



TEO LT, AB
CORPORATE SOCIAL
RESPONSIBILITY REPORT 2007

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GENERAL MANAGER'S WORD



Arūnas Šikšta,
General Manager of TEO LT, AB



I am glad to present you the second TEO social responsibility report introducing the progress achieved in the field of sustainable and socially responsible business by our company in 2007.

Last year, TEO remained faithful to its credo – to be one of the most civically active and transparent companies in Lithuania.

Our country is a land of growing economy and rising standard of living but there are still people, communities or even entire regions that need assistance, support of big corporations. We do not think that business should attempt to replace social functions of the state, local authorities, but the sense of social solidarity often brings us to various social projects, some of them turn into long-term support programmes.

We see an especially great social value and meaning in the business-specific attitude to support everything that is innovative, right under formation – innovative attitudes, new future-oriented ideas in the fields of information society, education, culture, art and other fields. Support of advanced trends is one of the key principles, on which social activities of TEO are based. Uniform online database of achievements of pupils from all over Lithuania, modern outdoor basketball grounds in provincial towns, the civic activity index announced in the country for the first time, fresh attitudes to artistic transformation of reality in the project Now Art Now Future – we are glad for having made our contribution to these and many other innovative people and realisation of their ideas.

Considering corporate processes and their consequences on natural and social environment, it is important to note that last year we managed to make progress

in the attitude to environmental aspects of the activities of TEO Group. It is, perhaps, the first year in the history of our company when we started showing active interest in technological and daily functioning processes of the company in respect of resource saving and environmental behaviour. Having started from definition of environmental problems last year, this year we shall exert specific solutions and measures to solve them.

When talking about achievements of TEO in the field of social responsibility, we cannot leave the rapid changes observed in our business environment unmentioned. Social responsibility is a discipline in Lithuanian business which is currently undergoing one of the most dynamic developments. The issue of social responsibility in business community life acquires growing importance: in the course of the last year, several national contests on social responsibility subject were organised, awards were introduced, business companies – first of all, the biggest ones – are growing more active in exchanging their experiences, introduce social responsibility processes into their management.

These waves of changes originating in our business environment prove TEO strategy of further development of a socially responsible business model to be right and promising.

CORPORATE SOCIAL RESPONSIBILITY POLICY OF TEO

The purpose of the Corporate Social Responsibility Policy of TEO LT, AB is to define the main policies of TEO in implementing the culture as well as practice of socially responsible and harmoniously developed business in the Company and its environment.

This Policy is based on the understanding that TEO, being a big Lithuanian business enterprise and an influential member of Lithuanian society, must take into consideration the social and nature protection aspects of business, assume responsibility for the short-term and long-term consequences of its activities as a market participant, as an employer, as a consumer and as a society member. Thus TEO implements its social responsibility through purposeful corporate behaviour in the following four main areas:

- market,
- environment protection,
- relations with employees,
- relations with society.

CORPORATE SOCIAL RESPONSIBILITY POLICY OF TEO ON MARKET

Services and their quality

- TEO provides the services, which give the biggest benefit to its customers, help them to integrate into knowledge society, reduce the digital divide of people living in different regions and belonging to different social and demographic groups,
- TEO pays big attention to the quality of its services and customer care. The services are provided in compliance with the laws and the requirements of regulatory institutions, following the customer relations principles set forth in TEO Mission and Values, Code of Ethics and Quality Manual, and with the view of fulfilling the promises made.

Informing of customers

- TEO seeks that the information disseminated about its services is easily accessible, clear, transparent and relevant to the user,
- TEO informs not only about the advantages of its services and the possibilities provided to the user, but also about the possible impact on their health and security,
- In carrying out advertising activities, TEO follows the principles of fair communication and non-misleading of customers, irrespective of potential impairment to its economic efficiency.



CORPORATE SOCIAL RESPONSIBILITY POLICY OF TEO

Health and safety of users

- The services provided by TEO conform to the requirements established in the Product Safety Law of the Republic of Lithuania, hygienic norms, and are safe and provided by using certified equipment,
- Users are familiarised with user instructions of equipment and informed about the possible impact of equipment on their health,
- TEO is concerned about the protection of users against unauthorized PC access, fraud, and distribution of improper content,
- TEO provides consultations and assistance in handling customer data security issues. TEO employees respect customers' right to privacy and protect the confidential information provided by them. This information is neither made public nor used to the prejudice of customers or for the benefit of any third parties.

CORPORATE SOCIAL RESPONSIBILITY POLICY OF TEO IN ENVIRONMENT PROTECTION

- In its activities, TEO uses exclusively the most progressive facilities and the most state-of-the-art technological processes meeting all environmental standards and helping to reduce the negative impact on the environment,
- Following the principles of harmonious development, TEO pays special attention to the use of energy and hazardous materials, waste management, work and product requirements, and provision of information and data on the organisation's externalities.

CORPORATE SOCIAL RESPONSIBILITY POLICY OF TEO IN RELATIONS WITH EMPLOYEES

- For its employees, who are considered to be the Company's biggest asset and success factor, TEO ensures fair and timely work remuneration and social insurance in case of temporary incapacity for work, and also the right to rest and annual leave,
- TEO eliminates forced and child labour and seeks that this principle is followed by the Company's partners and suppliers;
- TEO recognizes the freedom of employees to join unions or associations and the right to negotiate with the employer;

- TEO pursues to ensure healthy and safe working conditions for employees; therefore special attention is paid to employees' health protection, prevention of occupational diseases, physical activity promotion. The creation of safe and healthy working conditions in the Company is established by the Collective Agreement and is regulated by the Labour Code of the Republic of Lithuania and other legal acts regulating occupational safety and health, the Company's Occupational Safety Policy,
- TEO ensures equal rights for its employees, following the prohibition of discrimination in respect of age, gender, origin and beliefs that is established in the Constitution of the Republic of Lithuania and other labour laws.

CORPORATE SOCIAL RESPONSIBILITY POLICY OF TEO IN RELATIONS WITH SOCIETY

- TEO believes in successful business development in the state, where governing methods are transparent and relations among the state, business and society are based on the principles of common interests, harmonious development, as opposed to that of protections, limitations or privileges,
- By annually supporting various social and cultural projects, TEO seeks to secure long-term harmonious progress of business and society, to contribute to the social development and welfare of society, and the creation of e-society. Through our active involvement in public life, we aim not only to induce positive changes in the country, but also, by our own example, to create and strengthen philanthropic traditions in Lithuania,
- TEO believes in the progress of society and the future created by joint efforts where increasing resources are allocated for material and spiritual creation. By supporting this, TEO invests into scientific and cultural initiatives as well as young members of society through various educational and development programmes,
- By actively cooperating with both governmental and non-governmental sectors, TEO seeks to promote information society development and to contribute to the improvement of the IT sector's business environment,
- TEO prevents corruption both internally: by familiarizing employees with fair business principles and ethical standards, and externally: by promoting fair business policy and transparent communication with state institutions and by supporting organisations that popularise socially responsible attitude towards business in Lithuania.

BUSINESS PHILOSOPHY



TEO 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.

TEO VALUES

Openness

- We communicate openly and we are open to novelties and changes.
- Communication is the basis of a sound working atmosphere.
- Mutual openness reduces stress and allows us to feel full-fledged members of the team.
- Only if we feel that way, we will be able to listen to and properly respond to our customers' needs.

Reliability

- We base our relations with customers, colleagues and society on reliability and word keeping.
- Our every individual meeting with the customer represents the whole Company's policy.
- If we feel personally responsible to every customer, the customer will respect the whole Company as well.

TEO MISSION

To create value for shareholders and customers by providing professional and high-quality telecommunications, TV and IT services.

Business minded

- We understand business environment and create value for customers and shareholders.
- Initiative is the driving force of every business development and improvement.
- Let's monitor and adapt to changes in customer needs, thus we will earn customers' favour and loyalty.

Partnership

- Our relations with customers and colleagues are based on goodwill and respect.
- We must respect the needs of our every customer and react with goodwill to their dissatisfaction.
- By listening to our customers' requests and responding to their remarks, we turn them into our partners.

ABOUT TEO

TEO Group is one of the largest integrated telecommunications, information technologies (IT) and television (TV) service providers in Lithuania.

TEO holds leading positions on Internet, data communication and fixed telephony markets in Lithuania. The existing capacities of the Company enable to offer the state-of-the-art technologies to its customers that are no inferior to the ones offered by the most advanced telecommunications market players in the world.

TEO is one of the largest companies listed on the Official List of the Vilnius Stock Exchange, and also the only Lithuanian company, the shares of which are traded on the London Stock Exchange.

TEO GROUP



TEO Group as of 5 January 2008.

TEO LT, AB, the parent company of TEO Group, offers voice telephony, Internet, digital television, data communication, IT and network interconnection services to residents and business customers in Lithuania. It is also the owner of the Internet portal www.zebra.lt.

Lintel is the largest provider of Contact Center services in Lithuania by business volumes and the most modern - by technologies and management. The company handles nearly 16 million calls per year. Lintel provides Directory Inquiry Service 118, IT Help Desk Service 1518. The company provides remote customer care solutions to its business customers.

Baltic Data Center is the leading data center and information systems management service provider in the Baltic States. Professional services provided by Baltic Data Center comprise maintenance of data centres and computer-aided workplaces and IT Service Desk services for the big business segment. Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA.

On 3 January 2008, TEO acquired **Nacionalinė Skaitmeninė Televizija (National Digital Television)** which has two licences for re-broadcasting of television channels via digital terrestrial television (DVB-T) networks. From March 2008, Nacionalinė Skaitmeninė Televizija provides the digital terrestrial television service Digital GALA.

Kompetencijos Ugdymo Centras provides training and consultancy services, organises certified training. Kompetencijos Ugdymo Centras is one of the largest employees' development institutions in Lithuania.

Voicecom holds a permission to use the national network of mobile analogue cellular radio communication of the NMT-450 standard.

TEO Sportas manages women's basketball team TEO – multiple Lithuanian and Baltic champion of women basketball, participant of the women's EuroLeague. In 2007, TEO Sportas handed over management of the fitness centre ZEBRA SPORT, at P. Lukšio g. 34, Vilnius to UAB Griunvaldas. TEO is the sole founder of non-profit organisation VšĮ TEO Sportas.

On 15 February 2007, TEO sold its company **Comliet-Kaliningrad** in Russian Federation.

EMPLOYEES

On 31 December 2007, the total number of employees in TEO Group was 3,177.

TEO LT, AB	2,274
UAB Lintel	738
UAB Baltic Data Center	136
UAB Kompetencijos Ugdymo Centras	22
VšĮ TEO Sportas	7

STRUCTURE OF TEO AB, LT

According to the By-Laws of TEO LT, AB, the Company's governing bodies comprise the General Meeting of Shareholders, Board and General Manager.

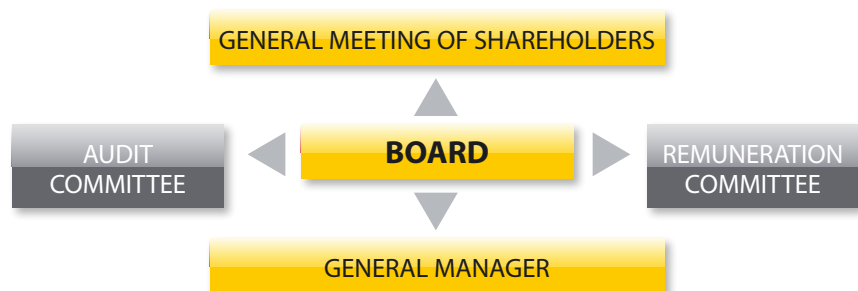
Resolutions of the General Meeting of Shareholders, made regarding the matters within the competence of the General Meeting of Shareholders provided for in the By-Laws of the Company, are binding upon the shareholders, Board, General

Manager and other officials of the Company. The annual General Meeting of Shareholders is convened each year, no later than within four months from the end of each fiscal year, i.e. 31st of December.

The Board of the Company consists of seven members elected for a two-year term at the General Meeting of Shareholders. The Board institutes the following two committees: Audit and Remuneration Committees. Each committee consists of three Board members.

The Company has its internal auditors. An independent external auditing company is elected by the ordinary General Meeting of Shareholders.

