

RESULTS FOR THE 3 MONTHS OF 2014

TEO LT, AB GROUP



Results for 3 months of 2014 / 22-04-2014

MAIN EVENTS AND FIGURES

Highlights of Q1 2014
Structure of TEO Group
Operating figures
Employees



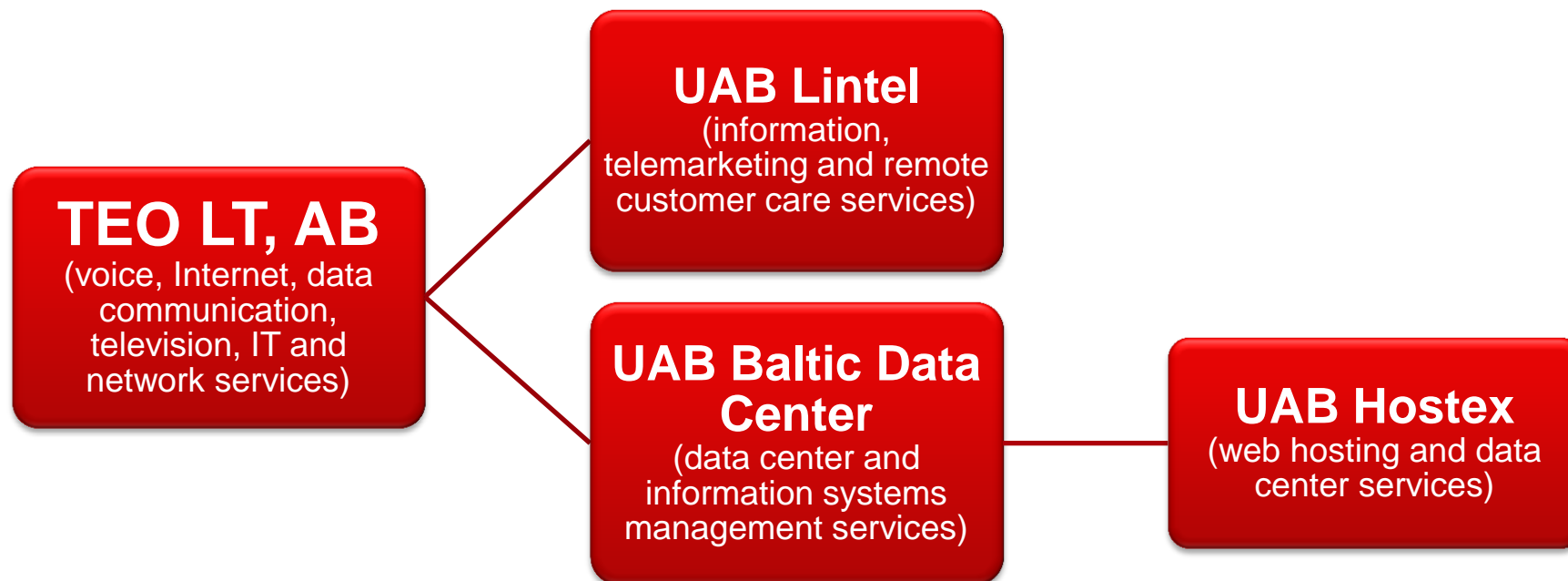
HIGHLIGHTS OF Q1 2014

- All services of the Company now are provided under single TEO brand name: GALA TV became **TEO TV** and ZEBRA Internet – **TEO Internet**
- TEO upgraded **interface of IPTV service**
- BDC signed a new **3 years contract** with DNB bank
- TEO opened an **online-shop** of electronic equipment
- The Board approved **new governance structure** of TEO and appointed manager of main units
- The Board proposed to pay **LTL 0.19 dividend for the year 2013** and **reduce authorized capital** by 25% by cancelling shares and paying out cash
- Malin Frenning, Jens Löow and Mats Lillienberg will **resign from the Board** as of 28 April 2014
- TeliaSonera **proposed to elect** Robert Andersson, Stefan Block and Claes Nycander to the Board for the current term of the Board



During NASDAQ OMX Baltic Market Awards 2013 TEO was awarded for the Best Investor Relations in the Baltic countries according to the analysts

TEO GROUP

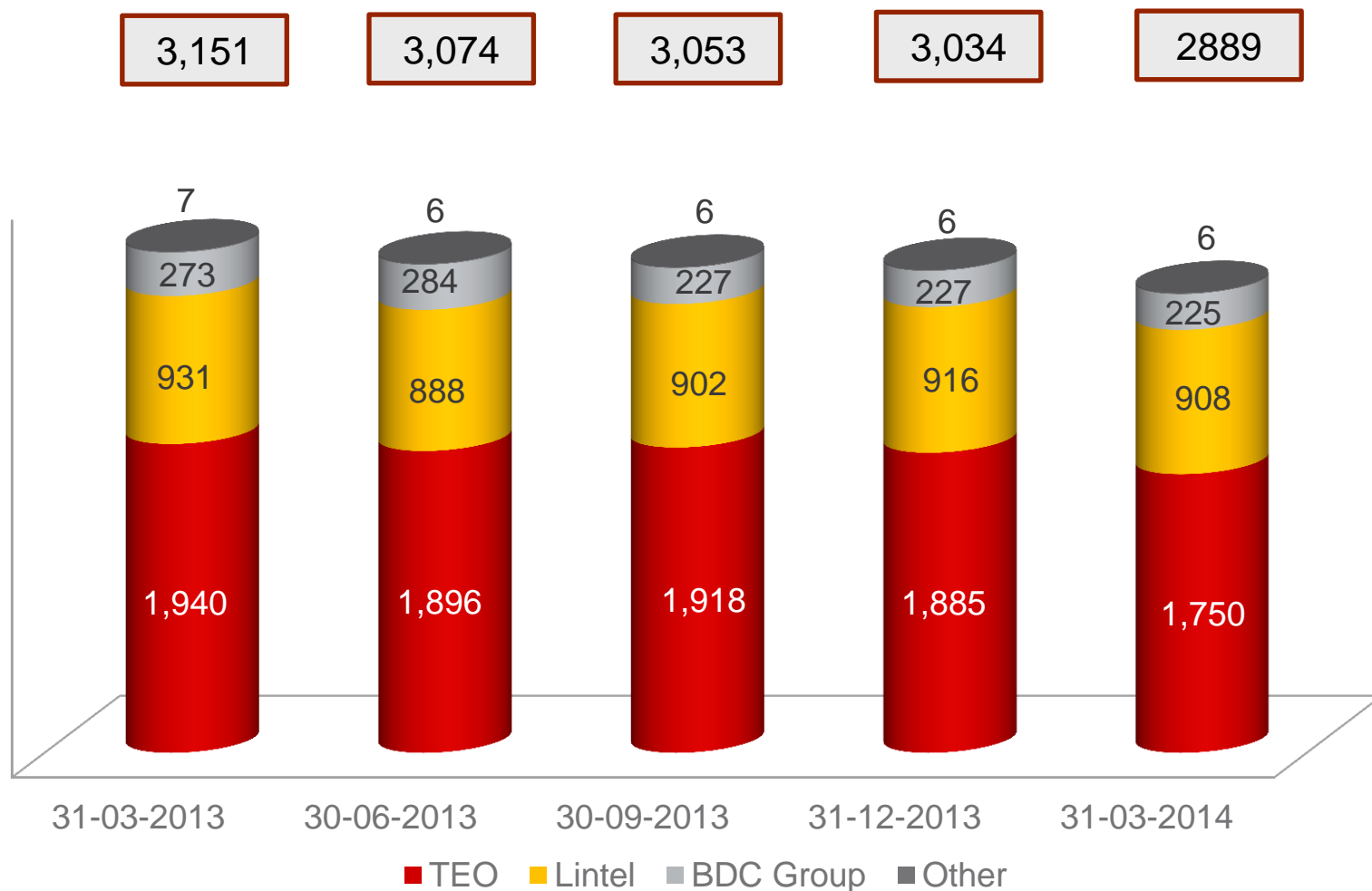


- **TEO LT, AB** also holds 100% stakes in UAB Verslo Investicijos (investment project) and UAB Kompetencijos Ugdymo Centras (dormant subsidiary), and is the sole owner of a not-for-profit organization VšĮ Ryšių Istorijos Muziejus (Communications History Museum)
- **UAB Baltic Data Center** has a dormant subsidiary in Latvia.
- **UAB Hostex** has a dormant subsidiary, UAB Hosting.

MAIN OPERATING FIGURES

	31-03-2014	31-03-2013	Change (%)
Number of telephone lines	552,708	594,437	(7.0)
Number of broadband Internet accesses, in total:	441,743	389,457	13.4
- via fiber-optic lines	183,967	166,032	10.8
- via copper lines	174,502	181,020	(3.6)
- wireless (WiFi) access	83,274	42,405	96.4
Number of TV services users, in total:	173,677	169,410	2.5
- IPTV	110,743	97,185	14.0
- DVB-T	62,934	72,225	(12.9)
Number of employees	2,889	3,151	(8.3)

EMPLOYEES OF TEO GROUP

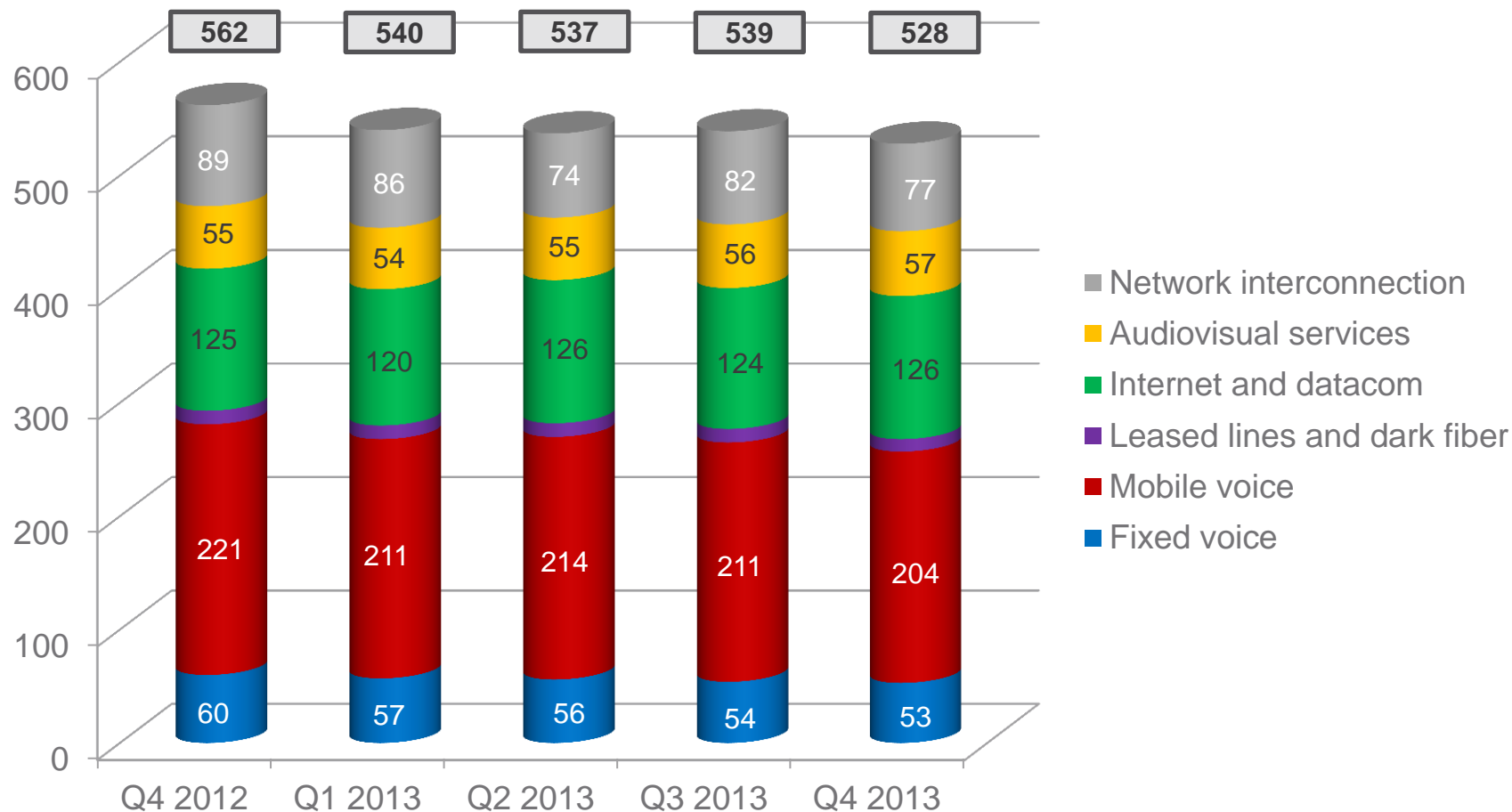


ELECTRONIC COMMUNICATIONS MARKET OF LITHUANIA

Dynamics of the market
Figures of main operators
TEO market shares
Voice telephony market
Internet market
Pay-TV market



