

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 9 months of 2015

20-10-2015

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 Q3 2015

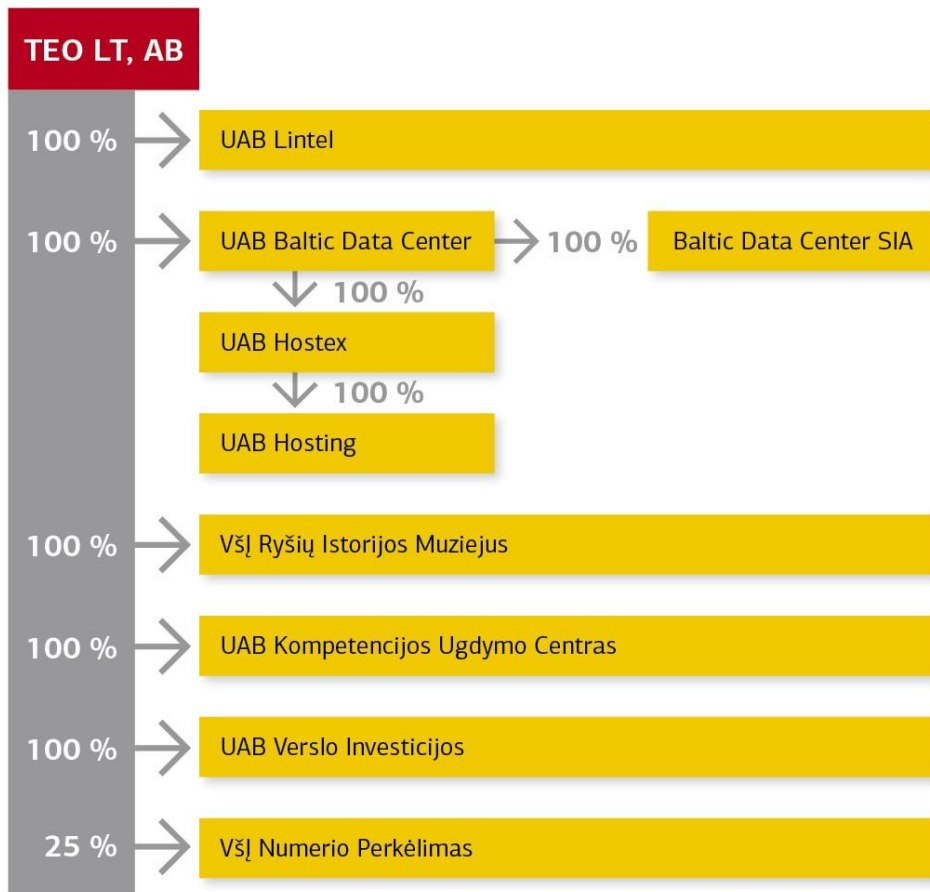
- **Teo and Omnitel will join forces:** in the beginning of 2016 **Teo will acquire** for EUR 220 million a **100% stake in UAB Omnitel** from TeliaSonera AB
- During the quarter number of **IPTV users** increased by **8.4 thousand** and **Internet access** – by **6 thousand**
- Teo opened 3 **new customer care showrooms** in Telšiai, Vilnius and Šiauliai
- The Company together with its partners opened in Kaunas the **smartest classroom** in Lithuania
- Teo is a **brand No. 2** on telco market in Lithuania according to DDB Brand Capital 2015 survey

teo



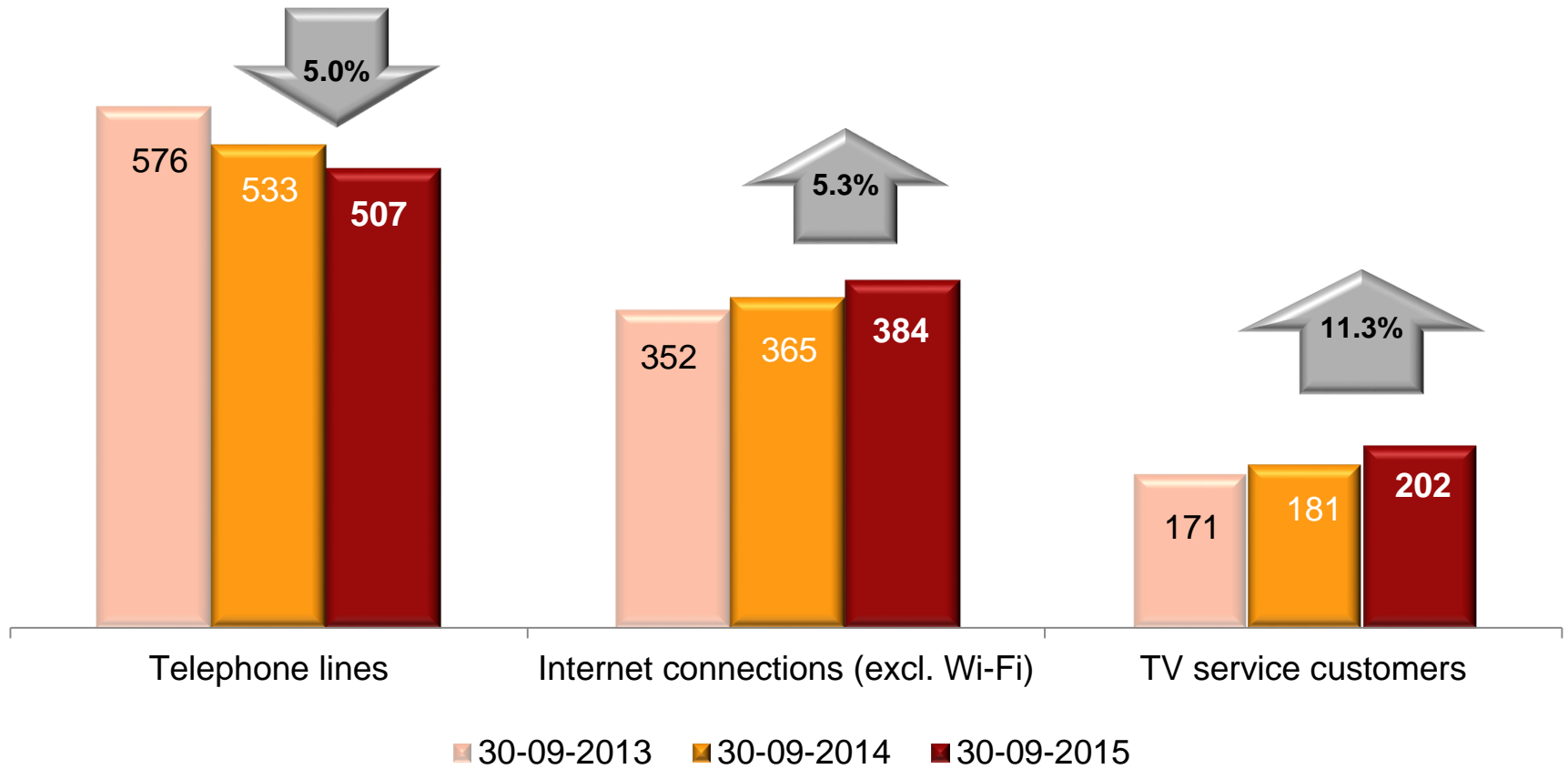


# Teo Group



- In June 2014 majority of activities and employees of Baltic Data Center **were moved to Teo**
- In September, Teo together with Bitė Lietuva, Omnitel and Tele2 established **VšĮ Numerio Perkėlimas**, that together with UAB Mediafon from 1 January 2016 will administrate the central database to ensure telephone number portability
- Baltic Data Center SIA, Hosting and Kompetencijos Ugdymo Centras are dormant subsidiaries
- In the beginning of 2016, Teo will **acquire a 100% stake in Omnitel**

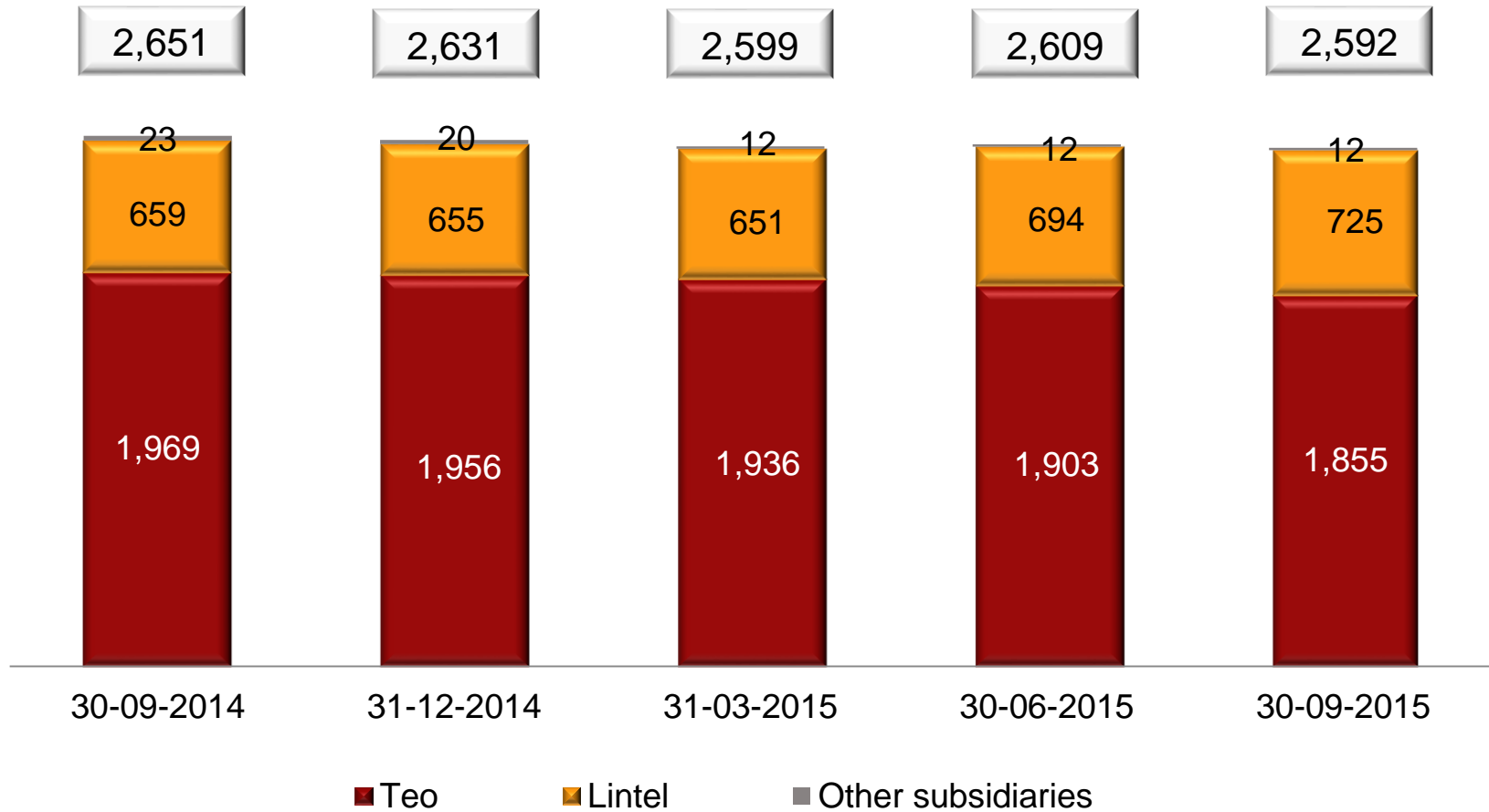
# Main operating figures (thousands)



# Main operating figures

	30-09-2015	30-09-2014	Change (%)
Number of telephone lines	506,725	533,393	(5.0)
Number of broadband Internet accesses (excl. Wi-Fi), in total:	384,272	364,867	5.3
- via fiber-optic lines	217,657	193,799	12.3
- via copper lines	166,615	171,068	(2.6)
Number of TV services users, in total:	201,719	181,283	11.3
- IPTV	152,479	123,885	23.1
- DVB-T	49,240	57,398	(14.2)
Number of employees	2,592	2,651	(2.2)