The Board elects and recalls the General Manager, who organises the activities of TEO within his/her powers. The Management Charter approved by the General Manager defines the duties and authority of the General Manager and his/her Deputies as well as other officers of the Company in more details.



SHAREHOLDERS

Share capital of TEO consists of 814,912,760 ordinary registered shares with par value of one litas each. 38,095,242 shares (4.67%) belong to TEO Group, i.e. they are treasury stocks. Treasury stocks were taken over by TEO LT, AB from its subsidiary UAB Lintel in 2007.

The main shareholder of TEO is the largest telecommunication corporation in the Nordic and Baltic countries – TeliaSonera AB, which indirectly owns 60 per cent of the Company's shares.

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

Swedish investment fund East Capital Asset Management AB also reduced its stake in the Company's capital from 5.57% at the beginning of 2007 to 4% at the end of 2007.

Other more than 14 thousand shareholders of the Company control 29.76% of the share capital.

THE MOST IMPORTANT EVENTS IN 2007

On 6 April

TEO signed an agreement on transmission of digital terrestrial television programs.

On 24 April

Signed a new Collective Agreement.

On 26 April

General Meeting of Shareholders elected a new Board of TEO. The first Corporate Social Responsibility Report of the Company was introduced to the shareholders.

On 2 May

TEO joined the civil action Clear Wave.

On 30 May

An updated online customer self-service system Mano TEO was launched.

On 1 June

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

Since 1 July

Users of the ZEBRA Wireless Internet service can use wireless internet in 27 countries of the world.

In October

TEO completed installation of the new generation backbone network.

On 22 November

A new digital television GALA service – video on demand was launched.

2007 RESULTS

Main financial and operating results of TEO Group:

	2007	2006	Change (%)
Revenue (thousand LTL)	793,450	734,811	8.0
Net profit (thousand LTL)	162,830	130,549	24.7
Number of telephone lines in use	788,946	784,958	0.5
Number of broadband Internet users	258,552	180,774	43.0
Number of IPTV service users	17,453	4,902	256.0
Number of wireless Internet access points	3,182	804	295.7
Number of employees at the end of the period	3,177	3,098	2.6

2007 AWARDS

THE BEST INVESTOR RELATIONS

In October, magazine IR Magazine recognized TEO as the Lithuanian company maintaining the best investor relations (IR) for the fourth time in a row.

THE BEST BALTIC COMPANY IN DISSEMINATING INFORMATION

On 6 December 2007, at the Awards organised by the Baltic Stock Market the Company was announced the most transparent company and best information disseminator of Vilnius Exchange and Baltic States for the second year in succession.

ONE OF THE BEST BRANDS

In November, the album of the most valuable brands in the market "Lithuania Superbrands 2007" introduced TEO as one of the Lithuanian brands with the biggest value for the market.

At the yearly awards "World Communication Awards 2007" held by Total Telecom on 28th of November, TEO brand and brand introduction campaign were highly commended.

SOCIAL PARTNERSHIP

On 4th of December, on the occasion of the International Volunteers' Day, VšĮ Savanorių Centras conferred the Name of Voluntariness Promoter 2007 to Arūnas Šikšta, General Manager of TEO.

MEMBERSHIP IN ORGANISATIONS

In 2007, TEO Group companies were members in the following Lithuanian and international organisations:

TEO LT, AB

Organisations of the Republic of Lithuania:

- Association Investor's Forum
- Infobalt Association
- Lithuanian Advertising Association Advertising Bureau
- Vilnius Chamber of Commerce, Industry and Crafts
- Lithuanian Museum Association

International organisations:

- European Telecommunications Network Operators' Association (ETNO)
- IPLC OSS Forum (International Private Leased Circuit One Stop Shopping Forum)
- European Network Planning Meeting (ENPM)
- Global Telecommunications Meeting (GTM)
- European Peering Forum
- UNPD Global Compact

BALTIC DATA CENTER

International organisations:

- American Chamber of Commerce in Lithuania

KOMPETENCIJOS UGDYMO CENTRAS

Organisations of the Republic of Lithuania:

- Lithuanian Computer Society
- Institute of Information Technologies
- Lithuanian Project Management Association



CORPORATE SOCIAL RESPONSIBILITY ON THE MARKET



TEO provides the services, which give the biggest benefit to its customers, help them to integrate into knowledge society, reduce the digital exclusion of people living in different regions and belonging to different social and demographic groups.

TEO pays big attention to the quality of its services and customer care. The services are provided in compliance with the laws and the requirements of regulatory institutions, following the customer relations principles set forth in TEO Mission and Values, Code of Ethics and Quality Manual, and with the view of fulfilling the promises made.

Quality is the responsibility of every employee in TEO Group.

The main quality management document of the Company describing quality policy, principles and guidelines of quality man-

agement, their application, is the **Quality Manual**. It details the quality regulations of the core activities of TEO – dealing with customers, service implementation, service provision, network and works. The Quality Manual also lays down the quality targets of the year. In 2007, the Company adhered to the Quality Manual updated at the end of 2006. This document is a binding internal normative document of TEO.

Quality of direct customer care is maintained and improved following the **Customer Communication Standard** (until February 2008 – the Customer Care Standard). The standard established a general approach to the quality of customer care. Various researches regularly conducted show that increasing number of customers' orders and visits has no negative impact on direct care quality, which remains high.

REDUCTION OF THE TECHNOLOGICAL EXCLUSION

The Company reduces the technological exclusion by implementing Internet technologies in smaller towns and rural areas, increasing the number of wireless Internet access points and offering digital Internet television services.

TEO also applies various discounts for elderly people using fixed-line telephony and Internet services.

Internet penetration in regions

In 2007, the Company paid a lot of attention to provision of Internet services in rural areas and small towns – 123 new DSL nodes were installed.

Together with the European Union supported project of the development of broadband network of information technologies in rural areas (RAIN), under which over 3,000 km optic communication channels to all territories of rural centres are planned to be laid, the Company planned to invest about LTL 9.2 million into modernisation of its DSL network in 2007 and 2008 – to invest into optical lead-ins and the development of Ethernet technology-based nodes, at the same time projecting optical connection of the existing Internet communication nodes (DSLAM).

This would enable to start providing not only basic low-speed Internet services but also the ones that require high bandwidth as well as digital television services in rural areas.

In 2007, implementing RAIN project and at the Company's initiative, 180 Internet communication nodes in the rural areas were modernised – their bandwidth was increased from 2 Mbps up to 1 Gbps. Into installation and modernisation of DSL nodes, the Company invested about LTL 7.7 million (including LTL 6.5 million for RAIN objects) in 2007.

New generation network

On 1 June 2007, TEO launched installation of a new generation fiber-optic (FTTH) access network in Lithuania, the fibres of which are laid up to the user's computer. Fibre-optic user access will enable to significantly increase the speed of Internet connection provided to users up to 1 Gbps in the future. It will secure supreme quality of various services over one Internet access: telephone calls, watching of digital television, Internet browsing and video transmission at the same time.

In October 2007, TEO completed installation of the New generation backbone network enabling provision of better quality services to the customers. Furthermore, the network became more reli-

CORPORATE SOCIAL RESPONSIBILITY ON THE MARKET

able. The Company invested over LTL 75 million into the New generation network infrastructure.

Wireless Internet development

Having launched installation of wireless Internet (WiFi) hot-spots in the country in 2005, TEO increased their number by almost 4 times in 2007 – from 804 up to 3,182. In November 2007, wireless Internet speed was increased up to 10 Mbps.

Until March 2007, Internet users had access to free ZEBRA Wireless Internet in public places – cafes, shopping and entertainment centres, petrol stations – places, where Internet is needed mostly. Since March 2007, the ZEBRA Wireless Internet service became paid.

Since July last year, users of the ZEBRA Wireless Internet can use wireless Internet in 27 countries of the world.

Reduction of digital divide

The Window to the Future alliance promoting knowledge society development continued implementation of the project "The Fundamentals of Computer Literacy for E-Citizens of Lithuania" in 2007. A partner of this project – TEO subsidiary Kompetencijos Ugdymo Centras – organised computer literacy training courses.

In January-December 2007, these training courses were attended by 29,634

inhabitants, where training was delivered by 373 teachers trained by Kompetencijos Ugdymo Centras. The Company organised ten seminars to the teachers of the training courses, during which they were familiarised with the methodical materials and database of the project. In addition, 408 (234 in 2006) computer classes were installed throughout the country. Training was carried out in all 60 municipalities of the country, including 2,237 training courses held in towns, and 547 – in rural areas.

The project will continue until April 2008 – during this period, 50 thousand adult Lithuanian citizens are planned to be taught of Internet basics free of charge. 48,776 Lithuanian citizens have already taken part in the training.

The Company offers retired and socially disadvantaged persons lower tariffs for telephone calls. These TEO customers have the possibility to communicate with their family members and relatives more frequently, as LTL 5 discount is applied to the monthly fee of the payment plan Vietinis (Local).

Elderly and socially disadvantaged persons, who subscribed to the payment plan Universalusis (Universal) during the campaign in 2006, are still subject to the terms and conditions of this campaign in 2007 – this plan could be used with 30% discount.

Information about malfunctioning

TEO promptly informs users and society about technological breakdowns and network interruptions via its communication channels and mass media. The Company has the Crisis Management Committee which adopts decisions regarding information dissemination.

On 21 March 2007, telephone communication for a part of Klaipeda region subscribers was interrupted because of failure of the Ericsson central exchange processor. During the failure, about 80,000 subscribers were deprived from TEO voice services in Klaipeda region.

The Company immediately informed the society and mass media about the exchange failure in Klaipeda and exerted all efforts to restore its operation in the shortest time possible. Telephone communication that was lost on the 21st of February, at 9:45 a.m. was restored on the same day, before the midnight. TEO Administration apologised its customers on the behalf of its own and Ericsson for the inconveniences and applied additional discounts as compensation for the inconveniences they experienced.

Response to emigration

In August 2007, the VOX payment plan Artimas (Fellow) intended for citizens working or studying abroad and their

relatives and friends in Lithuania was launched. According to various data, since 1990 alone nearly half a million of Lithuanians left Lithuania temporarily or for good. Majority of them reside in Great Britain, Spain, USA and Germany. Favourable terms and conditions of the plan Artimas (Fellow) offers a possibility to communicate more frequently and thus not to lose a contact.

The service is provided on the basis of Internet telephony – a user having ordered the payment plan Artimas (Fellow) talks in Lithuania by using a conventional telephone, his/her interlocutor in a foreign country – by using a personal computer.

INFORMING OF CUSTOMERS

TEO seeks that the information disseminated about its services is easily accessible, clear, transparent and relevant to the user.

Provision of information about the Company's services is regulated by the Law on Electronic Communications and by the Rules for Provision of Electronic Communications Services. These regulatory enactments obligate the Company to publish information about services, including rates, as well as information about the subscriber's rights, and model agreements.

TEO fulfils these requirements by inform-

CORPORATE SOCIAL RESPONSIBILITY ON THE MARKET

ing its customers and users directly or via mass media. The Company annually surveys how customers evaluate the information provided by the Company.

Customer information system

From 1 September 2007, TEO Internet users, instead of paper bills by post, started receiving electronic letters. Information related to services and paying for them is available for the customers on the **online self-service system Mano TEO (My TEO)**.

Replacement of paper bills with electronic ones and online self-service satisfies expectations of the today's user: the possibility of convenient access to accurate information online, fast and simple ordering and management of services and payment for them. Termination to send paper invoices to the Internet users will save approximately 60 tons of paper per year and thus reduce negative impact on the environment.

Paper bills are still sent to the customers using voice and digital television GALA services, but customers are encouraged to start using the online self-service system Mano TEO (My TEO).

In 2007, another step in substantial modernisation and improvement of TEO customer care system was made – **renovation of customer care centres was launched**. At the end of 2007, a renovated centre in Kaunas was opened,

while in early 2008 – in Klaipeda, Alytus, Marijampole, Utena. In 2008, renovation of customer care centres in Siauliai, Panevezys, Mazeikiai and Taurage is planned to be completed.