TELECOMMUNICATION MARKET IN LITHUANIA (LTL MILLION)



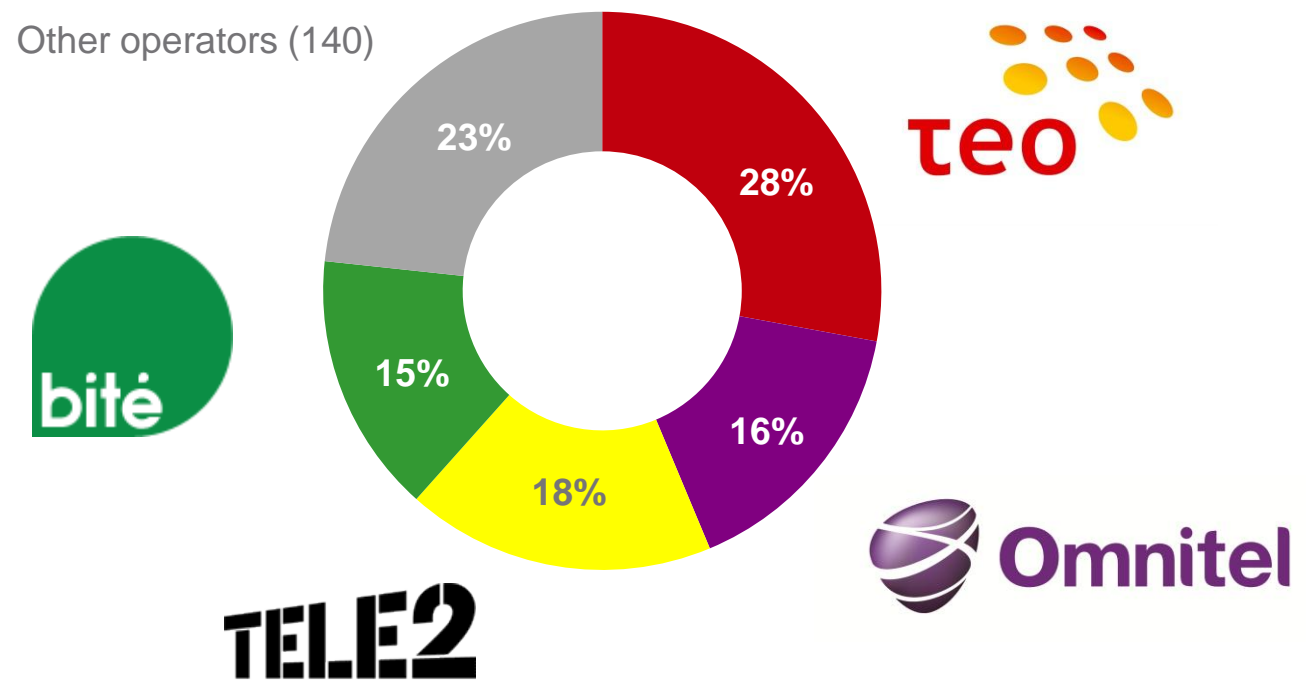
Source: Report of Communications Regulatory Authority

MAIN MARKET FIGURES

	31-12-2013	31-12-2012	Change (%)
Total market revenue (LTL million)	2,144.9	2,272.6	(5.6)
Number of telephone lines per 100 inhabitants	20.9	22.1	(5.6)
Number of mobile voice subscribers per 100 inhabitants	155.1	167.7	(7.5)
Number of Internet access subscribers	1,134,556	1,054,262	7.6
Number of broadband Internet access subscribers per 100 inhabitants	38.5	35.4	8.8
Number of fixed Internet access subscribers per 100 inhabitants	28.5	25.9	10.0
Number of pay-TV subscribers	726,477	723,626	0.4
Number of digital pay-TV subscribers per 100 households	31.7	32.1	(1.2)
Total market investments (LTL million)	308.5	265.8	16.1

Source: Report of the Communications Regulatory Authority

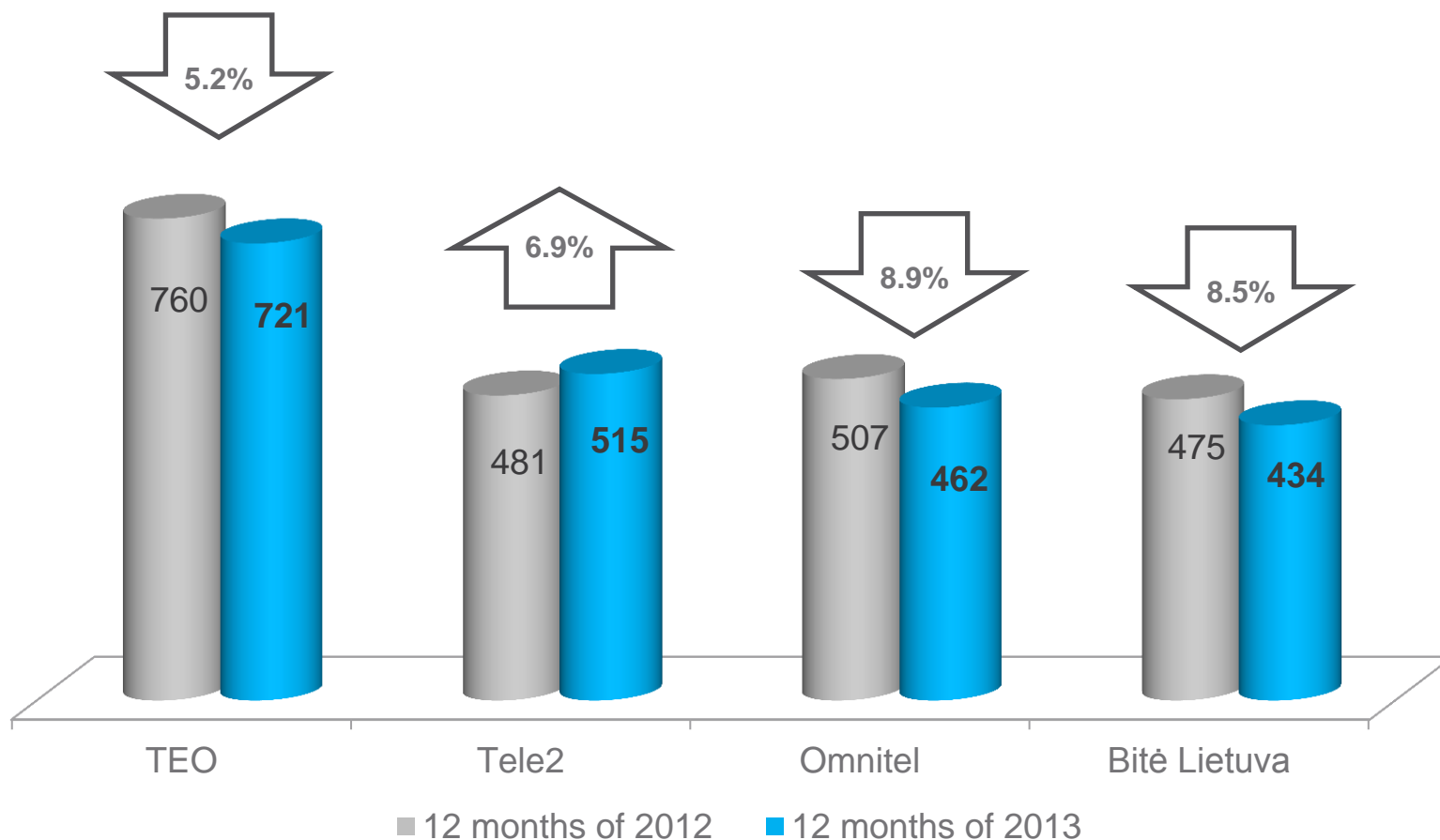
BREAKDOWN OF THE TELECOMMUNICATIONS MARKET REVENUE IN 2013 BY OPERATORS



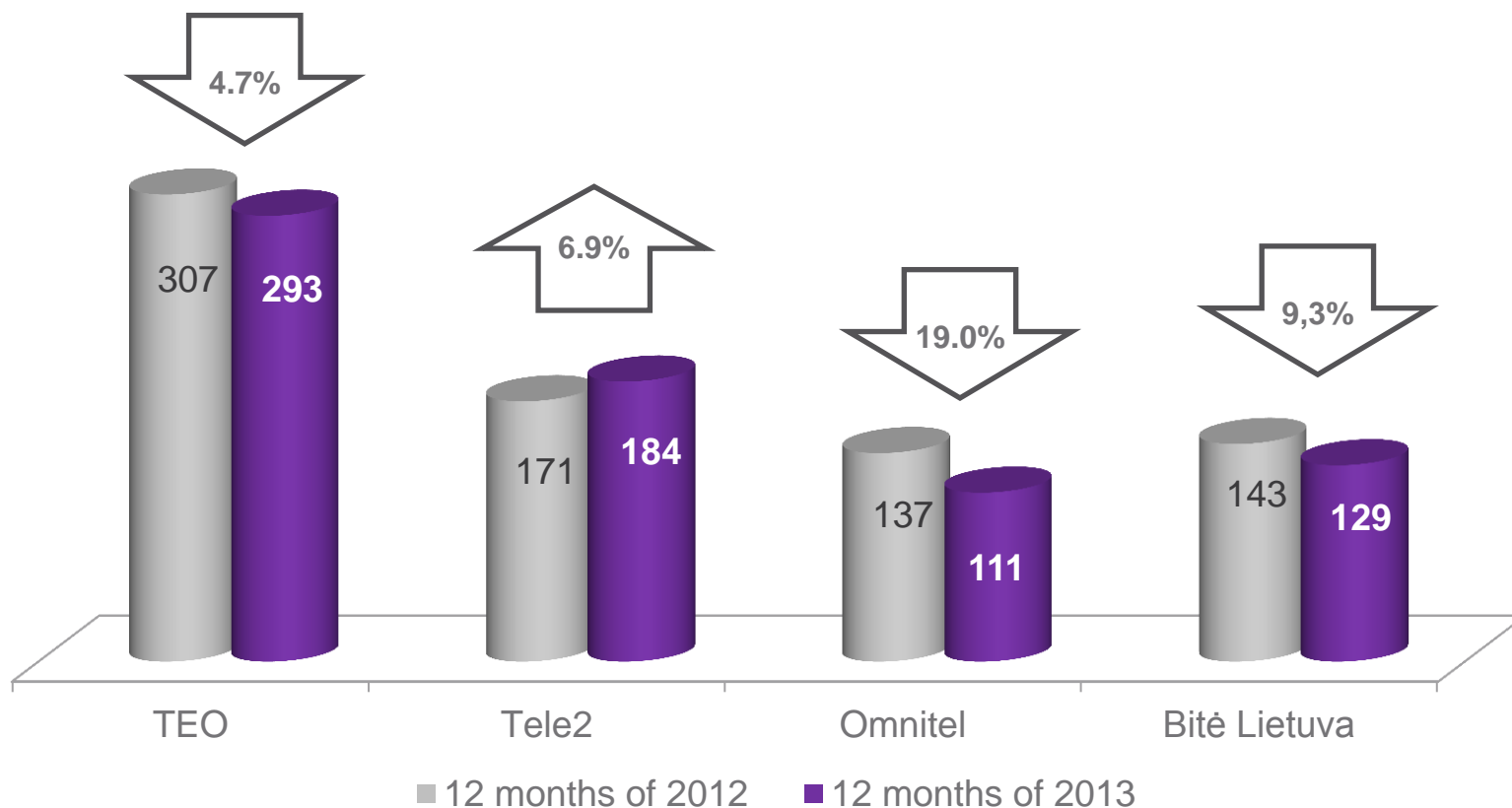
- Omnitel, Tele2 and Bité Lietuva are **mobile operators**
- Omnitel and TEO belong to **TeliaSonera Group**