# Employees of Teo Group



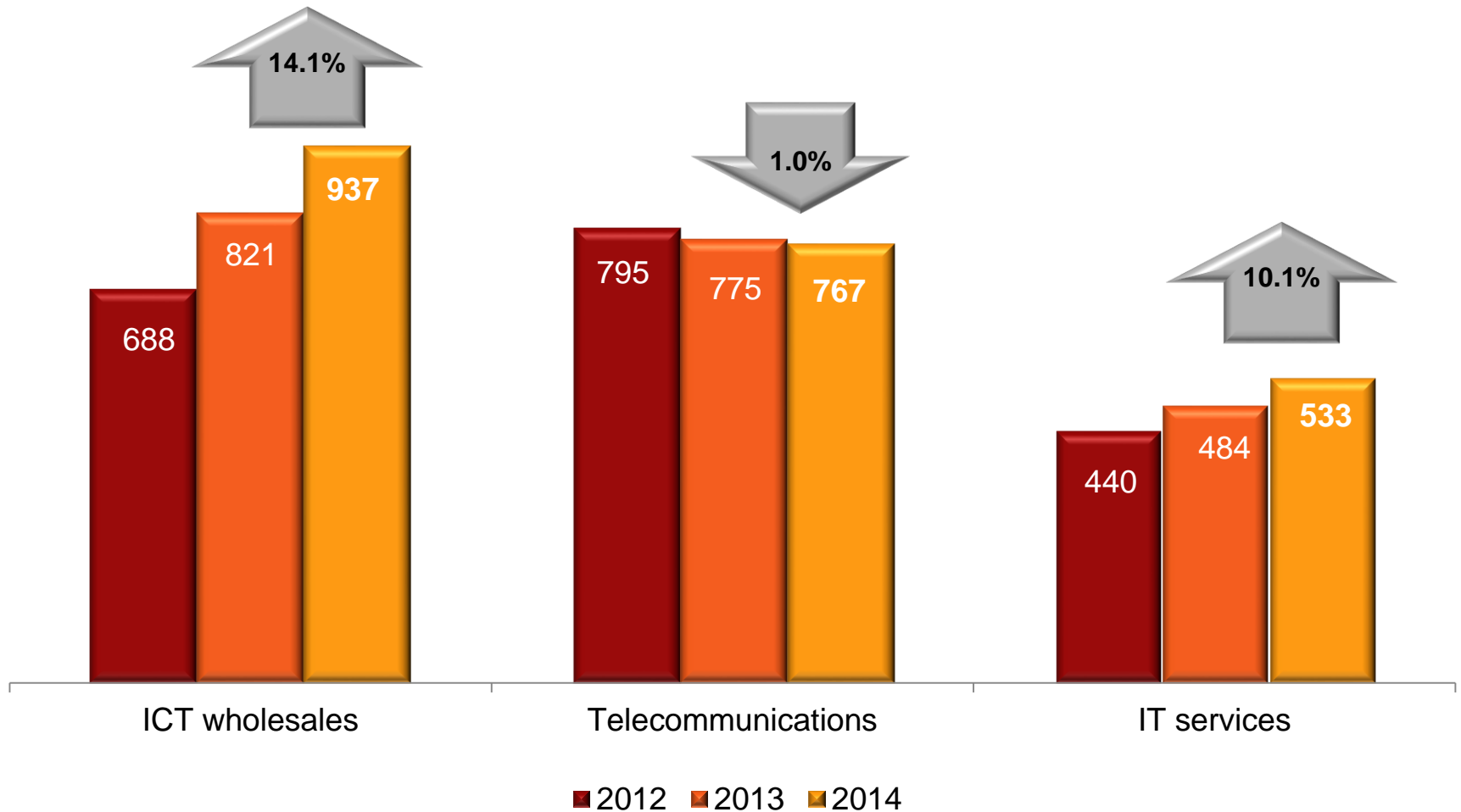
# Electronic communications market of Lithuania

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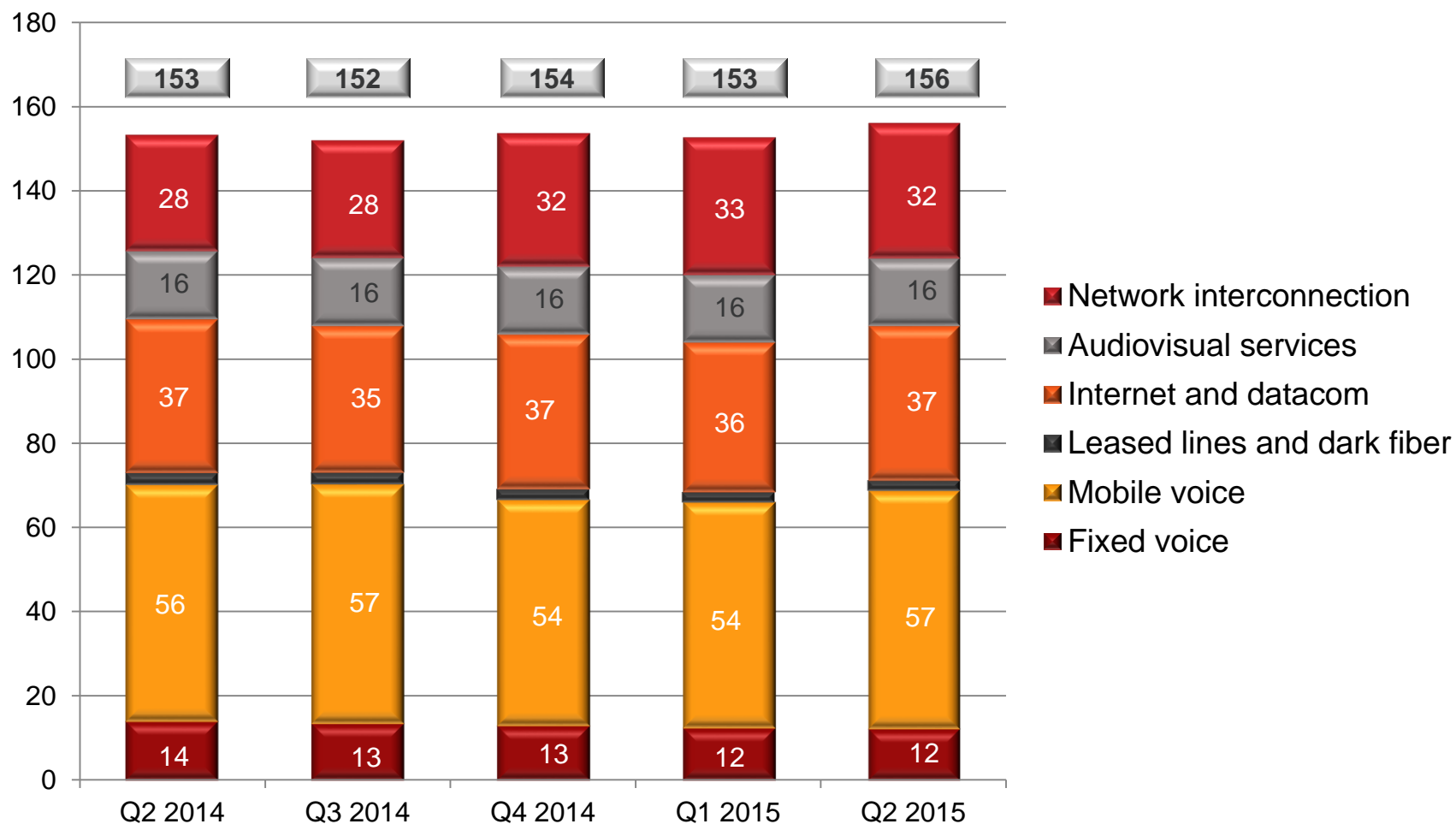
# Lithuanian ICT market revenue trends

(EUR million)



# Telecommunication market in Lithuania

(EUR million)

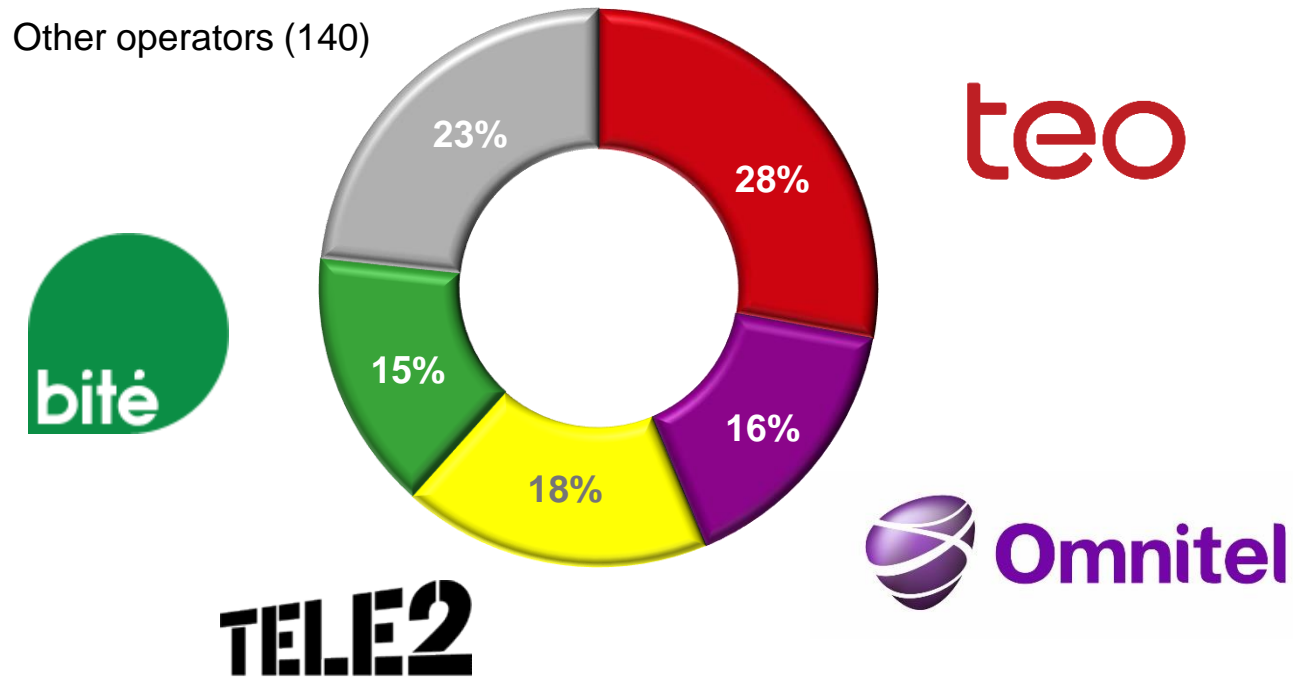


Source: Report of the Communications Regulatory Authority

# Main market figures

	30-06-2015	30-06-2014	Change (%)
Total market revenue (EUR million)	308.5	300.7	2.6
Number of telephone lines per 100 inhabitants	19.3	20.0	
Number of mobile voice subscribers per 100 inhabitants	144.1	147.2	
Number of Internet access subscribers	1,142,301	1,077,625	6.0
Number of broadband Internet access subscribers per 100 inhabitants	39.4	36.8	
Number of fixed Internet access subscribers per 100 inhabitants	28.0	26.6	
Number of pay-TV subscribers	718,506	718,477	0.0
Number of pay-TV subscribers per 100 households	55.7	55.2	
Total market investments (EUR million)	40.4	37.1	8.8

