

A photograph of a red ceramic cup filled with coffee, sitting on a matching red saucer. The cup and saucer are placed on a dark wooden surface. To the left, a portion of a white laptop keyboard is visible, showing keys like 'Enter', 'Ctrl', 'Alt Gr', and various letter keys. A semi-transparent red rounded rectangle is overlaid on the right side of the image, containing the title and date.

Results for the 3 months of 2016

20-04-2016

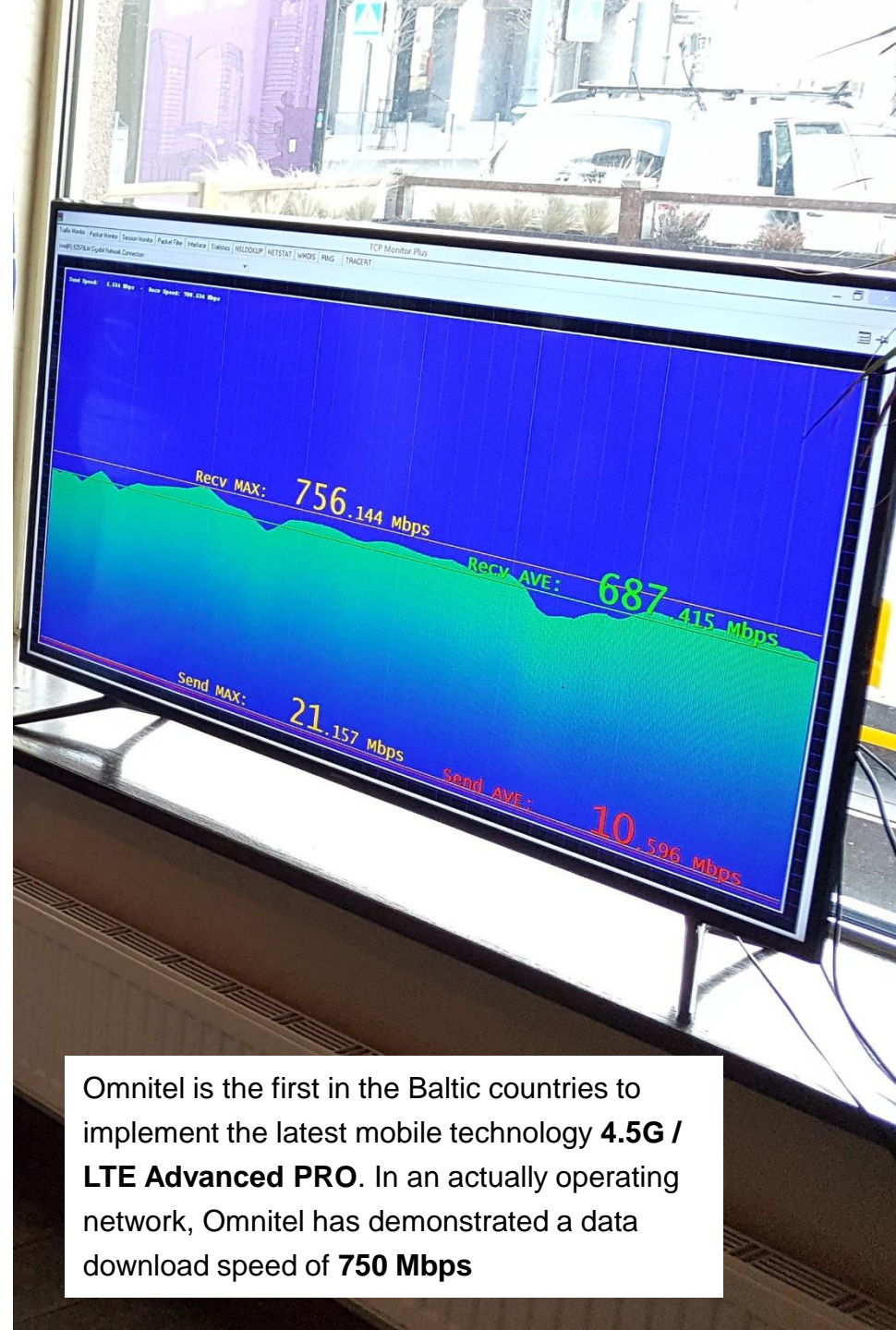
Teo Group is a leading IT and telecommunication services provider in Lithuania

We provide services to residents, businesses and telecommunications operators

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

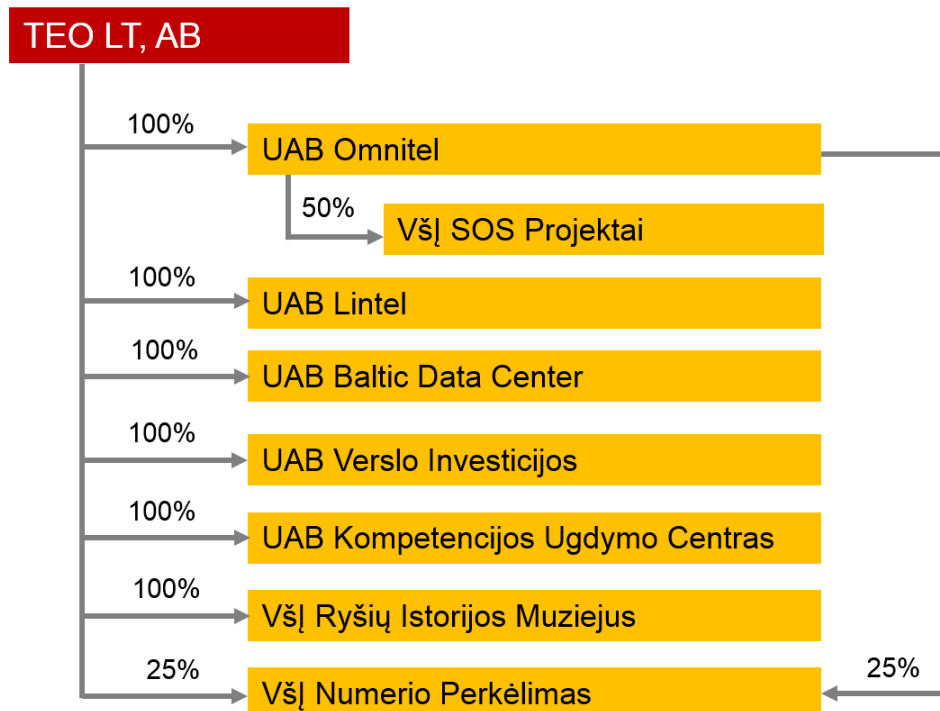
Highlights of Q1 2016

- Teo acquired a **100% stake in Omnitel**
- Omnitel **won the CRA auction** for the right to use 900/1800 spectrum radio frequencies by offering EUR 14.3 million
- For customers of Omnitel a **roaming fee was revoked** in 6 Scandinavian and Baltic States
- Teo was granted with **ISO certificates** in IT Services (ISO 20000) and Information Security (ISO 27001) Management Systems
- Teo opened a new Tier III standard **data center**
- The Board proposed to pay **EUR 0.01 dividend per share** for the year 2015



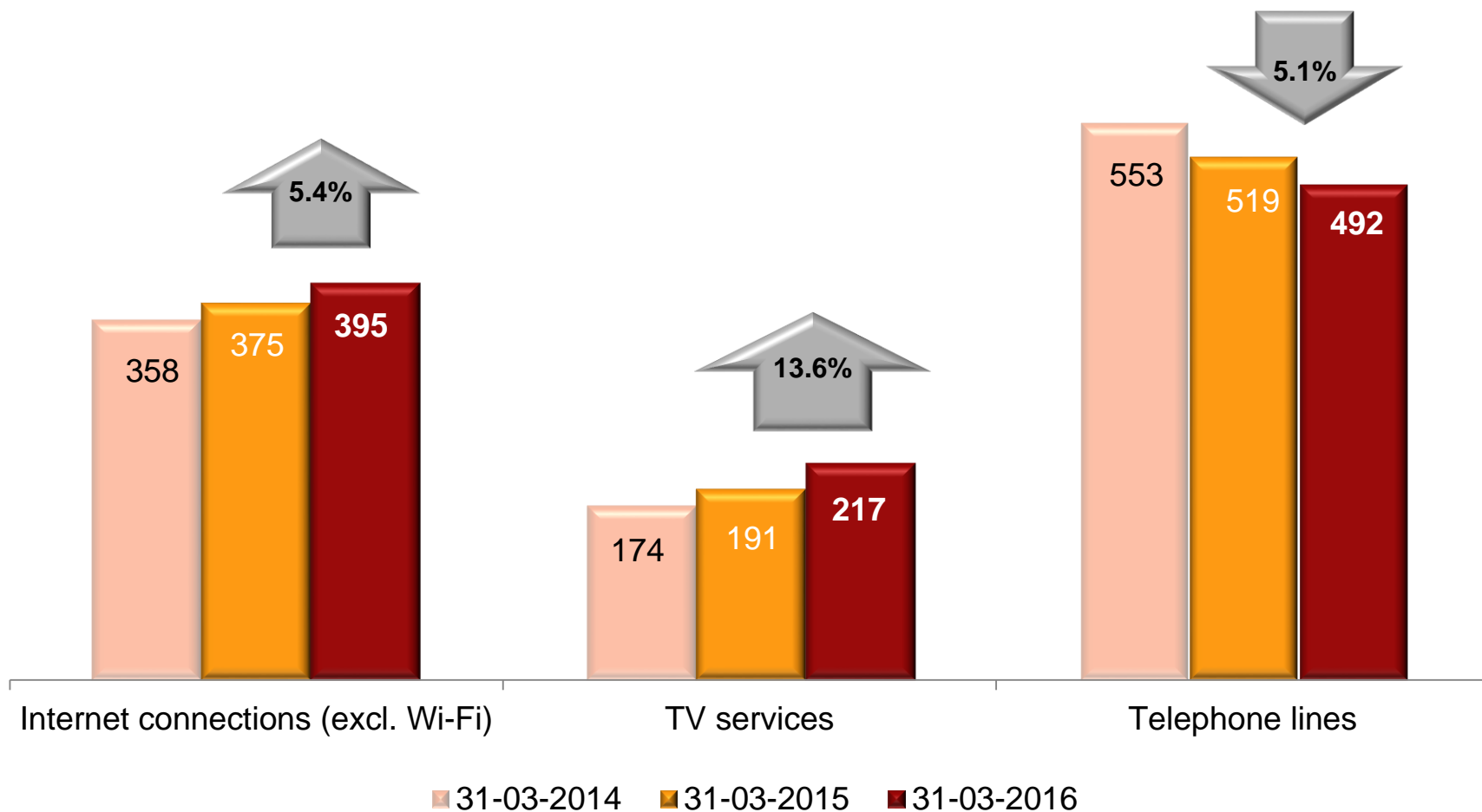
Omnitel is the first in the Baltic countries to implement the latest mobile technology **4.5G / LTE Advanced PRO**. In an actually operating network, Omnitel has demonstrated a data download speed of **750 Mbps**