Source: Report of the Communications Regulatory Authority

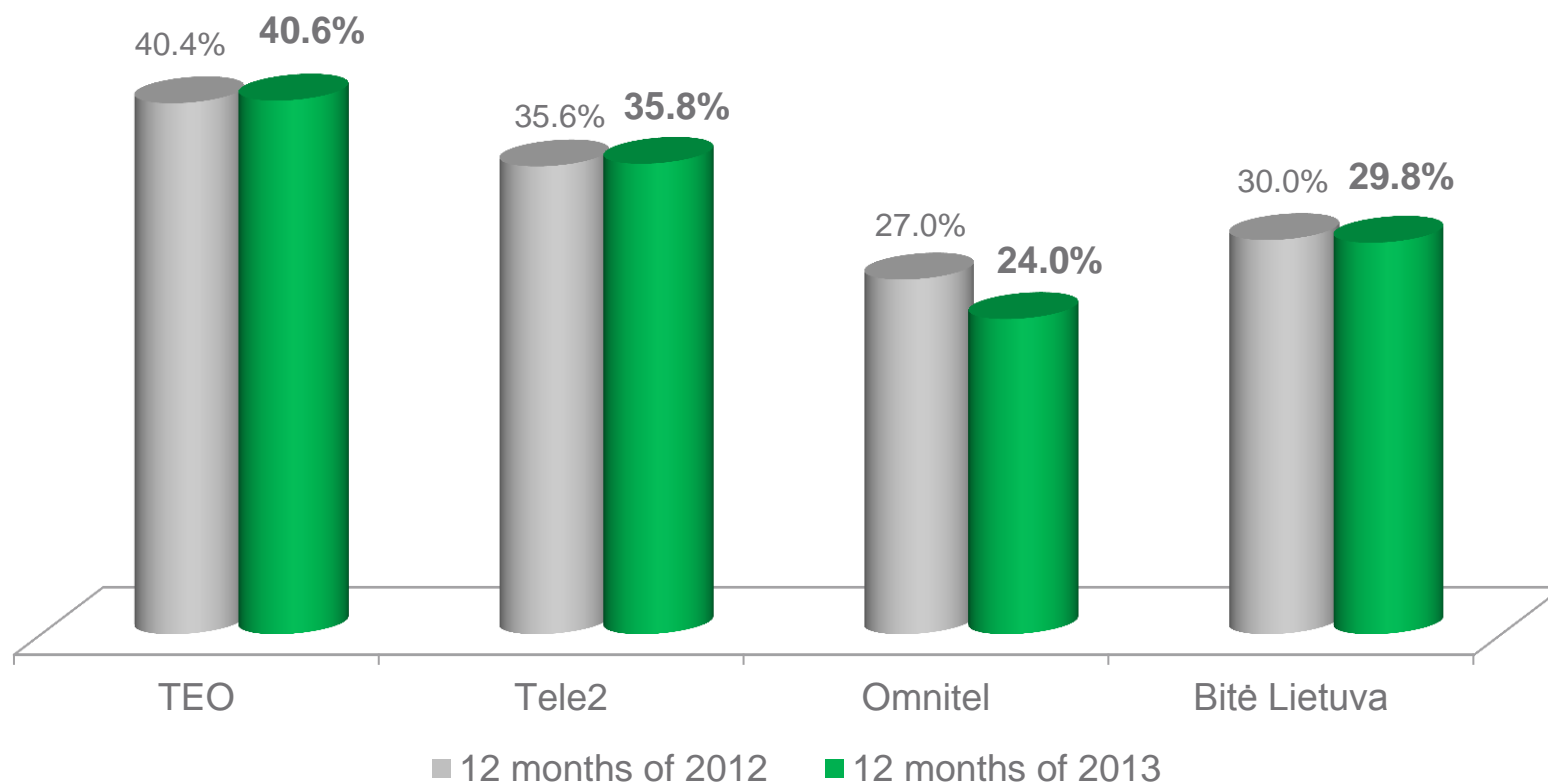
MAIN TELECOMMUNICATIONS MARKET PLAYERS' REVENUE CHANGES (LTL MILLION)



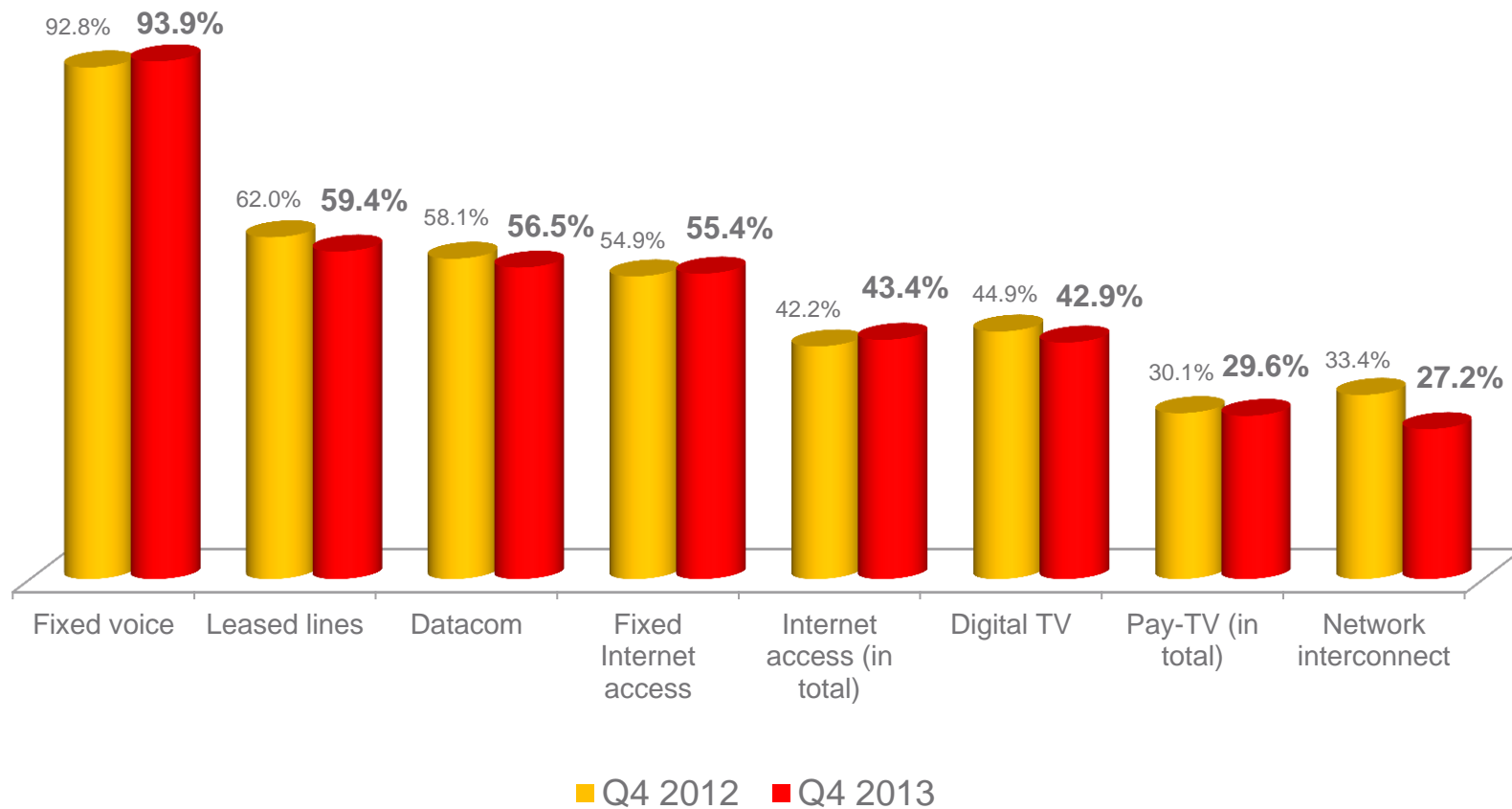
MAIN TELECOMMUNICATIONS MARKET PLAYERS' EBITDA CHANGES (LTL MILLION)



MAIN TELECOMMUNICATIONS MARKET PLAYERS' EBITDA MARGIN CHANGE



TEO MARKET SHARE IN TERMS OF REVENUE



Source: Report of the Communications Regulatory Authority

TEO COMPETES IN ALL AREAS EXCEPT MOBILE VOICE

Market	Market revenue 12 months of 2013 (LTL million)	Change from 12 months of 2012 (%)	Number of market players	TEO share in Q4 2013 (%)
Fixed voice	219.7	(10.5)	45	93.9
Internet access	410.0	0.8	104	43.4
Network interconnection	319.5	(8.6)	>5	27.2
Pay-TV	208.4	9.8	52	29.6
Data communication	85.4	(0.9)	19	56.5
Leased lines	22.4	(17.1)	12	59.4
TV and radio program transmission	15.5	(42.7)	2	n/a
Dark fiber	23.6	(0.2)	17	n/a
Mobile voice	840.1	(8.3)	3+4	-

Source: Report of the Communications Regulatory Authority

FIXED VOICE TELEPHONY MARKET IN LITHUANIA (Q4 2013)

- **45 companies** are providing fixed voice services:
 - 34 provide national and international calls
 - 4 – only international calls
 - 7 – only wholesales (transit) services
- 31 companies are using **IP network**, 16 of them – CATV and data communication networks
- Number of alternative operators' subscribers: **60.7 thousand** or 9.7% of total subscribers' number



TEO market share (Q4 2013) in terms of:	(%)
Total number of customers	90.3
Total traffic	93.2
Revenue from local calls	100.0
Revenue from domestic long distance calls	91.5
Revenue from international calls	76.1

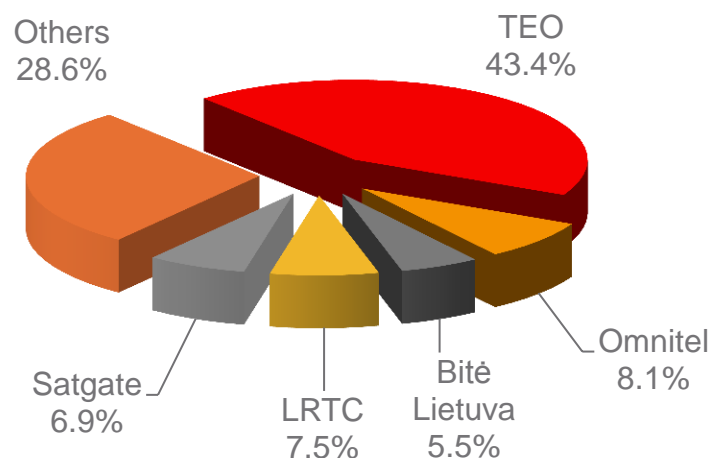


Source: Report of the Communications Regulatory Authority

INTERNET ACCESS MARKET IN LITHUANIA (Q4 2013)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber-optic	438	8.7
Via mobile network	296	5.1
DSL	176	(3.9)
Wireless	172	33.8
Via CATV network	38	(10.8)
Via LAN	14	(6.1)
Total:	1,134	7.6

