

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 year 2014

30-04-2015

Teo 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

Our vision

Your best partner in communicating
with the constantly changing world

*By constantly introducing the most
advanced technologies we aim at
enabling our customers to reach people,
knowledge and entertainment simply and
easily.*

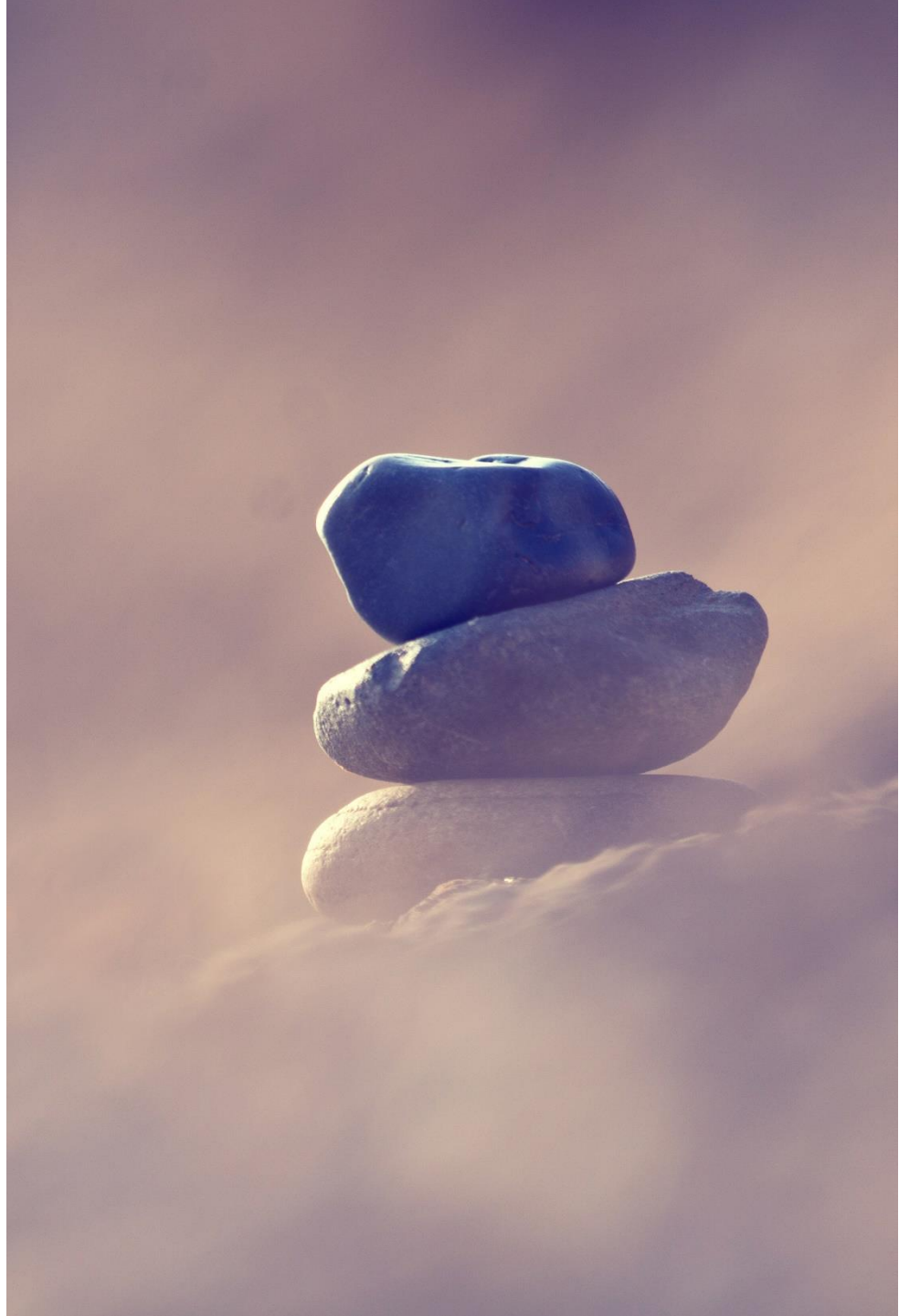
teo



Our mission

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

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Our values



We DARE to

- Innovate
- Lead
- Speak up

We CARE for

- Our customers
- Each other
- Our world

We SIMPLIFY

- Execution
- Teamwork
- Our operations

Main events in 2014

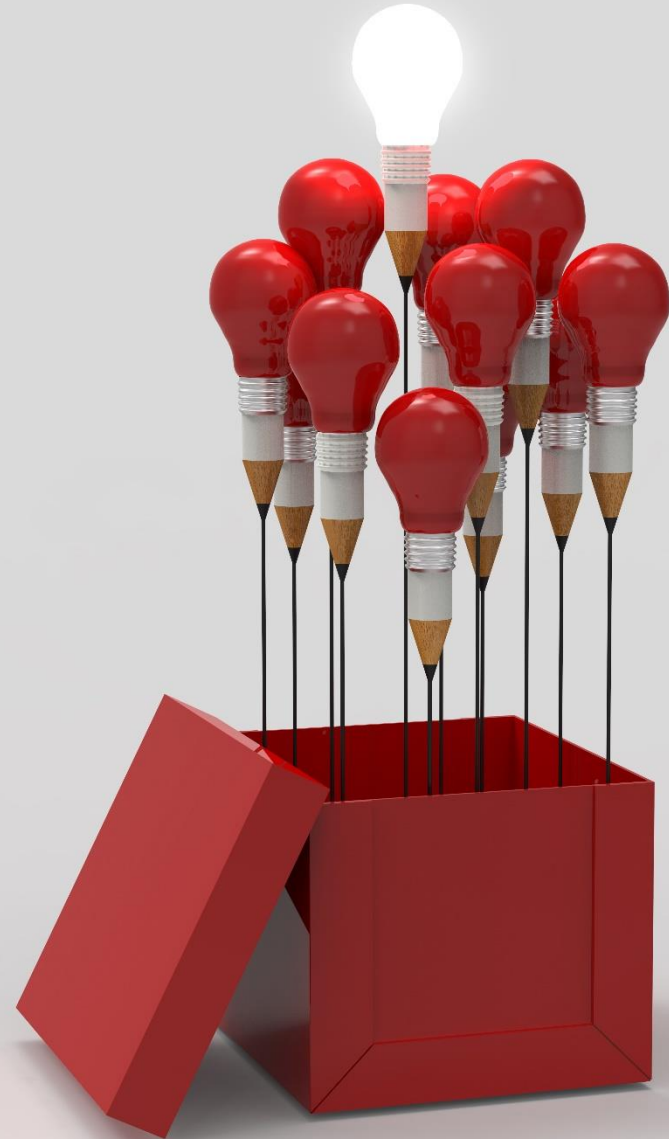
- In June, a **new governing structure** of Teo came into force, a new Management Team was formed
- Activities of subsidiaries Lintel and BDC are more **integrated** into activities of new B2C and B2B divisions of Teo
- Shareholders **elected** Robert Andersson, Stefan Block and Claes Nycander to the Board of the Company
- CRA **lifted** obligation on voice transit services provision
- Authorized **capital was reduced** by 25% by cancelling share and paying out funds to the shareholders



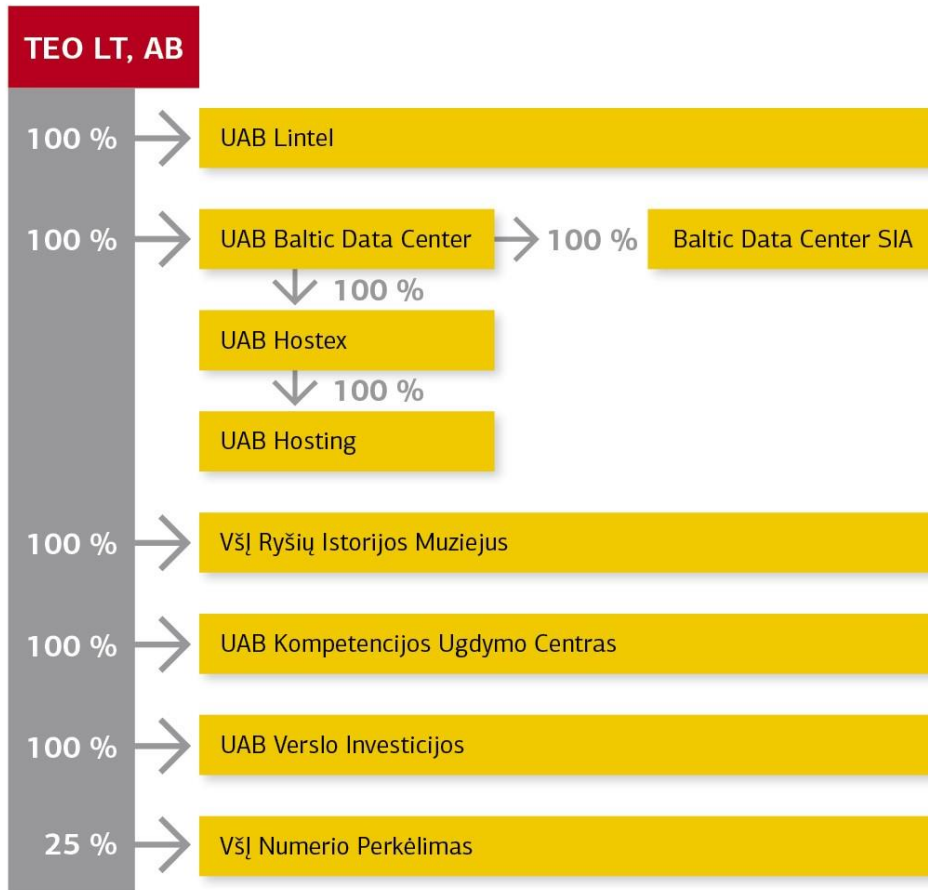
Service novelties

- **Upgraded menu** of Teo smart TV
- BDC signed a new **3 years contract with DNB bank**
- **E-shop** of household electronic equipment was opened
- From June part of Omnitel customers and from December – anyone could use a new generation TV service “**Interneto.tv**”
- An **unique “Teo Wi-Fi” solution** was implemented in Vilnius Siemens Arena
- Service “**Storage**” became also reachable **over the menu** of Teo smart TV
- Teo together with Omnitel offered a new service, “**Internet everywhere**”, to business customers

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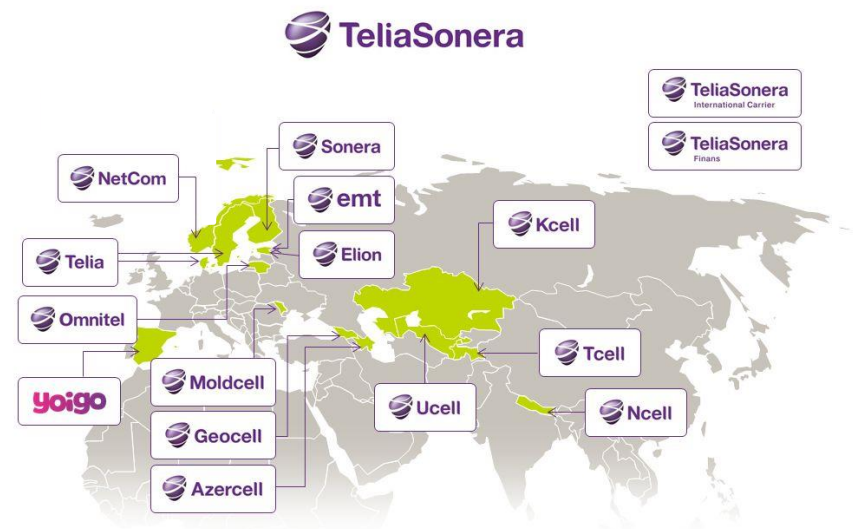
Teo Group



- 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

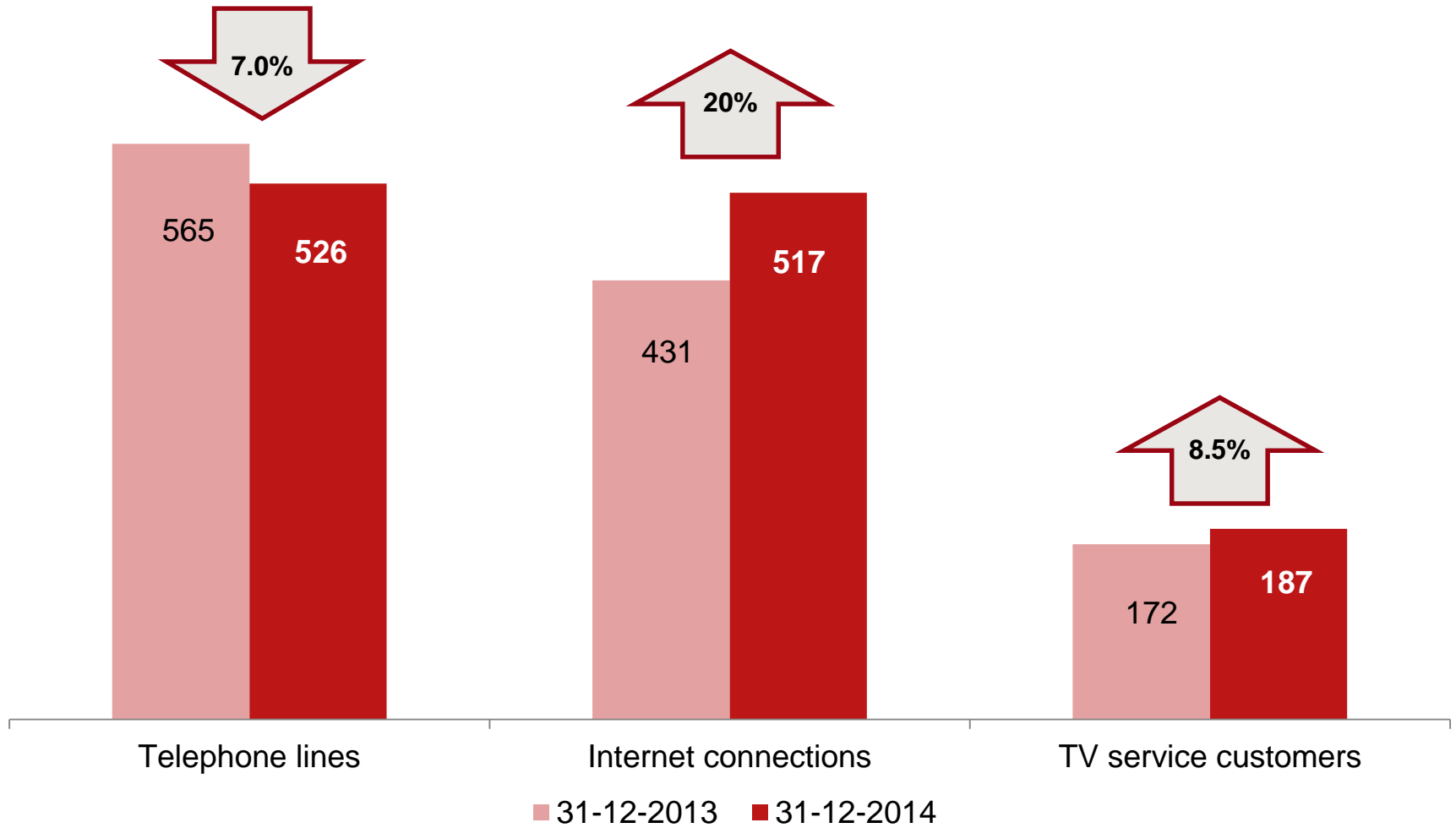
Teo – part of TeliaSonera Group

- TeliaSonera AB (Sweden), an international telecommunication corporation, owns a **88.15% stake in Teo**
- TeliaSonera in Lithuania also owns a **100% stake in UAB Omnitel**, a mobile operator
- **TeliaSonera** provides telecommunication services in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain
- Teo and Omnitel belongs to TeliaSonera's **Region Europe**



