

RESULTS FOR THE 6 MONTHS OF 2014

TEO LT, AB GROUP



Results for 6 months of 2014 / 16-07-2014

MAIN EVENTS AND FIGURES

Highlights of Q2 2014
Structure of TEO Group
Operating figures
Employees



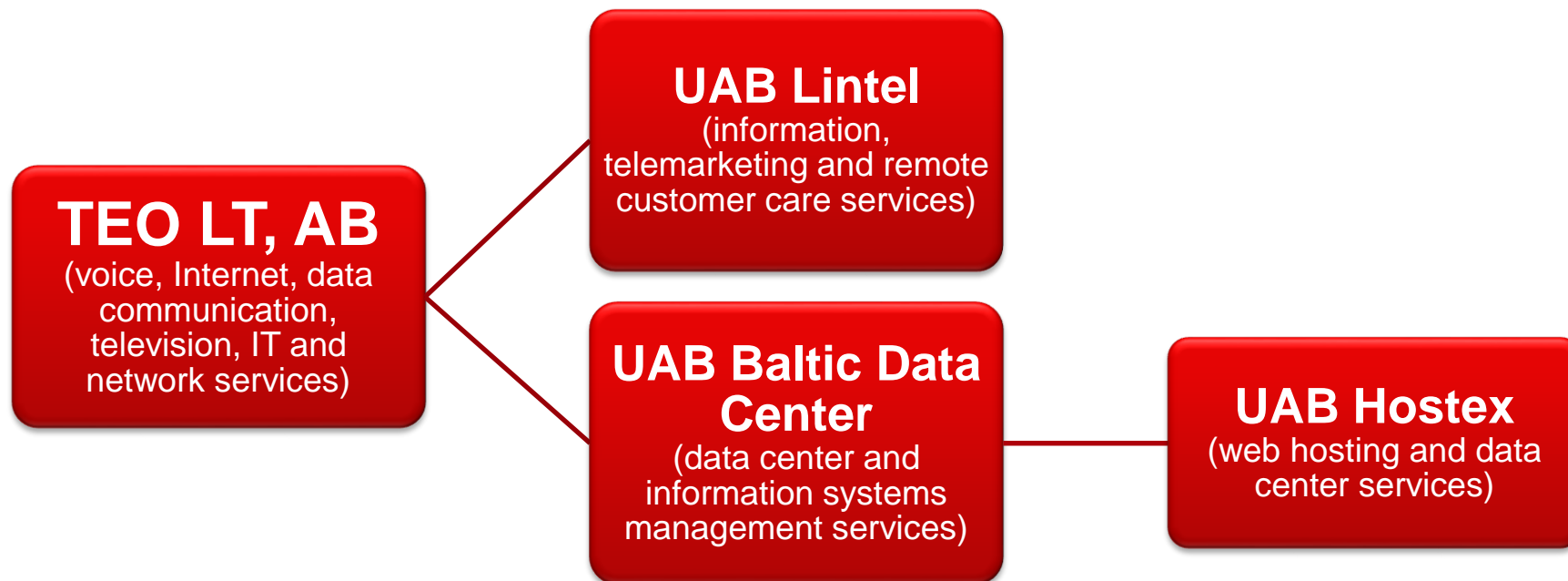
HIGHLIGHTS OF Q2 2014

- **New governance structure** of TEO came into force from 1 June 2014
- Two main units – **B2C** and **B2B** – were formed
- Majority of business and employees of BDC were **transferred to B2B** unit of TEO
- The shareholders **elected** Robert Andersson, Stefan Block and Claes Nycander to the Board of the Company
- Robert Andersson became a **new Chairman of the Board**, and Stefan Block – a **new Chairman of the Audit Committee**
- On 28 May the Company paid LTL 148 million of **dividends for the year 2013**
- The shareholders also decided **to reduce authorized capital by LTL 194 million** by cancelling shares and paying out cash.
As of 30 June 2014 authorized capital was not reduced yet.



From June 2014 TEO multi-screen TV service “Interneto.tv” available to Omnitel mobile customers

TEO GROUP

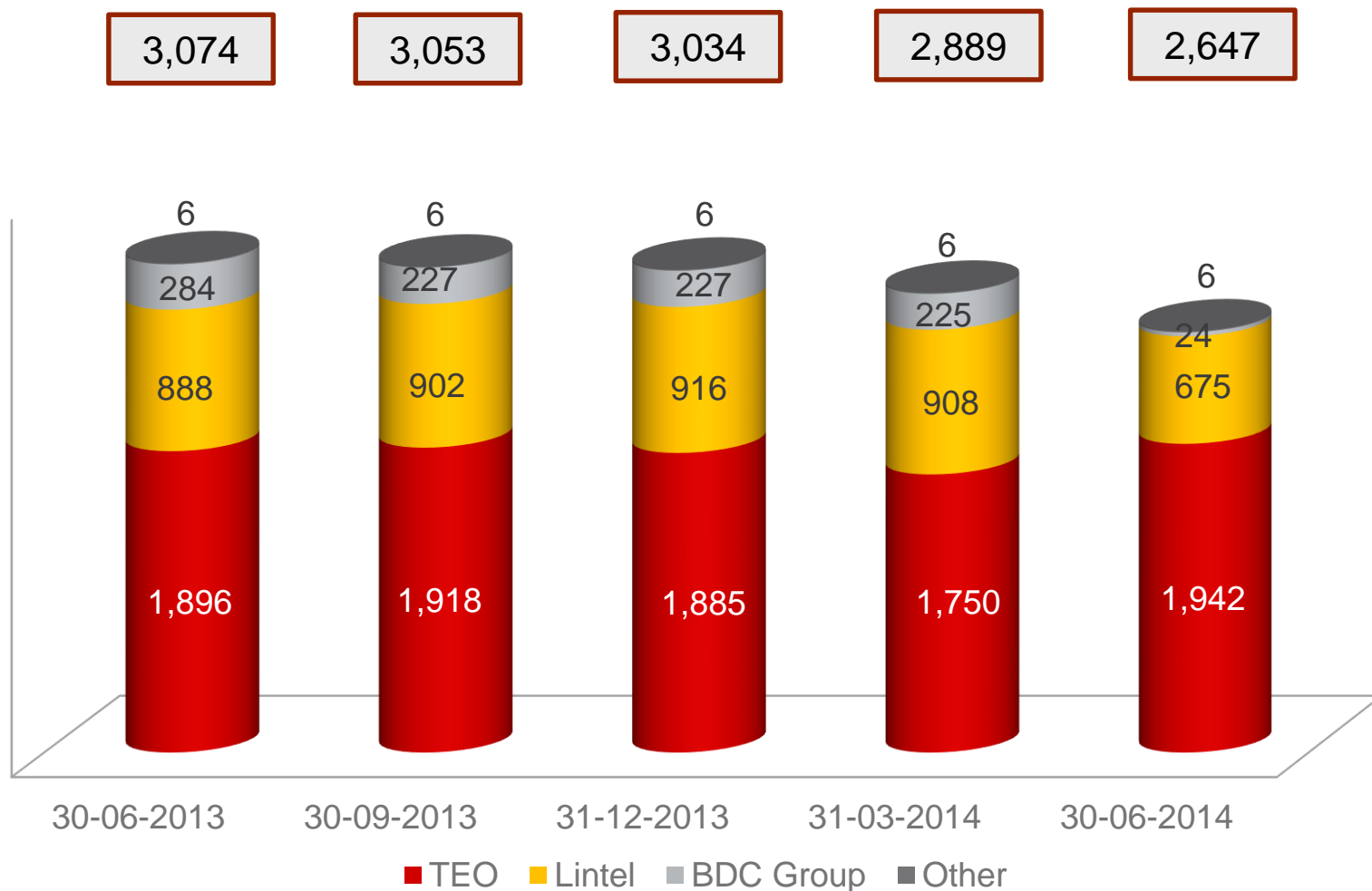


- **TEO LT, AB** also holds 100% stakes in UAB Verslo Investicijos (investment project) and UAB Kompetencijos Ugdymo Centras (dormant subsidiary), and is the sole owner of a not-for-profit organization VšĮ Ryšių Istorijos Muziejus (Communications History Museum)
- **UAB Baltic Data Center** has a dormant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

MAIN OPERATING FIGURES

	30-06-2014	30-06-2013	Change (%)
Number of telephone lines	542,488	584,766	(7.2)
Number of broadband Internet accesses, in total:	463,548	394,123	17.6
- via fiber-optic lines	187,420	168,955	10.9
- via copper lines	172,731	179,955	(4.0)
- wireless (WiFi) access	103,397	45,213	128.7
Number of TV services users, in total:	176,438	170,219	3.7
- IPTV	116,398	99,832	16.6
- DVB-T	60,040	70,387	(14.7)
Number of employees	2,647	3,074	(13.9)

EMPLOYEES OF TEO GROUP

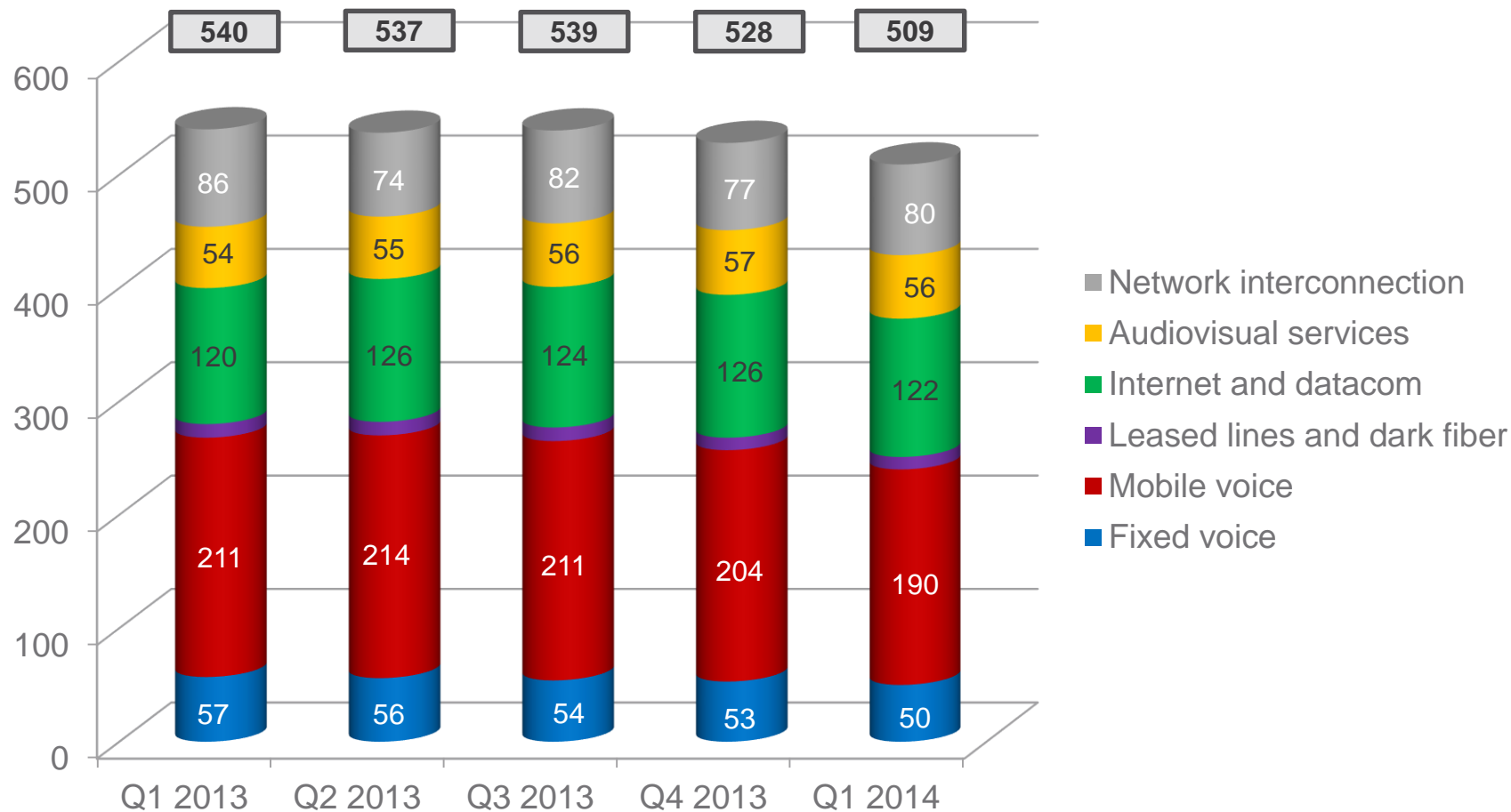


ELECTRONIC COMMUNICATIONS MARKET OF LITHUANIA

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)



