

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 6 months of 2015

17-07-2015

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

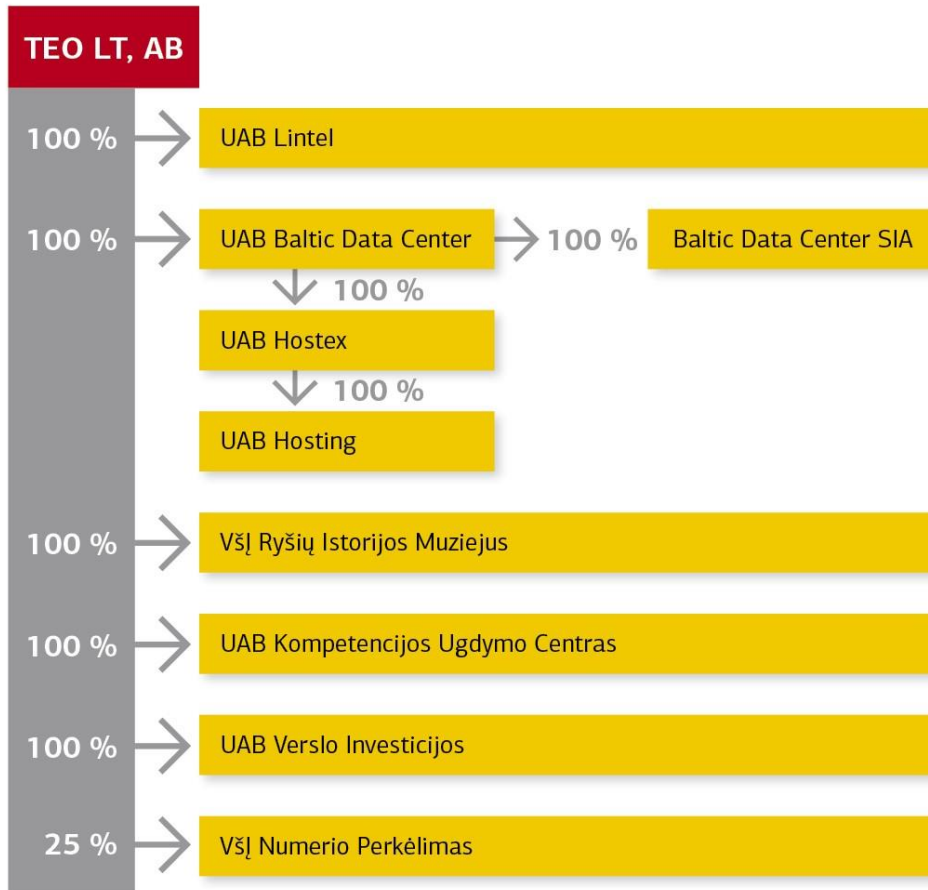
Highlights of Q2 2015

- Teo opened **5 new customer care showrooms** in Vilnius, Klaipėda, Šiauliai, Šilutė and Elektrėnai
- Shareholders decided to pay **0.068 euro dividend** per share for the year 2014
- Shareholders **reelected the Board**
- The Company's authorized **capital expressed in euro** was registered
- Teo increased the bandwidth of fiber-optic Internet plan "Premium" up to **600 Mbps**
- Teo installed the first direct fiber-optic **connection with Kiev** and over year increased the bandwidth of the international Internet traffic by 25% up to **146 Gbps**

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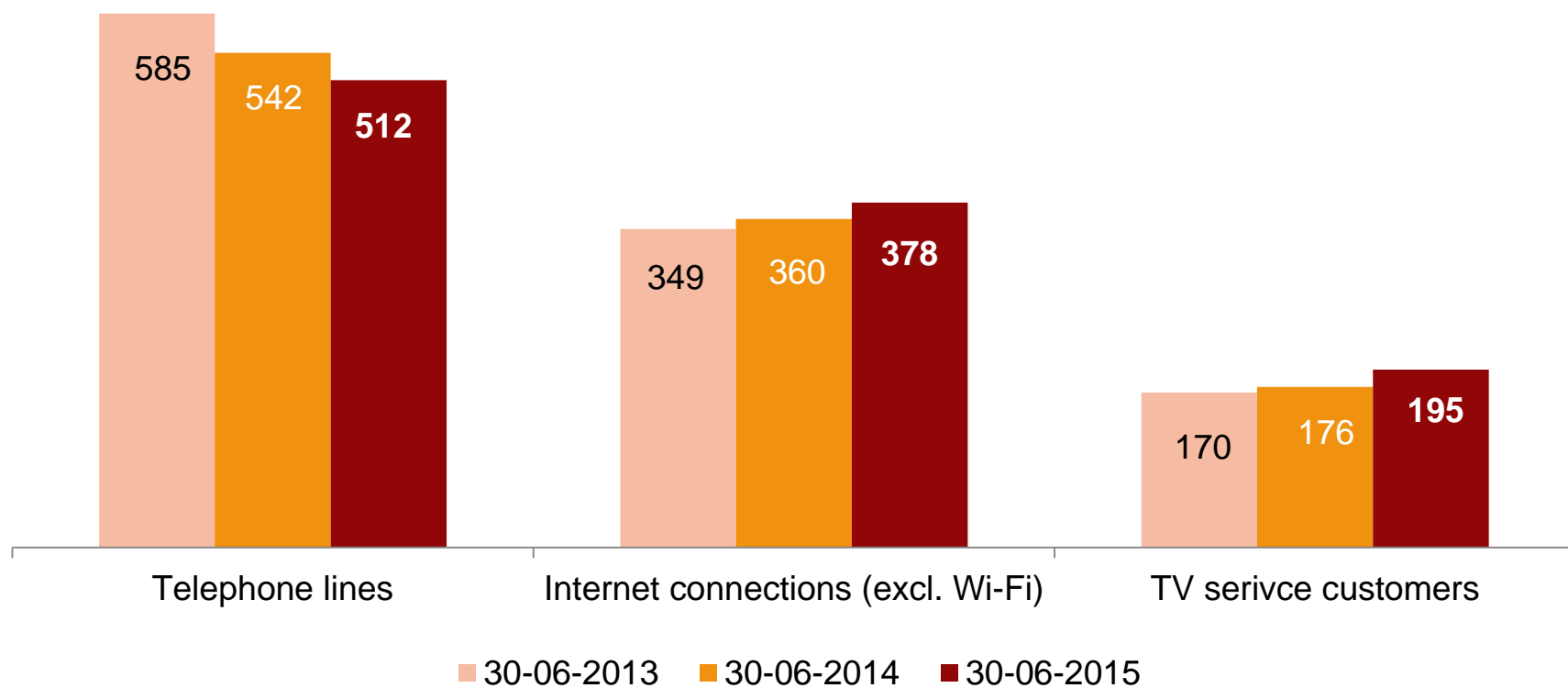
Teo Group



- 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

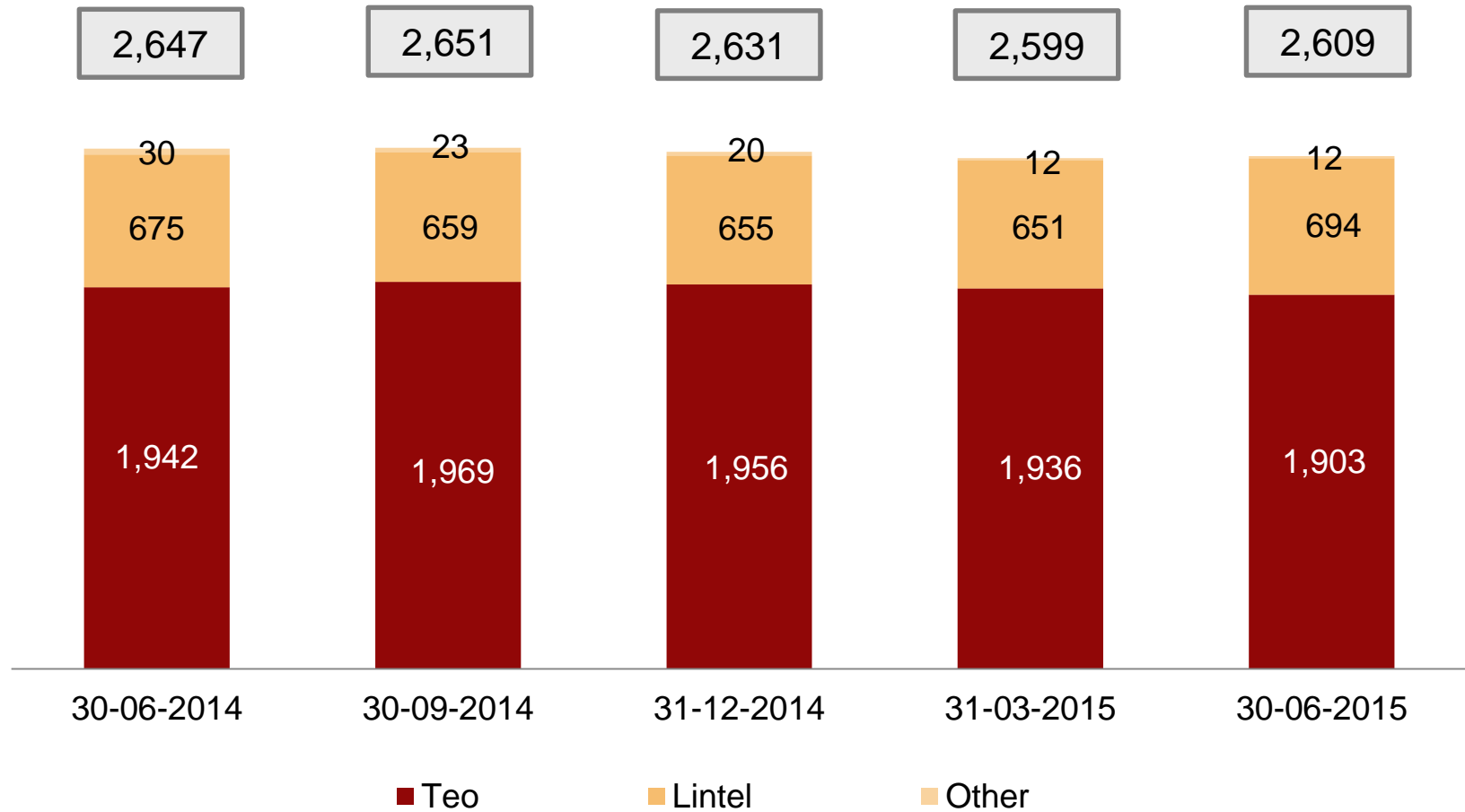
(thousands)



Main operating figures

	30-06-2015	30-06-2014	Change (%)
Number of telephone lines	512,341	542,488	(5.6)
Number of broadband Internet accesses, in total:	554,752	463,548	19.7
- via fiber-optic lines	210,068	187,420	12.1
- via copper lines	168,206	172,731	(2.6)
- wireless (WiFi) access	176,478	103,397	70.7
Number of TV services users, in total:	194,986	176,438	10.5
- IPTV	144,091	116,398	23.8
- DVB-T	50,895	60,040	(15.2)
Number of employees	2,609	2,647	(1.4)

