

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 12 months of 2015

29-01-2016

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

We provide services to residents, businesses and telecommunications operators

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

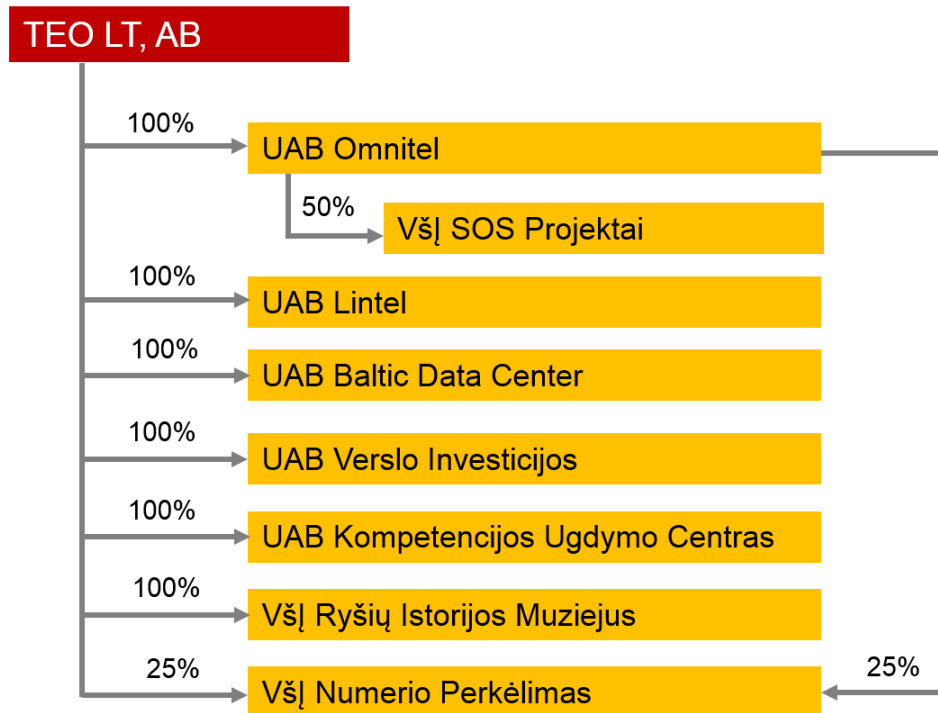
Highlights of Q4 2015

- **Teo and Omnitel are joining forces:** on 4 January 2016 **Teo acquired** for EUR 220 million a **100% stake in UAB Omnitel** from TeliaSonera AB
- Teo Board approved a **joined management team** that started to lead both companies from 1 January 2016
- Teo and Omnitel opened joint experimental **customer care showroom** in Alytus
- During the quarter number of **IPTV users** increased at a record **10.4 thousand** and **Internet** access – by **6.6 thousand**
- Teo was the first in the Baltic States to offer a Microsoft cloud based **Office 365** to business customers and became No 3 in Central and Eastern Europe in terms of Office 365 sale



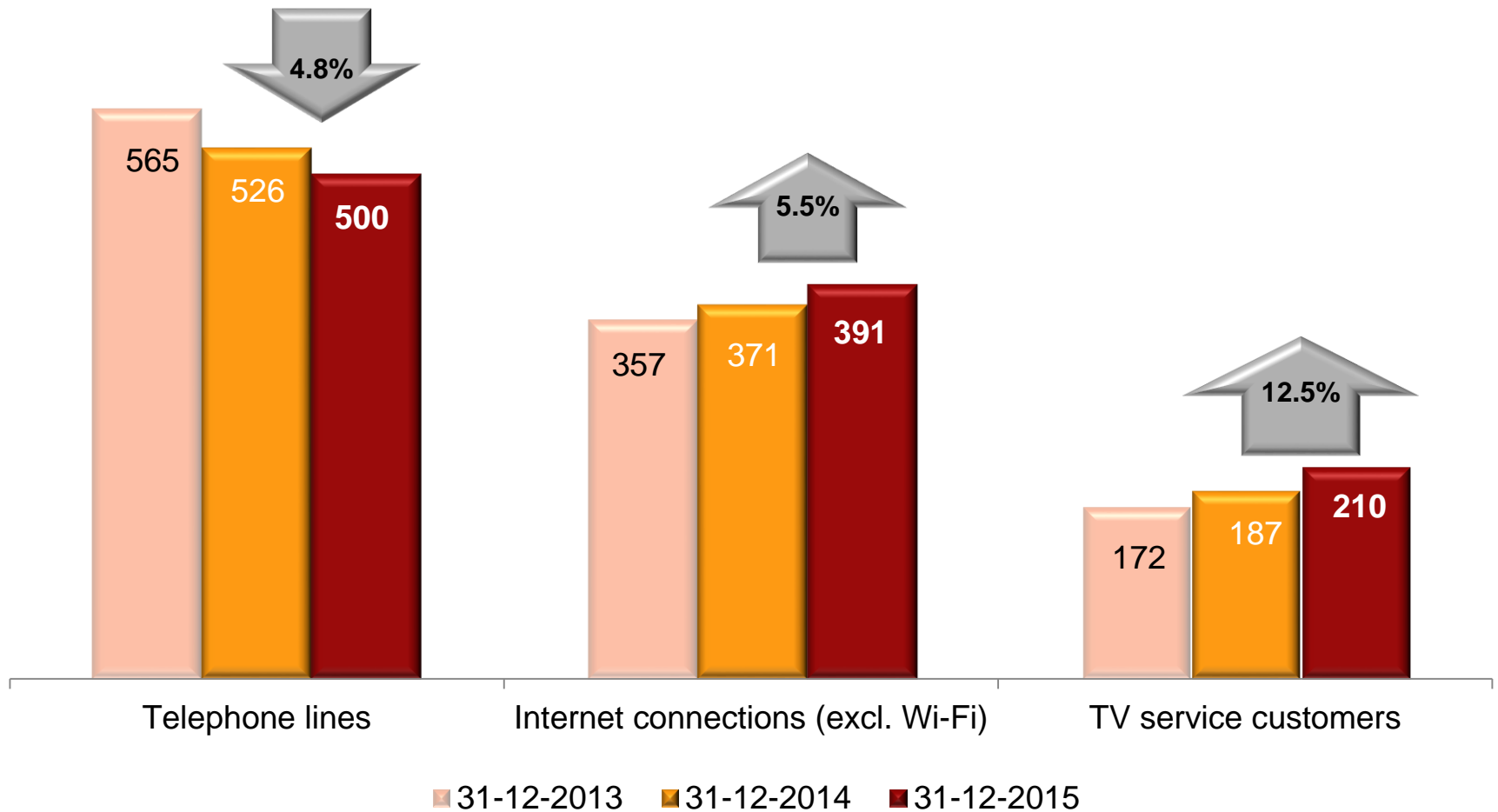
Teo Group

as of January 2016



- On 4 January 2016, Teo **acquired a 100% stake in Omnitel**
- In December 2015, UAB Hostex and UAB Hosting were **merged** into UAB Baltic Data Center
- In January 2016, Baltic Data Center SIA, a subsidiary of UAB Baltic Data Center in Latvia, was **liquidated**
- In December 2015, **premises** where Communications History Museum is located in Kaunas **were sold**. The Museum will be open till March 2016.

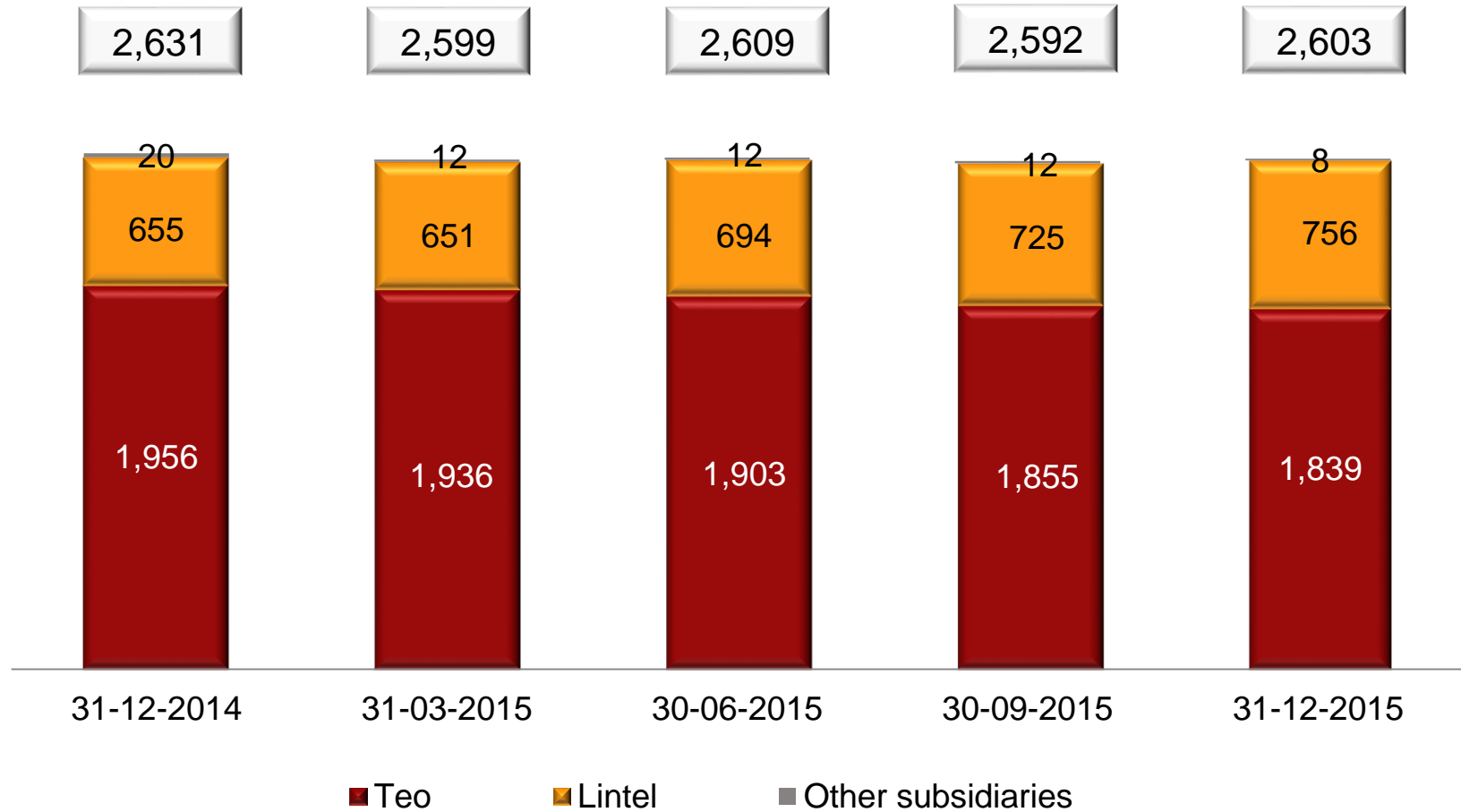
Main operating figures (thousands)



Main operating figures

	31-12-2015	31-12-2014	Change (%)
Number of telephone lines	500,475	525,879	(4.8)
Number of broadband Internet accesses (excl. Wi-Fi), in total:	390,883	370,599	5.3
- via fiber-optic lines	225,417	200,540	12.4
- via copper lines	165,466	170,059	(2.7)
Number of TV services users, in total:	201,719	186,935	12.5
- IPTV	162,984	131,493	23.9
- DVB-T	47,289	55,442	(14.7)
Number of employees	2,603	2,631	(1.1)