Main operating figures

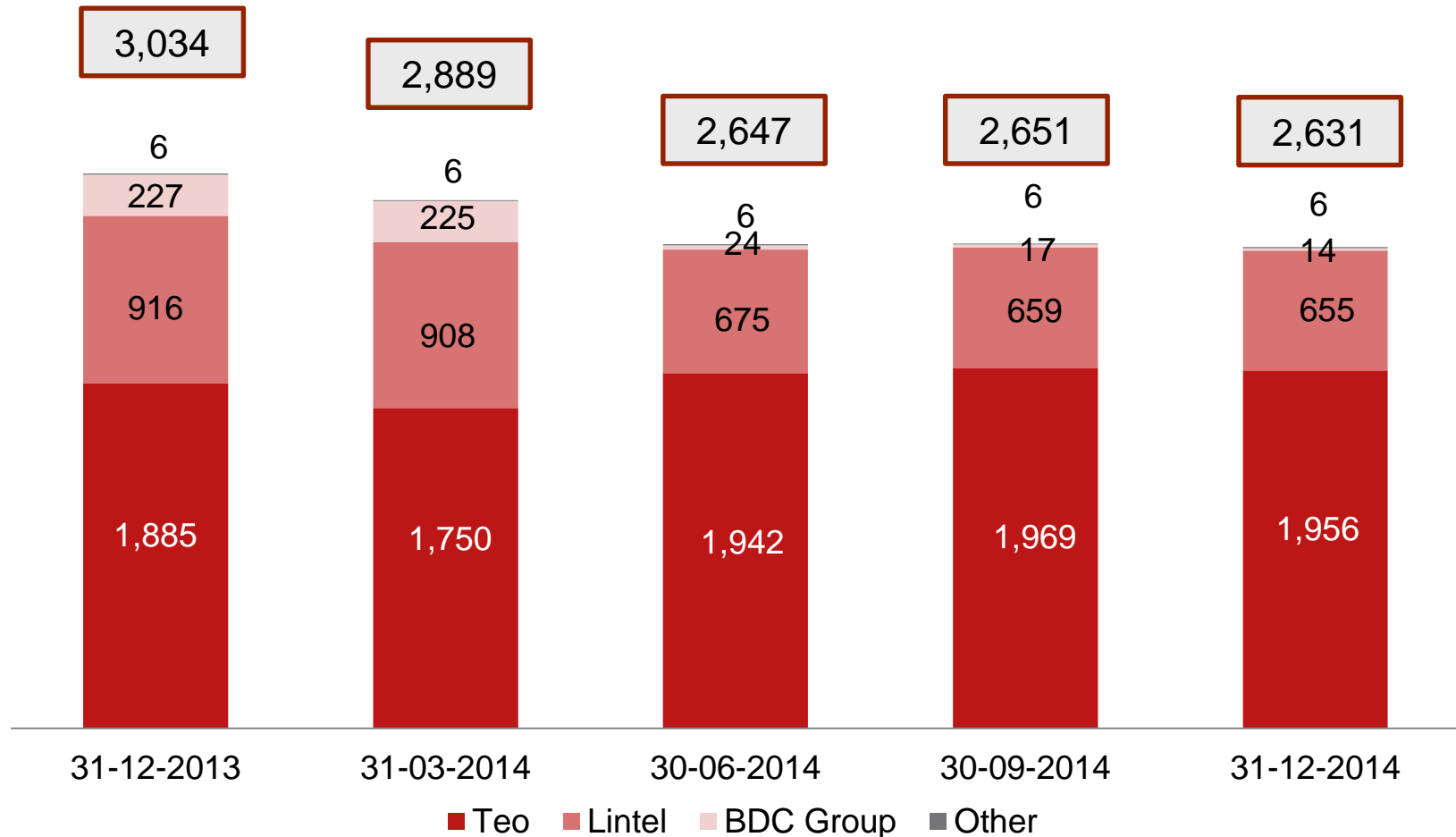
(thousands)



Main operating figures

	31-12-2014	31-12-2013	Change (%)
Number of telephone lines	525,879	565,327	(7.0)
Number of broadband Internet accesses, in total:	517,266	430,911	20.0
- via fiber-optic lines	200,539	180,154	11.3
- via copper lines	170,059	176,505	(3.7)
- wireless (WiFi) access	146,668	74,252	97,5
Number of TV services users, in total:	186,935	172,308	8.5
- IPTV	131,493	106,228	23.8
- DVB-T	55,442	66,080	(16.1)
Number of employees	2,631	3,034	(13.3)

Employees of Teo Group



Teo awards



IR Magazine recognized Teo as the company maintaining the best investor relations (IR) in Lithuania in 2014



For the six year in a row, Teo is recognized as the best among the companies listed on Nasdaq OMX Baltic stock exchanges during the Baltic Corporate Excellence Awards 2014



During Baltic Market Awards 2014 organized by Nasdaq stock exchanges in Baltic countries Teo was awarded for the Best Annual and Corporate Governance Report as well as the Best Investor Relations According to the Analysts

Teo awards (2)



Commemorating the International Anticorruption Day the Ministry of Economics of the Republic of Lithuania awarded Teo for initiative of implementing anticorruption policy into the Company's organizational culture



According to the Top Employer 2014 survey conducted by CV-Online, Teo was announced as the top employer in the IT category



During an awards "Lithuanian Product of the Year 2014" organised by Lithuanian Confederation of Industrialists "Teo Smart TV" service received a Gold Medal

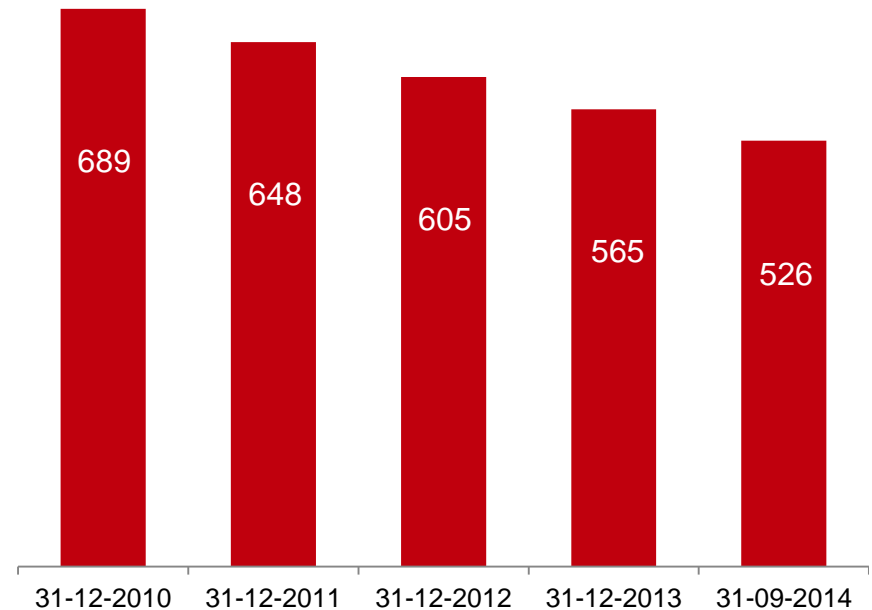
Services provided

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Voice telephony services

- Teo has the majority of fixed voice telephony customers (**90%**) in Lithuania
- Teo voice telephony services are provided **all over the country**
- Customers are offered a number of **flat-fee payment plans** depending on their needs for domestic or international calls, calls to other fixed or mobile networks

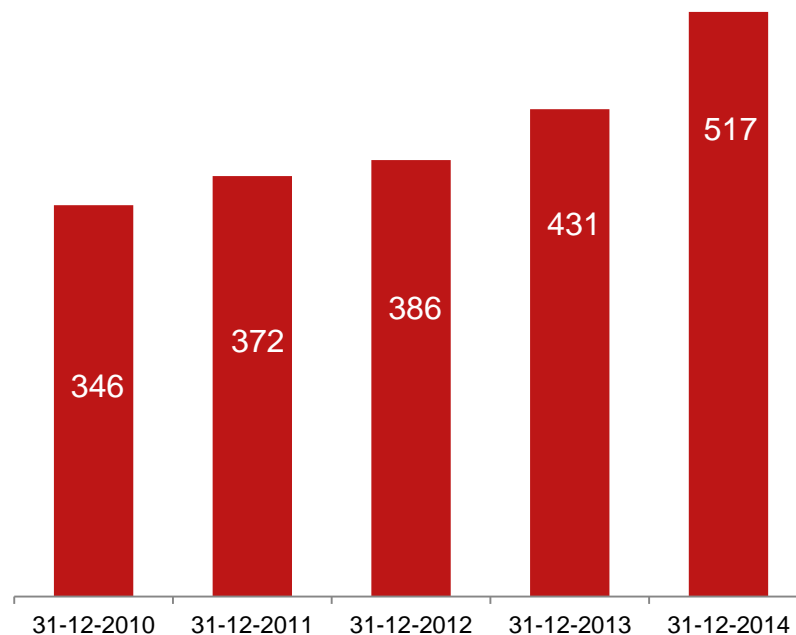
Number of telephone lines (thou.)



Internet services

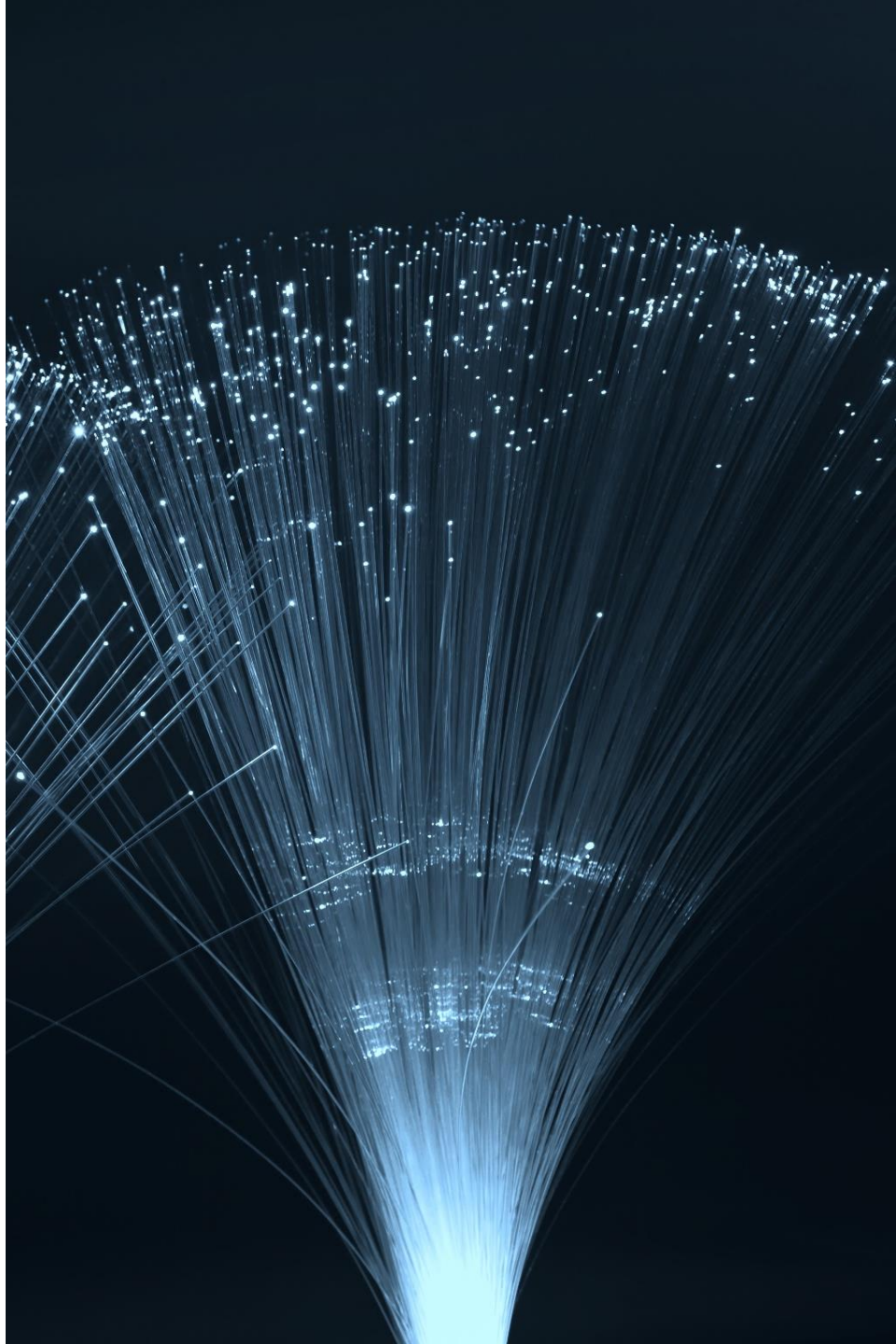
- Teo has the majority of fixed broadband Internet access (54%) and **41%** of all Internet (including mobile) users in Lithuania
- Teo provides Internet services **all over the country**
- **39%** of Teo Internet connections are fiber optic (FTTH/FTTB), **33%** – copper (DSL) and **28%** – wireless (Wi-Fi) connections
- Teo has the country's largest network of **2,967 Wi-Fi hot-spots**
- Teo Internet Wi-Fi service in public places is branded as **Teo Wi-Fi**

Number of Internet connections (thou.)



