

A photograph of a red ceramic coffee cup filled with coffee, sitting on a matching red saucer. The cup and saucer are placed on a wooden surface. To the left, a portion of a white laptop keyboard is visible, showing keys like 'Enter', 'Ctrl', 'Alt Gr', 'L', 'K', 'M', and 'N'. The background is a warm, wooden texture.

## Results for the 3 months of 2015

21-04-2015

Teo Group is a leading IT and telecommunication services provider in Lithuania

We provide services to residents, businesses and telecommunication operators

Our purpose: bringing the world closer – on the customer's terms



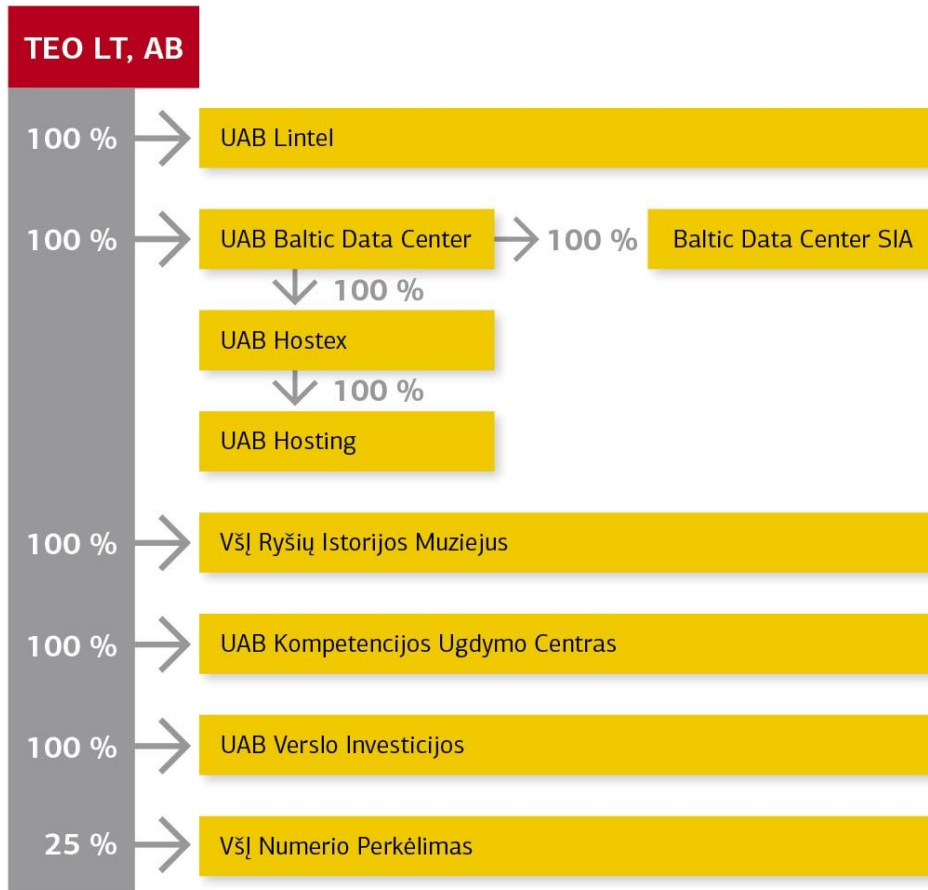
# Highlights of Q1 2015

- Teo **upgraded** its brand and concept of customer care showrooms
- Teo investor relations evaluated as **the best** by the analyst
- Teo recognized as the **best employer** in IT category (CV-Online survey)
- Teo became the first certified **Ethernet** provider in the Baltic States
- The Board proposed to pay **0.068 euro dividend** per share for the year 2014
- TeliaSonera proposed to **reelected the Board** for a new 2 year term
- Teo installed **video surveillance** network in Kretinga and its surroundings

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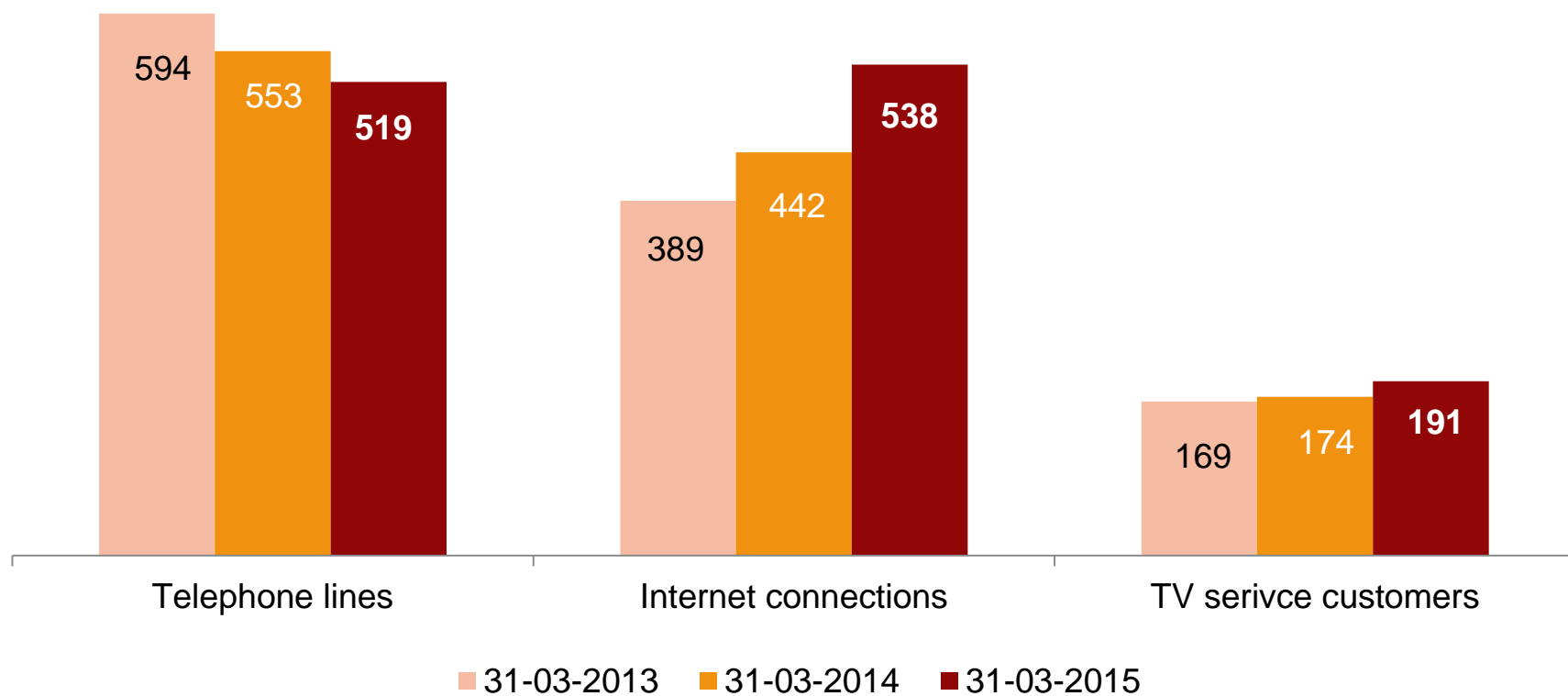
# Teo Group



- In June 2014 majority of activities and employees of Baltic Data Center **were moved to Teo B2C** division
- In September, Teo together with Bitė Lietuva, Omnitel and Tele2 established **VšĮ Numerio Perkėlimas**, that together with UAB Mediafon won the tender of CRA for administration of central database to ensure telephone number portability
- Baltic Data Center SIA, Hosting and Kompetencijos Ugdymo Centras are dormant subsidiaries

# Main operating figures

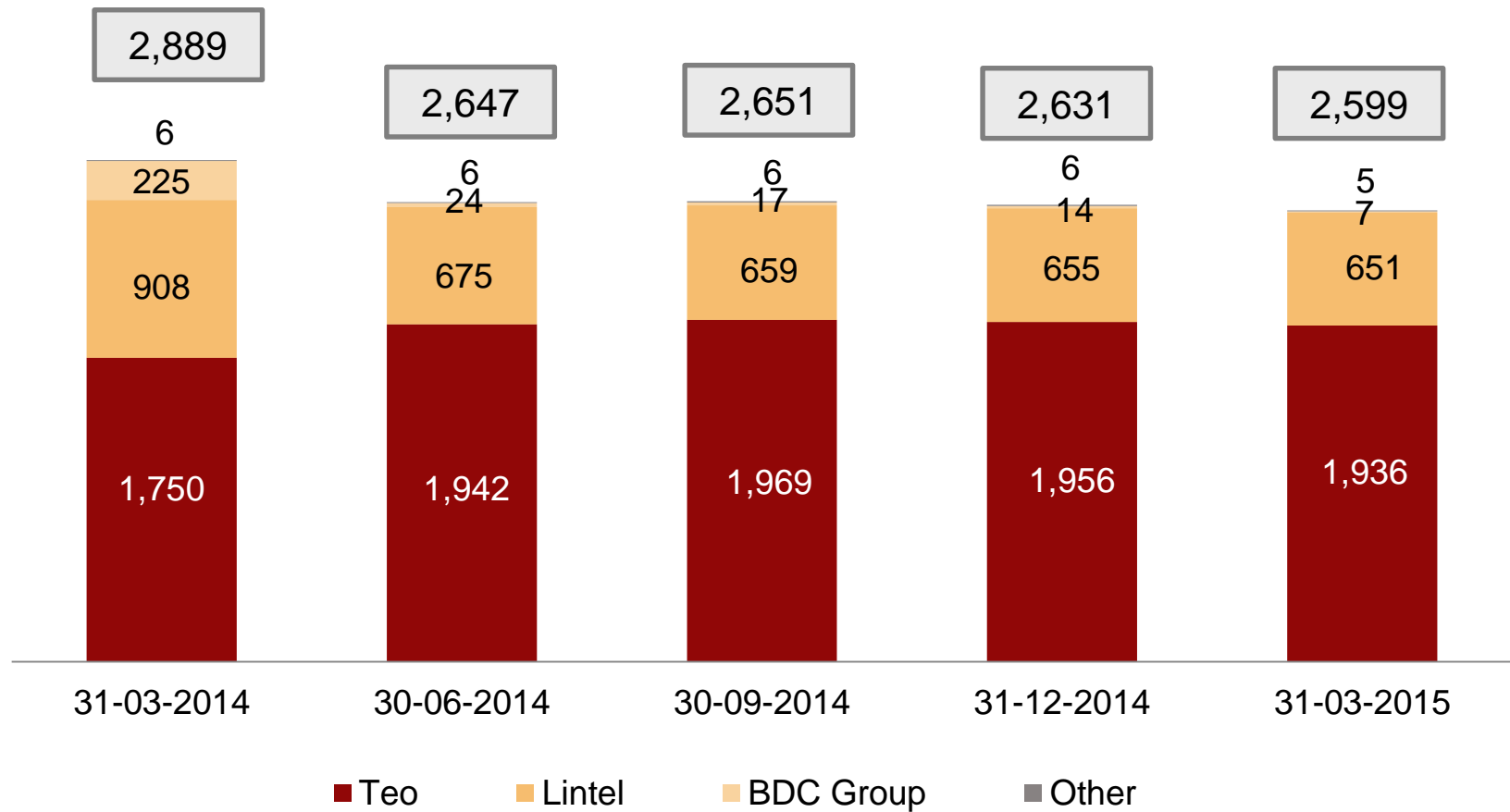
(thousands)



# Main operating figures

	31-03-2015	31-03-2014	Change (%)
Number of telephone lines	518,595	552,708	(6.2)
Number of broadband Internet accesses, in total:	538,174	441,743	21.8
- via fiber-optic lines	205,681	183,967	11.8
- via copper lines	169,042	174,502	(3.1)
- wireless (WiFi) access	163,451	83,274	96.3
Number of TV services users, in total:	191,085	173,677	10.0
- IPTV	138,139	110,743	24.7
- DVB-T	52,946	62,934	(15.9)
Number of employees	2,599	2,889	(10.0)

