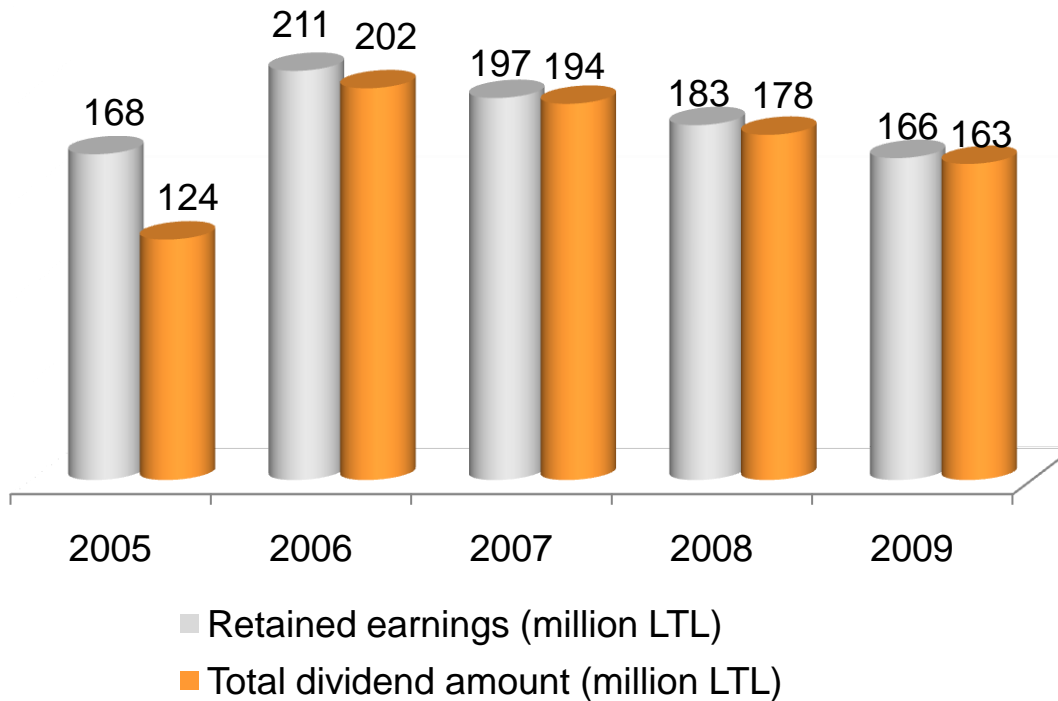
# CAPITAL INVESTMENTS



- In 2009, LTL 100 million invested into expansion of core network and development of fiber-optical access network, LTL 11 million for upgrading of IT systems and LTL 6 million for renovation of technological buildings