Teo fiber optic network

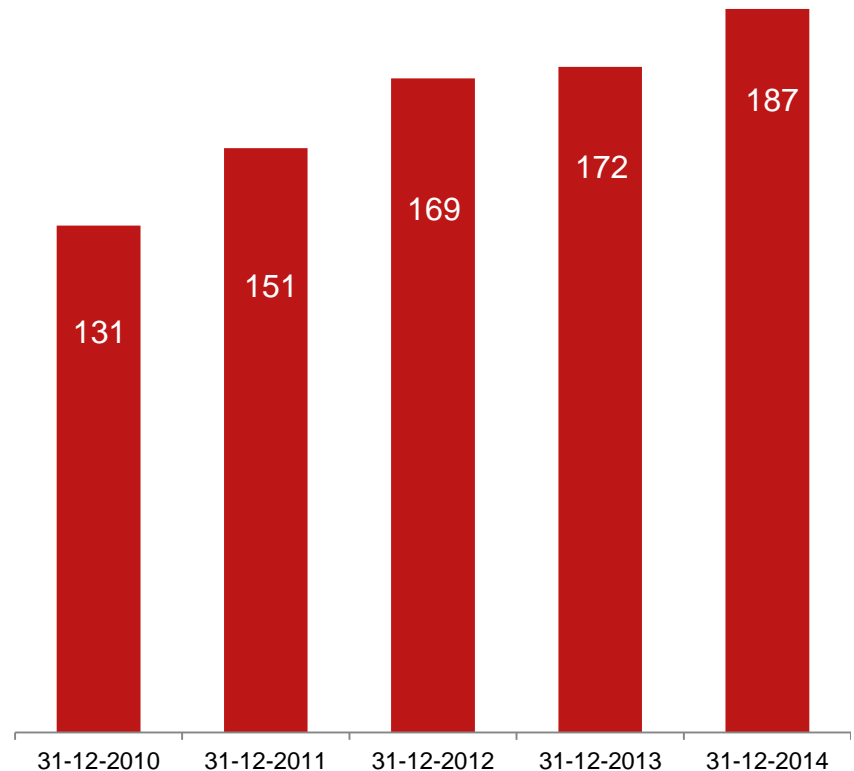
- **Almost LTL 500 million** was invested in the next-generation fiber optic access network (FTTH) of Teo since 2007
- Teo FTTH network operates in more than **100** Lithuanian cities and towns
- **836 thousand** households, or more than 2/3 of the country's households, by the end of December 2014 were passed by Teo FTTH network
- **Lithuania is No. 1** in Europe in terms of FTTH/B penetration (Source: FTTH Council Europe)



Television services

- Teo has the majority of pay-TV service users (**26%**) in Lithuania
- Teo provides IPTV and DVB-T services **all over the country** where it is technically possible
- Teo also operates **2 out of 4** national networks of DVB-T transmitters (10 TV channels per network) and obtained the license to construct a third one
- On **29 October 2012** Lithuania switched from analogue to digital TV broadcasting
- From December 2014, Teo new generation Internet television service for smart devices, **Interneto.tv**, is provided as separate service

Number of TV services users (thou.)



Modern services for business customers

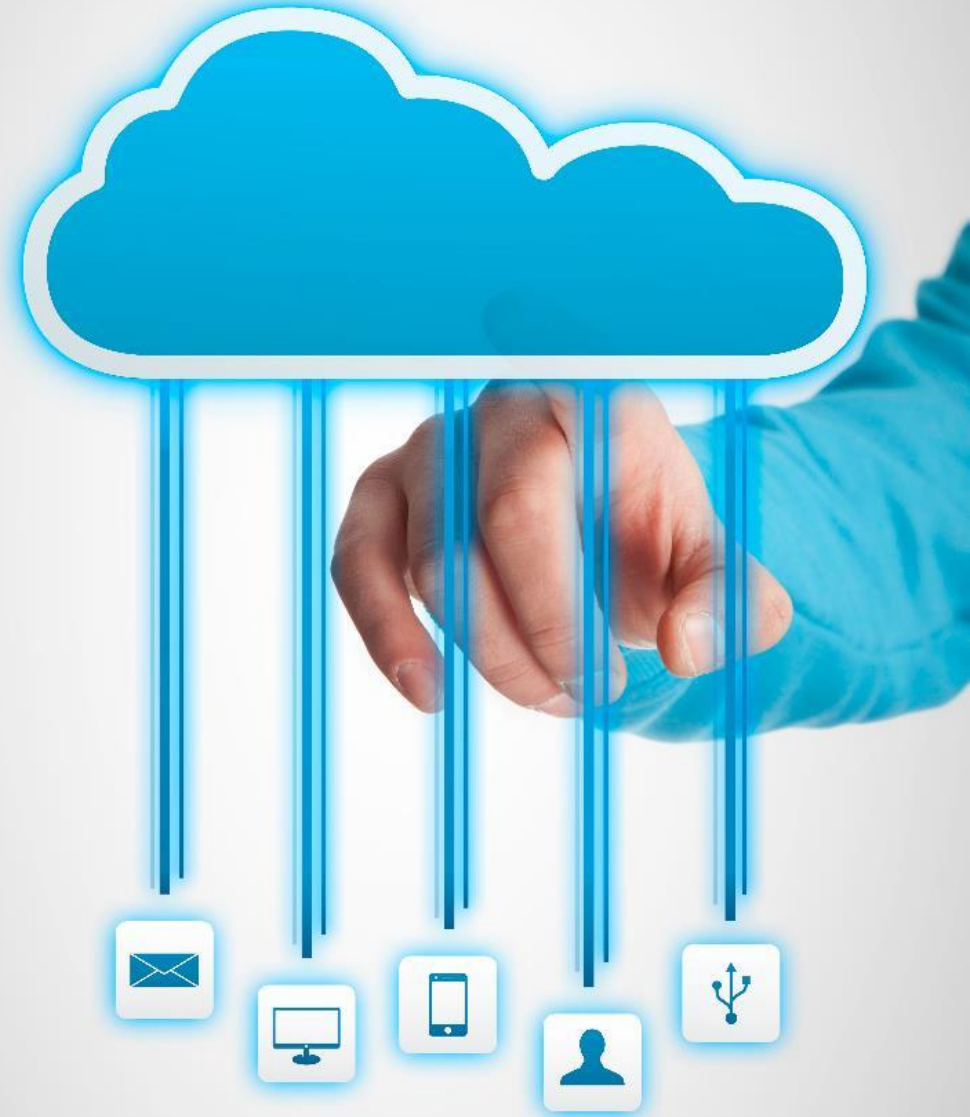
- **High Definition (HD) voice calls** – the Internet telephony (VoIP) innovation
- **Virtual IP PBX** – an alternative to PBX
- **Interactive Voice Response (IVR) equipment** – an automated handling of customers' calls
- Standardized **Internet Security Solutions** service
- Long-term computer and office equipment **rent**
- **Storage for Business** – up to 1 TB (terabit) storage place
- **Virtual Office** – the Microsoft Exchange 2007 based virtual collaboration system, created in the network of Teo
- **Video Surveillance Solutions** – infrastructure installation, equipment rent or purchase as well as its maintenance

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IT services

- **7 data centers** fully comply with international standards
- A broad range of **IT outsourcing services**
- **Customers** from Lithuania, Latvia, Estonia, Finland, Sweden, Norway, Denmark, Poland
- Services are provided under **ISO 20000** and **ISO 27001** certificates and ITIL best practice
- Professional support 24x7 (**IT Service Desk**)
- **Hosting** of web portals and information systems
- **TV channels** webcasting
- **Cloud** computing services



Call center services

- **Lintel** is the largest and most modern Call Center service provider in Lithuania
- **6 Call Centers** located in Vilnius, Kaunas, Klaipėda, Panevėžys and Radviliškis are connected into **one virtual Call Center**
- Services provided in Lithuania, Russian and English
- Directory Inquiry Service **118**
- **Telemarketing** and remote **customer care** services for business customers
- IT consultations service **24x7**



Carrier business

- Being the largest operator in Lithuania, Teo provides services not only to retail customers but also to **national and international operators**
- National operators are provided with voice and data **networks interconnection**
- **49%** of Lithuania's direct international Internet traffic goes through Teo connections
- **International carriers** are offered calls termination in fixed and mobile networks of Lithuania, voice and data transit to networks of other international operators
- Teo has **points of presence (POP)** in Frankfurt, Riga, London and Stockholm

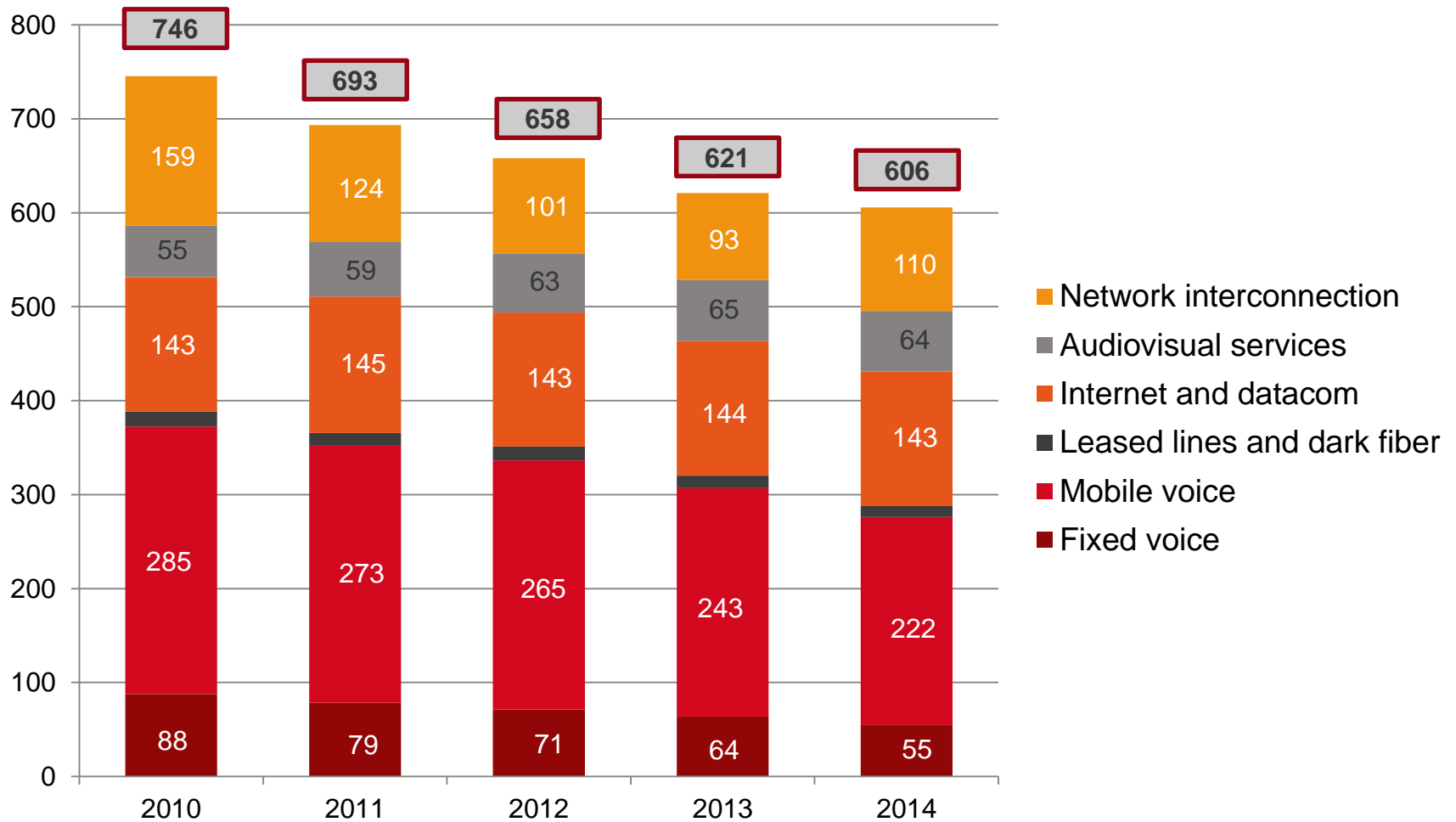


Electronic communications market of Lithuania

teo

Telecommunication market in Lithuania

(EUR million)

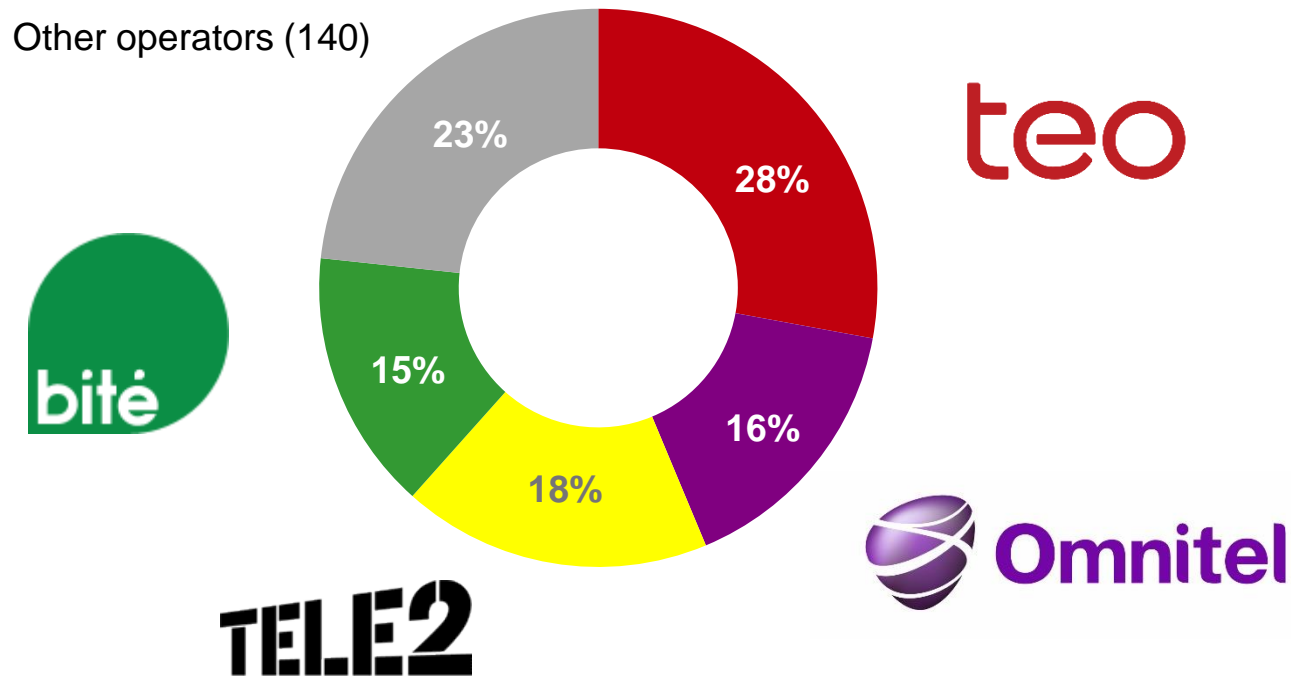


Source: Report of the Communications Regulatory Authority

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)