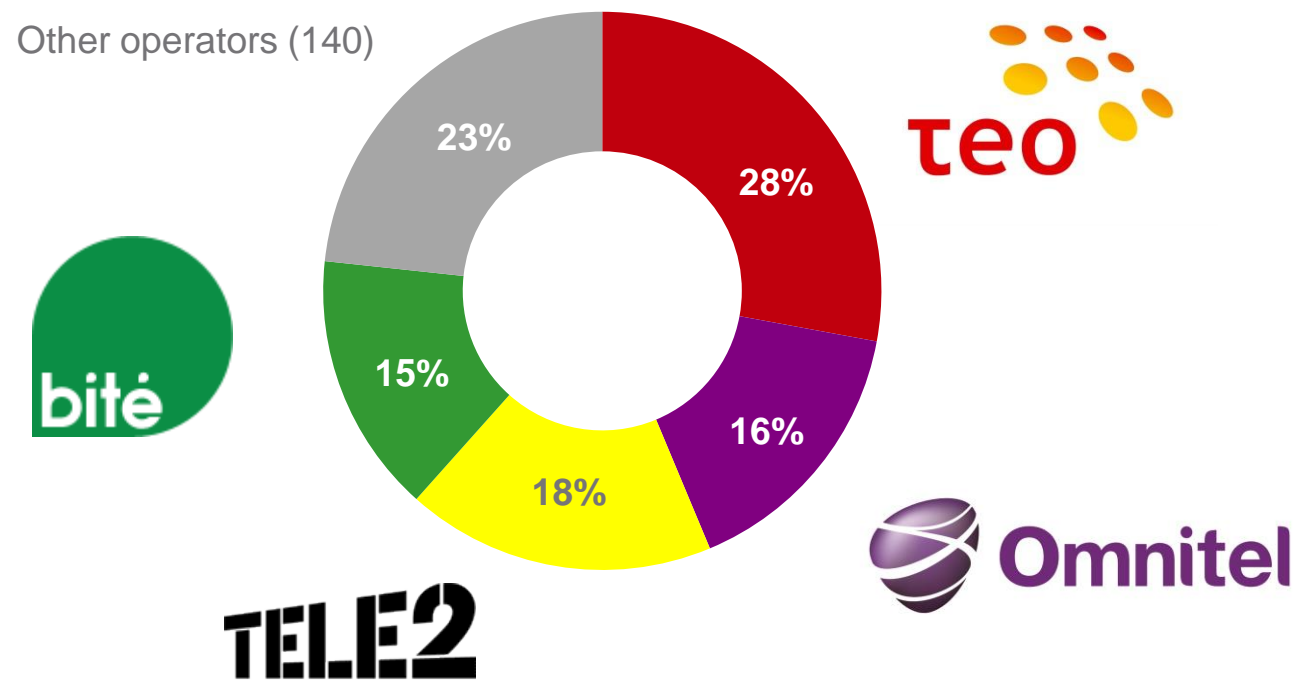
Source: Report of Communications Regulatory Authority

MAIN MARKET FIGURES

	31-03-2014	31-03-2013	Change (%)
Total market revenue (LTL million)	508.5	541.9	(6.2)
Number of telephone lines per 100 inhabitants	20.7	21.8	(5.2)
Number of mobile voice subscribers per 100 inhabitants	154.6	167.2	(7.5)
Number of Internet access subscribers	1,154.9	1,070.2	7.9
Number of broadband Internet access subscribers per 100 inhabitants	39.3	36.0	9.3
Number of fixed Internet access subscribers per 100 inhabitants	29.2	26.3	11.0
Number of pay-TV subscribers	725.9	732.8	(0.9)
Number of digital pay-TV subscribers per 100 households	32.1	32.1	(0.1)
Total market investments (LTL million)	56.3	42.7	31.9

Source: Report of the Communications Regulatory Authority

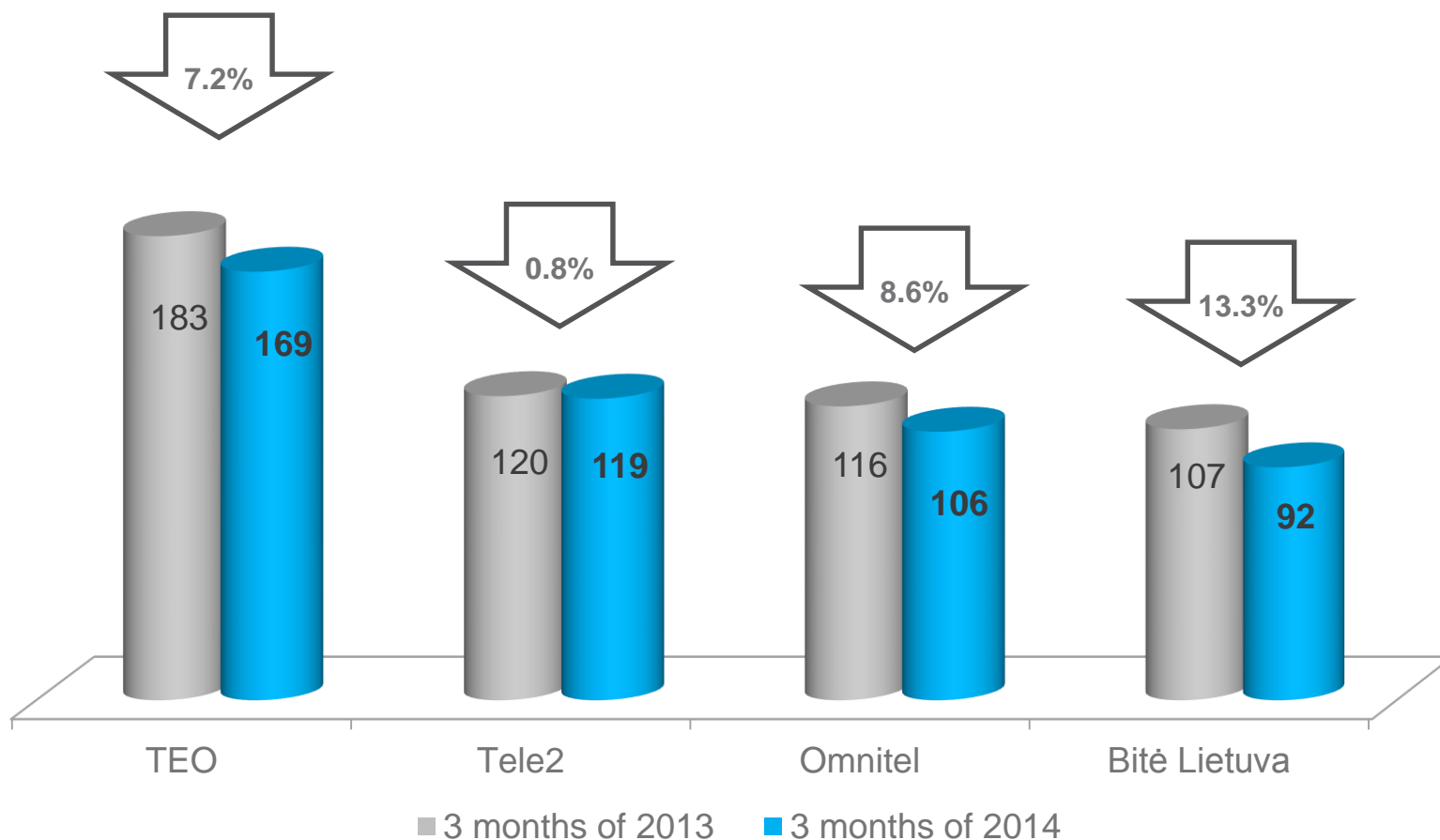
BREAKDOWN OF THE TELECOMMUNICATIONS MARKET REVENUE IN 2013 BY OPERATORS



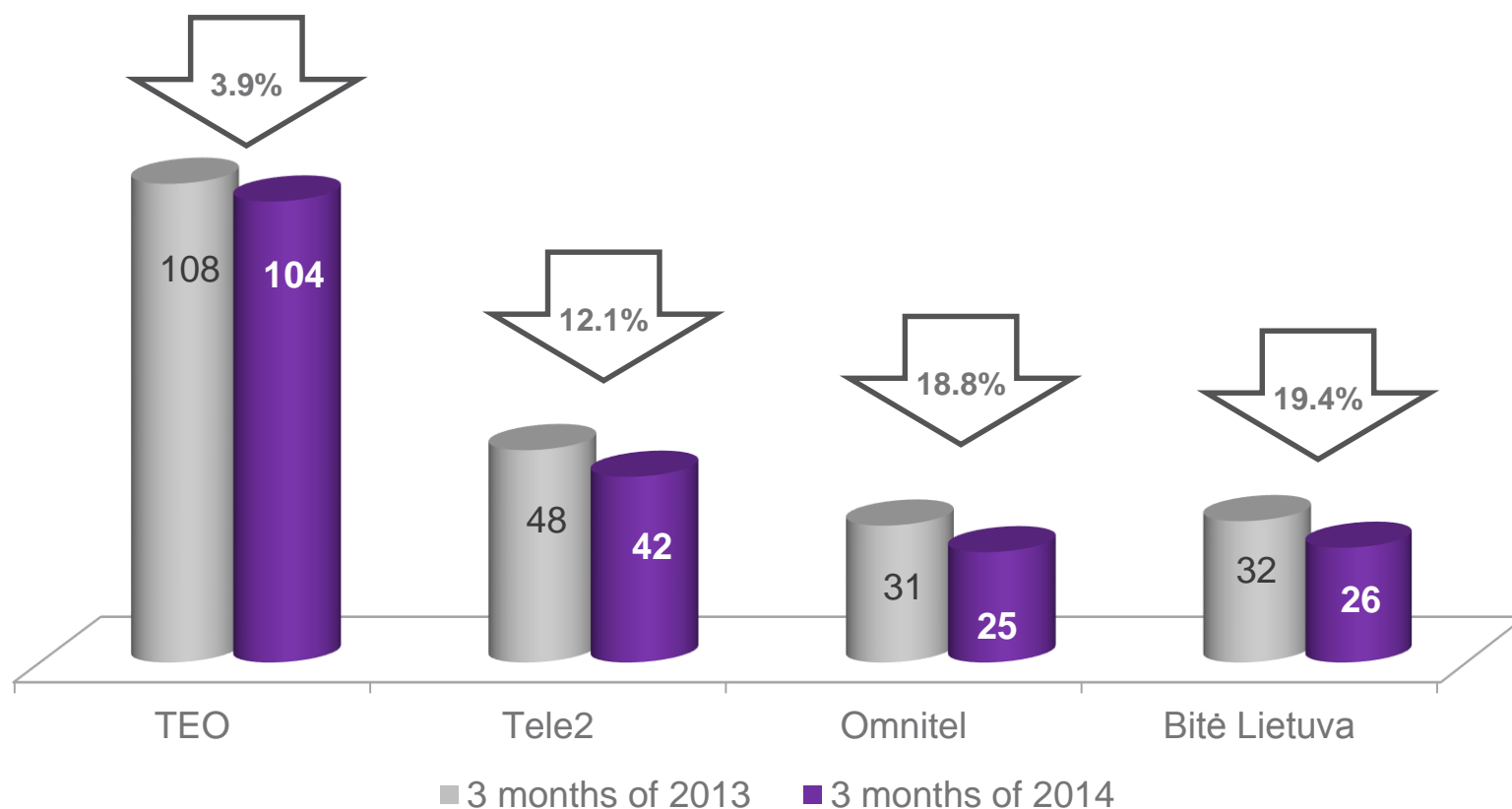
- Omnitel, Tele2 and Bité Lietuva are **mobile operators**
- Omnitel and TEO belong to **TeliaSonera Group**