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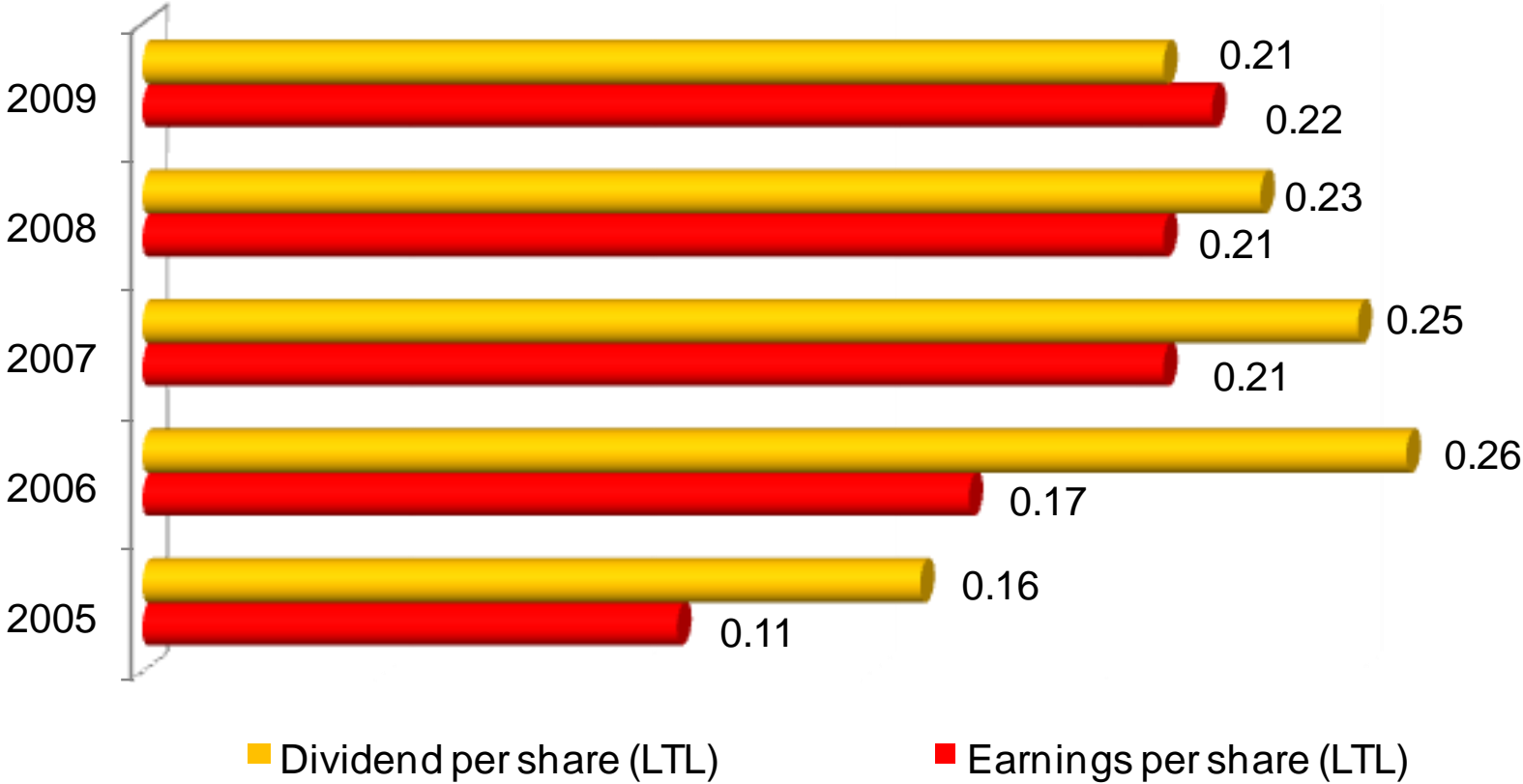
# TEO RETAINED EARNINGS VS DIVIDENDS



- Following the Lithuanian Law on Company dividends shall be paid from the Parent company's retained earnings
- TEO LT, AB retained earnings as of 31-12-2009 were LTL 166 million or LTL 0.214 per share
- On 25 March 2010, the Board proposed to AGM to pay LTL 163 million or LTL 0.21 per share of dividends for the year 2009
- AGM will be held on 26 April 2010

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# STABLE DIVIDEND PAYOUT



# SHAREHOLDERS OF TEO

	Part of share capital		Part of votes
	2009-12-31	2008-12-31	2009-12-31
Amber Teleholding A/S (Denmark)	60.00%	60.00%	62.94%
TeliaSonera AB (publ) (Sweden)	4.90%	--	5.14%
East Capital (Sweden)	4.89%	2.70%	5.12%
Treasury stocks	4.67%	4.67%	--
State of Lithuania	0.51%	1.26%	0.54%
Other shareholders	25.03%	31.37%	26.26%

- In September 2009, TeliaSonera made a tender offer to buy remaining TEO shares for LTL 1.83 per share. Tender offer was over on 9 October 2009.
- As Amber Teleholding is a subsidiary of TeliaSonera, in total TeliaSonera Group has 64.90% of share capital and 68.08% of votes.
- In October 2009, East Capital Assets Management exceeded the 5% limit of votes at GM

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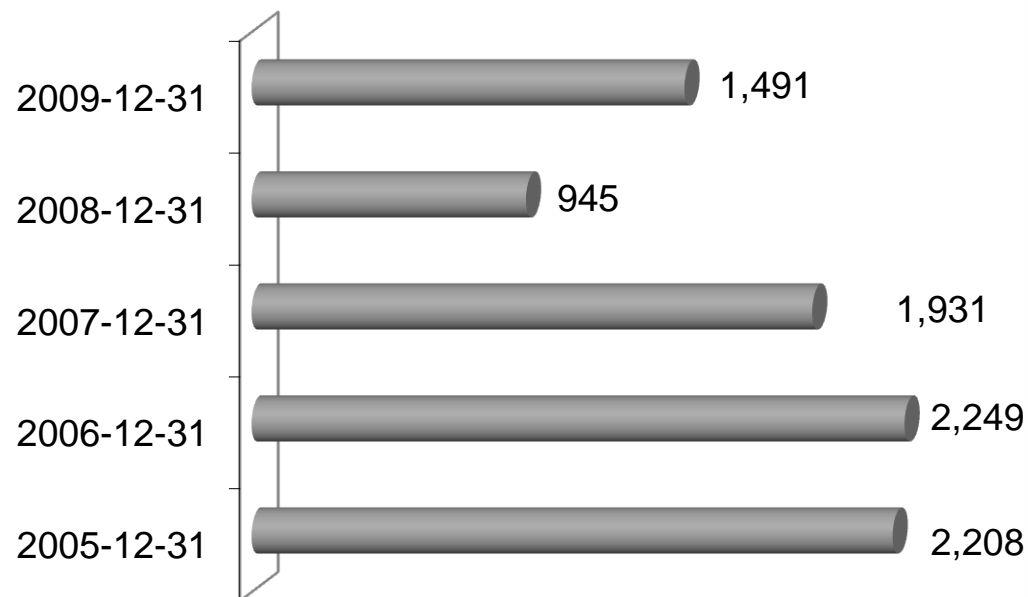
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# TEO SHARES