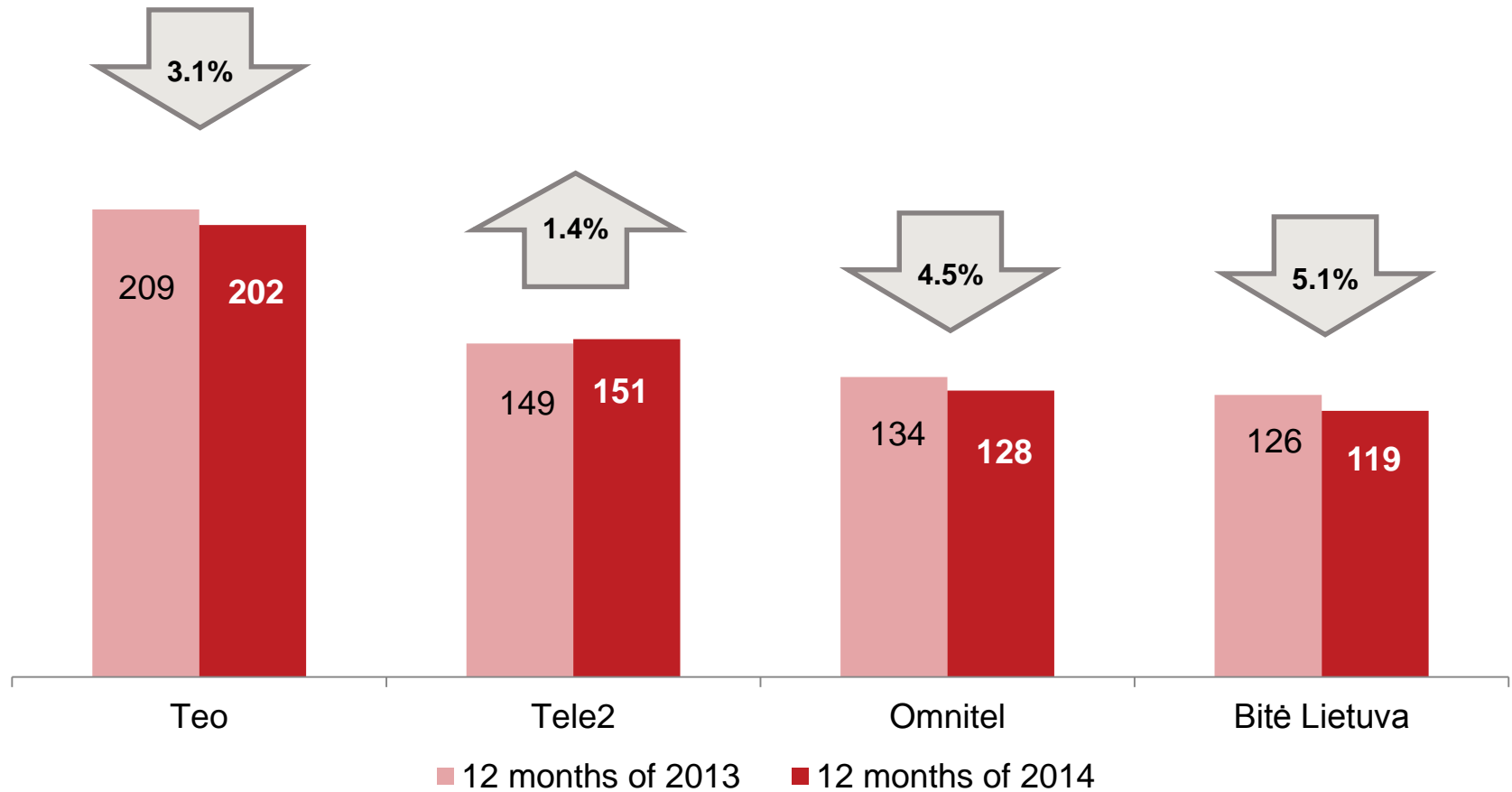
Breakdown of the telecommunications market revenue in 2014 by operators



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

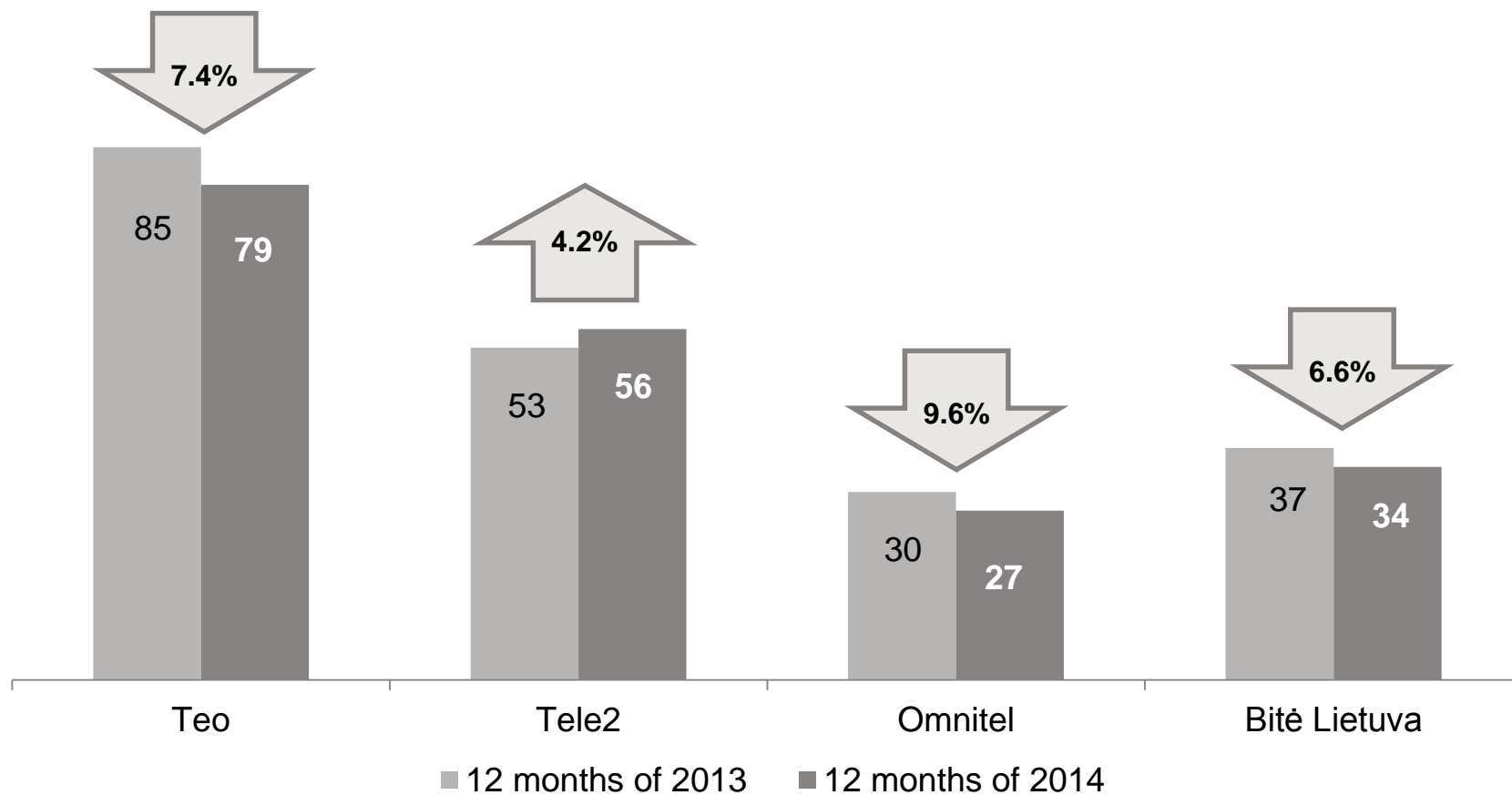
Main market players' revenue changes

(EUR million)

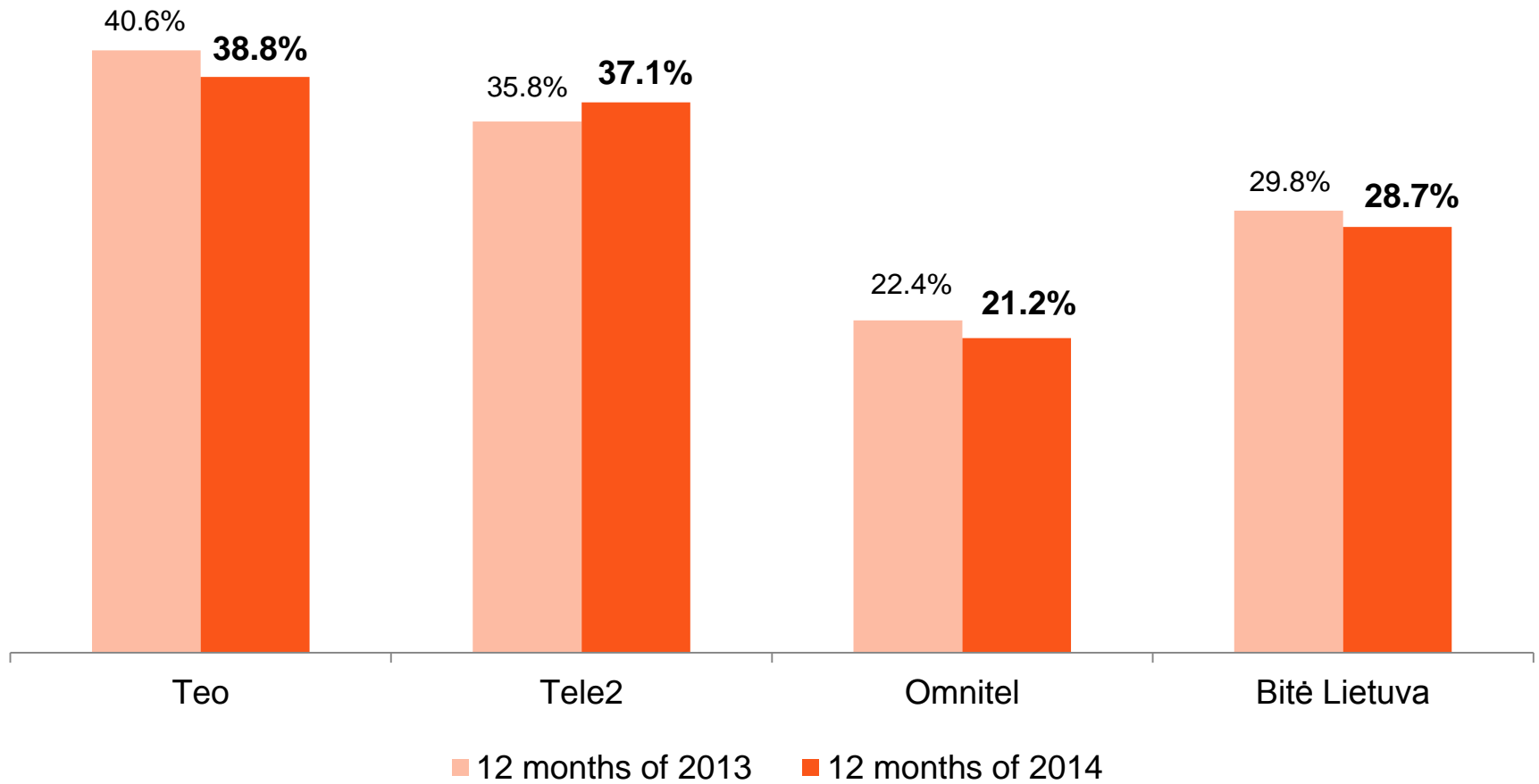


Main market players' EBITDA changes

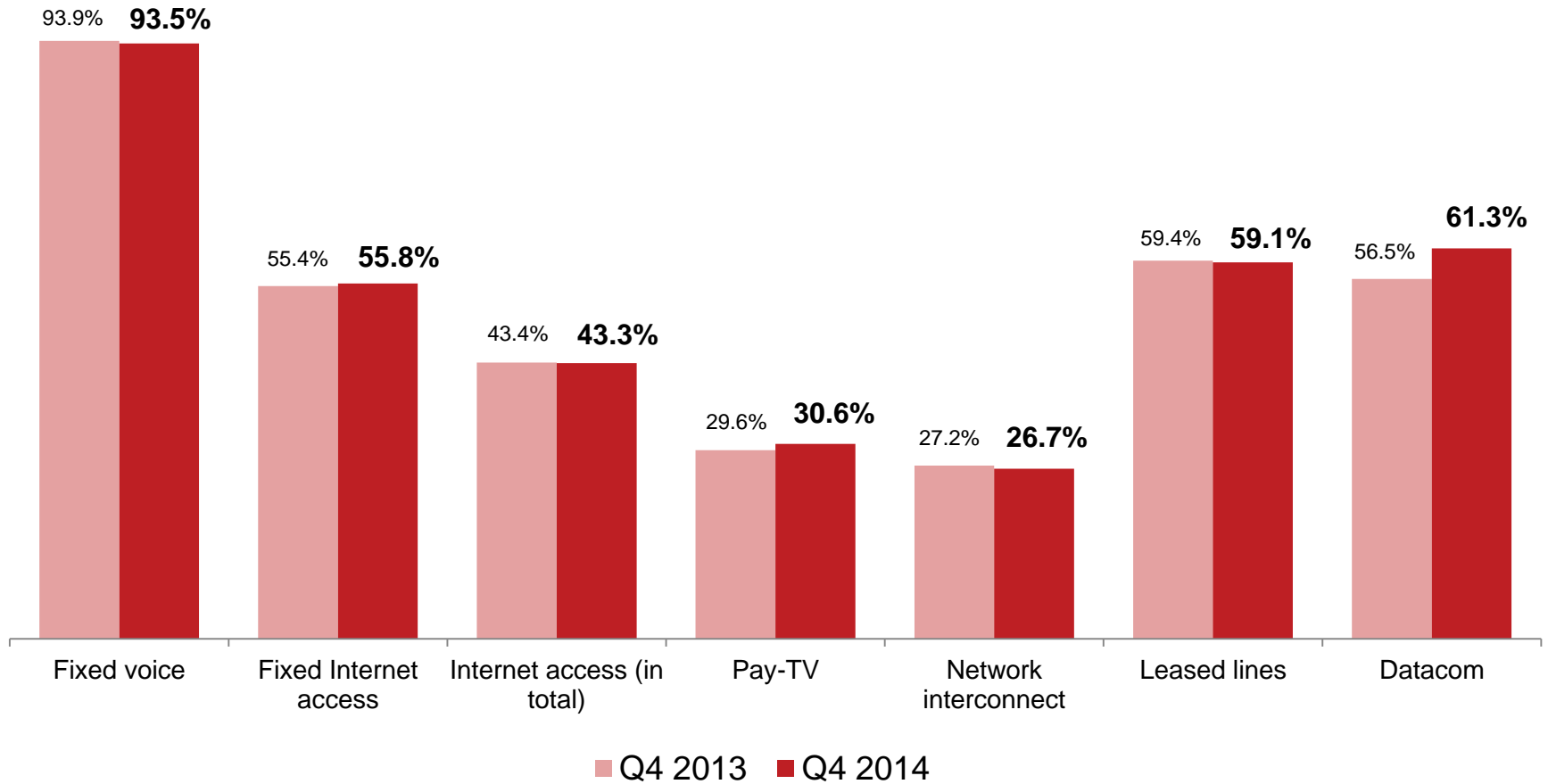
(EUR million)