Employees of Teo Group

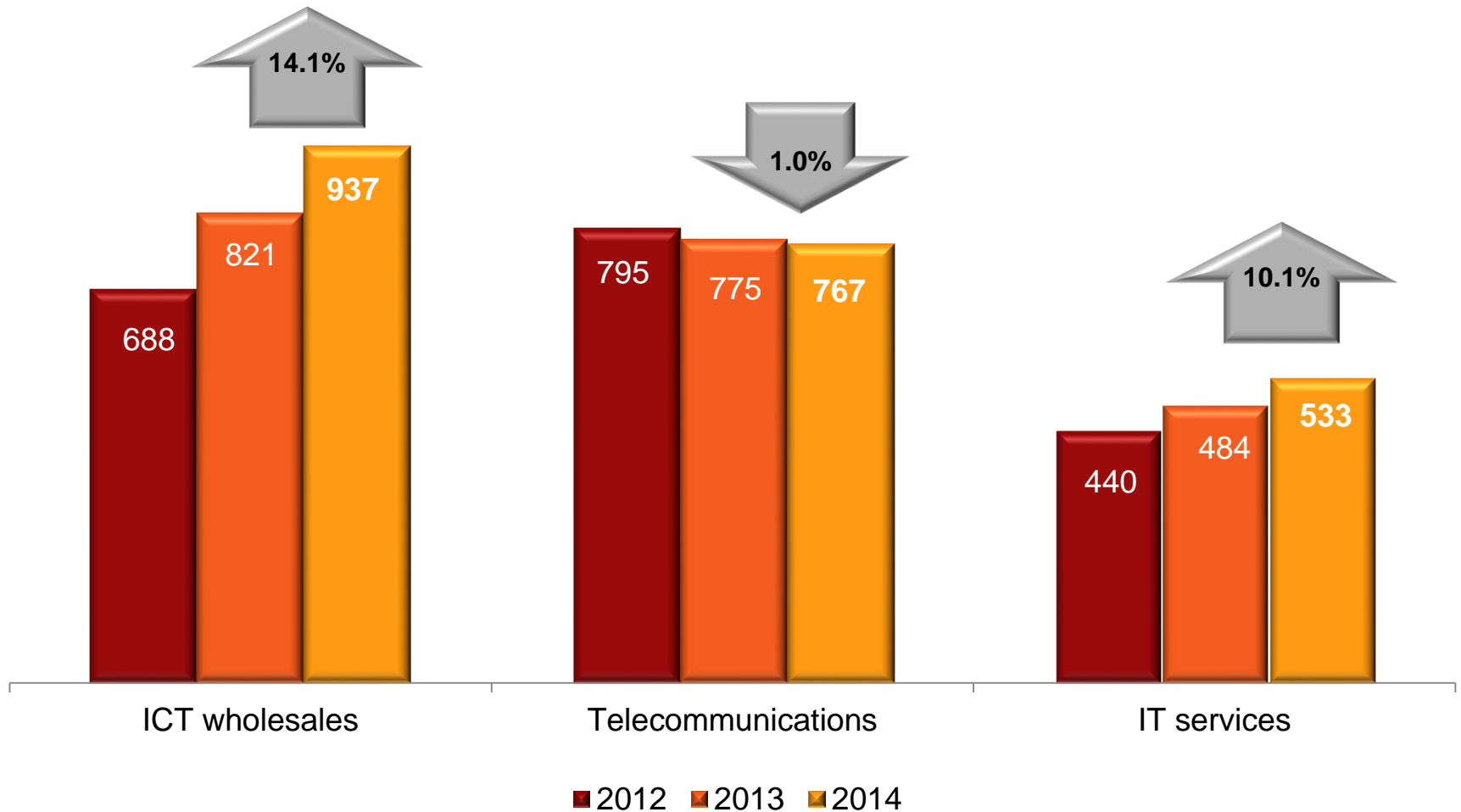


Electronic communications market of Lithuania

teo

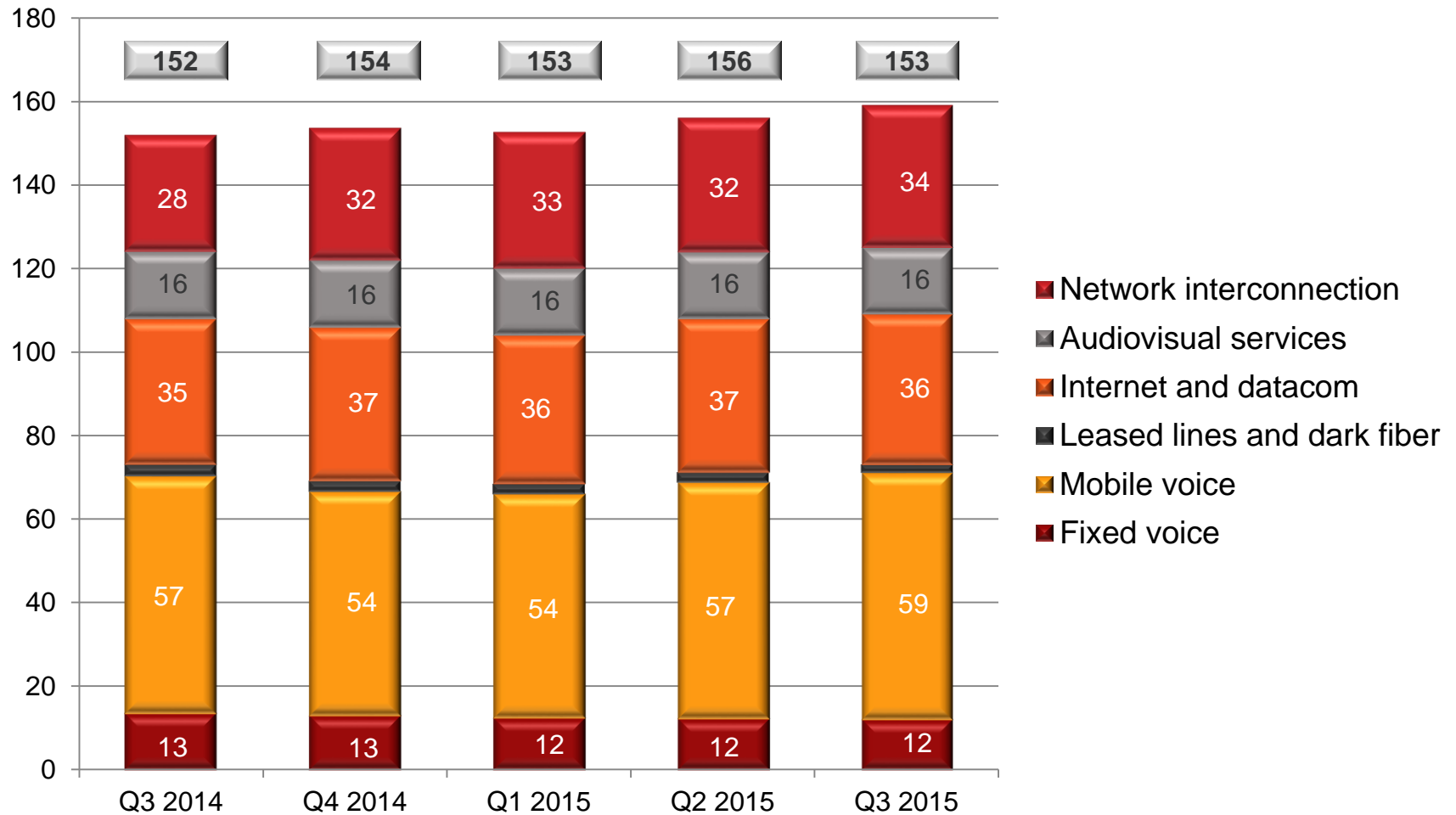
Lithuanian ICT market revenue trends

(EUR million)



Telecommunication market in Lithuania

(EUR million)



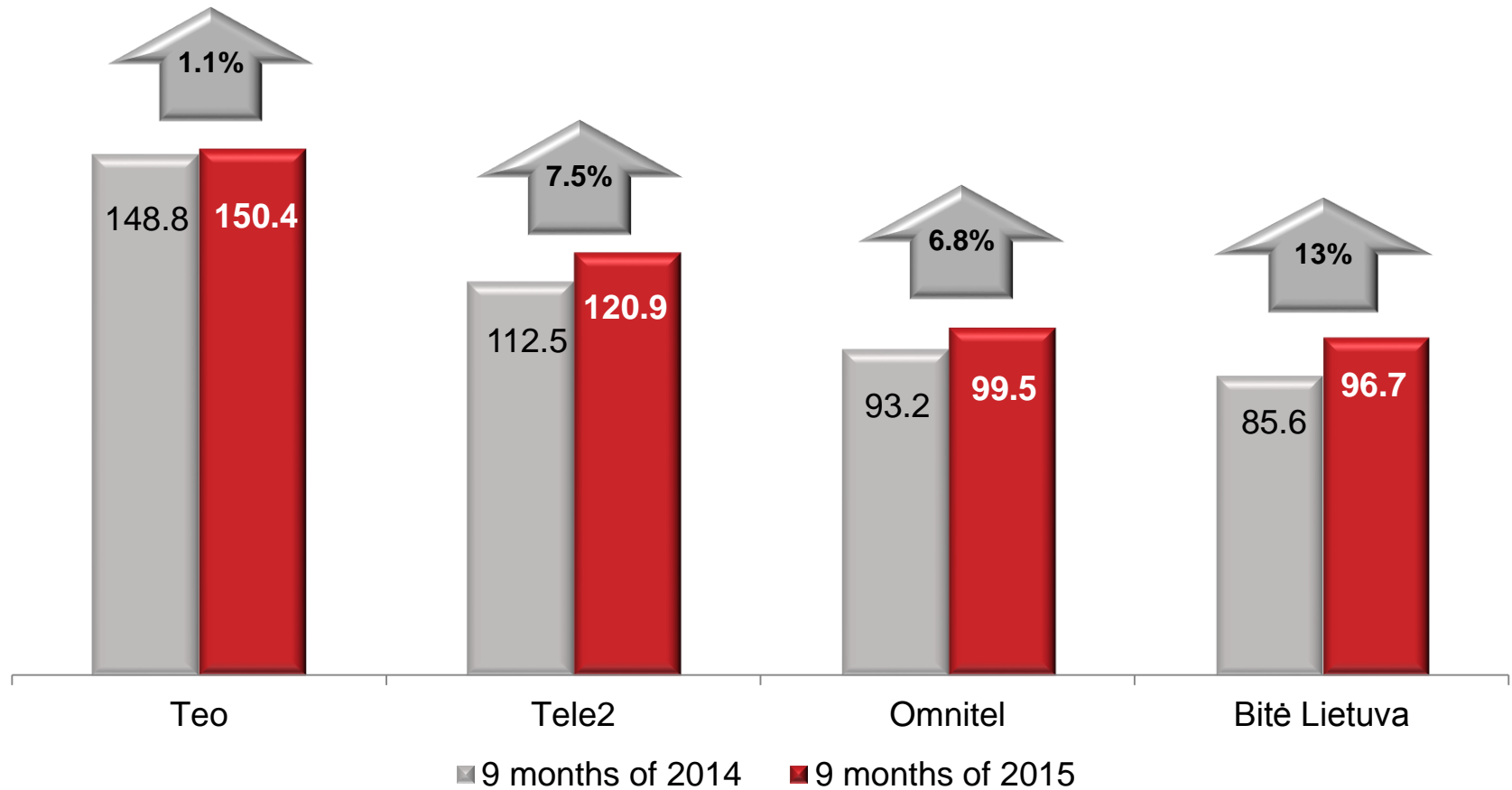
Source: Report of the Communications Regulatory Authority

Main market figures

	30-09-2015	30-09-2014	Change (%)
Total market revenue (EUR million)	467.2	452.1	3.4
Number of telephone lines per 100 inhabitants	19.1	19.8	
Number of mobile voice subscribers per 100 inhabitants	146.3	147.6	
Number of Internet access subscribers	1,165,712	1,095,593	6.4
Number of broadband Internet access subscribers per 100 inhabitants	40.3	37.4	
Number of fixed Internet access subscribers per 100 inhabitants	28.5	27.0	
Number of pay-TV subscribers	719,684	718,676	0.1
Number of pay-TV subscribers per 100 households	56.2	55.2	
Total market investments (EUR million)	64.8	60.5	7.0