Source: Report of the Communications Regulatory Authority

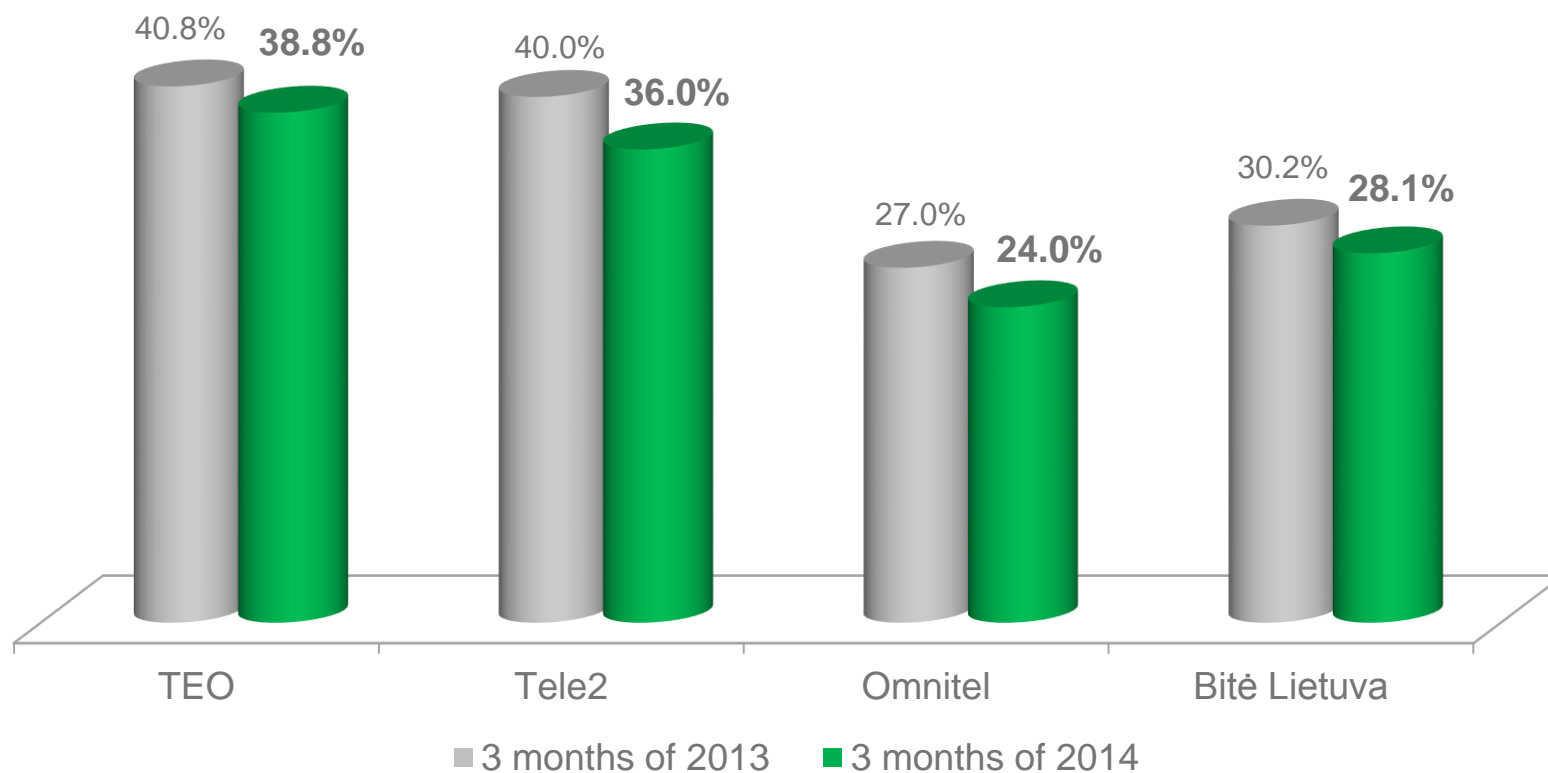
MAIN TELECOMMUNICATIONS MARKET PLAYERS' REVENUE CHANGES (LTL MILLION)



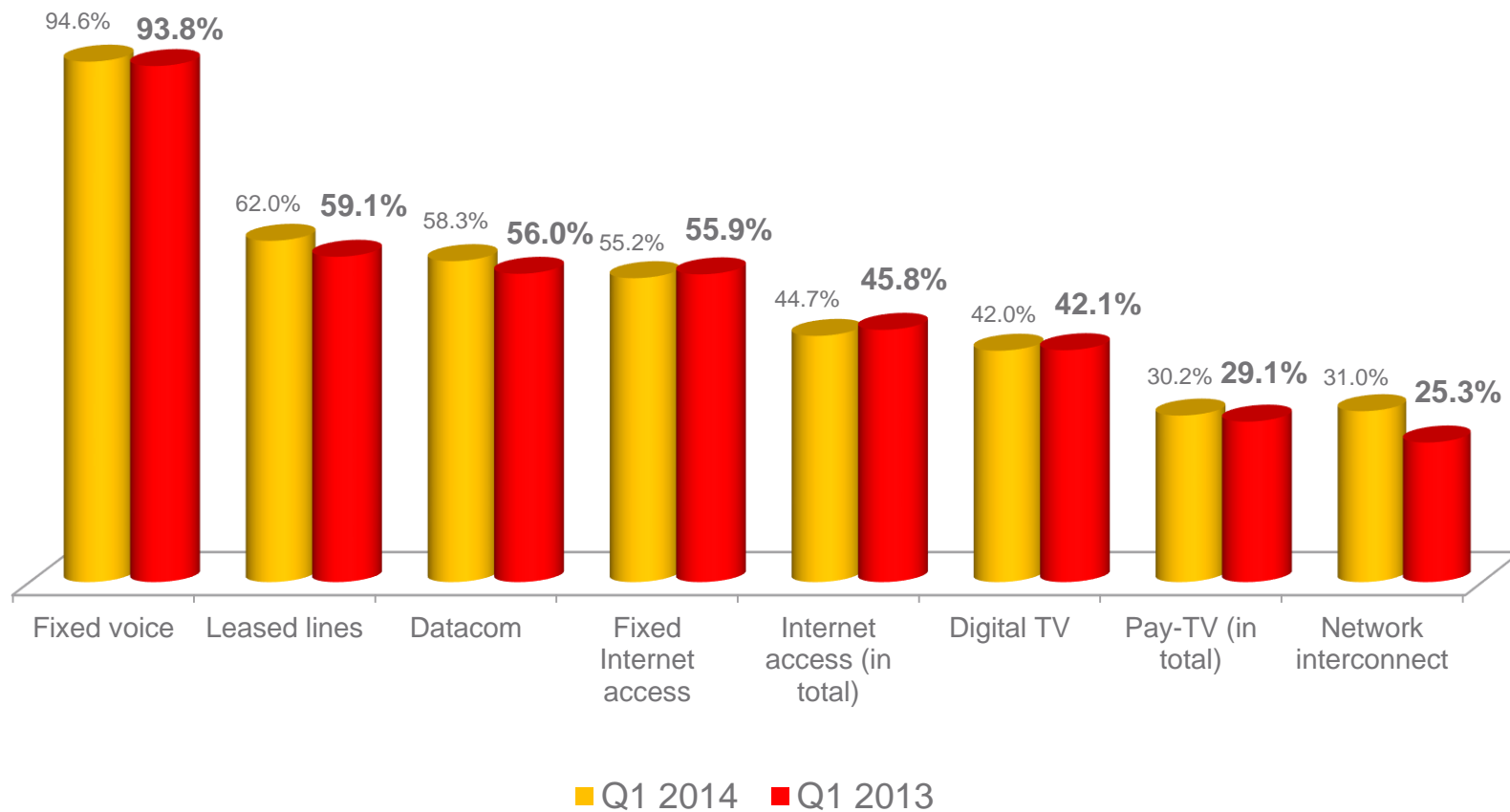
MAIN TELECOMMUNICATIONS MARKET PLAYERS' EBITDA CHANGES (LTL MILLION)



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 Q1 2014 (LTL million)	Change from Q1 2013 (%)	Number of market players	TEO share in Q1 2014 (%)
Fixed voice	49.8	(13.3)	47	93.8
Internet access	101.2	2.6	109	45.8
Network interconnection	80.1	(7.7)	>5	25.3
Pay-TV	52.0	0.7	55	29.1
Data communication	21.1	(0.8)	18	56.0
Leased lines	5.0	(12.4)	9	59.1
TV and radio program transmission	3.8	(2.5)	2	n/a
Dark fiber	5.6	(3.9)	17	n/a
Mobile voice	190.0	(9.9)	3+4	-

Source: Report of the Communications Regulatory Authority

FIXED VOICE TELEPHONY MARKET IN LITHUANIA (Q1 2013)

- **47 companies** are providing fixed voice services:
 - 35 provide national and international calls
 - 5 – only international calls
 - 7 – only wholesales (transit) services
- 33 companies are using **IP network**, 16 of them – CATV and data communication networks
- Number of alternative operators' subscribers: **65.2 thousand** or 10.6% of total subscribers' number



TEO market share (Q1 2014) in terms of:	(%)
Total number of customers	89.4
Total traffic	93.1
Revenue from local calls	100.0
Revenue from domestic long distance calls	90.7
Revenue from international calls	76.4

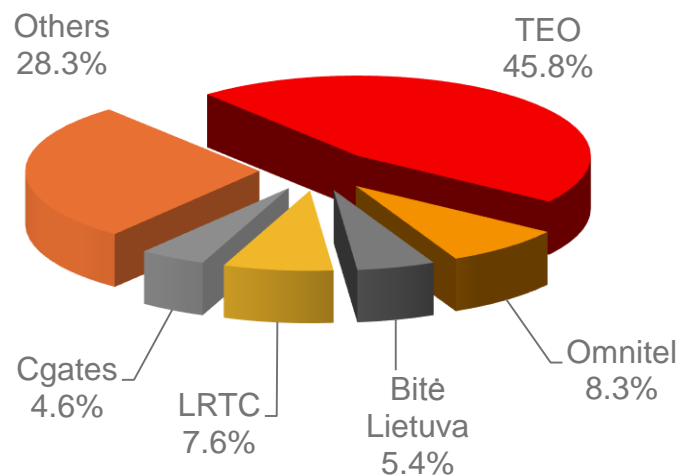


Source: Report of the Communications Regulatory Authority

INTERNET ACCESS MARKET IN LITHUANIA (Q1 2014)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber-optic	449	9.2
Via mobile network	297	3.2
DSL	175	(3.2)
Wireless	183	37.6
Via CATV network	38	(10.5)
Via LAN	12	(15.7)
Total:	1,154	7.9