Employees of Teo Group

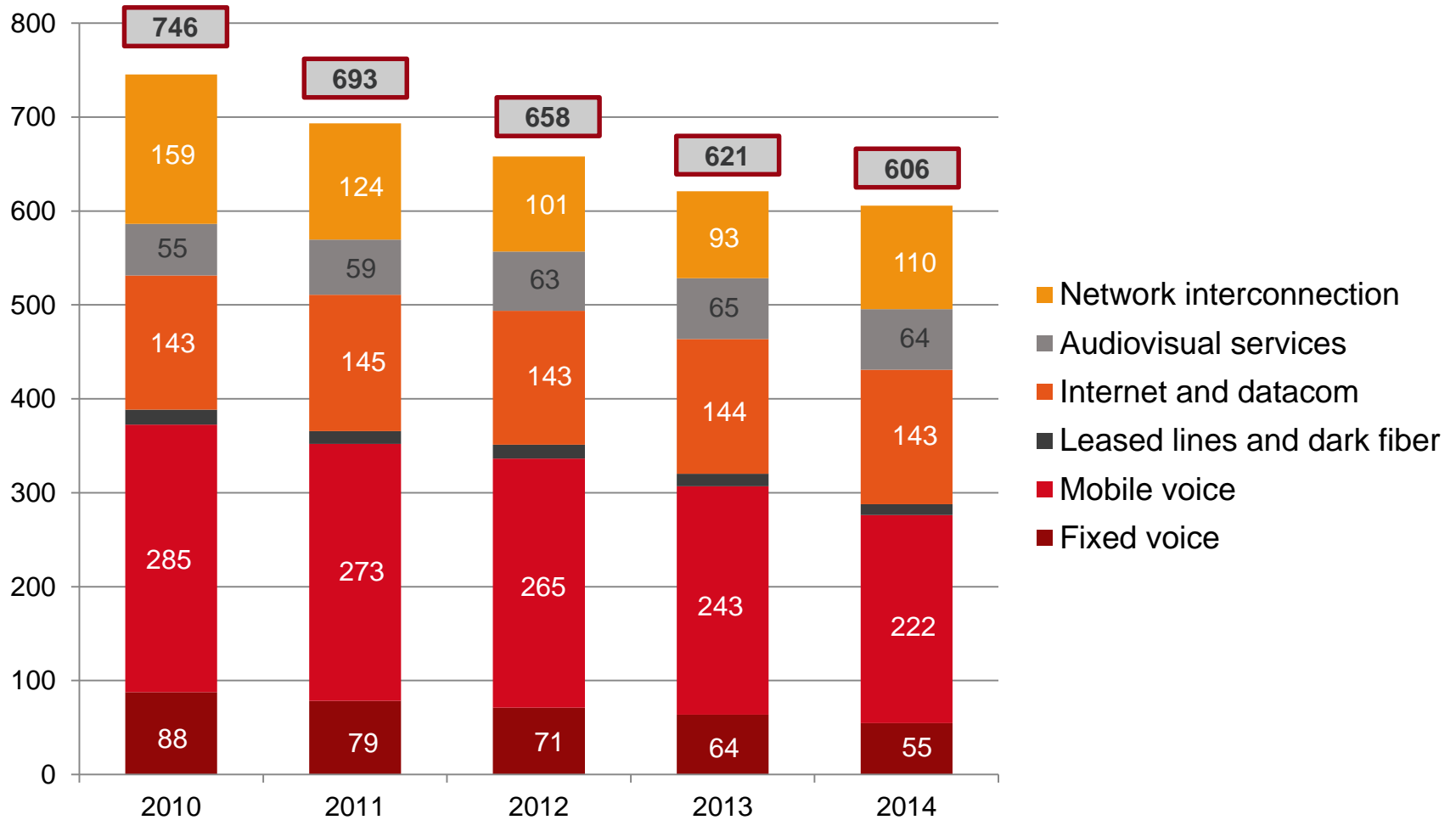


Electronic communications market of Lithuania

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Telecommunication market in Lithuania

(EUR million)

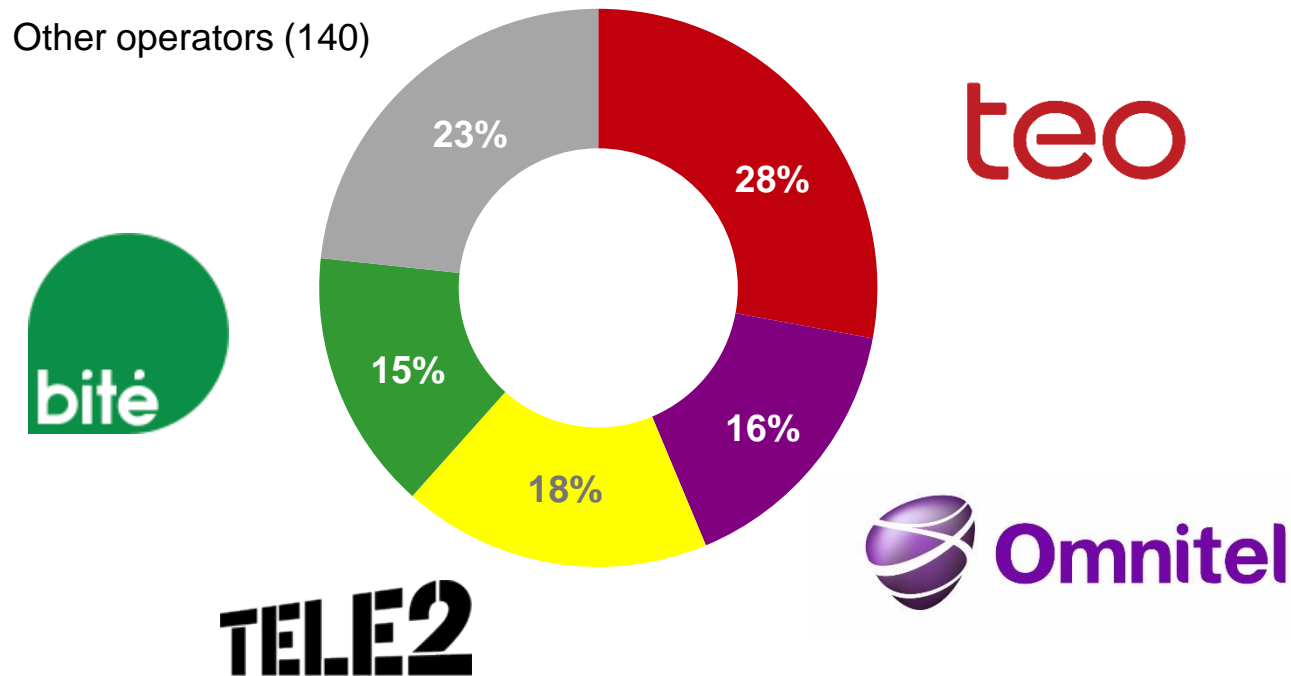


Source: Report of the Communications Regulatory Authority

Main market figures

	31-03-2015	31-06-2014	Change (%)
Total market revenue (EUR million)	152.6	147.3	3.6
Number of telephone lines per 100 inhabitants	19.5	20.3	
Number of mobile voice subscribers per 100 inhabitants	143.3	150.7	
Number of Internet access subscribers	1,123,327	1,071,839	4.8
Number of broadband Internet access subscribers per 100 inhabitants	38.6	36.5	
Number of fixed Internet access subscribers per 100 inhabitants	27.7	26.4	
Number of pay-TV subscribers	717,734	725,872	(1.1)
Number of pay-TV subscribers per 100 households	55.4	55.6	
Total market investments (EUR million)	18.5	18.0	3.1

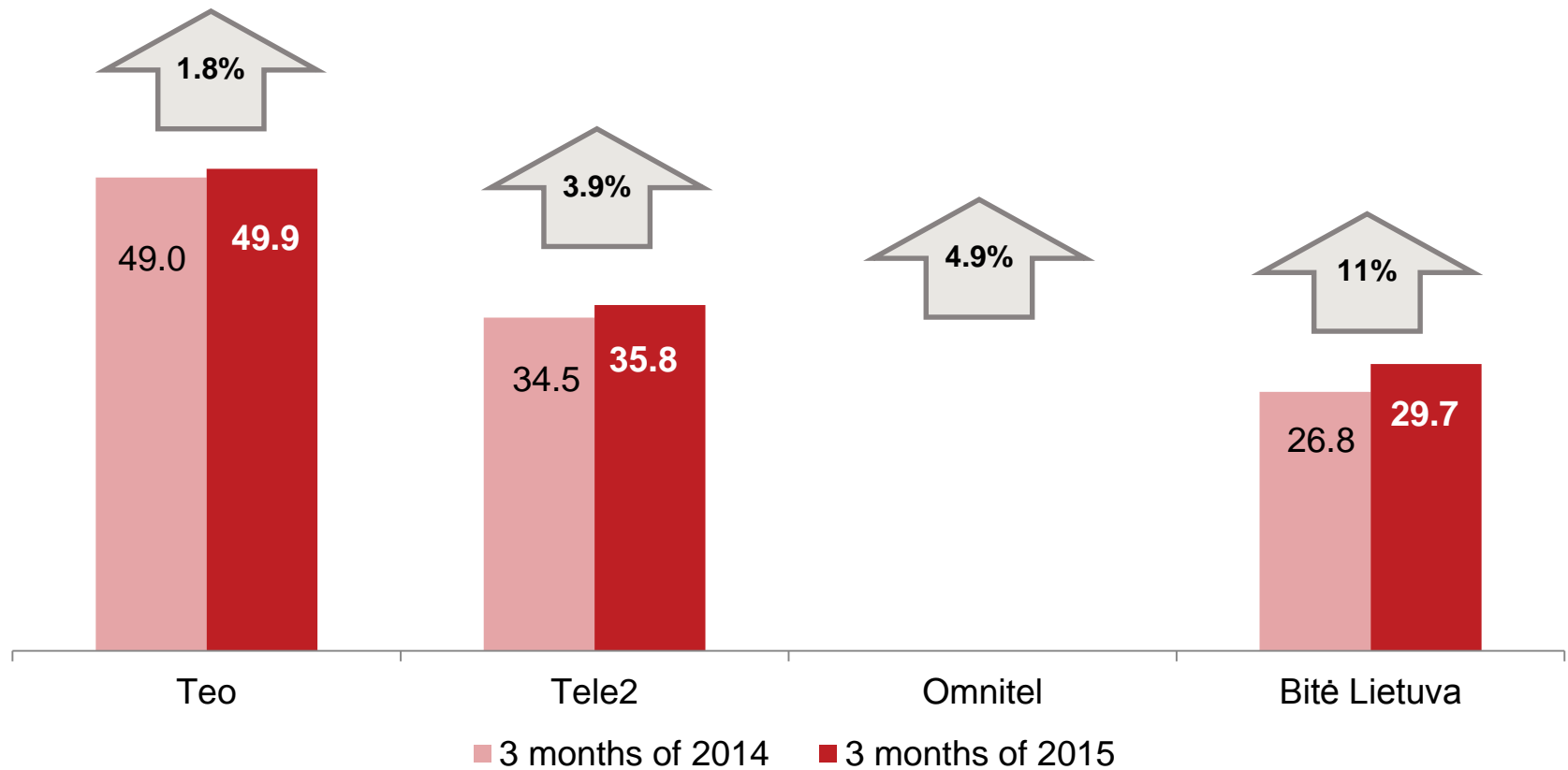
Breakdown of the telecommunications market revenue in 2014 by operators