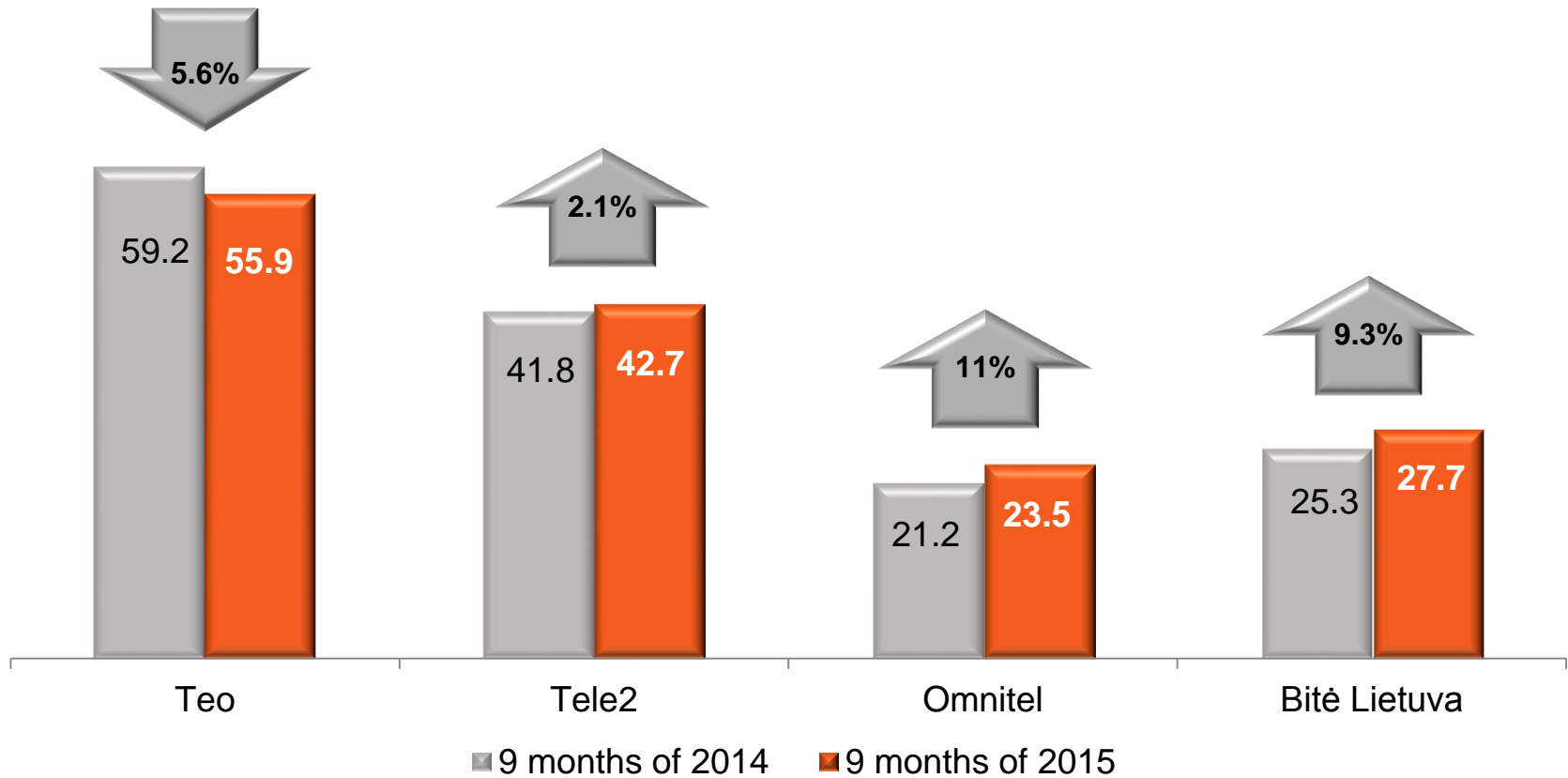
Main market players' revenue changes

(EUR million)

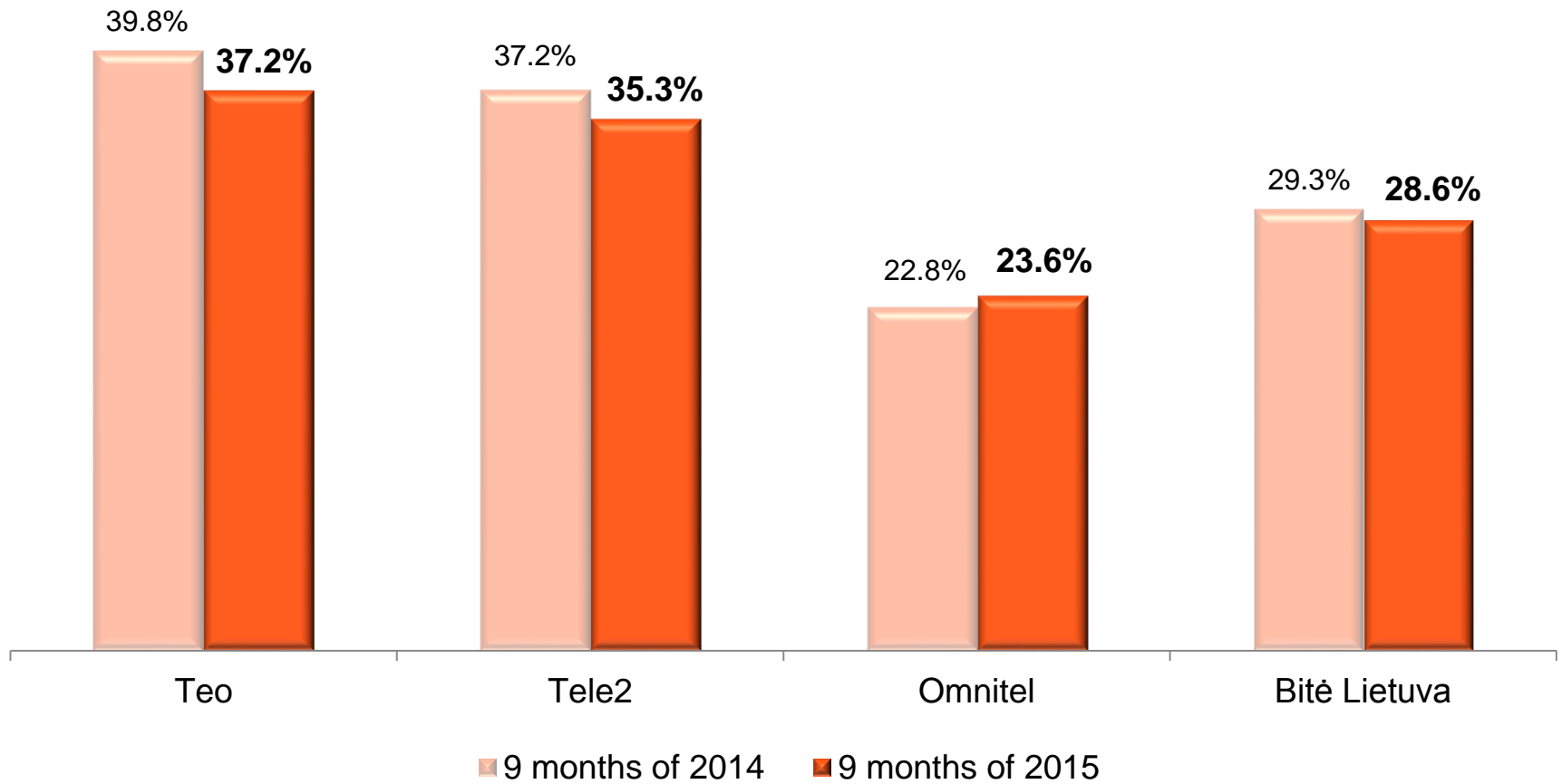


Main market players' EBITDA changes

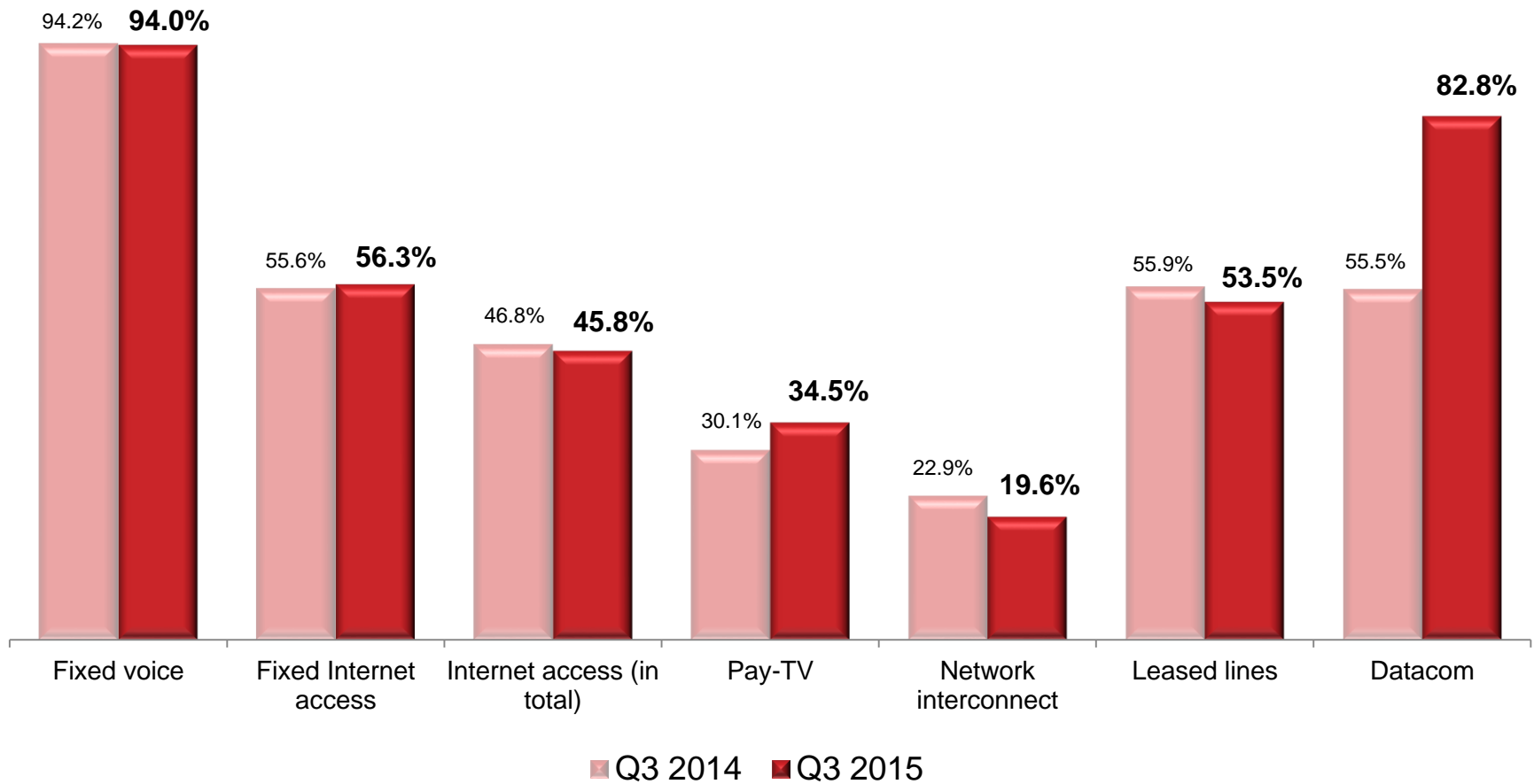
(EUR million)



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 9m 2015 (EUR million)	Change from 9m 2014 (%)	Number of market players	Teo share in Q3 2015 (%)
Fixed voice	36.5	(12.4)	42	94.0
Internet access	94.7	7.6	104	45.8
Network interconnection	98.7	25.4	14	19.6
Pay-TV	45.1	(0.1)	42	34.5
Data communication	13.0	(29.8)	17	82.8
Leased lines	3.3	(23.2)	9	53.5
TV and radio program transmission	3.2	(2.1)	5	n/a
Dark fiber	4.1	(11.2)	14	n/a
Mobile voice	168.7	0.4	3+11	-