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

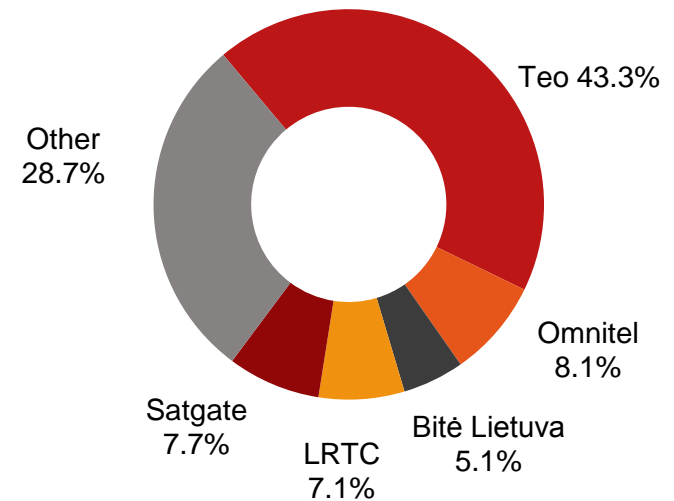
Teo market share (Q4 2014) in terms of:	(%)
Total number of customers	89.6
Total traffic	92.8
Revenue from local calls	100.0
Revenue from domestic long distance calls	91.0
Revenue from international calls	75.0

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)
Total:	1,257	10.8

Q4 2014 revenue by service providers

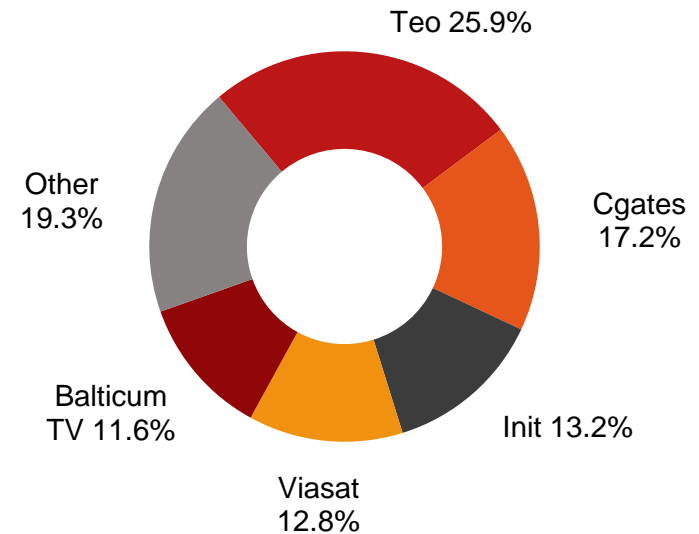


Source: Report of the Communications Regulatory Authority

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)
Total:	723	(1.0)

Breakdown of users by service providers



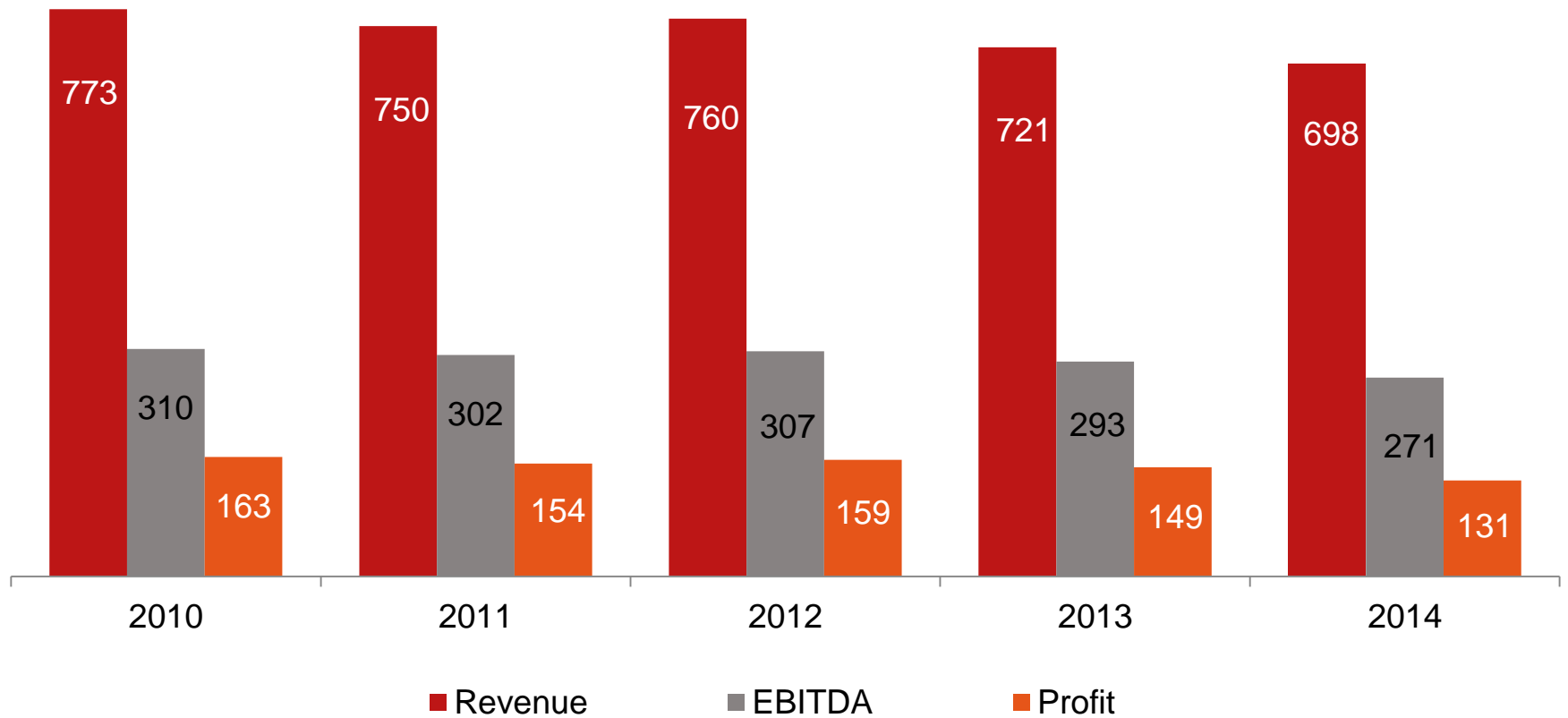
Source: Report of the Communications Regulatory Authority

Financial results

teo

Revenue, EBITDA & net profit

(LTL million)

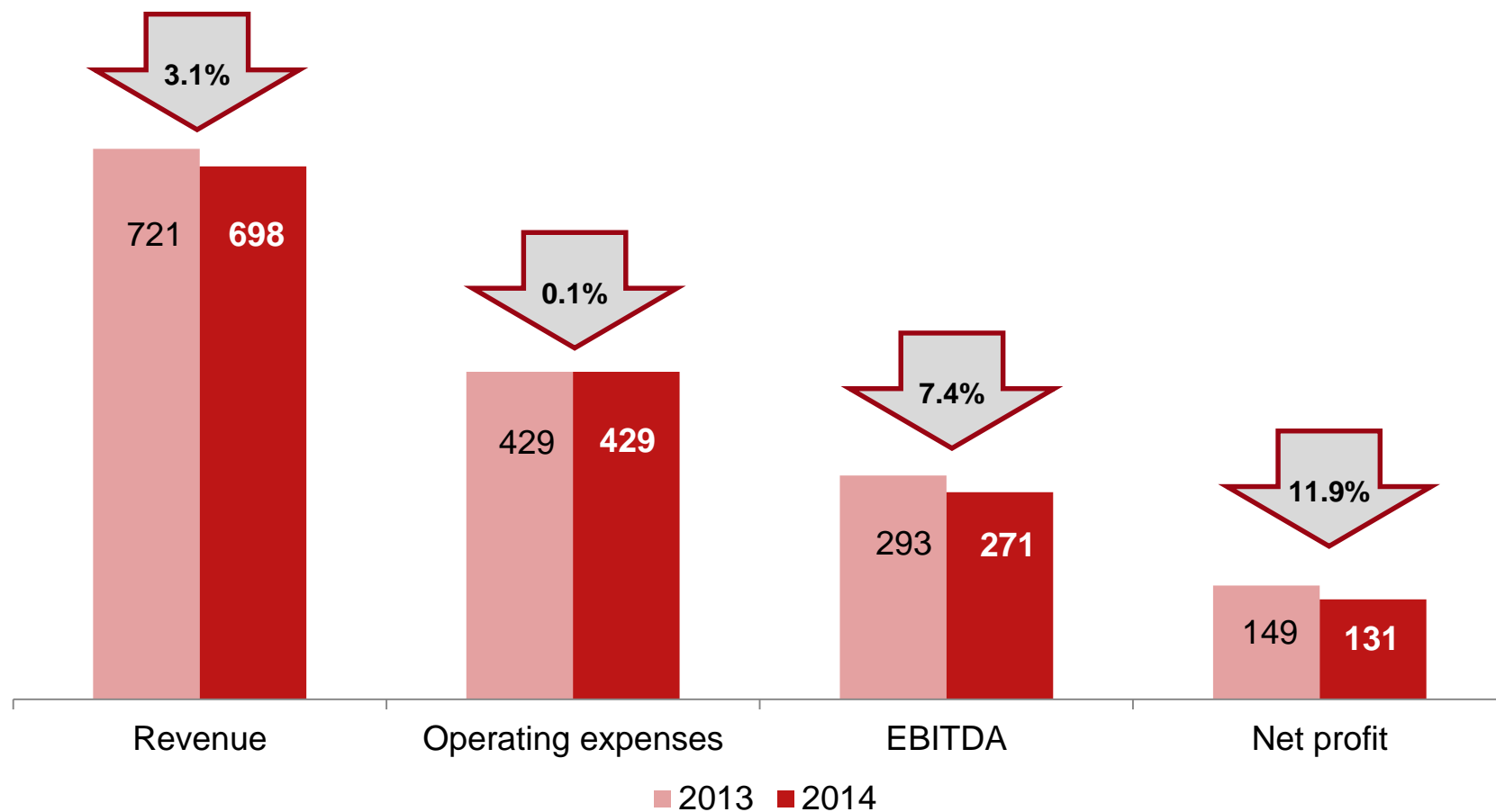


Major financial indicators

(thousand LTL)	2014	2013	Change (%)
Revenue	698,450	720,589	(3.1)
Operating expenses	429,068	428,306	(0.1)
EBITDA	271,052	292,737	(7.4)
EBITDA margin	38.8%	40.6%	
<i>EBITDA excl. non-recurring items</i>	287,081	297,999	(3.7)
<i>EBITDA margin excl. non-recurring items</i>	41.1%	41.4%	
Operating profit	146,269	165,083	(11.4)
Operating profit margin	20.9%	22.9%	
Net profit	131,465	149,151	(11.9)
Profit margin	18.8%	20.7%	
Earnings per share (calculated on weighted average number of shares) (LTL)	0.178	0.192	

Dynamics of Teo main financial indicators

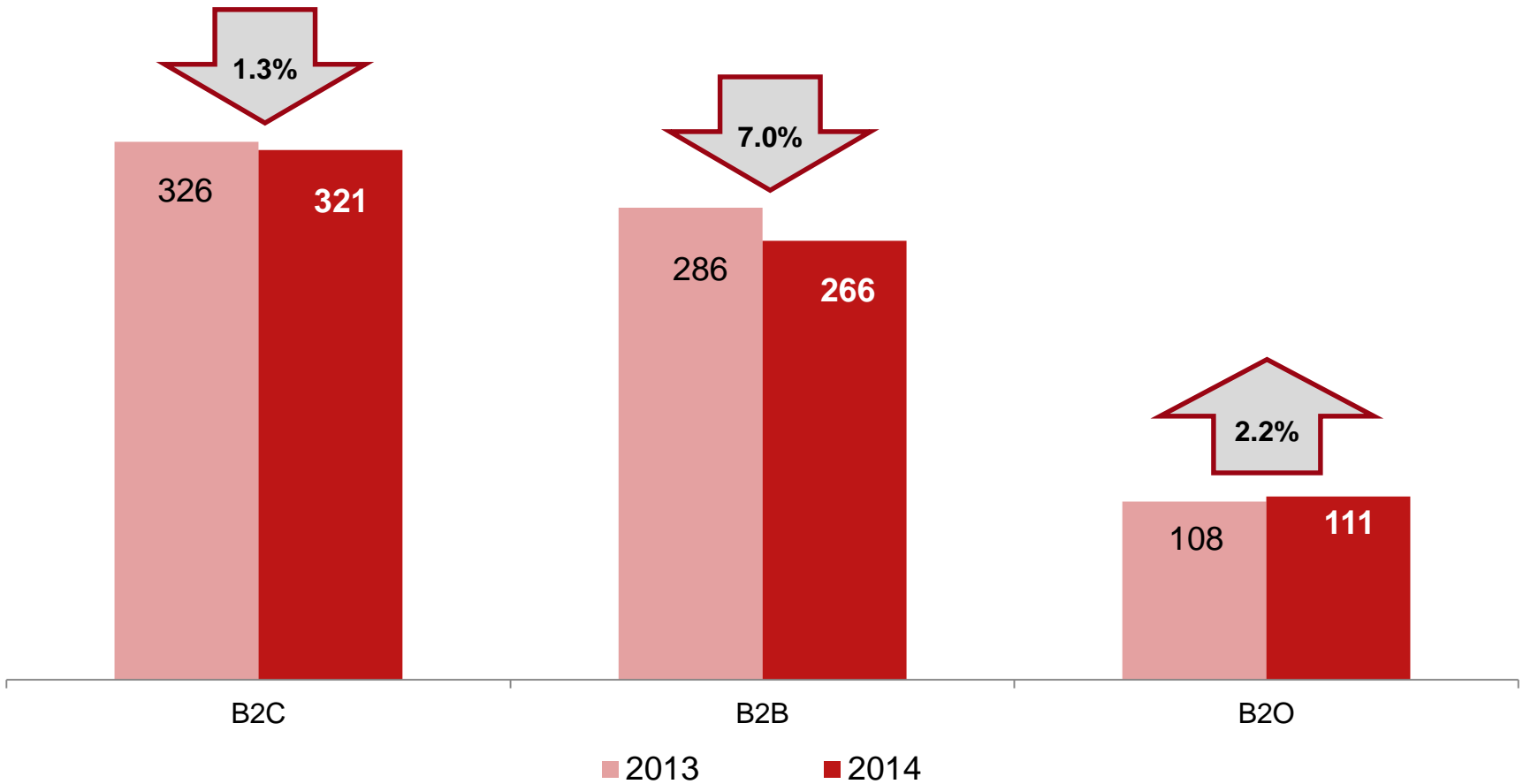
(LTL million)