# Employees of TEO Group



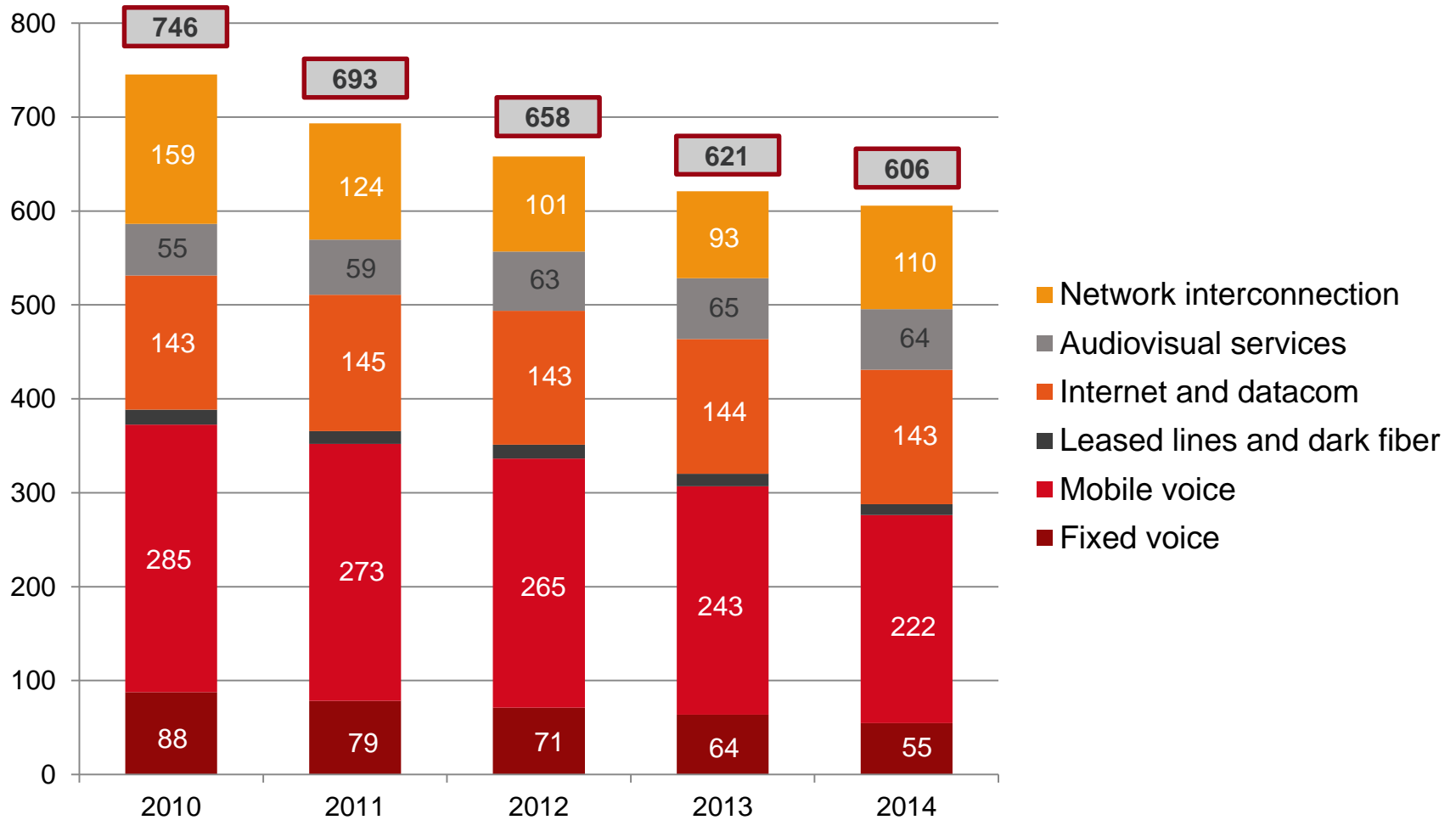
# Electronic communications market of Lithuania

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# Telecommunication market in Lithuania

(EUR million)

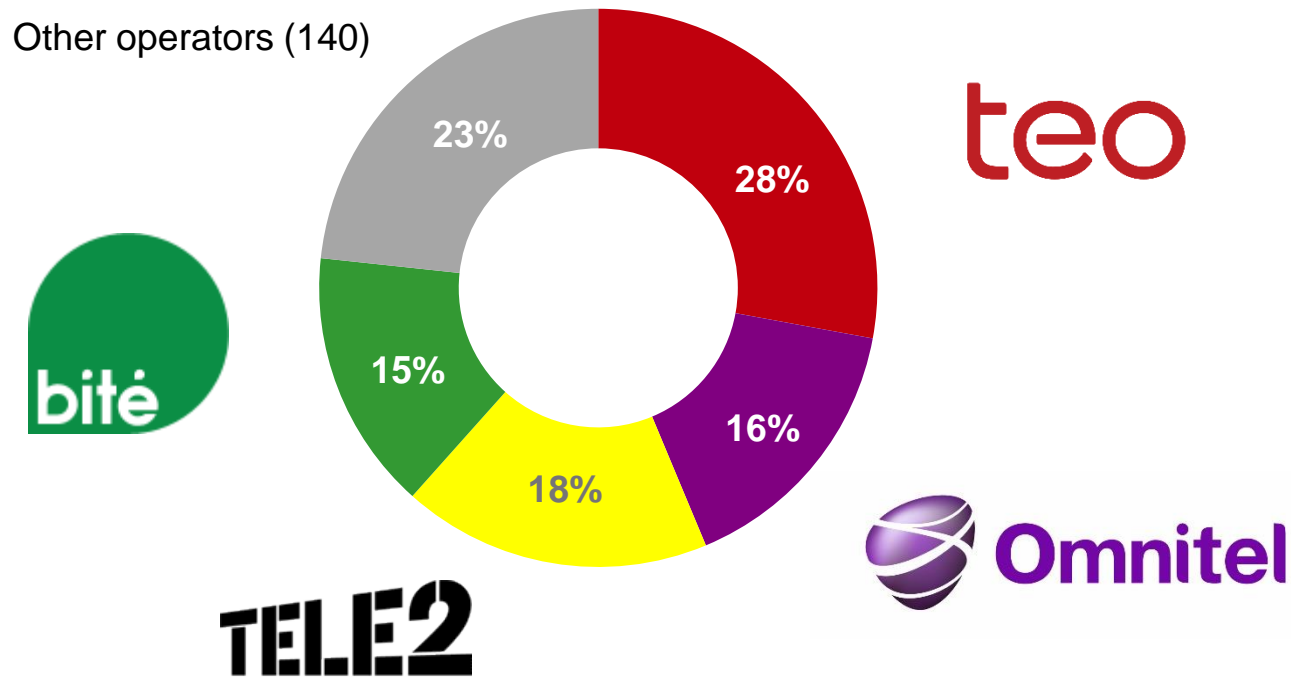


Source: Report of the Communications Regulatory Authority

# Main market figures

	31-12-2014	31-12-2013	Change (%)
Total market revenue (EUR million)	605.7	621.2	(2.5)
Number of telephone lines per 100 inhabitants	19.7	20.9	
Number of mobile voice subscribers per 100 inhabitants	152.9	155.1	
Number of Internet access subscribers	1,257,185	1,134,556	10.8
Number of broadband Internet access subscribers per 100 inhabitants	43.0	38.5	
Number of fixed Internet access subscribers per 100 inhabitants	32.5	28.5	
Number of pay-TV subscribers	722,964	729,909	(1.0)
Number of pay-TV subscribers per 100 households	55.7	55.2	
Total market investments (EUR million)	92.1	104.2	(11.6)

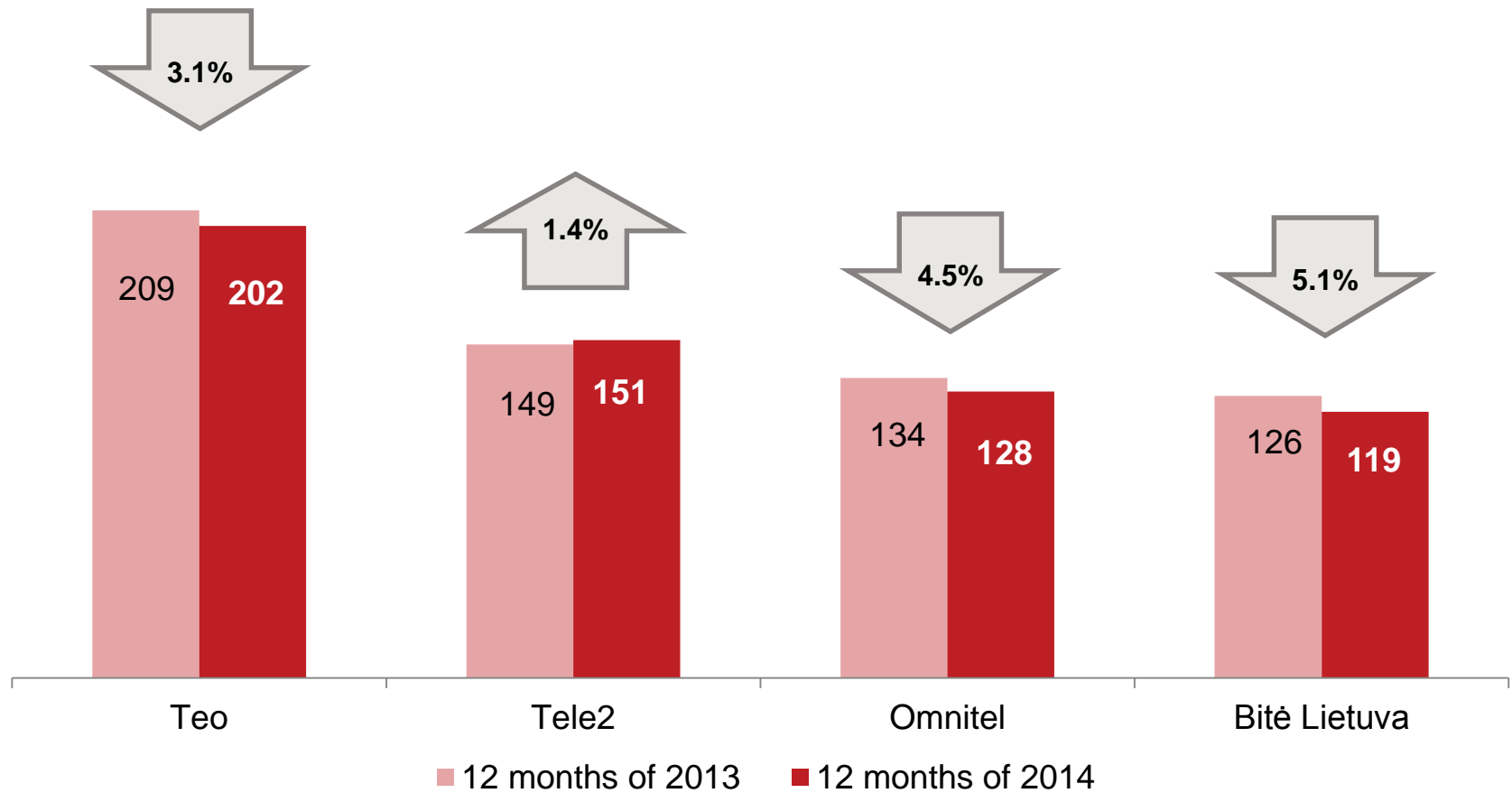
# Breakdown of the telecommunications market revenue in 2014 by operators