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

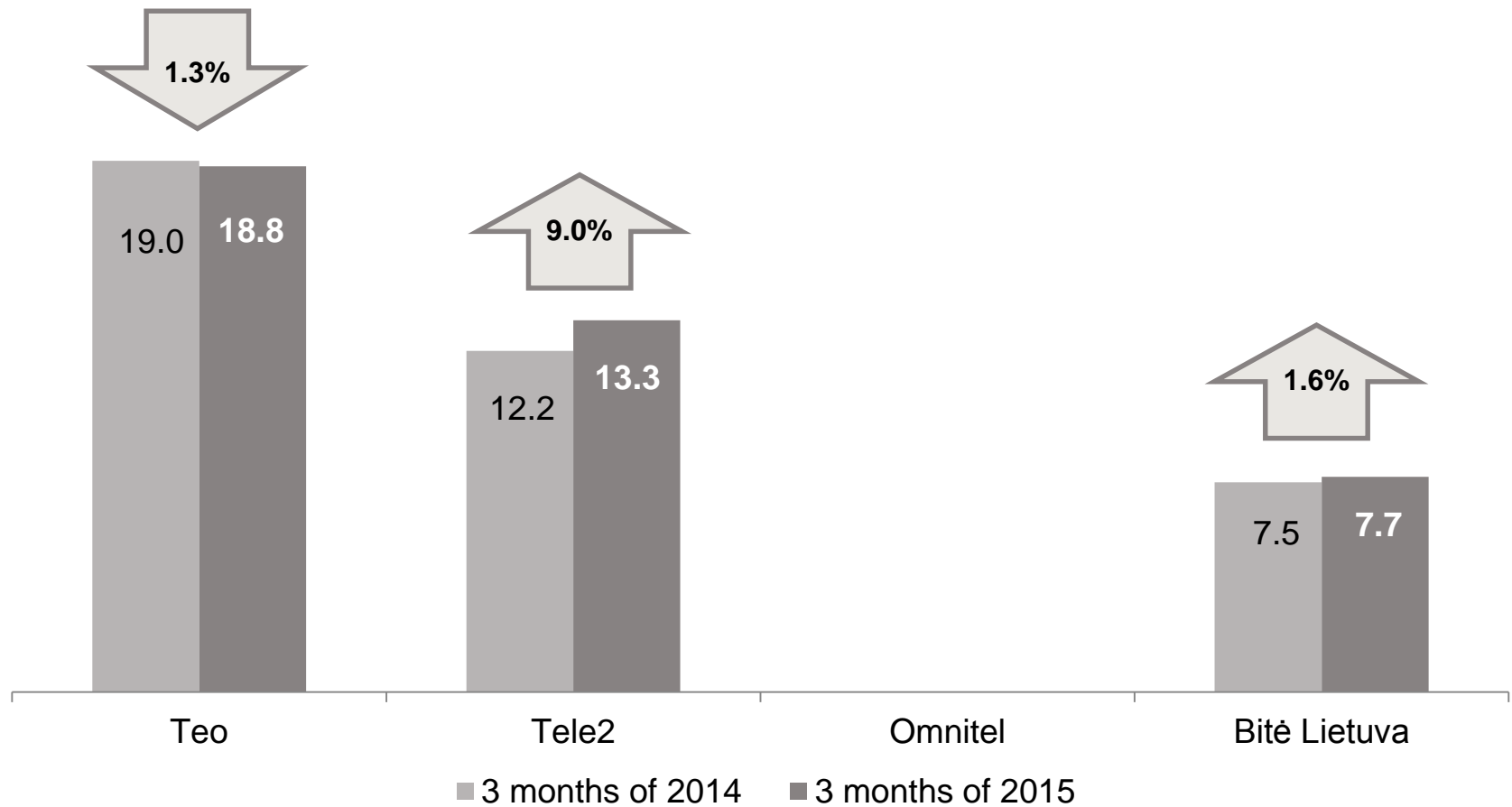
Main market players' revenue changes

(EUR million)

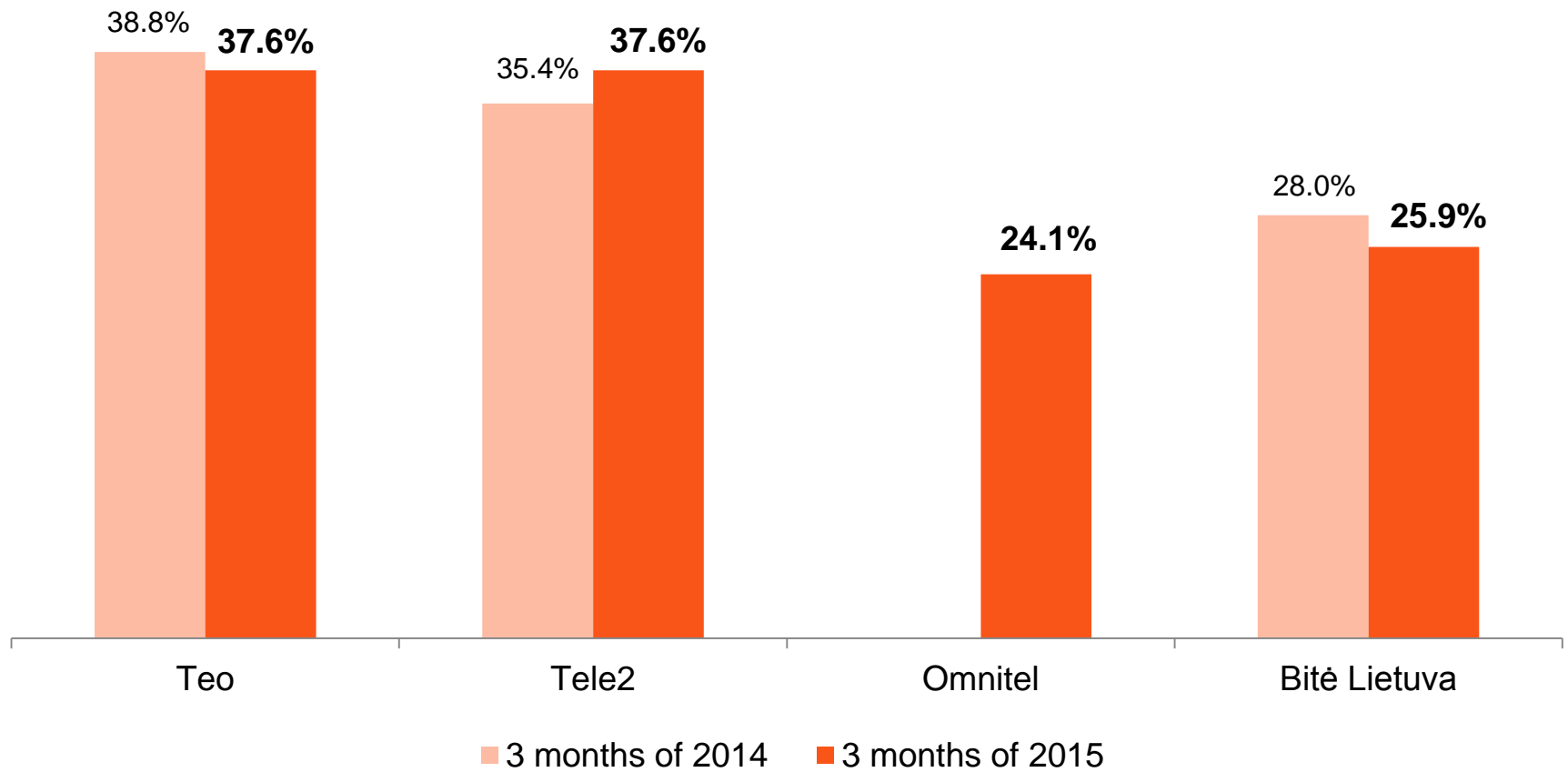


Main market players' EBITDA changes

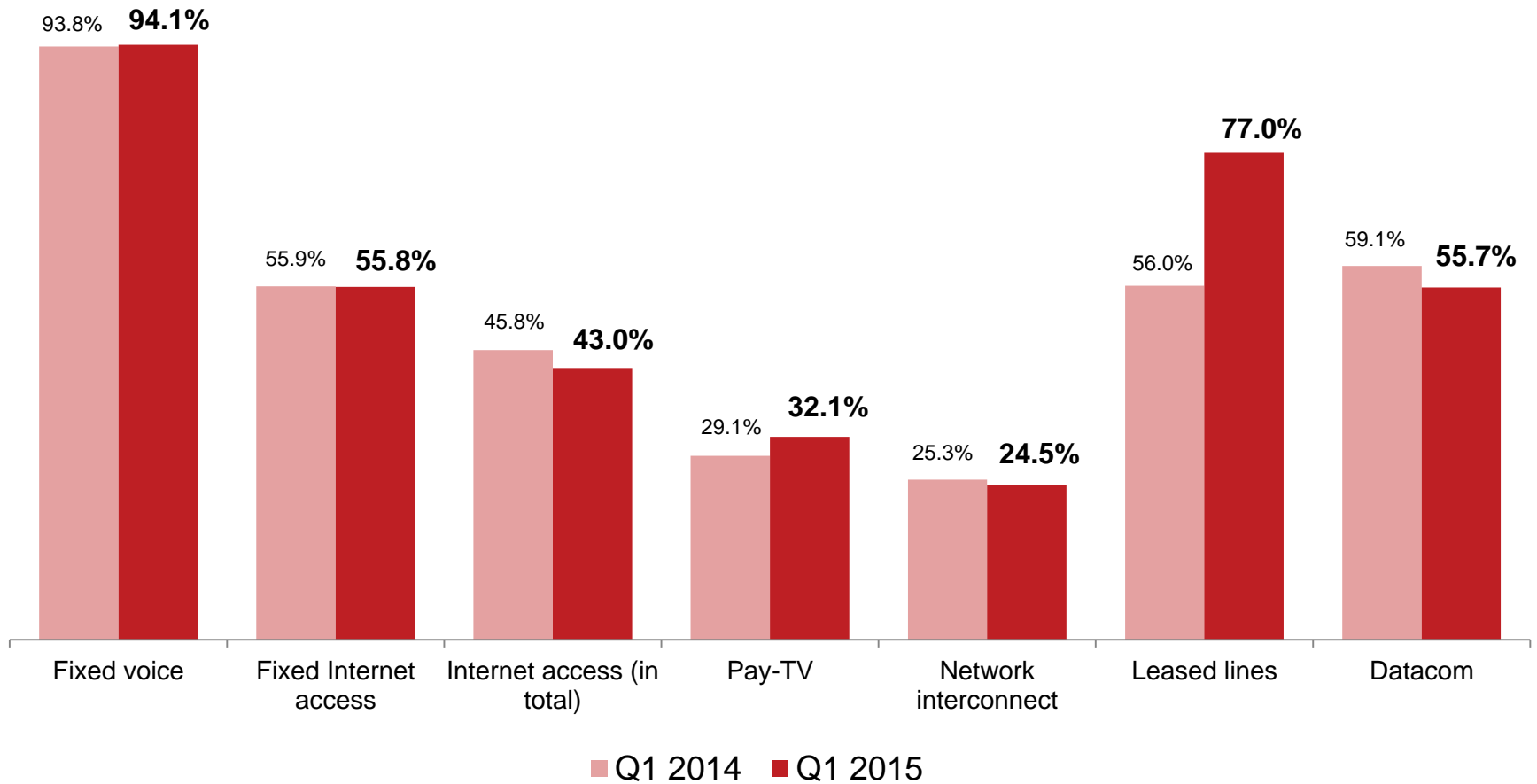
(EUR million)



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 Q1 2015 (EUR million)	Change from Q1 2014 (%)	Number of market players	Teo share in Q1 2015 (%)
Fixed voice	12.4	(14.1)	43	94.1
Internet access	31.4	7.0	107	43.0
Network interconnection	32.5	40.2	14	24.5
Pay-TV	15.0	(0.1)	45	32.1
Data communication	4.4	(27.8)	18	77.0
Leased lines	1.1	(21.8)	9	55.7
TV and radio program transmission	1.1	(3.3)	5	n/a
Dark fiber	1.4	(14.7)	15	n/a
Mobile voice	53.3	(3.1)	3+11	-

Fixed voice telephony market in Lithuania (Q1 2015)

- **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: **58 thousand** or 10.2% of total subscribers' number

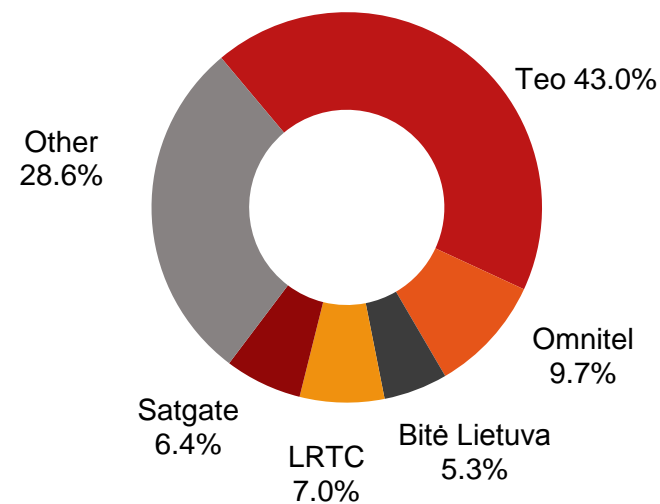
TEO market share (Q1 2015) in terms of:	(%)
Total number of customers	89.8
Total traffic	93.1
Revenue from local calls	100.0
Revenue from domestic long distance calls	90.8
Revenue from international calls	75.6