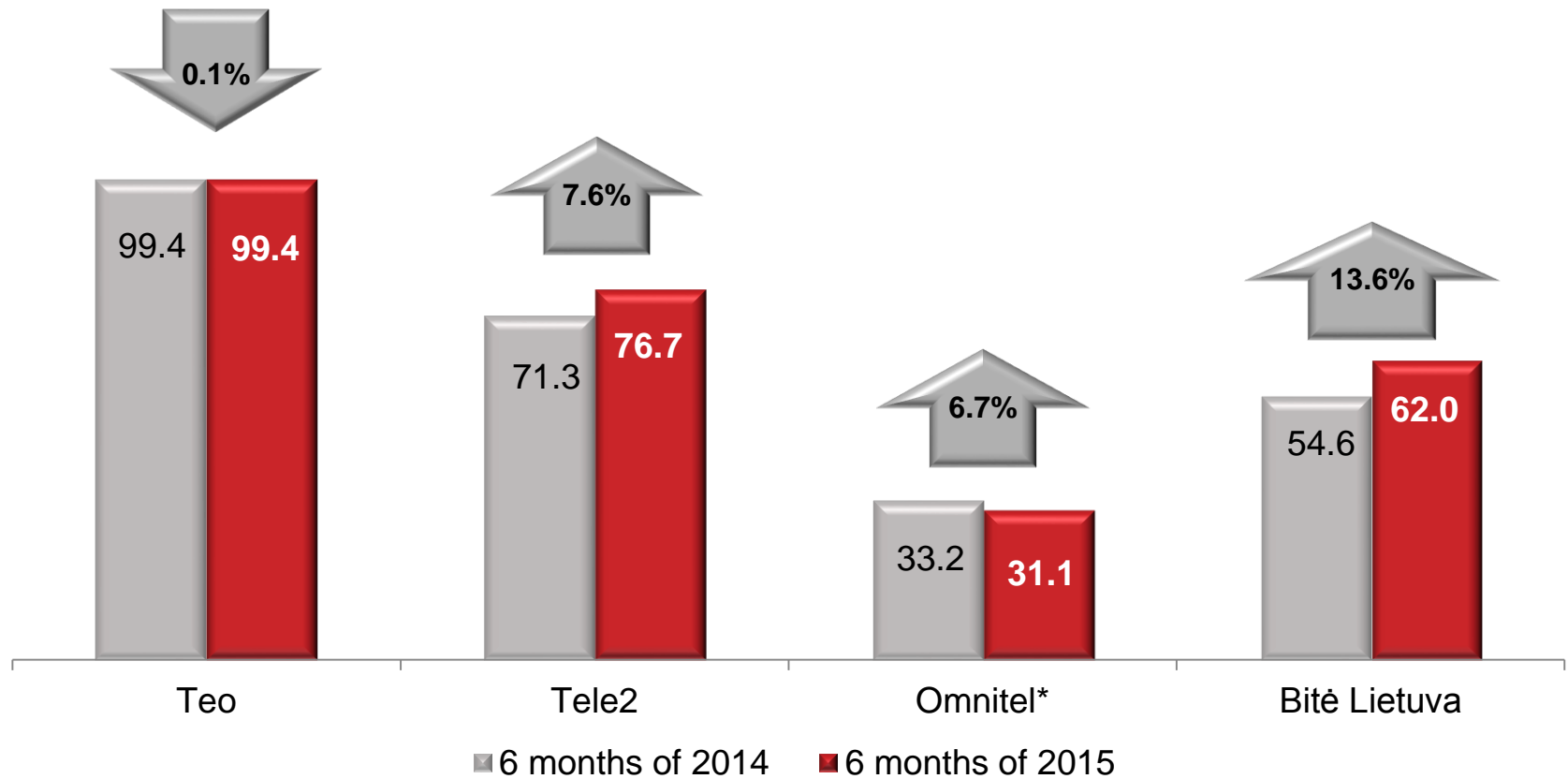
# Breakdown of the telecommunications market revenue in 2014 by operators



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

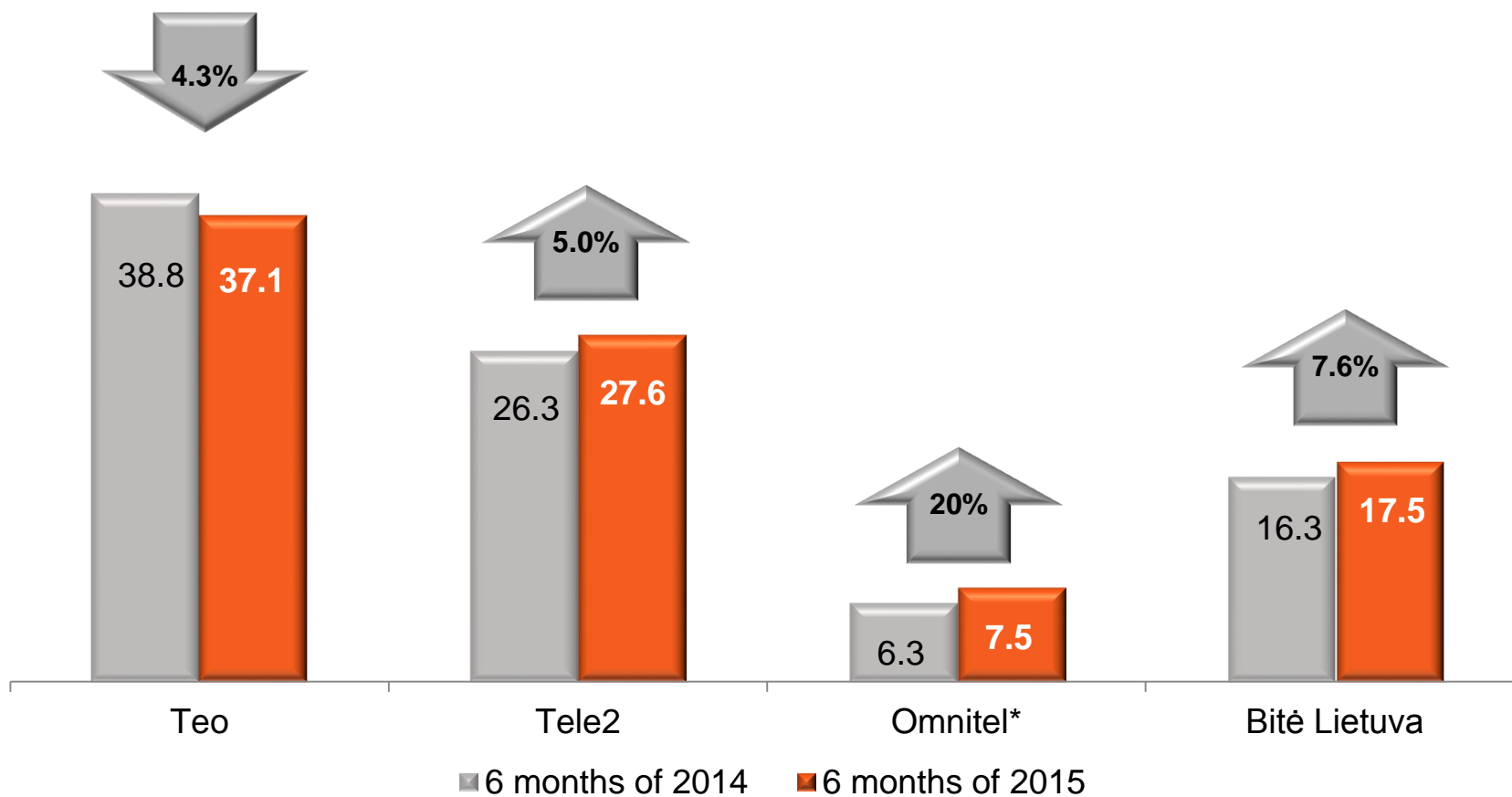
# Main market players' revenue changes

(EUR million)



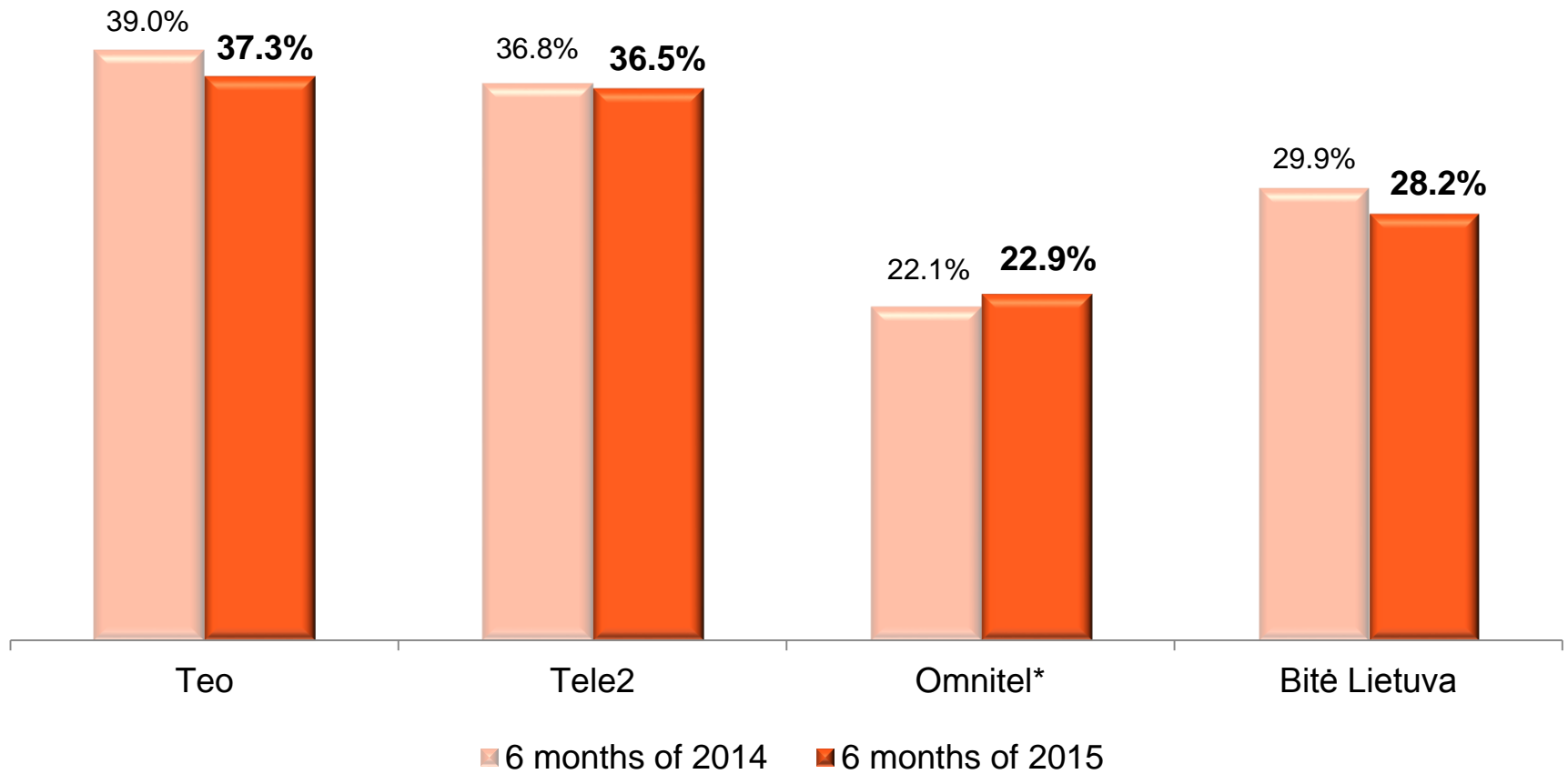
# Main market players' EBITDA changes

(EUR million)