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

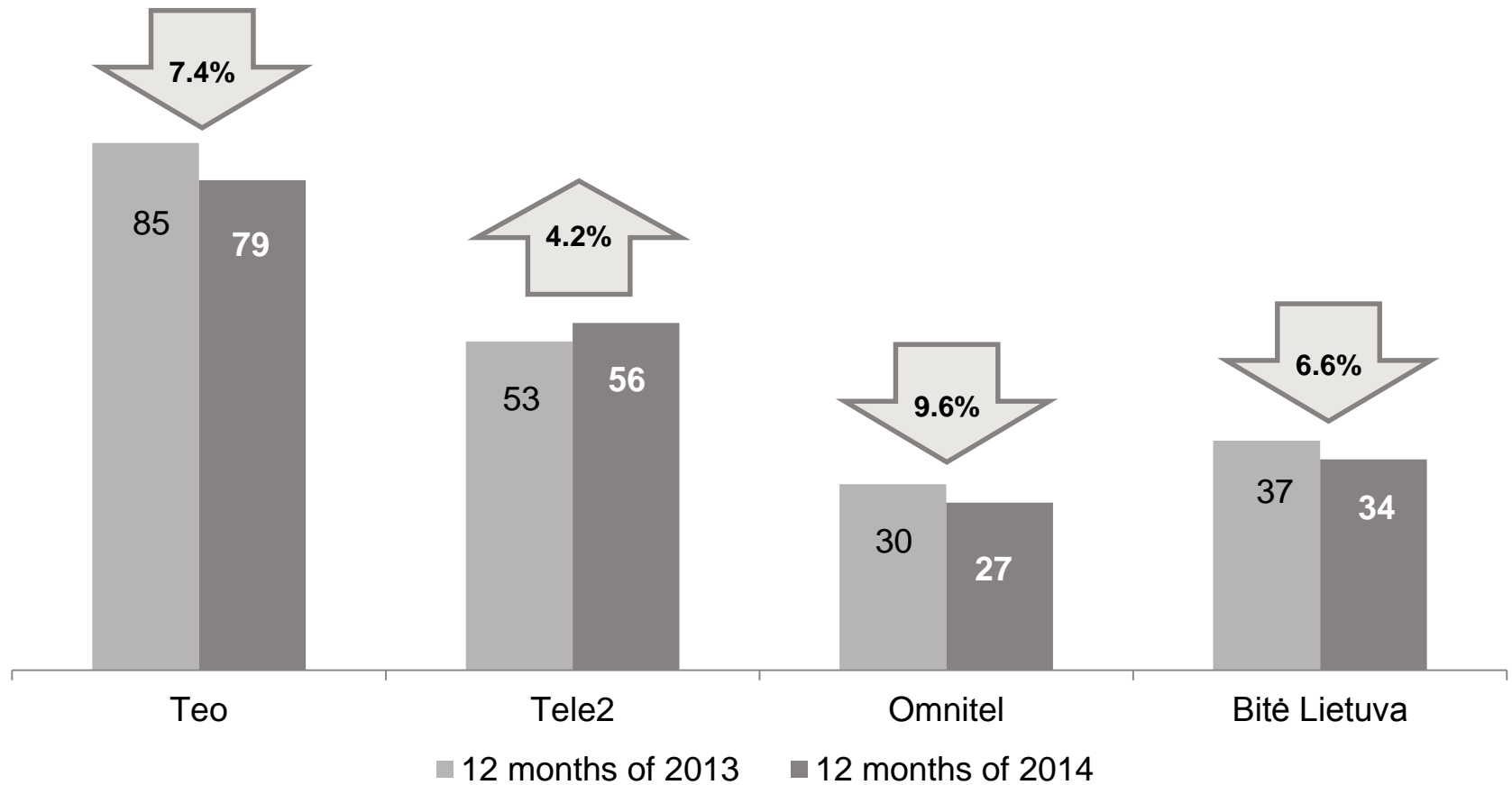
# Main market players' revenue changes

(EUR million)



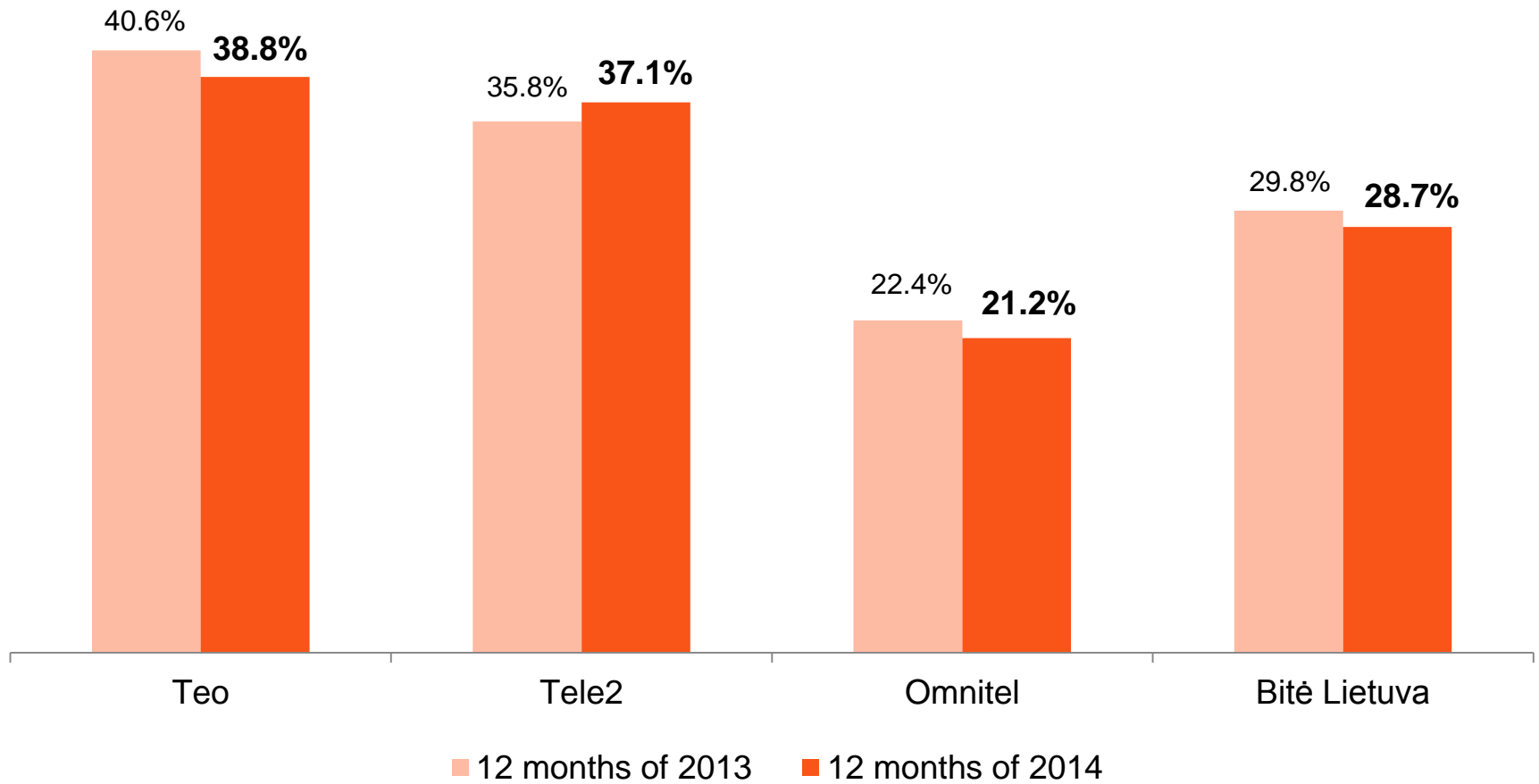
# Main market players' EBITDA changes

(EUR million)

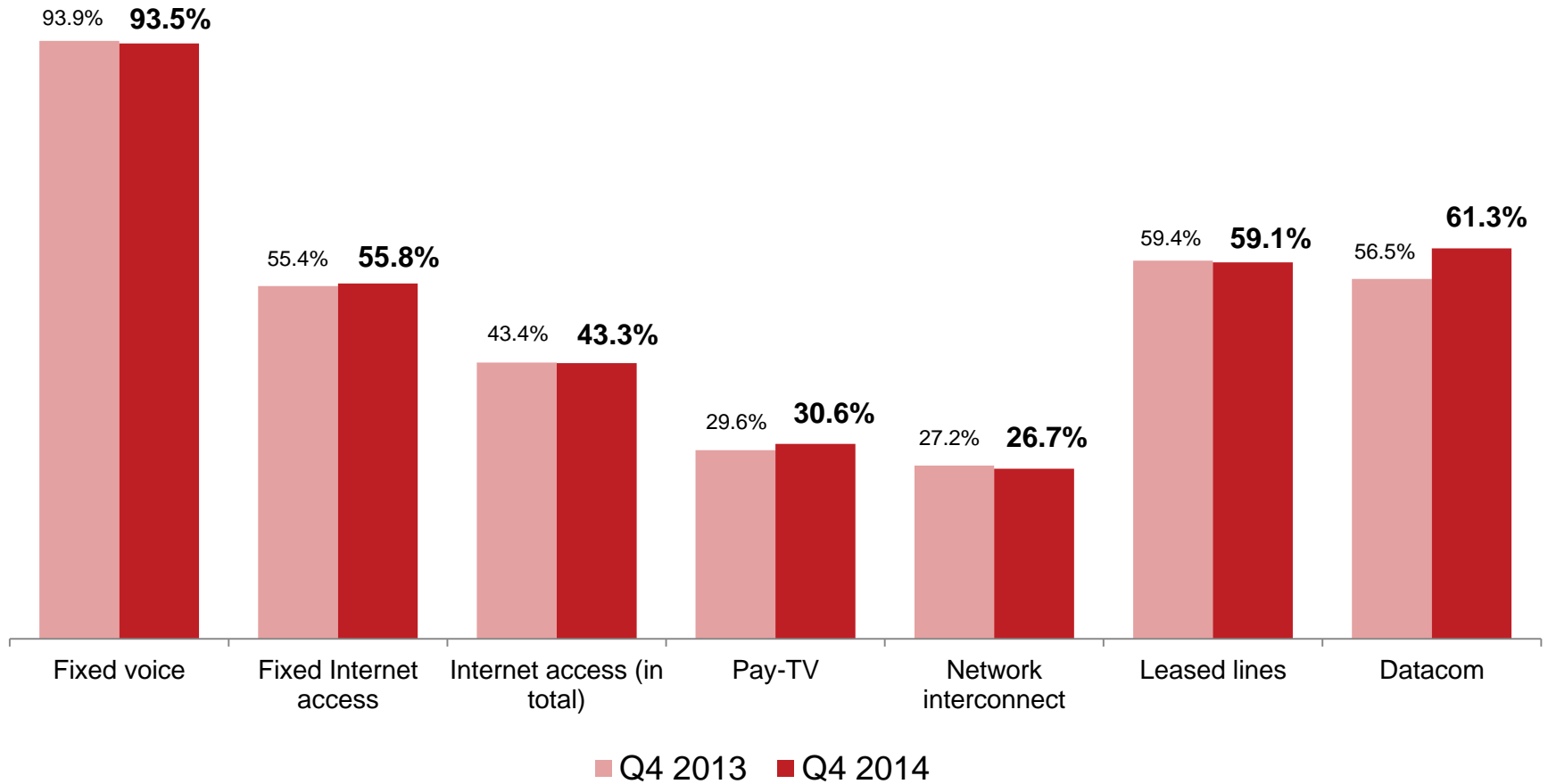




# Main market players' EBITDA margin changes



# Teo market share in terms of revenue



Source: Report of the Communications Regulatory Authority

# Teo competes in all areas except mobile voice

Market	Revenue 2014 (EUR million)	Change from 2013 (%)	Number of market players	Teo share in Q4 2014 (%)
Fixed voice	54.6	(14.3)	43	93.5
Internet access	119.0	0.2	107	43.3
Network interconnection	110.3	19.3	>5	26.7
Pay-TV	60.3	(0.1)	45	30.6
Data communication	24.2	(2.0)	18	61.3
Leased lines	5.5	(15.5)	9	59.1
TV and radio program transmission	4.1	(8.4)	5	n/a
Dark fiber	6.0	(12.2)	15	n/a
Mobile voice	221.7	(8.8)	3+10	-

# Fixed voice telephony market in Lithuania (Q4 2013)

- **43 companies** are providing fixed voice services:
  - 33 provide national and international calls
  - 3 – only international calls
  - 7 – only wholesales (transit) services
- 31 company is using **IP network**, 15 of them – CATV and data communication networks
- Number of alternative operators' subscribers: **60.8 thousand** or 10.4% of total subscribers' number