Source: Report of the Communications Regulatory Authority

Internet access market in Lithuania (Q1 2015)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber-optic	484	8.0
Via mobile network	316	6.5
DSL	170	(3.6)
Wireless	106	5.7
Via CATV network	36	(6.2)
Via LAN	11	(4.9)
Total:	1,123	4.8

Q1 2015 revenue by service providers

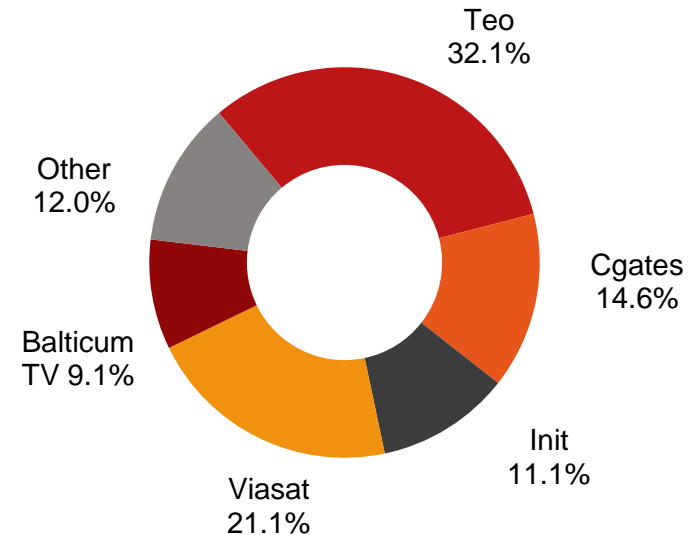


Source: Report of the Communications Regulatory Authority

Pay TV market in Lithuania (Q1 2015)

Access type	Number of users ('000)	Change, y-o-y (%)
Analogue CATV	283	(7.9)
Digital CATV	124	5.3
IPTV	153	22.2
Satellite	90	(7.3)
DVB-T	55	(15.5)
MVDS	13	(5.8)
Total:	718	(1.1)

Breakdown of users by service providers



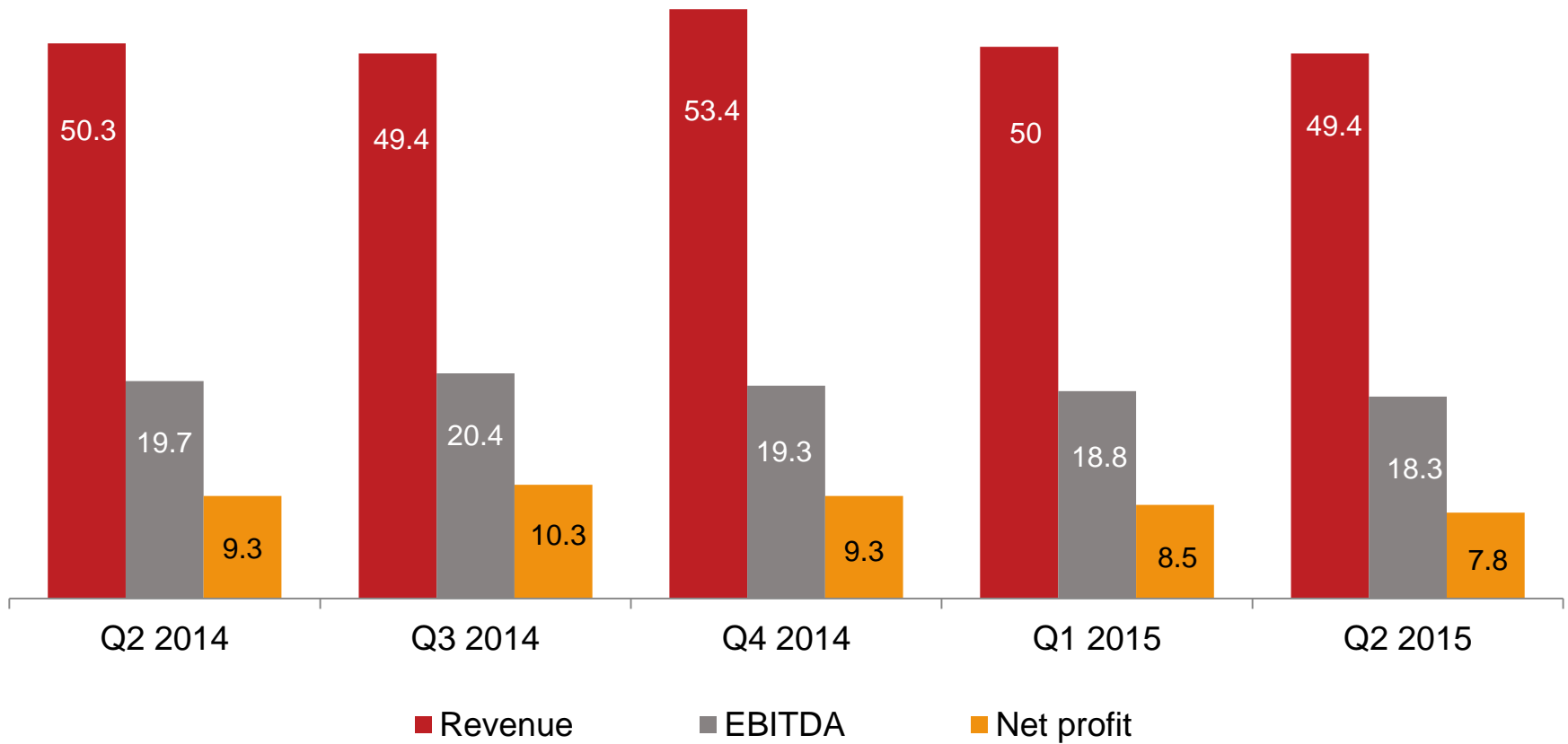
Source: Report of the Communications Regulatory Authority

Financial results

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Revenue, EBITDA & net profit

(EUR million)

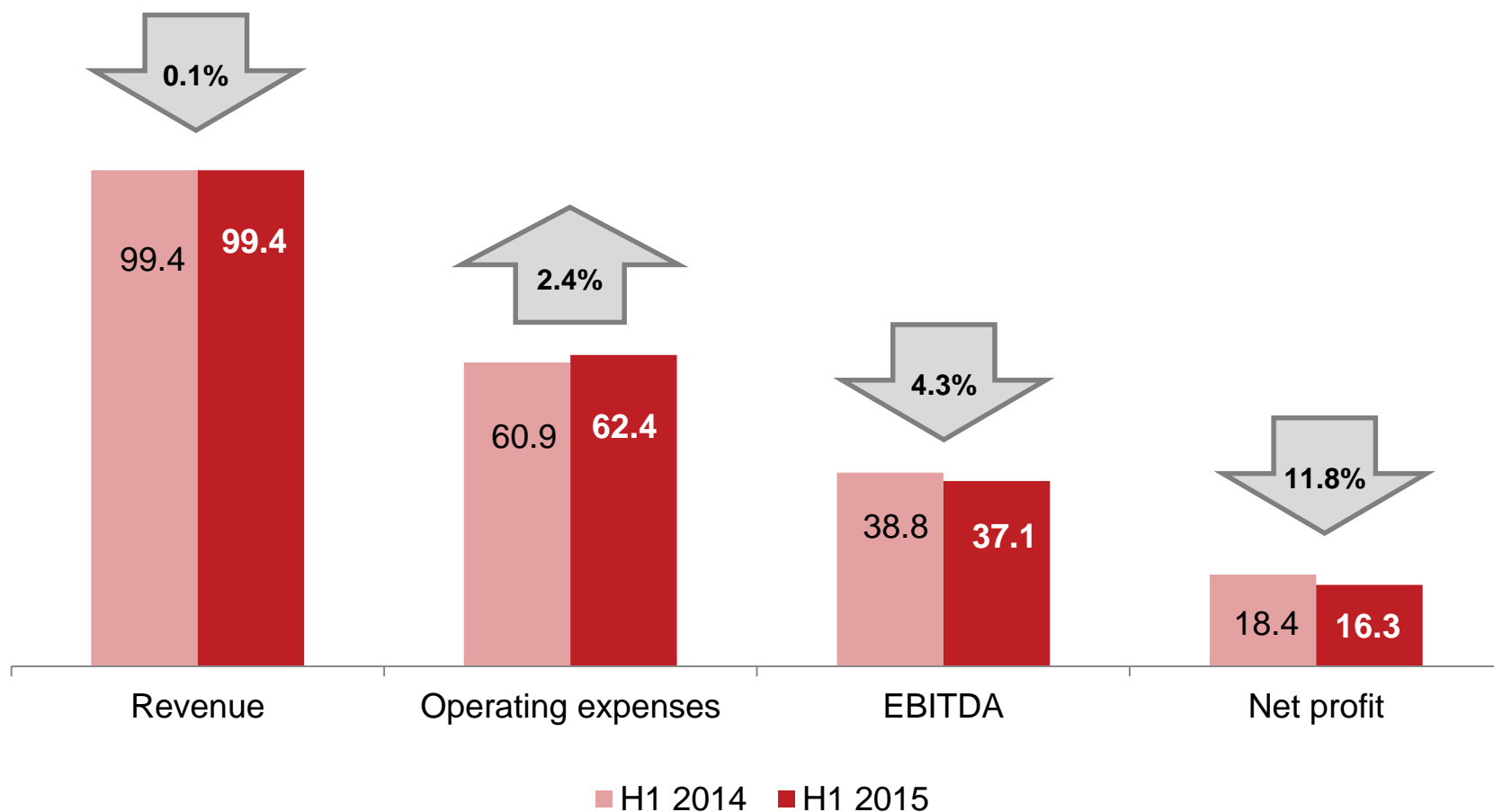


Major financial indicators

(thousand EUR)	H1 2015	H1 2014	Change (%)	H1 2013
Revenue	99,365	99,415	(0.1)	104,408
Operating expenses	62,416	60,937	2.4	61,258
EBITDA	37,098	38,750	(4.3)	43,313
EBITDA margin	37.3%	39.0%		41.5%
<i>EBITDA (excl. non-recurring items)</i>	38,283	42,564	(10.1)	44,438
<i>EBITDA margin (excl. non-recurring items)</i>	38.5%	42.8%		42.6%
Amortization and depreciation	18,573	17,979	3.3	19,008
Operating profit	18,525	20,771	(10.8)	24,305
Operating profit margin	18.6%	20.9%		23.3%
Net profit	16,257	18,443	(11.8)	21,898
Profit margin	16.4%	18.6%		21.0%
Earnings per share (EUR)	0.028	0.024	17.5	0.028
Average weighted number of shares (thousands)	582,613	776,818	(25.0)	776,818