Fixed voice telephony market in Lithuania (Q3 2015)

- **42 companies** are providing fixed voice services:
 - 35 provide retail,
 - 7 only wholesales (transit) services
- 31 company is using **IP network**, 15 of them – CATV and data communication networks
- Number of alternative operators' subscribers: **56,8 thousand** or 10.1% of total subscribers' number

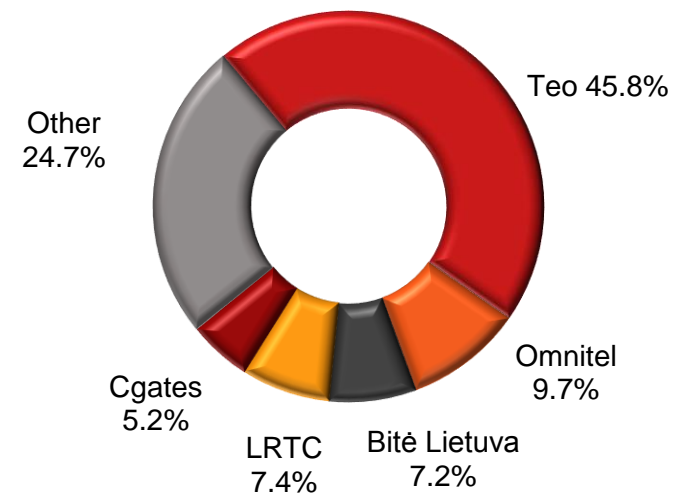
Teo market share (Q3 2015) in terms of:	(%)
Total number of customers	89.9
Total traffic	91.8
Revenue from local calls	100.0
Revenue from domestic long distance calls	89.9
Revenue from international calls	75.1

Source: Report of the Communications Regulatory Authority

Internet access market in Lithuania (Q3 2015)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber-optic	505	8.2
Via mobile network	341	12.0
DSL	166	(2.7)
Wireless	109	4.4
Via CATV network	35	(8.1)
Via LAN	10	(11.9)
Total:	1,166	6.4

Q3 2015 revenue by service providers

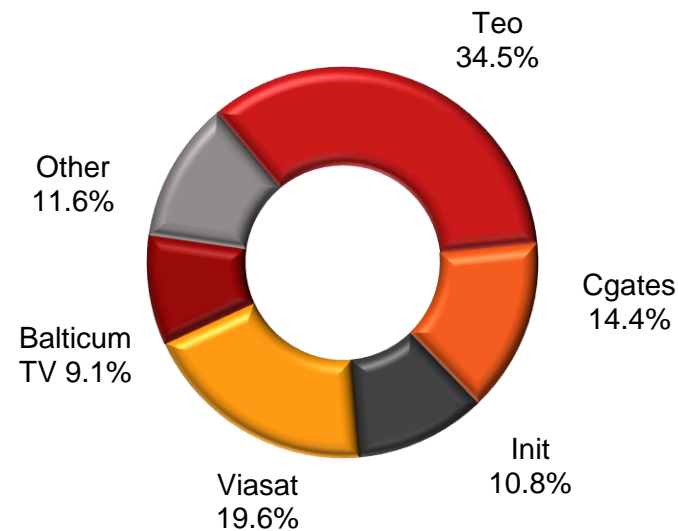


Source: Report of the Communications Regulatory Authority

Pay TV market in Lithuania (Q3 2015)

Access type	Number of users ('000)	Change, y-o-y (%)
Analogue CATV	274	(6.7)
Digital CATV	127	5.6
IPTV	169	22.7
Satellite	86	(8.6)
DVB-T	51	(13.9)
MVDS	13	(7.9)
Total:	720	0.1

Q3 revenue breakdown by service providers



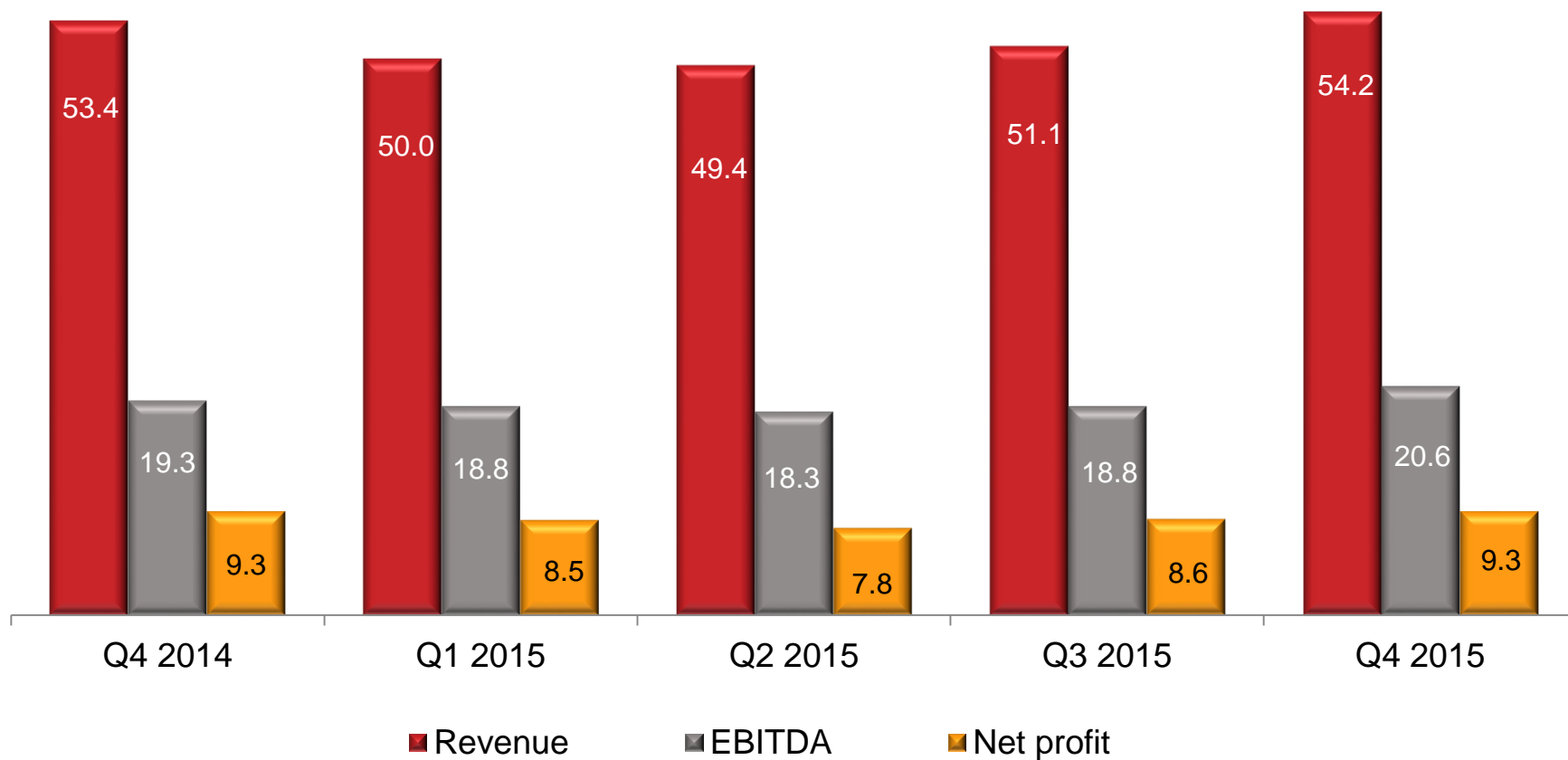
Source: Report of the Communications Regulatory Authority

Financial results

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Revenue, EBITDA & Net profit

(EUR million)

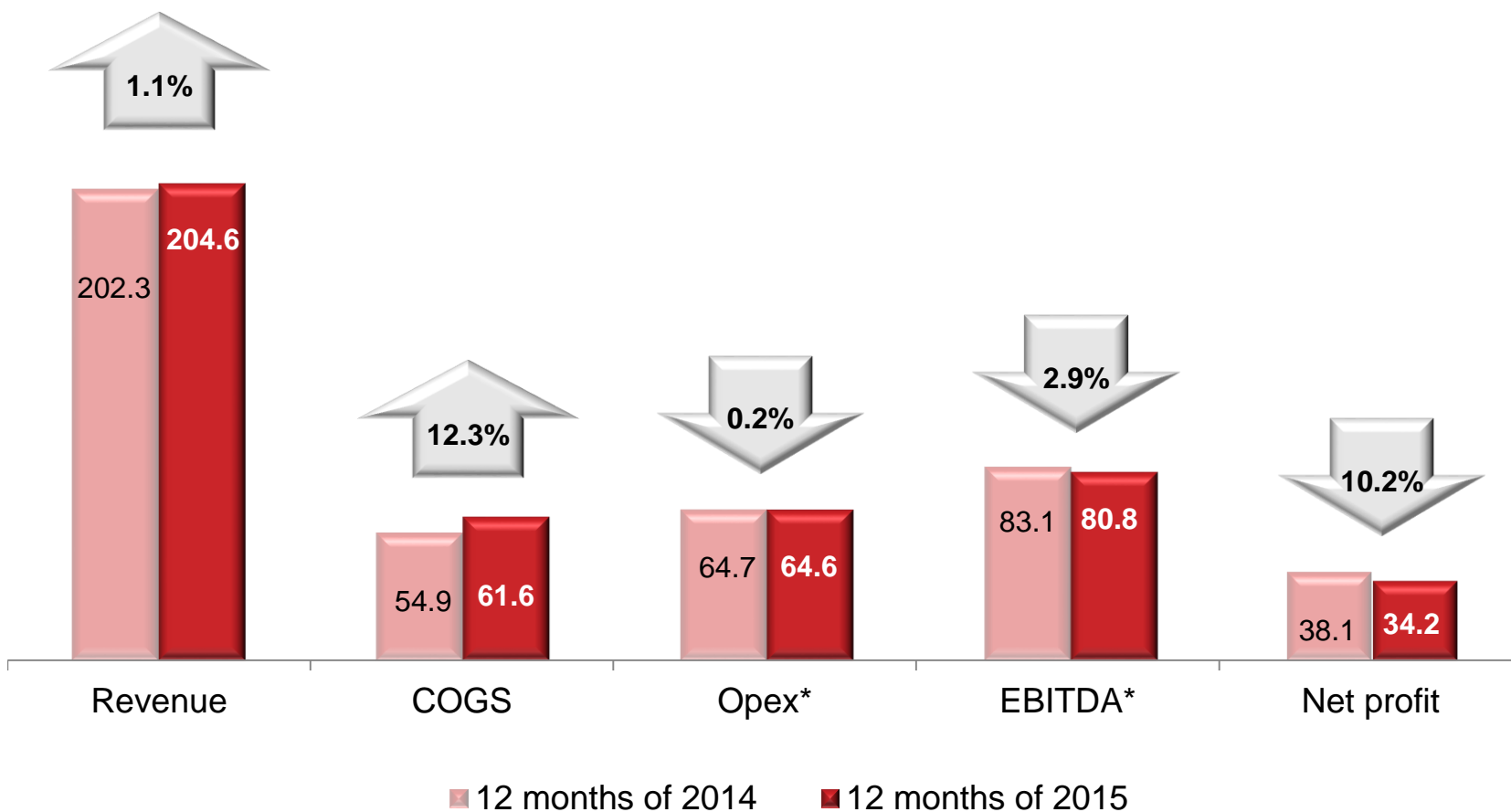


Major financial indicators

(thousand EUR)	12 months of 2015	12 months of 2014	Change (%)	12 months of 2013
Revenue	204,598	202,285	1.1	208,697
EBITDA	76,469	78,504	(2.6)	84,782
EBITDA margin	37.4%	38.8%		40.6%
<i>EBITDA (excl. non-recurring items)</i>	<i>80,765</i>	<i>83,146</i>	<i>(2.9)</i>	<i>86,306</i>
<i>EBITDA margin (excl. non-recurring items)</i>	<i>39.5%</i>	<i>41.1%</i>		<i>41.4%</i>
Operating profit	38,539	42,364	(9.0)	47,811
Operating profit margin	18.8%	20.9%		22.9%
Profit before income tax	38,279	42,436	(9.8)	47,953
Profit before income tax margin	20.6%	21.0%		21.0%
Net profit	34,176	38,076	(10.2)	43,197
Profit margin	16.7%	18.8%		20.7%
Earnings per share (EUR)	0.059	0.052		0.056
Average weighted number of shares (thousands)	582,613	738,509	(21.1)	776,818