- During 2014 non-recurring expenses amounted to LTL 16 million

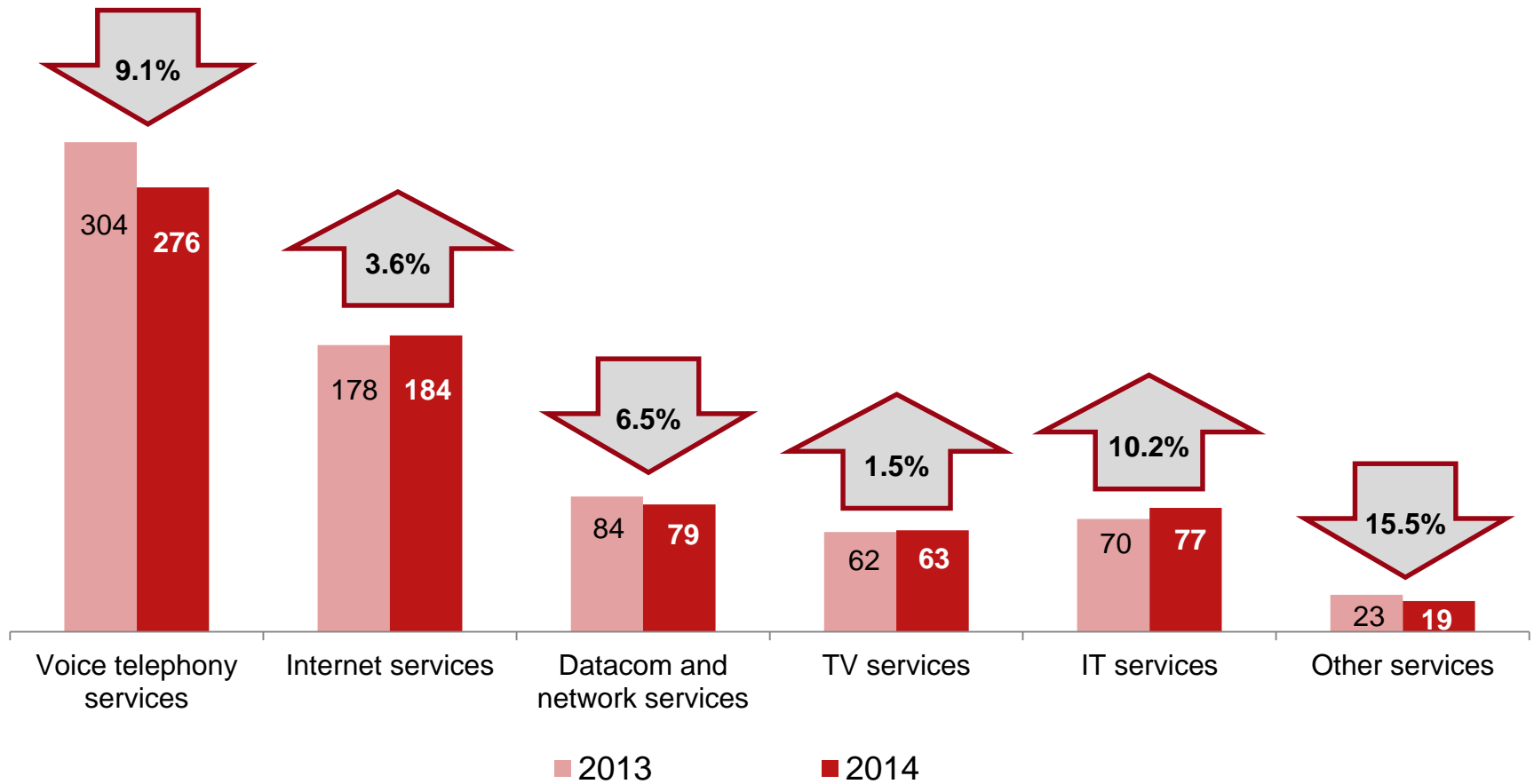
Revenue

(LTL million)



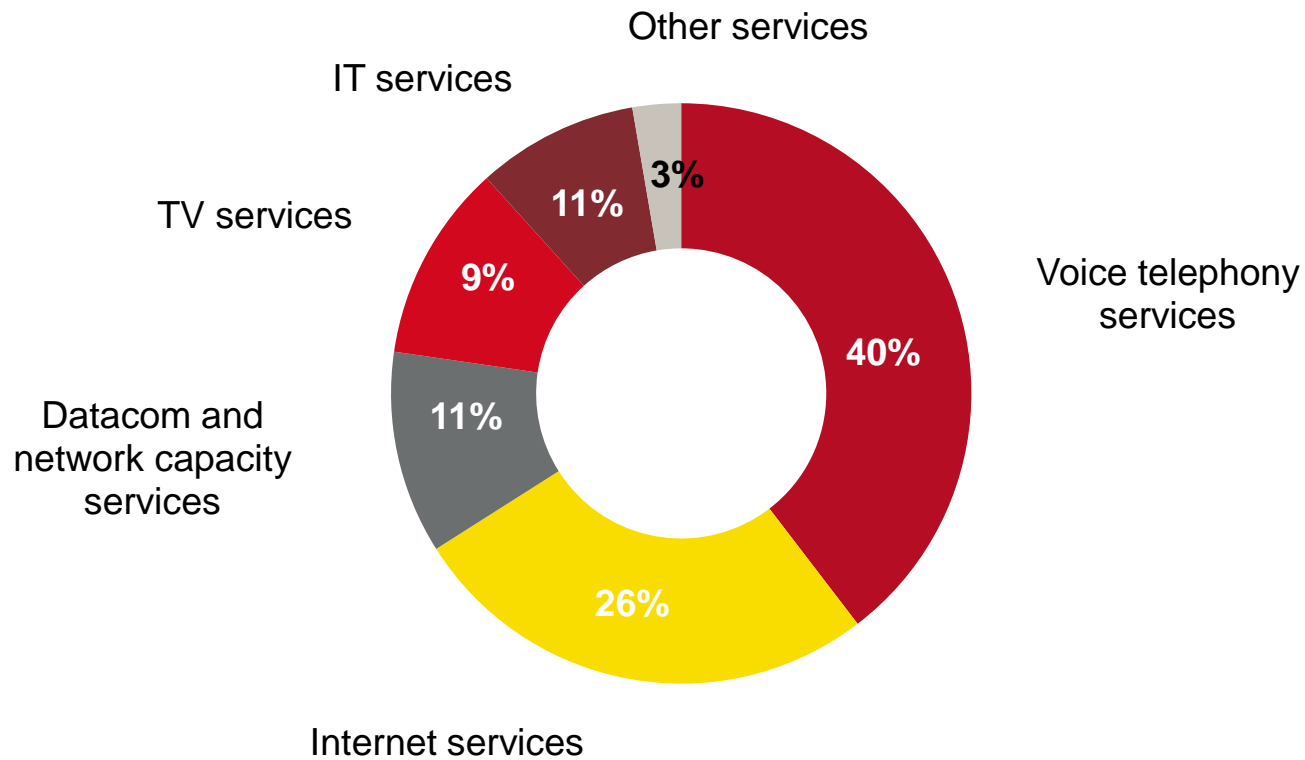
Revenue

(LTL million)



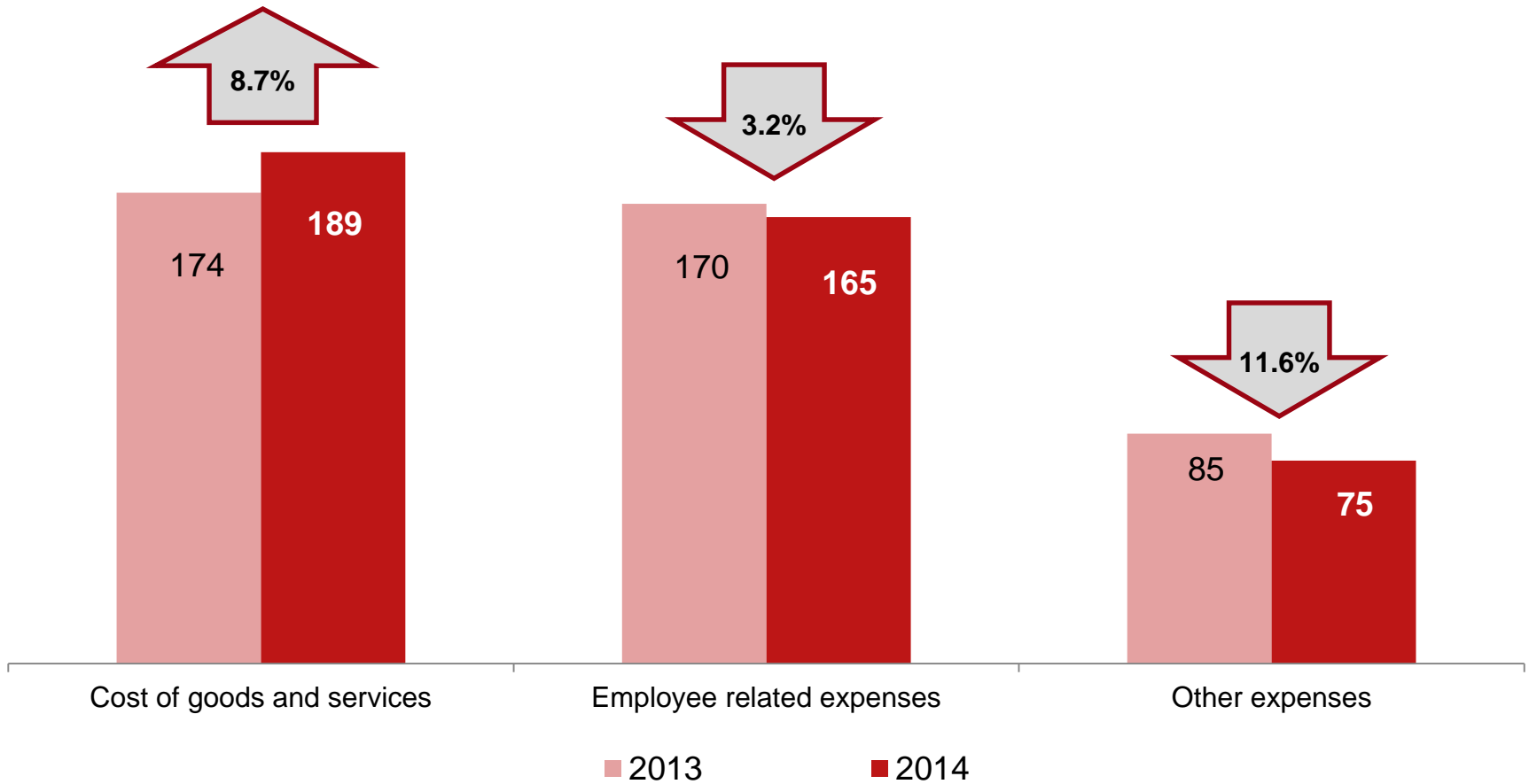
Breakdown of revenue

(2014)



Operating expenses

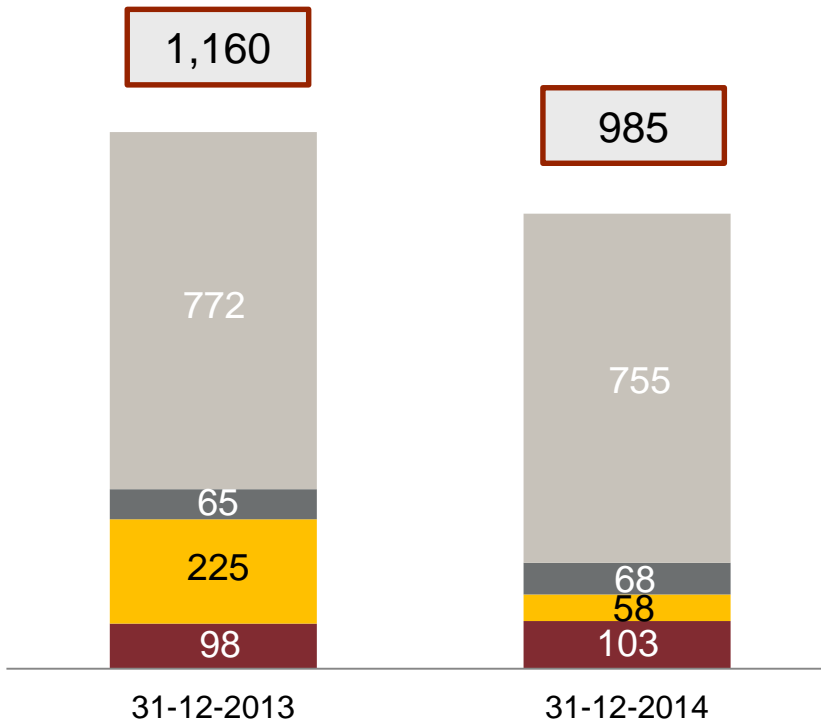
(LTL million)



- During 2014 non-recurring expenses amounted to LTL 16 million

Assets

(LTL million)