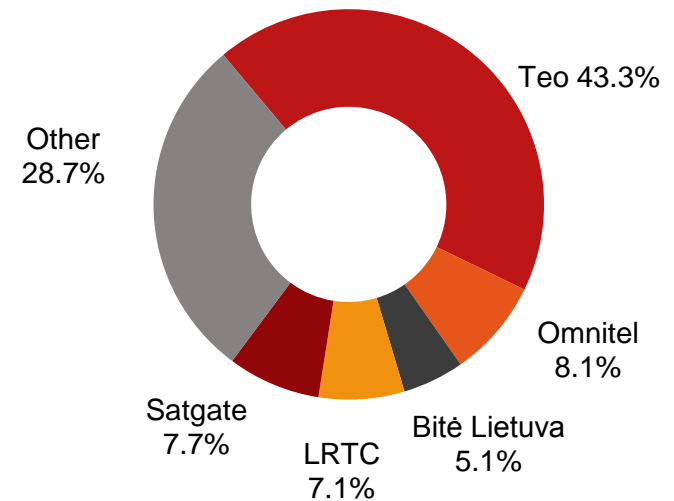
Teo market share (Q4 2014) in terms of:	(%)
Total number of customers	89.6
Total traffic	92.8
Revenue from local calls	100.0
Revenue from domestic long distance calls	91.0
Revenue from international calls	75.0

Source: Report of the Communications Regulatory Authority

# Internet access market in Lithuania (Q4 2014)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber-optic	478	9.1
Via mobile network	309	4.3
DSL	170	(3.6)
Wireless	252	46.5
Via CATV network	37	(3.3)
Via LAN	11	(17.8)
<b>Total:</b>	<b>1,257</b>	<b>10.8</b>

Q4 2014 revenue by service providers



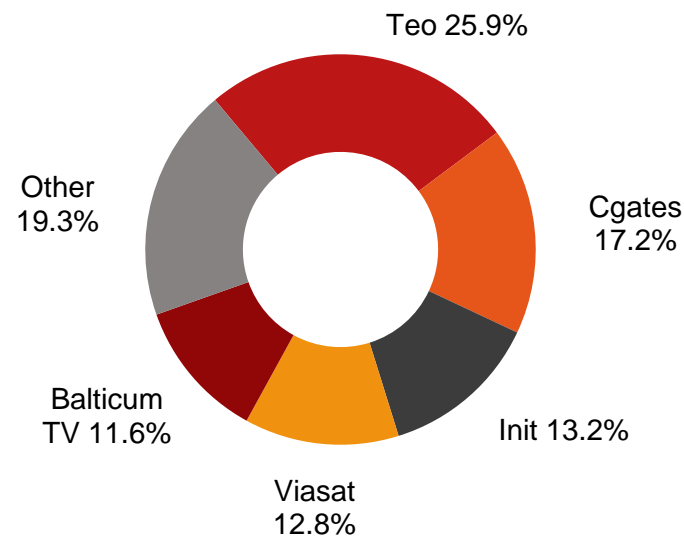
Source: Report of the Communications Regulatory Authority



# Pay TV market in Lithuania (Q4 2014)

Access type	Number of users ('000)	Change, y-o-y (%)
Analogue CATV	291	(7.7)
Digital CATV	124	9.2
IPTV	146	22.6
Satellite	92	(7.8)
DVB-T	57	(15.9)
MVDS	13	(9.3)
<b>Total:</b>	<b>723</b>	<b>(1.0)</b>

Breakdown of users by service providers



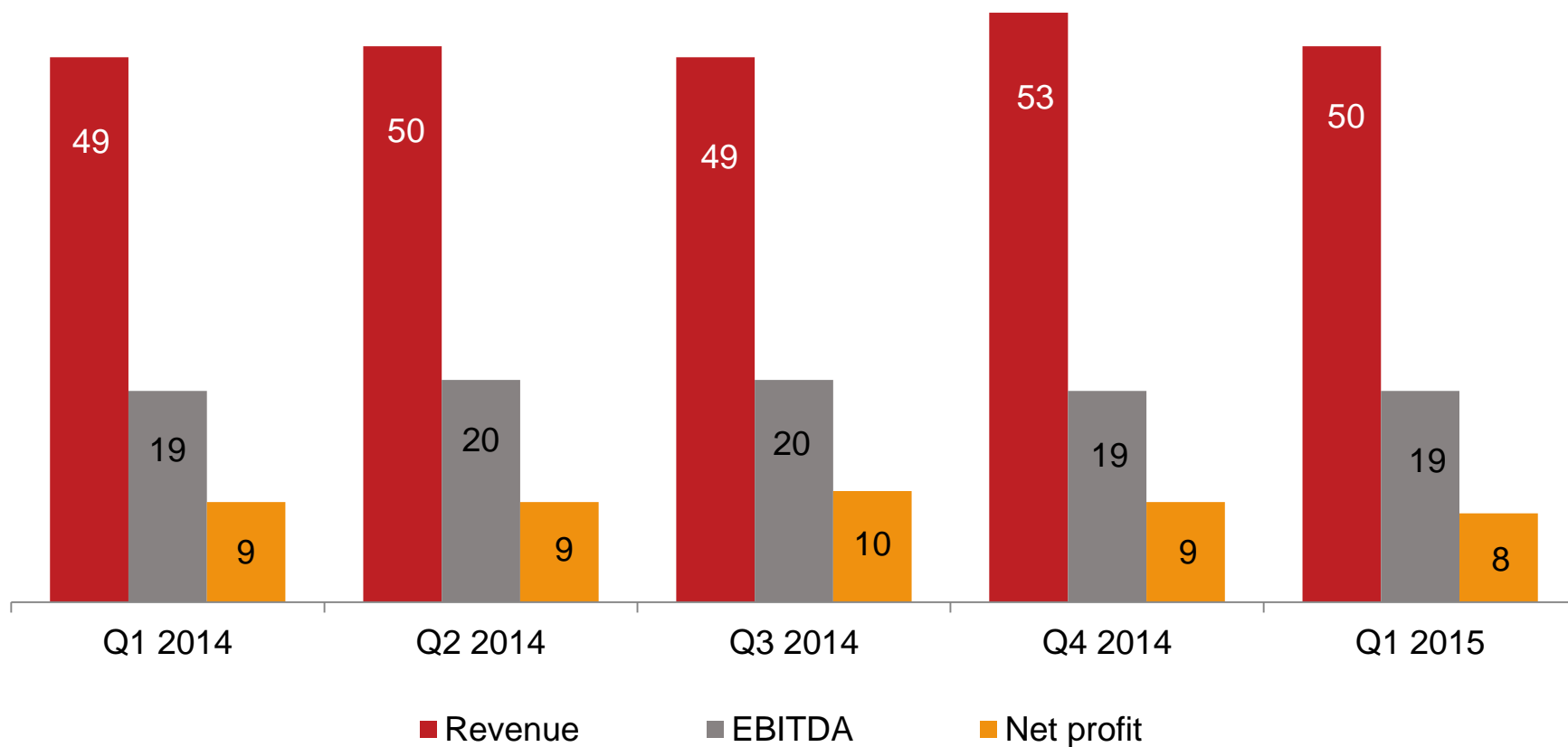
Source: Report of the Communications Regulatory Authority

# Financial results

teo

# Revenue, EBITDA & net profit

(EUR million)

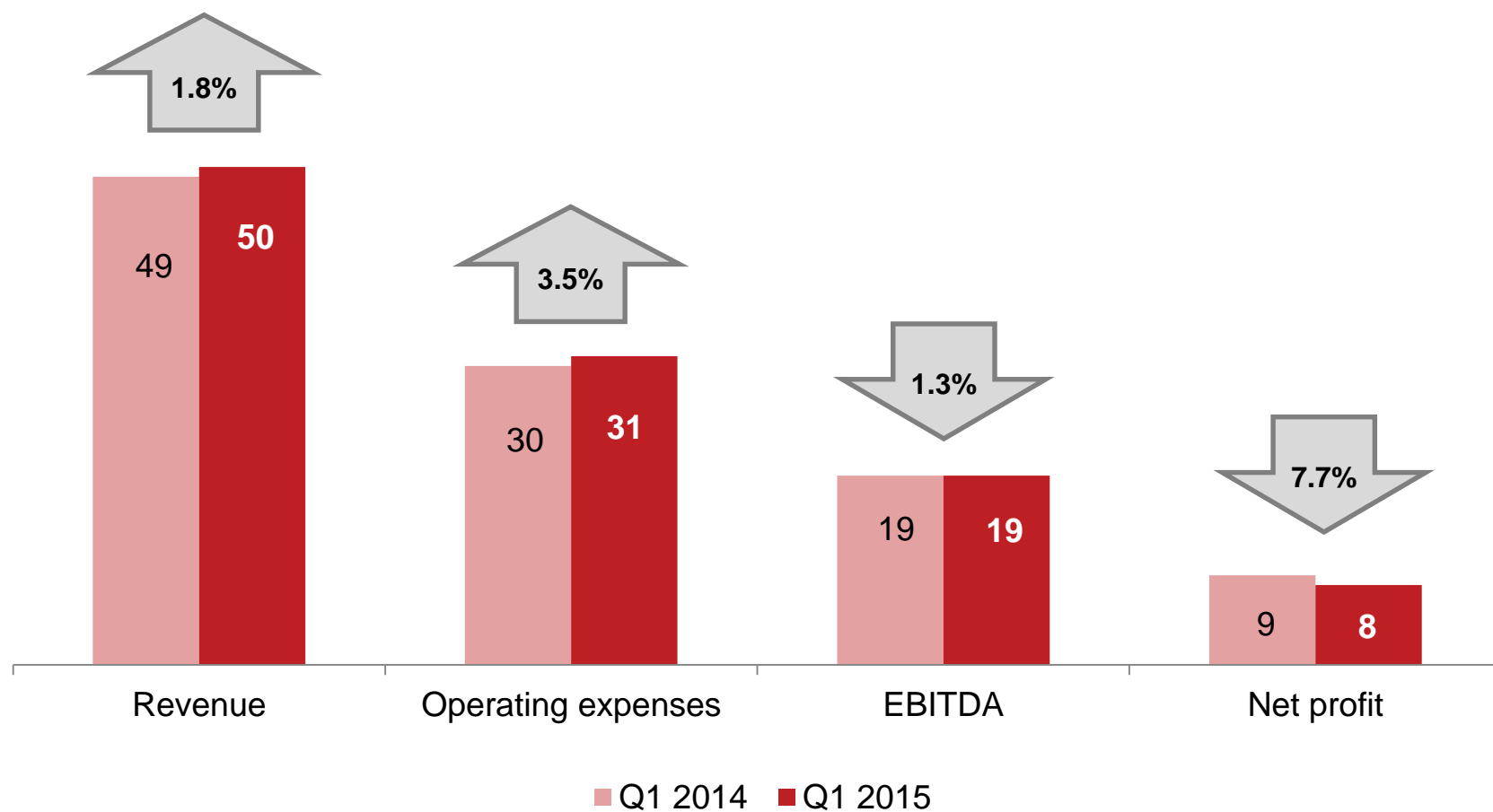


# Major financial indicators

(thousand EUR)	Q1 2015	Q1 2014	Change (%)	Q1 2013
Revenue	49,954	49,077	1.8	52,904
Operating expenses	31,232	30,167	3.5	31,402
EBITDA	18,794	19,033	(1.3)	21,558
EBITDA margin	37.6%	38.8%		40.8%
Amortization and depreciation	9,180	8,945	2.6	9,477
Operating profit	9,614	10,087	(4.7)	12,081
Operating profit margin	19.2%	20.6%		22.8%
Net profit	8,473	9,179	(7.7)	11,078
Profit margin	17.0%	18.7%		20.9%
Earnings per share (EUR)	0.015	0.012	23.1	0.014
Average weighted number of shares (thousands)	582,613	776,818	(25.0)	776,818