Q1 2014 revenue by service providers

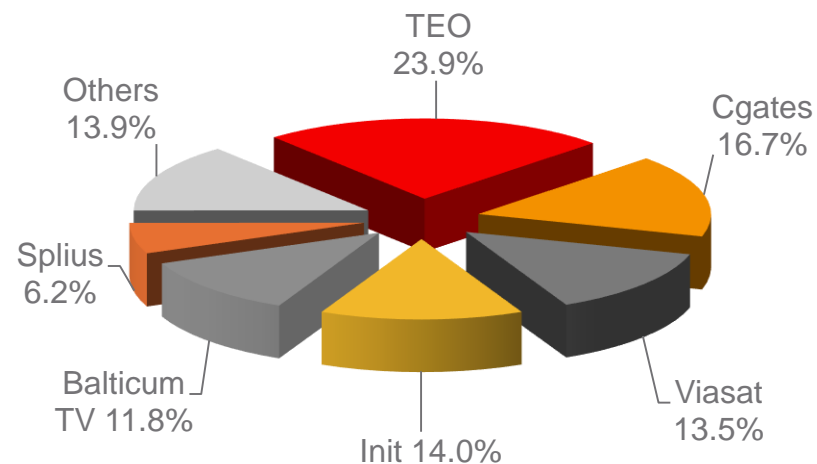


Source: Report of the Communications Regulatory Authority

PAY TV MARKET IN LITHUANIA (Q1 2014)

Access type	Number of users ('000)	Change, y-o-y (%)
Analogue CATV	307	(6.6)
Digital CATV	125	17.6
IPTV	118	11.1
Satellite	98	(3.3)
DVB-T	64	(12.4)
MVDS	14	(18.1)
Total:	726	(0.9)

Breakdown of users by service providers



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

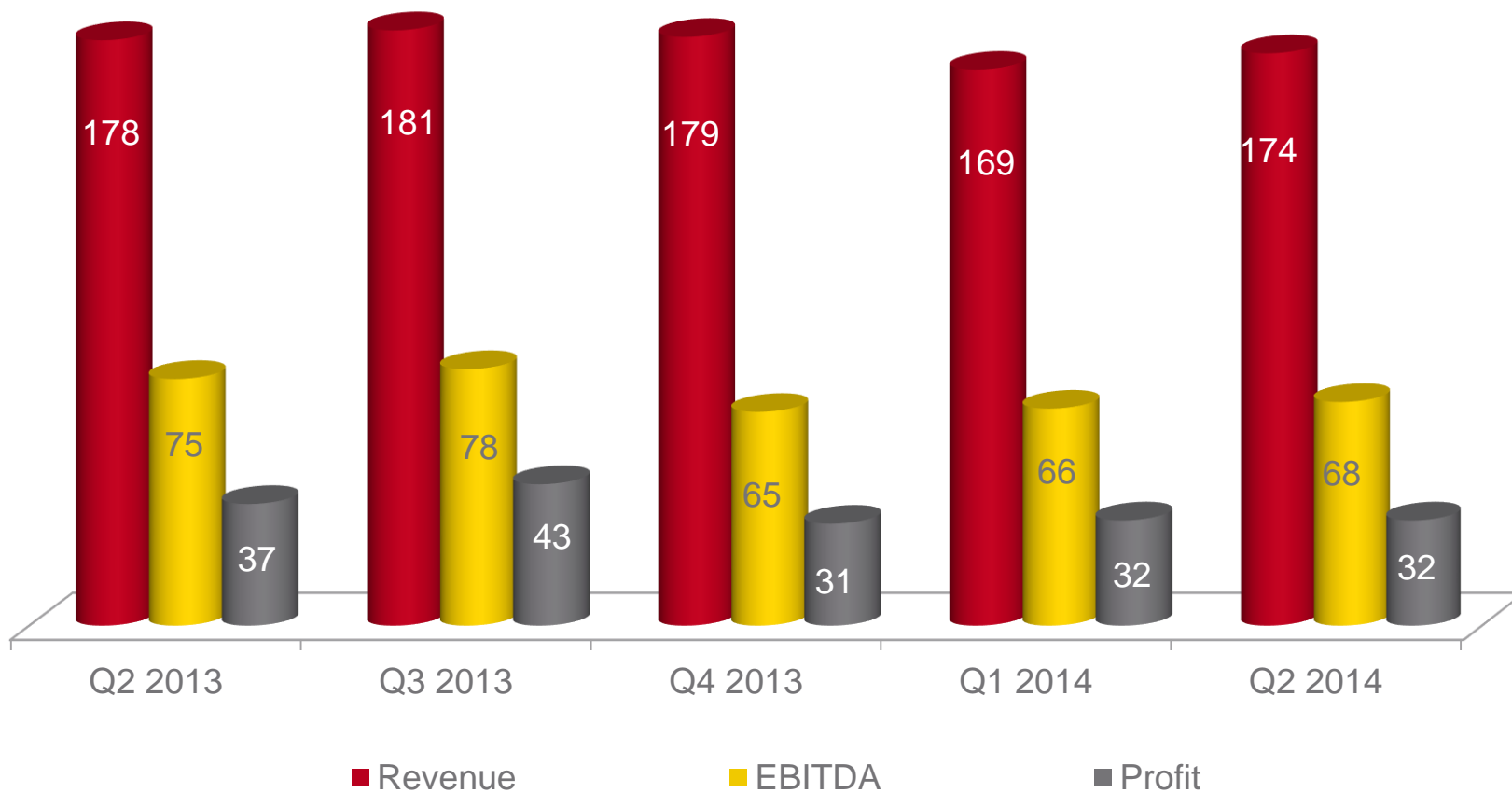
Cash flow

Investments

Results for 6 months of 2014 / 16-07-2014



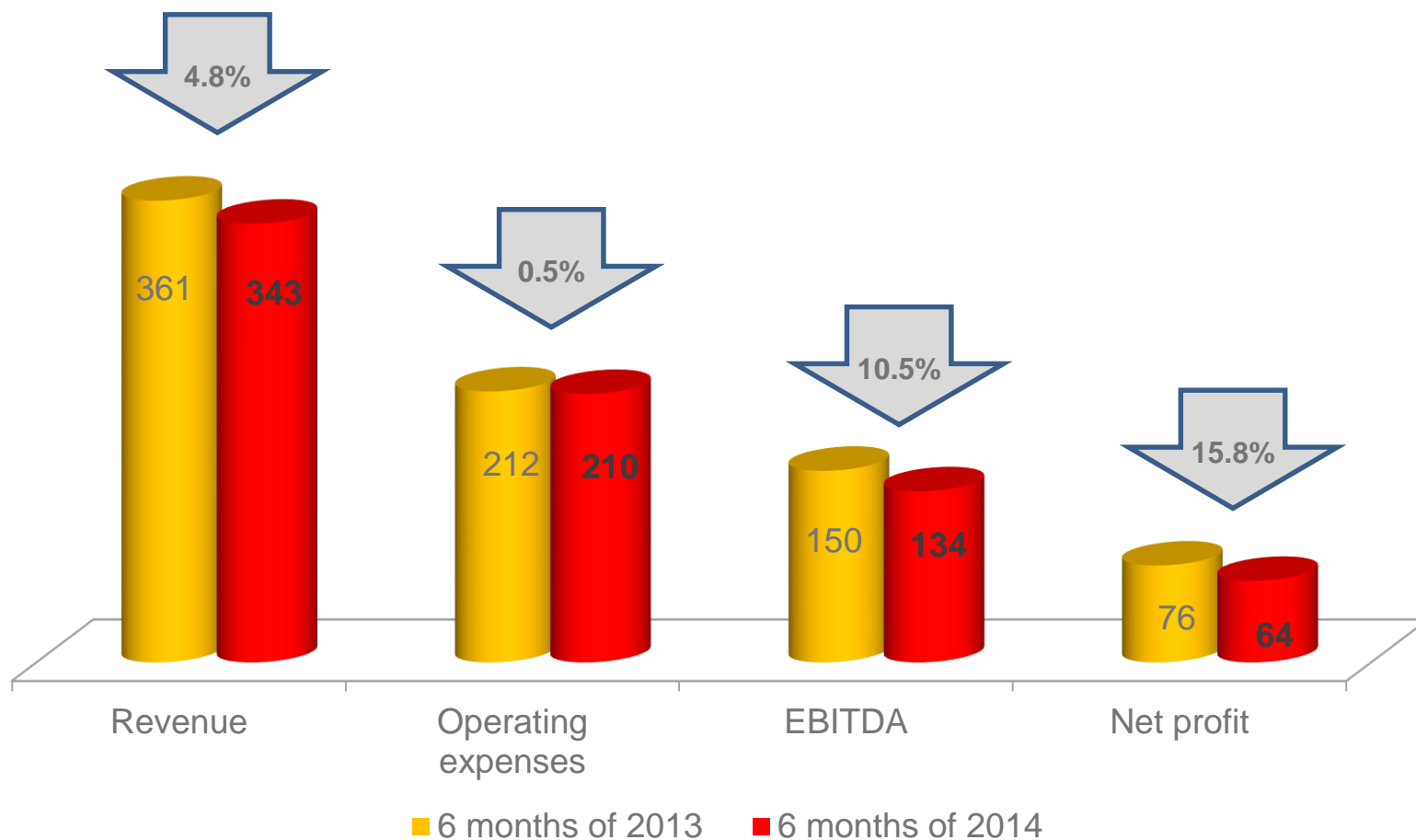
REVENUE, EBITDA & NET PROFIT (LTL MILLION)



MAJOR FINANCIAL INDICATORS

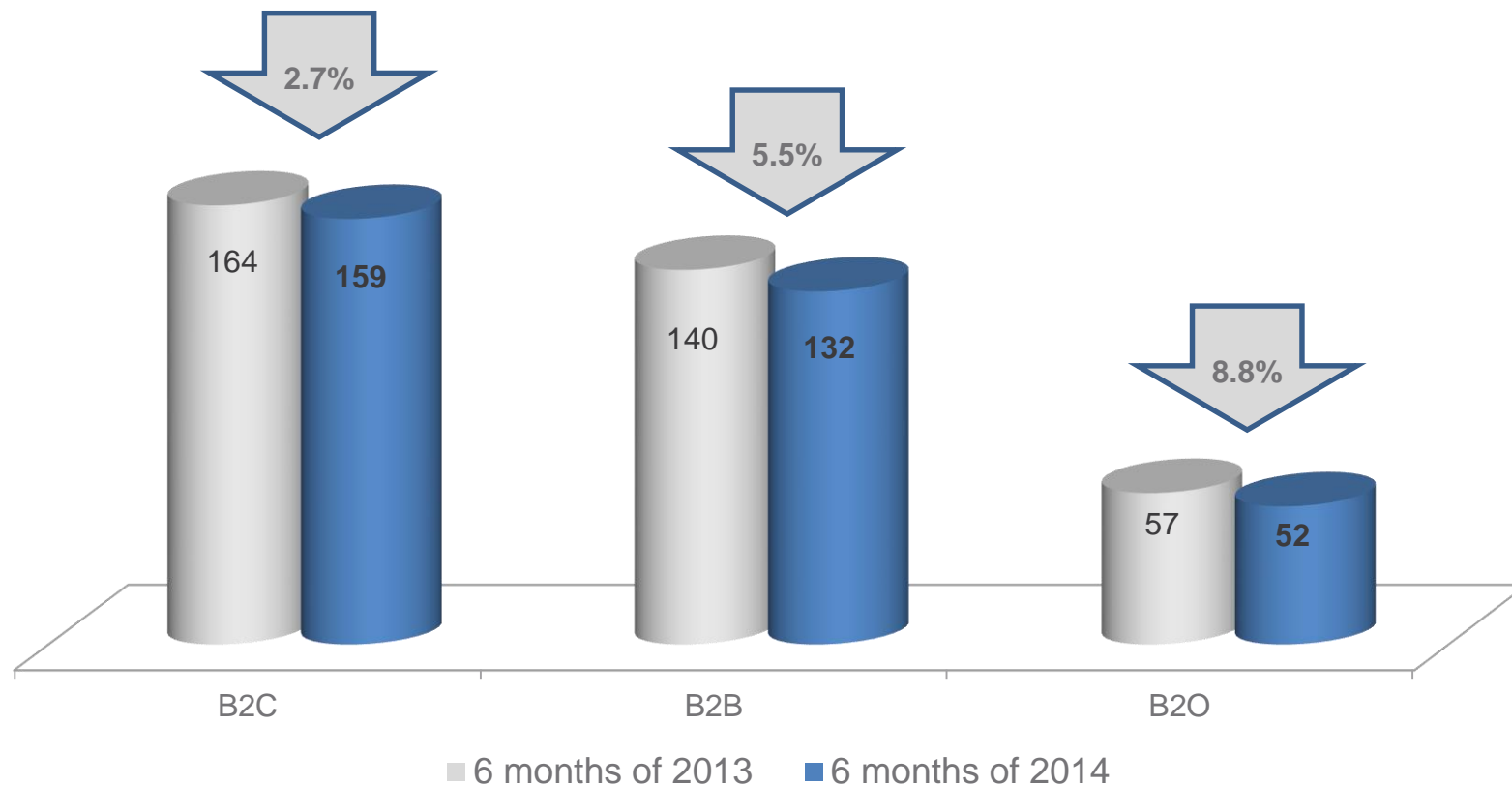
(thousand LTL)	Q2 2014	Q2 2013	Change (%)	H1 2014	H1 2013	Change (%)
Revenue	173,809	177,834	(2.3)	343,261	360,500	(4.8)
Operating expenses	106,244	103,086	3.1	210,404	211,510	(0.5)
EBITDA	68,081	75,113	(9.4)	133,797	149,550	(10.5)
EBITDA margin	39.2%	42.2%		39.0%	41.5%	
<i>EBITDA excl. non-recurring items</i>	73,691	76,315	(3.4)	146,967	153,433	(4.2)
<i>EBITDA margin excl. non-recurring items</i>	42.4%	42.9%		42.8%	42.6%	
Operating profit	36,889	42,205	(12.6)	71,718	83,919	(14.5)
Operating profit margin	21.2%	23.7%		20.9%	23.3%	
Net profit	31,985	37,358	(14.4)	63,678	75,609	(15.8)
Profit margin	18.4%	21.0%		18.6%	21.0%	
Earnings per share (LTL)	0.041	0.048		0.082	0.097	