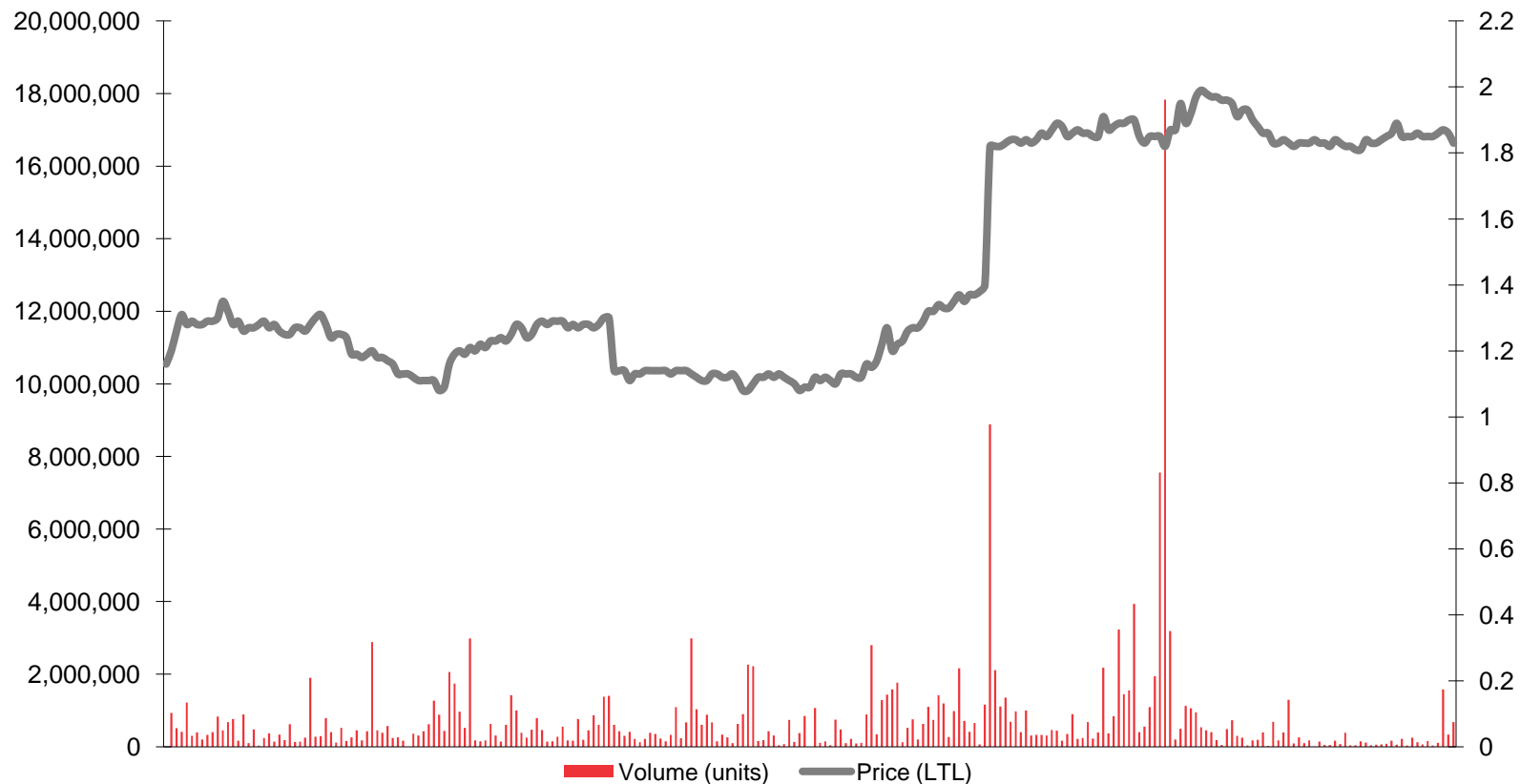
- Shares are listed on NASDAQ OMX Vilnius stock exchange (ticker: TEO1L)
- GDRs (1 GDR = 10 shares) are traded on London Stock Exchange (ticker: TEOL). As of 31-12-2009 GDRs amounted to 3.74% of total share capital
- Share price on NASDAQ OMX Vilnius:
  - start of 2009: LTL 1.16
  - low: LTL 1.07
  - high: LTL 2.03
  - end of 2009: LTL 1.83
- Turnover on NASDAQ OMX Vilnius during 2009: 181.7million shares or 274.7 LTL million