# Dynamics of Teo main financial indicators

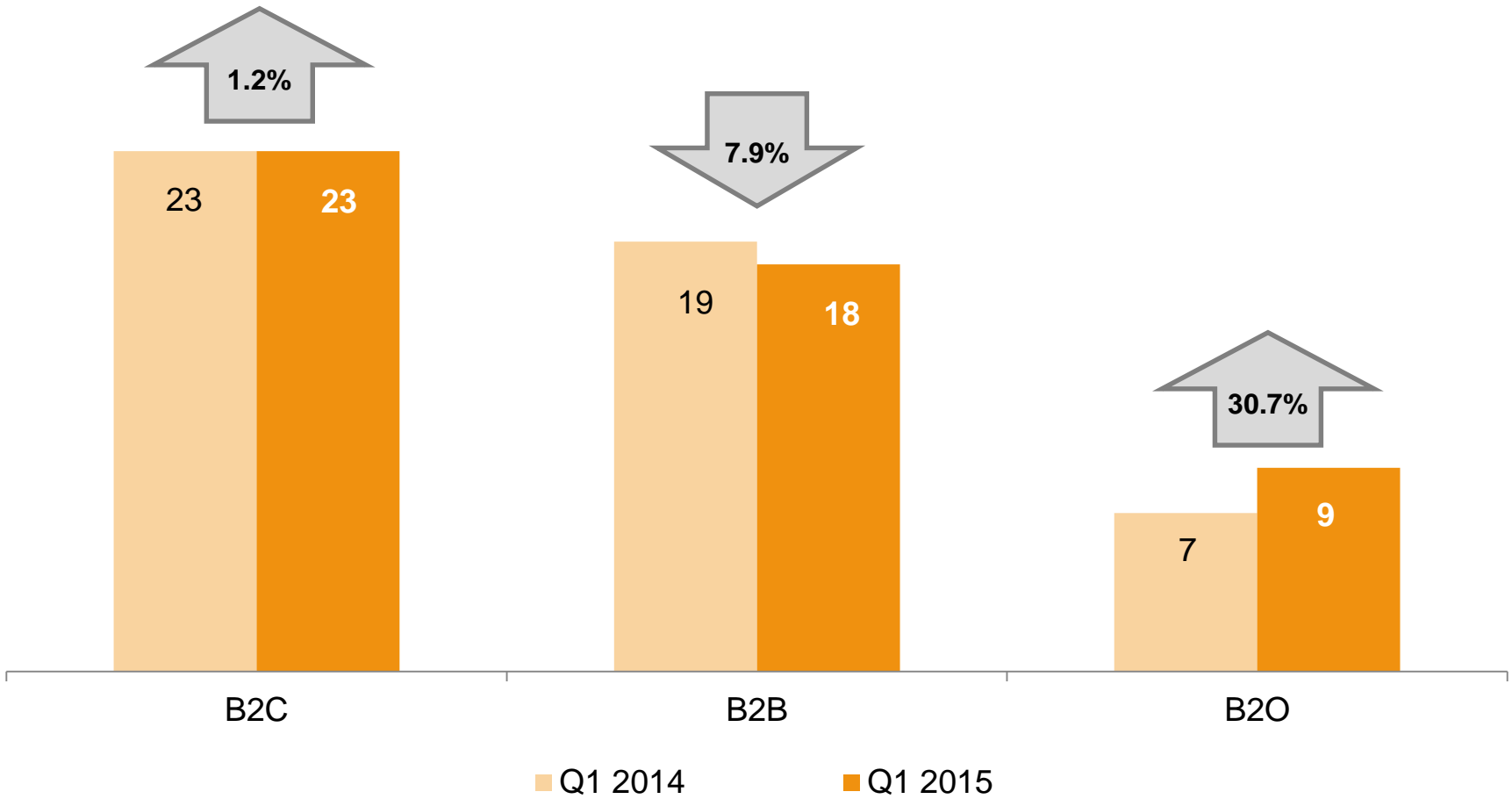
(EUR million)





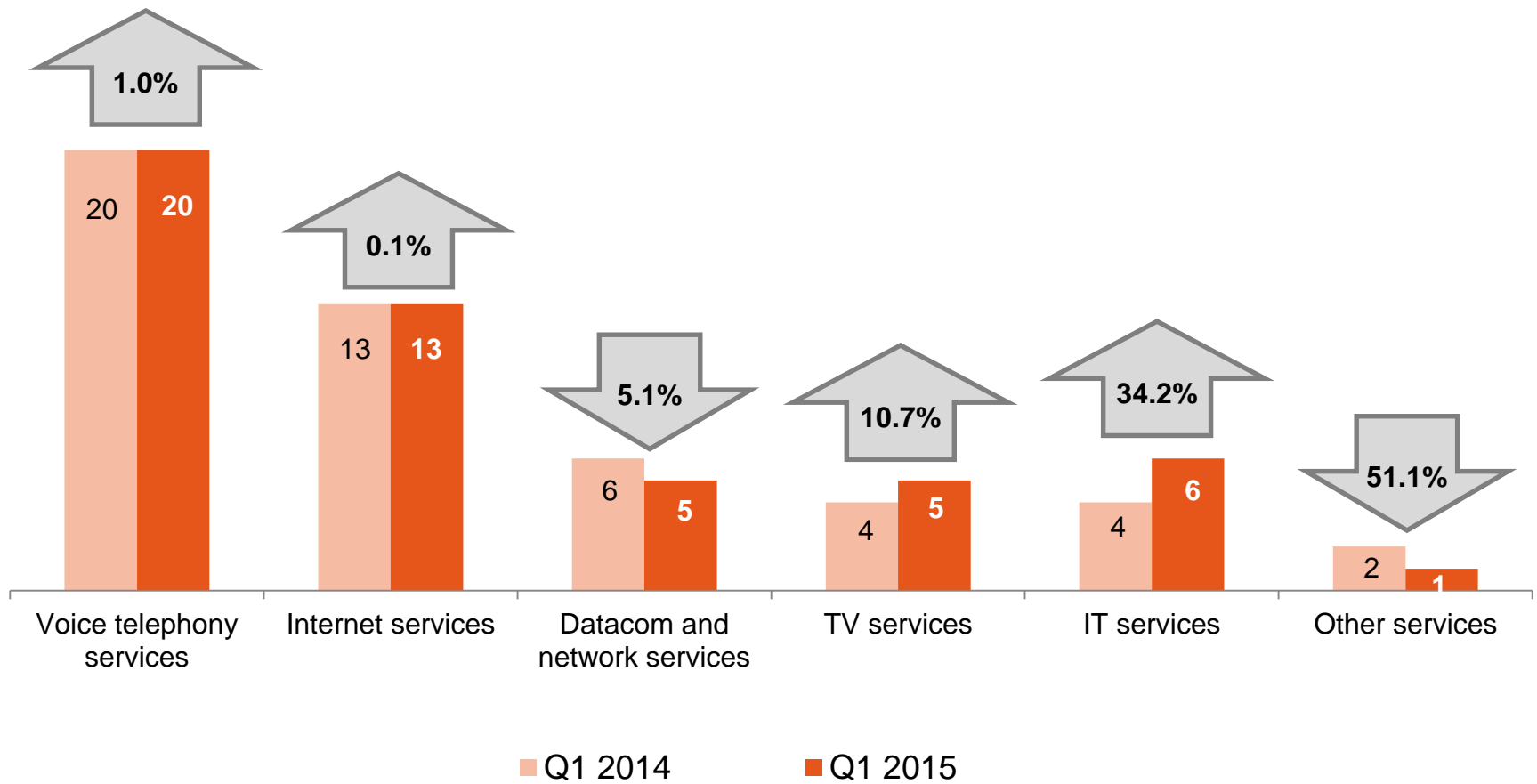
# Revenue

(EUR million)



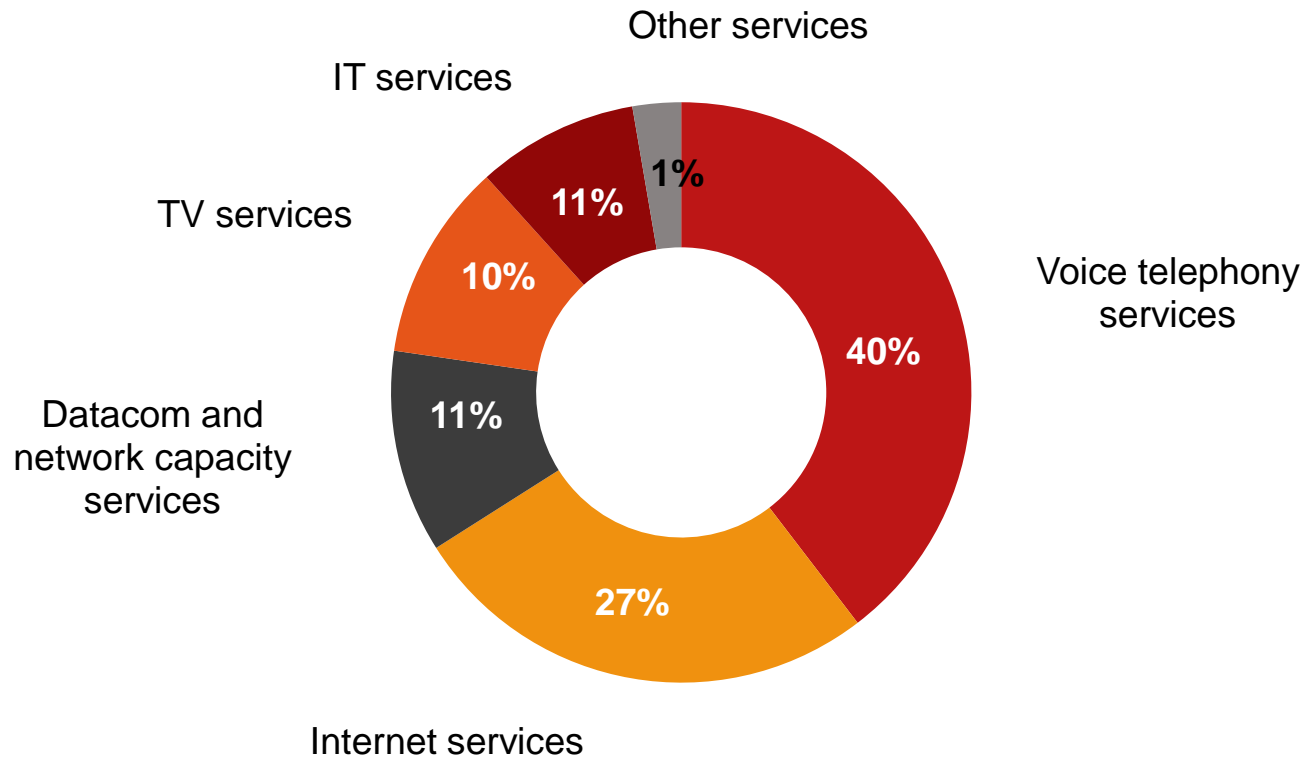
# Revenue

(EUR million)