Q4 2013 revenue by service providers

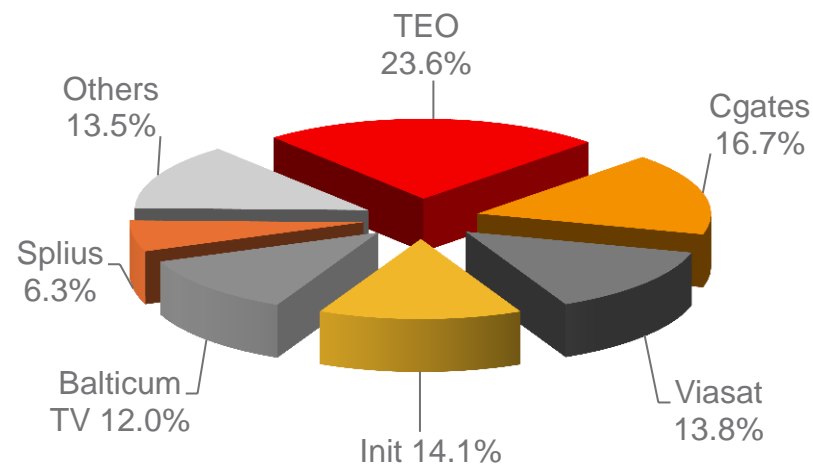


Source: Report of the Communications Regulatory Authority

PAY TV MARKET IN LITHUANIA (Q4 2013)

Access type	Number of users ('000)	Change, y-o-y (%)
Analogue CATV	317	(3.0)
Digital CATV	113	10.7
IPTV	119	16.1
Satellite	100	(0.5)
DVB-T	68	(10.6)
MVDS	15	(15.8)
Total:	729	0.4

Breakdown of users by service providers



Source: Report of the Communications Regulatory Authority

MAIN MARKET FIGURES

	30-09-2013	30-09-2012	Change (%)
Total market revenue (LTL million)	1,616.0	1,077.9	(5.5)
Number of telephone lines per 100 inhabitants	21.2	22.4	(5.4)
Number of mobile voice subscribers per 100 inhabitants	169.0	165.9	1.9
Number of Internet access subscribers	1,125,561	1,033,903	8.9
Number of broadband Internet access subscribers per 100 inhabitants	38.1	34.6	10.3
Number of fixed Internet access subscribers per 100 inhabitants	27.8	25.4	9.4
Number of pay-TV subscribers	728,250	700,191	4.0
Number of digital pay-TV subscribers per 100 households	31.3	27.4	14.2
Total market investments (LTL million)	215.3	227.4	(5.3)

Source: Report of the Communications Regulatory Authority

FINANCIAL RESULTS

Revenue, EBITDA, net profit

Main financial indicators

Dynamics of main indicators

Revenue breakdown

Operating expenses

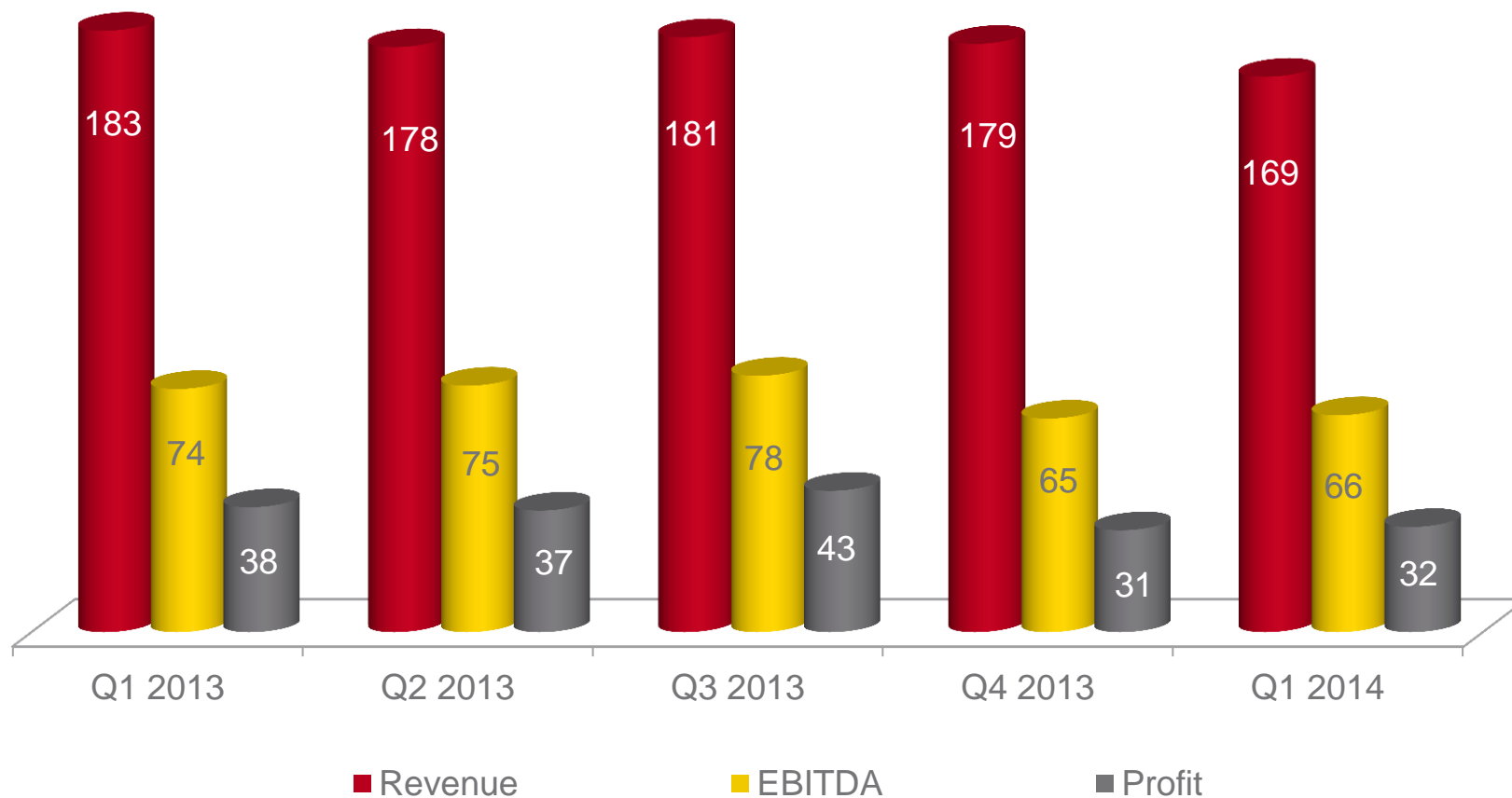
Balance sheet

Cash flow

Investments



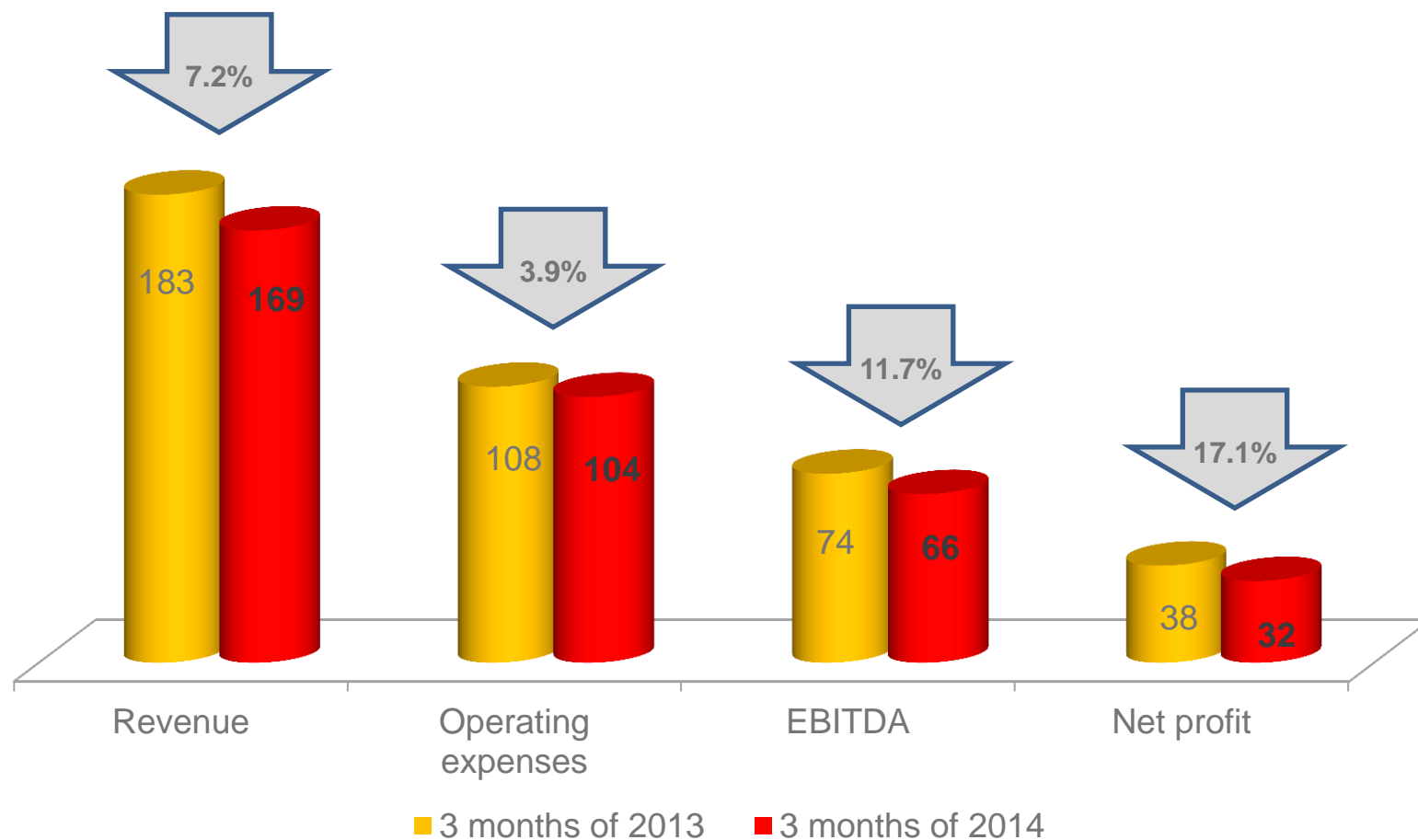
REVENUE, EBITDA & NET PROFIT (LTL MILLION)