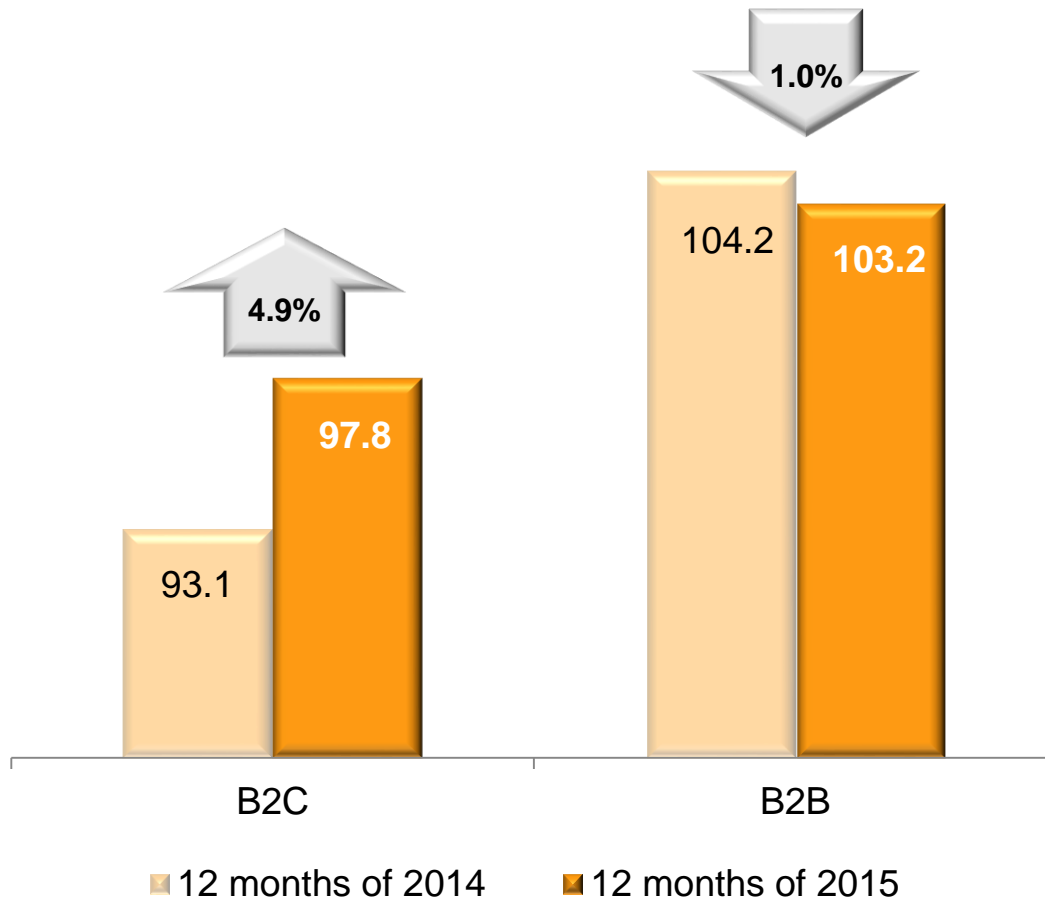
Dynamics of Teo main financial indicators

(EUR million)



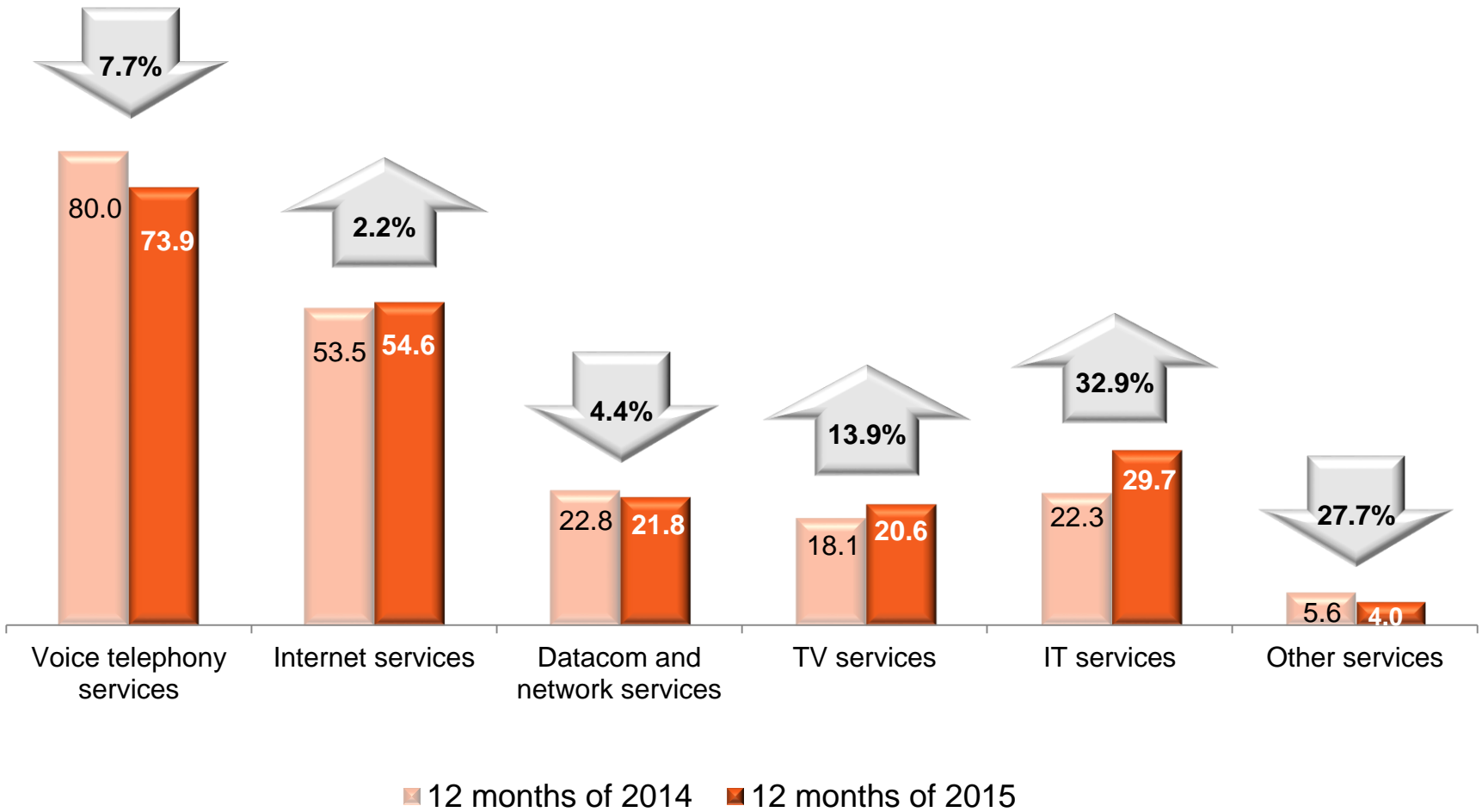
Revenue by segments

(EUR million)



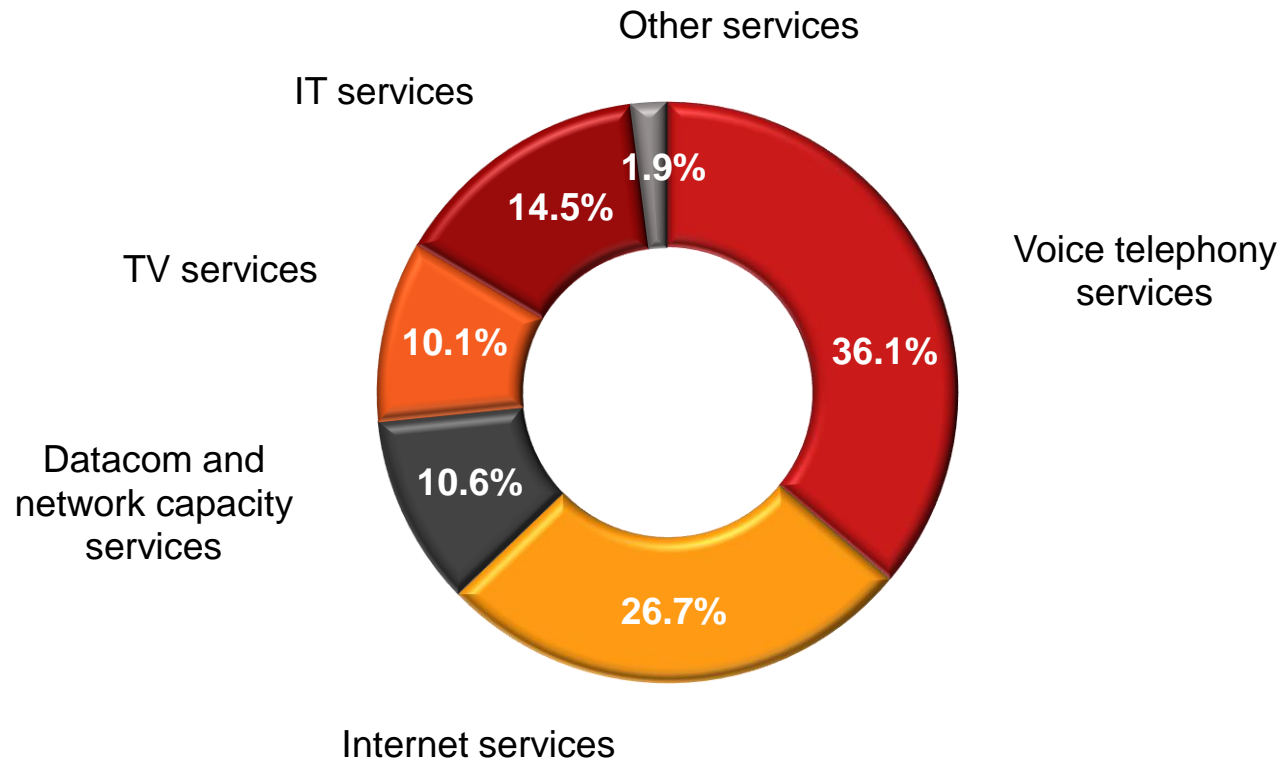
- Revenue from **other** segments decreased by EUR 1.2 million to **EUR 3.7 million** for 12 months of 2015

Revenue (EUR million)