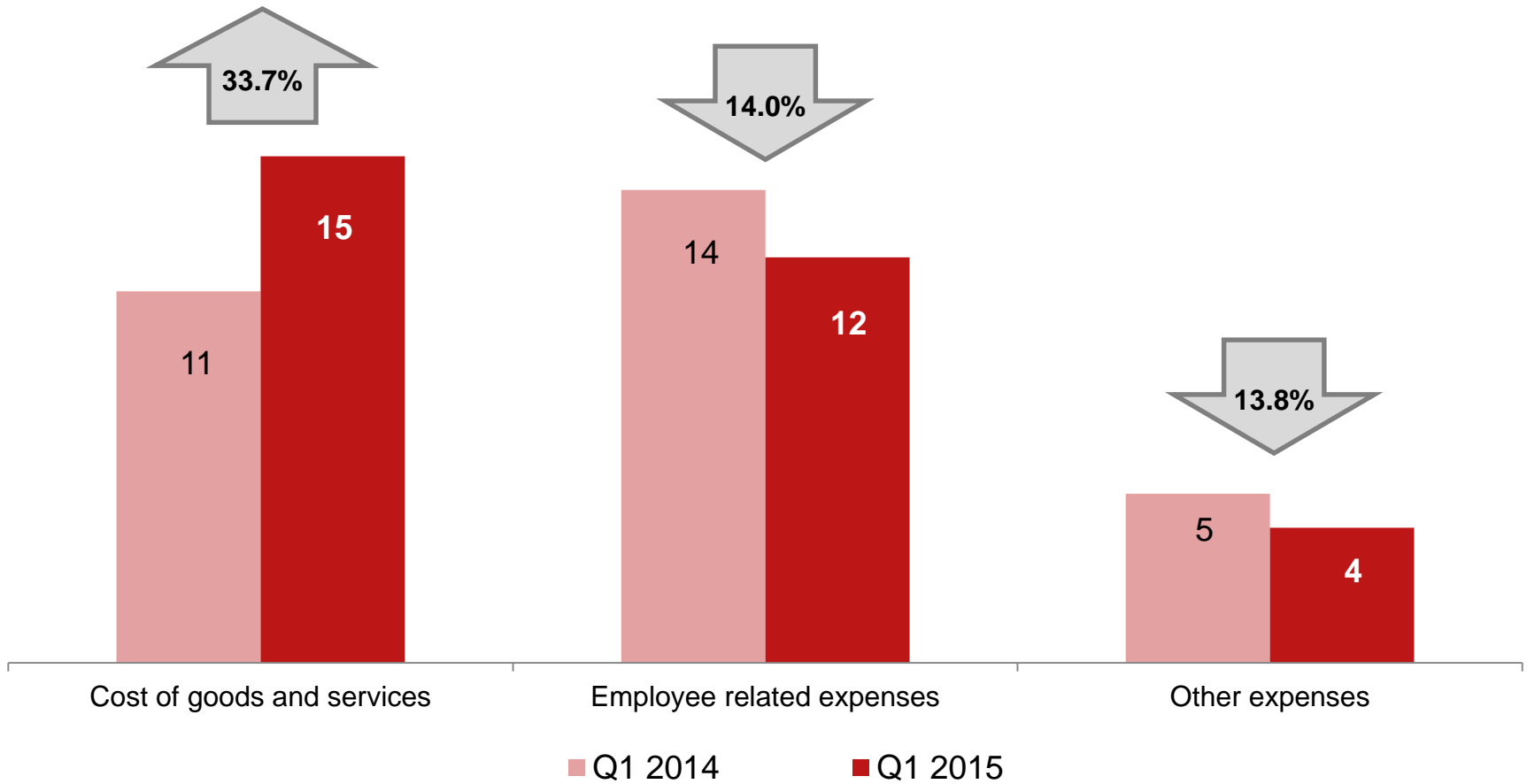
# Breakdown of revenue

(Q1 2015)



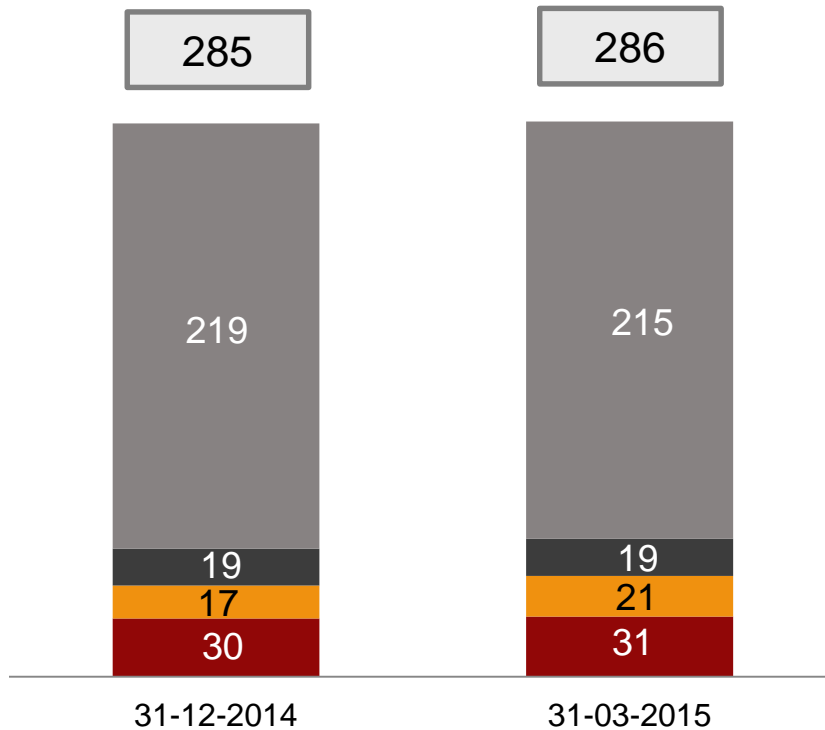
# Operating expenses

(EUR million)



# Assets

(EUR million)

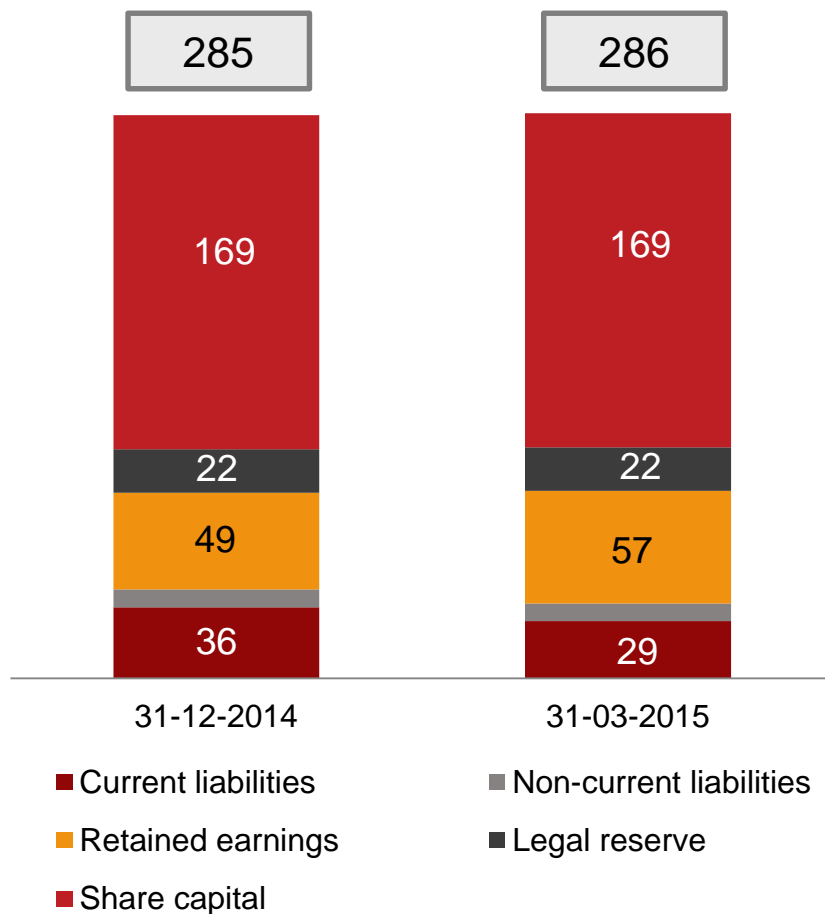


■ Property, plant and equipment ■ Other non-current assets  
■ Cash and investments ■ Other current assets

- **Non-current assets** amounted to 81,8% of total assets (31-03-2015)
- **Cash** alone amounted to 7.4%
- **Return on capital employed:** 14.0%
- **Return on average assets:** 13.9%

# Equity and liabilities

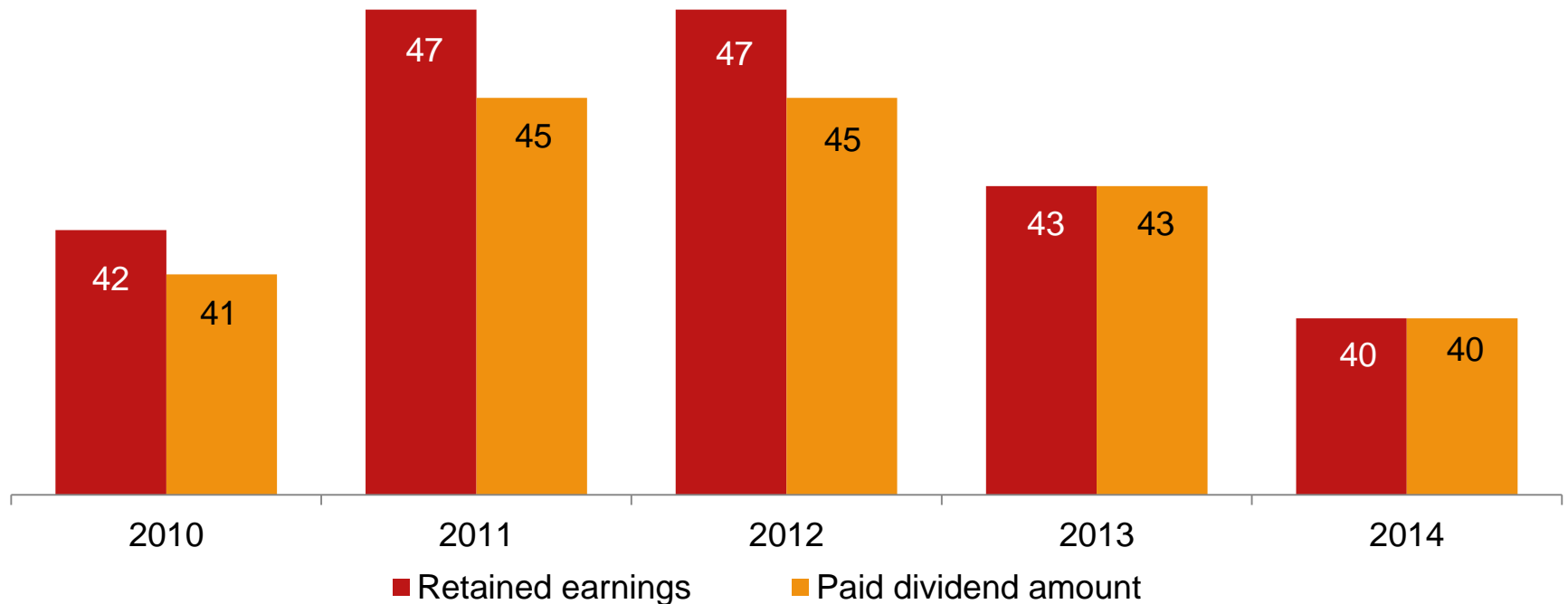
(EUR million)



- **Shareholders' equity** amounted to 86.8% of the total assets (31-03-2015)
- **Borrowings** amounted to EUR 10.3 million
- **Net debt** was negative and amounted to EUR 10.8 million
- **Gearing ratio:** (4.4)%
- **Debt to equity:** 4.1%
- **Return on equity:** 14.4%
- On 20 October 2014 **authorized capital was reduce by LTL 194 million (EUR 56.2 million)** by cancelling 194 million of shares and paying out to the shareholders LTL 194 million (EUR 56.2 million)
- The Board proposed to reduce **legal reserve by EUR 5.6 million** and reallocated this amount into retained earnings