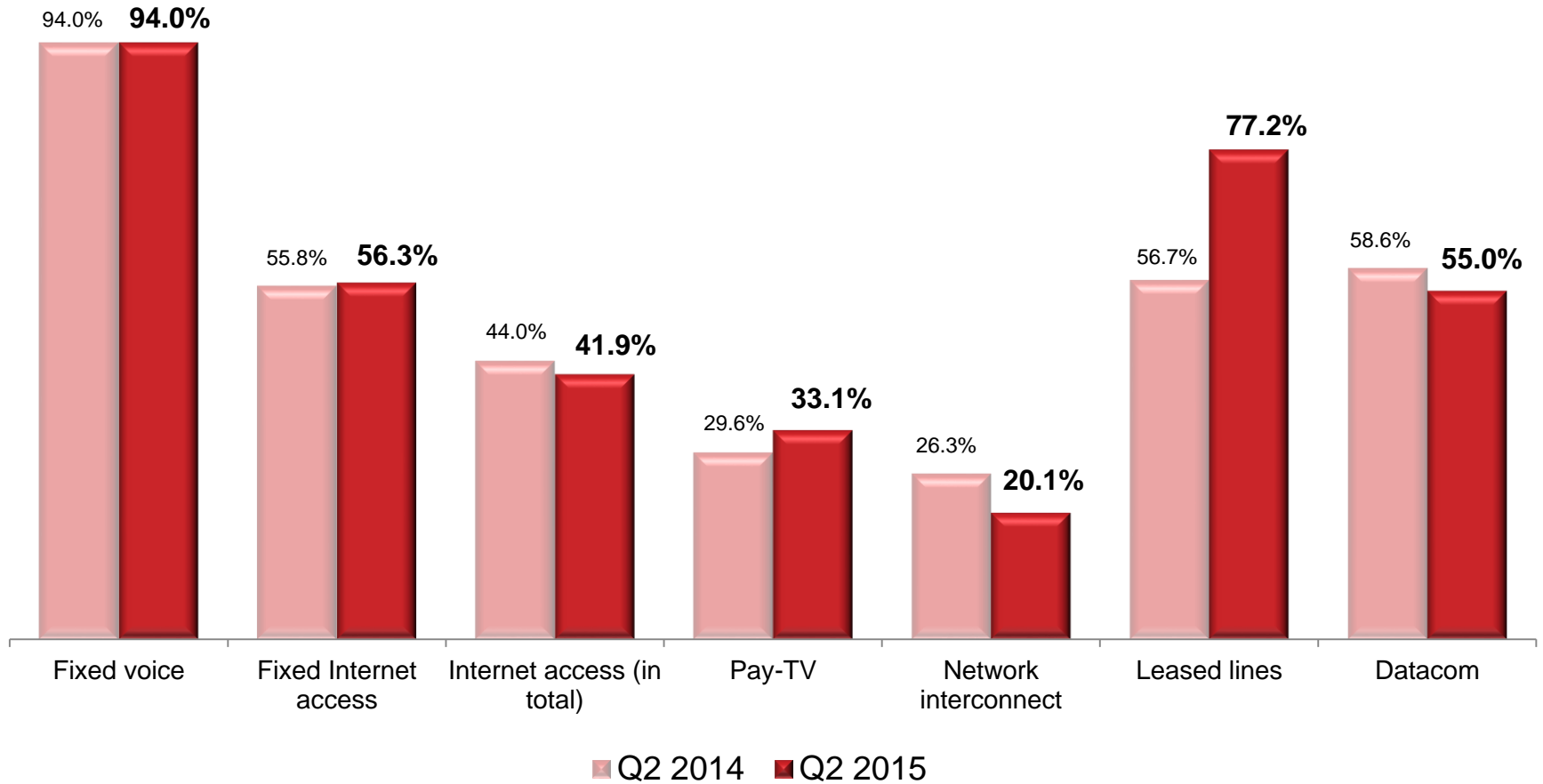




# Main market players' EBITDA margin changes



# Teo market share in terms of revenue



Source: Report of the Communications Regulatory Authority

# Teo competes in all areas except mobile voice

Market	Revenue H1 2015 (EUR million)	Change from H1 2014 (%)	Number of market players	Teo share in Q2 2015 (%)
Fixed voice	24.6	(13.4)	42	94.0
Internet access	63.4	6.4	104	56.3
Network interconnection	64.5	27.0	14	20.1
Pay-TV	30.1	0.0	43	33.1
Data communication	8.7	(29.7)	18	77.2
Leased lines	2.2	(22.6)	9	55.0
TV and radio program transmission	2.1	(3.7)	5	n/a
Dark fiber	2.7	(12.3)	14	n/a
Mobile voice	110.1	(1.1)	3+11	-

# Fixed voice telephony market in Lithuania (Q2 2015)

- **42 companies** are providing fixed voice services:
  - 32 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: **56,4 thousand** or 9.9% of total subscribers' number

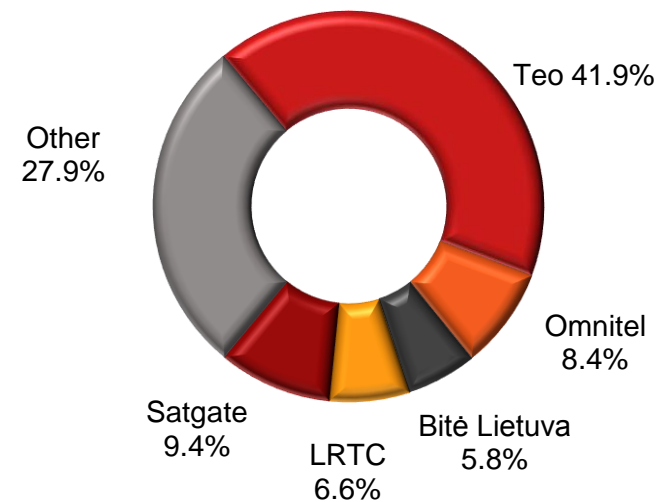
Teo market share (Q2 2015) in terms of:	(%)
Total number of customers	90.1
Total traffic	92.7
Revenue from local calls	100.0
Revenue from domestic long distance calls	90.8
Revenue from international calls	76.0

Source: Report of the Communications Regulatory Authority

# Internet access market in Lithuania (Q2 2015)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber-optic	492	8.0
Via mobile network	329	9.9
DSL	168	(2.7)
Wireless	107	5.6
Via CATV network	35	(6.2)
Via LAN	11	(0.2)
<b>Total:</b>	<b>1,142</b>	<b>6.0</b>

Q2 2015 revenue by service providers

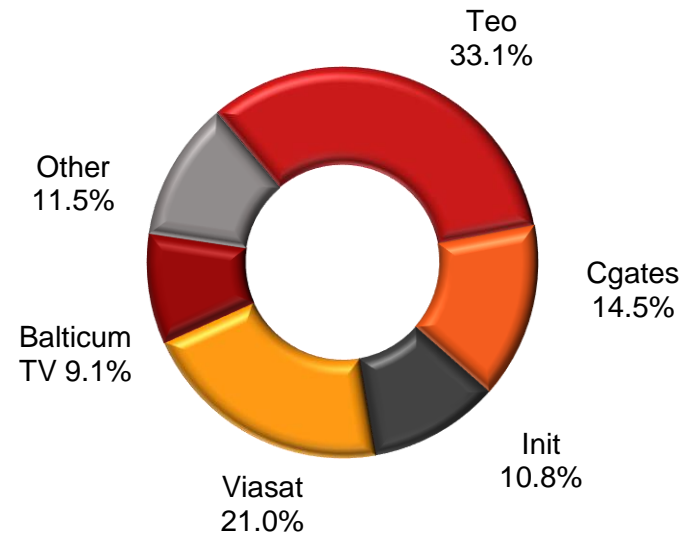


Source: Report of the Communications Regulatory Authority

# Pay TV market in Lithuania (Q2 2015)

Access type	Number of users ('000)	Change, y-o-y (%)
Analogue CATV	280	(6.5)
Digital CATV	125	5.5
IPTV	160	23.5
Satellite	89	(7.4)
DVB-T	52	(14.7)
MVDS	13	(8.7)
<b>Total:</b>	<b>719</b>	<b>0.0</b>

Q2 revenue breakdown by service providers



Source: Report of the Communications Regulatory Authority

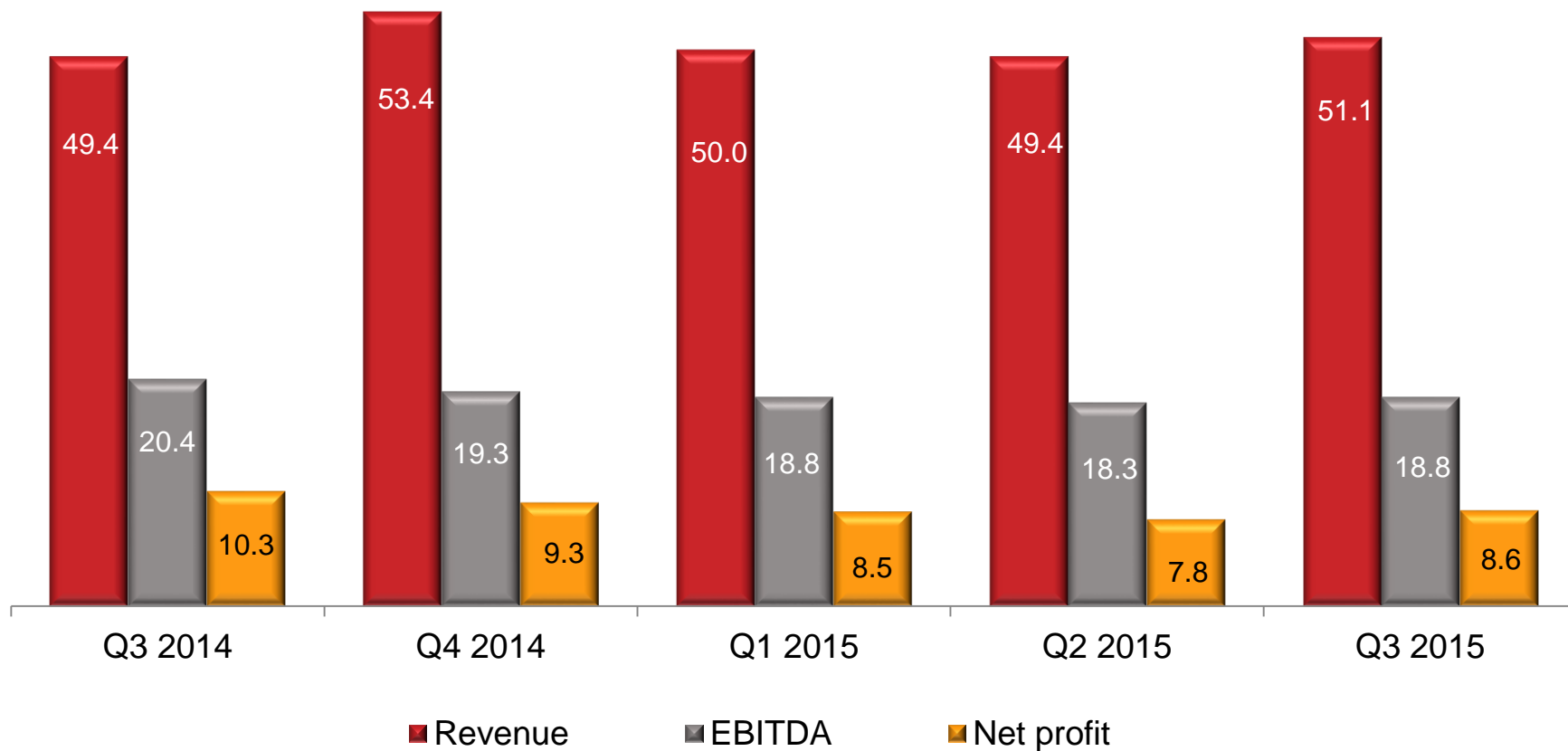


# Financial results

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# Revenue, EBITDA & Net profit

(EUR million)