Market Capitalisation (LTL million)



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# TRADING IN TEO SHARES ON NASDAQ OMX VILNIUS STOCK EXCHANGE IN 2009

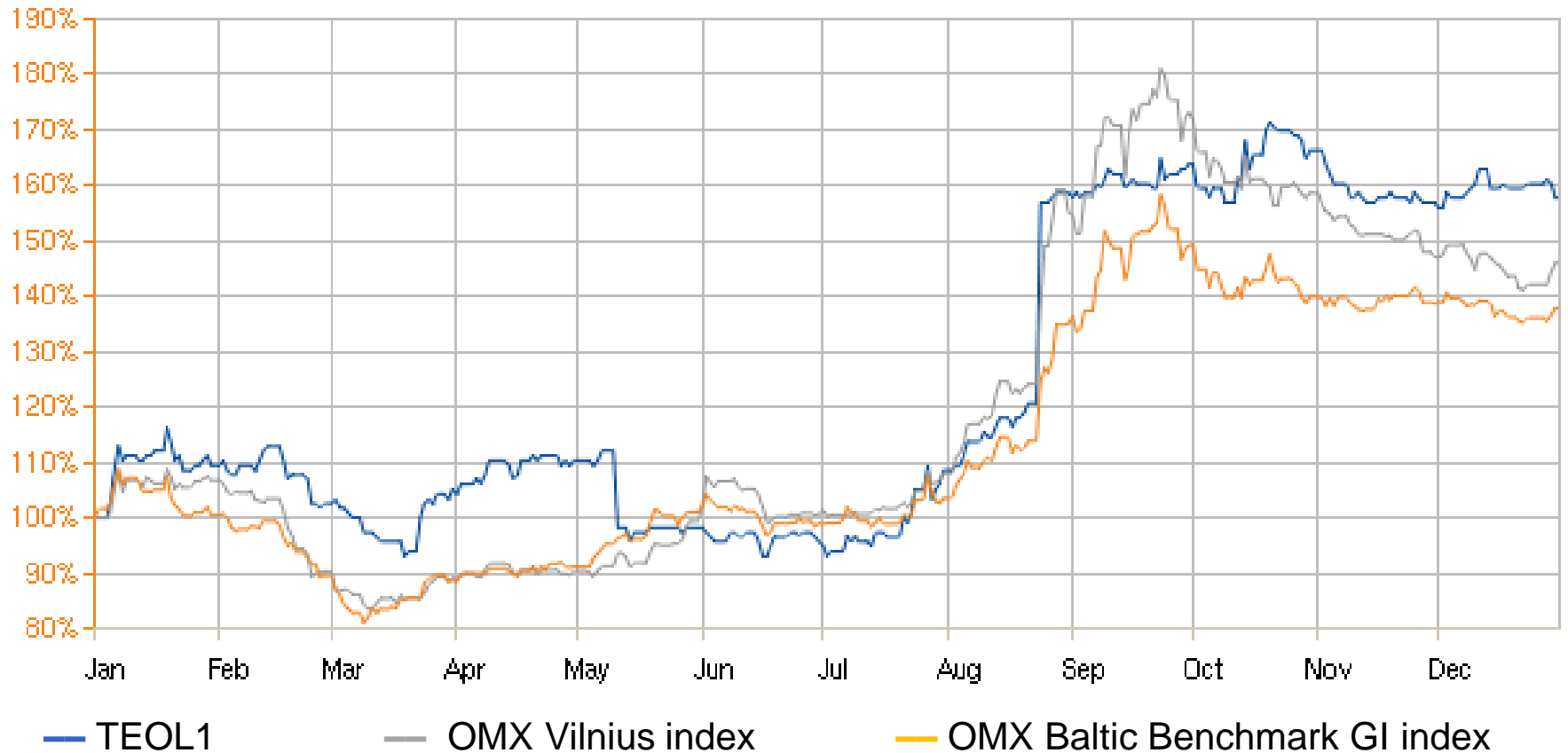


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# TEO SHARE AND NASDAQ OMX VILNIUS STOCK EXCHANGE INDEXES COMPARISON