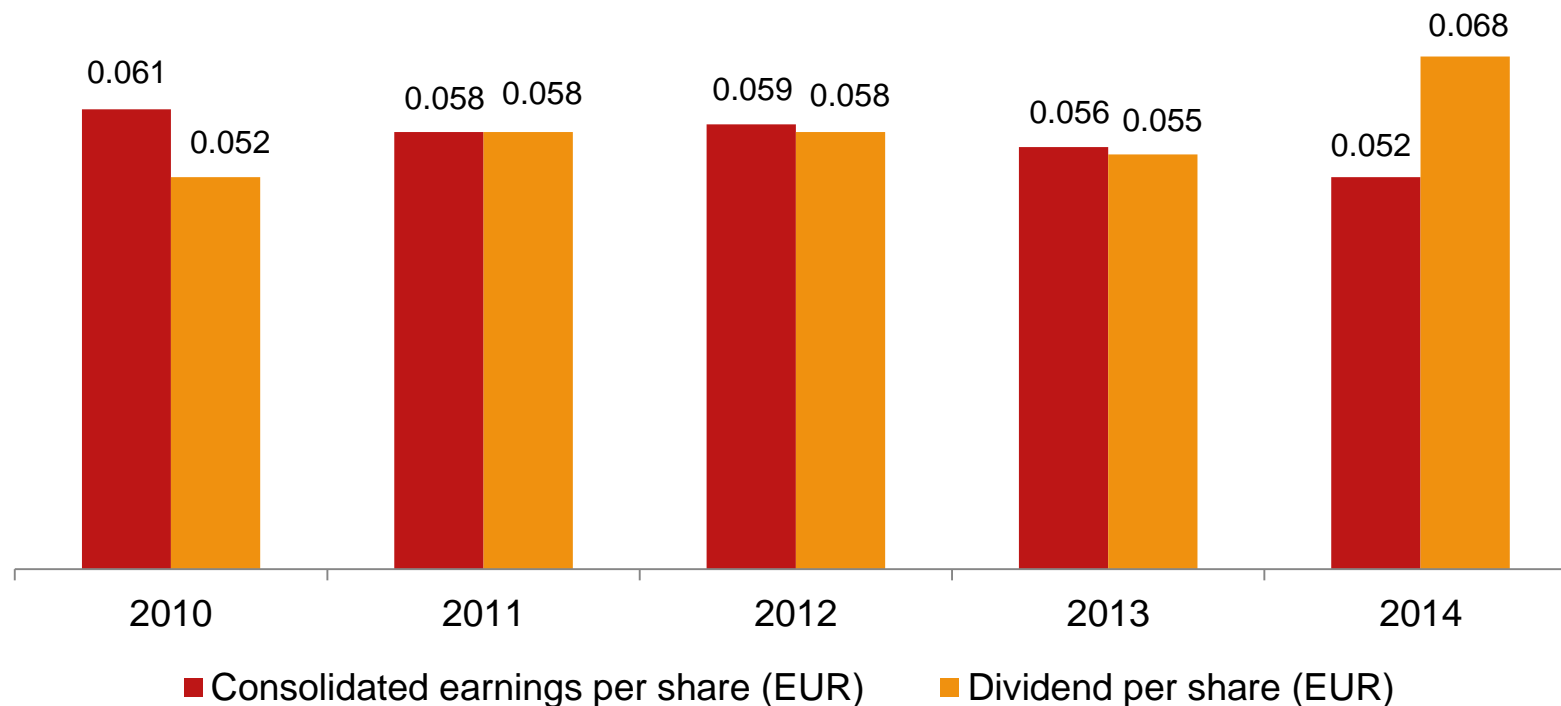
# Teo retained earnings vs dividends

(EUR million)



- Following the Lithuanian Law on Company dividends shall be paid **from the Parent company's retained earnings**
- The Board proposed to pay EUR 39.6 million or **0.068 euro** (0.235 litas) **per share of dividends** for the year 2014 from retained earnings of EUR 39.8 million

# Dividend payout



- On 17 November 2014 shareholders got **LTL 0.25 (0.072 euro) per share payment due to authorized capital reduction**
- The **AGM** of Shareholders that shall adopt a decision regarding the Board proposed dividends of **0.068 euro (0.235 litas) per share** for the year 2014 will be held **on 29 April 2015**



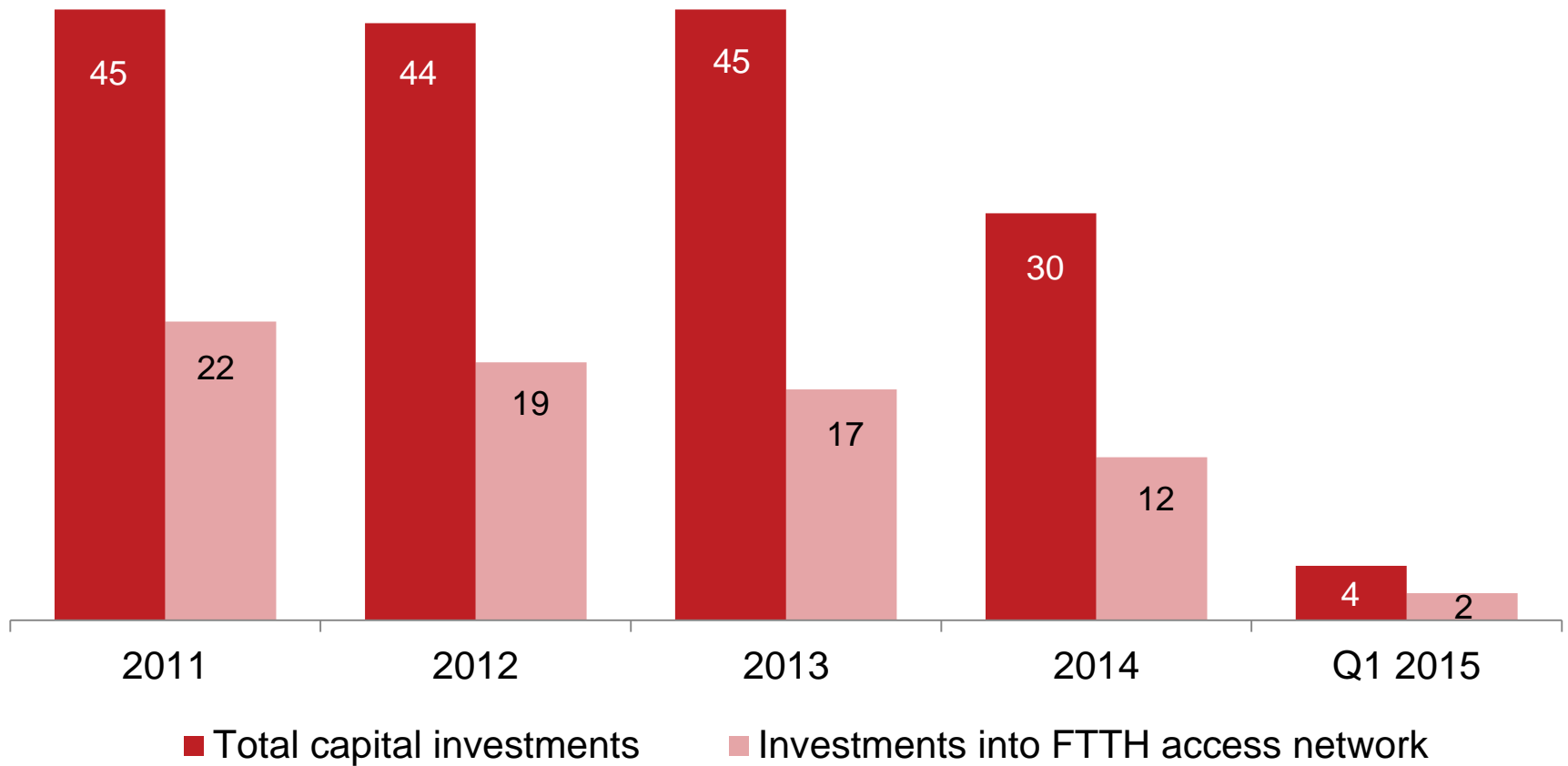
# Cash flow

(thousand EUR)	Q1 2015	Q1 2014
Net cash from operating activities	14,530	19,473
Net cash used in investing activities	(10,211)	(9,294)
Net cash used in financing activities	(75)	(72)
Increase in cash and cash equivalents	4,244	10,107

- **Free Cash Flow** during Q1 2015 was by 57.6% lower than a year go.
- Capital **investments** during Q1 2015 amounted to EUR 4.3 million (EUR 3.8 million in 2014)
- EUR 4 million went to expansion of the **core and fiber-optic access network**

# Teo investments

(EUR million)



# Shares and shareholders

# 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 88.15% through direct deals, on an open market and by launching a takeover bid

Shareholders as of 31 March 2015

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

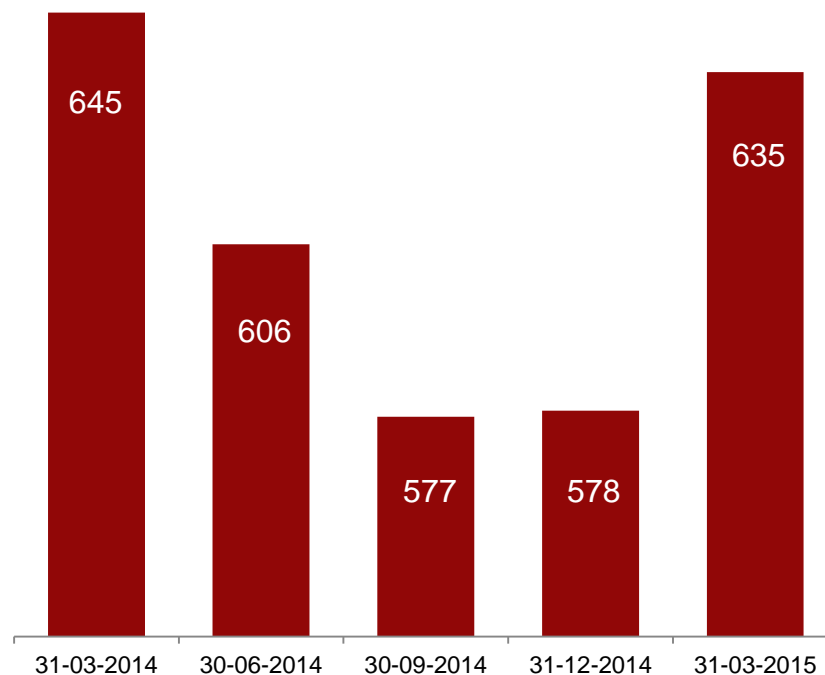
- On **24 October 2014**, authorized **capital was reduced** by LTL 194 million and accordingly **number of voting shares** was reduced from 776,817,518 to **582,613,138**