DYNAMICS OF TEO MAIN FINANCIAL INDICATORS (LTL MILLION)

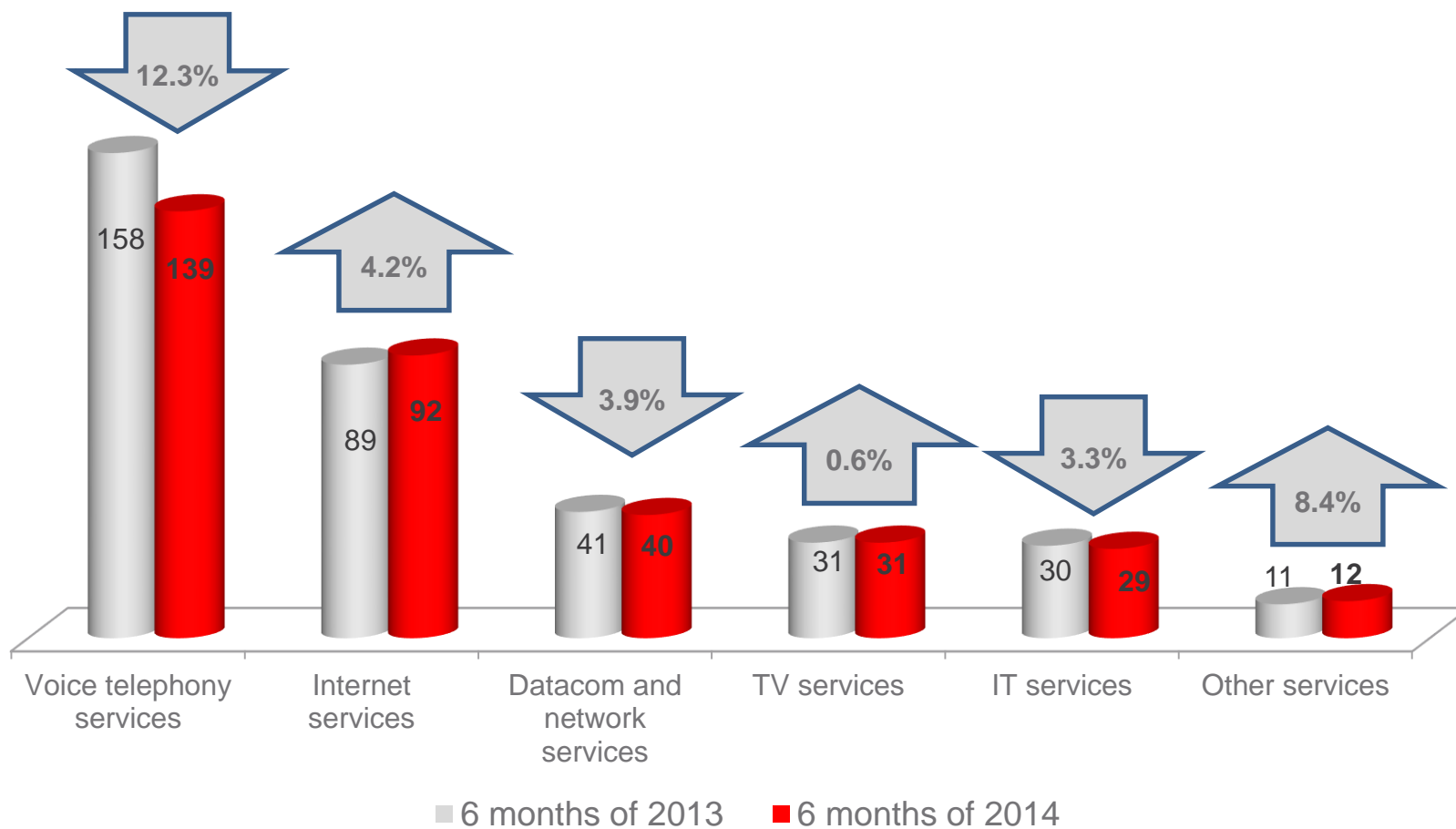


- During H1 2014 non-recurring expenses amounted to LTL 13.2 million

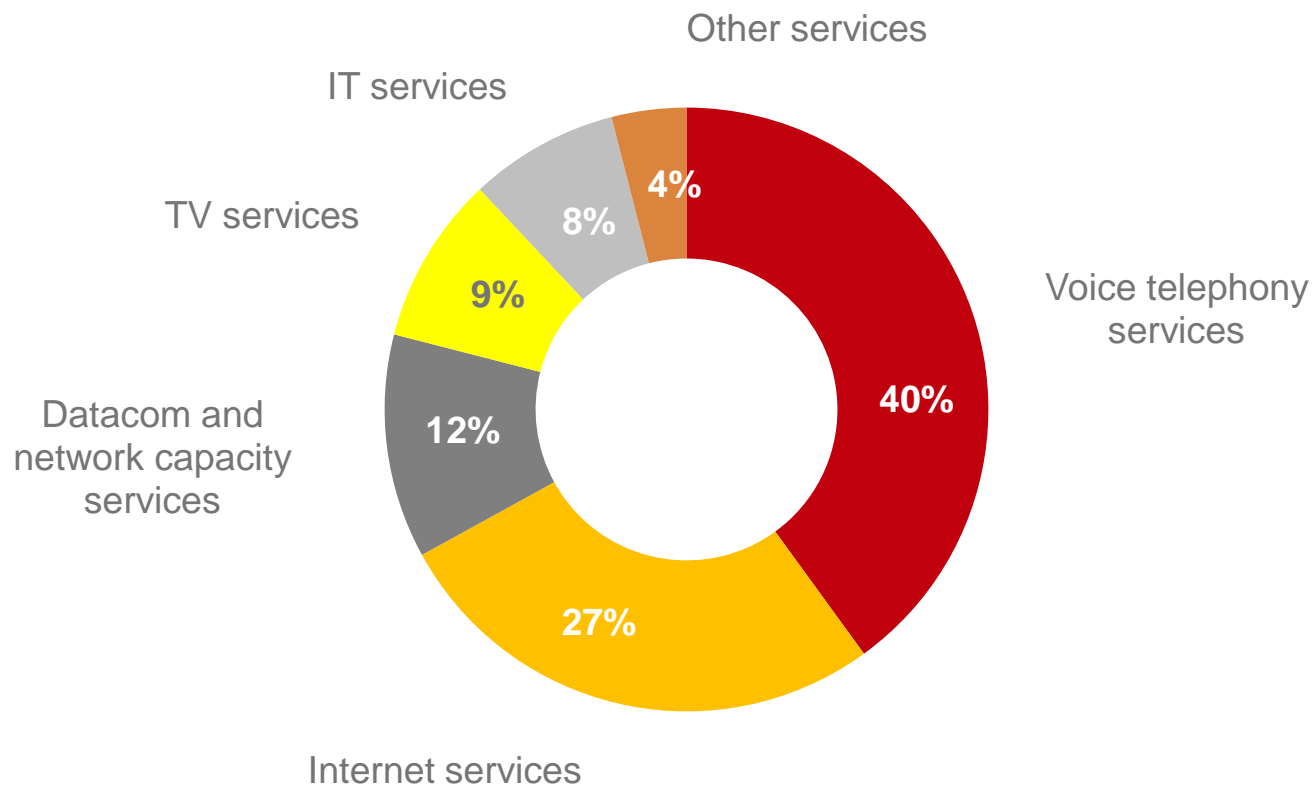
REVENUE (LTL MILLION)



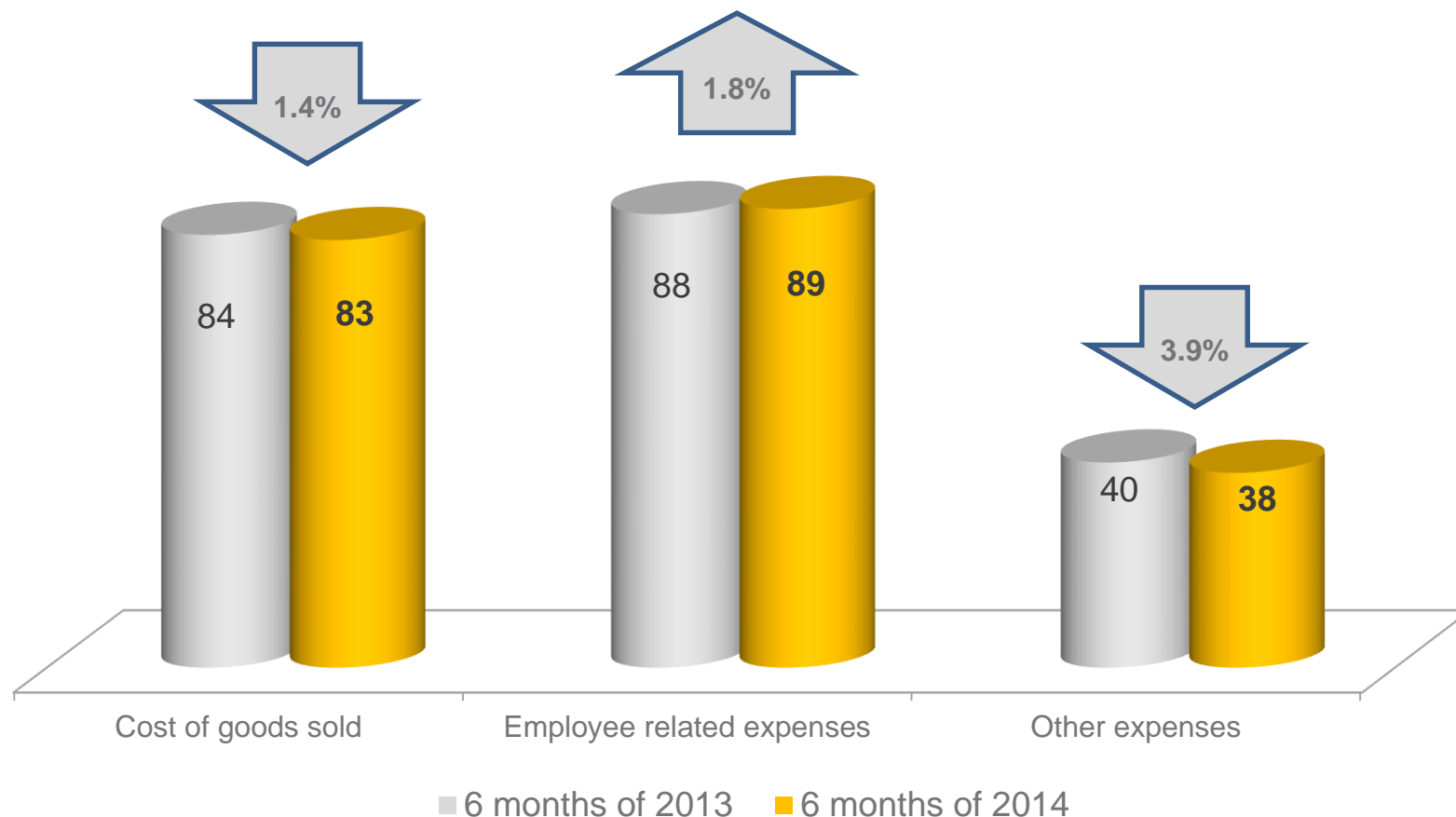
REVENUE (LTL MILLION)