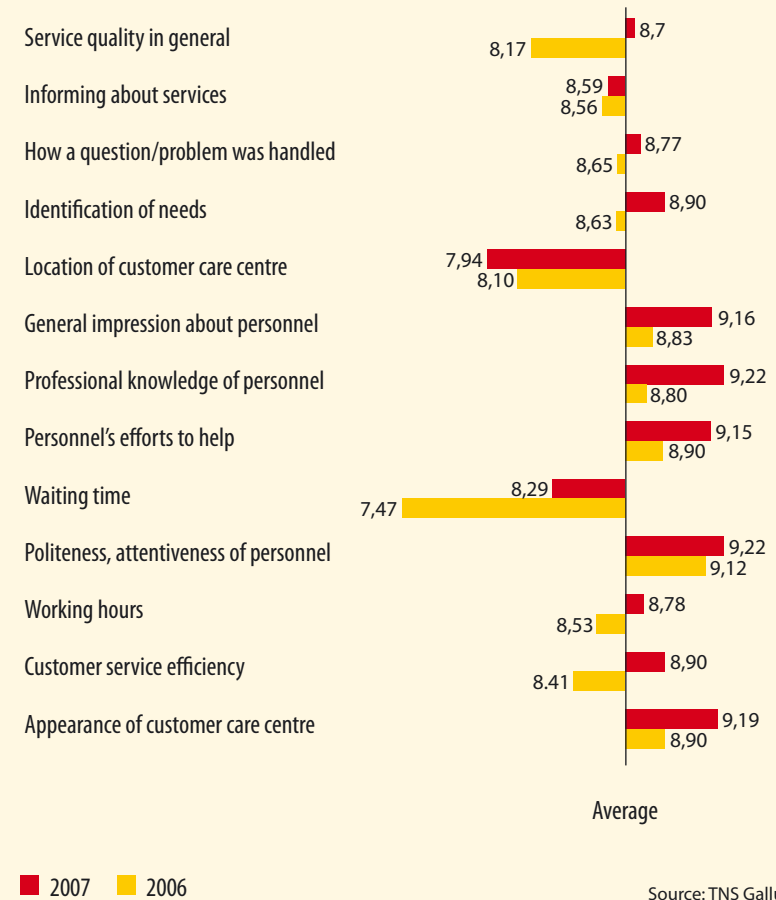
The renovated customer care centres are more functional and convenient. Customers at these centres are provided services and information faster. It is possible to get consultations or pay for services at special fast-service or self-service points. Customers willing to test TEO services and to make sure of their quality have the possibility to do that at special demonstration stands of the digital television GALA and ZEBRA Internet. A conference hall for presentations and new comfortable spaces have been designed for business customers to meet with sales managers.

Renovated customer care centres are adapted for the disabled.

Notwithstanding a growing number of customers' inquiries, orders and visits in the course of the year, **above medium customer care level was sustained**.

According to the "mystery shopping" research, carried out by TNS Gallup in 2007, TEO stands high among the telecommunications companies carrying out such researches. Direct customer service at Customer Care Units was evaluated at 9.0 points, whereas average evaluation of the telecommunication sector – 8.5.

Service provided in customer care centres



As the conducted researches reveal, the level of customer service by phone in all telecommunications companies, including TEO, is higher than the general average of companies participating in

the researches. TEO customer service by phone was evaluated at 9.3 points, while the general evaluation of companies of all business areas – 8.8, the average of the telecommunications sector – 9.0.

ADVERTISING OF SERVICES

In carrying out advertising activities, TEO follows the principles of fair communication and non-misleading of customers, irrespective of potential impairment to its economic efficiency.

In 2006, the Company approved the Requirements for the Advertising of TEO LT, AB and its Services and the Advertisement Preparation and Coordination Guidelines, aimed to follow uniform standards at the Company and to ensure the compliance of advertisements with effective legal acts.

From June 2006, TEO co-operates with the advertising self-regulatory association Lithuanian Advertising Bureau ("Reklamos biuras") and observes the Code of Advertising Practice.

HEALTH AND SECURITY OF USERS

The services provided by TEO conform to the requirements established in the Law of the Republic of Lithuania on Product Safety, hygienic norms, and are safe and provided by using certified equipment.

Users are familiarised with user instructions of equipment and informed about the possible impact of equipment on their health. TEO is concerned

about the protection of users against unauthorized PC access, fraud, and distribution of improper content.

To make Internet friendly

TEO, being the biggest Internet service provider, bears responsibility to ensure that the users not only evaluate the benefits and advantages provided by Internet, but would also be aware of potential threats that may arise in Internet space. Therefore, since July 2007, the Company is a partner of the project Safer Internet LT.

This European Commission (EC) programme is under implementation in all EU Member States since 1999. In 2005, its implementation was launched in Lithuania, as well. Since April 2007, this programme is under implementation by the Communications Regulatory Authority of the Republic of Lithuania jointly with the Ministry of Education and Science of the Republic of Lithuania.

Safer Internet is a programme intended to draw public attention to unlawful and harmful information on Internet related with such crimes stipulated in the legislation of the Republic of Lithuania, as pornography, paedophilia, racism, xenophobia. In particular, a lot of attention is focused on protection of children and teenagers against harmful Internet contents.



Children's protection against harmful contents

When creating new products, TEO considers their potential undesired effect on some user groups.

For example, users of the digital television GALA services wishing to view adult channels must enter a password. They can also remove a television card to prevent their children from watching inappropriate programs.

Users of the GALA video on demand service launched in 2007, when ordering any film, must enter a password.

Fraud prevention

Though the police and mass media regularly inform about the danger, a lot of people in Lithuania still become victims of people swindling money by telephone. Taking this danger into consideration, TEO also informed its customers about such fraud threat in its information publications. The Company also advised of the actions to be taken if one suspects that a person willing to swindle money is calling one's home phone.

TEO performs the monitoring of the bills of its customers – fixed-line telephony subscribers – which allows preventing fraud. When substantial changes are noticed in a bill indicating that the customer has used telephony services unusually much, the customer is warned of that.

Thus, the customer is protected against possible fraud or reckless and careless behaviour with a phone in the future, for example, a bill might increase considerably as a result of children using the phone for calling international or toll numbers.

Protection against unauthorised access

The Company offers the users of the ZEBRA Internet services the means – firewalls – intended for the protection of computers against Internet hackers. These aids restrict possibilities of external computer access and thus protect both the computer itself and the data and information stored on it. On the ZEBRA Internet portal, the Company's customers can choose from high and medium protection levels. They are informed about this possibility on www.zebra.lt and in publications for customers.

Safer work with computer

Visitors of the ZEBRA Internet portal www.zebra.lt are offered to familiarise themselves with information how to preserve working capacity and health when working with a PC. The Company informed Internet users that improper conditions of working with a PC that have negative impact on health. Recommendations how to not get tired of working with a PC, information about the factors having impact on health when working with a PC are published on the portal.

TEO recommended the portal's visitors to use quality PC equipment, how to set up workplaces according to individual physical properties and the nature of work. The Company stressed the importance of proper work and rest regimes that should be differentiated according to the nature of occupation.

ENSURING CUSTOMER DATA PRIVACY

TEO provides consultations and assistance in handling customer data security issues. TEO employees respect customers' right to privacy and protect the confidential information provided by them. This information is neither made public nor used to the prejudice of customers or for the benefit of any third parties.

TEO policy regarding assurance of customer data security is implemented following the Laws on Legal Protection of Personal Data and the Law on Electronic Communications. In providing personal data, TEO cooperates with other enterprises and state institutions in accordance with the procedure established by laws.

Security policy of UAB Baltic Data Center

In order to assure protection of customer data, UAB Baltic Data Center, a company

providing IT services, has a definite security policy and an implemented modern information security management system. This system helps to control, analyse, monitor and improve the protection of the company's information, as well as to identify the most important information sources.

Every employee of the company strictly adheres to the instructions provided for in the company's security policy and is personally responsible for security within the company. This is established in confidentiality agreements, which remain in force upon termination of employment relations with the company. Confidentiality agreements are also signed with subcontractors, partners and consultants.

Security certificate

In 2005, Baltic Data Center received an international information security certificate BS 7799 certifying that the information security management system of the company was checked against the best practice standard and satisfied its requirements.

In September 2007, BDC became the first company operating in the data centre field in the Baltic States, which was issued an international ISO/IEC 27001 standard conformity certificate. This certificate replaced and broadened the BS 7799 information security certificate that was valid in the company before. ISO/IEC

27001 standard covers as many as 11 different aspects relevant for the activities of every company: security policy, human resources, physical and environmental protection, acquisition, design and maintenance of information systems, access management, management of commercial activity continuity, legal compliance and others. It confirms that the company exerts all necessary measures to protect information against unlawful access and changes, ensures observation of occupational safety regulations.

Strictest information security requirements are observed in provision of all services of the Company – management and maintenance of servers and other equipment, maintenance and development of business management systems, maintenance of IT Service Desk and computer-aided workplaces.

Facts: How security is ensured in the data centre?

- *Data centre – isolated part of the building or a detached building with strict entry control;*
- *Data centre usually has no external walls, its surrounding „cocoon“ is subject to 24 hours per day video surveillance. Automatic fire detection and extinguishing system is installed, which in case of fire instead of water sprays electronic equipment friendly gas on the servers located in the data storage facility,*
- *Data centre is fitted with two or more independent electric inlets, possible interruptions in power supply are compensated by powerful uninterrupted power sources and a diesel generator,*
- *Powerful conditioners are designed to ensure that, in case of breakdown of one of them, the capacity of the conditioners remaining in operation would be sufficient for efficient cooling of the servers.*

COMPETITIVE ENVIRONMENT

TEO together with its related legal entities is designated as an operator with significant market power (SMP) on fourteen markets. TEO competes on all telecommunications markets, except that of mobile telephony services.

The activities of TEO are regulated by the Law on Competition and the Law on Electronic Communications. The Company's activities are monitored and constantly evaluated by the Communications Regulatory Authority.

TEO competes in all areas, except mobile telephony services

Market	Market revenues (LTL million) in 2007	Market change over a year (%)	Number of market players	TEO market share in 4th quarter of 2007 (%)
Fixed-line telephony services	413	-2,8	48	95,3
Leased line services	27	5,0	15	54,9
Internet access services	313	18,2	115	43,0
Data communication services	56	18,8	15	51,7
Network interconnection services	673	10,8	4+	19,5
Mobile telephony services	1,387	12,1	8	--

CORPORATE SOCIAL RESPONSIBILITY IN ENVIRONMENT PROTECTION

In its activities, TEO uses exclusively the most progressive facilities and the most state-of-the-art technological processes meeting all environmental standards and helping to reduce the negative impact on the environment.

Following the principles of harmonious development, TEO pays special attention to the use of energy and hazardous materials, waste management, work and product requirements, and provision of information and data on the organisation's externalities.

TEO undertook a commitment to observe the Environmental Charter of the European Telecommunications Network Operators' Association (ETNO) which established high environmental protection standards.

Awareness. We shall aim to ensure recognition and acknowledgement of all relevant environmental impacts, including the positive and negative impacts of our products and services. In particular we shall build the environment into our training programmes and company communication programmes.

Regulatory compliance. We shall strive to achieve full compliance with all relevant environmental legal requirements, and to exceed these requirements where appropriate.

Research and development. We shall support research and development into the contribution new telecommunication services can make to sustainable development.

Procurement. We shall build environmental considerations into our procurement processes. Special attention will be paid to: energy-consumption, waste management, process and product requirements, and the use of hazardous materials.

Providing information. We shall provide relevant data and information about our environmental performance to employees, customers, shareholders and governments.

Environmental management systems. We shall implement environmental management systems which support the development of appropriate and well-structured environmental protection.



Employees' engagement

The citizens' poll "Euro barometer", conducted by TNS Gallup in 27 EU Member States upon request of the European Commission, showed that as many as six out of ten Lithuanian residents feel lacking information about environmental problems.

Being one of the biggest companies of the country and having over 3,000 employees, TEO believes in its ability to make changes in the country and reduce environmental problems – first of all, through encouragement of its employees to be more concerned about environment both at work and at home. In pursuit of this target, the Company polled its employees to find out their attitude towards environment protection. 736 Company's employees were polled.

The poll results showed that nearly a half of the respondents agree that more attention must be paid to environment protection. And to secure more attention to environment, first of all information how to achieve this, people sharing the same views and suitable conditions, e.g. containers for waste sorting, are needed.