# Teo shares

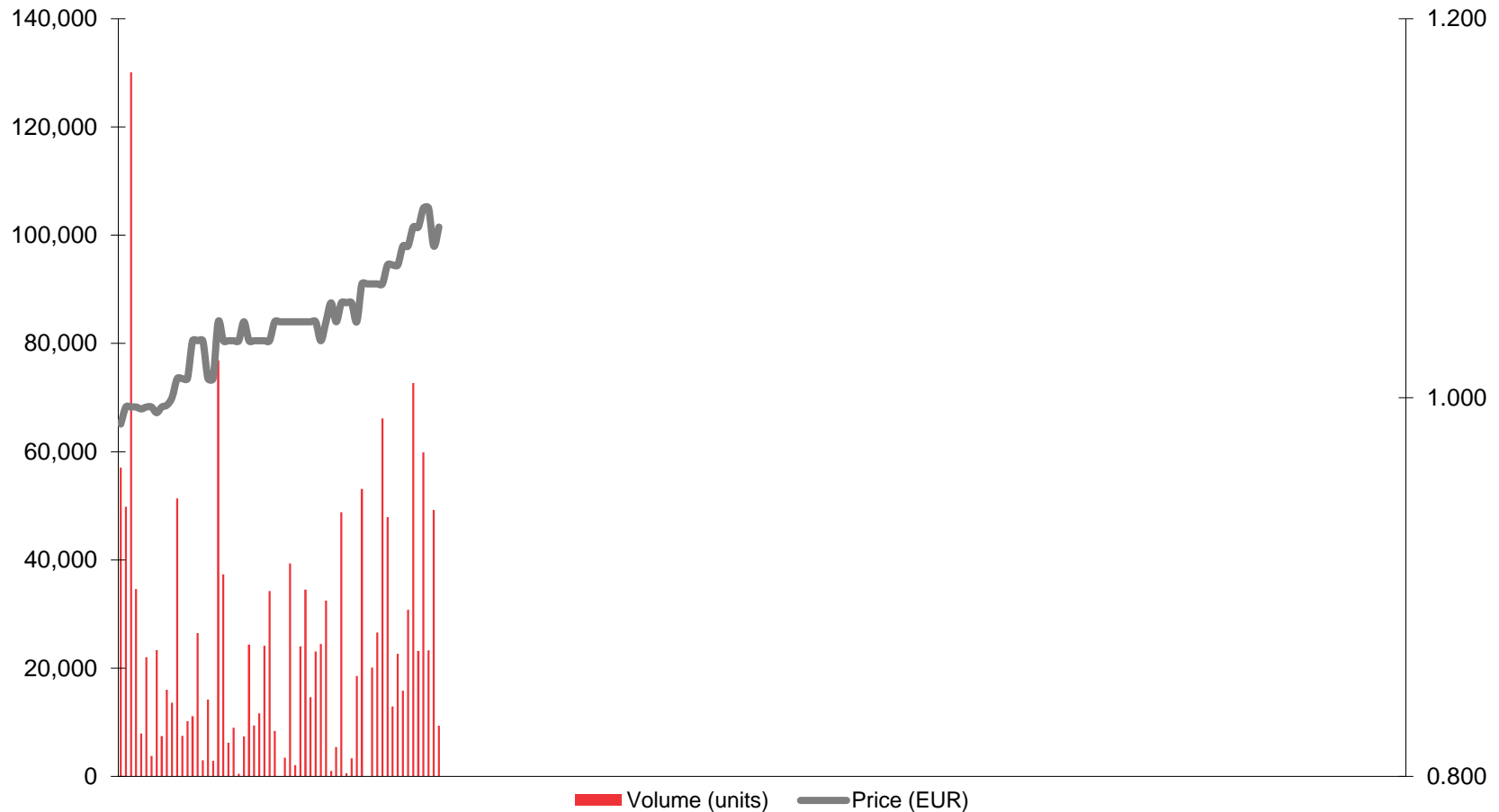
- Since June 2000 Teo shares are listed on **Nasdaq OMX Vilnius** stock exchange (ticker: TEO1L)
- Since January 2011, Teo shares were included into the trading lists of a few **German stock exchanges** (ticker: ZWS)
- **Turnover** on Vilnius stock exchange during January-March 2015: 1.6 million shares or EUR 1.6 million (LTL 5.6 million)
- Share **price** on Nasdaq OMX Vilnius:

	EUR	LTL
01-01-2015	1.000	3.453
High	1.100	3.798
Low	0.986	3.404
31-03-2015	1.090	3.764

Market capitalization (EUR million)

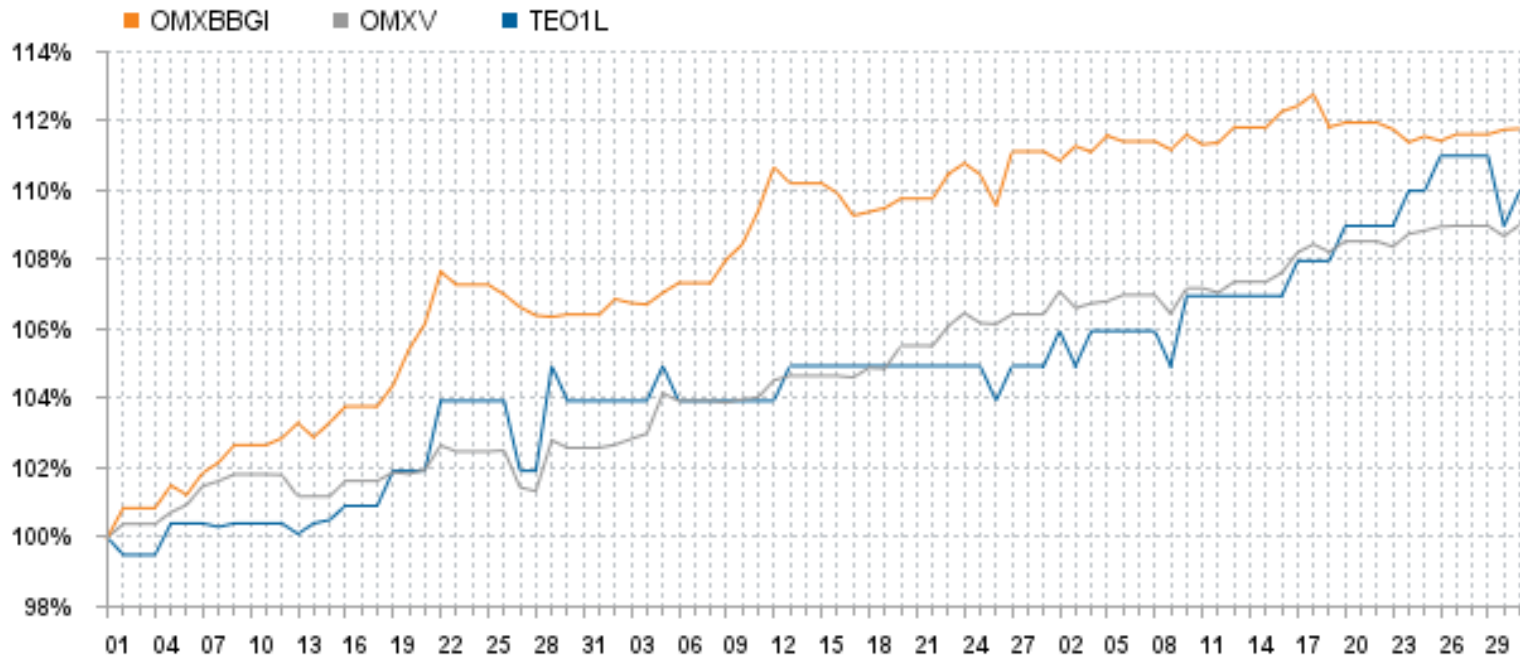


# Trading in Teo shares on Nasdaq OMX Vilnius stock exchange in 2015



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# Teo share price and Nasdaq OMX Vilnius indexes comparison



Source: Nasdaq OMX Vilnius

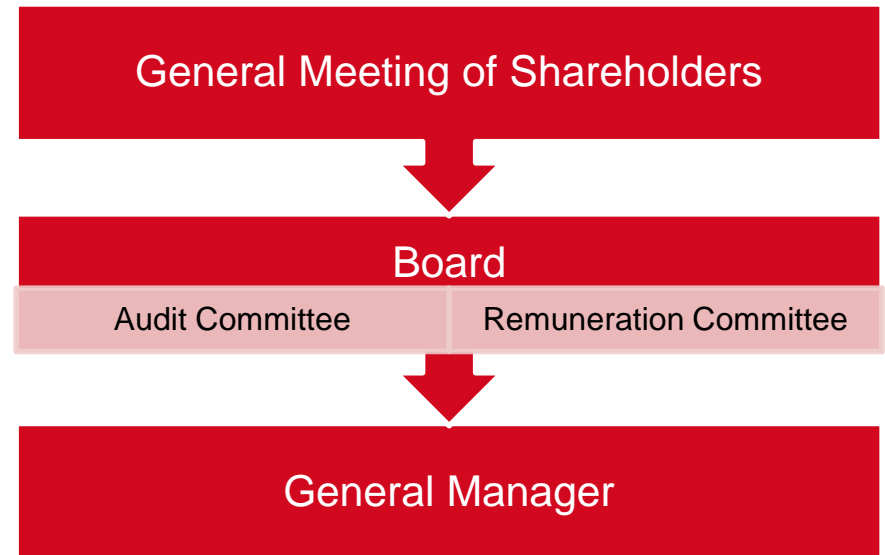
# Corporate governance

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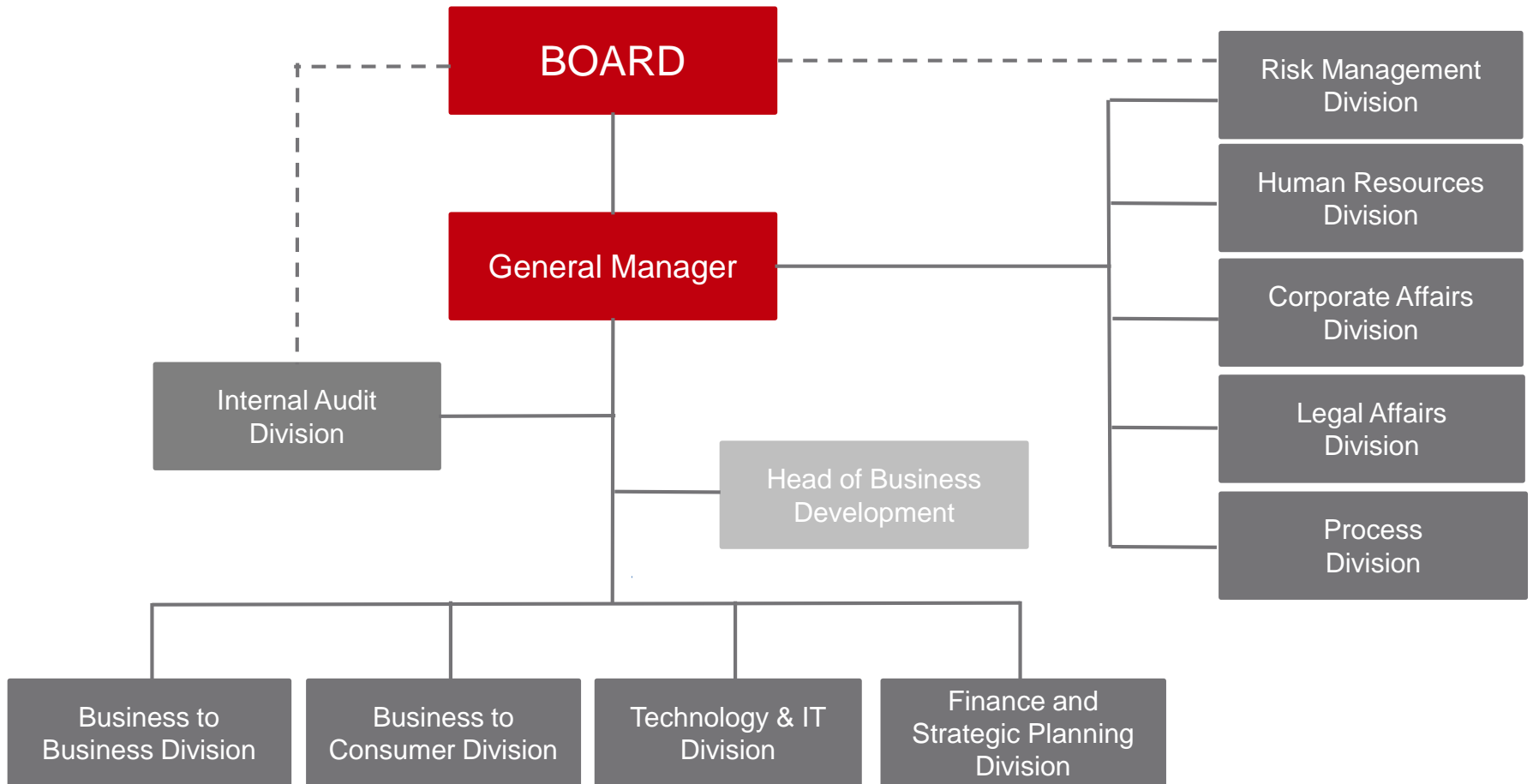
# Governing bodies

- The **Annual General Meeting** of Shareholders will be held on 29 April 2015
- The **Board** consist of 6 members elected for the 2 year term
- The current term of the Board will be over on 25 April 2015. Teliasonera, a shareholder having 88.15% of shares and votes, proposed to **reelect current members of the Board** for a new 2 years term
- 3 members of the Board comprise **Audit and Remuneration Committees**
- The Board proposed to elected **UAB Deloitte Lietuva** as the Company's independent auditor for the year 2015
- The Board elects and recalls the **General Manager**



# Governing structure of TEO LT, AB

Valid from 1 April 2015



# 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 Audit 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

- Rolandas Viršilas has 75,000 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



**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 8,761, Kastytis Kmitas – 4,202 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
- Teo responsibility priorities are: **cyber data security and privacy, freedom of expression, safety of children in cyberspace, business transparency and anti-corruption**

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Thank you!