Teo Group

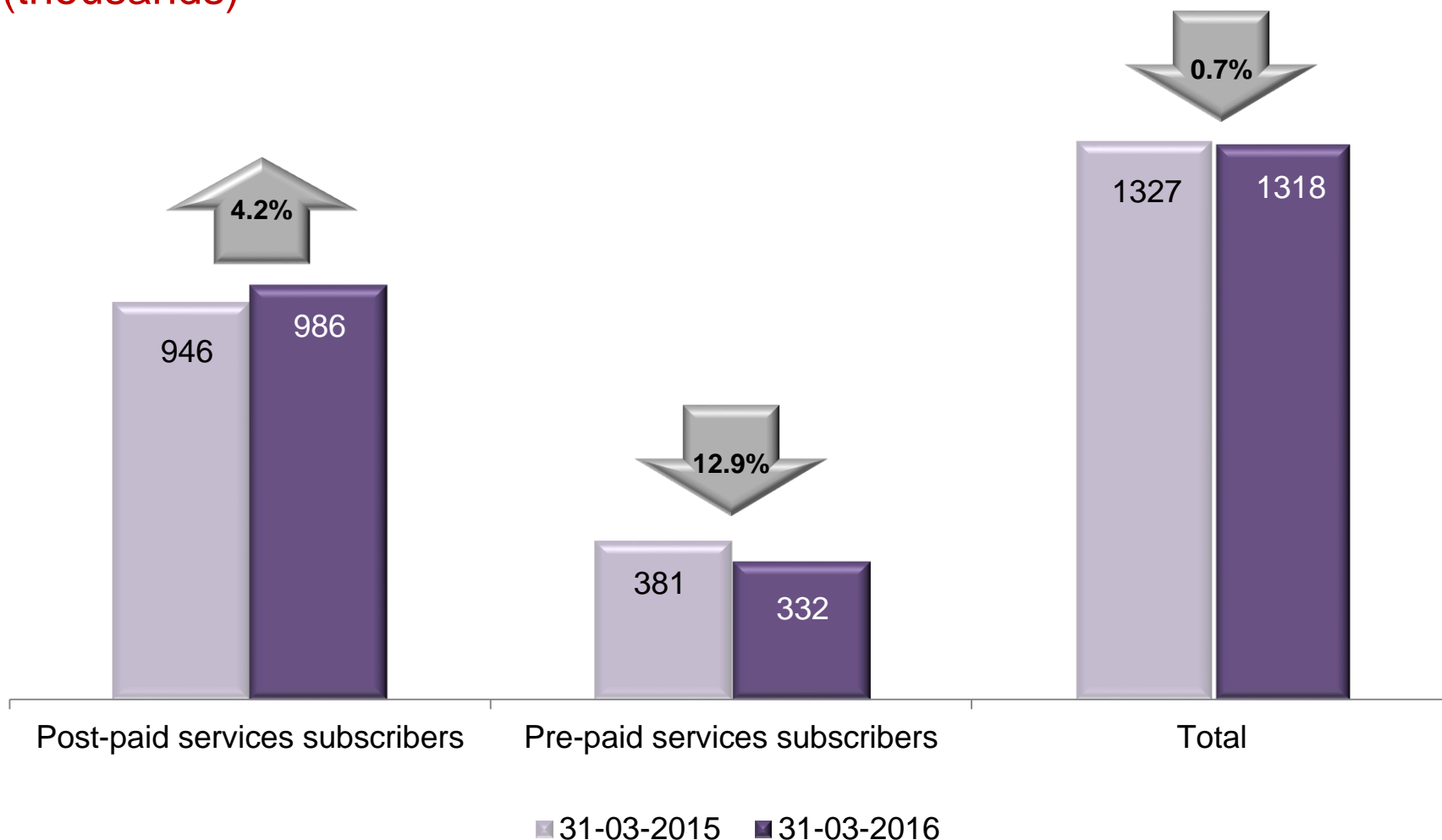


- On 4 January 2016, Teo **acquired a 100% stake in Omnitel**
- In January 2016, Baltic Data Center SIA, a subsidiary of UAB Baltic Data Center in Latvia, was **liquidated**
- The Board allowed **to transfer owners' rights** in VšĮ Ryšių Istorijos Muziejus (The Communications History Museum) to Kaunas Municipality free of charge
- The Board asks for shareholders' approval to prepare reorganization terms for Omnitel and Baltic Data Center **merger** into Teo

Main broadband communications operating figures (thousands)



Main mobile communications operating figures (thousands)

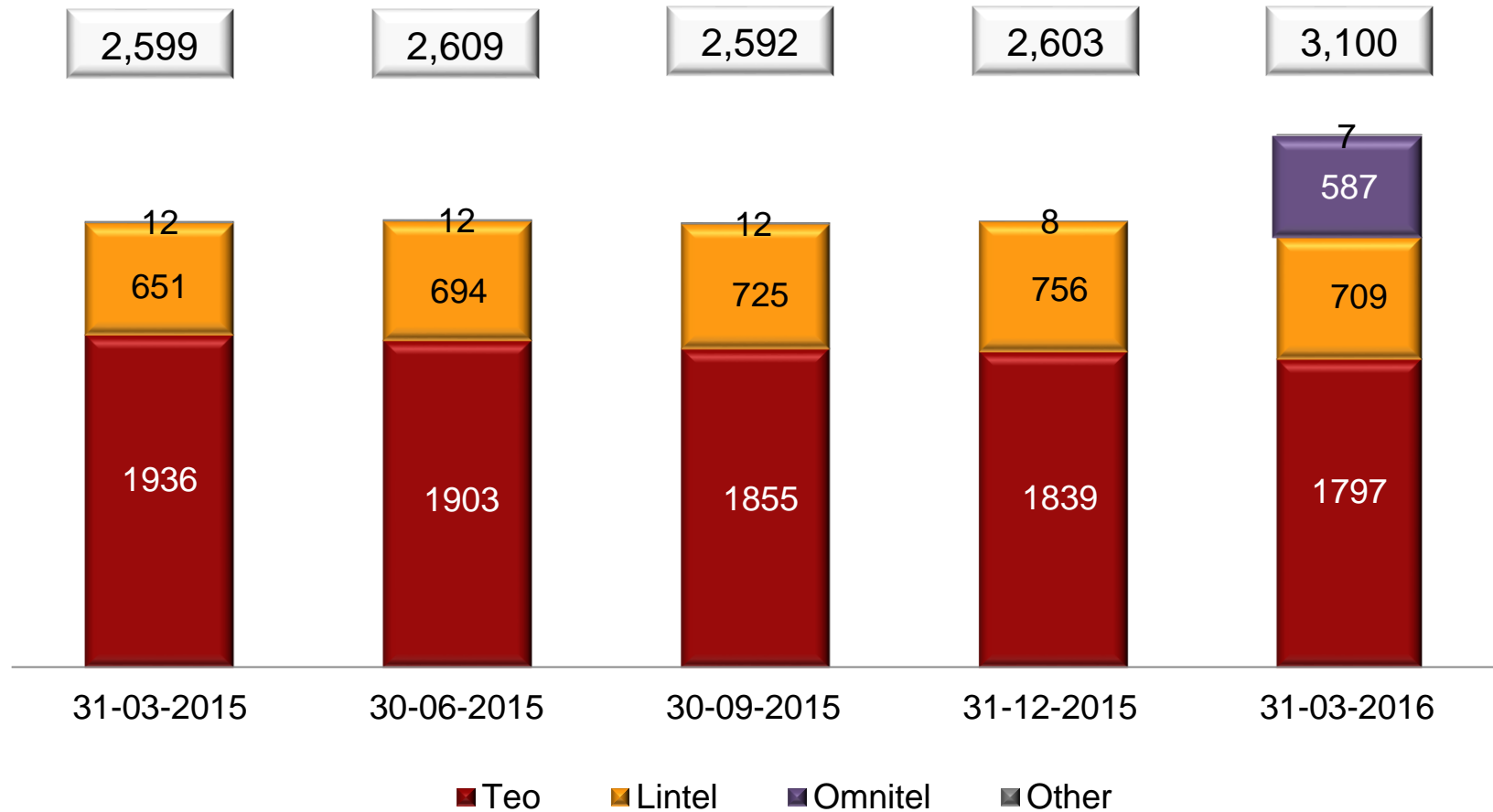


Main operating figures

(thousands)

	31-03-2016	31-03-2015	Change (%)
Number of broadband Internet accesses, in total:	395	375	5.4
- via fiber-optic lines	231	206	12.2
- via copper lines	164	169	(2.9)
Number of TV services users, in total:	217	191	13.6
- IPTV	172	138	24.3
- DVB-T	45	53	(14.2)
Number of fixed telephone lines	492	519	(5.1)
Number of mobile services' subscriber, in total:	1,318	1,327	(0.7)
- Post-paid services	986	946	4.2
- Pre-paid services	332	381	(12.9)