At the end of 2007, TEO launched implementation of the environmental behaviour promoting project **Save and Change Yourself**. It is a programme dedicated for the Company's employees that will be implemented throughout the year

CORPORATE SOCIAL RESPONSIBILITY IN ENVIRONMENT PROTECTION

2008. The project Save and Change Yourself will encourage every employee to acquire at least one environment saving habit during the year.

Energy and water consumption

In 2007, electricity consumption by TEO increased by 2.84 million kWh, or 8.6% if compared with 2006. The increase was determined by bigger activity volumes and rapidly installed network technologies of the Company: in 2007, Internet equipment of new technologies FTTH/LAN, ADSL and digital ground television transmitters were connected to the electric networks.

Consumed electricity, TEO

2006	2007
33.06 million kWh	35.9 million kWh

In order to reduce electricity consumption, TEO implemented a few initiatives:

1 In 2006 and 2007, thermal regulators of electric heaters in rural automatic telephone exchanges were mounted - it enabled to cut electricity costs by 20-50% during heating season.

The number of thermal regulators of electric heaters mounted

2006	2007
229	275

2 In 2007, direct current rectifiers of old types (BAZ) - devices for supplying power to telecommunications equipment and charging and sustaining accumulator batteries - were replaced with direct current rectifiers TMK of a new type. It increased the efficiency coefficient of a device almost by one third and allowed to save about 219 thousand kWh electricity per year.

Furthermore, new rectifiers ensure accurate regulation of outgoing power voltage, thus prolonging the life of service of accumulator batteries, lower environmental pollution during their production and operation.

The number of direct current rectifiers replaced

2006	2007
-	242

3 In 2007, a rectifier was designed, manufactured and installed according to specific requirements of TEO that can supply power to telecommunications equipment of different voltages, therefore there is no need to mount different voltage power supply sources. It means that not only less space is needed for equipment storage but also less electricity is consumed.

In 2007, TEO consumed 3,055 cubic meter or 6.56% more water than in 2006. But when calculating water consumption per

employee, less water was consumed, because in 2007 the average number of employees, if compared with the analogue rate in 2006, increased by 12%.

Consumed water, TEO

2006 (cubic meter)	2007 (cubic meter)
46,592.13	49,647.36

Paper saving

Since the 1st of September 2007, TEO Internet users instead of paper bills by post receive electronic letters. It will enable the Company to save about 60 tons of paper per year and to reduce negative environmental impact.

Paper used in TEO correspondence consists of 30% of recycled paper. Thus harmful effect on environment by the Company is reduced and the use of recycled waste is promoted.

During 2007, TEO used 87.31 tons of paper for its office needs. Paper is mostly used for regular office activities and correspondence with customers and partners.

Waste recycling

In order to save natural resources and reduce pollution, since 1999 TEO has been cooperating with UAB Elektroninių Mašinų Perdirbimas (EMP) in the areas of waste recycling and management.



The Company has concluded an agreement with EMP on the collection of luminescent lamps, cables, and ferrous metal scrap. In 2007, TEO delivered 1,116 kg metal scrap and 1,150 ferrous metal scrap for recycling.

TEO actively supports the objective of EMP to create a modern and universal waste sorting, collection and recycling system in Lithuania where all types of waste could be conveniently and quickly processed and recycled, and secondary raw materials produced from them could be used for manufacture of new products.

TEO also cooperates with UAB Bateris, which collects waste accumulators. The Company delivers waste related with telecommunications network equipment,

CORPORATE SOCIAL RESPONSIBILITY IN ENVIRONMENT PROTECTION

such as accumulators, cables, etc to it for recycling.

Accumulator scrap delivered by TEO for recycling

2006	2007
10,005 kg	62,076 kg

In 2007, significantly more accumulator scrap was delivered for recycling, since the Company implemented the project on upgrading of automatic telephone exchanges (ATE), in the course of which accumulator batteries were replaced in 118 exchanges.

Upon replacement of old batteries with new ones, automatic telephone stations are not only more reliable but more environmentally-friendly as well. Life of service of new batteries (about 10-12 years) is 2 times longer than of the ones previously used, therefore environment is less polluted during their production and operation. In addition, following the upgrade of the exchanges, local telephone exchanges require much rarer visits because of interruptions in power supply. Thus, less petrol is consumed and less carbon dioxide (CO₂) causing climate changes is emitted into atmosphere.

Transport policy

In 2007, TEO developed a new transport policy aimed at reduction of costs, environment protection, and improvement of employees' working conditions.

In order to reduce pollution, fuel expenses and vehicle operation costs, TEO renews its transport fleet every year. All cars of TEO are fitted with catalysts, and when selecting cars the Company gives priority to the cars with economical engines, meeting Euro4 requirements and lower environmental pollution.

Efficiency of the transport policy implementation is proved by the fact that though in the period 2006-2007 the transport fleet increased by 5%, i.e. by about 50 vehicles, the tax paid by TEO for environment pollution from mobile sources of pollution remained almost unchanged and compared with the tax rate in 2005 – decreased. Because of the bigger number of vehicles in operation, the quantities of emitted pollutants of certain type slightly increased (e.g. carbon monoxide, carbohydrates), but of some pollutants – even decreased (nitrogen oxides, solid particles).

Tax paid by TEO for environmental pollution from vehicles

2005	2006	2007
LTL 7,507	LTL 5,874	LTL 5,889

Pollution from vehicles by types of pollutants

	2006 (t)	2007 (t)
Nitrogen oxides	16,199	16,103
Carbon monoxide	116,923	144,634
Sulphur anti hydride	1,452	1,552
Carbohydrates	48,202	56,754
Solid particles	1.066	0.833

New equipment – energy saving

In 2007, TEO launched a project on updating of computer hardware and software, in the course of which 2000 computers will be replaced. Apart from other positive effects, new computers will help to save about 70% of the total electricity consumed by the Company's computers.

In the course of 2007, the Company was improving quality of service provided in rural areas and saving energy resources, switching of inefficient telephone exchanges of analogue type consuming a lot of energy. Nearly LTL 90,000 was invested into that. In 2007, 18 exchanges of old type were replaced.

Positive effect of technologies

TEO makes its indirect contribution to solution of environmental problems by promoting business companies and residents to use advanced technologies more frequently and for more diverse

purposes, and by ensuring reliable modern access to them.

On the 1st of June 2007, TEO launched installation of a new generation fibre-optic (FTTH) access network in Lithuania, the fibres of which are laid up to the user's computer. Fibre-optic user access will enable to significantly increase the speed of Internet connection provided to users and will provide the possibility of supreme quality use of various services via single Internet access: telephone calls, watching of digital television, Internet browsing and video transmission at the same time.

It will enable high-quality video conferences, work from home. Surveys show that it significantly reduces the need to travel on business and, at the same time, CO₂ gas emissions into atmosphere.

CORPORATE SOCIAL RESPONSIBILITY IN RELATIONS WITH EMPLOYEES

For its employees, who are considered to be the Company's biggest asset and success factor, TEO ensures fair and timely work remuneration and social insurance in case of temporary incapacity for work, and also the right to rest and annual leave.

TEO eliminates forced and child labour and seeks that this principle is followed by the Company's partners and suppliers.

TEO recognizes the freedom of employees to join unions or associations and the right to negotiate with the employer.

The Company pays a lot of attention to emotional satisfaction of its employees, promotion of their motivation, and improvement of professional knowledge and skills. In order to ensure compliance of the employees' performance with the values and principles as well as general moral norms of the organization, the corporate culture is being fostered.

TEO has its Code of Ethics approved. The rights and interests of the Company's employees are secured by the Collective Bargaining Agreement.

New Collective bargaining agreement

An updated Collective Agreement was signed in 2007. It defines general organisational principles in the fields of assurance of safe and healthy working conditions, material liability, remuneration, working time and rest and employees' training, lays down guarantees and privileges helping to ensure social security of the employees. By signing the Agreement, the Parties assume liability for fulfilment of their obligations, exchange relevant information, and base their relations on mutual trust, understanding, good will.

The Collective Agreement of TEO provides for a lot of additional social guarantees:

- Considering nature of activities and business conditions and without infringing interests of the employees, a more flexible working regime can be established: working day can start from 7 to 11 a.m., and end from 4 and 8 p.m., respectively. This flexibility option allows the employees to combine their career and personal purposes easier, to devote more time to their families.
- Working day can be divided into two parts, without exceeding 8 hours daily and 40 hours weekly work duration.
- In the cases when a national holiday falls on Tuesday or Thursday, the employer has



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the right to move the preceding or following working day to the other day-off or establish it as an additional day-off.

- On the corporate holiday, the employees can be granted additional annual holidays by General Manager's order.
- Christmas Eve (24 of December) is declared the holiday of the Company.
- Unpaid leave of up to 30 calendar days can be provided because of family reasons, rehabilitation treatment or other important reasons. Upon the employee's personal request for professional competence improvement abroad, if it is related with the Company's interests, longer unpaid leave can be granted to him/her.
- In case of death of the employee's father, mother, wife, husband, child, brother, sister or in case of marriage, the employee is granted additional paid leave of 3 calendar days.
- Training leave is granted against an advance certificate issued by an educational institution for the period indicated in the certificate.
- TEO employee's remuneration shall consist of regularly paid salary consisting of two parts: (1) fixed part – main salary paid according to the position and competence held by the employee and (2) variable part - salary premium that can be of two types: premium for quarterly /monthly performance results or premium for achievement of annual performance targets.
- During the validity term of the Collective Agreement, minimum main monthly salary of the employees employed full-time under an employment agreement of indefinite term amounts to LTL 1,100. It is nearly 40% higher than the minimum salary (LTL 800) fixed by the Lithuanian laws.
- For overtime and night work (from 10 p.m. until 6 a.m.), employees of TEO LT, AB are paid 1.75 hourly rate remuneration (of main salary) fixed for the employee.
- Employees of TEO LT, AB for work on days-off and national holidays are paid 2.5 hourly rate remuneration (main salary) fixed for the employee.
- Upon expiry of the financial year, the employees are paid premium for the yearly performance results of the Company from the remuneration fund money according to the procedure established in the Company.
- If an employee is ill, the employer pays 90% of the average salary of the employee for the first two days.

- Employees' development and payment for it are carried out according to the yearly development plans.
- The employer may agree in writing on the payment for studies with the Company's employees, the studies of whom in higher university institutions conform to individual competence improvement plans, and pay for such studies on the agreed terms and conditions.
- The employer promotes possibilities to change qualifications for the employees notified about planned dismissal and provides related information. The employer may create conditions for the employees dismissed to attend speciality acquisition courses organised by labour exchanges and, upon agreement of the parties, perform payment for them without exceeding LTL 500, incl. VAT.
- An employee warned about his/her planned dismissal is granted unpaid study leave, upon his/her request, during the warning period.
- An employee warned about his/her planned dismissal can be provided by the employer with up to 50% free time (with average salary paid) during the warning period for job search and qualification change.
- The employer undertakes an obligation to cover Company's employees with additional insurance against accidents at work and while travelling to (from) work at the Company's expense.
- The employer undertakes an obligation to have the employees, who are exposed to risks at work, vaccinated at the Company's expense.
- The employer undertakes an obligation provide the employees exposed to risks at work with free necessary special apparels, footwear and other personal protection equipment in time according to the requirements laid down in the legal acts on occupational safety and health.

CORPORATE SOCIAL RESPONSIBILITY IN RELATIONS WITH EMPLOYEES

One of the most desirable employers in Lithuania

The representative poll of the Lithuanian citizens The Most Desirable Employer 2008, carried out by public opinion poll and market research company TNS Gallup, daily newspaper Verslo Žinios (Business News) and career portal CV.LT, showed that TEO is among the most desirable employers in Lithuania.

Internal communication

The Company pays special attention to internal communication. The main means of informing the Company's employees are **internal publication Mūsų TEO (Our TEO) and the Intranet site TEO Lyga (TEO League)**.

For new employees of TEO, the Company has developed a special publication – **A Newcomer's Guide (Naujoko knyga)**, which provides an introduction to the Company, its organisational structure, services provided, traditions, management and work organisation processes.

The Intranet site TEO League was created in 2000. The intranet site contains news relevant to the Company and its employees, and also promotion campaigns, internal regulatory acts, media reviews. The publication Mūsų TEO (Our TEO) is also distributed via the intranet TEO Lyga (TEO League). Every division and every unit have their own columns

on the Intranet, where they can place their news.