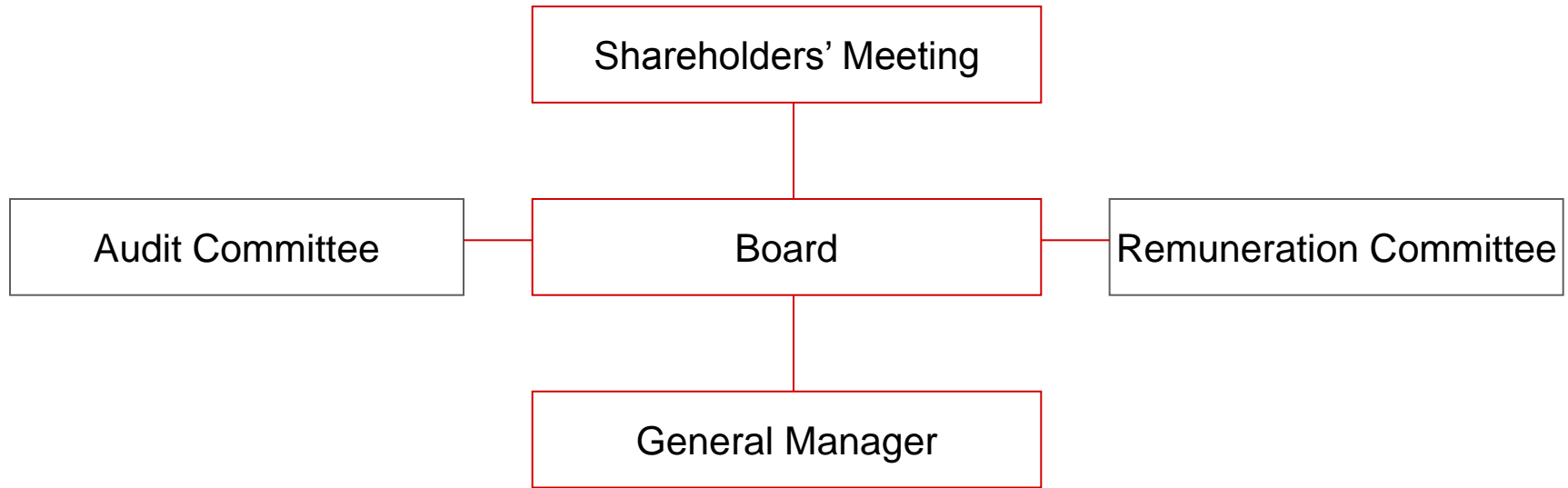


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# TEO CORPORATE GOVERNANCE



- Annual General Meeting of Shareholders is planned to be held on 26 April 2010
- A new Board was elected during the AGM in April 2009
- The Board consist of 7 members elected for a 2 years term
- New members of Audit and Remuneration Committees (3 Board members per committee) were elected in June 2009

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# TEO BOARD



**Håkan Dahlström,**  
Representative of  
TeliaSonera AB



**Anders Gylder,**  
Representative of  
TeliaSonera AB



**Ove Alm,**  
Representative of  
TeliaSonera AB



**Joakim Sundström,**  
Representative of  
TeliaSonera AB



**Tiia Tuovinen,**  
Representative of  
TeliaSonera AB



**Lars Ohnemus,**  
Independent member  
of the Board



**Martynas Česnavičius,**  
Independent member  
of the Board

- Anders Gylder will resign from the Board as of 26 April 2010

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# TEO MANAGEMENT



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



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



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



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



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

- In September 2009 Darius Gudačiauskas and in October 2009 Darius Didžgalvis disposed their shareholdings in TEO – 13,719 and 4,669 shares, respectively. Top managers of the Company do not own any shares of the Company.

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# TEO - SOCIALLY RESPONSIBLE COMPANY

- In 2005, the Company joined the UN Global Compact
- More than LTL 4 million annually spend for sponsorship and support of:
  - educational projects
  - local communities
  - cultural events
  - social projects
  - women basketball
- Since 2007 TEO annually issues its Social Corporate Responsibility Reports



*Women basketball team TEO is a multifold winner of Lithuanian and Baltic States' championships and participant of Euroleague.*

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THANK YOU FOR YOUR  
ATTENTION

WWW.TEO.LT

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