MAJOR FINANCIAL INDICATORS

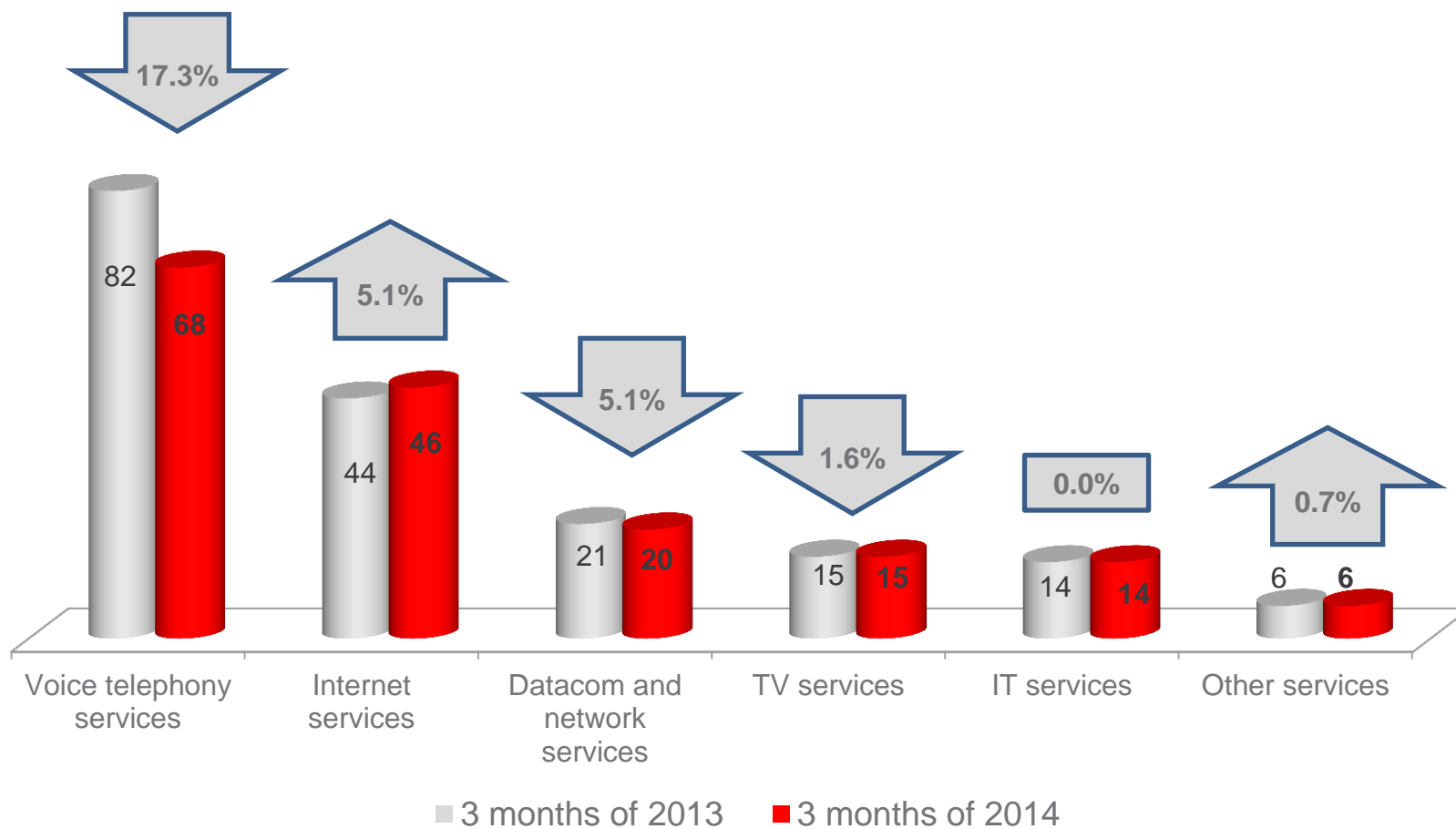
(thousand LTL)	Q1 2014	Q1 2013	Change (%)
Revenue	169,452	182,666	(7.2)
Operating expenses	104,160	108,424	(3.9)
EBITDA	65,716	74,437	(11.7)
<i>EBITDA excl. non-recurring items</i>	73,275	74,437	(1.6)
EBITDA margin	38.8%	40.8%	
<i>EBITDA margin excl. non-recurring items</i>	43.2%	40.8%	
Depreciation and amortization	30,887	32,722	(5.6)
Operating profit	34,829	41,714	(16.5)
Operating profit margin	20.6%	22.8%	
Net profit	31,693	38,252	(17.1)
Profit margin	18.7%	20.9%	
Earnings per share (LTL)	0.041	0.049	

DYNAMICS OF TEO MAIN FINANCIAL INDICATORS (LTL MILLION)

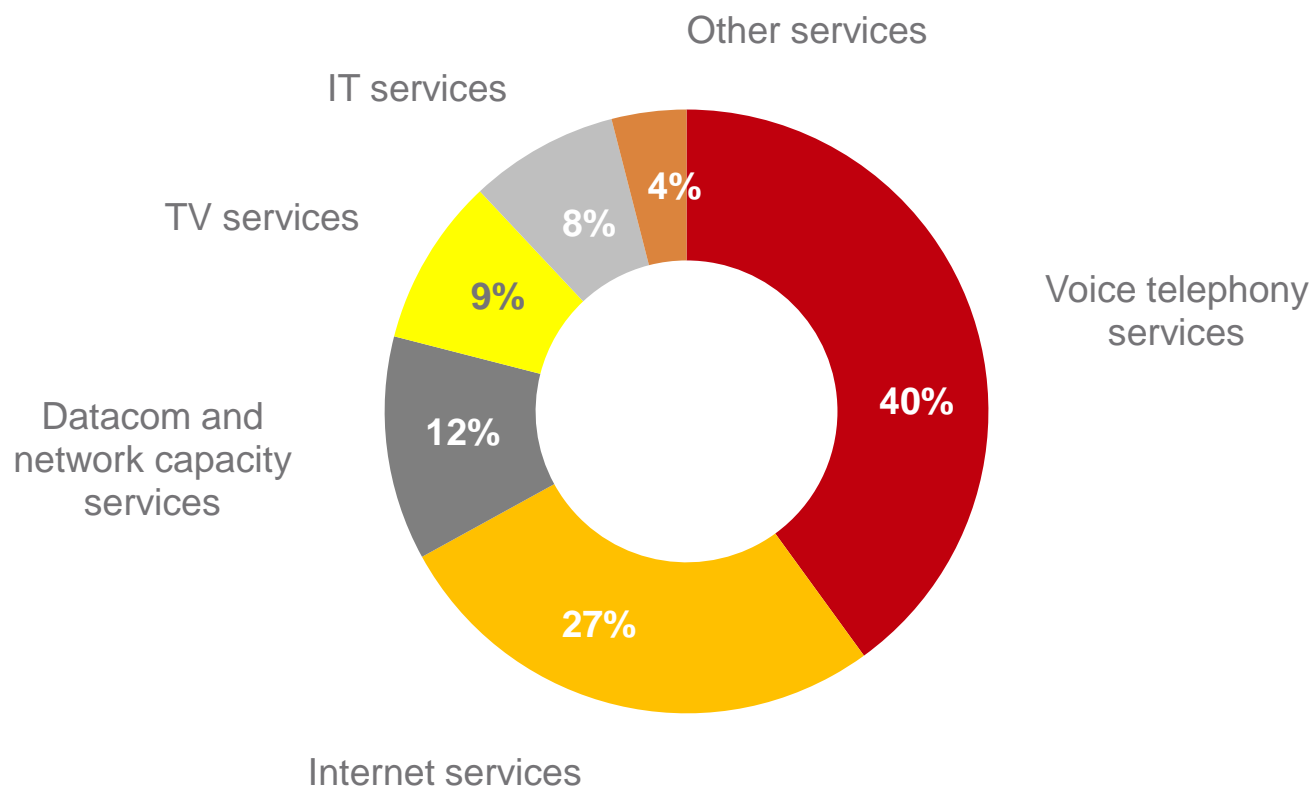


- During Q1 2014 non-recurring redundancy costs amounted to LTL 7.6 million

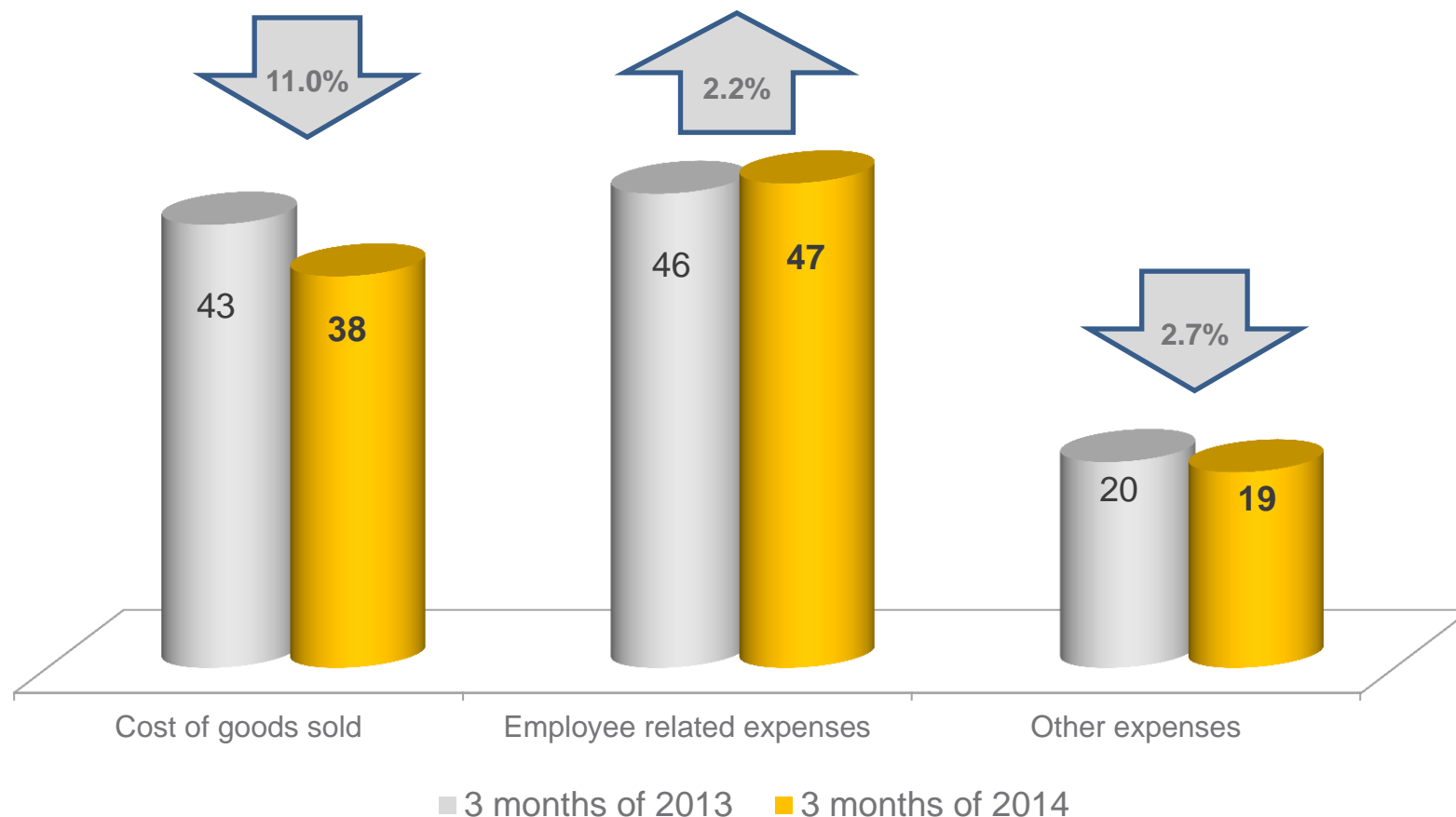
REVENUE (LTL MILLION)



BREAKDOWN OF REVENUE (3 MONTHS OF 2014)