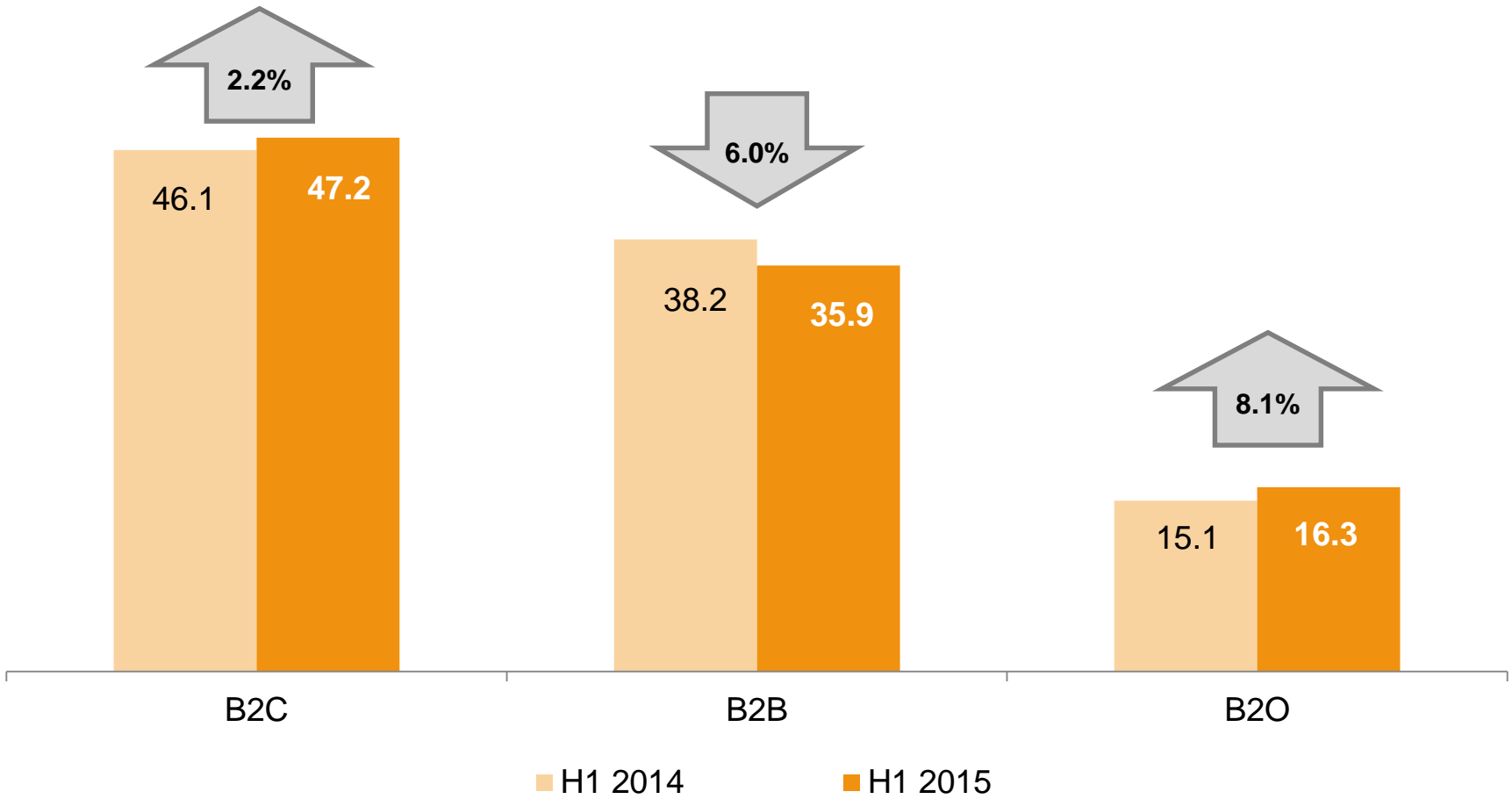
Dynamics of Teo main financial indicators

(EUR million)



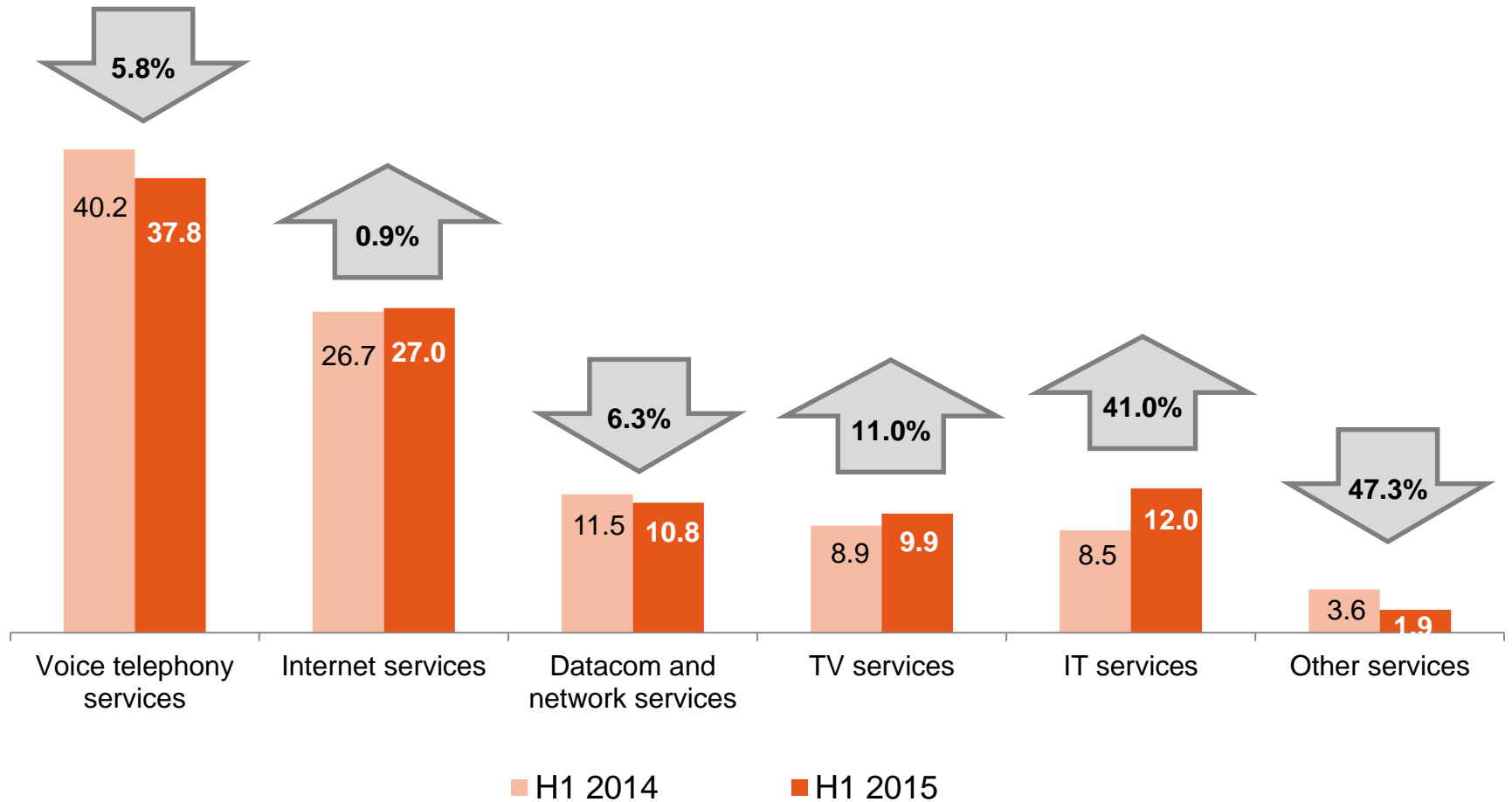
Revenue

(EUR million)



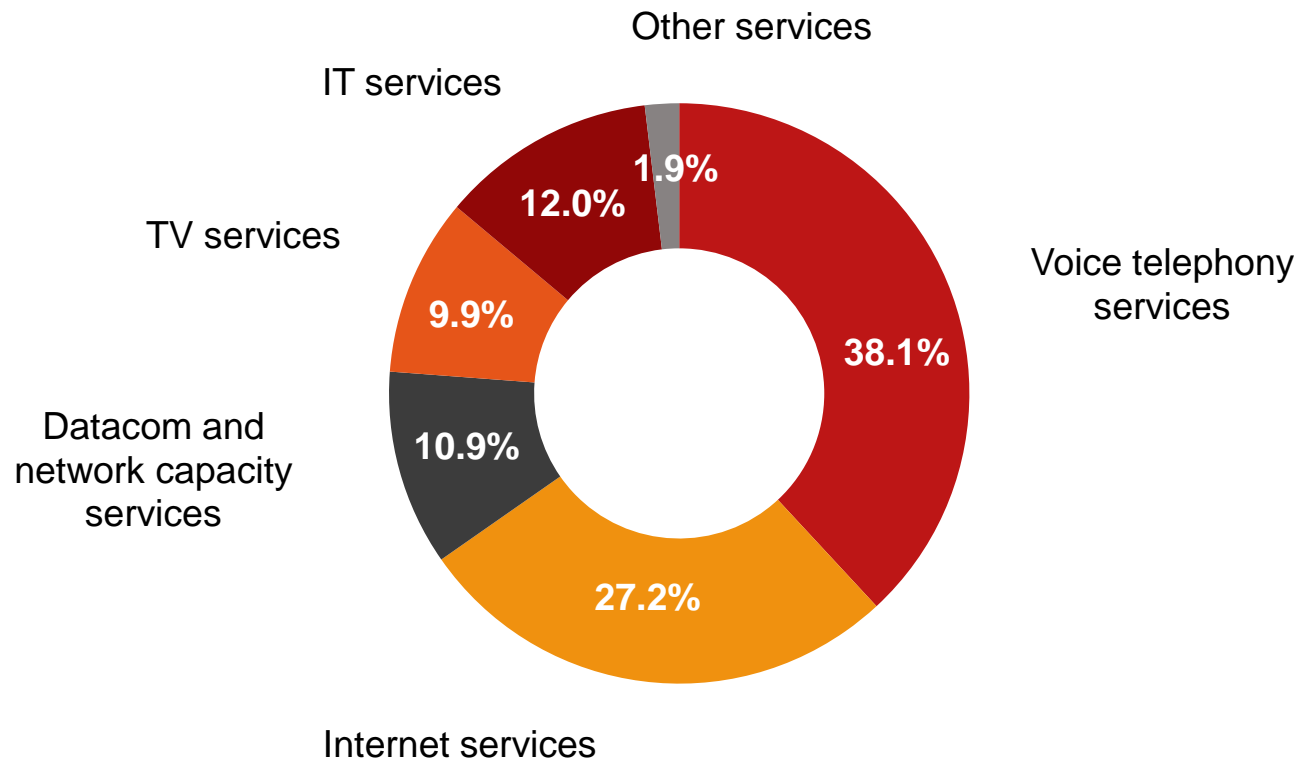
Revenue

(EUR million)