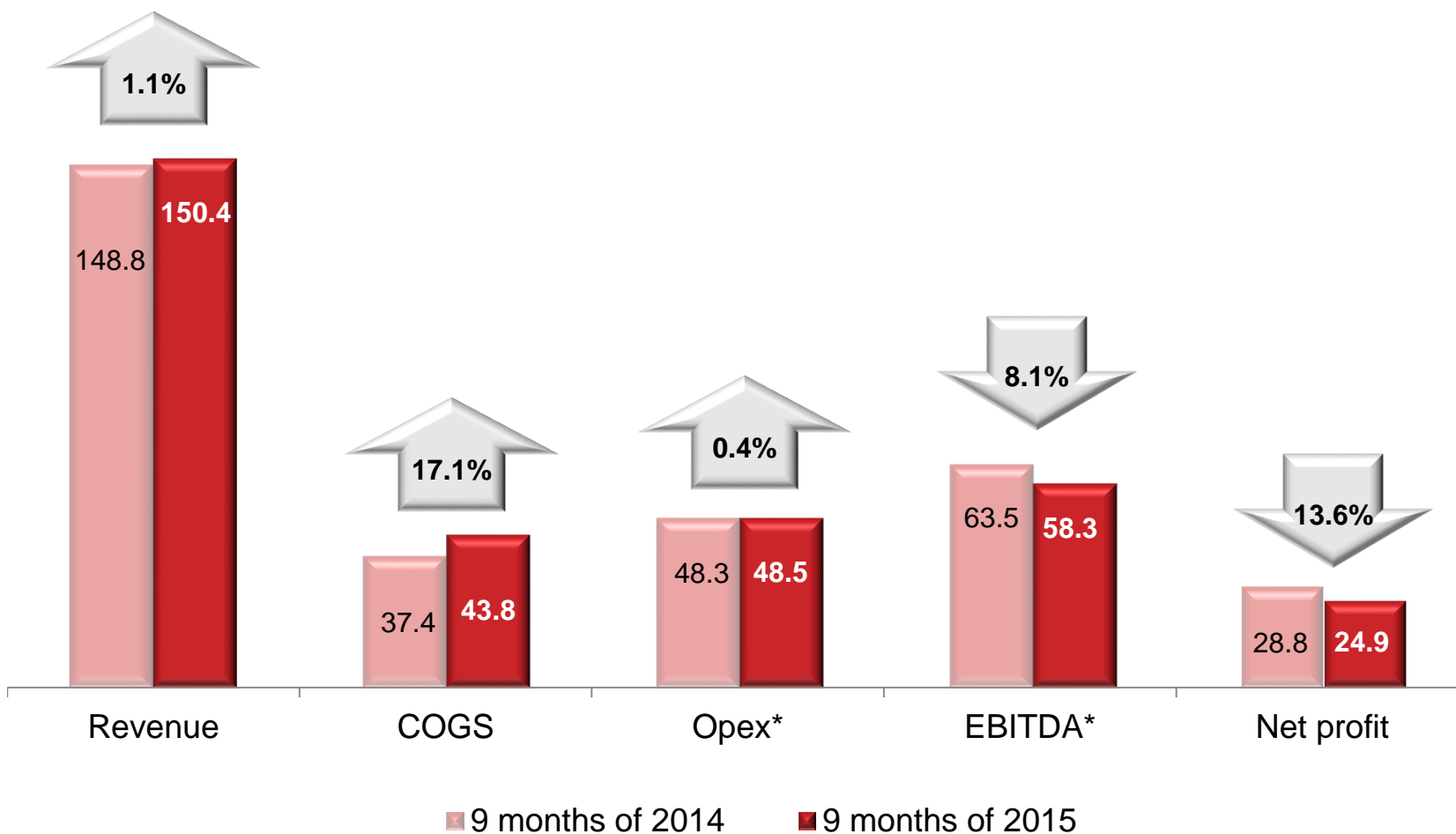


# Major financial indicators

(thousand EUR)	9 months of 2015	9 months of 2014	Change (%)	9 months of 2013
Revenue	150,433	148,849	1.1	156,912
EBITDA	55,902	59,197	(5.6)	65,920
EBITDA margin	37.2%	39.8%		42.0%
<i>EBITDA (excl. non-recurring items)</i>	<i>58,347</i>	<i>63,458</i>	<i>(8.1)</i>	<i>67,288</i>
<i>EBITDA margin (excl. non-recurring items)</i>	<i>38.8%</i>	<i>42.6%</i>		<i>42.9%</i>
Operating profit	28,138	32,133	(12.4)	37,908
Operating profit margin	18.7%	21.6%		24.2%
Profit before income tax	27,893	32,194	(13.4)	37,999
Profit before income tax margin	18.5%	21.6%		24.2%
Net profit	24,874	28,780	(13.6)	34,242
Profit margin	16.5%	19.3%		21.8%
Earnings per share (EUR)	0.043	0.037	15.2	0.044
Average weighted number of shares (thousands)	582,613	776,818	(25.0)	776,818

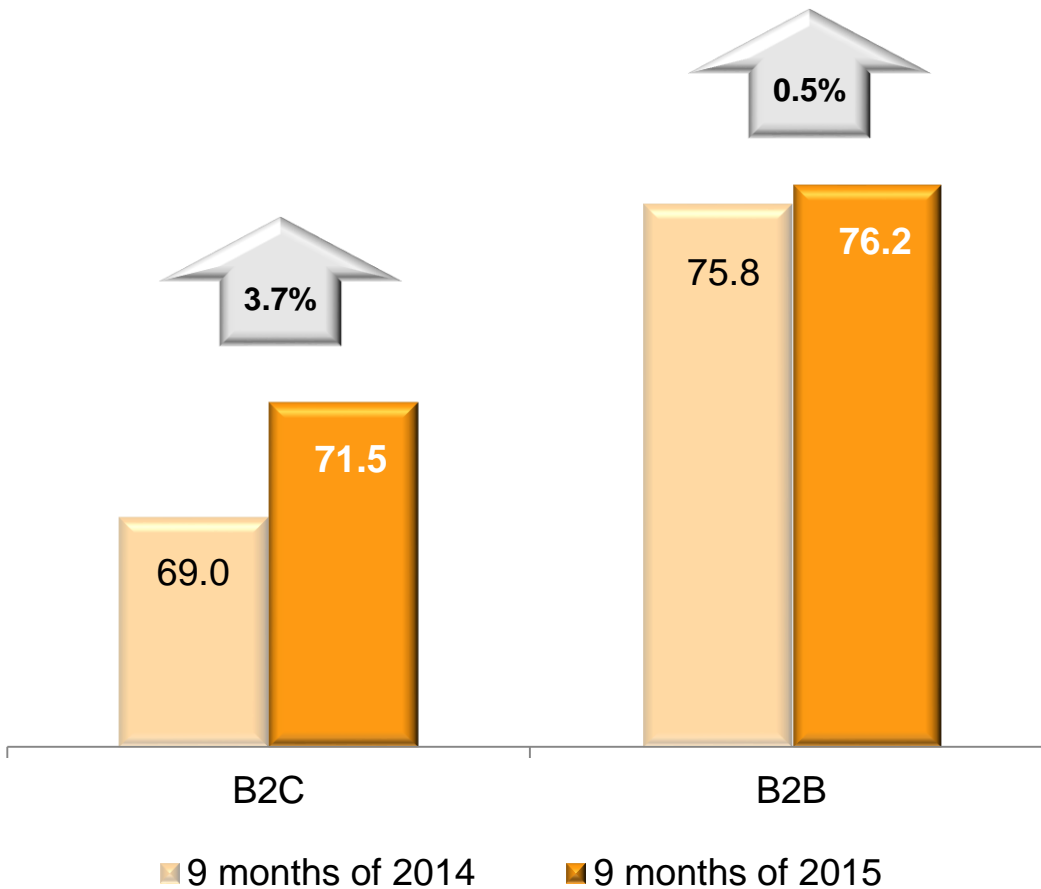
# Dynamics of Teo main financial indicators

(EUR million)



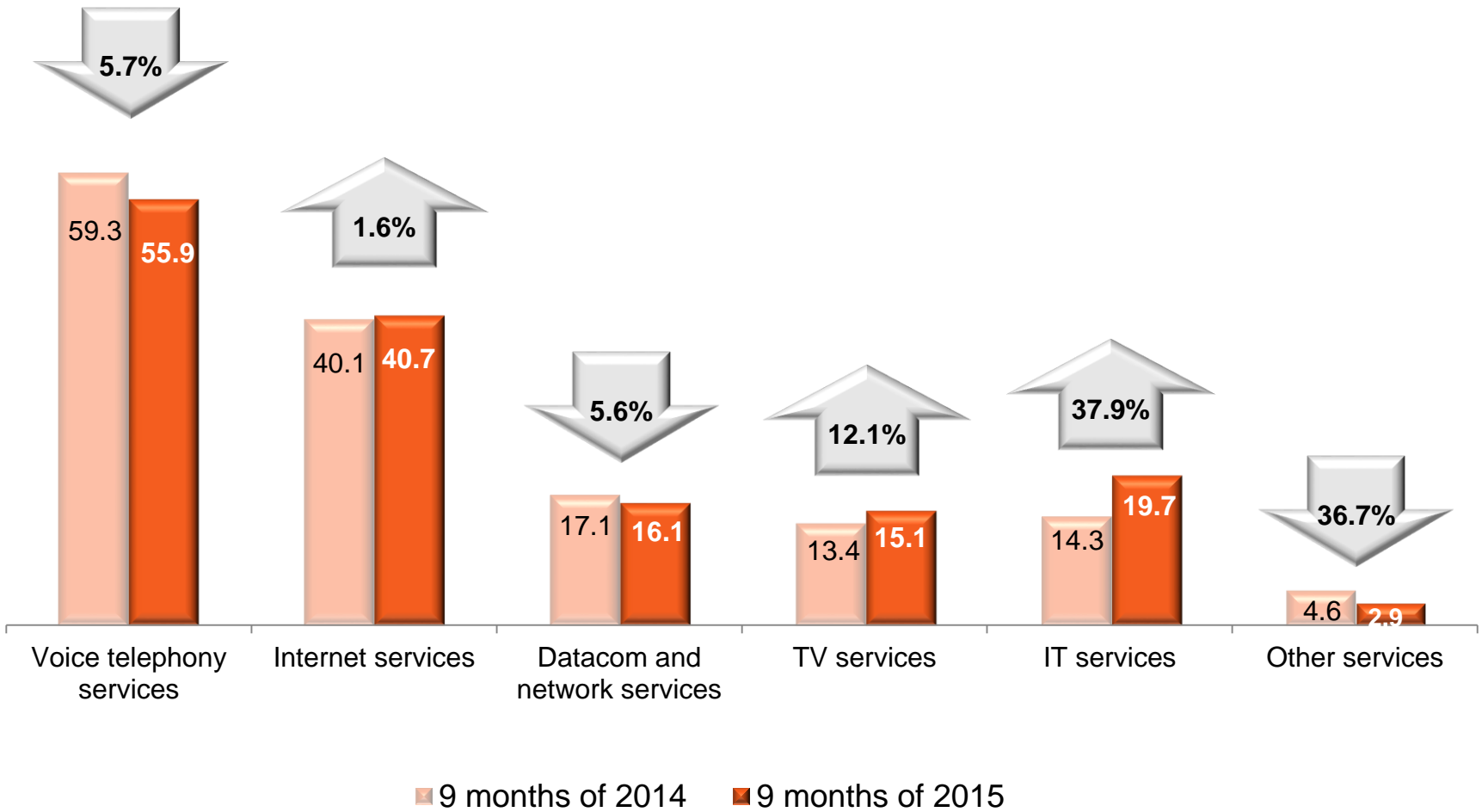
# Revenue by segments

(EUR million)



- Revenue from **other** segments decreased by EUR 1.4 million to **EUR 2.7 million** for 9 months of 2015

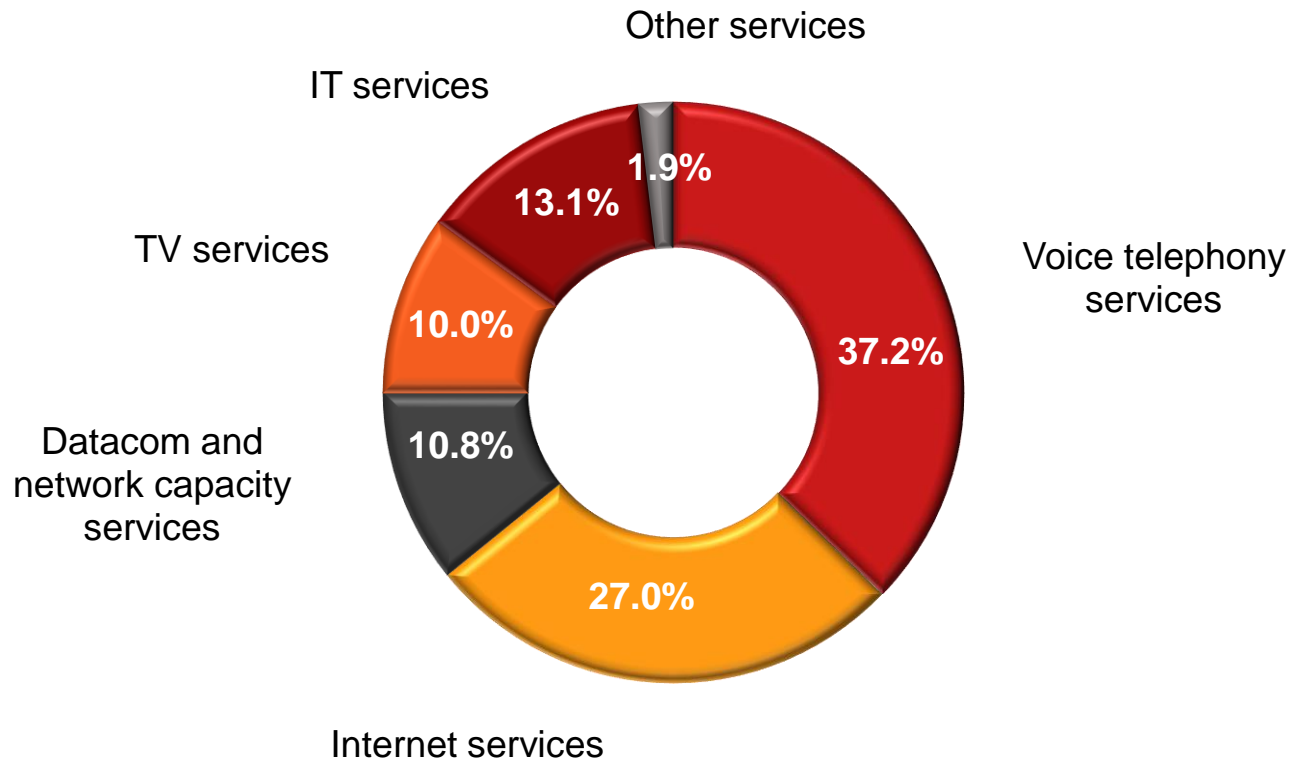
# Revenue (EUR million)