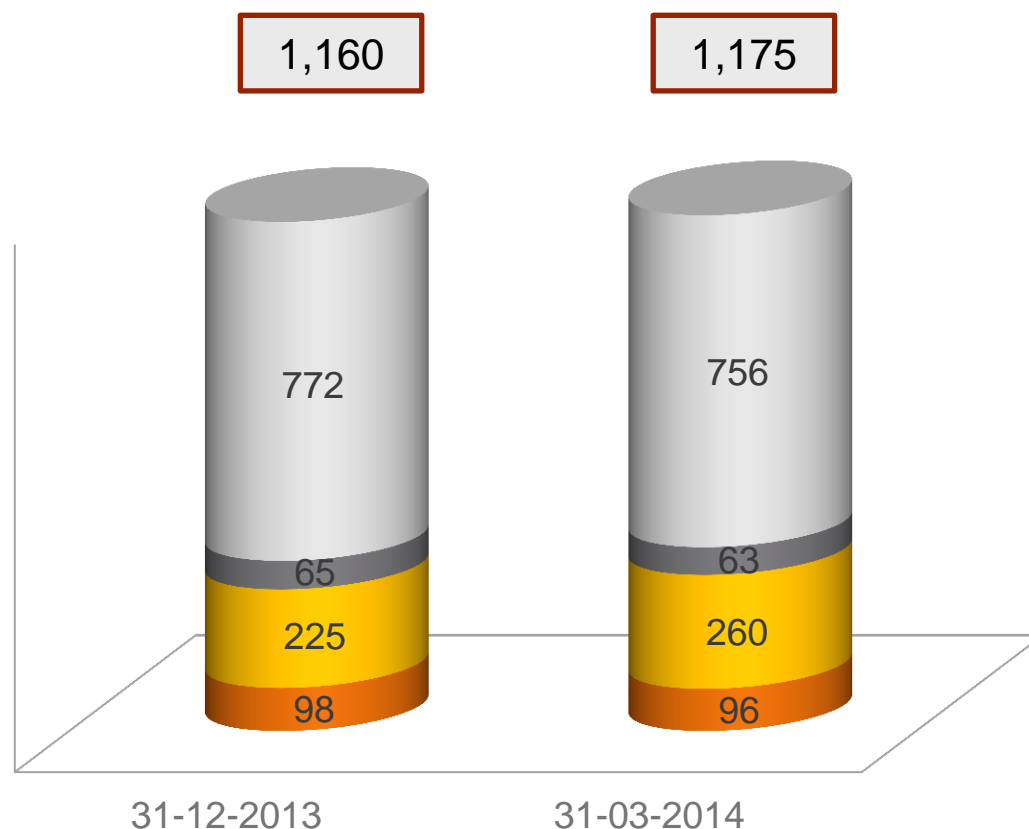


OPERATING EXPENSES (LTL MILLION)



- During Q1 2014 non-recurring redundancy costs amounted to LTL 7.6 million

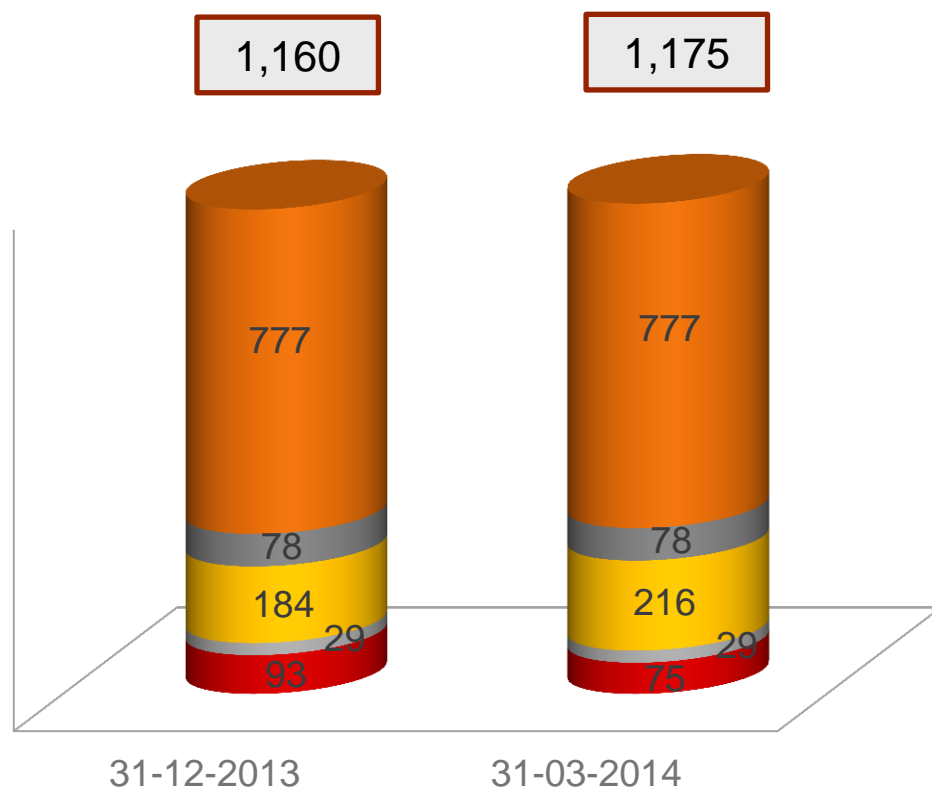
ASSETS (LTL MILLION)



- **Non-current assets** amounted to 69.7% of total assets (31-03-2014)
- **Cash and held-to-maturity investments** alone amounted to 22%
- **Return on capital employed: 15.7%**
- **Return on average assets: 14.1%**

Property, plant and equipment
 Other non-current assets
 Cash and investments
 Other current assets

EQUITY AND LIABILITIES (LTL MILLION)



- **Shareholders' equity** amounted to 91.1% of the total assets (31-03-2014)
- **Borrowings** amounted to LTL 2 million
- **Net debt** was negative and amounted to LTL 258 million
- **Gearing ration:** (24.1)%
- **Debt to equity:** 0.2%
- **Return on equity:** 14.1%

- Current liabilities
- Retained earnings
- Share capital
- Non-current liabilities
- Legal reserve

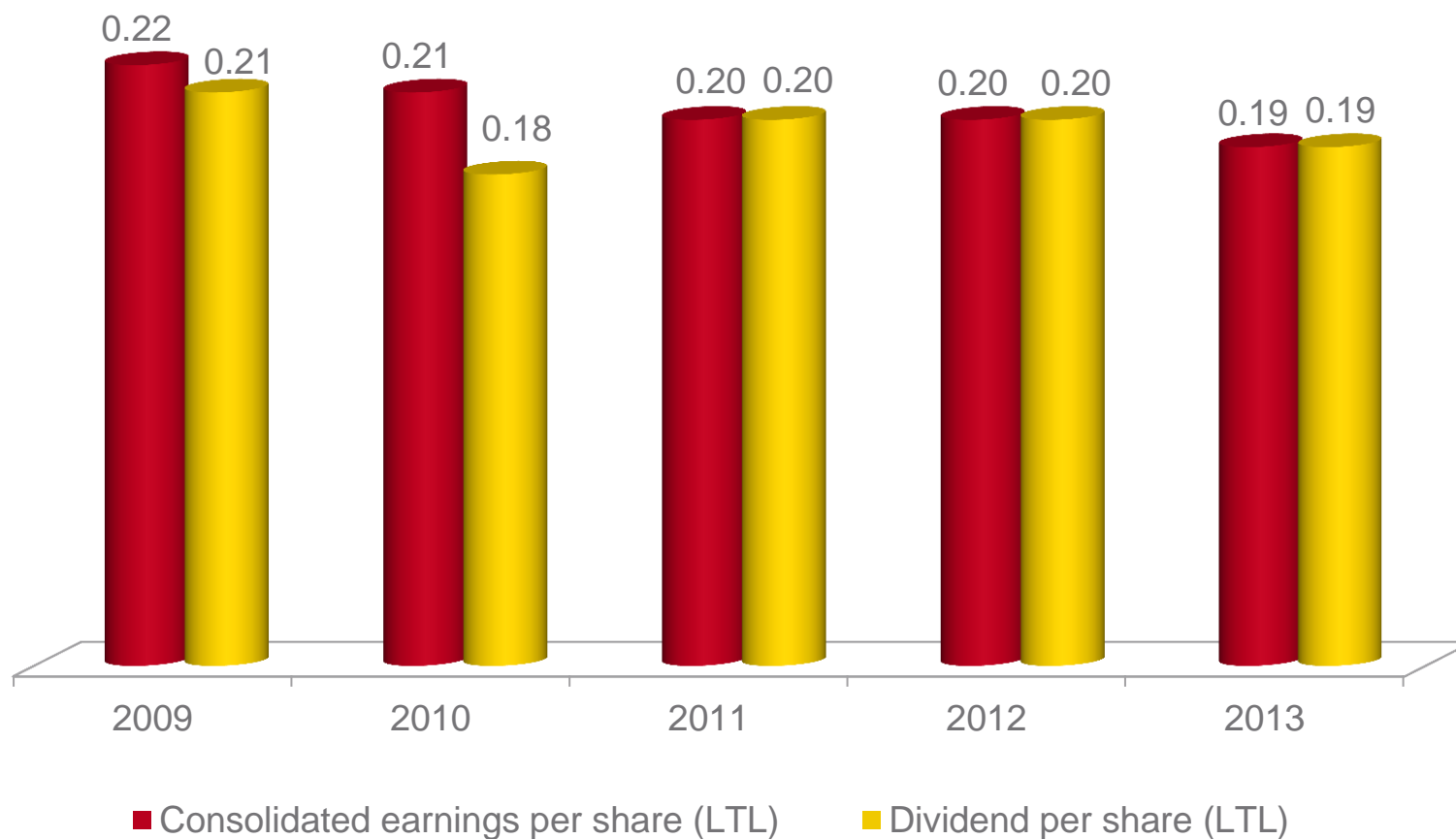
TEO RETAINED EARNINGS VS DIVIDENDS

(LTL MILLION)



- Following the Lithuanian Law on Company dividends shall be paid **from the Parent company's retained earnings**
- The Board proposed to pay LTL 148 million or **LTL 0.19 per share of dividends** for the year 2013 from retained earnings of LTL 150 million

DIVIDEND PAYOUT



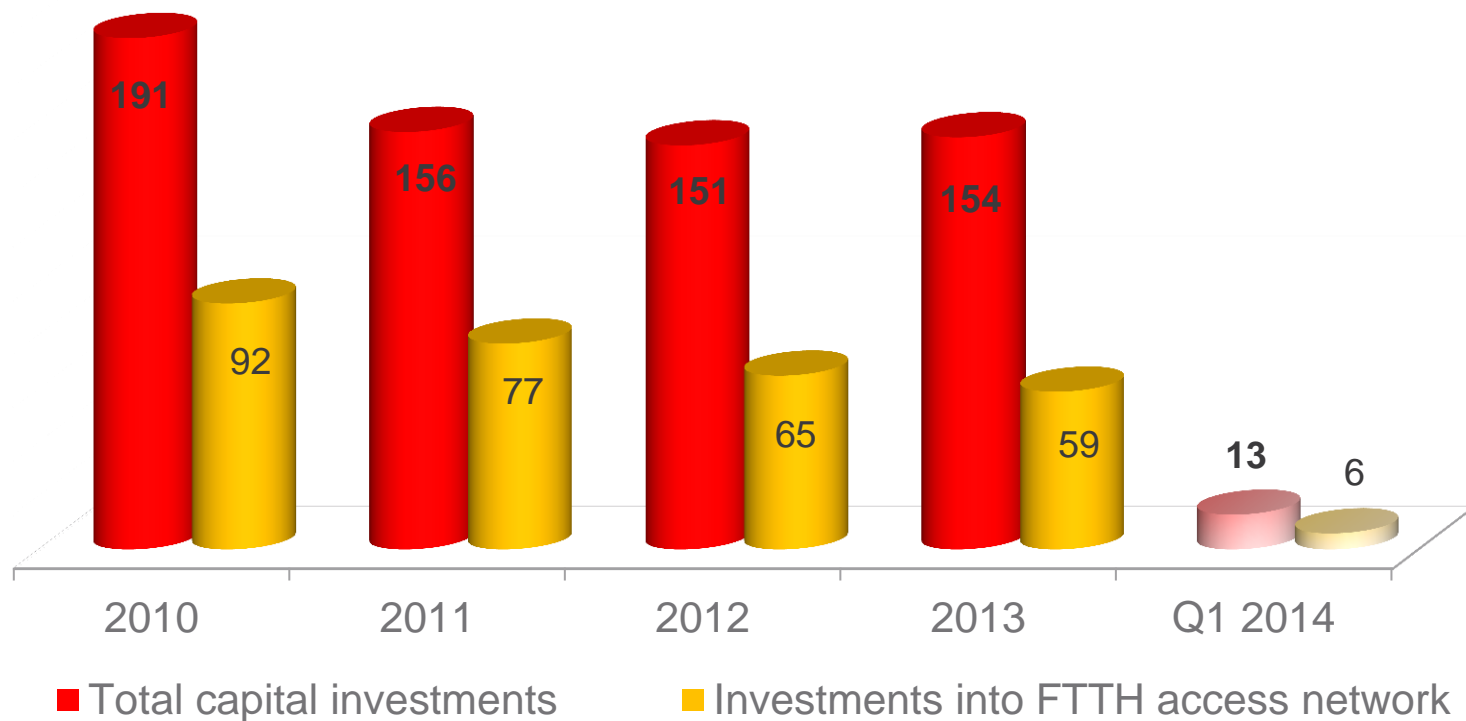
- The **Annual General Meeting** of Shareholders that shall adopt a decision regarding the dividends for the year 2013 will be held **on 29 April 2014**