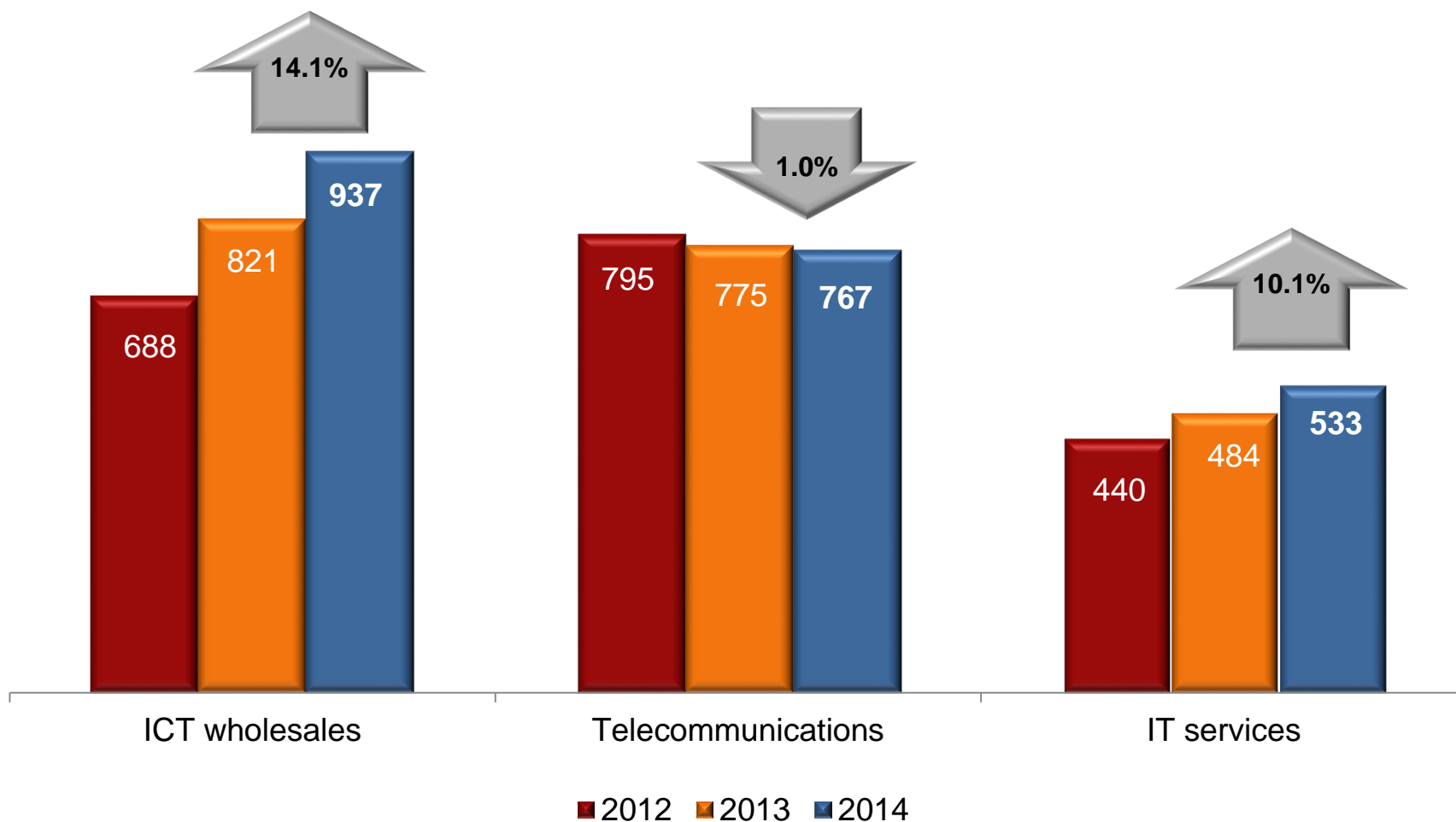
Employees of Teo Group



Electronic communications market of Lithuania

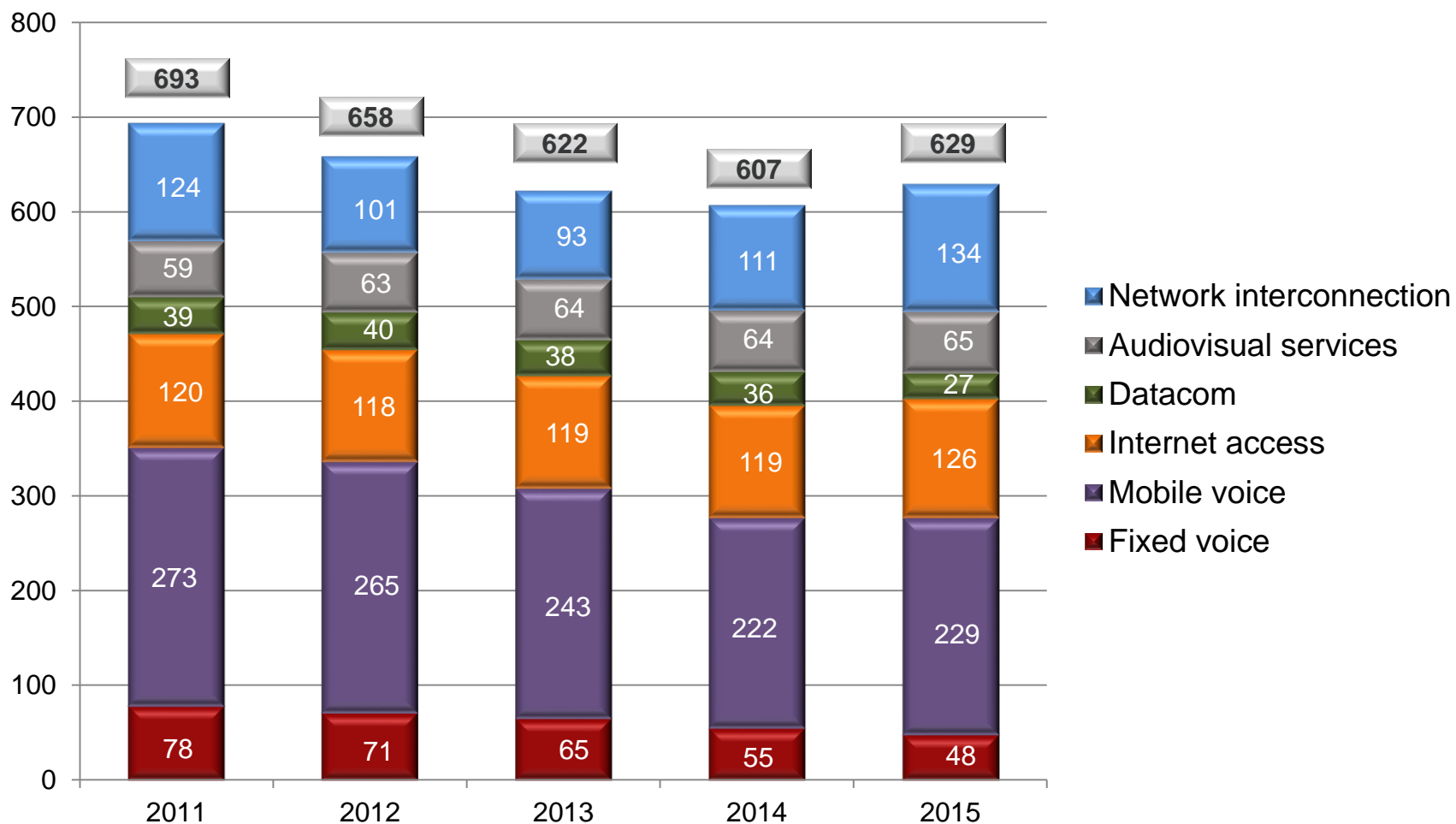
Lithuanian ICT market revenue trends

(EUR million)



Telecommunication market in Lithuania

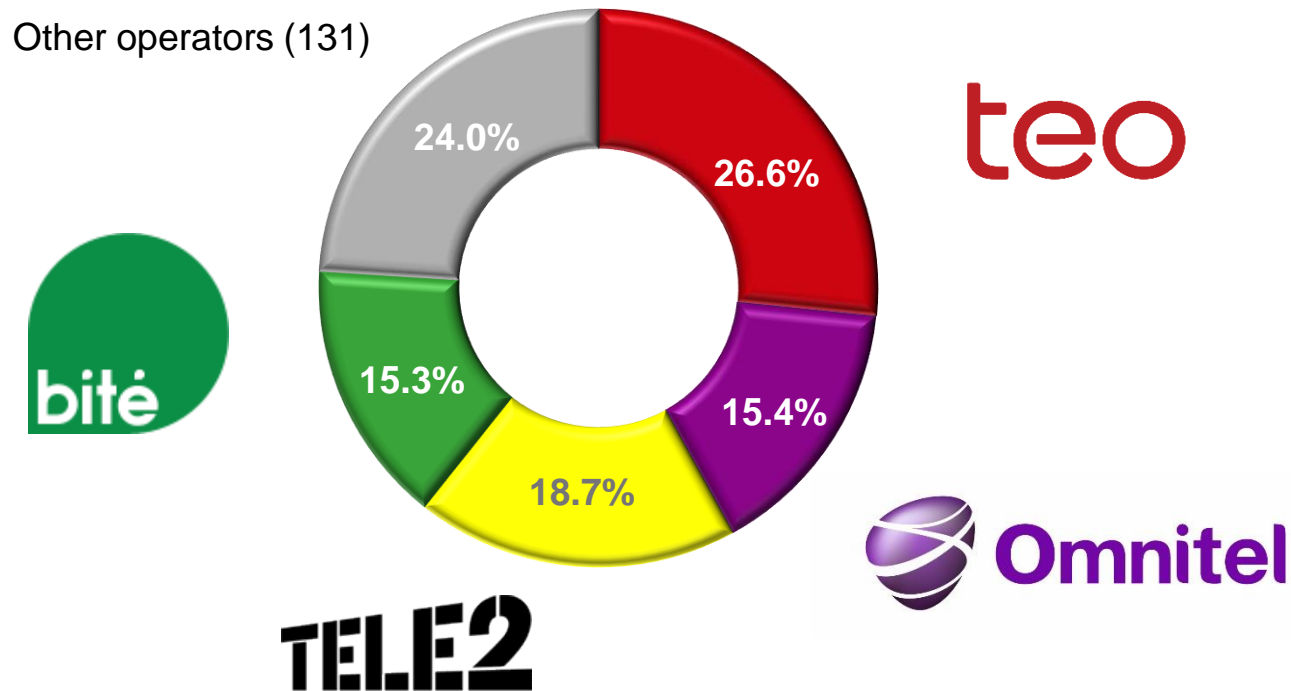
(EUR million)



Main market figures

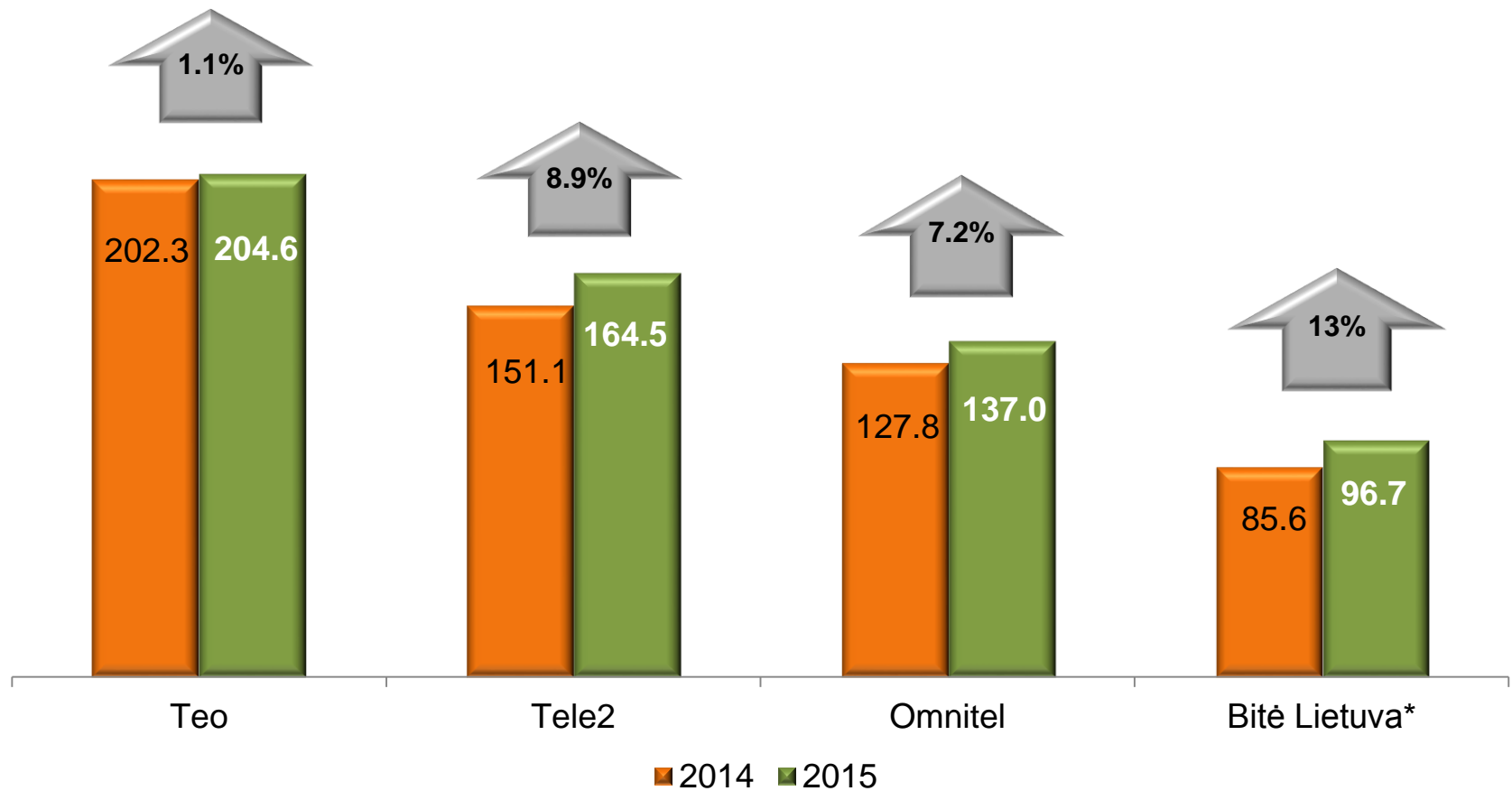
	31-12-2015	31-12-2014	Change (%)
Total market revenue (EUR million)	626.4	606.7	3.2
Number of mobile services subscribers	4,184,053	4,267,592	(2.0)
Number of mobile services subscribers per 100 inhabitants	144.8	146.1	
Number of telephone lines per 100 inhabitants	19.2	19.7	
Number of Internet access subscribers	1,187,148	1,110,517	6.9
Number of broadband Internet access subscribers per 100 inhabitants	41.1	38.0	
Number of fixed Internet access subscribers per 100 inhabitants	28.8	27.4	
Number of pay-TV subscribers	724,450	722,964	0.2
Number of pay-TV subscribers per 100 households	56.7	55.7	
Total market investments (EUR million)	98.4	92.1	6.8

Breakdown of the telecommunications market revenue in 2015 by operators



Main market players' revenue changes

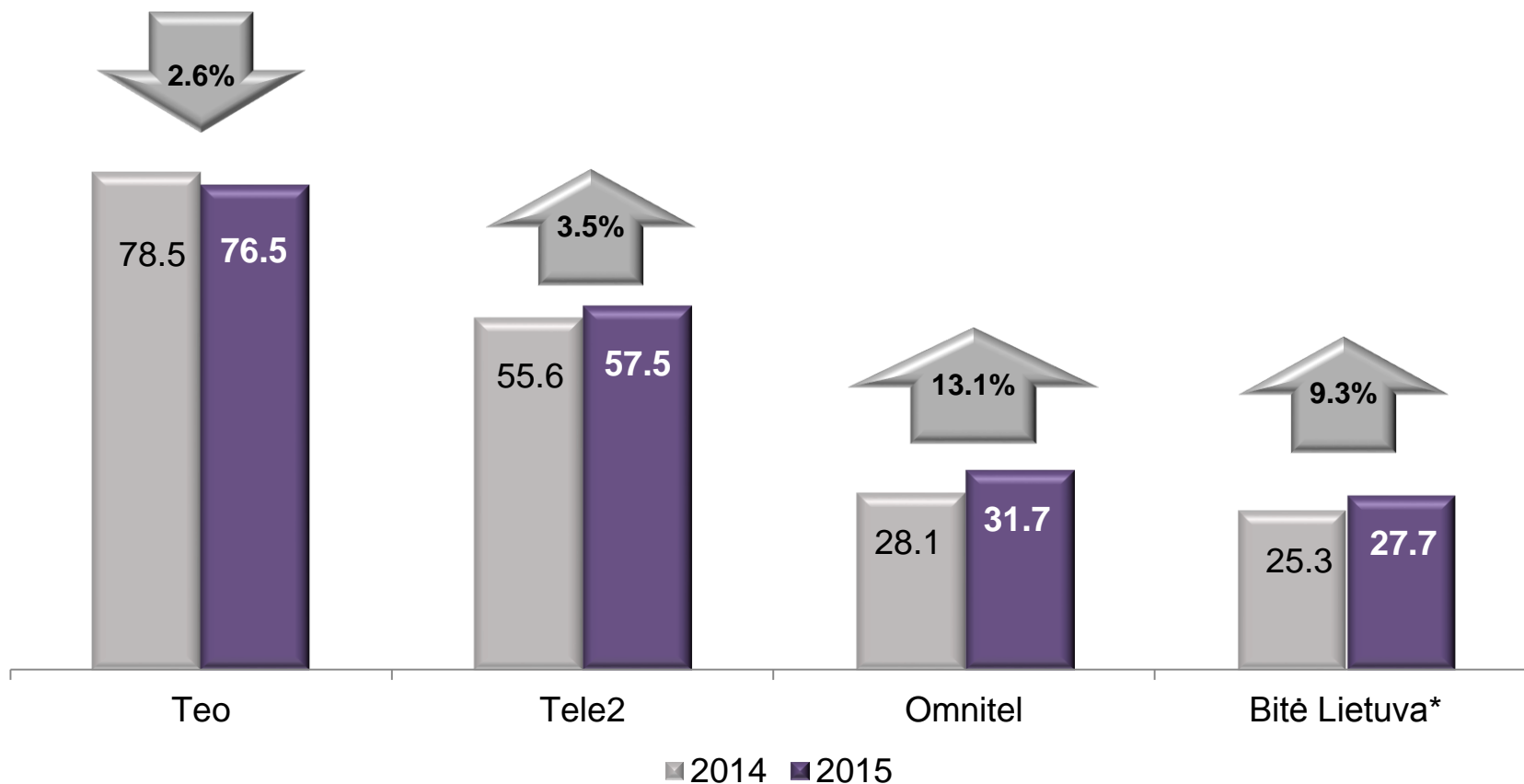
(EUR million)