Research of co-operation between units

The Company promotes and appreciates co-operation with the companies of the Group and units. The survey conducted in 2007 assessed the activities of 70 units and 3 subsidiaries highlighting the importance of co-operation, openness, reliability and proactiveness in mutual relations. 215 managers and specialists of the Company participated in the survey. The survey results confirmed ever-improving co-operation between the units.

Promotion of employees' social activity

TEO promotes and supports innovative progressive social trends coming into Lithuania. The Company adheres to the principle that first of all they need to be introduced to the employees, thus informing and encouraging their active involvement into the processes that are beneficial for developing civil society and every single member personally.

One of the best examples of this attitude is the Voluntariness Promotion Programme implemented by TEO.

In 2007, TEO drawn up a memo „How to Become a Volunteer?“ for the employees. The memo is aimed at providing informa-

tion about voluntariness and introducing the benefits of volunteers' activities for society.

TEO receives requests for support to various public organisations, their programmes or projects. The number of initiatives, requiring not only financial support but also volunteers contributing their knowledge and time, is increasing. The memo contains a short introduction of 32 non-governmental organisations inviting volunteers, description of their activities, contacts, thus promoting the employees to join their activities in their free time.

In addition, the employees are regularly informed about social and support activities carried out by TEO and their results.

HEALTH AND SAFETY OF EMPLOYEES

TEO pursues to ensure healthy and safe working conditions for its employees; therefore special attention is paid to employees' health protection, prevention of occupational diseases, physical activity promotion;

The creation of safe and healthy working conditions in the Company is established by the Collective Agreement and is regulated by the Labour Code of the Republic of Lithuania and other legal acts regulating occupational safety and health, the

Company's Occupational Safety Policy.

Commitments to employees

TEO Group employees are additionally insured against accidents 24 hours at day at the Company's expense. The employees exposed to risk factors at work are vaccinated every year at the Company's expense. Employees are provided with special apparel, footwear and other personal protection equipment in a timely manner and free of charge. At working places, the employees are provided with first aid kits. The Company organises tests of personal and collective protection aids and examinations of working environment and workplaces.

The employees of UAB Lintel, apart from regular health examination, are subject to additional eyesight test once per year. For the employees of UAB Baltic Data Center, the majority of whom are IT specialists, workplaces were improved in 2007 by buying new ergonomic chairs.

In the end of 2007, TEO launched the project on updating of computer hardware and software used in the employees' workplaces. During the project, about 2 thousand computers will be replaced with new ones.

In order to ensure better working conditions for its employees, the Company mounted new air-conditioning systems in fourteen objects in 2007.

CORPORATE SOCIAL RESPONSIBILITY IN RELATIONS WITH EMPLOYEES

Accidents

In 2007, 25 accidents were recorded in TEO (in 2006 -15), 11 of which occurred at work, other – while travelling to / from work. No lethal, serious or group accidents took place in the Company in 2007.

In 2007, UAB Lintel recorded two accidents while travelling to/ from work, which were attributed to the category of minor accidents. UAB Baltic Data Center did not record any accident.

Health strengthening promotion

The Company promotes the wellness of its employees by providing all employees of TEO Group with the possibility to go in for sports. Majority of them can attend swimming pools, play basketball or volleyball in the rented gyms free of charge. For example, Panevezys and Radviliskis Contact Centres of UAB Lintel have the gyms installed for the employees' needs.

In 2006-2007, the basketball championship of TEO Group employees was arranged for the eight time, with ten teams competing.

Social needs fund

The Social Needs Fund intended for development of the corporate culture and satisfaction of the social needs of the employees has been established in the Company. In 2007, the Fund assigned over half a million litas for the employees'

allowances, cultural and sports events, rental of the basketball hall.

The Fund is administered by the Committee of the Social Needs Fund that is composed of representatives of the employer and trade unions.

EMPLOYEES' TRAINING

The company TEO pays a lot of attention to enhancing the responsibility of managers and employees, developing their professional competences and strengthening their motivation.

In 2007, over 2,300 (75%) 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. The Management Training Programme with over 230 managers participating in various training courses was continued. TEO supported postgraduate studies of the employees in various Lithuanian and foreign universities.

In 2007, TEO assigned 23 training hours per employee on the average (in 2006 – 12 training hours), over LTL 4.3 million was allocated for the employees' competence improvement and competitiveness enhancement (including the financial support granted by the Social Fund of the European Union).

■ KEY EMPLOYEES' PROGRAMME

In order to secure activity sustainability and competitive advantage of the organisation, by maintaining and developing the key competences of the Company, the procedure of identification, development and promotion of the key employees was introduced in 2007. According to this programme, the employees of key importance for the Company's business have been identified. They are covered by investment life and additional health insurance, their reserve has been formed, business leaders' training and mastery development programmes have been developed, training has been delivered.

■ MANAGEMENT TRAINING PROGRAMME

In 2007, the Management Training Programme was accomplished. It was aimed at enhancing leadership capabilities of the organisation's management, efficient application of business management principles, foreseeing trends of market changes, ensuring an ability to use them, ensuring employees' motivation. This programme included assessment of the managers' competence ensuring more accurate determination of the strong competences of the Company's managers and the ones that need improvement, and establishing training guidelines for the future.

■ BUSINESS LEADERS' TRAINING PROGRAMME

In order to secure possibilities for purpose-oriented development of management reserve, in 2007 a Business Leaders' Programme was prepared, the main aim of which – development of competent, reliable, result-oriented business leaders capable of uniting and inspiring team members to pursue the established target. The first group of business leaders (20 employees) was formed in spring, the second one – in Autumn.

■ PROGRAMME FOR NEWLY EMPLOYED STAFF

In order to shorten the time of newly employed staff's adaptation, the Introductory Programme for Newly Employed Staff was further implemented in 2007. Within the program, the Company's top-level managers introduced the vision, mission, strategy and targets of TEO, specialists shared their experience in service and product development and gave an introduction to relevant development-related issues to the newly employed TEO employees.

■ SALES SPECIALISTS' TRAINING

In 2007, the training programme dedicated for the sales employees was supplemented with the forth – Craftsmanship – module intended for the employees

CORPORATE SOCIAL RESPONSIBILITY IN RELATIONS WITH EMPLOYEES

working with big business projects. The first three sales employees' competence improvement programmes were developed in 2006. The first programme, called Sales Fundamentals, is intended for young and inexperienced employees. The programme Entrepreneurship Fundamentals and Efficient Sale is designed for the employees having basic sales skills. Advanced employees, who are capable of offering more complex solutions to business customers, work according to the programme, called Sales Skills Improvement.

Training of employees in the subsidiaries

In 2007, UAB Lintel assigned LTL 309 thousand, the majority of which was used in implementation of the Project, co-financed by the Social Fund of the European Union – Enhancement of Competitiveness of UAB Lintel in the Lithuanian and Foreign Markets through Human Resources Development.

UAB Baltic Data Center spent LTL 317 thousand for Microsoft, SQL, ITIL and other specific training and improvement of the English language and managerial skills.

Kompetencijos Ugdymo Centras assigned LTL 81 thousand for the employees' training in 2007.

EQUAL OPPORTUNITIES

TEO ensures equal rights for its employees, following the prohibition of discrimination in respect of age, gender, origin and beliefs that is established in the Constitution of the Republic of Lithuania and other labour laws.

There were no cases of discrimination or infringements in the above-mentioned respects recorded in the Company neither in 2007 nor before.

The Board of TEO elected in 2007 is composed of 7 men. The previous Board consisted of six men and one woman. The top-level management positions in the Company (General Manager and his four deputies – Directors of Divisions) are held by men. One of six main Units is headed by a woman. Four women head TEO Departments (the Company has 13 Departments in total) and one of five regional centres is headed by a woman.

On 31 December 2007, the total number of employees in TEO Group was 3177.

Name of company	Women (%)	Men (%)
TEO LT, AB	39	61
UAB Lintel	83	17
UAB Baltic Data Center	29	71
UAB Kompetencijos Ugdymo Centras	50	50
VšĮ TEO Sportas	78	22



CORPORATE SOCIAL RESPONSIBILITY IN RELATIONS WITH EMPLOYEES

Distribution by age

Name of company	Under 18 years	19 - 30 years	31 - 40 years	41 - 50 years	51 - 60 years	Over 60 years
TEO LT, AB	1	539	656	730	324	24
UAB Lintel	4	530	125	62	16	1
UAB Baltic Data Center	-	80	40	8	7	1
UAB Kompetencijos Ugdymo Centras	-	9	12	3	-	-
VšĮ TEO Sportas	-	1	4	1	1	-

Distribution by age

The average age of the employees of TEO LT, AB – 39.4 years. The biggest number of the employees fall in the age groups of 31–40 years (29%) and 41–50 (32%), while the number of the employees in the age group of 19–30 is a little lower (24%).

The majority of Lintel employees are students and youth under 30 years old (72%), therefore the average age of the employees is 28 years. The nucleus of Baltic Data Center consists of young professionals with higher education, the average age of the employees of this company is 31.4. Similar structure of the employees and average age of 32.3 are observed in Kompetencijos Ugdymo Centras. The average age of the employees of TEO Sportas is 36.2.

Distribution by educational background

According to the data as in December 2007, 51.8% employees of TEO LT, AB had higher education, 22.2% - special second-

ary, 23.7% - secondary and 2.3% - incomplete secondary education. Most of the employees of Lintel have higher education (33.1%) or incomplete higher (38.5%) education. The employees with higher education in Baltic Data Center and Kompetencijos Ugdymo Centras account for 86.8% and 91.7% respectively, while in TEO Sportas, all the employees are with higher education.

Workplaces in regions

More than a half of TEO Group employees work in Vilnius, however the Company has also created many workplaces in dif-

Distribution by educational background

Name of company	Higher	Incomplete higher	Post-secondary	Special secondary	Secondary	Incomplete secondary
TEO LT, AB	1,177	-	-	506	539	52
UAB Lintel	244	284	103	7	100	-
UAB Baltic Data Center	118	-	-	7	11	-
UAB Kompetencijos Ugdymo Centras	22	2	-	-	-	-
VšĮ TEO Sportas	7	-	-	-	-	-

ferent regions of Lithuania. For example, as many as 95% of UAB Lintel employees work in the places other than the capital city. The Company has its branches located in Kaunas, Klaipeda, Panevezys and Radviliskis.

In addition, UAB Lintel customer service employees residing outside the city, in which they work, receive reimbursement of their travel expenses. Studying employees are provided with a possibility to combine their studies and work.

CORPORATE CULTURE

TEO fosters traditions and festivals, which bring together and unite employees of the whole TEO Group. During 2007, TEO allocated LTL 1.5 million for strengthening the corporate culture.

The Day of TEO is celebrated every year, the Employee of the Year elections are held, the employees have a possibility to contribute their ideas to the Bank of Ideas.

Employee of the Year election

The best employees of TEO Group have been elected since 2006. By establishing the awards, the Company aims to recognise and appreciate the employees, who achieve excellent performance results and meet and fulfil TEO values by their work and behaviour. The Employee of the Year election has become a traditional part of the corporate culture. In 2007, the awards of the best employee were given to 20 employees of TEO Group (in 2006, 19 employees were awarded).

Day of TEO

The Day of TEO is a yearly arranged gathering of TEO Group employees and the most important customers of TEO that involves interpersonal communication, entertainment and festivity. On the occasion of the Day of TEO, the Company's employees are granted an additional day off.

In 2007, the Day of TEO was celebrated in the Park of Europe near Vilnius by over 1,800 employees of the Group and guests.

Bank of Ideas

The Bank of Ideas has been operating in TEO since 2004. This competition is aimed at encouraging the Company's employees to propose their ideas related to improvement of the organisation's activities.

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The system of the Bank of Ideas underwent modernisation in 2007: the number of selection criteria was reduced, a new form of submission of an idea was developed on the Intranet. The Company aspires to receive many and bold ideas related with business development and innovative services, which could be provided by TEO in the future. Changes justified themselves: in the course of 2007, the Bank of Ideas received nearly 400 ideas, almost a fifth of which were successfully adapted. Some ideas were put into practice, others served as aspiration for new ideas.

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By annually supporting various social and cultural projects, TEO seeks to secure long-term harmonious progress of business and society, to contribute to the social development and welfare of society, and the creation of e-society.