CASH FLOW

(thousand LTL)	3 months of 2014	3 months of 2013
Net cash from operating activities	67,237	65,526
Net cash used in investing activities	(32,090)	(52,170)
Net cash used in financing activities	(250)	(241)
Increase in cash and cash equivalents	34,897	13,115

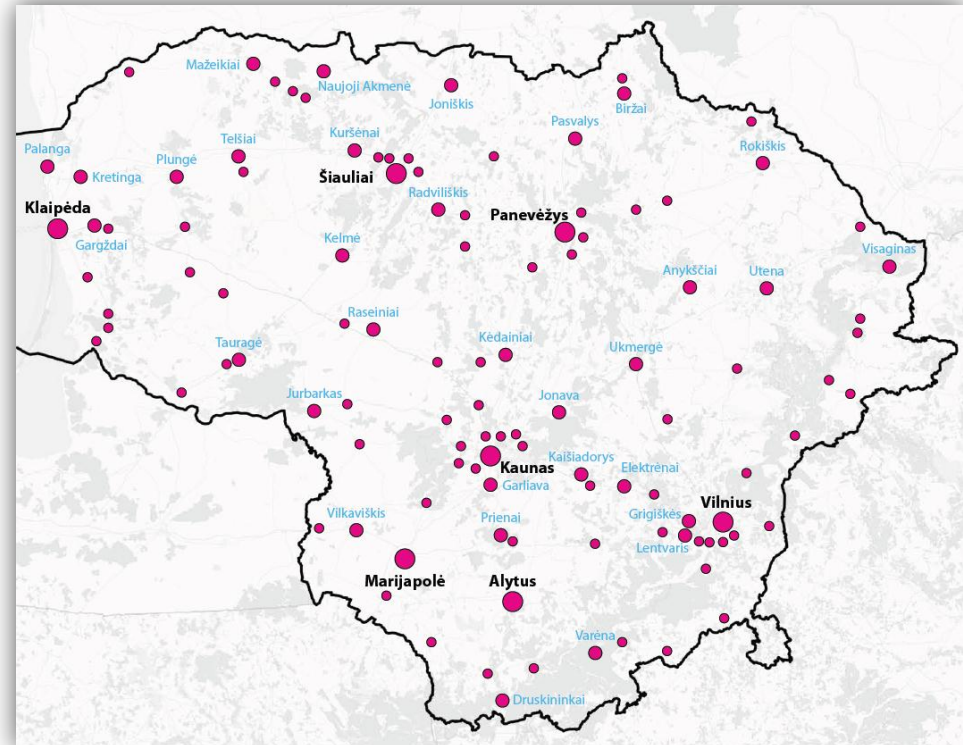
- **Free Cash Flow** in Q1 2014 was by 4.7% higher than a year go.
- Capital **investments** during 3 months of 2014 amounted to LTL 13 million (LTL 17 million in 2013)
- LTL 12 million went to expansion of the **core and fiber-optic access network**
- Almost LTL 1 million was invested into **IT systems**

TEO INVESTMENTS (LTL MILLION)



TEO FIBER OPTIC (FTTH) NETWORK

- **More than LTL 450 million** was invested in the next-generation fiber optic access network (FTTH) of TEO since 2007
- TEO FTTH network operates in more than 100 Lithuanian cities and towns
- **808 thousand** households (764 thousand a year ago), or 67 per cent of the country's households, by the end of March 2014 were passed by TEO FTTH network
- **Lithuania is No. 1** in Europe in terms of FTTH/B penetration (Source: FTTH Council Europe)



SHARES AND SHAREHOLDERS

Shareholders

Listing of shares

Market capitalisation

Trading in shares

Shares and indexes



SHAREHOLDERS OF TEO

- **TeliaSonera AB** (Sweden) is the largest shareholder of TEO LT, AB
- In **1998**, Telia AB and Sonera Oy together acquired 60% of the Company's shares during the privatization
- In **1999**, employees acquired 5% of shares as part of the privatization process
- In **2000**, during the IPO 25% of shares were sold to private and institutional investors
- During **2003-2011**, the State of Lithuania distributed 10% of the Company's shares as compensation to citizens of Lithuania
- In **2009**, TeliaSonera during the tender offer increased its holding by 5%
- In **2012**, TeliaSonera increased its holding up to 88% through direct deals, on an open market and by launching a takeover bid

Shareholders as of 31 March 2014

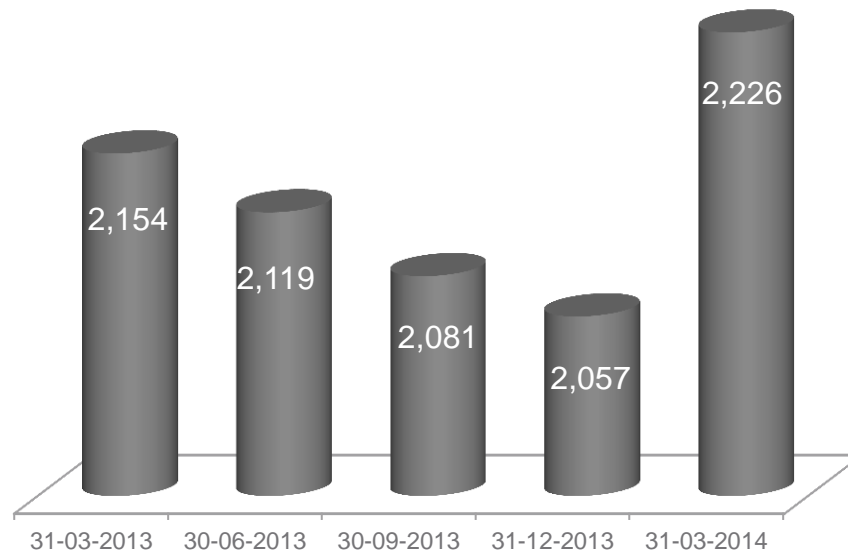
	Part of shares and votes
TeliaSonera AB	88.15%
Others	11.85%

TEO SHARES

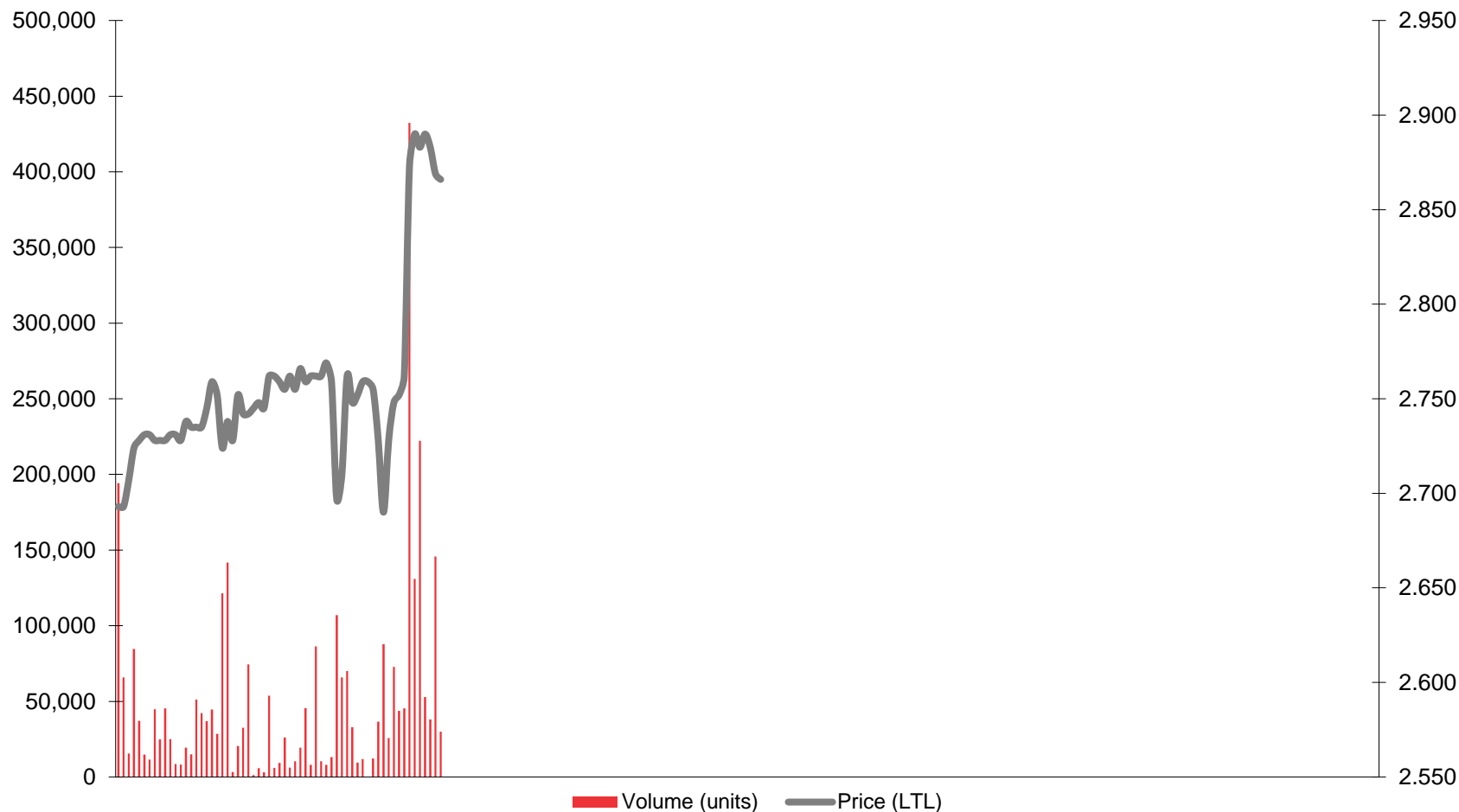
- Since June 2000 TEO shares are listed on **NASDAQ OMX Vilnius** stock exchange (ticker: TEO1L)
- Since January 2011, TEO shares were included into the trading lists of a few **German stock exchanges** (ticker: ZWS)
- **Turnover** on Vilnius stock exchange during January-March 2014: 3.2 million shares or LTL 8.9 million
- Share **price** on NASDAQ OMX Vilnius:

	LTL	EUR
01-01-2014	2.666	0.772
High	2.900	0.840
Low	2.666	0.772
31-03-2014	2.866	0.830