* Data for 9 months

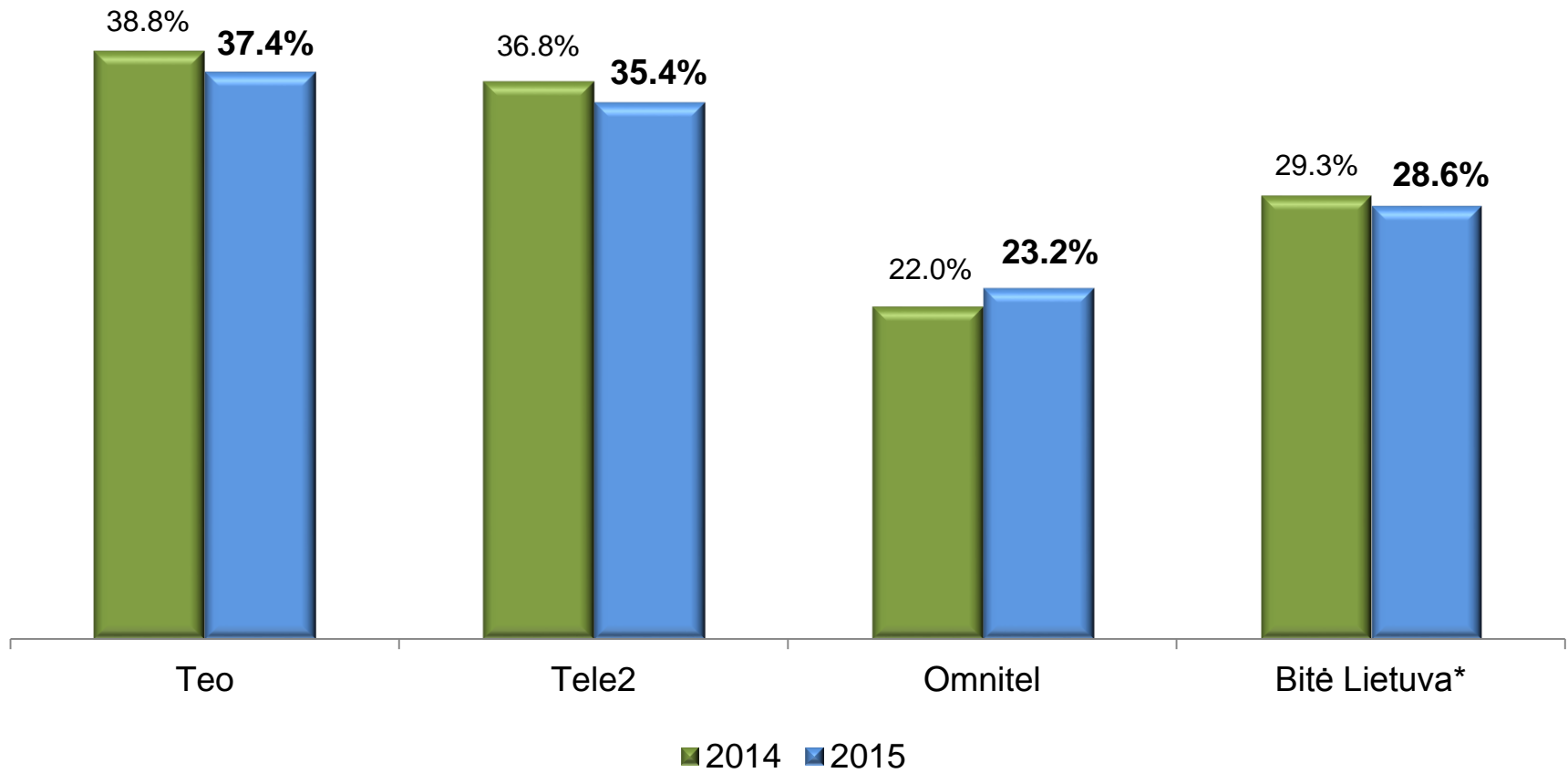
Main market players' EBITDA changes

(EUR million)