TEO is one of the biggest sponsorship providers in Lithuania and have long-standing traditions of relations with communities. Through our active involvement in public life, we aim not only to induce positive changes in the country, but also, by our own example, to create and strengthen philanthropic traditions in Lithuania.

In 2007, TEO Communication Committee approved the updated Company's support conception. According to the new conception, the Company supports social projects and programmes which:

- create long-standing value;
- help to handle problems that are relevant for the whole society;
- help to establish progressive, future-oriented trends.

In accordance with the above-listed principles, TEO announced its support to several key fields:

- Citizens' volunteering and social solidarity;
- Development of future leaders;
- Innovations, novelty;
- Social communication and co-operation;
- Healthy lifestyle.

Values of the supported organisations must be close to the Company's values. Also, it is important that the support is used for the purpose and has long-standing value.

Support and other allowances are not provided to profit-seeking and political organisations and parties, religious communities, brutal sports representatives, gambling organisers, and illegally operating organisations. Support is not granted to natural persons either.

In the course of 2007, 189 support agreements were signed. The Company allocated LTL 4,602,600 for support. In 2006, the support for public and social projects amounted to LTL 3,850,353.



INVESTMENTS INTO THE PROGRESS OF SOCIETY

TEO is a socially optimistic and progressively thinking organisation.

TEO believes in the progress of society and the future created by joint efforts where increasing resources are allocated for material and spiritual creation. By supporting this, TEO invests into scientific and cultural initiatives as well as young members of society through various educational and development programmes.

School children competed in the IT contest

In 2007, for the fourth time in succession TEO sponsored the **School Children's Information Technology Contest Beaver**, initiated by the Ministry of Education and Science of the Republic of Lithuania, Education Information Technologies Centre and Mathematics and Information Science Institute.

At this competition, pupils of the forms 5-12 through dealing with original tasks can learn the advantages offered by IT. Children are encouraged to use computers and understand the possibilities offered by modern technologies. It is interesting to note that over 100 tasks were created by IT enthusiasts from as many as 9 countries for the last year's competition.

According to Jūratė Valatkevičienė, a member for the Organisational Committee of the Competition, school children participating in the competition have splendid opportunities to demonstrate their logical thinking and knowledge acquired at or outside school. "Such competitions encourage pupils to show even deeper interest in the fields of science that interest them", J. Valatkevičienė said.

Relevance and importance of the competition are demonstrated also by an increasing number of participants interested in the Beaver. If compared with the first competition organised in 2004, the last year's competition received almost two times more participants – over 7 000 contestants from 324 schools competed in the competition in 2007.

Youth's business ideas are promoted

International youth entrepreneurship competition Profas (Ace), organised by Public institution PROFAT and Lithuanian business leaders organised for the third year is a form of communication between business representatives and students that is gaining growing popularity. In 2007, TEO joined the initiative for the second time – granted

financial support to this unique project, furthermore, the Company's representatives were invited to join the youth's business ideas assessment commission.

"At the competition, it is very important for the students analysing business processes to understand specifics of every sector. That is why we invited the biggest companies operating in the main economic sectors of Lithuania to take part in this competition", Lina Sodžiūtė, the author of the competition idea and Director of Public institution PROFAT, said.

For the students, this competition is a splendid opportunity to try themselves, to get more information about business, to learn how to describe and present their business ideas. According to the organisers, this competition is aimed not only at promoting the creation of new business ideas, but also at providing necessary skills, encouraging aspiration to high results.

Lina Sodžiūtė notes that involvement of big companies in the competition provides the most gifted students with a possibility to meet representatives of their desired employers. At the competition, future management specialists discuss business not only with university lecturers but also with business representatives. Edis Kasperavičius, Director of Human Resources Unit of TEO, who was a member of the Competition Commission, appreciates the benefits offered by co-operation between students and business representatives. According to him, it is an opportunity to invite your noticed student for traineeship at your company. "Various programmes are organised in the Company and students are always welcome. Some of them decide to stay in the Company", Mr. Kasperavičius noted.

Them competition Profas (Ace) receives an increasing number of participants every year. In 2006, the competition was attended by 40 teams from Lithuanian universities, while in 2007 two times more teams expressed their wish to try themselves. Upon assessment of the results, 15 finalists were selected who further develop their business ideas, attend training.

Civil Power Index was determined

Civil maturity of the society, its independence determine not only the quality of democracy but also general welfare of the country to a great extent.

in 2007, TEO supported the survey of civil spirit of the Lithuanian society for the first time conducted by the Civil Society Institute and public opinion and market research

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company TNS Gallup, during which **the Civil Power Index was determined**. Its aim is to determine dynamics of civil activity and attitude to civil powers possessed by Lithuanian citizens. The civil power index comprises four dimensions: rates of existing civil activity, potential civil activity, understanding of civil influence and civil activity risk assessment.

The survey conducted in late 2007 shows poor civil power of Lithuanian society – in 2007 the Lithuanian Civil Power Index was 33.9 points out of 100 possible (bigger index value shows greater civil power of society).

The survey showed that civil activity of Lithuanians is oriented towards community activities and social solidarity. Almost a half - 45% - residents stated that in the last year they donated money, items or otherwise supported persons or non-governmental organisations that needed help. 31% of residents took part in environment cleaning undertakings, 17% - local community activities. 11% of Lithuanian citizens applied to the state institutions to report on breaches of law. Other civil actions (activities of non-governmental organisations, demonstrations, strikes, etc.) were attended by less than 1 of 10 residents.

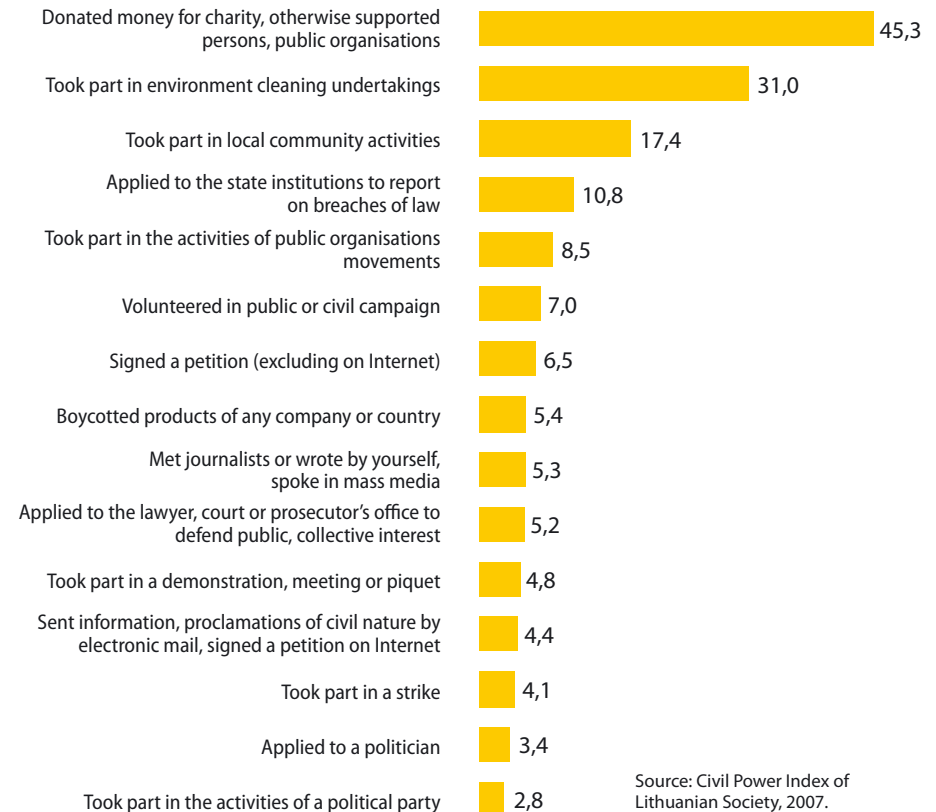
As many as 40% of Lithuanian citizens were not involved in any civic activities in the last year. Over a half of Lithuanian residents believe that people who initiate or take active participation in civil actions can lose their jobs or be considered as weird by others. The rate of civil activity risk assessment shows that the society is prevailed by the sense of fear to be harmed by their involvement in civil activities.

Since now, the Civil Power Index of Lithuania will be determined every year. We hope that this index will be useful for non-governmental organisations and civil communities, political parties interested in strong and independent Lithuanian society, authors of educational programmes in their activities.

The best Lithuanian ITTE products

In 2007, TEO supported the contest of the best Lithuanian product of information technologies, telecommunications and electronics (ITTE) organised by Infobalt Association. The main objectives of this contest include more efficient use of creative and intellectual potential of Lithuania. The focus of the contest was not only functionality, completeness of products but also contribution of Lithuanian origin into product development and its impact on further development of knowledge society and economy.

Residents' involvement in civil activities, %



Source: Civil Power Index of Lithuanian Society, 2007.

Chairman of the Commission Professor and Habilitated Doctor Genadijus Kulvietis noted that a significant qualitative jump was noticed by the Commission this year. "Lithuanian companies started creating complete, consumer-oriented products that can be applied in practice immediately after their installation. It induces optimism and allows to state that electronics in Lithuania has finally moved from an experiment level to a professional one", Mr. Kulvietis said.

The name of the Product of the Year for Information Society 2007 was awarded to the program MAKIS – tax accounting and control information system of the Customs De-

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partment under the Ministry of Finance of the Republic of Lithuania. It was awarded the winner's title for the greatest effect in accelerating knowledge society development. The award for the Most Desirable Product of the Year was granted to the first Lithuanian mobile phone TEL202 developed by Teltonika. In the category of software, the intellectual product „Remote computer control system“ of company Stekas was head and shoulders above other contestants and was awarded for its thorough completeness. In the E-service category, the product of Teltonika - a portable control device Handhel GPS trucker GH1201 was recognised as the winner.

Gifted children's development

Another proof of the social mission carried out by TEO in addition to business is support for Public institution National Student Academy developing children with exceptional abilities.

The National Student Academy (NMA) is a unique and the only organisation in Lithuania (for gifted children) uniting the most gifted children in various fields from all over Lithuania. The NMA focuses its attention not only on specific knowledge but also on personality development.

Bronė Narkevičienė, Head of the National Student Academy, Associated Professor of the Kaunas University of Technology, states: “TEO granted earmarked support for the conference organised by our institution - “Gifted Children: Challenges and Possibilities”. The conference is aimed to provide Lithuanian scientists, teachers, psychologists, educational politicians and administrators, other persons who are not indifferent to fostering of our intellectual potential with a possibility to receive the latest information about education and development of talented children and to help them establish necessary international and mutual co-operation relations. TEO support helped us to achieve this goal. I am very grateful for the support”.

Bronė Narkevičienė was awarded in the category “For Academic Light and Moral Manner” of the action “More Sun, More Light” for the realisation of the National Student Academy's idea.

Scholarships for studies in foreign colleges

In 2007, TEO supported the yearly schoolchildren's competition organised by the national committee for the Joint World's Colleges for a scholarship for studies in Italian,



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American and Norwegian colleges. Advanced eleventh form pupils are invited to take part in the competition; upon completion of studies, pupils are issued international baccalaureate certificates, which are adequate to secondary school-leaving certificates.

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

SOCIAL SOLIDARITY PROJECTS

Following the philosophy of socially responsible business, TEO actively participates in the projects aimed at promoting the social solidarity of people and helping those who have suffered different kinds of disasters.

Fight against bullying

According to the international survey conducted by the World Health Organisation a few years ago, Lithuania occupies the first place among 35 countries by the number of bullied children. According to this survey data, as many as two thirds of Lithuanian children are bullied. Major part of children bully others - approximately 79%.

In order to draw public attention to the problem of bullying and to reduce it, **TEO supported the project "Stop Bullying"**, initiated and implemented by Vaiku linija (Child Line).

A few creative ideas were implemented within the framework of the project Stop Bullying. For example, in May 2007 the Child Line introduced bracelets "Without Bullying". Famous people of the country: politicians, businessmen, journalists, state persons supporting the activities carried out by the Children's Line and seeking to draw attention to the problem of bullying were the first to wear the action bracelets. Later, the bracelets were distributed to the schools of Lithuania. In June, two documentaries "Find Time to Take Care" and "Don't Suffer in Silence" produced in Great Britain were recorded in the Lithuanian language and presented.