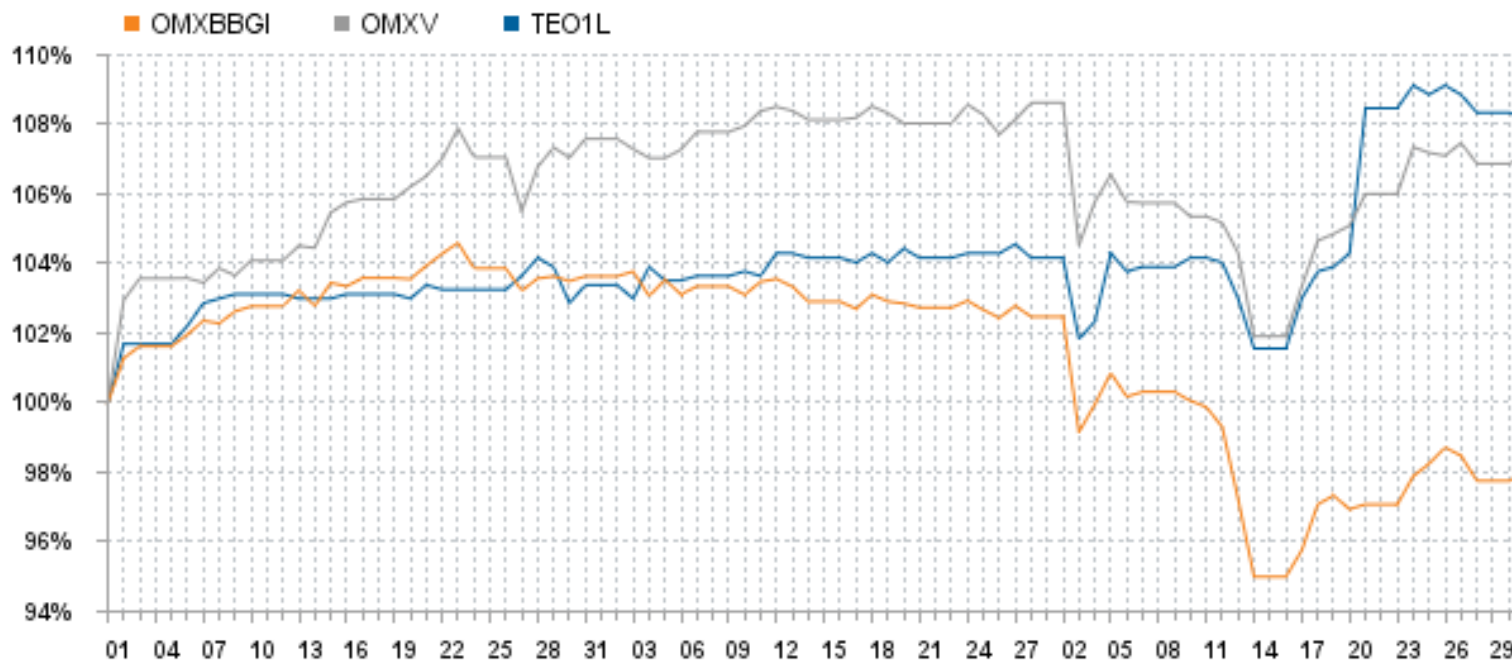
Market Capitalisation (LTL million)



TRADING IN TEO SHARES ON NASDAQ OMX VILNIUS STOCK EXCHANGE IN 2014



TEO SHARE PRICE AND NASDAQ OMX VILNIUS INDEXES COMPARISON



Source: NASDAQ OMX Vilnius

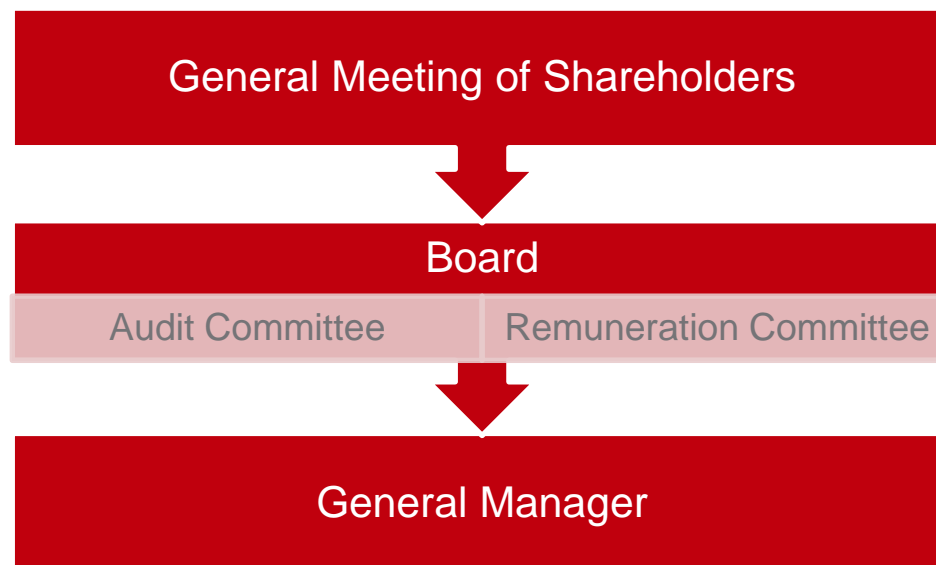
CORPORATE GOVERNANCE

Governing bodies
New governing structure of TEO
Board
Senior management
Corporate social responsibility



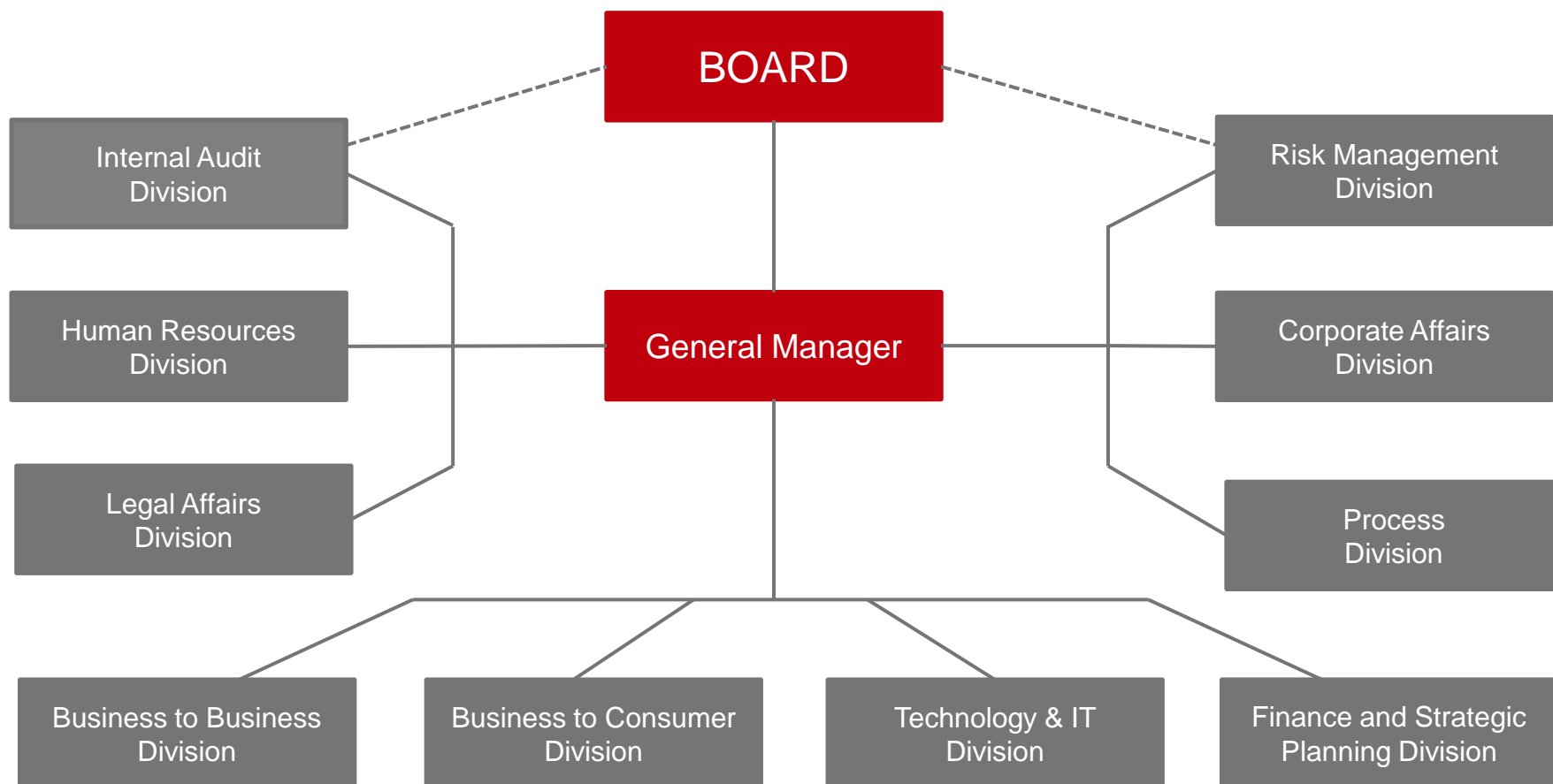
GOVERNING BODIES

- The **Annual General Meeting** of Shareholders will be held on 29 April 2014
- The **Board** consist of 6 members elected for a term of 2 years during the General Meeting of Shareholders
- 3 members of the Board comprise **Audit and Remuneration Committees**
- The Board elects and recalls the **General Manager**
- The General Meeting also elects the Company's **independent auditor**
- UAB PricewaterhouseCoopers was the Company's independent auditor for the year 2013



GOVERNING STRUCTURE OF TEO LT, AB

VALID FROM JUNE 2014



TEO BOARD (ELECTED IN 2013)



Malin Frenning,
Chairwoman of the Board,
 represents TeliaSonera AB,
 Chairwoman of the Remuneration
 Committee



Jens Lööw,
Member of the Board,
 represents TeliaSonera AB,
 Chairman of the Audit Committee



Tiia Tuovinen,
Member of the Board,
 represents TeliaSonera AB,
 Member of the Audit Committee



Mats Lillienberg,
Member of the Board,
 represents TeliaSonera AB,
 Member of the Remuneration
 Committee



Inga Skisaker,
Independent member of the Board,
 Member of the Audit Committee



Rolandas Viršilas,
Independent member of the Board,
 Member of the Remuneration
 Committee

- **Malin Frenning, Jens Lööw and Mats Lillienberg** will resign from the Board as of 28 April 2014
- **Rolandas Viršilas** has **100,000 shares of TEO**, other members of the Board have no direct interest in the share capital of TEO

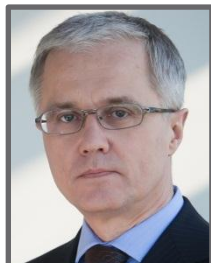
SENIOR MANAGEMENT



Kęstutis Šliužas
(born in 1972)
General Manager



Vytautas Bučinskas
(born in 1974)
Acting Chief Technology Officer



Edis Kasperavičius
(born in 1961)
Acting Chief Sales Officer



Eglutė Bivainienė
(born in 1967)
Chief Operational Officer



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



Antanas Poškas
(born in 1967)
Director of Accounting
Department

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

TEO - SOCIALLY RESPONSIBLE COMPANY

- In 2005, the Company joined the UN **Global Compact**
- Since 2007 TEO annually issues its **Social Corporate Responsibility Reports**
- **TEO acts** in an ethical, fair and transparent manner towards the market, environment protection, society and employees
- In its activities, TEO uses only the **most innovative means and the most modern technological processes** that meet all ecological standards and help reduce the negative impact on the environment
- In 2013, the Company **reduced consumption** of electricity by 2.3% (for administrative purposes – by 11.7%), water – by 11% and office paper usage – by 8.2%



Since 2008 TEO implements internal project „Tausok ir keiskis“ („Save resources and change yourself“), that helped to save LTL 4.5 million by reducing consumption of fuel, electricity, water, office paper and other resources

THANK YOU FOR YOUR ATTENTION

BŪTI SU PASAULIU



For more information about the Company please visit our website www.teo.lt