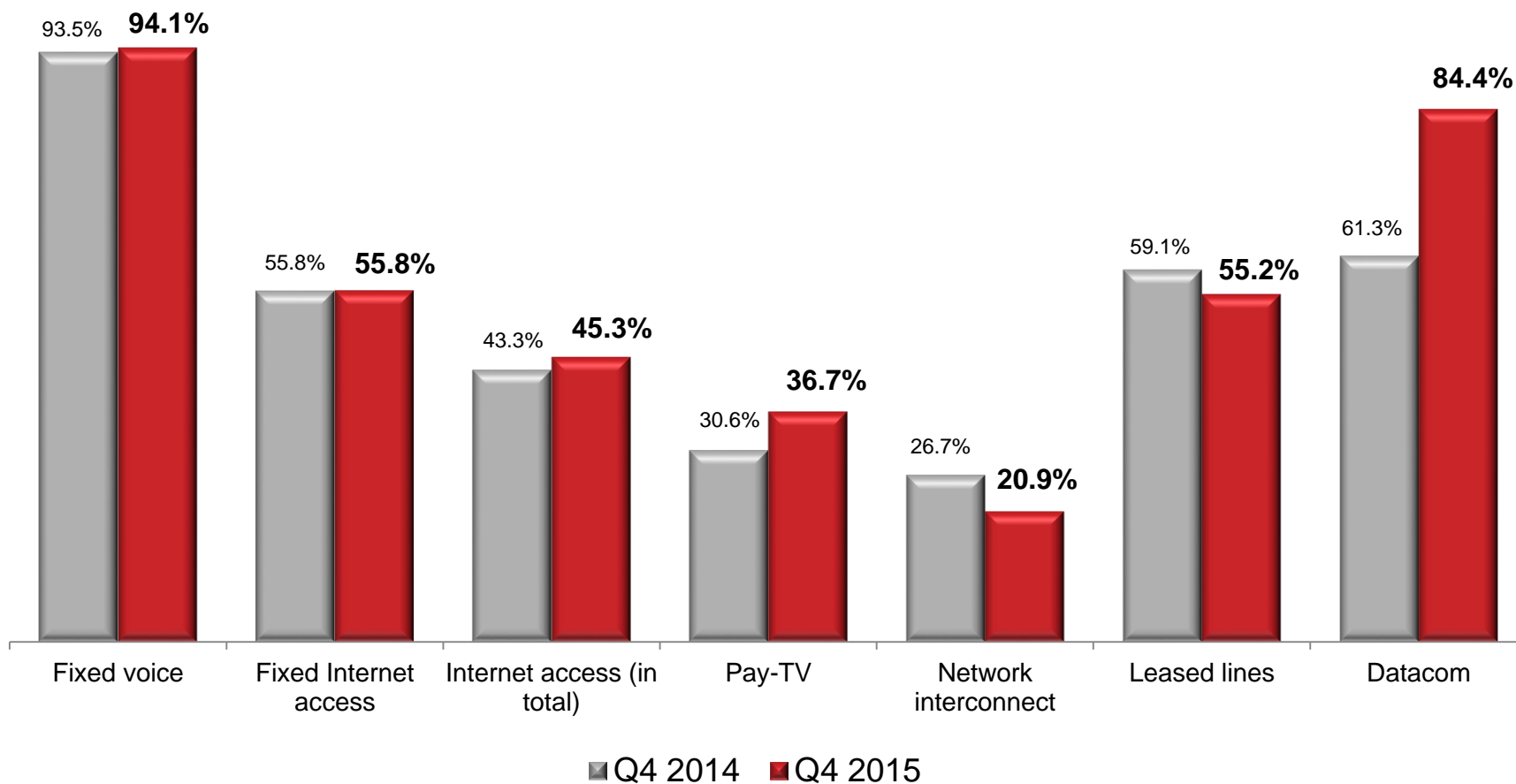
* Data for 9 months

Main market players' EBITDA margin changes



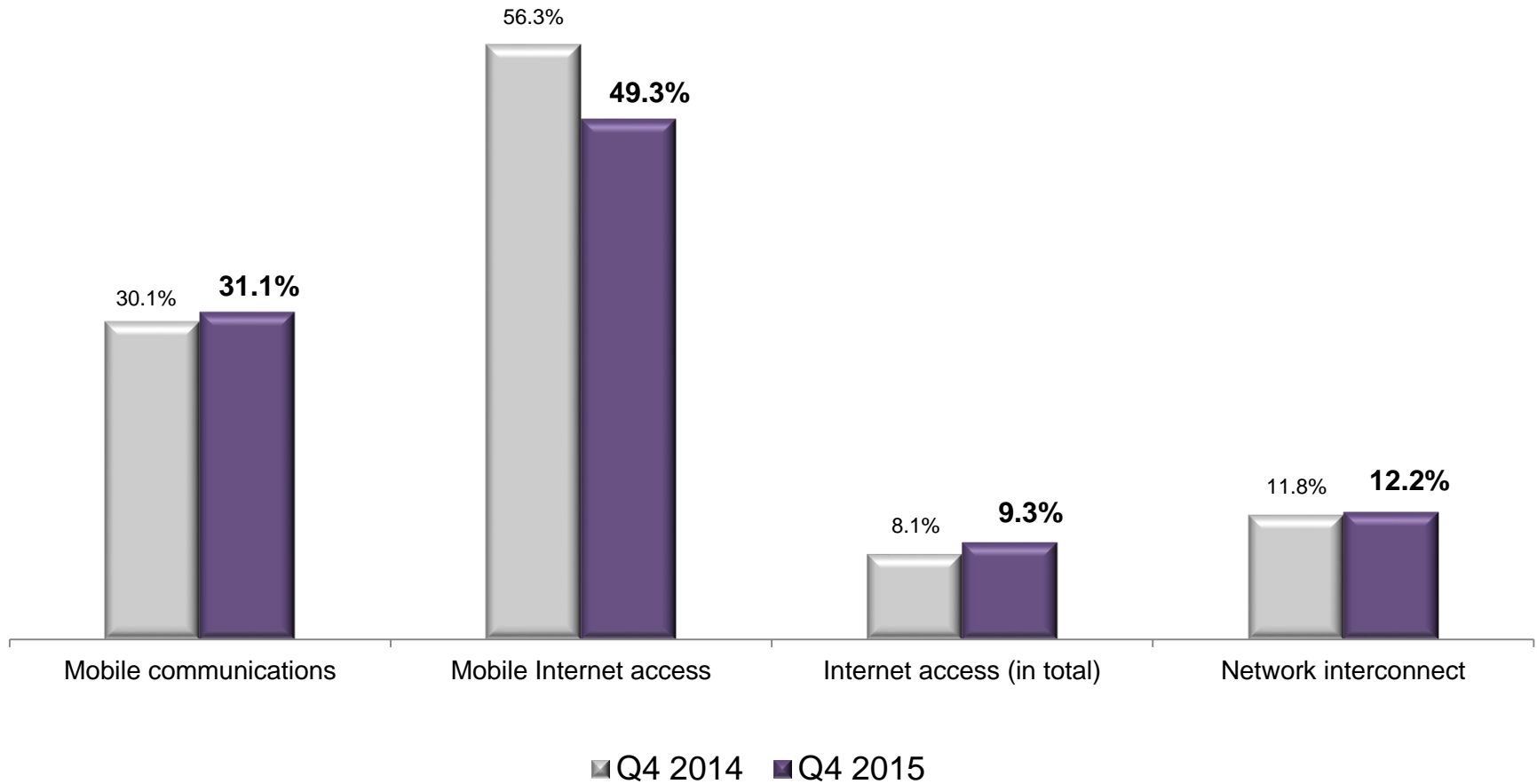
* Data for 9 months

Teo market share in terms of revenue



Source: Report of the Communications Regulatory Authority

Omnitel market share in terms of revenue



Source: Report of the Communications Regulatory Authority

Market revenue by services

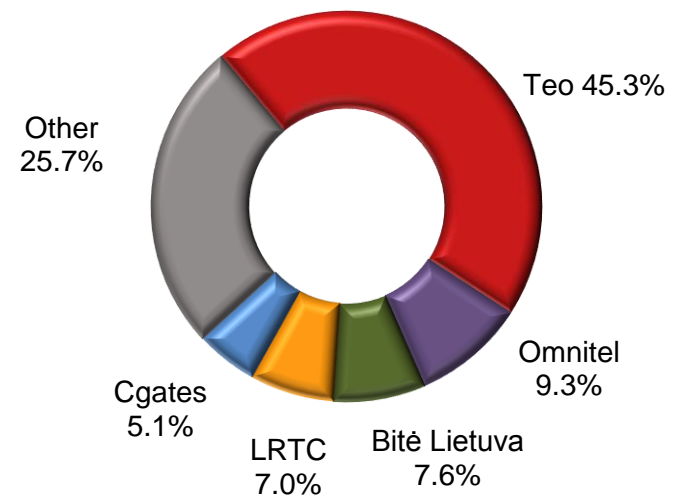
Market	Revenue in 2015 (EUR million)	Change from 2014 (%)	Number of market players
Fixed voice	48.5	(10.7)	40
Internet access	127.4	7.1	100
Network interconnection	131.6	18.6	14
Pay-TV	60.3	(0.0)	41
Data communication	17.5	(27.7)	14
Leased lines	4.3	(22.5)	8
TV and radio program transmission	4.3	(5.6)	5
Dark fiber	5.4	(9.5)	14
Mobile voice	227.1	2.1	3+11

Internet access market in Lithuania

(Q4 2015)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber-optic	517	8.2
Via mobile network	354	14.6
DSL	165	(2.8)
Wireless	109	3.3
Via CATV network	32	(13.7)
Via LAN	10	(13.4)
Total:	1,187	6.9

Q4 2015 revenue by service providers



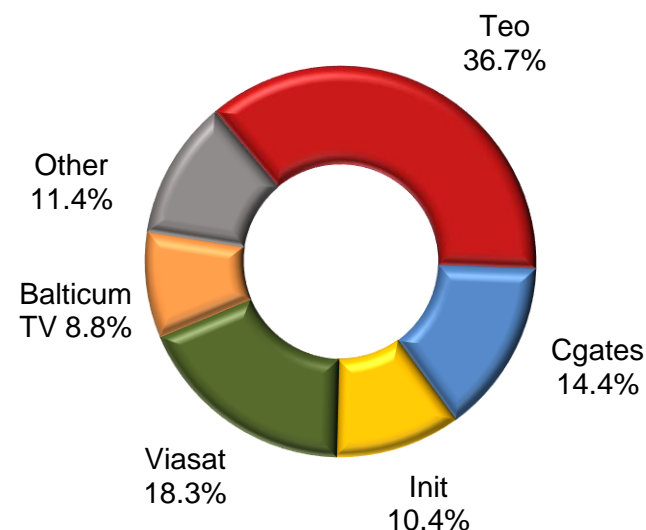
Source: Report of the Communications Regulatory Authority

Pay TV market in Lithuania

(Q4 2015)

Access type	Number of users ('000)	Change, y-o-y (%)
Analogue CATV	265	(8.6)
Digital CATV	132	7.1
IPTV	182	24.9
Satellite	84	(9.7)
DVB-T	49	(14.6)
MVDS	12	(8.6)
Total:	724	0.2

Q4 revenue breakdown by service providers



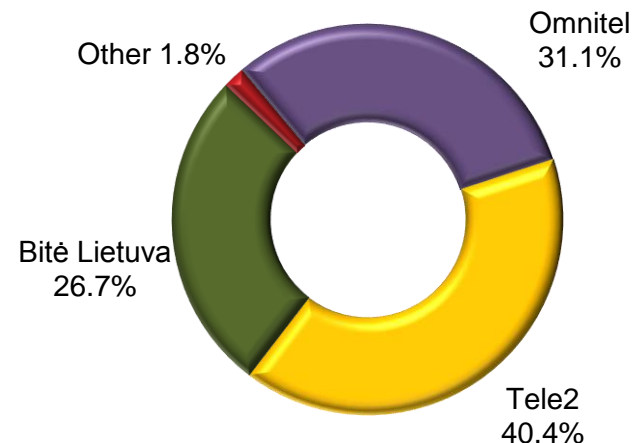
Source: Report of the Communications Regulatory Authority

Mobile voice market in Lithuania

(Q4 2015)

- Mobile voice services are provided by **3 operators** (Omnitel, Tele2 and Bitė Lietuva), **4 other service providers** and **6 services' resellers**
- Number of other service providers' subscribers: **80.7 thousand** or **1.9%** of total subscribers' number
- **47.7%** of voice traffic was initiated in Tele2, **26.5%** in Omnitel, **23.1%** in Bitė Lietuva and **2.7%** in other service providers' networks
- **58%** of all initiated calls' duration where calls within own network, **37.9%** – calls to other mobile networks of Lithuania, **3.4%** – calls to fixed networks and **0.6%** – international calls

Q4 revenue breakdown by service providers



Source: Report of the Communications Regulatory Authority

Fixed voice telephony market in Lithuania (Q4 2015)

- **40 companies** are providing fixed voice services:
 - 35 provide retail,
 - 5 only wholesales (transit) services
- 31 company is using **IP network**, 15 of them – CATV and data communication networks
- Number of alternative operators' subscribers: **61.4 thousand** or 11% of total subscribers' number

Teo market share (Q4 2015) in terms of:	(%)
Total number of customers	89.0
Total traffic	91.7
Revenue from local calls	100.0
Revenue from domestic long distance calls	89.9
Revenue from international calls	75.4

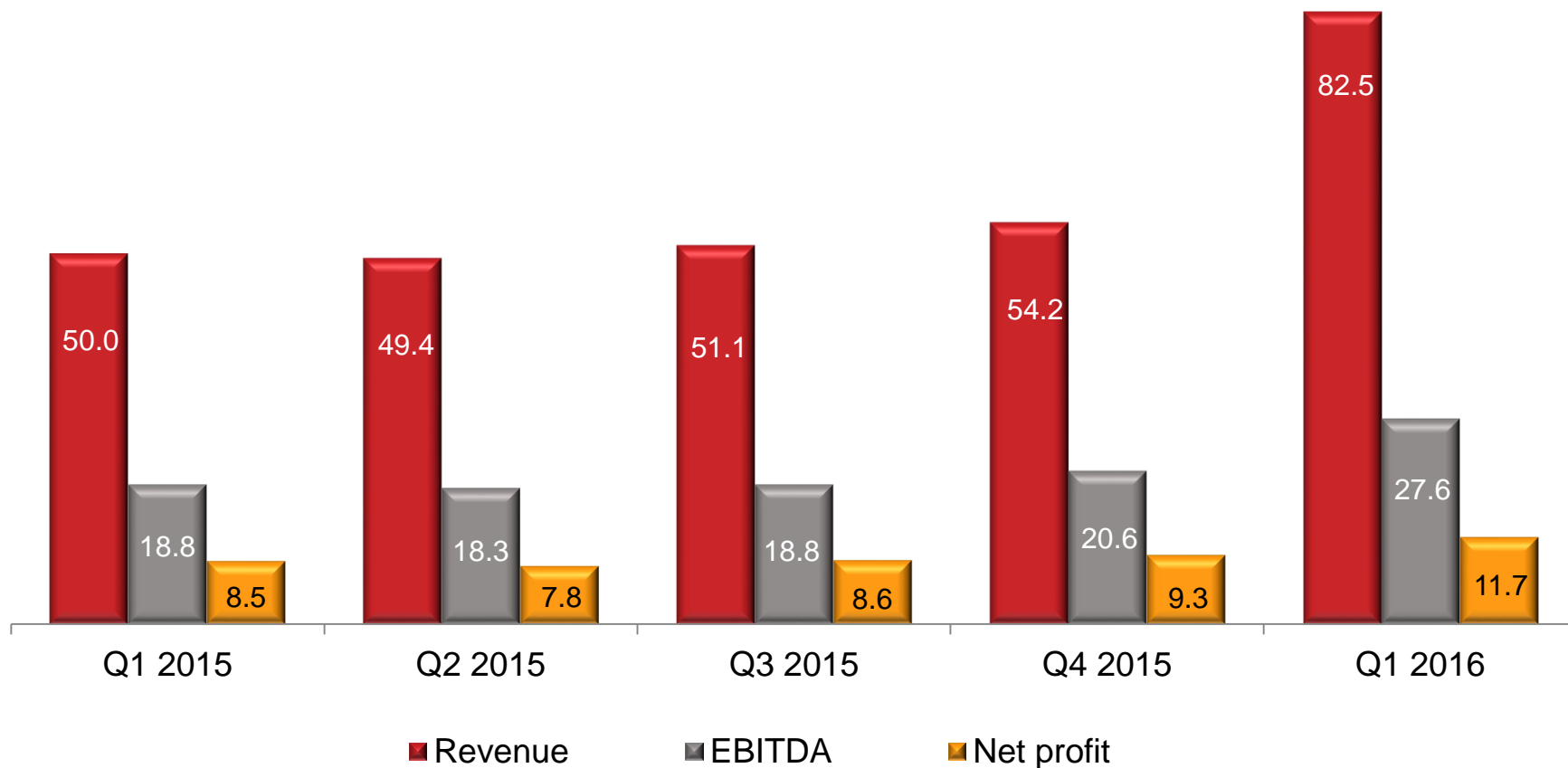
Source: Report of the Communications Regulatory Authority

Financial results

teo

Revenue, EBITDA & Net profit

(EUR million)