TEO is glad for being able to contribute to the problem of bullying which is particularly urgent in Lithuania.

Children's comments on the website:

"I would like to thank you once again for your kindness, understanding, comfort, advice. I want to thank you with all my heart. I am really grateful. I am trying to overcome my fears now. Some of them I managed to overcome with the help of TRUE friends. Thank you once again. Love you :)"

"I am very grateful for such sincere help... It is nice to know that there are people who can help..."

"I am very grateful for the thorough answer and support, even though indirect. I thank you very much for being able to contact you and that you listen to me".

Youth Line

Paulius Skruibis, President of the Lithuanian Association for Telephone Emergency Services:

"We appreciate TEO support to the services of the association. It is in particular important that is not a single action but rather consistent co-operation lasting for the fifth year by now. Having such a reliable partner, we can initiate new ideas on helping people who need our assistance."

In 2007, volunteers of the Youth Line working in Vilnius, Kaunas and Klaipeda answered almost 100 000 calls from all over Lithuania. Volunteers often have to help people considering suicide – at least several suicidal calls are received every day. Lithuania, if compared with the whole Europe, has the highest rate of suicides among both children and adults. International surveys show that our children are among the most miserable children in the world.

This year, the online consulting programme Draugo laiskai (Letters to a Friend) of the Youth Line underwent modernisation and substantial expansion. Since now, all letters received (about 150 per month) are answered within 12 hours on the average. One girl left the following message in the programme's comments section: "You feel writing such nonsense which will not be interesting to anyone, because it is not their problems, but only here I receive help that cannot be offered by others".

Children Support Centre

Friendship between TEO and Public institution Children Support Centre has been lasting for three years by now. Children Support Centre in Lithuania organises a programme having deep traditions in the world "Big Brothers Big Sisters" inviting adults in their free time to communicate with children suffering from psychological crisis and hardships, to help them to overcome their problems and to understand how strong the power of friendship is.

TEO support enables to invite more children to take part in the programme "Big Brothers Big Sisters", to organise various events and festivals, camps, as well as to draw public attention to the programme and the assistance offered by it to a child in trouble.

In 2007, TEO employees donated LTL 30,000 to the Children Support Centre.

Short Help Numbers

Every year, by offering its services – mostly by allocating a toll-free number and refusing its profit – TEO LT, AB contributes to social campaigns intended to help people who have suffered different kinds of disasters or to bring society together to solve social and health problems.

During 2007, people calling from their fixed-line phones to TEO short numbers donated in total LTL 330,337 for various support projects, actions and initiatives.

In 2007, the Company allocated short numbers to the following 10 public campaigns and organisations:

- **Charity and Support Fund to Commemorate the Name of Vincas Kudirka** (members of the Fund founded in 2000 initiated construction of the monument to V. Kudirka. The statue, which is under creation by architect Ričardas Krištapavičius and sculptor Arūnas Sakalauskas, should be unveiled in summer of 2008, in the square in front of the building of the Government of the Republic of Lithuania);
- **Public institution Muzikos Frontas** (the yearly support project "I Want to See the World", intended for children suffering from cerebral paralysis);
- **Public institution Rolandas Janavičius Charity Fund** (on 28 of October 2007, a charity action - concert to commemorate performer Rolandas Janavičius and to support children suffering from cancer was organised);
- **Public institution Rožinio Kaspino Draugija** (the international project "Fashion

and Art Against Breast Cancer" was organised at the Vilnius Small Theatre on the occasion of October – the month of fight against this disease);

- **Public institution Marijos Radijas** (aims, by spiritual and supporting word, to reach everyone, especially those, who seem to be neglected by the world: ill people, old, lonely, suffering people);
- **Charity and Support Fund Rugutė** (takes care of children ill with cancer and their family members and supports development of cancer treatment science and practice. In March 2007, the Fund organised a charity event "Day of Japanese Culture" at the National Drama Theatre, which was one of the charity action parts intended for improvement of quality of treatment of Lithuanian children ill with cancer).
- **Dreams Come True campaign;**
- **Goodness Day;**
- **Goodness campaign "Christmas Soup";**
- **Lithuanian League of Human Rights.**

The dreams Come True campaign

In 2007, by allocating a short number, TEO supported the fifth Dreams Come True campaign, one the biggest children support projects in Lithuania, which was intended for disabled children living in children care homes and institutions taking care of them.

During the campaign, the amount of more than LTL 1.8 million was donated by SMSs and telephone calls to the short number. TEO and other telecommunications operators, supporting the campaign, refused the administration fee for the SMSs and telephone calls to the campaign's short number, so children in children homes received the total amount of donated money.

A member of TEO Group – UAB Lintel also contributed to that campaign. In December, the company transferred ct 10 from every phone call made to short number 118 to the campaign fund Unity - LTL 78,000 in total. Over LTL 4,000 was donated for this campaign by the Company's employees.

Goodness Day

TEO supported the campaign "Goodness Day" organised for the fifth time. In five hours of the LNK charity TV marathon, people donated about LTL 1.6 million to the accounts of the Goodness Day.

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The collected money was assigned to renovation of children's intensive care and resuscitation units in hospitals.

Christmas Soup

In 2007, TEO joined the charity campaign "Christmas Soup", organised by the Franciscan Brothers together with the Maltese Order and Lithuanian Radio and Television.

Guests of the campaign and bystanders in Vilnius, Kaunas, Klaipėda, Panevėžys and Šiauliai were invited by LRT stars together with the volunteers of the Maltese Order to donate money – buy the soup cooked by their recipes. In such original way the society was informed about social support and urged before the most beautiful celebrations of the year to remember those who have no relatives, are incapable to take care of themselves, have nothing to eat or to wear.

During the whole December, people could donate LTL 2 or 5 by calling the short numbers allocated by TEO. The collected money was transferred to the Maltese Order.

Books for the blind

In 2007, TEO further supported the publishing of books in Braille. Public institution Braille Book, supported by TEO, published another part of the popular books series about Harry Potter – "Harry Potter and the Goblet of Fire", and started publication of the book Harry Potter and the Half-Blood Prince. Thus, from now visually handicapped children can enjoy reading all the books by J.K. Rowling about Harry Potter, a young sorcerer, that have been translated into Lithuanian so far.

With TEO support, the books – "The Best Friend" by V. Račickas and "Lost Vilnius" by V. Drėma – were published in Braille.

For children's dreams

The project organised by the Lithuanian League of Human Rights called "For the Beautiful World of a Child. I Want to Dream" is aimed at providing children living in child care institutions with equal opportunities to develop their talents and plan their future the same as children living in their families. The project is also aimed at promoting integration of children leaving care institutions into society.

Children care homes of all the counties recommended their most gifted children to the project who with the help of prominent performers, choreographers, directors, design-



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ers prepared themselves for the crowning event of the project – an impressive concert held on the 1st of June 2007, at the Vilnius Siemens Arena.

Projects of this type induce humanity and tolerance, because children living in children care homes sing for those who live with their parents.

Everyone willing could help the dreams of children in children care homes come true by calling the short number allocated by TEO.

International Christmas Charity Fair

On the 1st of December 2007, for the fifth time already, the Vilnius Town Hall housed the International Christmas Charity Fair patronised by the First Lady Alma Adamkienė by now. The charity event is organised by the International Women's Association uniting wives of foreign ambassadors and businessmen residing in Lithuania and Lithuanian women. TEO is a sponsor of this charity initiative.

Everyone willing could visit the trade fair, which became a nice tradition and buy gifts made by hand by the trade fair participants - needlework, ornaments, Christmas decorations and nice knickknacks. Pies and biscuits cooked by the participants were also tempting to visit the trade fair.

Visitors of the International Christmas Charity Fair 2007 were more generous than before: a record amount of LTL 214,254 was collected. The Fair was visited by 4,000 citizens and guests of Vilnius.

During the official ceremony of money transfer, the collected money was distributed among three support beneficiaries – Vilnius University Children Hospital, Volunteers Training Programme of the Youth Psychological Support Centre and the Maltese Order providing assistance to the disabled and lonely elderly people.

"This donated money is a very important and significant support. It will enable to improve quality of life, work and activity for both support beneficiaries and those who use the services provided. We are very grateful to TEO for the support provided for the International Christmas Charity Fair, which enabled us to do so many good things", Ms. Siobhin Deniam, Chair of the Organisation Committee, said.

Library on wheels

TEO is one of the supporters of the organisation Save the Children. At the end of No-

vember 2007, the organisation arranged the support campaign "12 Fir Trees" auction, participants of which could buy original works of artists – Christmas trees. Money collected at the auction – over LTL 76,000 – was assigned for acquisition of books for children living in remote areas of Lithuania: to supplement the range of books of specially created and installed libraries on wheels, also called "librarybuses", and to expand the geography of places visited by the "librarybuses".

SUPPORT TO LOCAL COMMUNITIES

Through active involvement in social life, TEO seeks to establish relations with the local communities.

Festivals of cities and towns

In 2007, the Company supported festivals, cultural projects, other community initiatives of 60 cities and towns. Special attention was focused on festivals with unique traditions reflecting cultural or historical peculiarity of the towns.

Children are encouraged to go in for sports

In co-operation with the city municipalities, TEO launched implementation of the children and youth occupation promotion project, during which outdoor basketball courts in various Lithuanian cities will be renovated – ground covers, stands will be replaced or renovated, backboards and basket hoops will be installed.

In October 2007, schoolchildren in Panevezys, Anyksciai, Kelme, Taurage, Klaipeda, Druskininkai, Joniskis and Marijampole already could play basketball on the renovated courts. The locations of outdoor basketball courts have been selected in such way as to maximize their effective use – on most of them schoolchildren play during daytime and people from surrounding houses – during after-school hours. 25 courts are going to be renovated.

By the basketball court renovation project, the Company wants to contribute to the local community life, promotion of active and healthy lifestyle and, in particular, children's occupation.

It is interesting to note that the ground covers of the basketball courts is made of acryl, which is produced from rubber granules, derived from recycled used car tyres.

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CULTURAL PROJECTS

TEO aspires to secure free development of professional art and culture of the country and accessibility to the citizens of Lithuania. In 2007, TEO demonstrated active support of a number of cultural events of the country.

In 2007, TEO further supported some big cultural festivals and events. For the fifth year in sequence, the Company granted its support to the International Modern Dance Festival organised by Kaunas Dance Theatre AURA. Recently, this festival gained immense international recognition, world's premieres are introduced at the festival. In 2007, the Company sponsored one of the biggest cultural events in summer – festival "Palanga Summer". Its events were visited by over 100 000 Lithuanian citizens and guests. The Vilnius Small Theatre, supported by TEO, proceeded with further development of its programme of plays for children: added 2 new plays "Mushroom War" and "Two Shoes" to the repertoire.

2007 witnessed new culture support projects as well.

Sculpture for the Lithuanian basketball

On 29 August 2007, the first sculpture dedicated to the Lithuanian Basketball was officially unveiled in Vilnius. The sculpture was created within the framework of the project "To Those We Are Proud Of", one of sponsors of which was TEO.

A sculpture of impressive size symbolising an arm holding a basketball, created by famous Lithuanian sculptor and painter Tadas Gutauskas, has 37 names of the most prominent basketball sportsmen and their coaches engraved on it.

Every Lithuanian citizen could vote on Internet for the best basketball players of the country, thus making a contribution to the sculpture creation and becoming its co-author. Surnames of the elected sportsmen - 24 male basketball players, 8 female basketball players and 5 coaches – are immortalised on the sculpture. Every four years, new surnames of basketball players and events significant for the history of the Lithuanian basketball will be engraved on the sculpture, therefore it will never lose its relevance in the future.

At the ceremony of the sculpture unveiling, the President of the Republic of Lithuania Valdas Adamkus wished the young generation to follow the suit of the men, whose surnames are engraved on the sculpture and whom we are proud of. President of the

Lithuanian Basketball Federation Vldas Garastas noted that such sculpture dedicated for basketball is the first of this type not only in Lithuania but in the entire Europe as well.

Designers - for ecology

In September 2007, the team of Lithuanian designers - Seržas Gandžumianas, Sandra Straukaitė, Jolanta Rimkutė, Vitalijus Čepkauskas, Daiva Urbonavičiūtė, Giedrius Paulauskis and others – organised an original action "Designers for Environment Protection" in Vilnius. During the campaign, everyone who brought 20 plastic bags could exchange them into the bags created by famous Lithuanian designers and made from environmentally-friendly materials, such as recycled paper, cotton, linen.