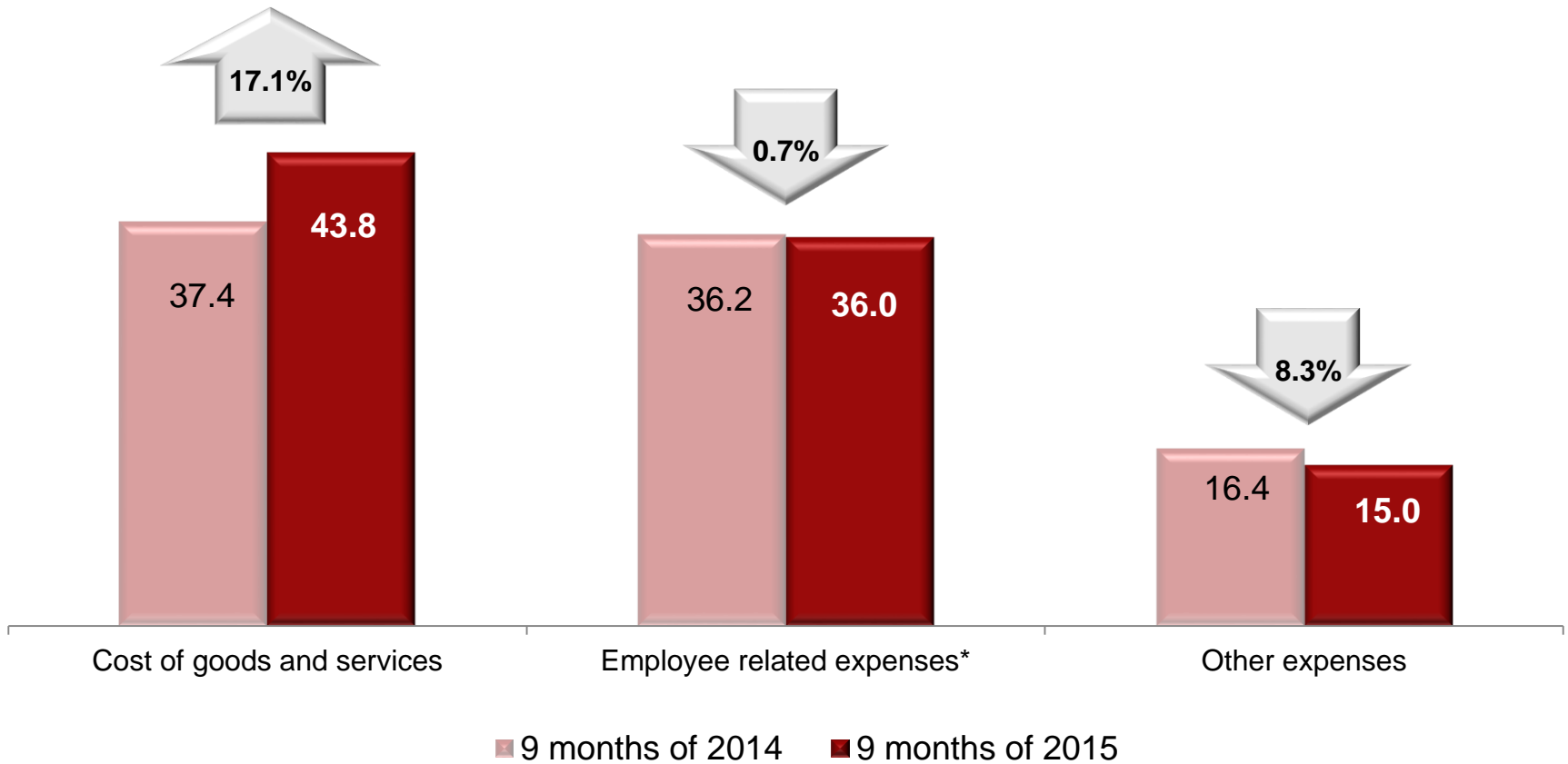


# Breakdown of revenue

(9 months of 2015)



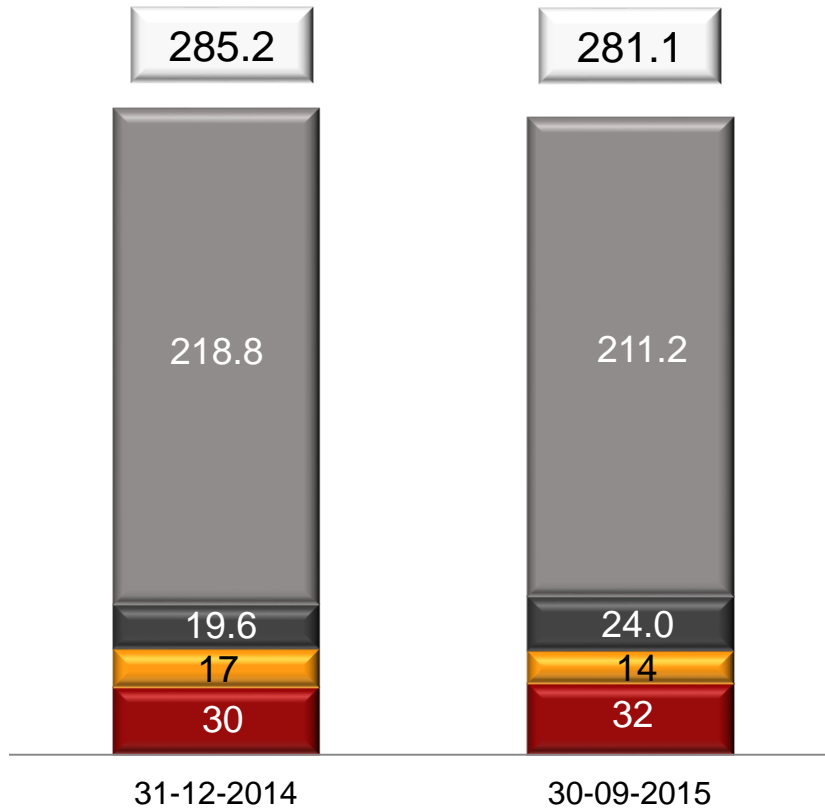
# Operating expenses (EUR million)



\* Note: Non-recurring cost of redundancy pay-outs for 9 months of 2014 amounted to EUR 4.3 million and for 9 months of 2015 – EUR 2.4 million

# Assets

(EUR million)

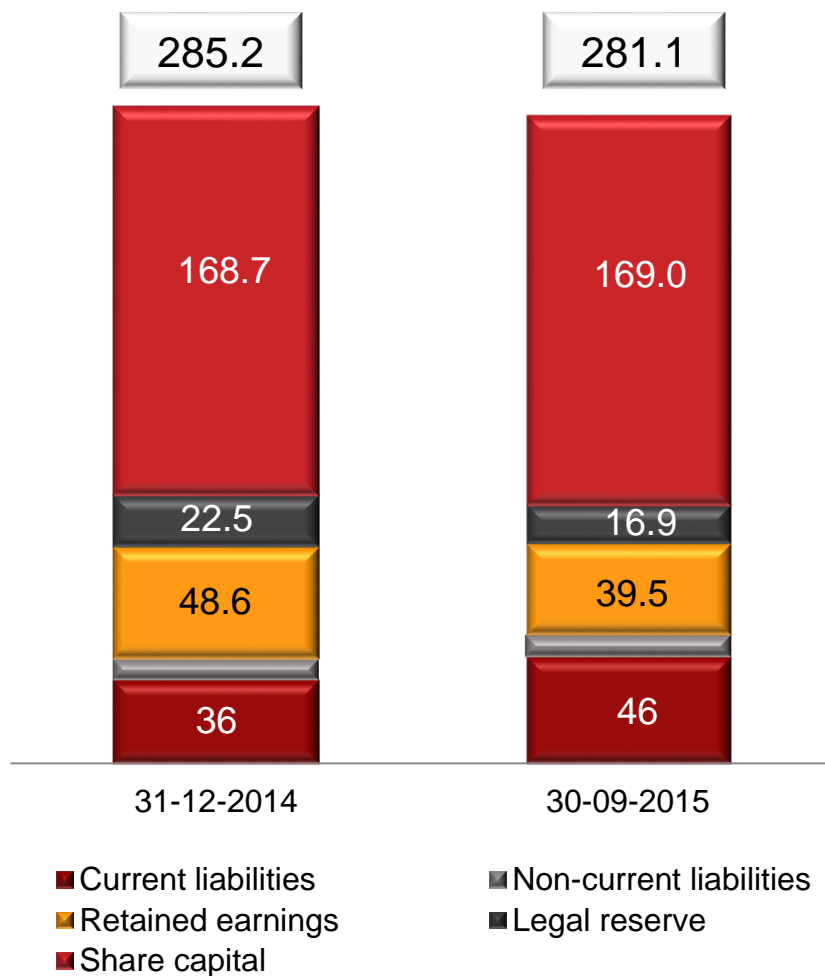


- **Non-current assets** amounted to 83.6% of total assets (30-09-2015)
- **Cash** alone amounted to 5.1%
- **Return on capital employed:** 13.8%
- **Return on average assets:** 13.4%

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

# Equity and liabilities

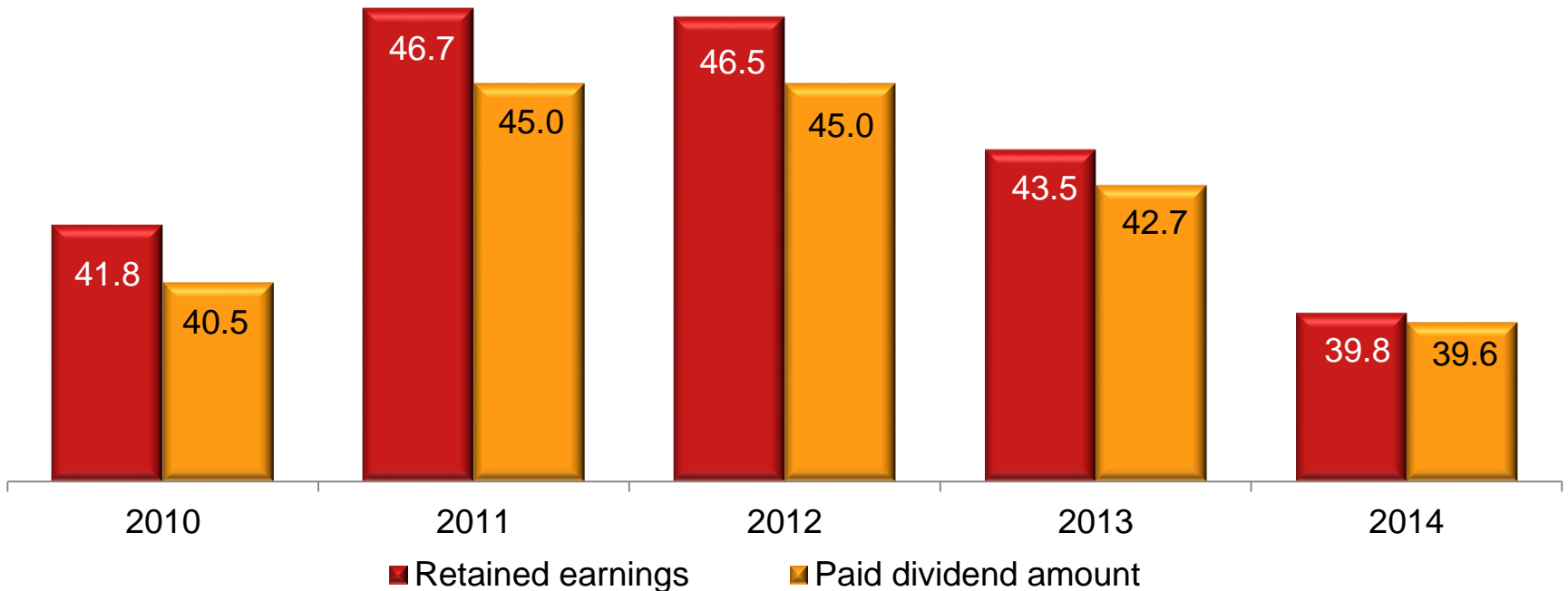
(EUR million)