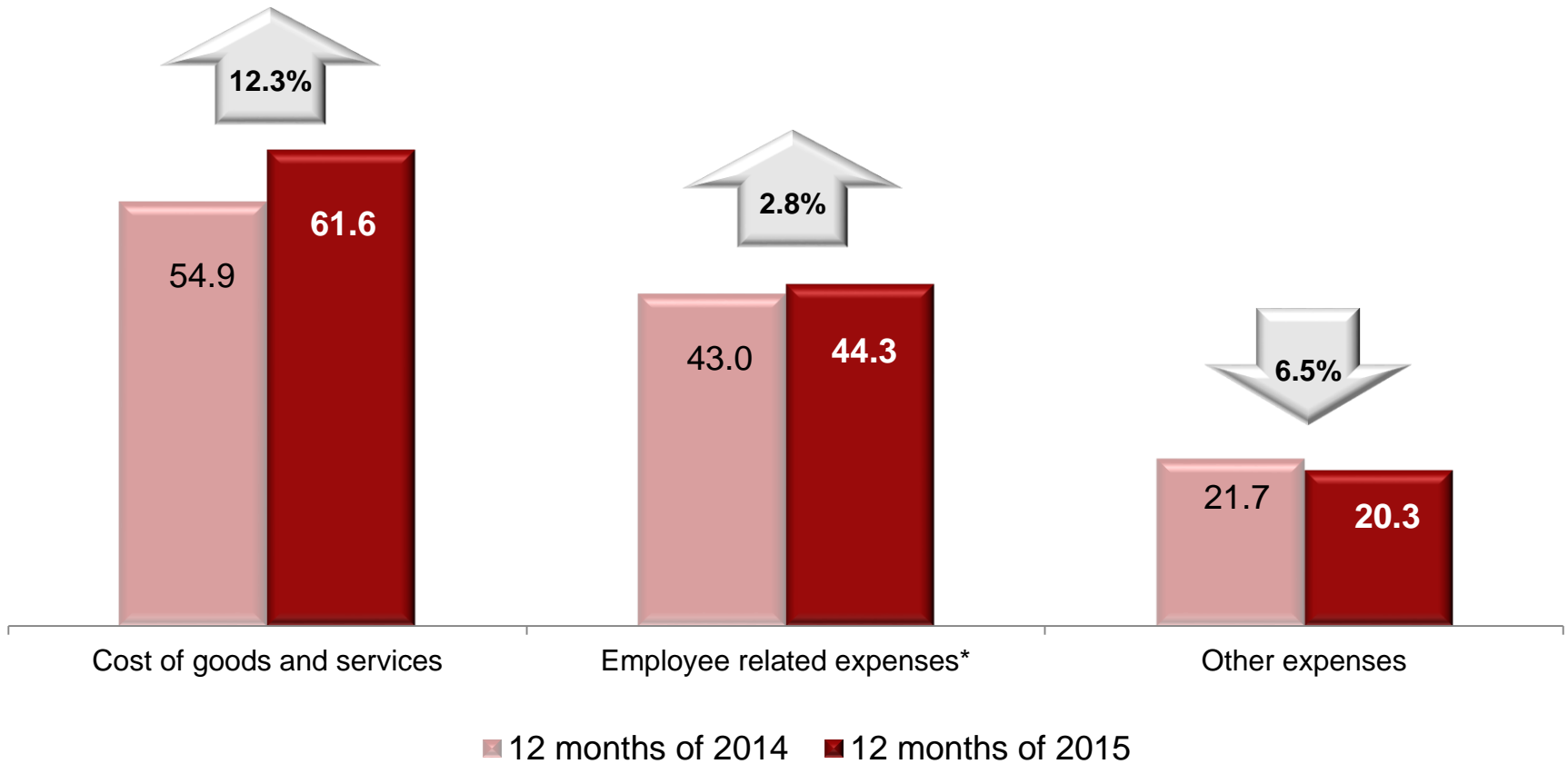


Breakdown of revenue

(12 months of 2015)

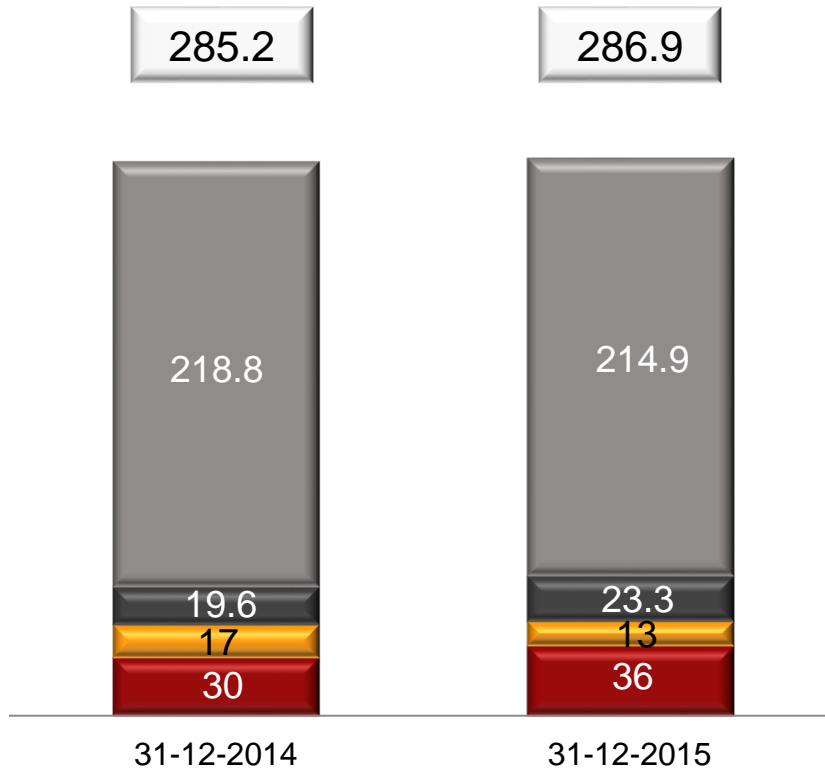


Operating expenses (EUR million)



Assets

(EUR million)

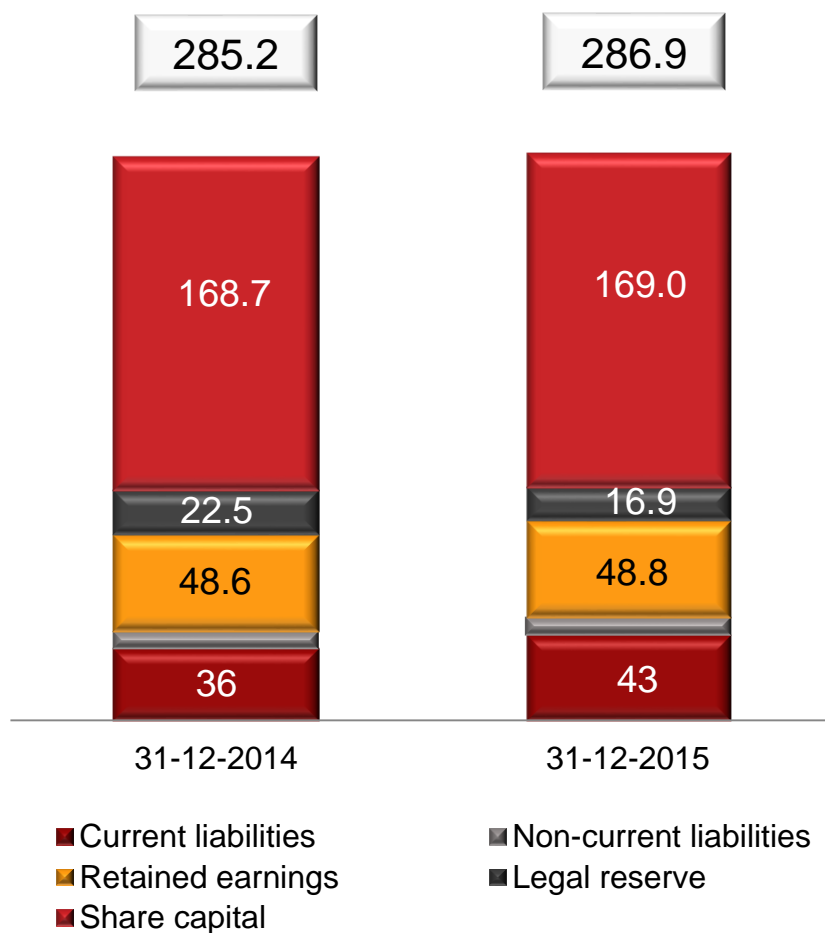


- **Non-current assets** amounted to 83% of total assets (31-12-2015)
- **Cash** alone amounted to 4.5%
- **Return on capital employed:** 14.1%
- **Return on average assets:** 13.6%

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

Equity and liabilities

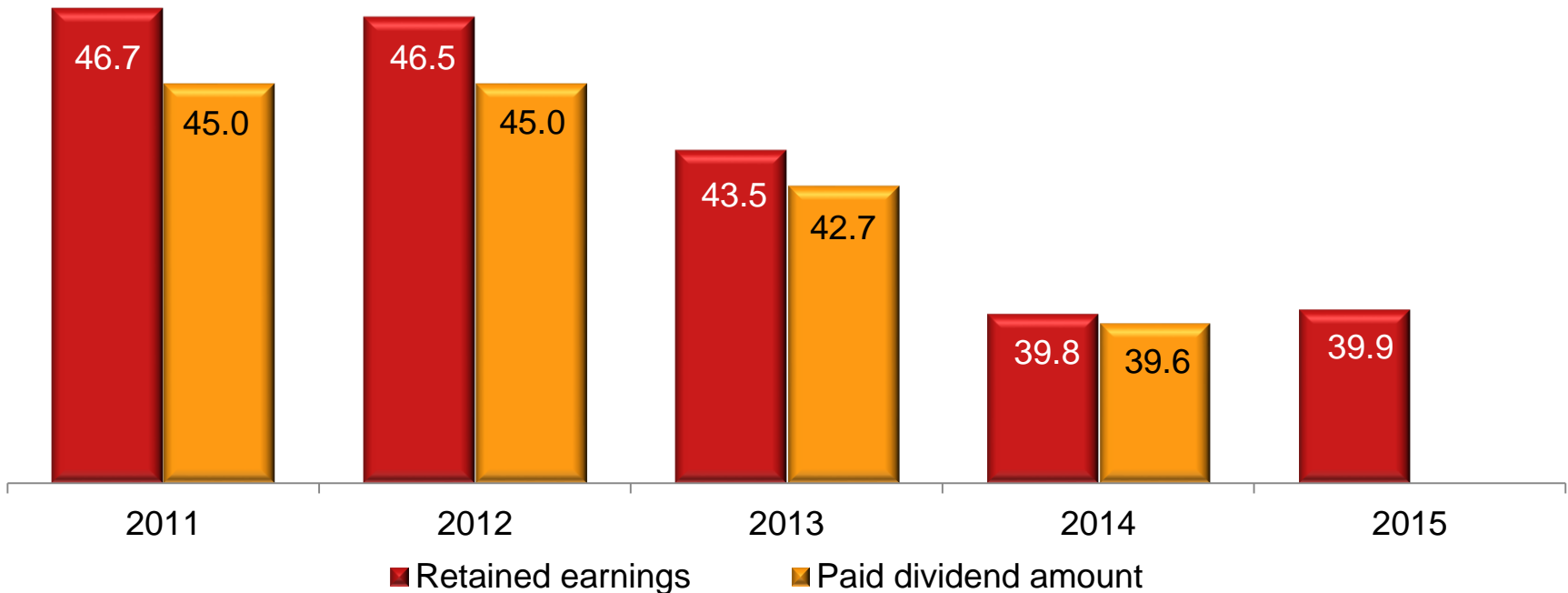
(EUR million)



- **Shareholders' equity** amounted to 81.8% of the total assets (31-12-2015)
- **Borrowings** amounted to EUR 15.1 million
- **Net debt** was amounted to EUR 2.2 million
- **Gearing ratio:** 0.9%
- **Debt to equity:** 6.4%
- **Return on equity:** 15.0%
- 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