The campaign was aimed to show the citizens into which dumpsites our cities can turn, if we are not concerned about damage caused to environment. TEO approved of this idea by joining the action and supporting this initiative.

Support for Lithuanian cinema

In February 2007, projection of the film "The Whisper of Sin" (authors – Algimantas Puipa and writer Jurga Ivanauskaitė) was launched in the cinema theatres of Lithuania. The scenario of the film is based on the bestseller by J. Ivanauskaitė "The Witch and The Rain", interwoven with motifs of other novels by the national award laureate – "Placebo" and "Gone With The Dreams". This film tells sensitively about the woman's emotional world and the way, by which attempts are made to save oneself from prohibited and all burning love.

Production of "The Whisper of Sin" was supported by TEO.

Director of Corporate Communication Division of TEO, Valdas Kaminskas:

"We are glad being able to make our contribution to the development of the reviving national cinema. By supporting the production of "The Whisper of Sin", we also express our deep respect to writer Jurga Ivanauskaitė, on whose books this magnificent film scenario is based".

Selective films in the GALA festival

A new GALA Film Festival that started in November 2007 was sponsored by TEO. According to the festival organisers, the digital television GALA and the new festival are

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interrelated by the quality contents and focus on cinema lovers.

A new formula of film festival created by Lithuanians - projection of films on the last week of every month during the whole film season - is innovative and unique on the global scale. The Festival's repertoire is responsibility of Edvinas Pukšta, critic and reviewer, considered as one of the biggest cinema art authorities in Lithuania. The new Festival includes films of both young, gifted and emerging film directors and famous film-makers.

On the 18th of January 2008, free culture publication of the city Pravda awarded the prizes to the best newcomers of the last year for the third time. The GALA Festival, having outrivalled 6 nominees, won in the category the "Best Newcomer in Cinema 2007". In the awards organised by the Pravda, almost 65 000 people cast their votes this year.

Telecommunication history museum

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

In cooperation with culture institutions and private persons, the museum organizes exhibitions of art, philately, photography and technology heritage collections, lectures and concerts. Situated in the Old Town of Kaunas, the Museum's building is attributed to the heritage of the history of culture.

SUPPORT TO SPORTS AND HEALTH IMPROVEMENT

Believing that harmonious development is impossible without healthy lifestyle, the Company supports sports and health improvement projects and is the main sponsor of the women basketball team TEO.

TEO – a supporter of women's basketball

In 2007, TEO was the biggest supporter of the women basketball team TEO Vilnius. It is the strongest women basketball team in the Baltic region and one of the most powerful ones in Europe. In 2006, the team became the champion of the Lithuanian Women's

Basketball League for the ninth time, and also took the 1st place at the Baltic Women's Basketball League for the seventh season in succession. It is the only Lithuanian team playing in the Europe's most prestigious women's basketball tournament – EuroLeague.

ZEBRA Beach Club in Palanga

In order to encourage the holidaymakers of the most popular Lithuanian resort to spend their leisure and holiday time actively and purposefully, in summer 2007 TEO opened an active leisure zone – ZEBRA Beach Club – on the beach in Palanga.

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

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

CO-OPERATION WITH THE NON-GOVERNMENTAL SECTOR

By actively cooperating with both governmental and non-governmental sectors, TEO seeks to promote information society development and to contribute to the improvement of the IT sector's business environment.

The Company's position is not to be involved directly in forming the state policy and in lobbying activities. The Procedure for Provision of Support and Other Allowances, approved by TEO, provides for that the Company shall not provide any financial support to political parties, politicians and political organisations.

The best manifestation of TEO co-operation with the non-governmental sector is when analysing specific support project and support policy of the Company. The majority of them consist of partnerships with specific non-governmental organisations lasting for years, joint efforts in dealing with one or the other urgent social problem. With such long-standing co-operation model in place, relations with non-governmental organisations cease being formal relations between the support beneficiary - provider and the Company becomes a true partner: which not only supports but also evaluates the results, suggests new ideas, is involved in project development.

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TEO follows the principle that a business organisation must handle social problems of the society first of all not directly, but rather by consolidating, supporting and enabling non-governmental organisations, acting through them – as a catalyst of changes. TEO considers a strong non-governmental sector as one of the main pillars of civil society.

Long-term fruitful partnership is maintained by TEO with a volunteer service Youth Line, Infobalt Association, the “Window to the Future” alliance, Public institution Children Support Centre, the National Student Academy, Public institution PROFAT, and others.

Volunteers’ Centre

In 2007, by launching the Voluntarism Promotion Programme and developing a memo “How to become a volunteer?” for its employees, TEO established a partnership with Public institution Volunteers’ Centre.

Nijolė Giedraitienė, Director of Public institution Volunteers’ Centre, stated that she has been in volunteer activities since 1995 – when this activity was not called volunteer yet. “We were working, making, helping, creating without calling it voluntarism. This activity, its idea helped me to reveal myself in those activities, which I did not associate myself with, taught me of team work and mutual understanding”, she added.

“Voluntarism for me is a possibility to help those who are unable to take care of themselves. I consider volunteer activity as everyone’s duty, though this word may sound as imposed obligation. For me – it is a form of self-expression”, Laima Valiukonytė, an employee of TEO and a volunteer, said.

Being a reliable partner of the non-governmental sector for many years, TEO notices that organisations applying for support more and more often need not only financial support but also certain knowledge, competence, time – just enthusiastic colleagues. Having considered this trend, TEO decided to contribute to voluntarism popularisation in Lithuania.

TEO believes that voluntarism provides a possibility to everyone, irrespective of gender, nationality, religious or political beliefs, age and health, to use their knowledge and experience, to realise their hobbies, to find like-minded persons and friends, to participate in social life by changing it according to the community’s needs.

On the 4th of December 2007, on the occasion of the International Volunteers’ Day, VšĮ Savanorių Centras conferred the Name of Voluntariness Promoter 2007 to A. Šikšta, General Manager of TEO.

Vilnius Chamber of Commerce, Industry and Crafts

TEO has been a member of the Vilnius Chamber of Commerce, Industry and Crafts since 1999.

In 2007, TEO had the rights of a member of the Board of the Chamber and actively participated in the trainings and courses organized by the Chamber, seized the opportunity to submit its proposals regarding amendments to the legal acts, regulating the business environment, and the improvement of conditions for business.

National electronic grade-book

In 2007, TEO helped the Association of Lithuanian Chambers of Commerce, Industry and Crafts implement the Electronic Grade-Book project for Lithuanian schools. This co-operation that started in 2005 – TEO provides high-speed Internet services and financial support – helps to contribute to the development the Electronic Grade-Book System, which contains information about the achievements of pupils.

Mr. Darius Prialgauskas, Project Manager of the Association of Lithuanian Chambers of Commerce, Industry and Crafts administering the Electronic Grade-Book project in Lithuania, stated that the project was believed to become national during its development.

Authors of the Electronic Grade-Book System were developing a program, which would be as much adapted to nowadays’ needs as possible. “The Grade-Book itself accounts for only about 10% of this program. It is intended not only to assess pupils’ knowledge but also to help teachers to plan loads, to make preparations for lessons, to receive necessary legal information. The program could be used to a very broad extent”, the co-ordinator of the Electronic Grade-Book project said.

At present, there are 46 secondary schools in Vilnius, 4 in Kaunas logged into this Electronic Grade-Book System and another 40 schools ready to work with this system. In Klaipėda, electronic grade-book is used by 8 schools, while another 13 are ready to join the project. The Electronic Grade-Book System is used in small towns of Lithuania as well.

Association of Local Authorities of Lithuania

In 2007, TEO continued implementation of social, cultural, information and commu-

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nication technology installation and Internet content development projects that had been implemented together with the Association for more than one year. By cooperating with the Association, the Company seeks to speed up the development of modern information and communication technologies in Lithuanian districts, to encourage society to use modern information technologies, to promote the integration of the handicapped into modern society with the help of IT.

SUPPORT FROM THE STRUCTURAL FUNDS OF THE EUROPEAN UNION

Employees' development

In March 2007, TEO and Lintel were allocated about LTL 3 million of the European Union's funds for employees' training and their competence enhancement. For these funds, about 300 different training events, attended by approximately half of the TEO employees, were held.

TEO employees' development and competence improvement programmes are described in more details in the section of this report "Corporate Social Responsibility of TEO in Relations with Employees".

Scientific research

Implementing the project TV Mosaic, partly financed from the European Union funds, a system for the provision and management of interactive TV services to interconnect a user, service provider's network and content creators' equipment is under development. The created prototype of the system will also include video copyright management and charging models. The total value of the project is LTL 3,168,712, support granted by the EU Structural Funds and from the Budget of the Republic of Lithuania amounts to LTL 2,004,958. The project was launched in May 2006 and will last until the 1st of September 2008.

The developed technological infrastructure will enable independent content creators – from professional TV producers to persons placing their products on the Internet – to present it to end users – digital TV audience. For the customers of digital interactive television, this would open much bigger possibilities to choose a desired video content in their television.

Upon implementation of the project and its adaptation for provision of commercial services, possibilities to create local community televisions would become available,

while users of interactive television would be able to view video archives of Internet portals, educational video materials produced by universities and even personal collections of video records.

TEO is also involved in the international scientific research project Axmedis. The project is aimed at creation of automated system of digital content production, aggregation and distribution in multiplatform media, which would enable to reduce digital content production and distribution costs, to make it more diverse and better accessible to European users. The AXMEDIS budget is financed from the 6th Common Programme of the European Commission and amounts to EUR 12.5 million. The project was launched in 2006 and will last until the end of 2008.

COMBATING CORRUPTION

TEO prevents corruption both internally: by familiarizing employees with fair business principles and ethical standards, and externally: by promoting fair business policy and transparent communication with state institutions and by supporting organisations that popularise socially responsible attitude towards business in Lithuania.

By joining the United Nations Global Compact in 2005, TEO on its own initiative committed to comply with the ten principles in the areas of human rights, labour, the environment and anti-corruption.

The 10th principle provides for the fight against corruption: "Businesses should work against corruption in all its forms, including extortion and bribery".

In 2007, no charges were made to the Company for corruptive activities.

The principles of the fight against corruption that are relevant to TEO employees are set forth in the Company's Code of Ethics: TEO employees are prohibited from participating in illegal and dishonourable activities, accepting gifts, money or gratuitous services. The Company also undertakes not to provide gifts or services if this might affect the benefit of another party.

TEO employees are introduced to ethical standards on the Company's intranet TEO Lyga (TEO League), the internal publication. New employees of the Company are familiarised with the Ethical Standards of the Company in the "Newcomer's Guide" and during introductory training. The Ethics Committee has been set up in the Company to

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investigate possible cases of corruptive acts related to the activities of TEO.

Every employee has the possibility to inform the Committee about violations of ethical standards by sending e-mail messages to a special e-mail address.

Business with a mark of transparency

TEO was among the first Lithuanian companies and public organisations to receive transparent business certificates entitling to use the Clear Wave mark.

The main aim of the Clear Wave project is to promote transparent business practice in the country, to fight against odious practice of paying part of the wage to employees in “envelopes”, to draw public attention to progressive and reliable Lithuanian business, which aspire to create suitable working conditions for employees.

TEO joined the campaign willing to contribute to business culture creation in Lithuania. At present, the Clear Wave project unites companies concerned not only about their profit increase but also welfare of the employees.

The Clear Wave project was initiated by the Association Investors' Forum, Civil Society Institute, United Nations Development Programme (UNDP) in Lithuania, “Transparency International” Lithuanian Chapter, Civic Movement “Dalių sąjauka”, Lithuania Business Support Agency (Group of Initiative).

Co-operation with copyright protection institutions

In order to control illegal and unethical Internet content, TEO cooperates with copyright protection organisations – the Agency of Lithuanian Copyright Protection Association (LATGA-A) and the Association of Film Industry.

TEO grants these organisations access to the servers, where users exchange information and publish their own creative works. The Associations regularly inform about illegal content information that has been put on the file exchange (FTP) servers and register copyright violations, and TEO immediately removes such unethical or illegal Internet content.



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

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