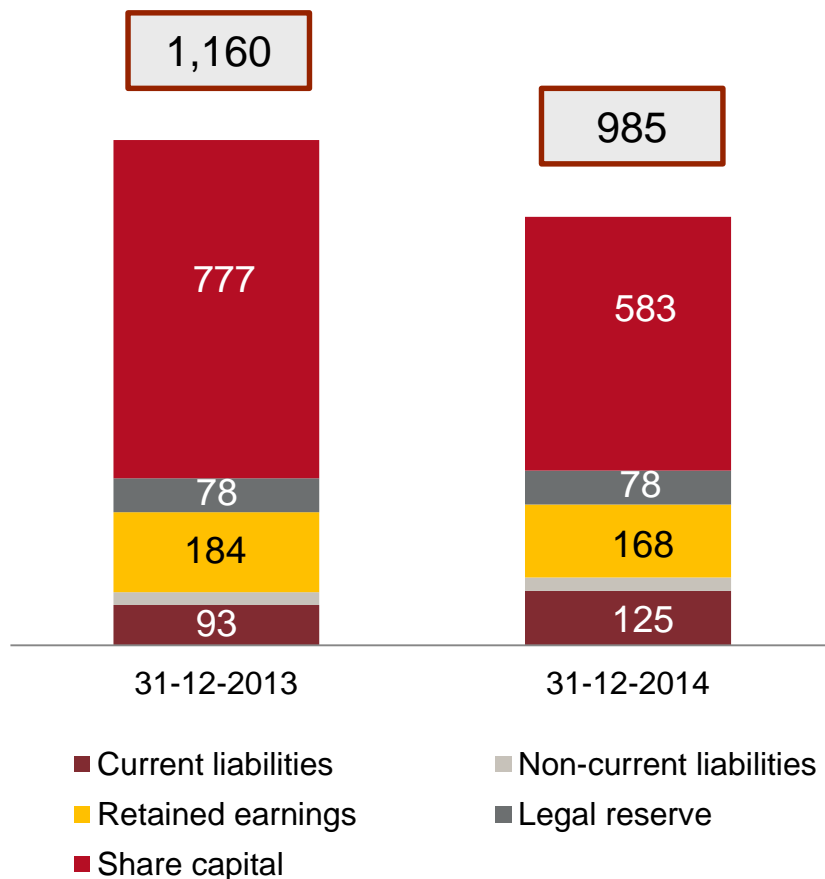


■ Property, plant and equipment ■ Other non-current assets
■ Cash and investments ■ Other current assets

- **Non-current assets** amounted to 84% of total assets (31-12-2014)
- **Cash** alone amounted to 5.9%
- **Return on capital employed:** 15.2%
- **Return on average assets:** 13.4%

Equity and liabilities

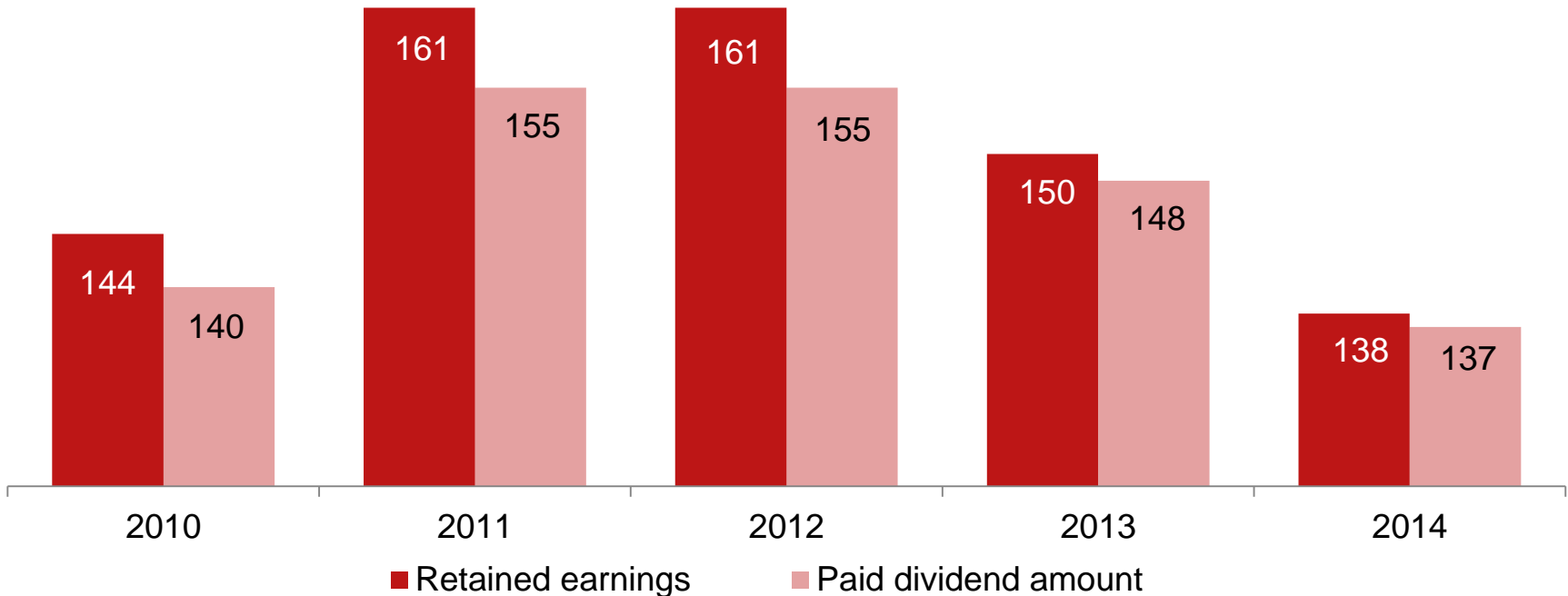
(LTL million)



- **Shareholders' equity** amounted to 84% of the total assets (31-12-2014)
- **Borrowings** amounted to LTL 36 million
- **Net debt** was negative and amounted to LTL 22 million
- **Gearing ration:** (2.7)%
- **Debt to equity:** 4.2%
- **Return on equity:** 13.8%
- On 20 October 2014 **authorized capital was reduce by LTL 194 million** by cancelling 194 million of shares and paying out to the shareholders LTL 194 million
- On 29 April 2015 shareholders decided to **reduce legal reserve by EUR 5.8 million** (LTL 19.3 million) and transfer this amount to retained earnings

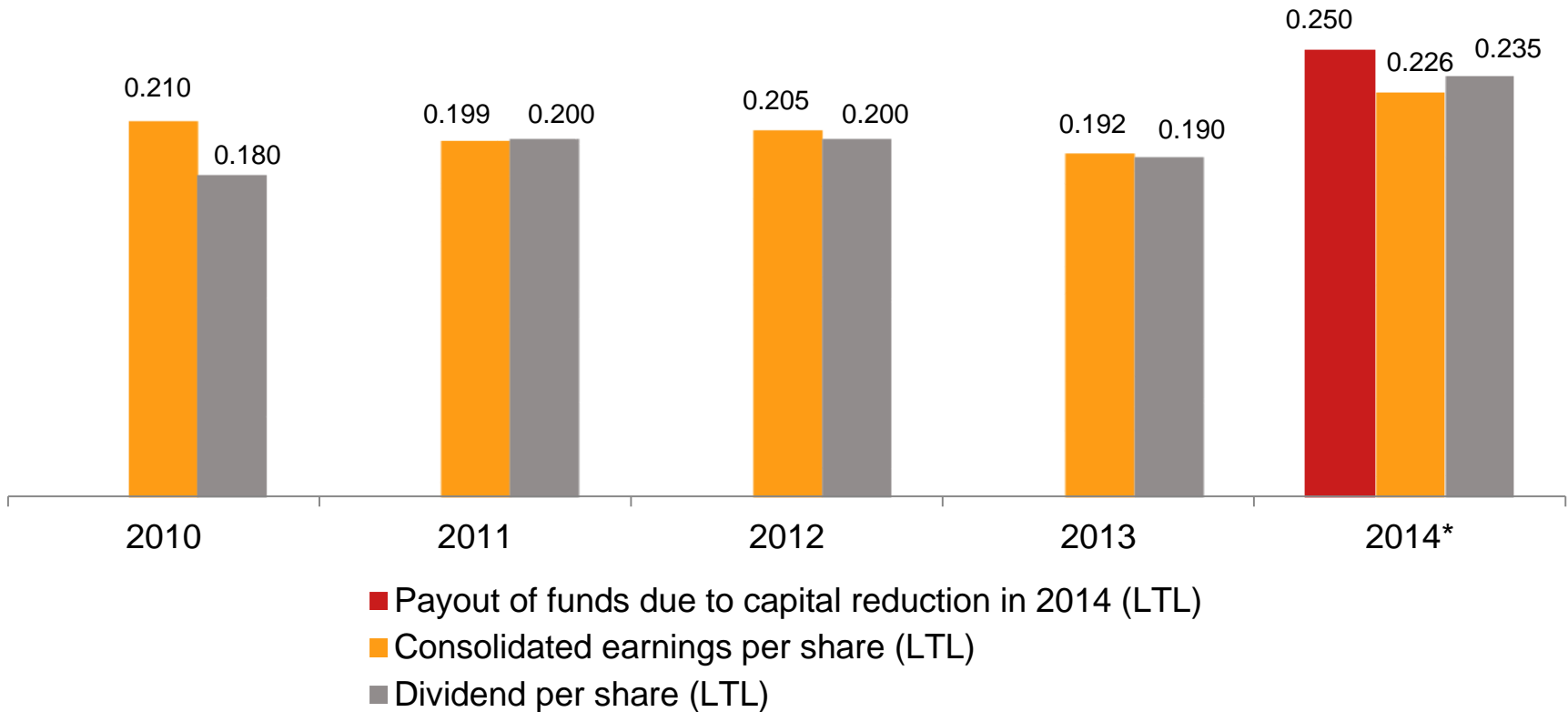
Teo retained earnings vs dividends

(LTL million)



- Following the Lithuanian Law on Company dividends shall be paid **from the Parent company's retained earnings**
- AGM decided to pay EUR 39.6 million (LTL 136.8 million) or **0.068 euro** (0.235 litas) **per share of dividends** for the year 2014 from retained earnings of EUR 39.8 million (LTL 137.7 million)

Dividend payout



* 2014 profit and dividends allocated to reduced number of shares

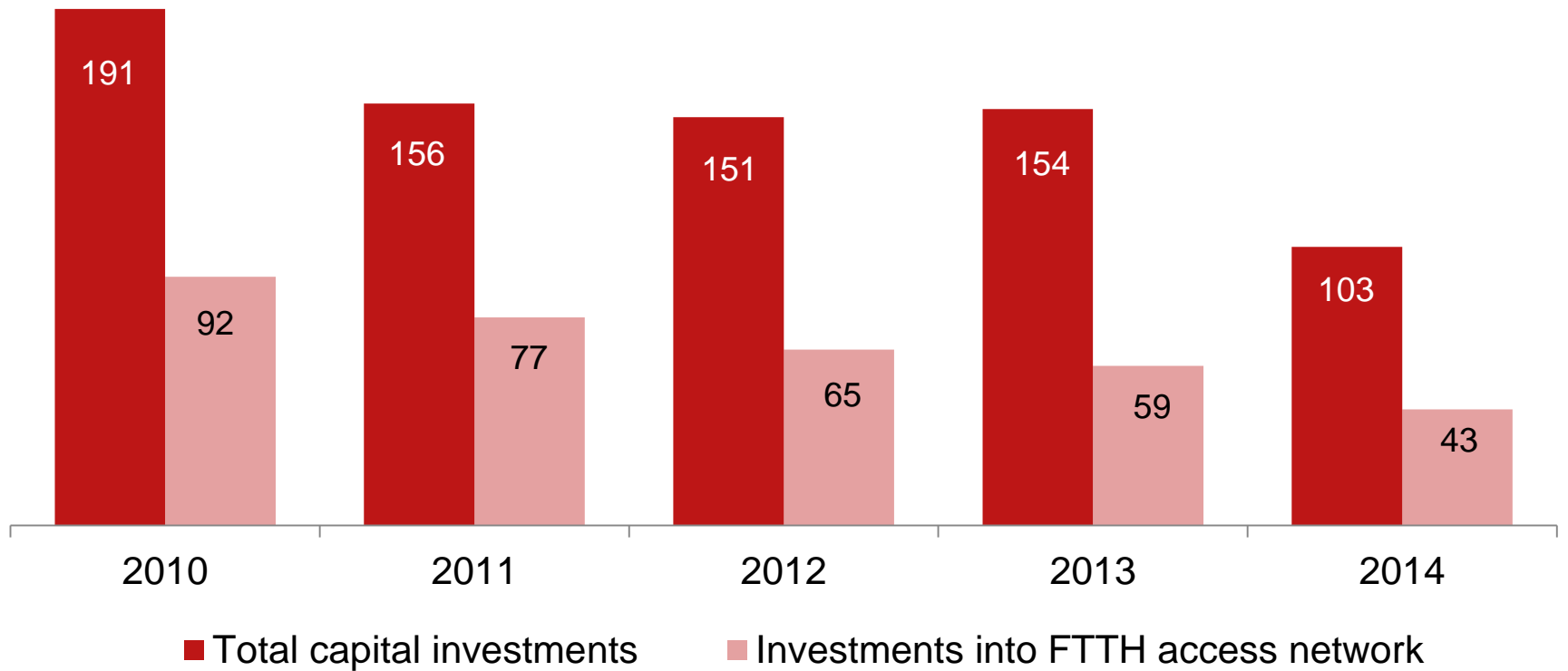
Cash flow

(thousand LTL)	2014	2013
Net cash from operating activities	248,040	292,177
Net cash used in investing activities	(26,423)	(166,543)
Net cash used in financing activities	(308,288)	(156,341)
Increase in cash and cash equivalents	(86,671)	(30,707)

- **Free Cash Flow** during 2014 was by 2.4% lower than a year go.
- Capital **investments** during 2014 amounted to LTL 103 million (LTL 154 million in 2013)
- LTL 90.6 million went to expansion of the **core and fiber-optic access network**
- LTL 5.3 million was invested into **IT systems**, LTL 4.6 million into **transport**, LTL 2.6 million - other
- In May 2014, the Company paid out **LTL 148 million of dividends** for the year 2013 (i.e. 0.19 litas per share)
- In November 2014, **LTL 194 million** (i.e. 0.25 litas per share) was paid to the shareholders due to reduction of authorized capital