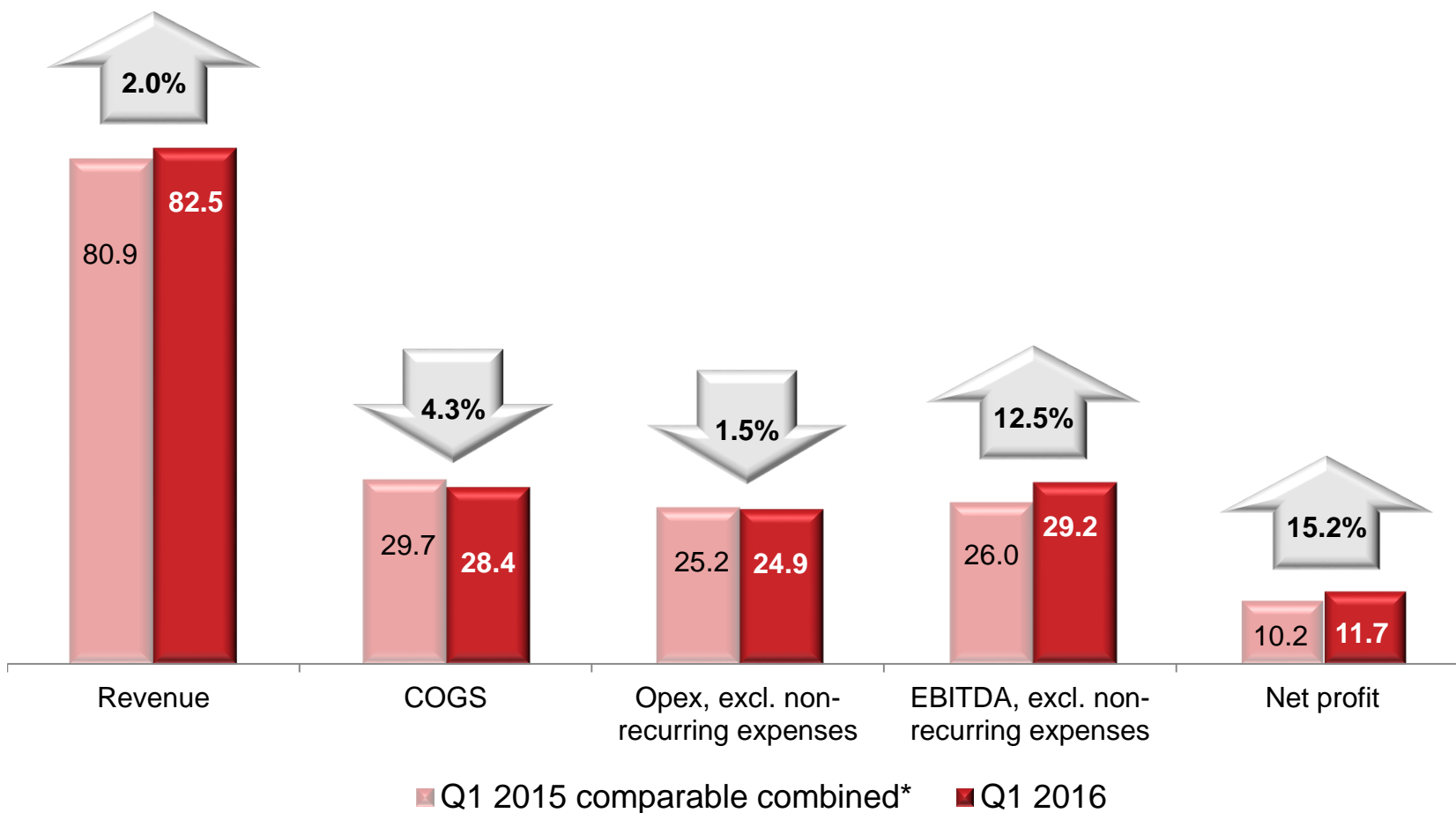


Major financial indicators

(thousand EUR)	Q1 2016	Q1 2015 comparable combined*	Change (%)	Q1 2015
Revenue	82,548	80,896	2.0	49,954
EBITDA	27,635	25,144	9.9	18,794
EBITDA margin	33.5%	31.1%		37.6%
EBITDA (excluding non-recurring expenses)	29,223	25,967	12.5	19,231
EBITDA (excluding non-recurring expenses) margin	35.4%	32.1%		38.5%
Operating profit (EBIT)	13,864	11,014	25.9	9,614
Operating profit margin	16.8%	13.6%		19.2%
Profit before income tax	13,551	10,888	24.5	9,404
Profit before income tax margin	16.4%	13.5%		18.8%
Net profit	11,742	10,196	15.2	8,473
Net profit margin	14.3%	12.6%		17.0%
Earnings per share (EUR)	0.020	0.018		0.015
Average number of shares (thousands)	582,613	582,613		582,613

Dynamics of main financial indicators

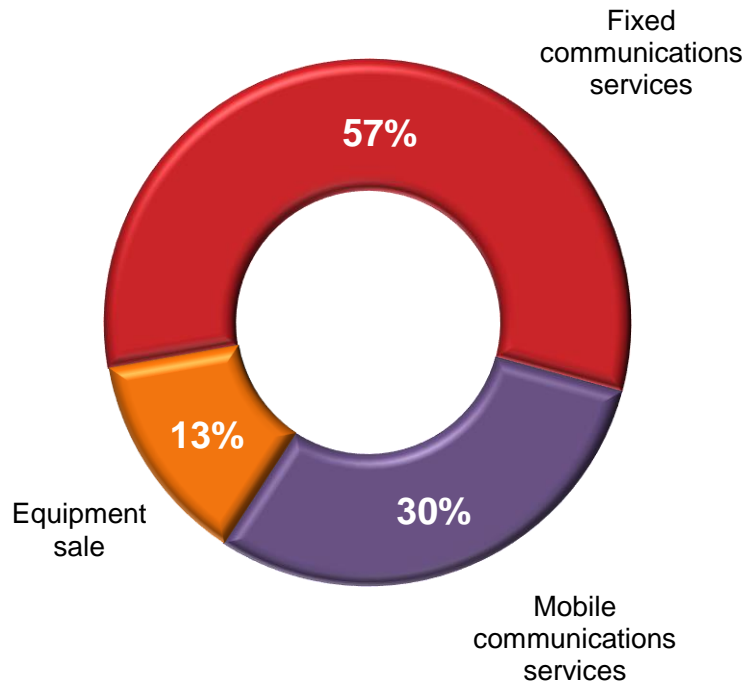
(EUR million)



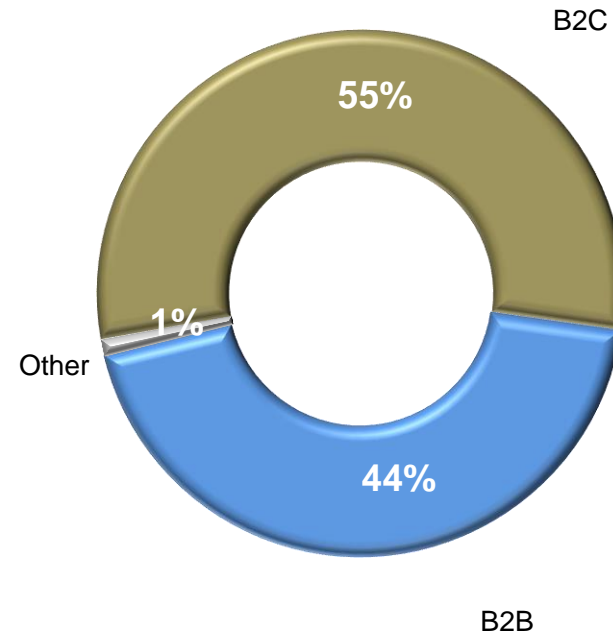
Revenue breakdown

(Q1 2016)

By group of services

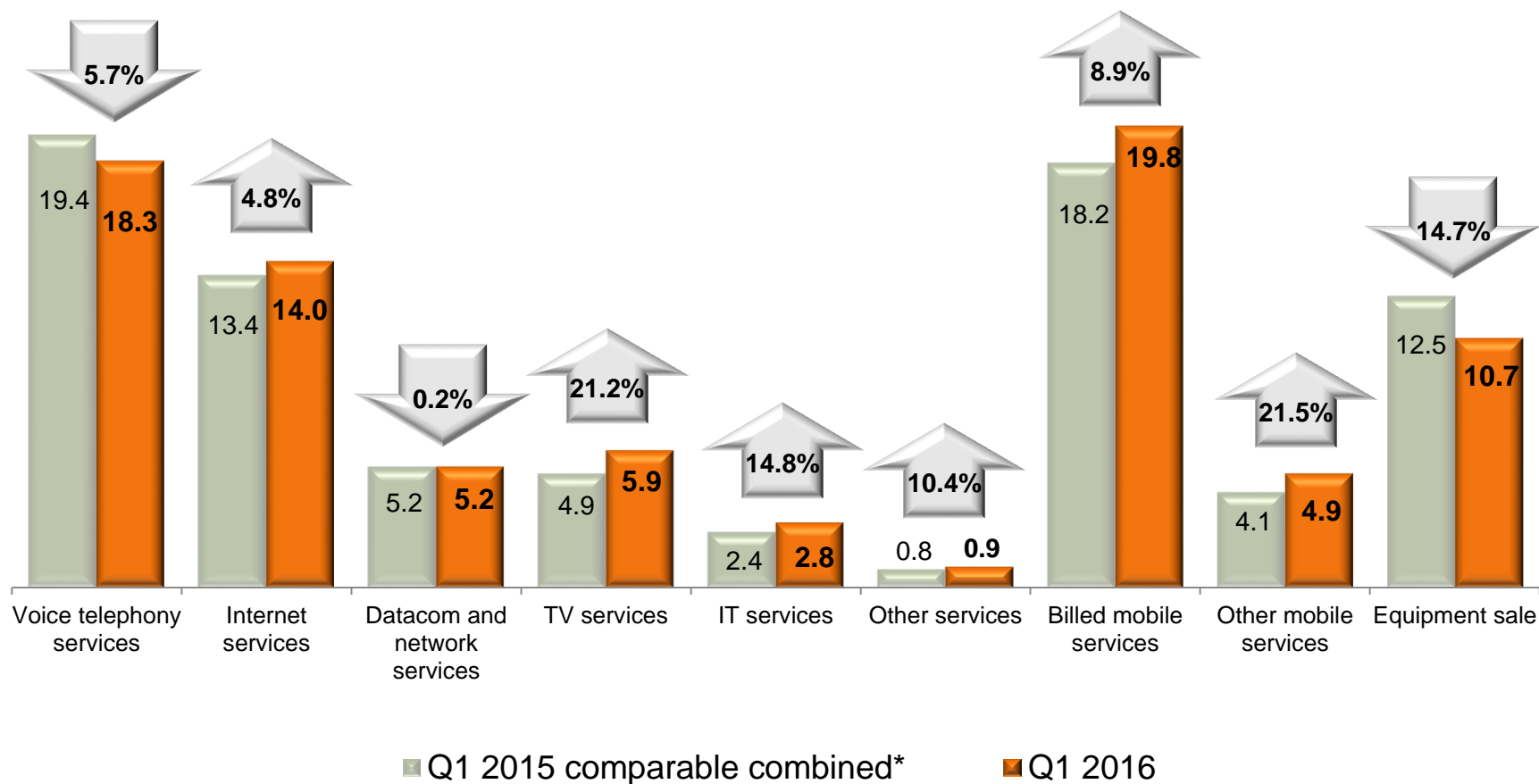


By segments



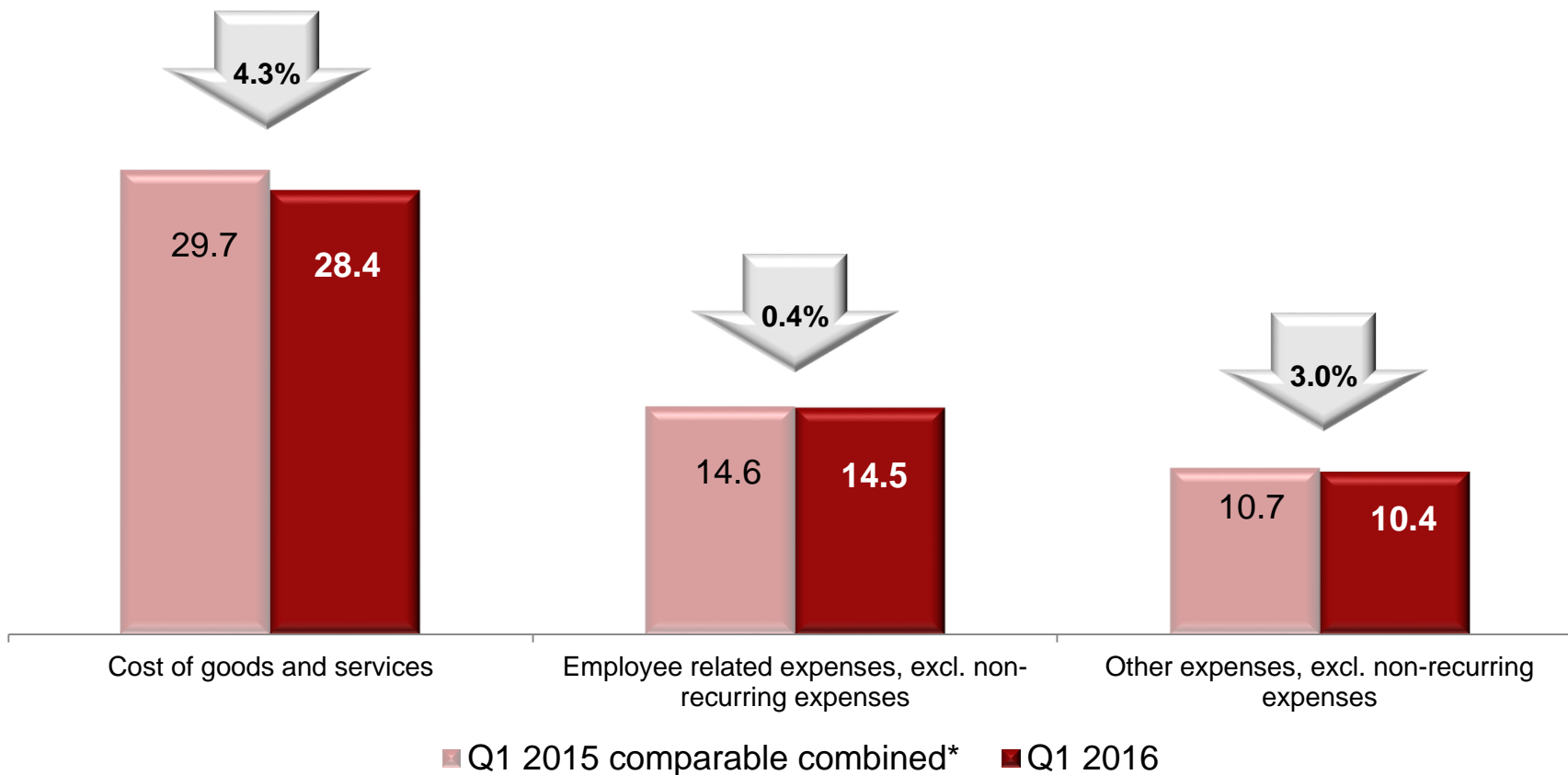
Revenue by services

(EUR million)