BREAKDOWN OF REVENUE (6 MONTHS OF 2014)

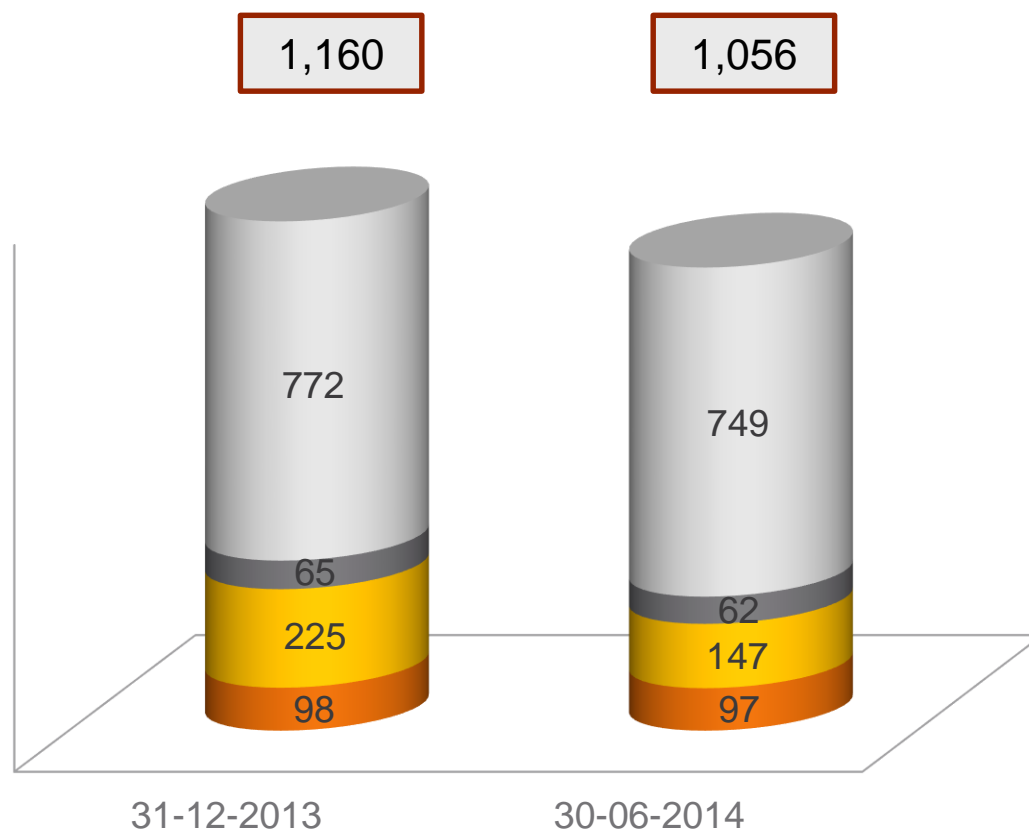


OPERATING EXPENSES (LTL MILLION)



- During H1 2014 non-recurring expenses amounted to LTL 13.2 million

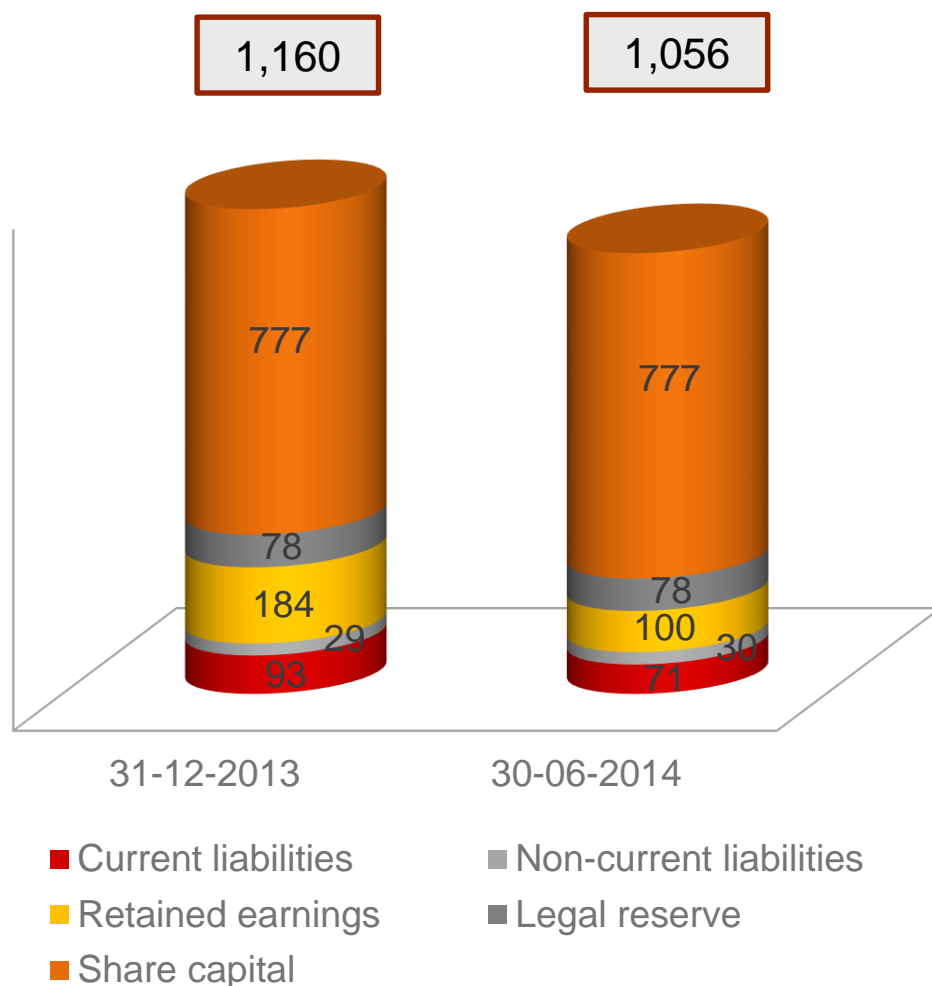
ASSETS (LTL MILLION)



- **Non-current assets** amounted to 76.9% of total assets (30-06-2014)
- **Cash and held-to-maturity investments** alone amounted to 13.9%
- **Return on capital employed: 15.2%**
- **Return on average assets: 13.6%**

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

EQUITY AND LIABILITIES (LTL MILLION)



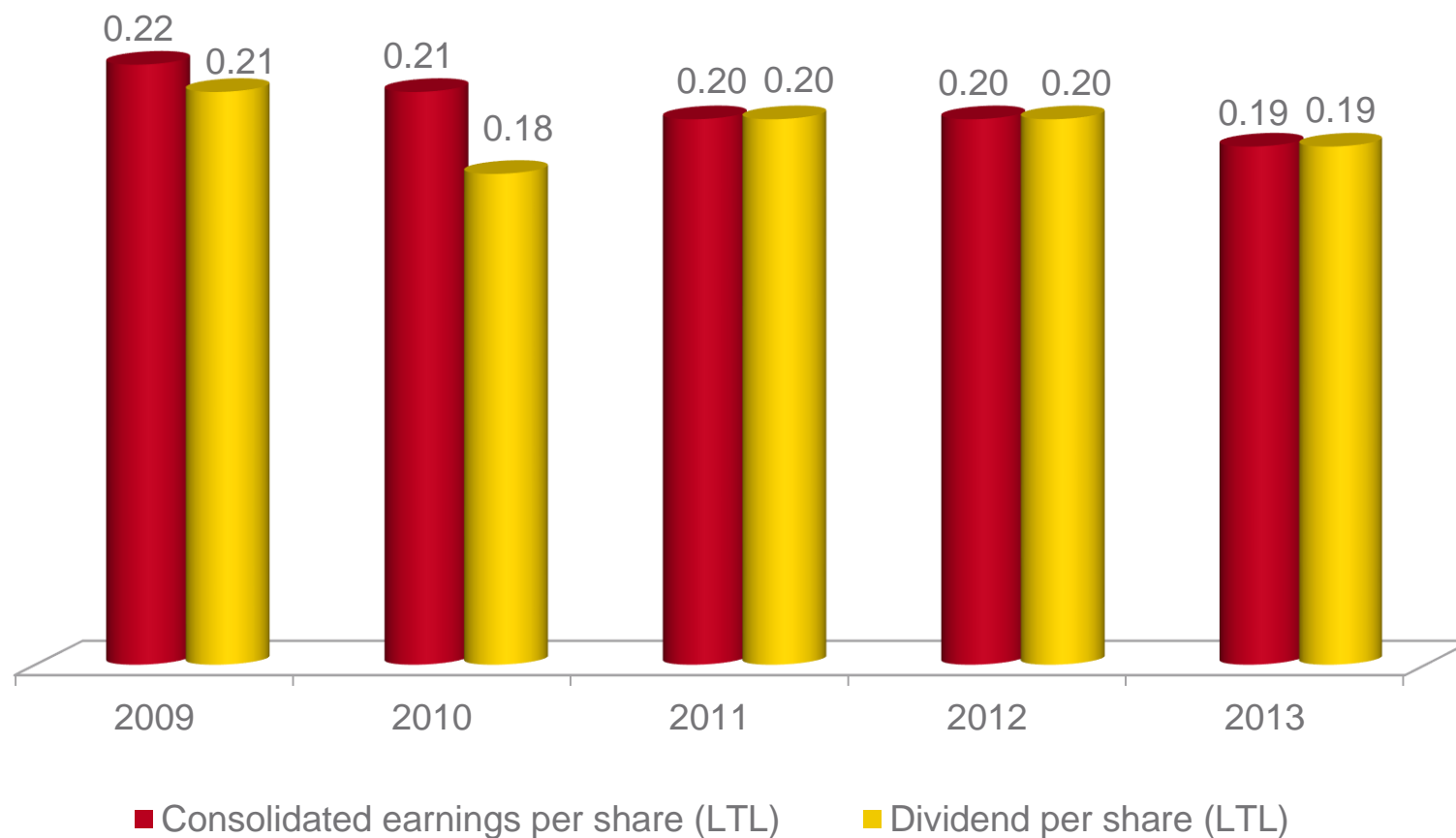
- **Shareholders' equity** amounted to 91.1% of the total assets (31-03-2014)
- **Borrowings** amounted to LTL 1.8 million
- **Net debt** was negative and amounted to LTL 145 million
- **Gearing ration:** (15.2)%
- **Debt to equity:** 0.2%
- **Return on equity:** 13.6%
- On 29 April 2014 the shareholders decided to **reduce authorized capital by LTL 194 million**. As of 30 June 2014 authorized capital was not reduced yet.