Teo investments

(LTL 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 December 2014

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

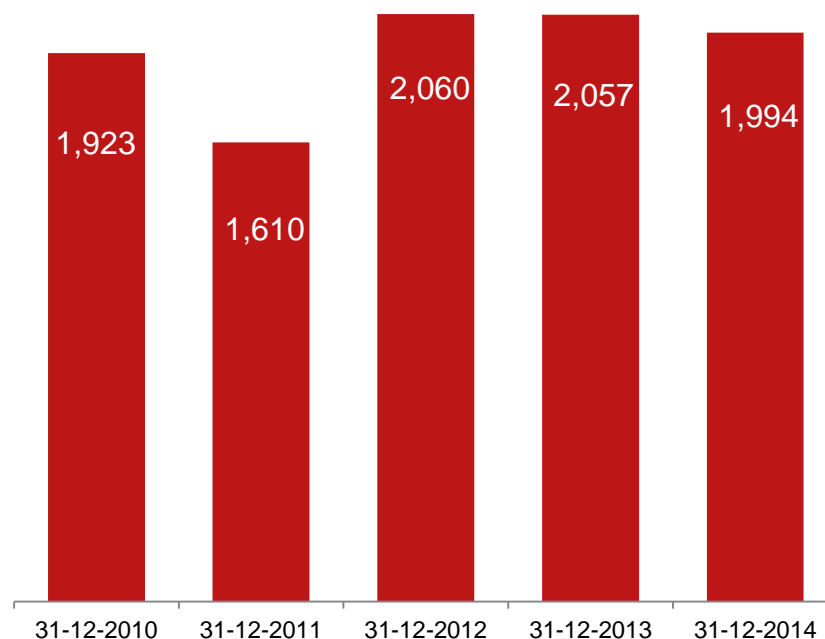
- On **24 October 2014**, authorized **capital was reduced** by LTL 194 million and accordingly **number of voting shares** was reduced from 776,817,518 to **582,613,138**

Teo shares

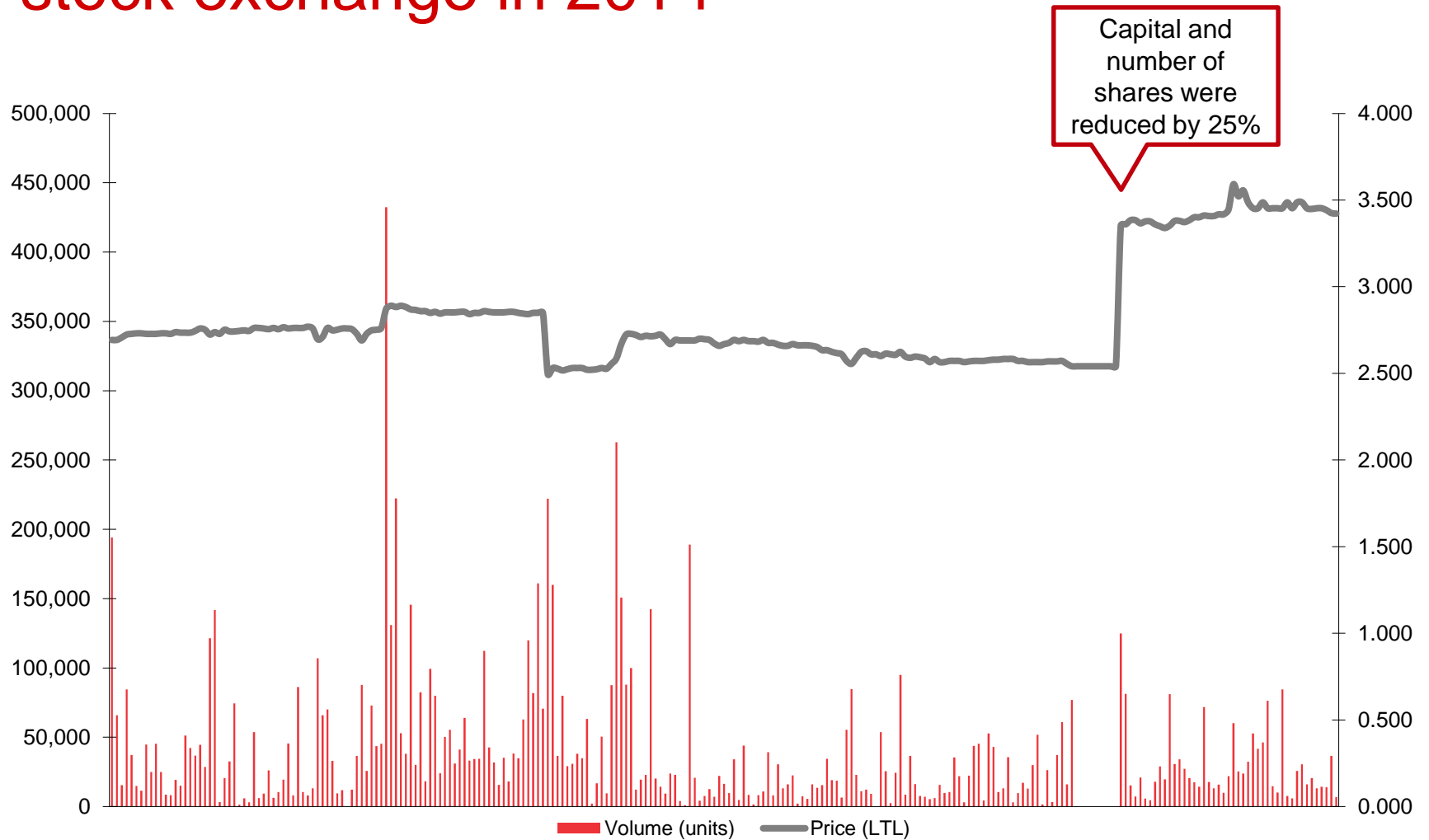
- Since June 2000 Teo shares are listed on **Nasdaq OMX Vilnius** stock exchange (ticker: TEO1L)
- Since January 2011, Teo shares were included into the trading lists of a few **German stock exchanges** (ticker: ZWS)
- **Turnover** on Vilnius stock exchange during January-December 2014: 9.6 million shares or LTL 27 million (EUR 7.9 million)
- Share **price** on Nasdaq OMX Vilnius:

	LTL	EUR
01-01-2014	2.666	0.772
High	3.625	1.050
Low	2.417	0.700
31-12-2014	3.422	0.991

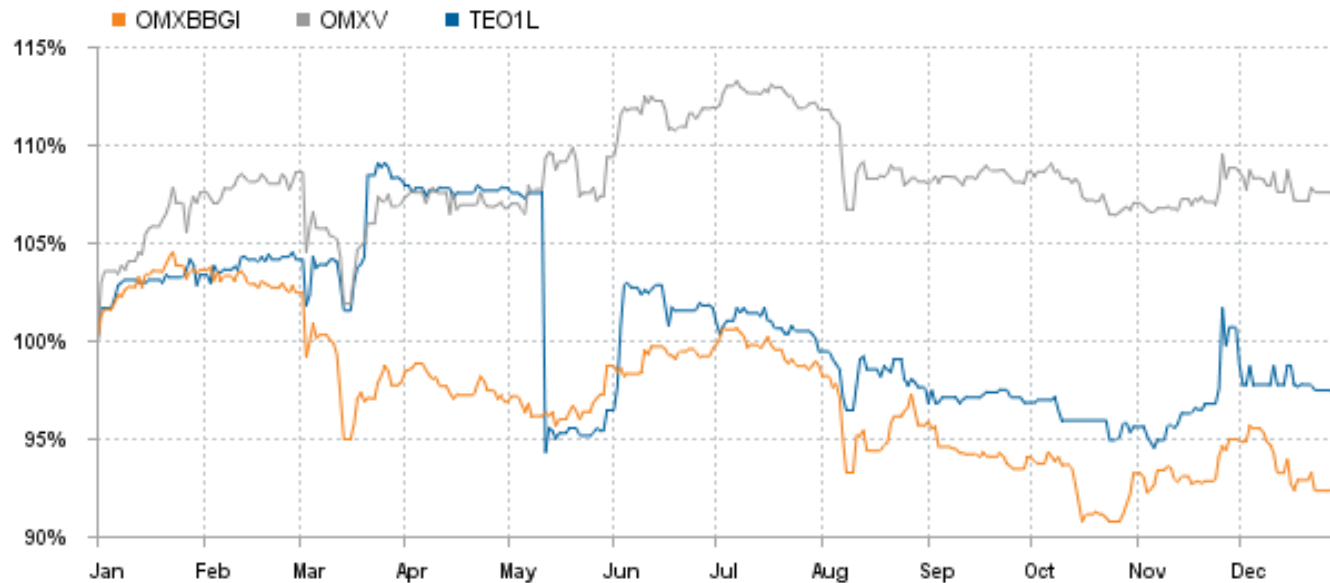
Market Capitalisation (LTL million)



Trading in Teo shares on Nasdaq OMX Vilnius stock exchange in 2014



Teo share price and Nasdaq OMX Vilnius indexes comparison



- Teo share price is historically adjusted to reduction of number of shares by 25% on 24 October 2014

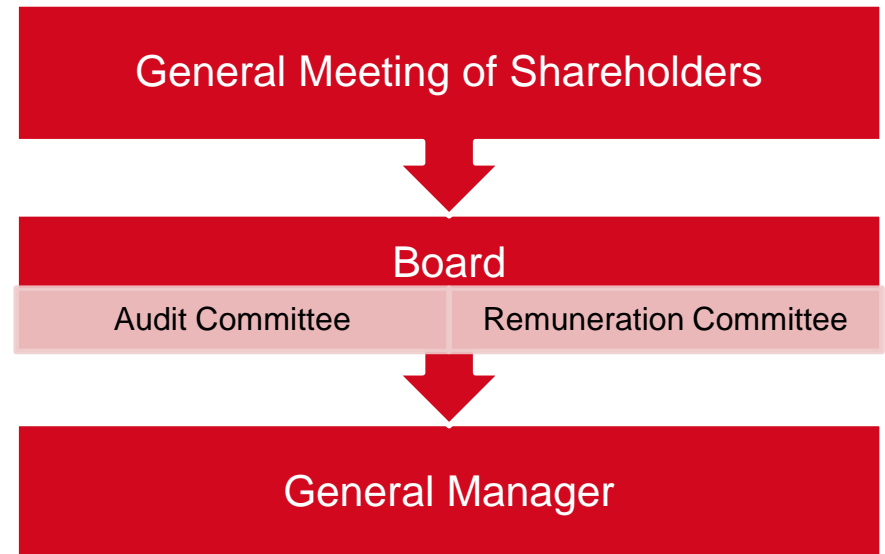
Source: Nasdaq OMX Vilnius

Corporate governance

teo

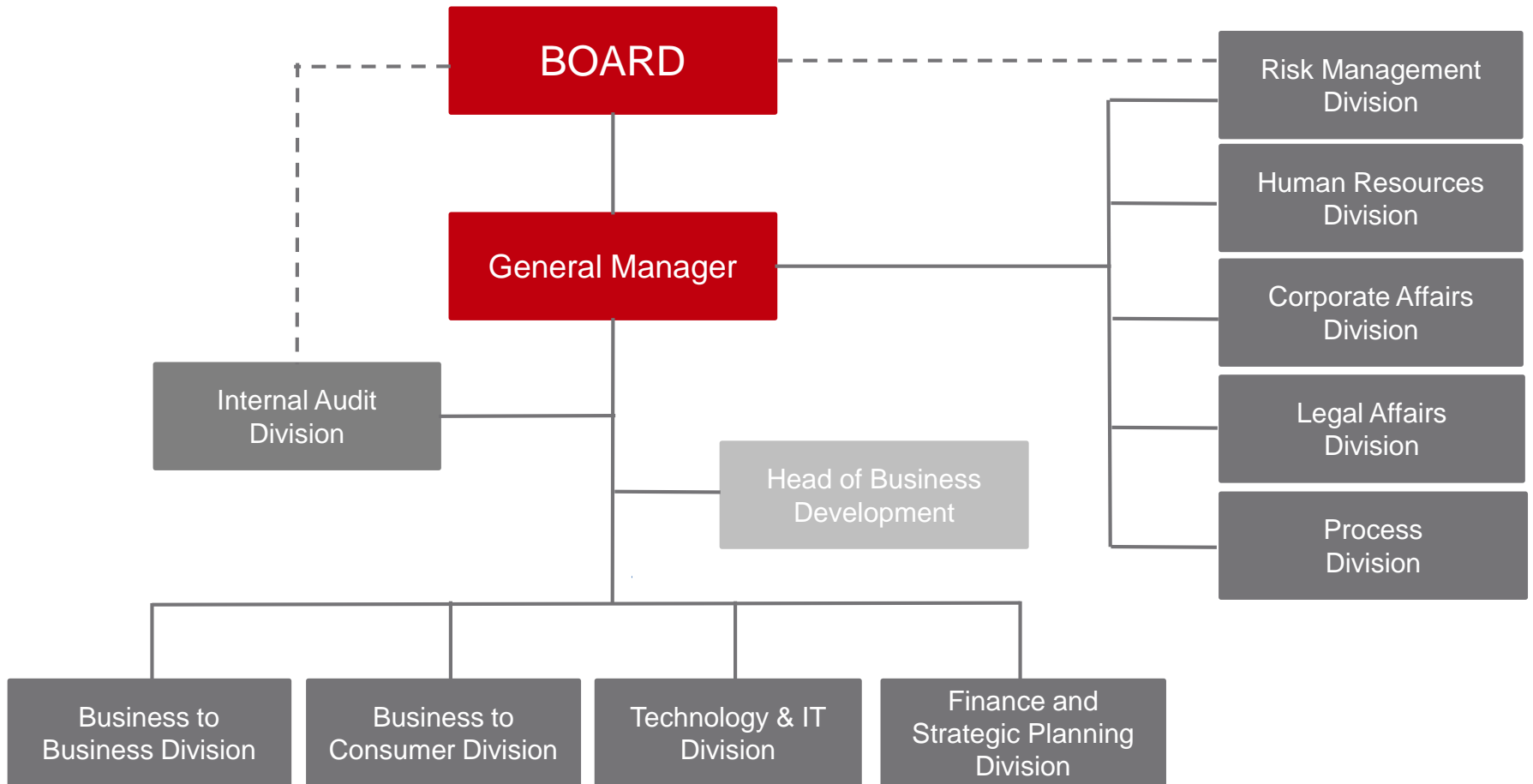
Governing bodies

- The **Annual General Meeting** of Shareholders shall be held within 4 months after the end of financial year
- The AGM was held on 29 April 2015
- The **Board** consist of 6 members elected for the 2 year term
- Shareholders on 29 April 2015 re-elected the Board members for a new 2 year term
- 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 2015
- The Board elects and recalls the **General Manager**



Governing structure of TEO LT, AB

Valid from 1 April 2015



Teo Board



Robert Andersson,
Chairman 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**

teo



Thank you!