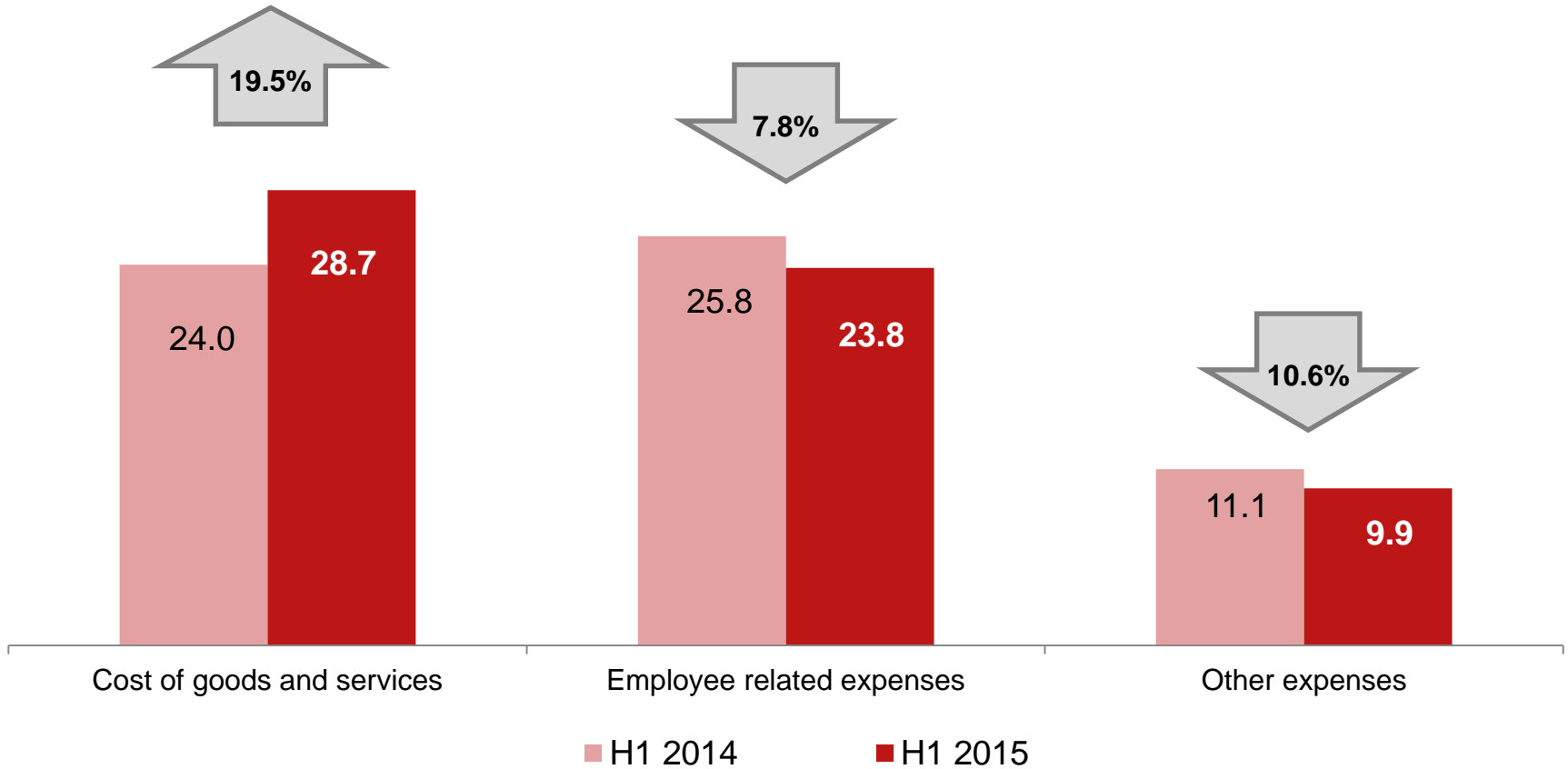
Breakdown of revenue

(H1 2015)



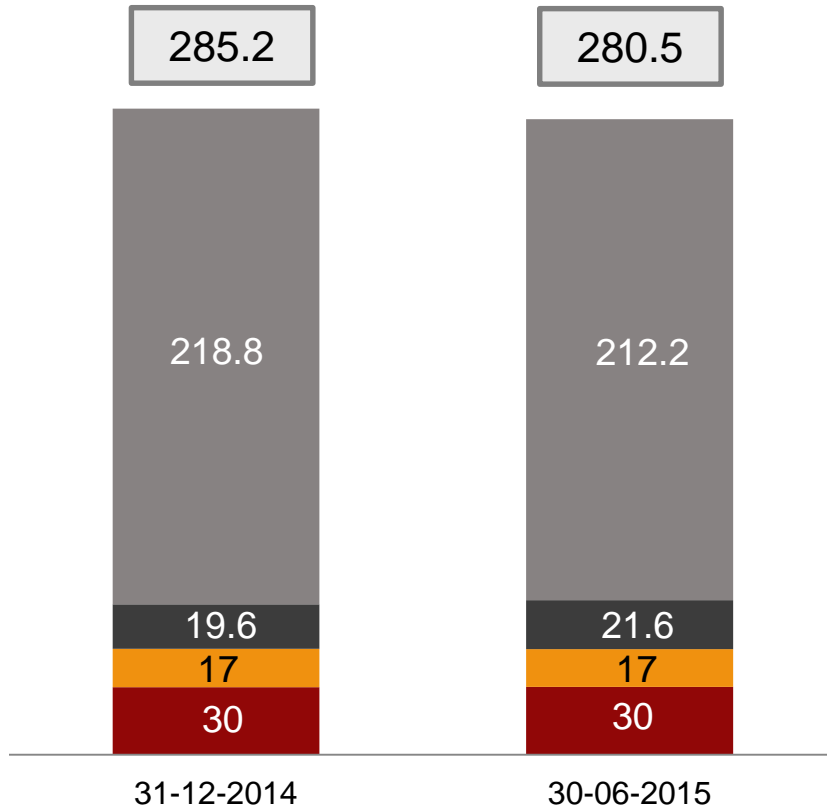
Operating expenses

(EUR million)



Assets

(EUR million)

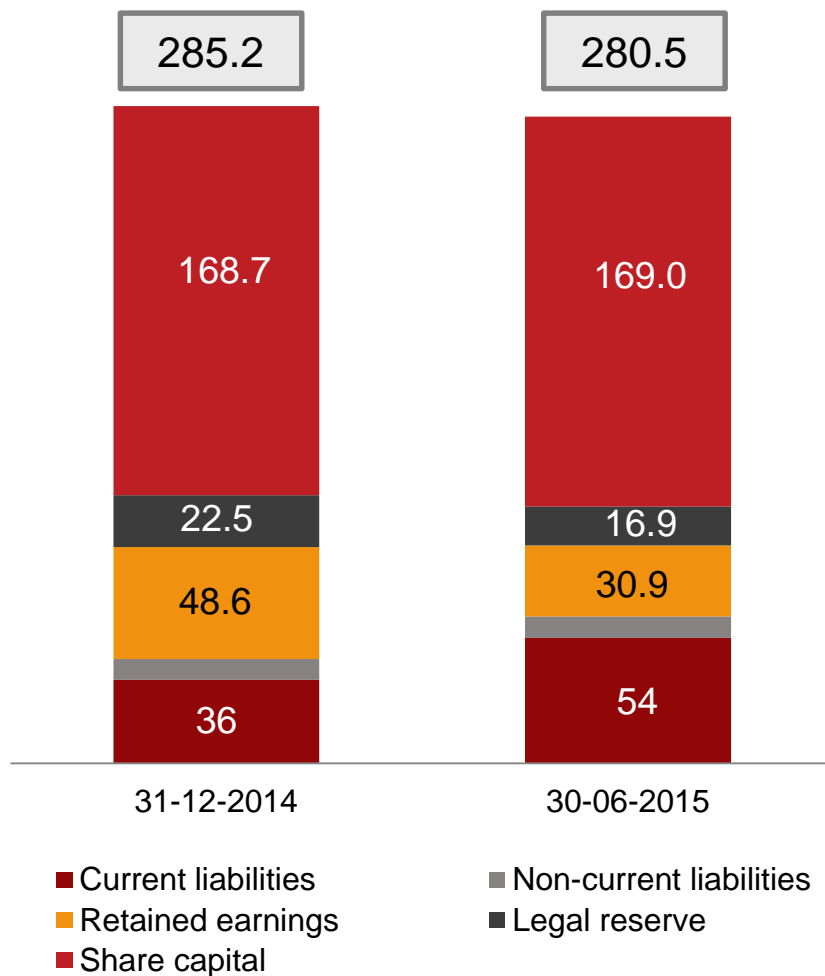


- **Non-current assets** amounted to 83.3% of total assets (30-06-2015)
- **Cash** alone amounted to 6%
- **Return on capital employed:** 14.1%
- **Return on average assets:** 13.7%

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

Equity and liabilities

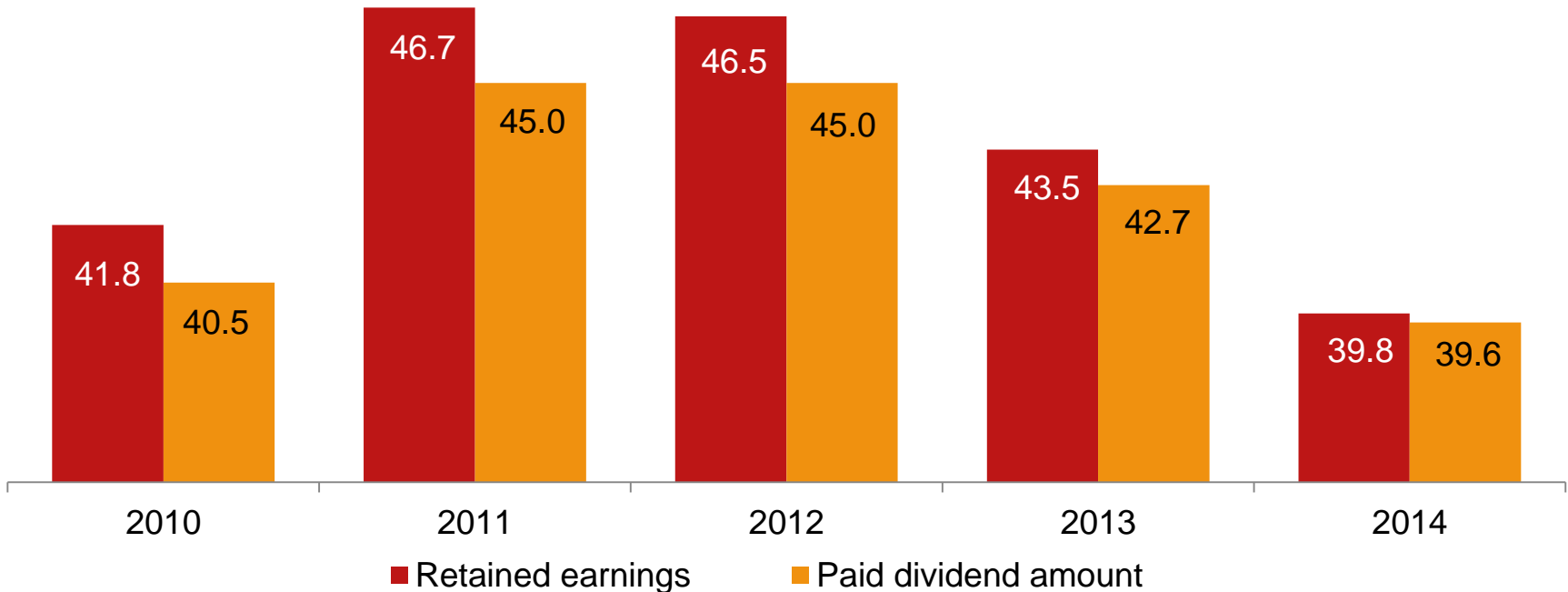
(EUR million)



- **Shareholders' equity** amounted to 77.3% of the total assets (30-06-2015)
- **Borrowings** amounted to EUR 35.2 million
- **Net debt** was amounted to EUR 18.5 million
- **Gearing ratio:** 8.5%
- **Debt to equity:** 16.2%
- **Return on equity:** 14.7%
- On 29 April 2015, shareholders decided to reduce **legal reserve by EUR 5.6 million** and reallocate this amount into retained earnings
- On 27 May 2015, **EUR 39.6 million** of dividends for the year 2014 of were paid
- On 5 June 2015, the Company's authorized **capital express in euro** with nominal value of one share of 0.29 euro was registered