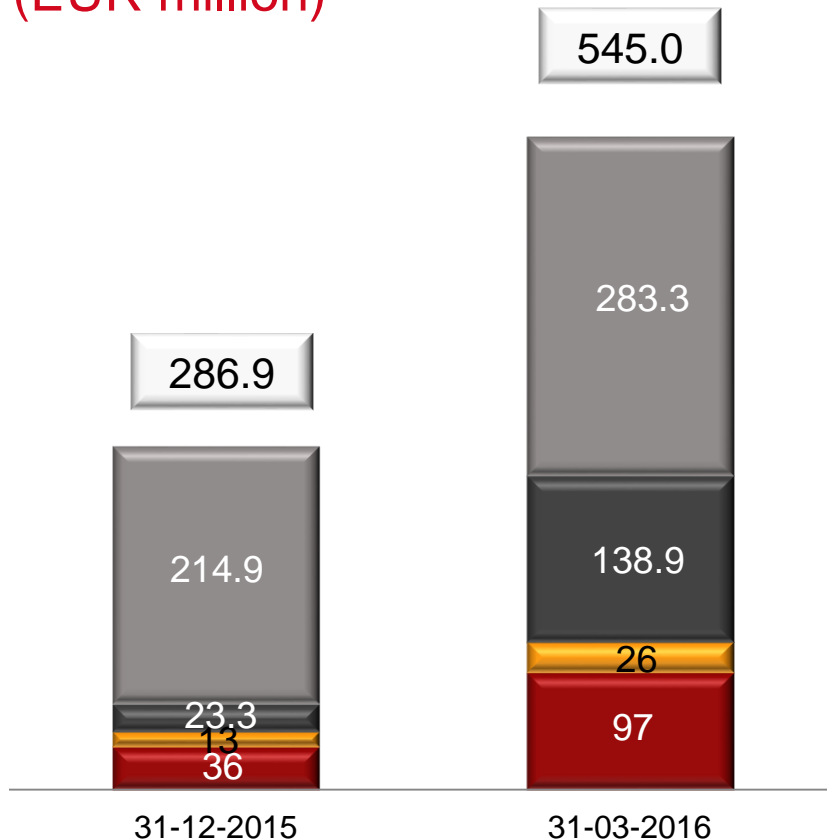
Operating expenses

(EUR million)



Assets

(EUR million)

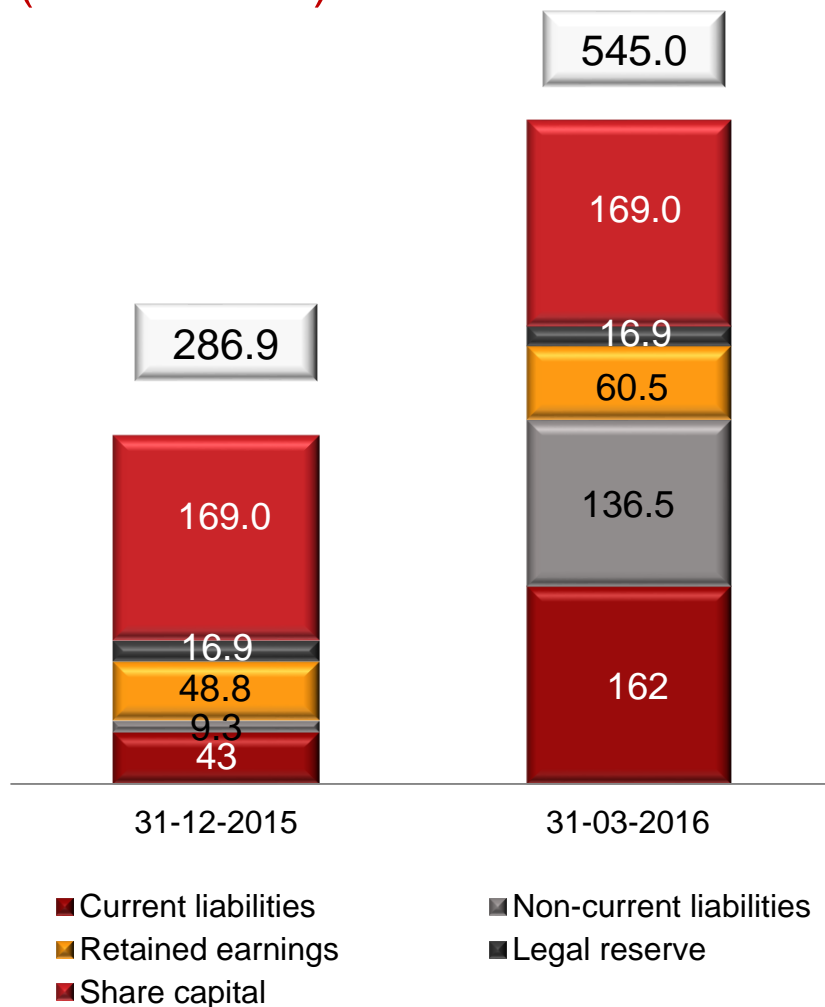


■ Property, plant and equipment ■ Other non-current assets
■ Cash and investments ■ Other current assets

- **Assets increased by 1.9 times** due to acquisition of Omnitel
- **Non-current assets** amounted to 77.5% of total assets (31-03-2016)
- **Cash** alone amounted to 4.8%
- **Return on capital employed:** 11.7%
- **Return on average assets:** 10.2%

Equity and liabilities

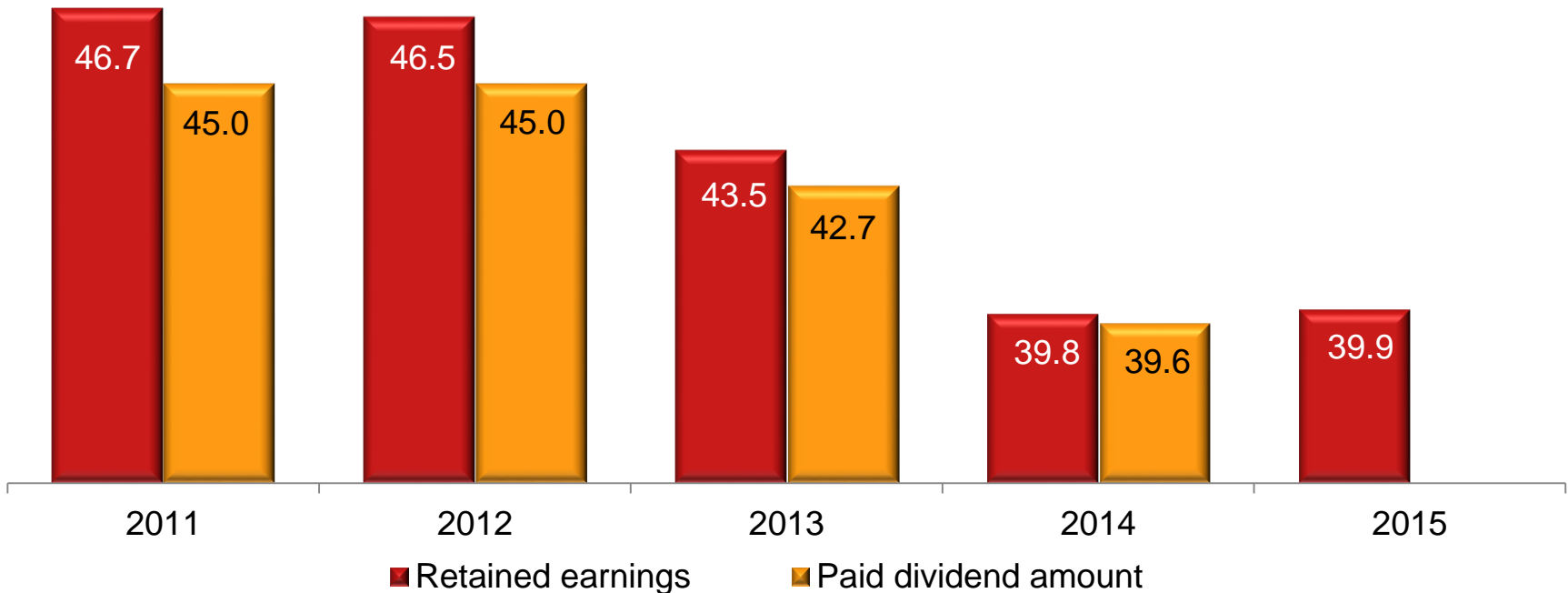
(EUR million)



- **Shareholders' equity** amounted to 45.2% of the total assets (31-03-2016)
- To finance Omnitel acquisition Teo took a **long-term loan of EUR 150 million**
- At acquisition Omnitel had outstanding **loans amounting to EUR 77 million**
- **Total borrowings** amounted to EUR 235 million (31-03-2016)
- **Gearing ratio:** 84.9%
- **Debt to equity:** 95.4%
- **Return on equity:** 19.2%
- The Board proposed to pay to shareholders **EUR 5.8 million** of dividends for the year 2015 (i.e. EUR 0.01 per share)

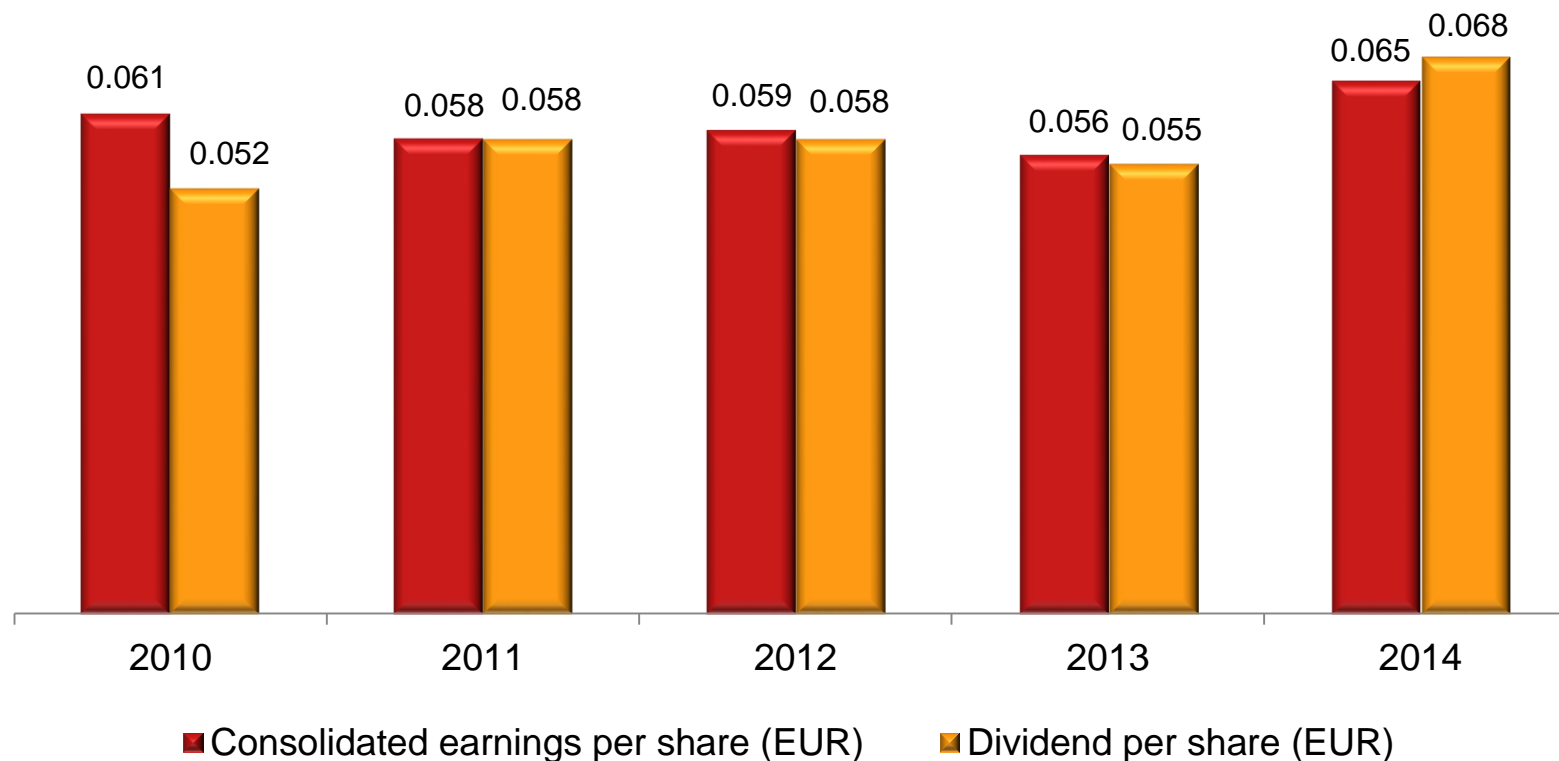
Teo retained earnings vs dividends

(EUR million)