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 shareholders decided 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



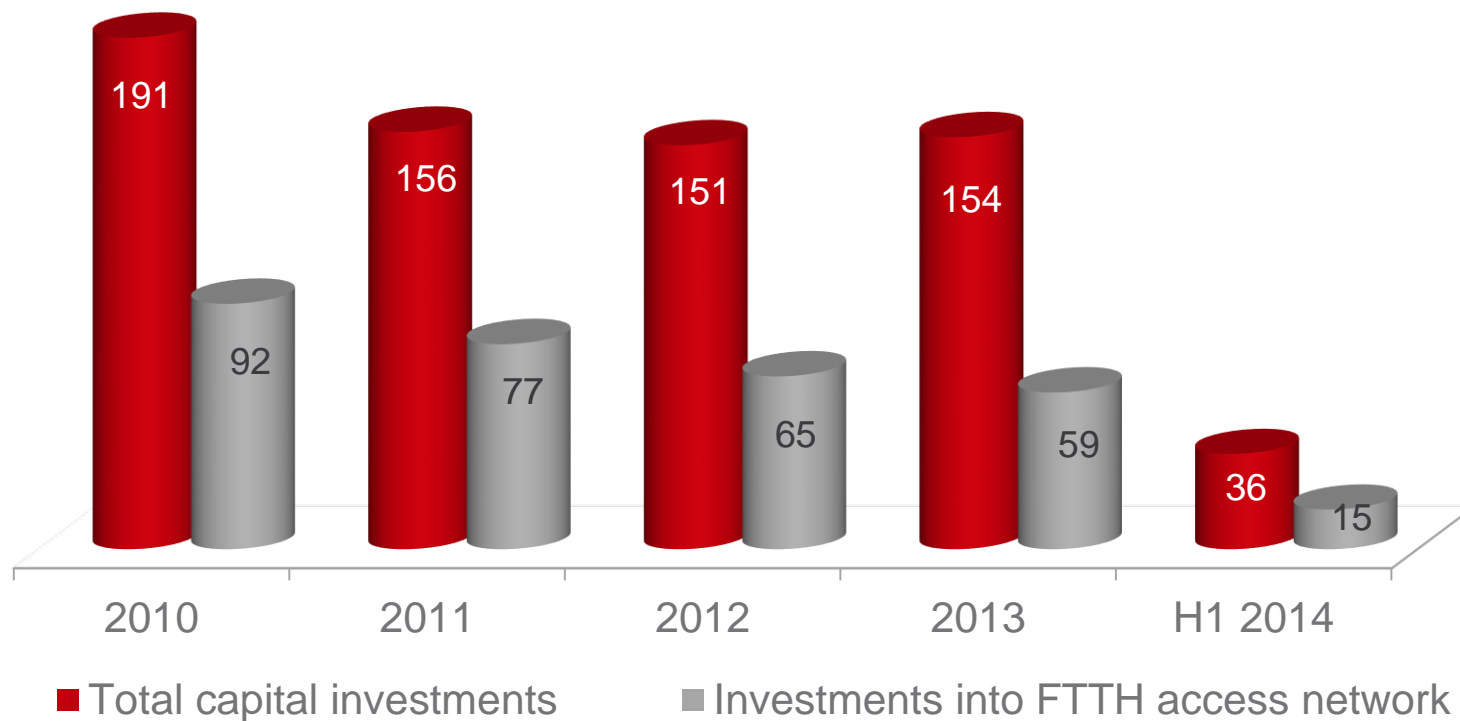
- Dividends for the year 2013 to the shareholders were **paid on 28 May 2014**

CASH FLOW

(thousand LTL)	6 months of 2014	6 months of 2013
Net cash from operating activities	122,749	133,110
Net cash used in investing activities	(32,577)	(58,681)
Net cash used in financing activities	(148,098)	(155,848)
Increase in cash and cash equivalents	(57,926)	(81,419)

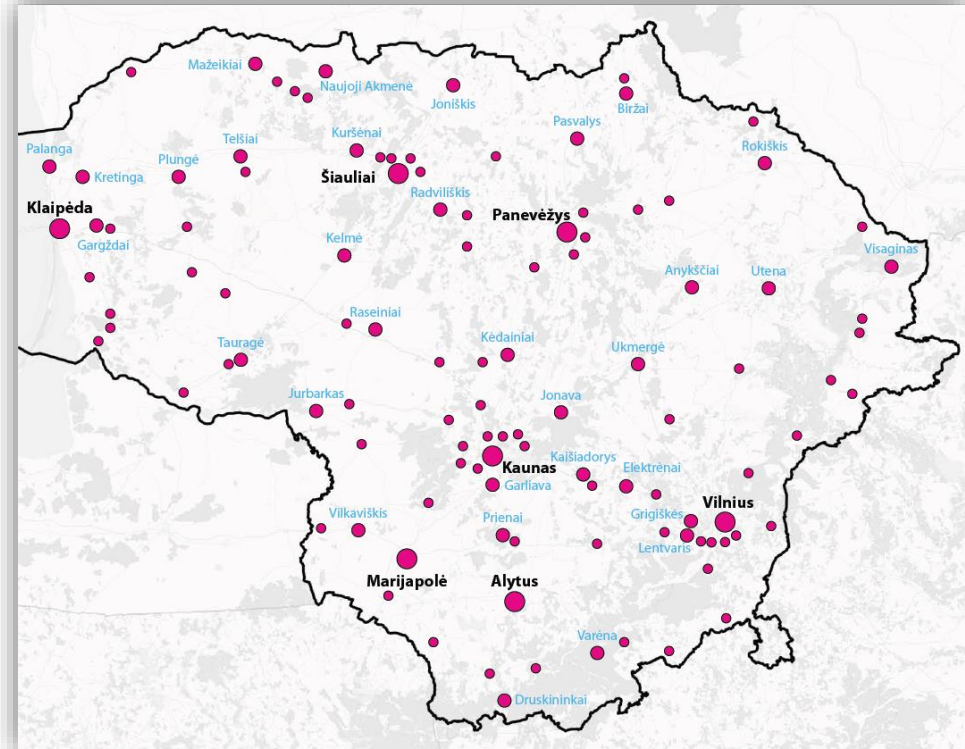
- **Free Cash Flow** in H1 2014 was by 4.7% lower than a year go.
- Capital **investments** during 6 months of 2014 amounted to LTL 36 million (LTL 45 million in 2013)
- LTL 32 million went to expansion of the **core and fiber-optic access network**
- Almost LTL 3 million was invested into **IT systems**
- In May 2014, the Company paid out **LTL 148 million of dividends** for the year 2013 (i.e. 0.19 litas per share)

TEO INVESTMENTS (LTL MILLION)



TEO FIBER OPTIC (FTTH) NETWORK

- **Almost LTL 470 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
- **814 thousand** households (778 thousand a year ago), or 68 per cent of the country's households, by the end of June 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 30 June 2014

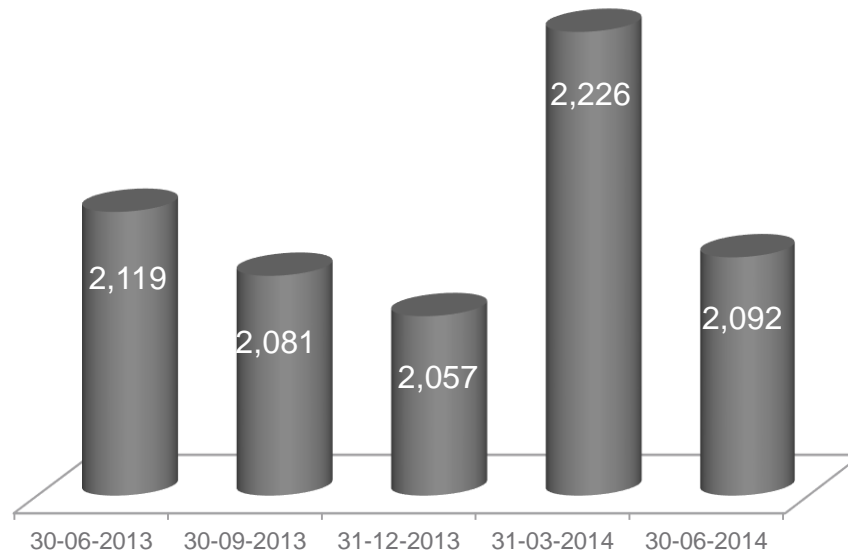
	Part of shares and votes
TeliaSonera AB	88.15%
Others	11.85%

TEO SHARES

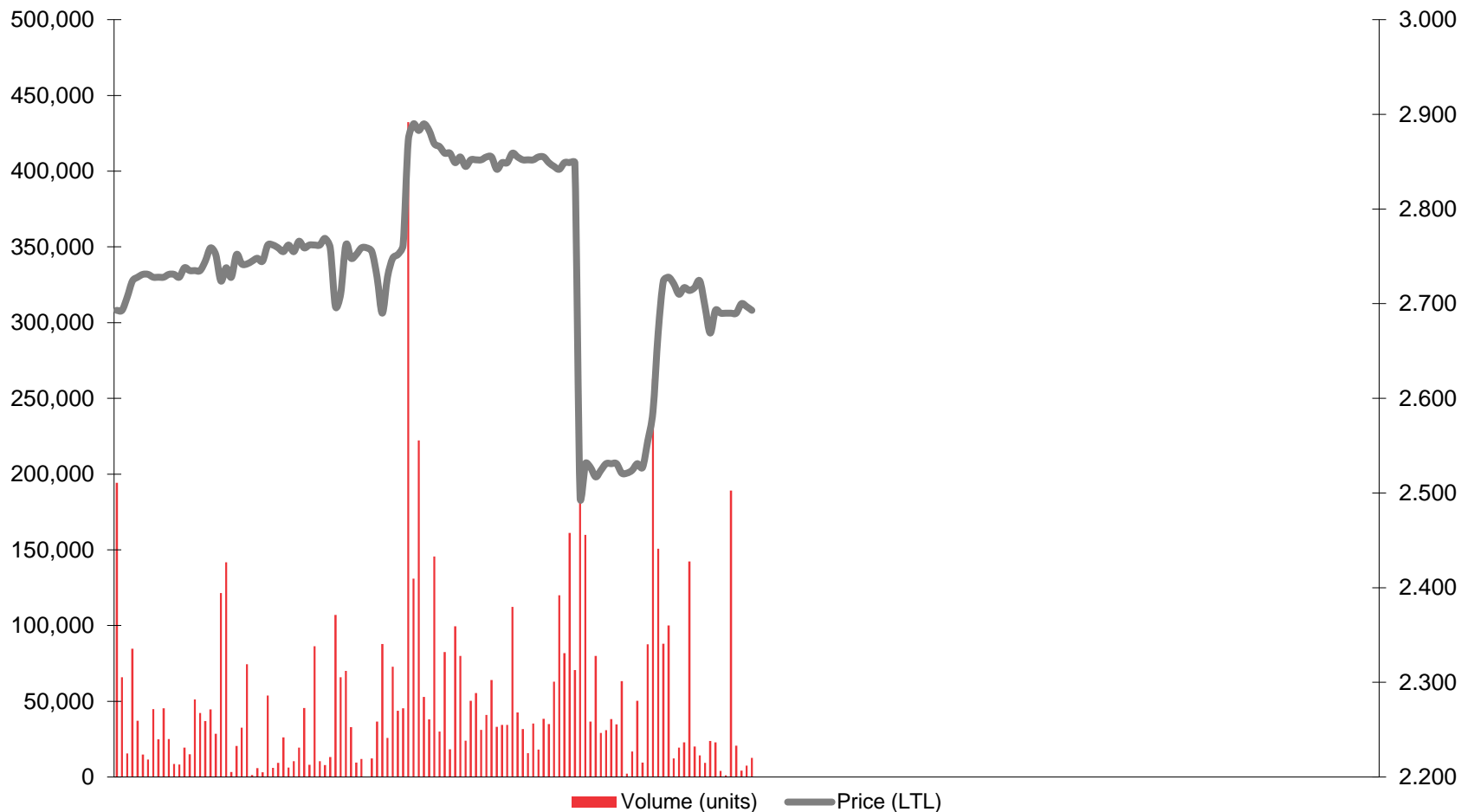
- Since June 2000 TEO shares are listed on **NASDAQ OMX Vilnius** stock exchange (ticker: TEO1L)
- Since January 2011 TEO shares were included into the trading lists of a few **German stock exchanges** (ticker: ZWS)
- **Turnover** on Vilnius stock exchange during January-June 2014: 6.7 million shares or LTL 18 million
- Share **price** on NASDAQ OMX Vilnius:

	LTL	EUR
01-01-2014	2.666	0.772
High	2.900	0.840
Low	2.417	0.700
30-06-2014	2.693	0.780

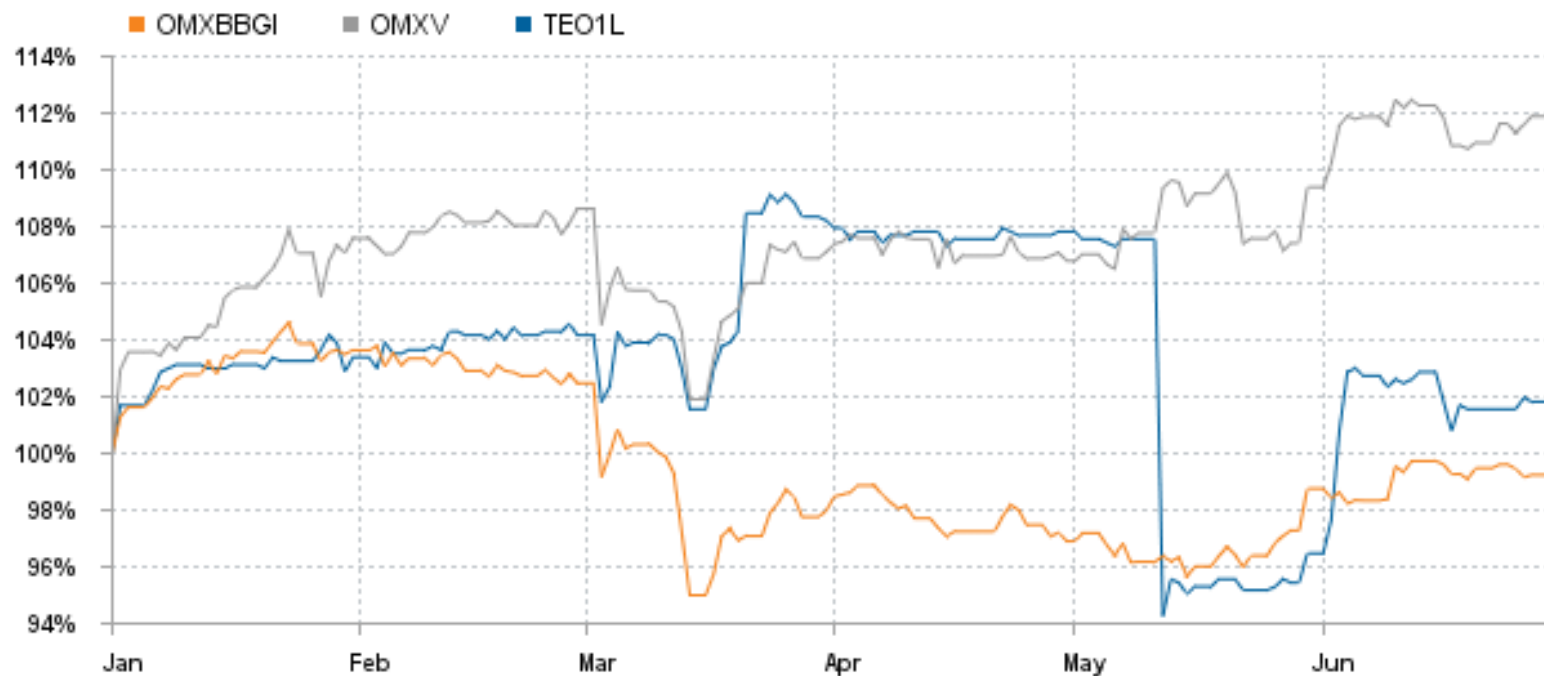
Market Capitalisation (LTL million)



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

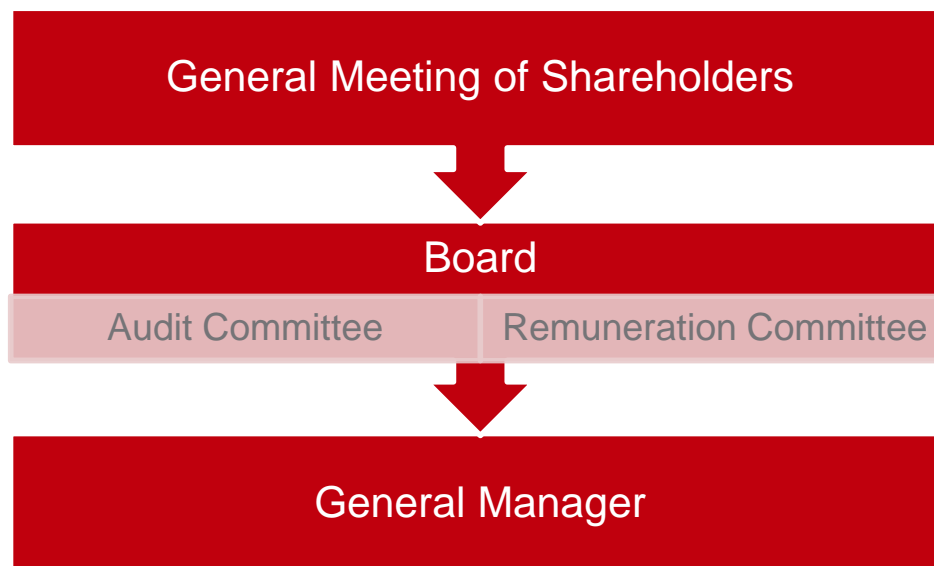
Senior management

Corporate social responsibility



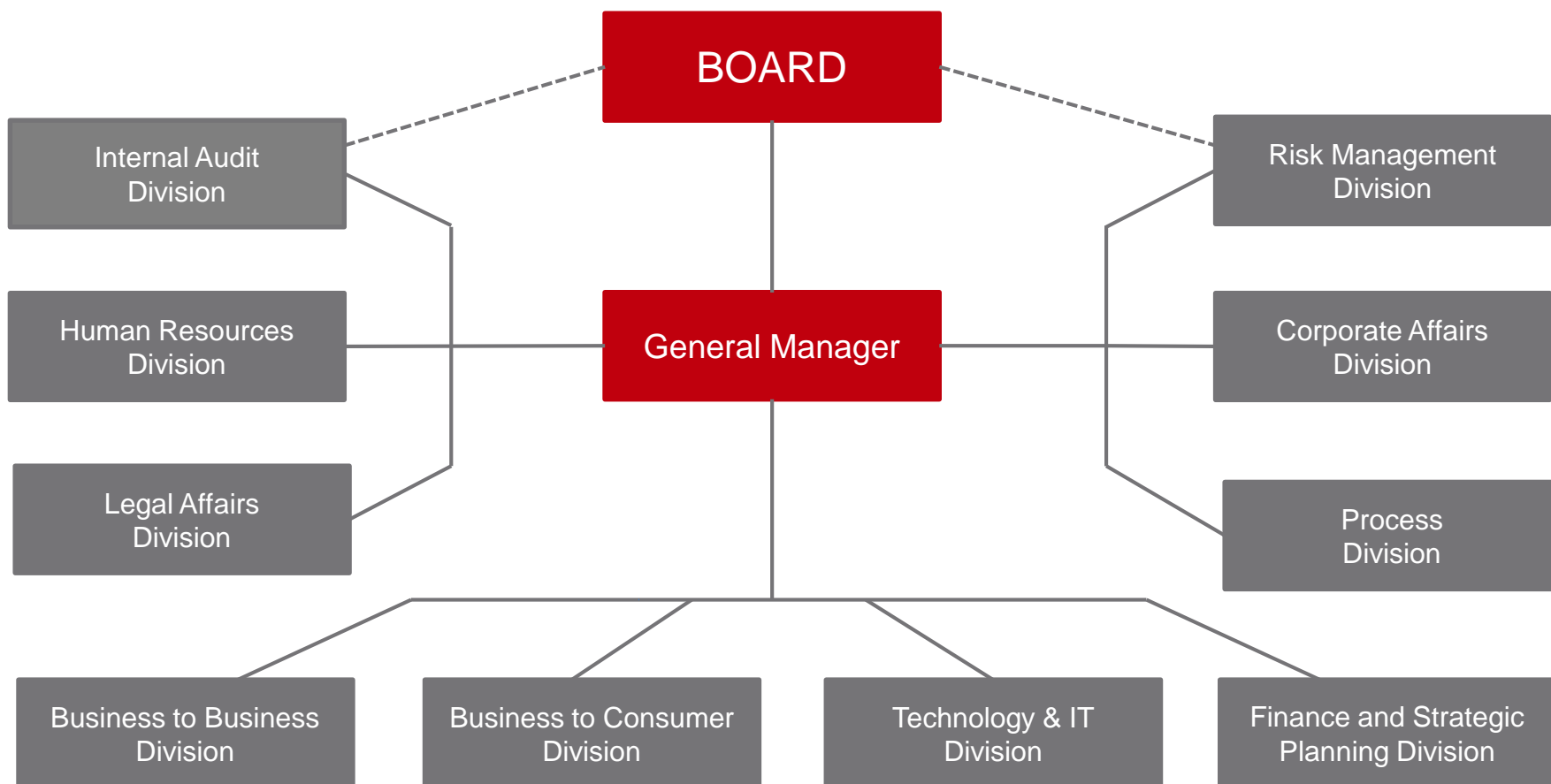
GOVERNING BODIES

- The **Annual General Meeting** of Shareholders was held on 29 April 2014
- Upon resignation of 3 members of the Board, **3 new members of the Board** were elected at AGM
- The **Board** consist of 6 members
- 3 members of the Board comprise **Audit and Remuneration Committees**
- The AGM also elected **UAB Deloitte Lietuva** as the Company's independent auditor for the year 2014
- The Board elects and recalls the **General Manager**



GOVERNING STRUCTURE OF TEO LT, AB

VALID FROM 1 JUNE 2014



TEO BOARD



Robert Andersson
Member of the Board
 represents TeliaSonera AB
 Chairman of the Remuneration
 Committee



Stefan Block
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



Claes Nycander
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

- **Robert Andersson, Stefan Block and Claes Nycander** were elected to the Board on 29 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

MANAGEMENT TEAM



Kęstutis Šliužas,
(born in 1972),
General Manager



Aleksandras Samuchovas,
(born in 1974),
Head of Business to Business



Nerijus Ivanauskas,
(born in 1970),
Head of Business to Consumer



Andrius Šemeškevičius,
(born in 1976),
Head of Technology & IT from August 2014



Lars Bolin,
(born in 1963),
Head of Finance and Strategic Planning



Ramūnas Bagdonas,
(born in 1974),
Head of Human Resources



Eglė Gudelytė-Harvey,
(born in 1975),
Head of Legal Affairs



Antanas Bubnelis,
(born in 1981),
Head of Corporate Affairs



Giedrė Tarbūnienė,
(born in 1974),
Head of Process



Vytautas Bučinskas,
(born in 1974),
Head of Risk Management



Kastytis Kmitas,
(born in 1958),
Head of Internal Audit

- Andrius Šemeškevičius owns 11,682, Kastytis Kmitas – 5,603 shares of TEO. Other managers 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