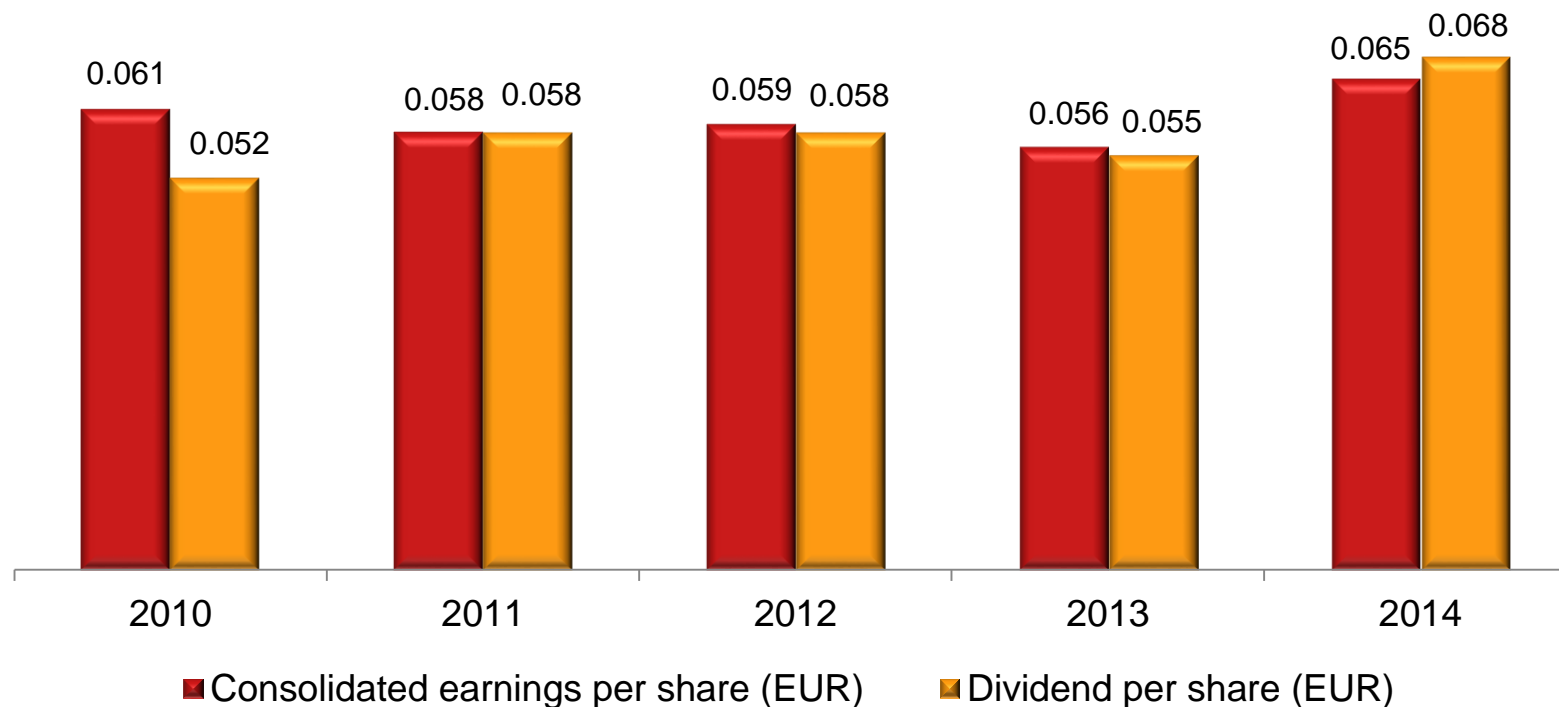
Teo retained earnings vs dividends

(EUR million)



- Following the Lithuanian Law on Company dividends shall be paid **from the Parent company's retained earnings**
- Retained earnings of the Parent company for 2015 amounted to EUR 39.3 million or EUR 0.068 per share

Dividend payout



- Earnings and dividends of 2010-2013 are allocated to 776,817,518 shares, 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

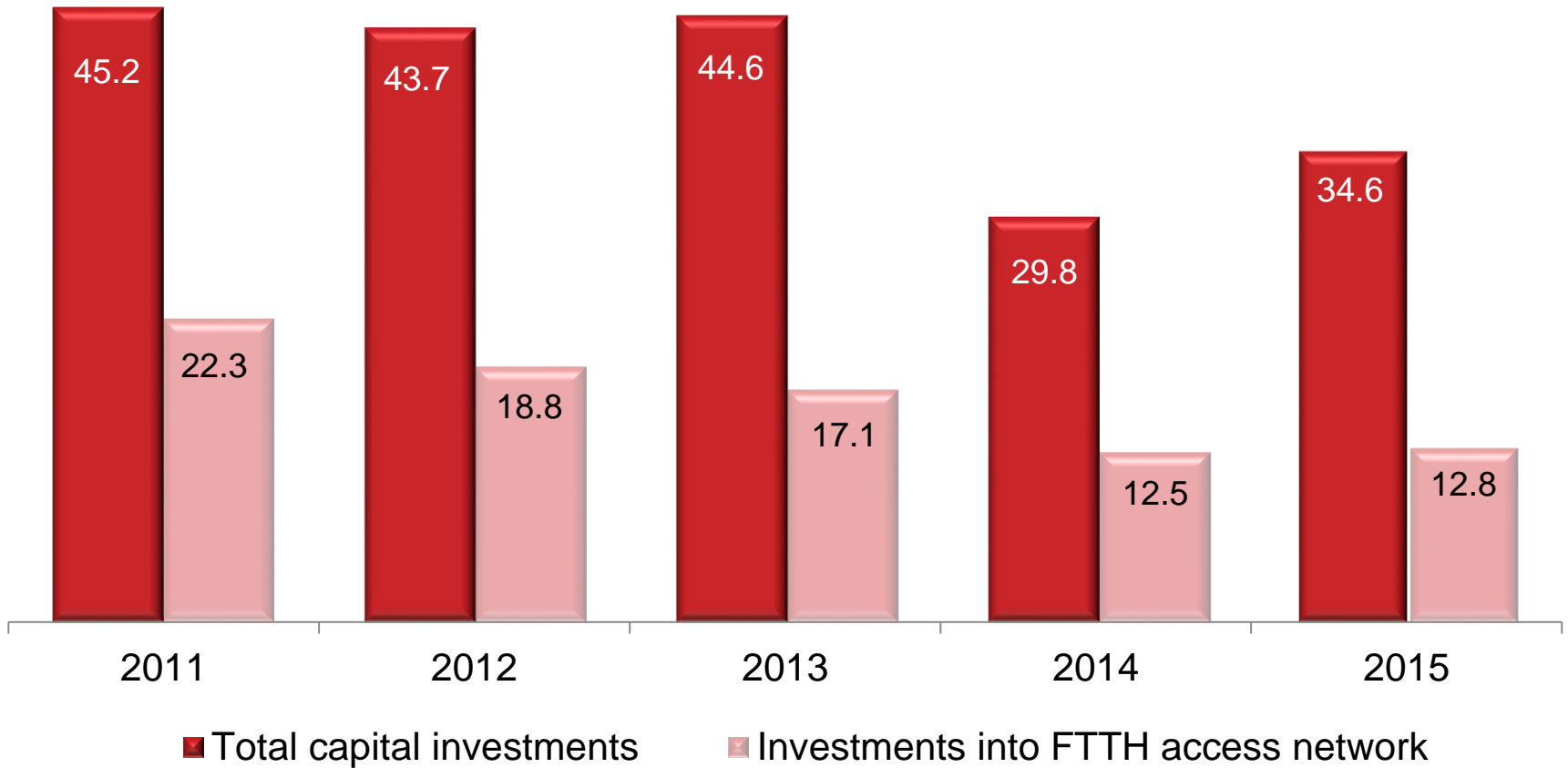
Cash flow

(thousand EUR)	12 months of 2015	12 months of 2014
Net cash from operating activities	64,206	71,839
Net cash used in investing activities	(33,247)	(7,654)
Net cash used in financing activities	(34,923)	(89,286)
Increase (decrease) in cash and cash equivalents	(3,964)	(25,101)

- **Free Cash Flow** during 12 months of 2015 was by 25.5% lower than a year go.
- **Investments** during 12 months of 2015 amounted to EUR 34.6 million (EUR 29.9 million in 2014)
- EUR 23.7 million went to expansion of the **core and fiber-optic access network**
- In November 2014, EUR 56.2 million (i.e. 0.072 euro per share) was paid to the shareholders **due to reduction of authorized capital**
- In May 2015, the Company paid out **EUR 39.6 million of dividends** for the year 2014
- During Q3 and Q4 2015, Teo repaid **EUR 20 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 31 December 2015

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

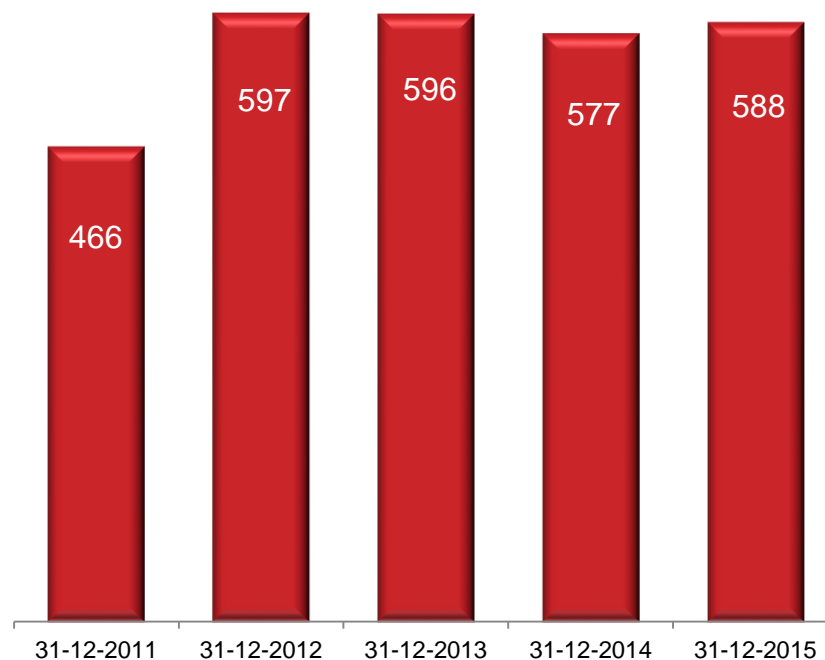
- On **24 October 2014**, authorized **capital was reduced** by LTL 194 million and accordingly **number of voting shares** was reduced from 776,817,518 to **582,613,138**

Teo shares

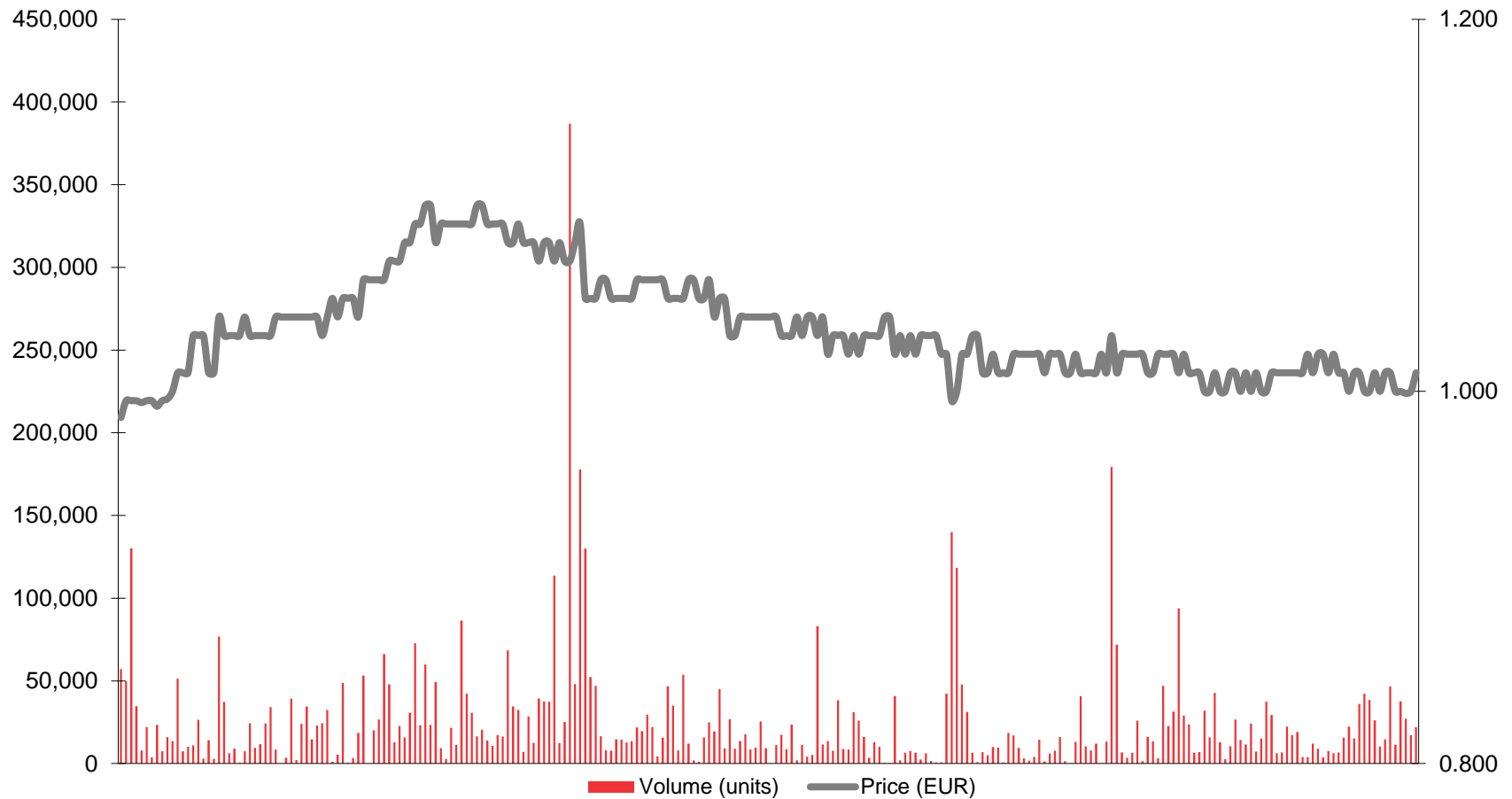
- Since June 2000, Teo shares are listed on **Nasdaq Vilnius** stock exchange (ticker: TEO1L)
- Since January 2011, Teo shares were included into the trading lists of a few **German stock exchanges** (ticker: ZWS)
- **Turnover** on Nasdaq Vilnius stock exchange during January-December 2015: 6.2 million shares or EUR 6.4 million (LTL 22.1 million)
- Share **price** on Nasdaq Vilnius:

	EUR	LTL
01-01-2015	1.000	3.453
High	1.110	3.833
Low	0.986	3.404
31-12-2015	1.010	3.487

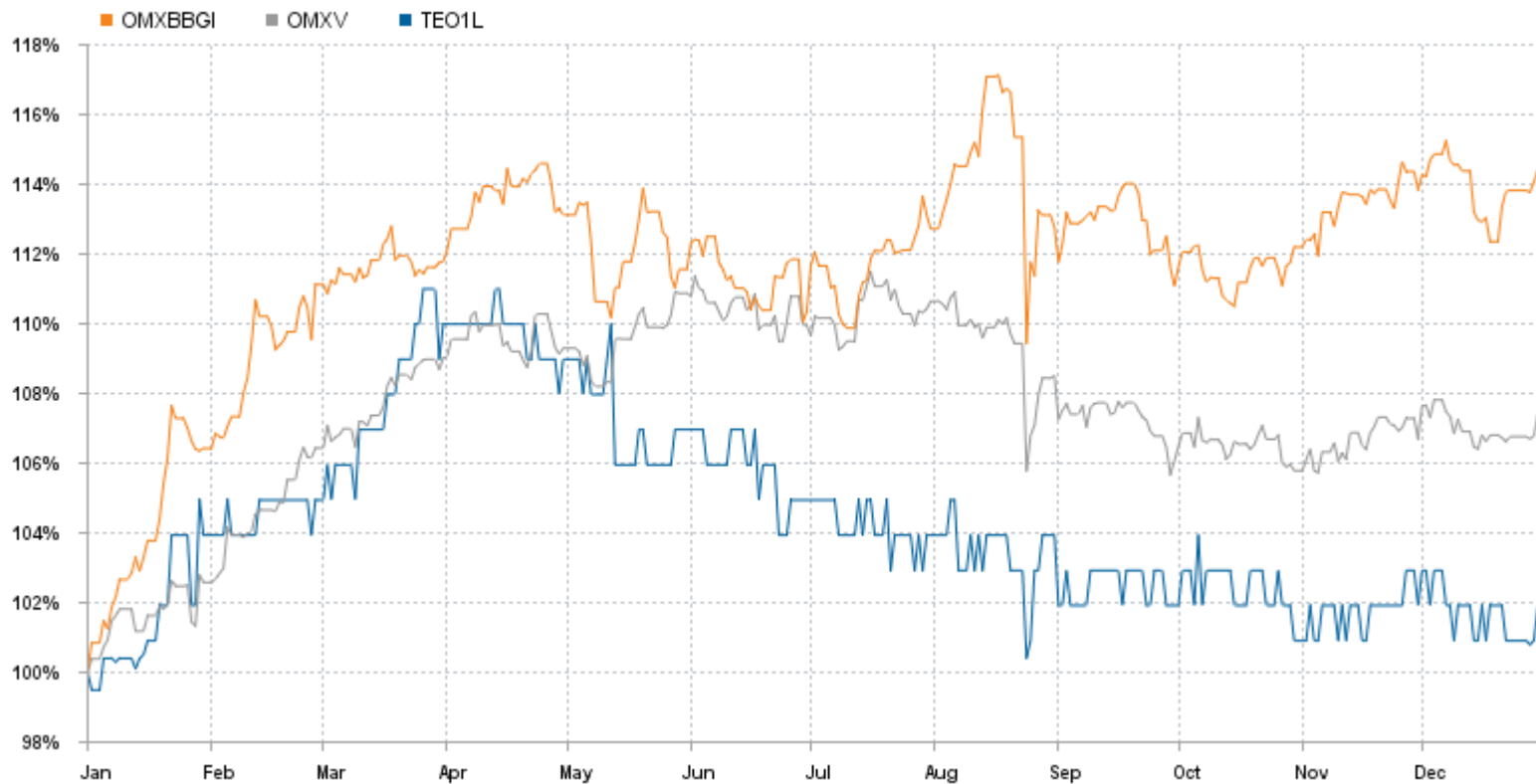
Market capitalization (EUR million)



Trading in Teo shares on Nasdaq Vilnius stock exchange in 2015



Teo share price and Nasdaq Vilnius indexes comparison



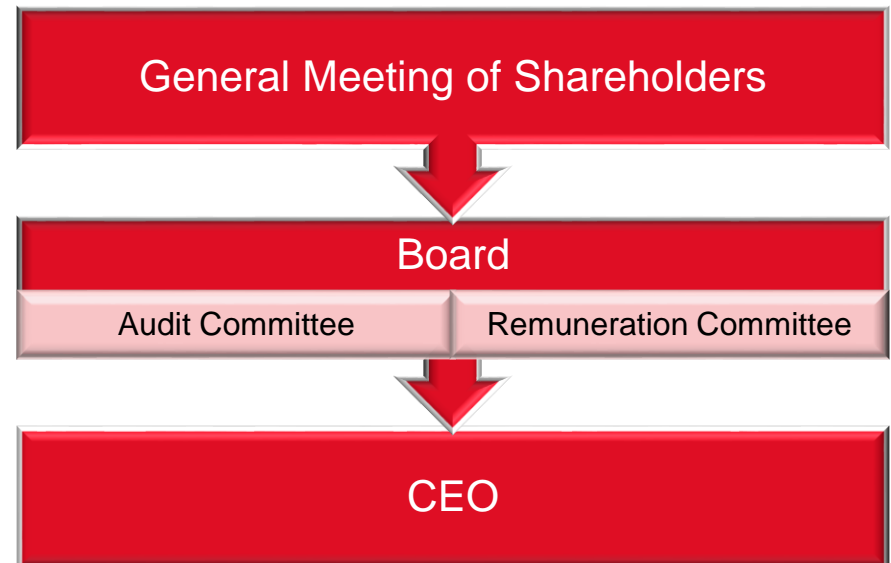
Source: Nasdaq Vilnius

Corporate governance

teo

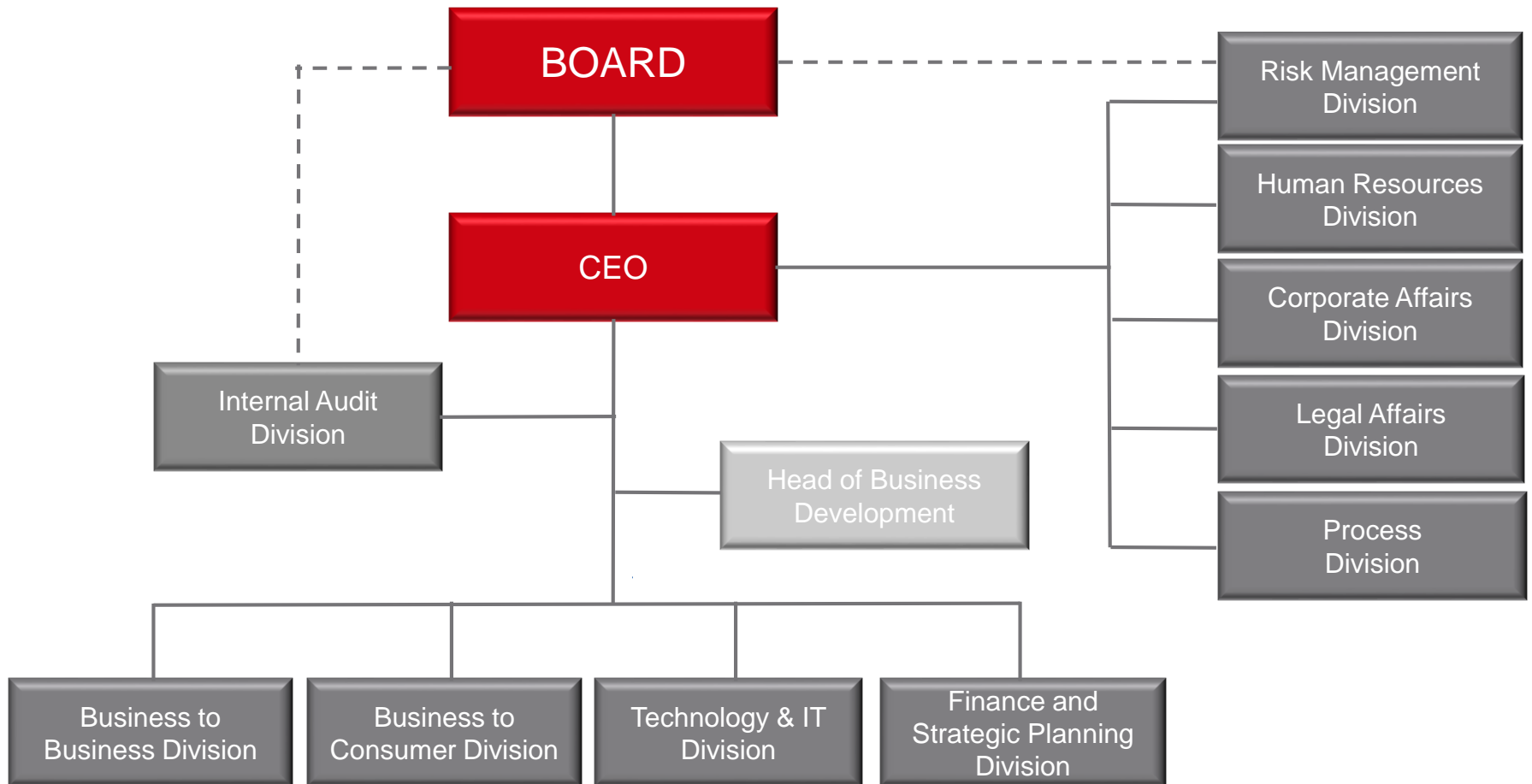
Governing bodies

- 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

from 1 April 2015 till 31 December 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

till 31 December 2015



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



**Giedrė Kaminskaitė-
Salters,**
(born in 197),
Head of Legal Affairs



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



Giedrė Tarbūnienė,
(born in 1974),
Head of Process
(until 23 December 2015)



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!