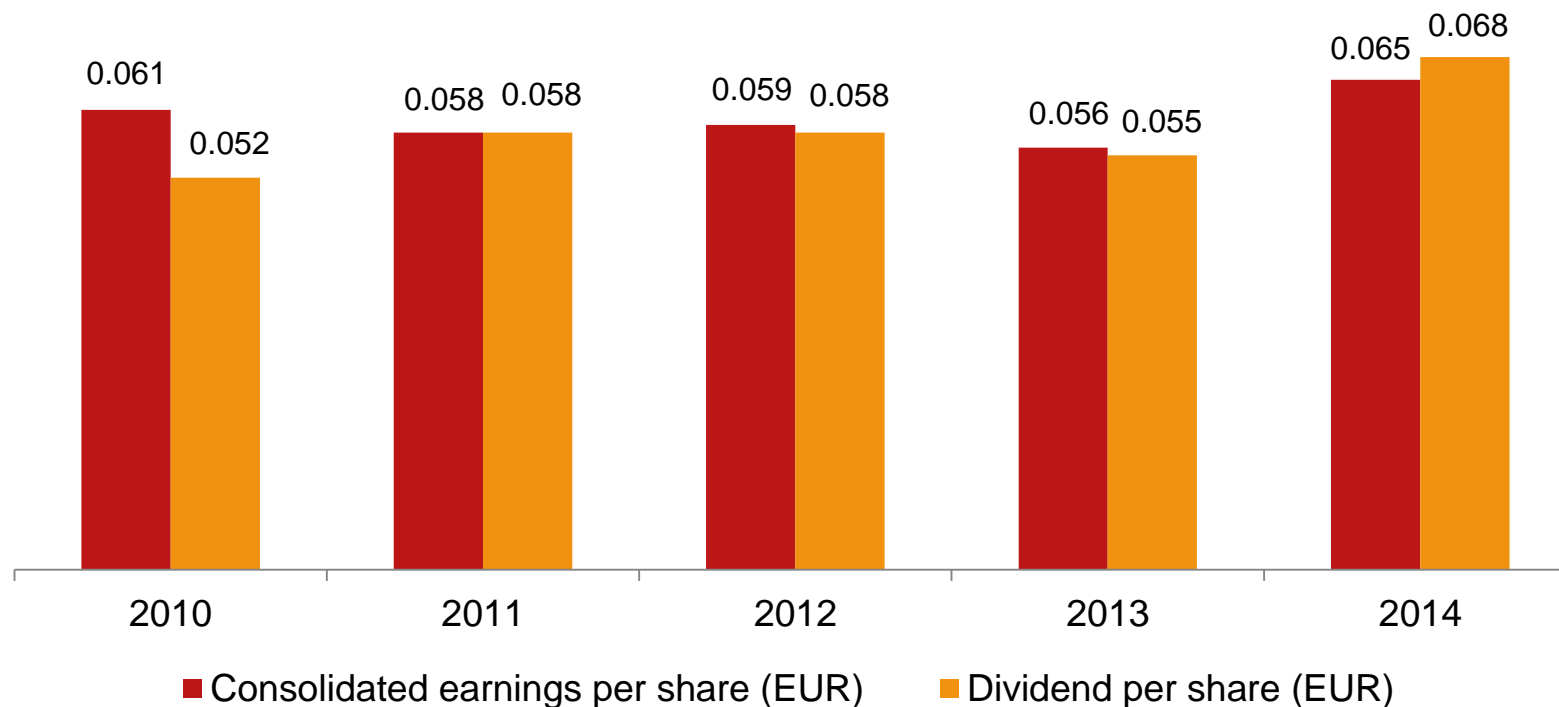
Teo retained earnings vs dividends

(EUR million)



- Following the Lithuanian Law on Company dividends shall be paid **from the Parent company's retained earnings**
- On 29 April 2015, shareholders decided from retained earnings of EUR 39.8 million to pay EUR 39.6 million or **0.068 euro per share of dividends** for the year 2014

Dividend payout



- Earnings and dividends of 2010-2013 are allocated to 776,817,518 shares, of 2014 to 582,613,138 shares
- On 17 November 2014 shareholders got **0.072 euro per share payment due to reduction of authorized capital**
- **Dividends for the year 2014** were paid on 27 May 2015

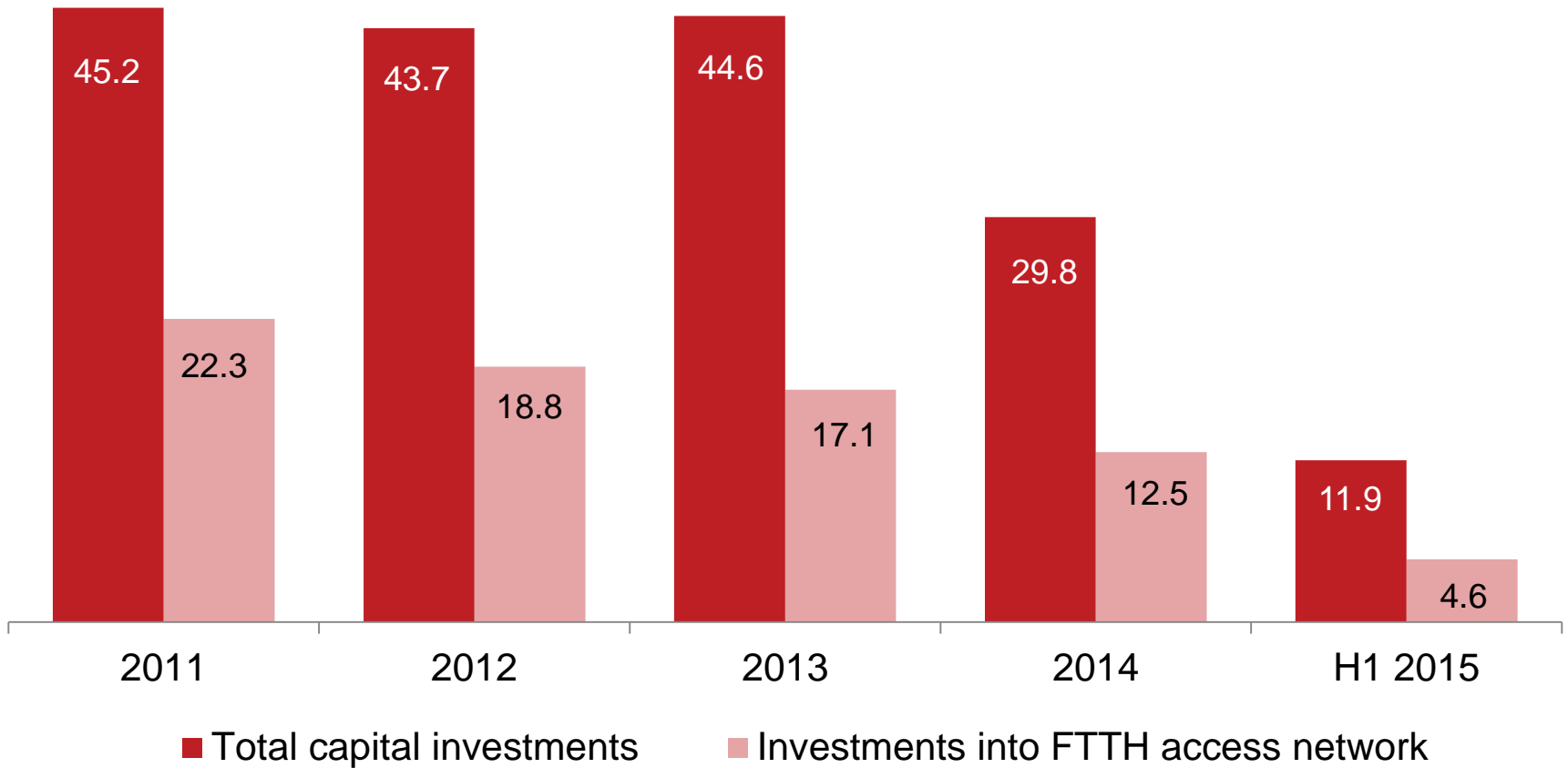
Cash flow

(thousand EUR)	H1 2015	H1 2014
Net cash from operating activities	30,655	35,553
Net cash used in investing activities	(16,025)	(9,436)
Net cash used in financing activities	(14,770)	(42,893)
Increase (decrease) in cash and cash equivalents	(140)	(16,776)

- **Free Cash Flow** during H1 2015 was by 28% lower than a year go.
- Capital **investments** during H1 2015 amounted to EUR 11.9 million (EUR 10.4 million in 2014)
- EUR 9.9 million went to expansion of the **core and fiber-optic access network**
- In May 2015, the Company paid out **EUR 39.6 million of dividends** for the year 2014
- During the Q2 2015, Teo borrower **EUR 35 million** for payment of dividends

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 30 June 2015

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

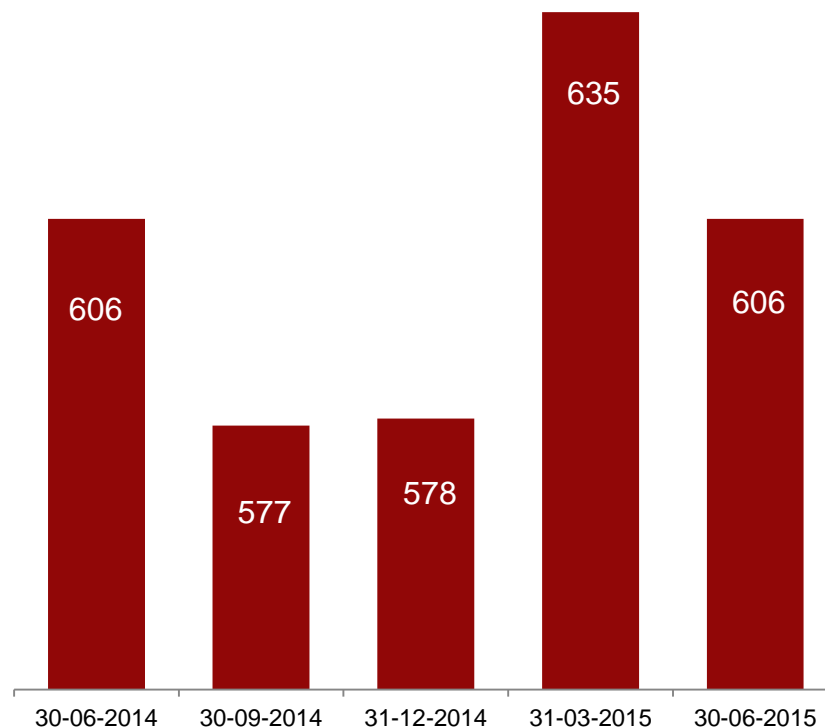
- On **24 October 2014**, authorized **capital was reduced** by LTL 194 million and accordingly **number of voting shares** was reduced from 776,817,518 to **582,613,138**

Teo shares

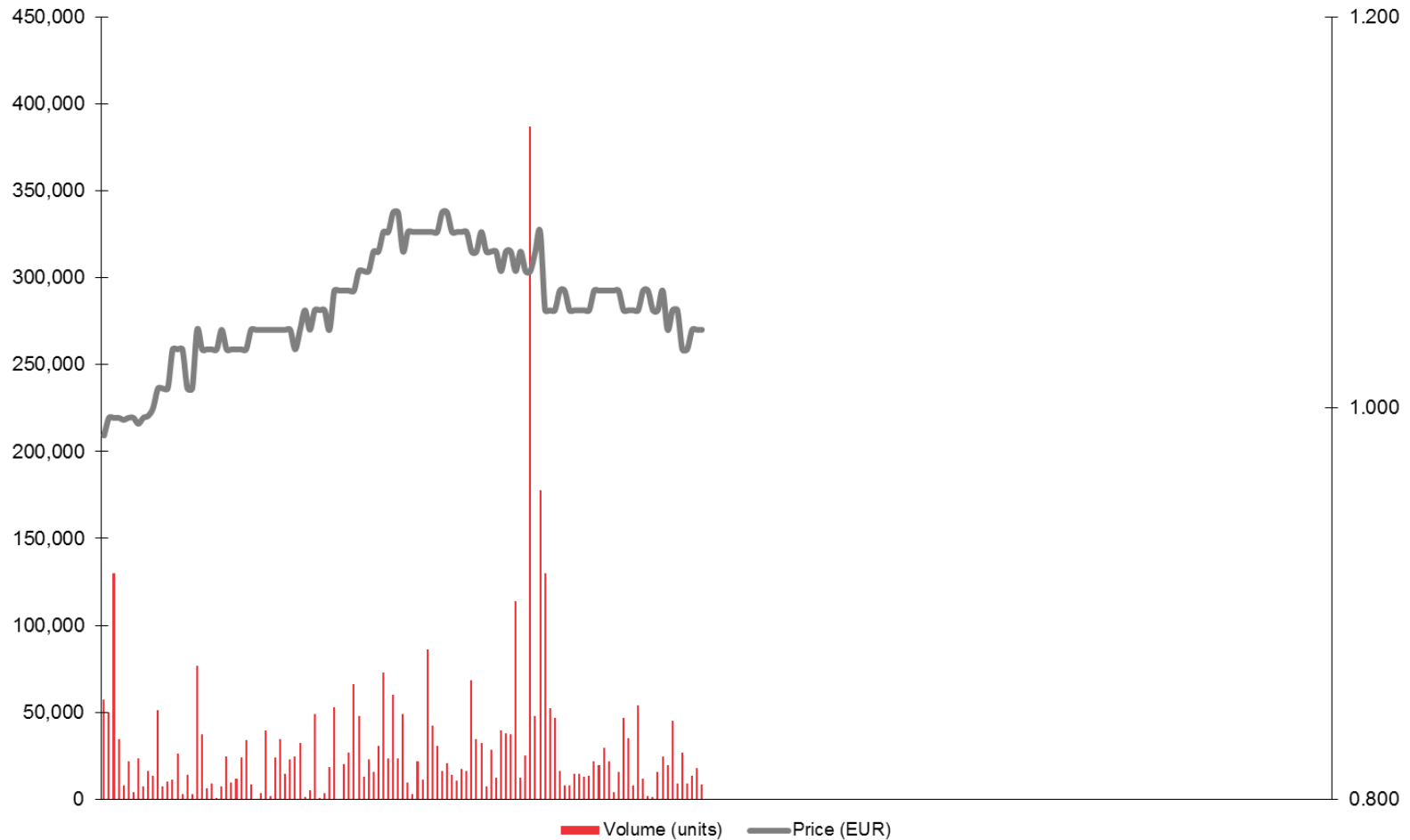
- Since June 2000, Teo shares are listed on **Nasdaq OMX Vilnius** stock exchange (ticker: TEO1L)
- Since January 2011, Teo shares were included into the trading lists of a few **German stock exchanges** (ticker: ZWS)
- **Turnover** on Vilnius stock exchange during January-June 2015: 3.7 million shares or EUR 3.9 million (LTL 13.4 million)
- Share **price** on Nasdaq OMX Vilnius:

	EUR	LTL
01-01-2015	1.000	3.453
High	1.110	3.833
Low	0.986	3.404
30-06-2015	1.040	3.591

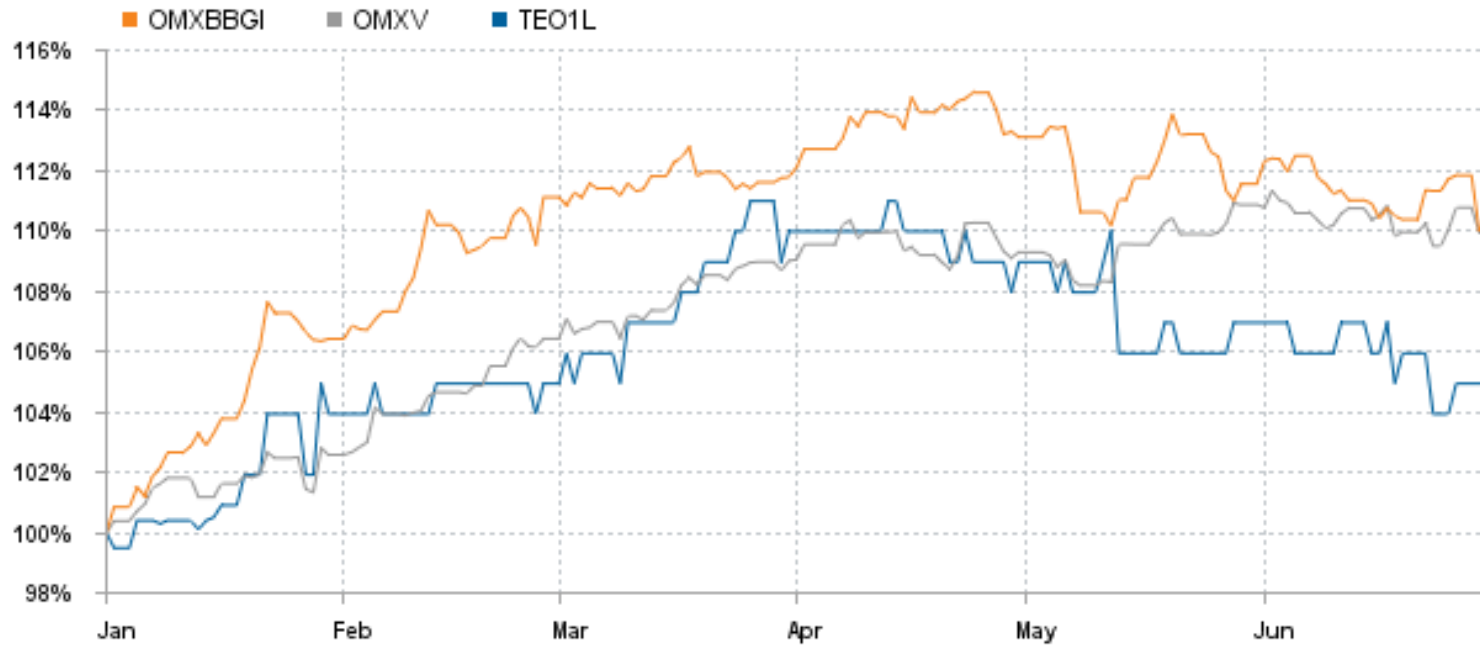
Market capitalization (EUR million)



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



Teo share price and Nasdaq OMX Vilnius indexes comparison



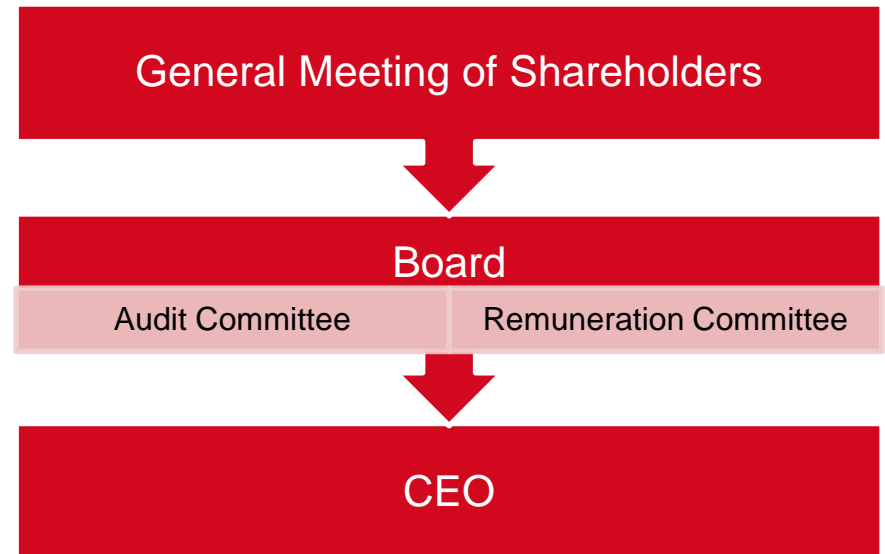
Source: Nasdaq OMX Vilnius

Corporate governance

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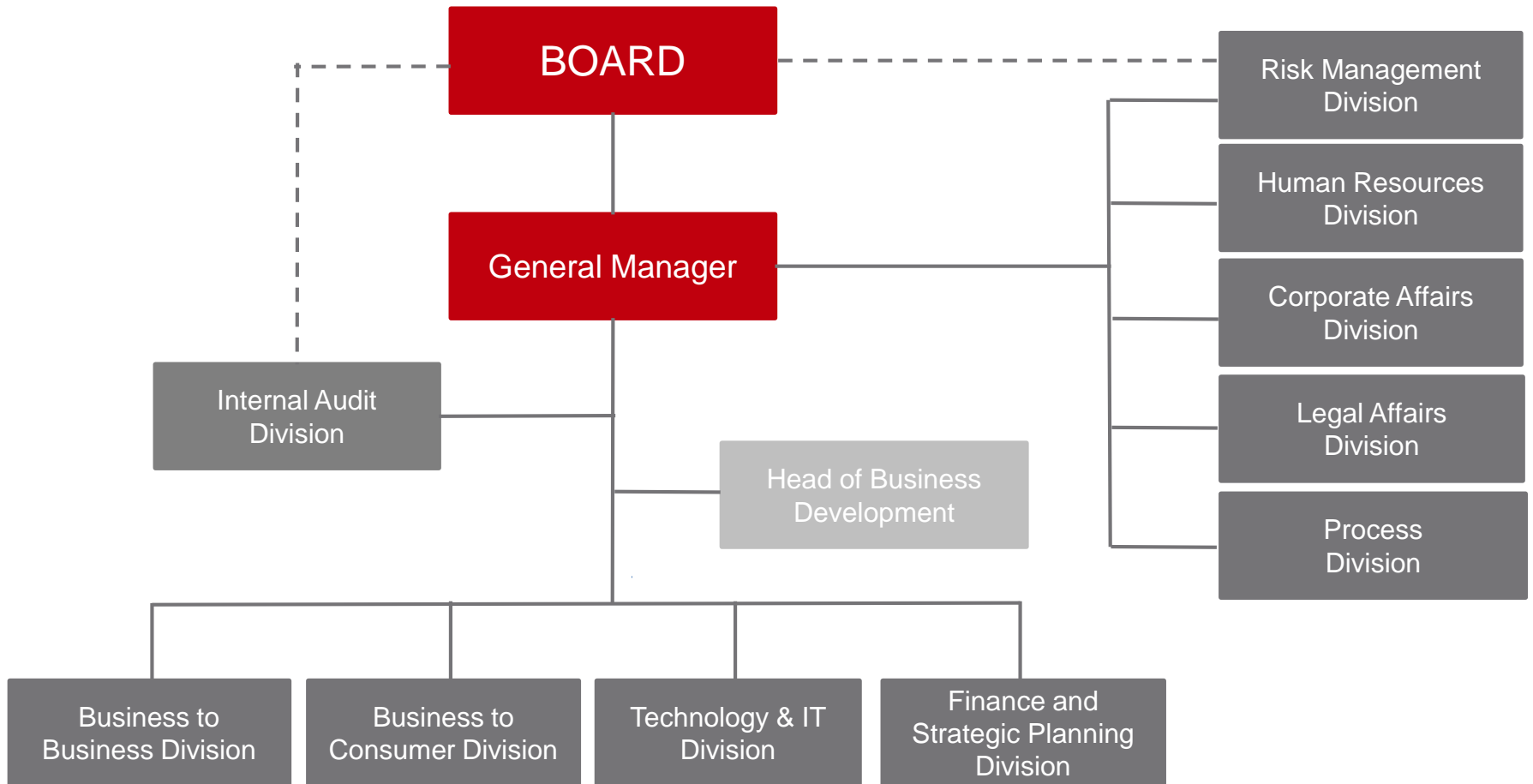
Governing bodies

- The **Annual General Meeting** of Shareholders was held on 29 April 2015
- Upon termination of the Board's term, shareholder **reelected members of the Board** for a new 2 years term
- The **Board** consist of 6 members elected for the 2 year term
- 3 members of the Board comprise **Audit and Remuneration Committees**
- In June 2015, the Board reelected its **Chairman**, members of Audit and Remuneration Committees, Chairman of Audit Committee
- Shareholders elected **UAB Deloitte Lietuva** as the Company's independent auditor for the year 2015
- The Board elects and recalls **CEO**



Governing structure of Teo

Valid from 1 April 2015



Teo Board



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



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



Stefan Block,
Member of the Board
represents TeliaSonera AB,
Chairman of the Audit Committee



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



Claes Nycander,
Member of the Board
represents TeliaSonera AB,
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



Standing (from left to right) Head of Corporate Affairs **Antanas Bubnelis**, Head of Human Resource **Ramūnas Bagdonas**, Head of Risk Management **Vytautas Bučinskas**, Head of B2B **Aleksandras Samuchovas**, Head of B2C **Nerijus Ivanauskas**, Head of Audit **Kastytis Kmitas**, sitting (from left to right) Head of Finance and Strategic Planning **Lars Bolin**, Head of Processes **Giedrė Tarbūnienė**, Head of Legal Affairs **Eglė Gudelytė-Harvey**, Head of Technology and IT **Andrius Šemeškevičius**, CEO **Kęstutis Šliužas**

A. Šemeškevičius owns 8,761 and K. Kmitas – 4,202 shares of Teo. Other managers do not own any shares of the Company

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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!