- **Shareholders' equity** amounted to 80.2% of the total assets (30-09-2015)
- **Borrowings** amounted to EUR 25.1 million
- **Net debt** was amounted to EUR 10.7 million
- **Gearing ratio:** 4.8%
- **Debt to equity:** 11.2%
- **Return on equity:** 14.9%
- 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

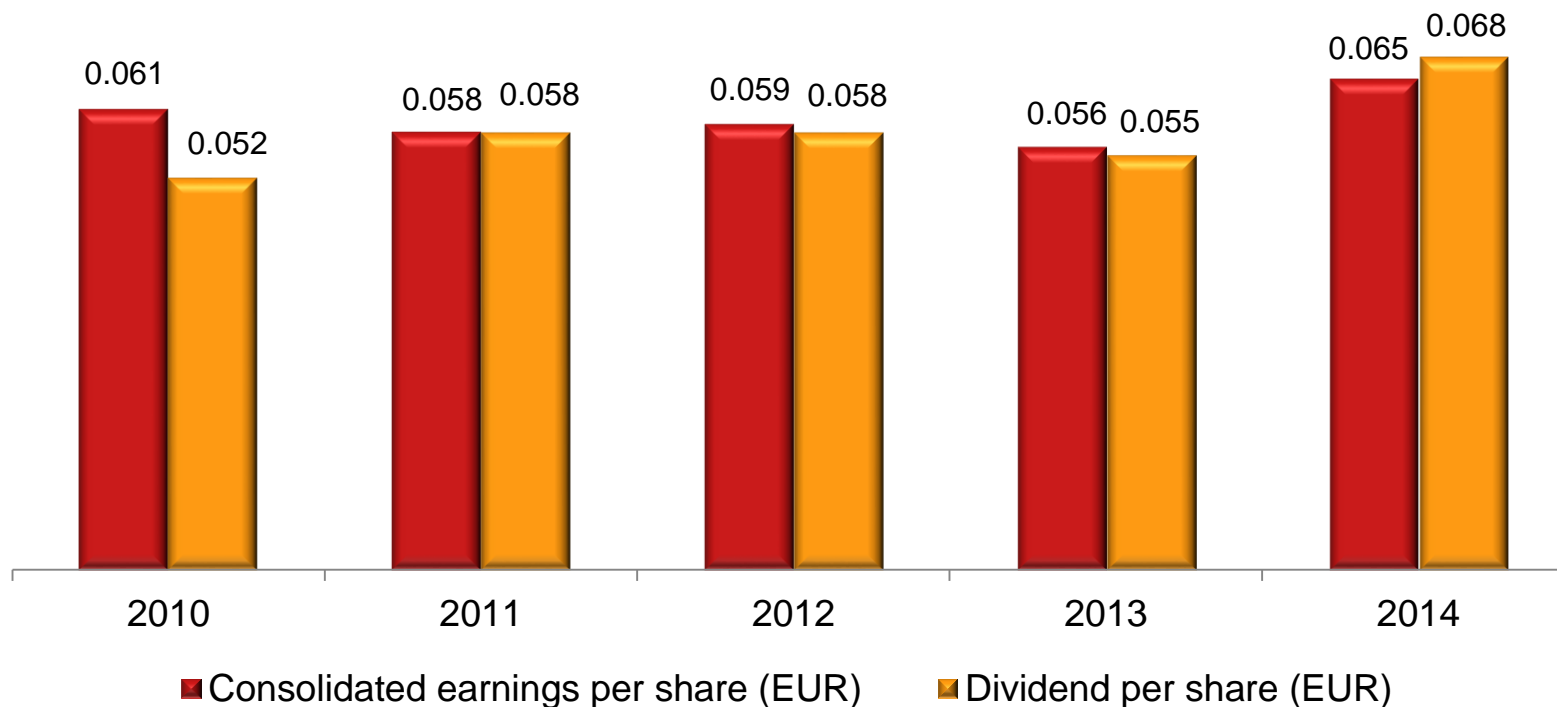
# Teo retained earnings vs dividends

(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



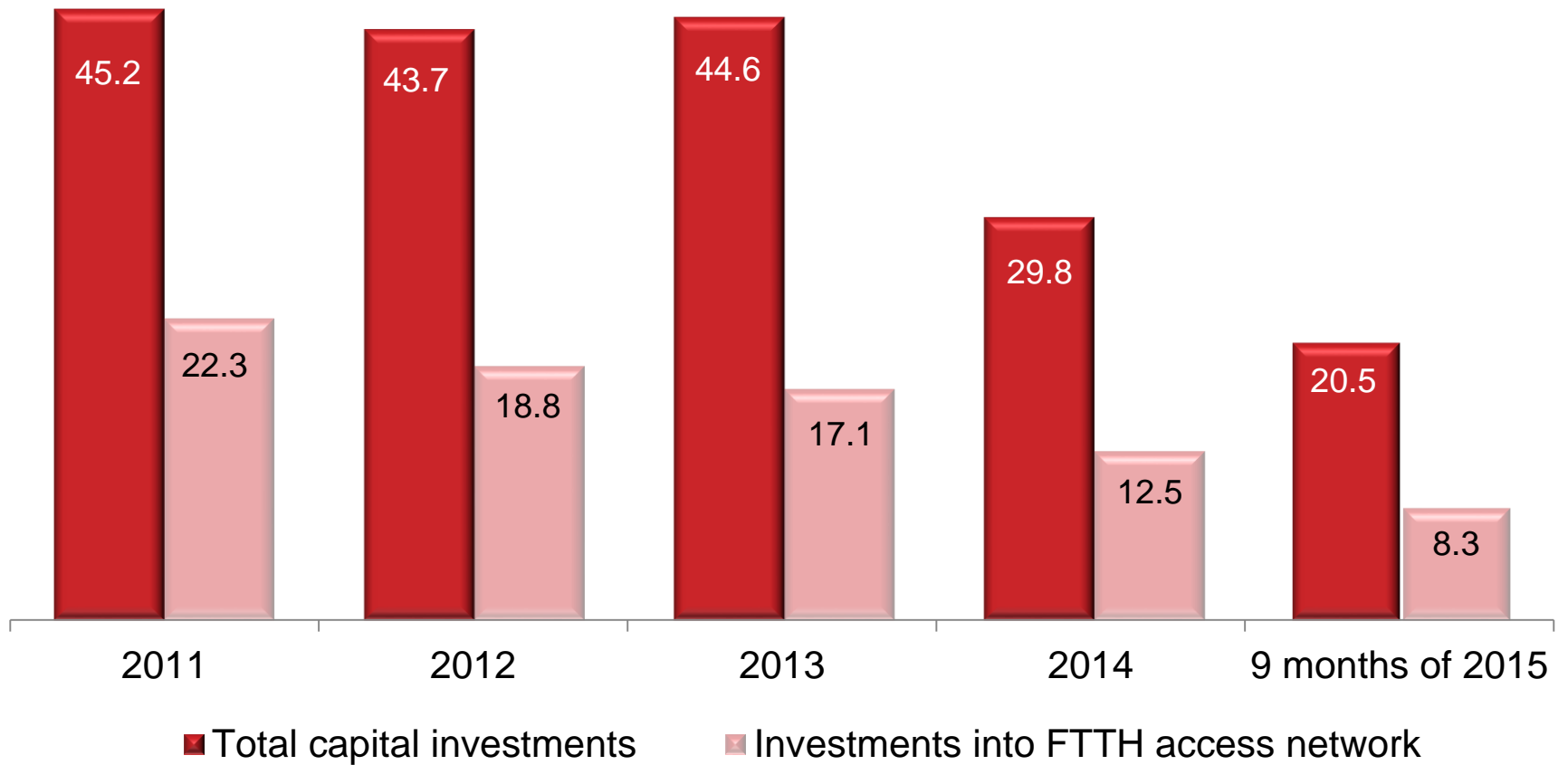
# Cash flow

(thousand EUR)	9 months of 2015	9 months of 2014
Net cash from operating activities	46,668	53,568
Net cash used in investing activities	(24,261)	(10,681)
Net cash used in financing activities	(24,846)	(42,966)
Increase (decrease) in cash and cash equivalents	(2,439)	(79)

- **Free Cash Flow** during 9 months of 2015 was by 28.7% lower than a year go.
- Capital **investments** during 9 months of 2015 amounted to EUR 20.5 million (EUR 17.9 million in 2014)
- EUR 15.8 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 Q3 2015, Teo repaid **EUR 10 million** from loan of **EUR 35 million** borrowed 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 September 2015

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

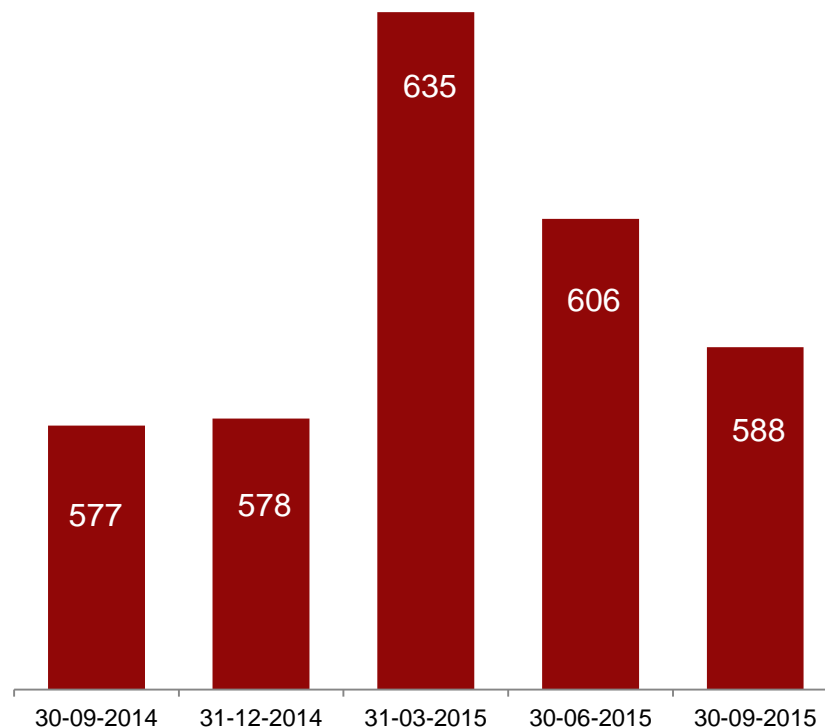
- On **24 October 2014**, authorized **capital was reduced** by LTL 194 million and accordingly **number of voting shares** was reduced from 776,817,518 to **582,613,138**

# Teo shares

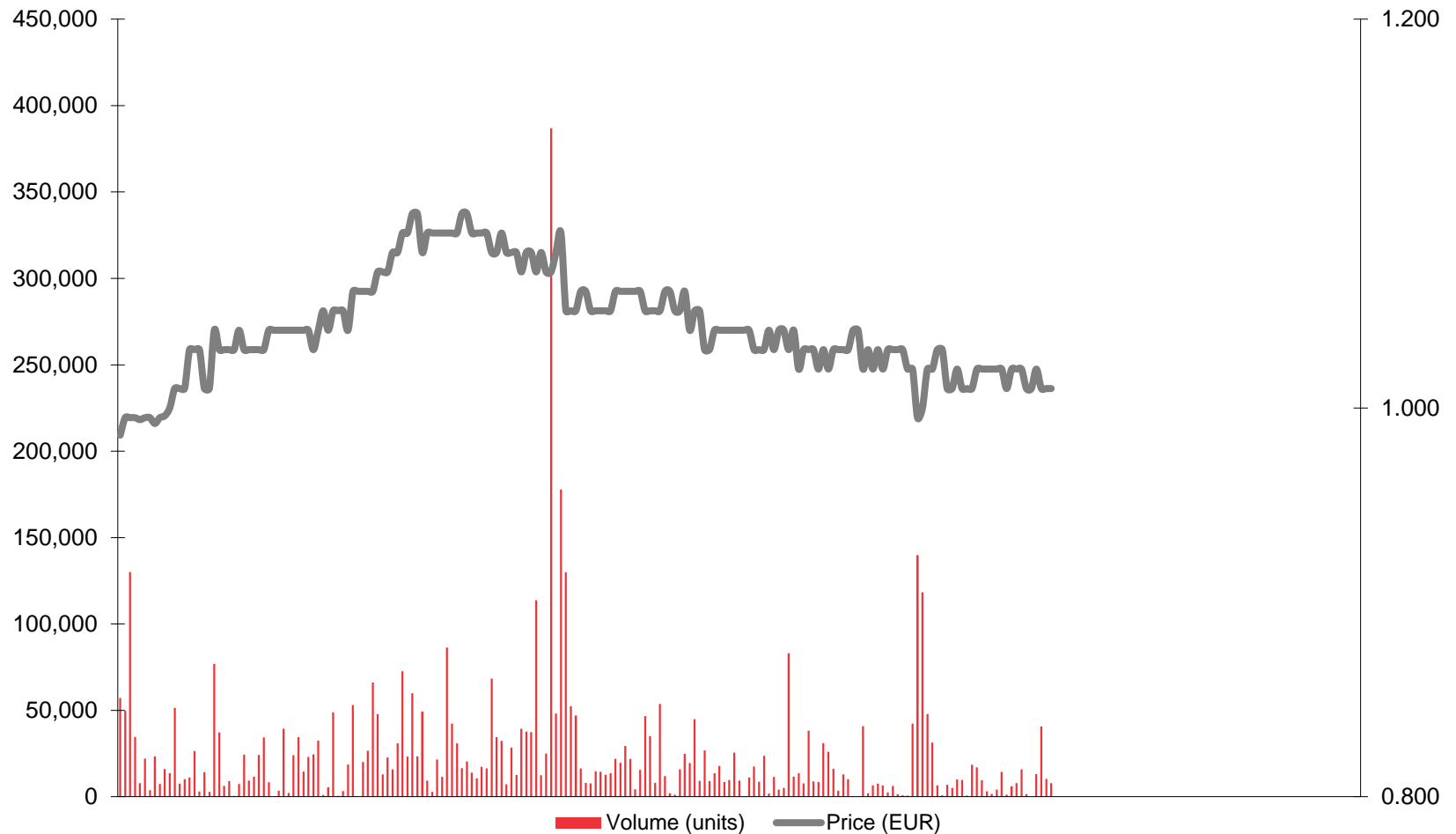
- Since June 2000, Teo shares are listed on **Nasdaq OMX Vilnius** stock exchange (ticker: TEO1L)
- Since January 2011, Teo shares were included into the trading lists of a few **German stock exchanges** (ticker: ZWS)
- **Turnover** on Vilnius stock exchange during January-September 2015: 4.6 million shares or EUR 5 million (LTL 17.2 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
30-09-2015	1.010	3.487

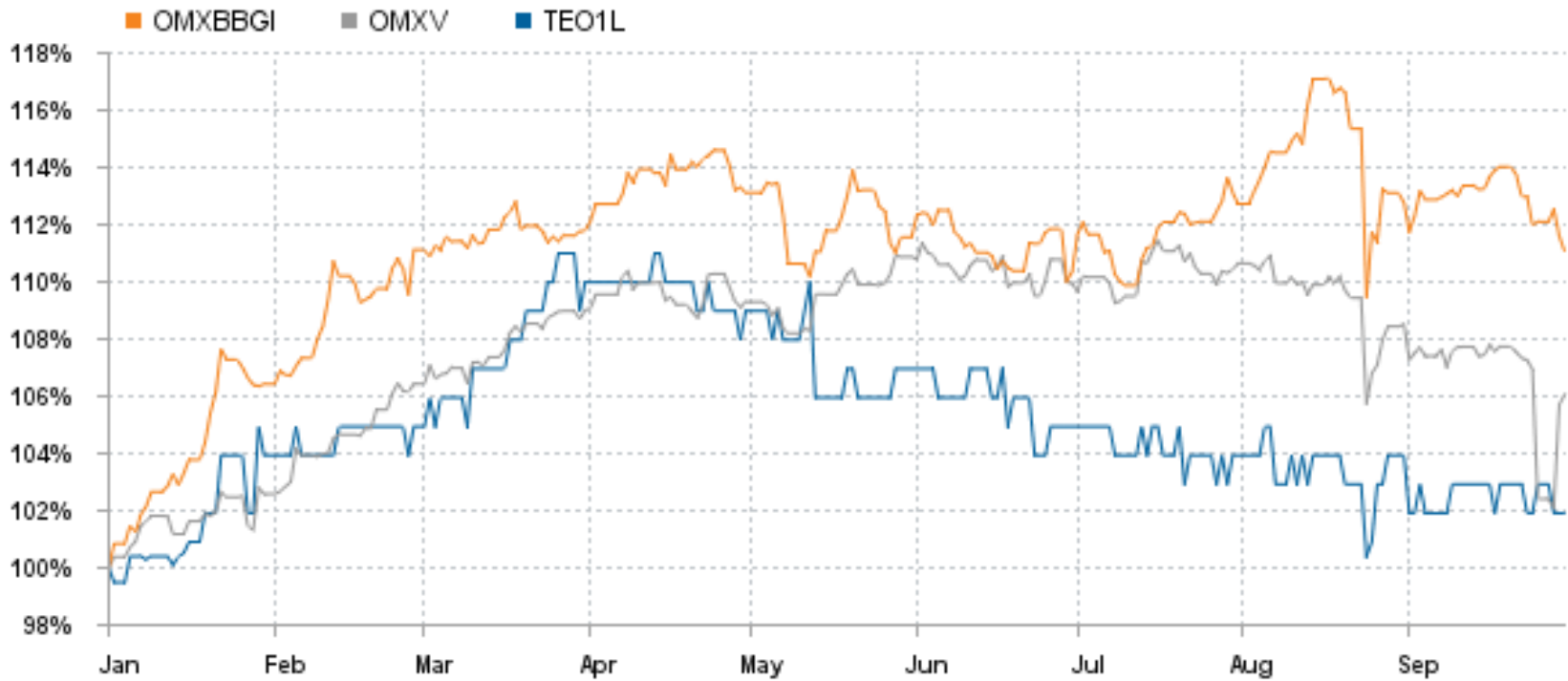
Market capitalization (EUR million)



# 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

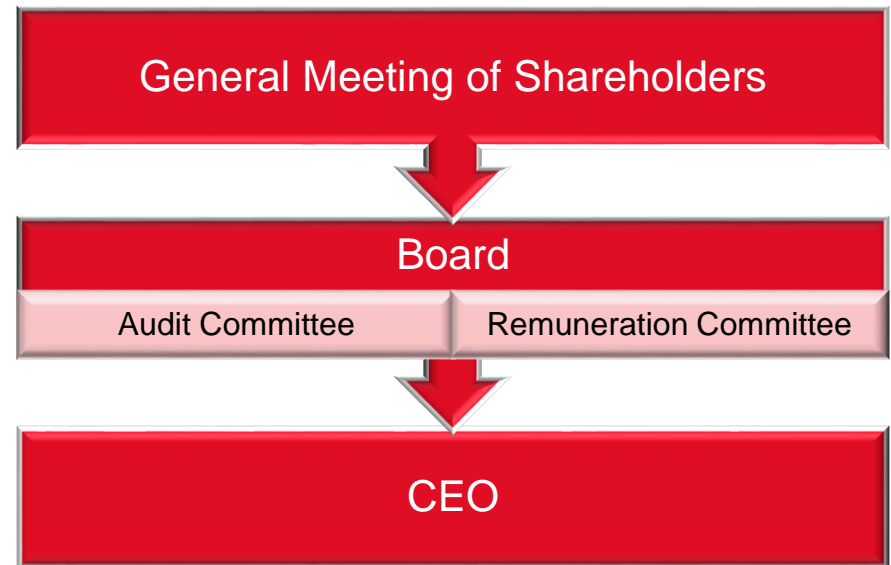
# Corporate governance

teo



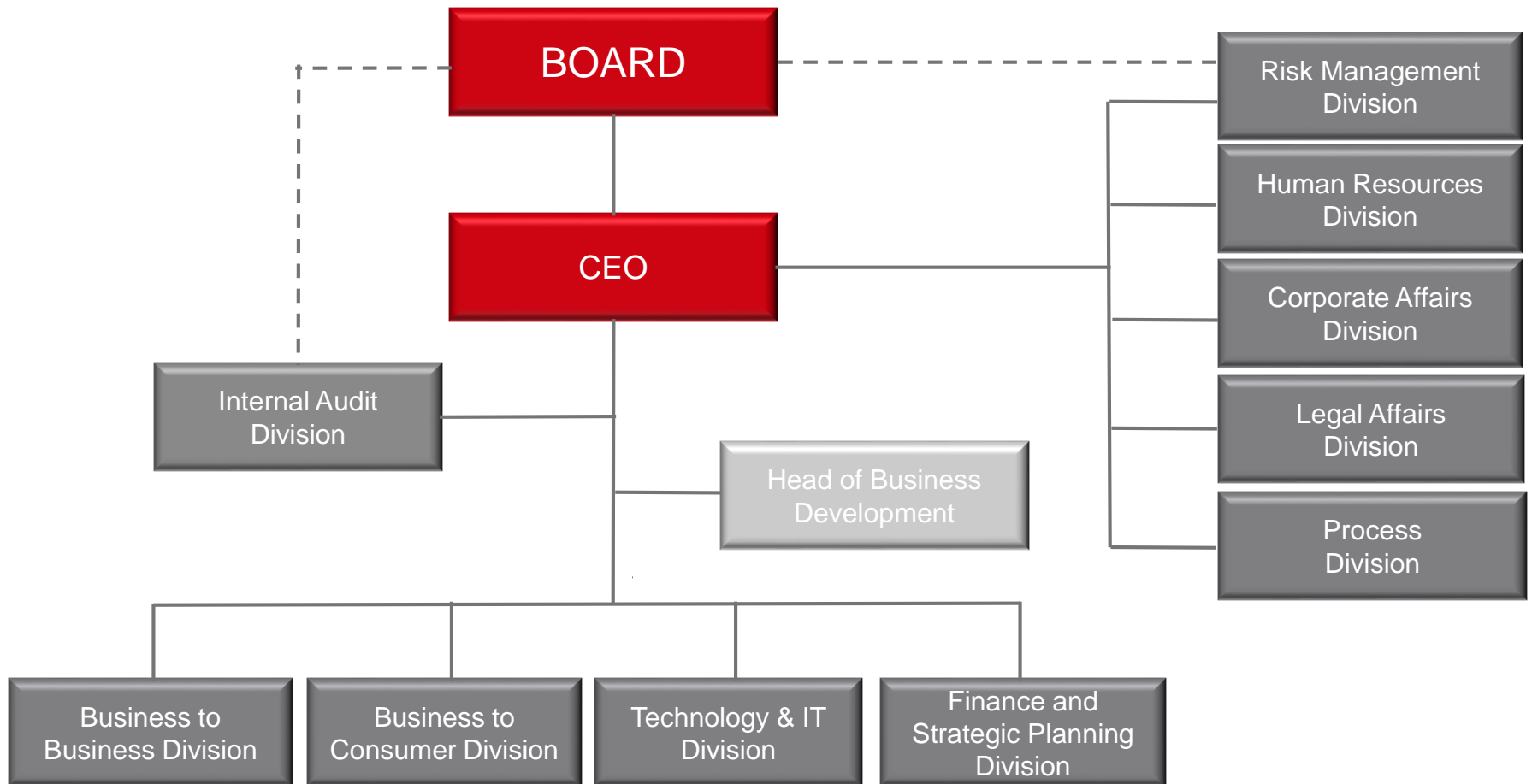
# Governing bodies

- 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



**Kęstutis Šliužas,**  
(born in 1972),  
CEO



**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



**Paulius Pakutinskas,**  
(born in 1974),  
Acting 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, Paulius Pakutinskas – 750 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!