- Following the Lithuanian Law on Company dividends shall be paid **from the Parent company's retained earnings**
- The AGM of Shareholders that shall adopt a decision regarding the Board proposed **dividends of EUR 5.8 million (0.01 euro per share)** for the year 2015 will be held on 26 April 2016

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**

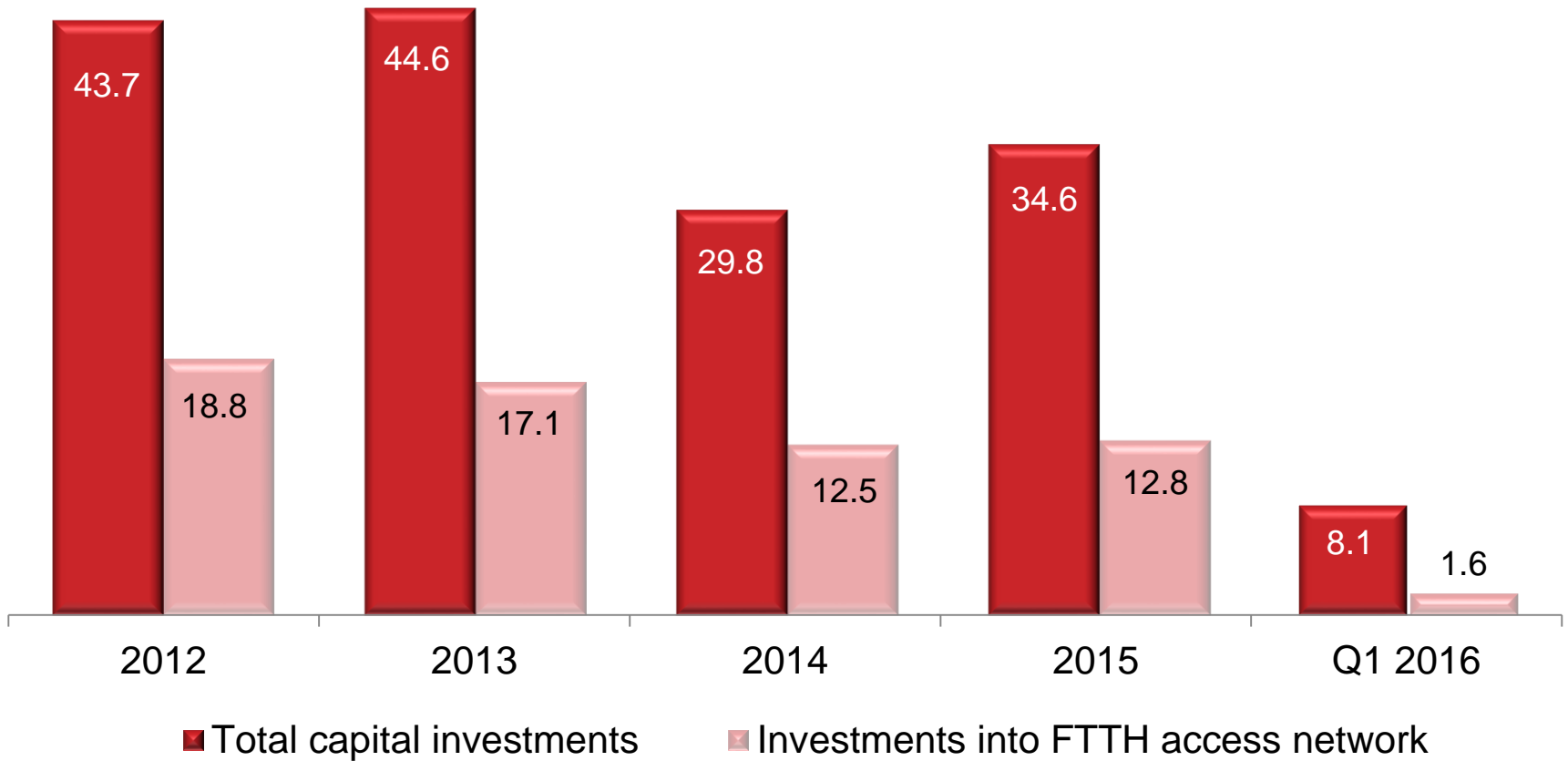
Cash flow

(thousand EUR)	3 months of 2016	3 months of 2015
Net cash from operating activities	22,352	14,530
Net cash used in investing activities	(152,302)	(10,211)
Net cash used in financing activities	142,970	(75)
Increase in cash and cash equivalents	13,020	4,244

- **Free Cash Flow** during 3 months of 2016 was by 8.5% lower than a year go.
- **Investments** during 3 months of 2016 amounted to EUR 8.1 million (EUR 6.2 million in 2015)
- EUR 4.4 million went to expansion of the **core and fiber-optic access network**
- EUR 1.5 million invested into **development of mobile network** and EUR 1.9 million into **IT systems**
- To finance acquisition of Omnitel's shares Teo took **a long-term loan of EUR 150 million**

Teo investments

(EUR million)



Shares and shareholders

Shareholders of Teo

- **Telia Company AB** (till 13 April 2016 called 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 2016

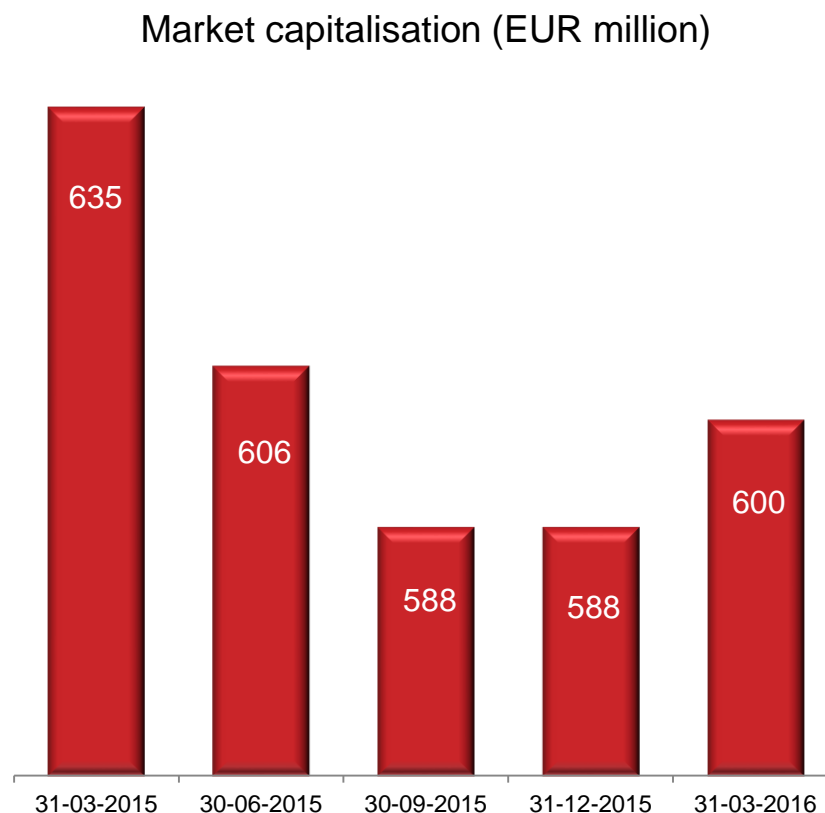
	Part of shares and votes
TeliaSonera AB	88.15%
Others	11.85%

- 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**

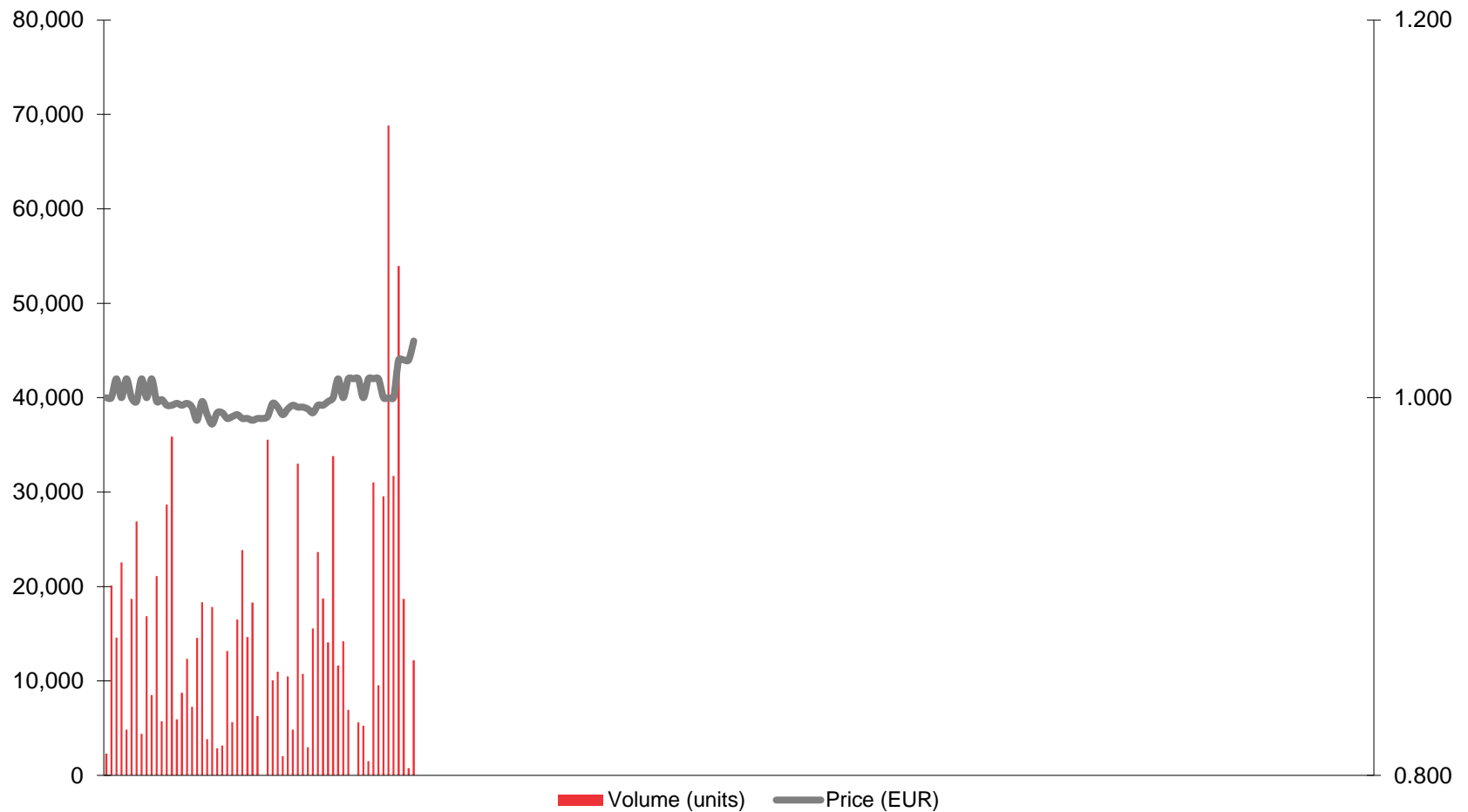
Teo shares

- 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-March 2016: 952 thousand of shares or EUR 952 thousand
- Share **price** on Nasdaq Vilnius:

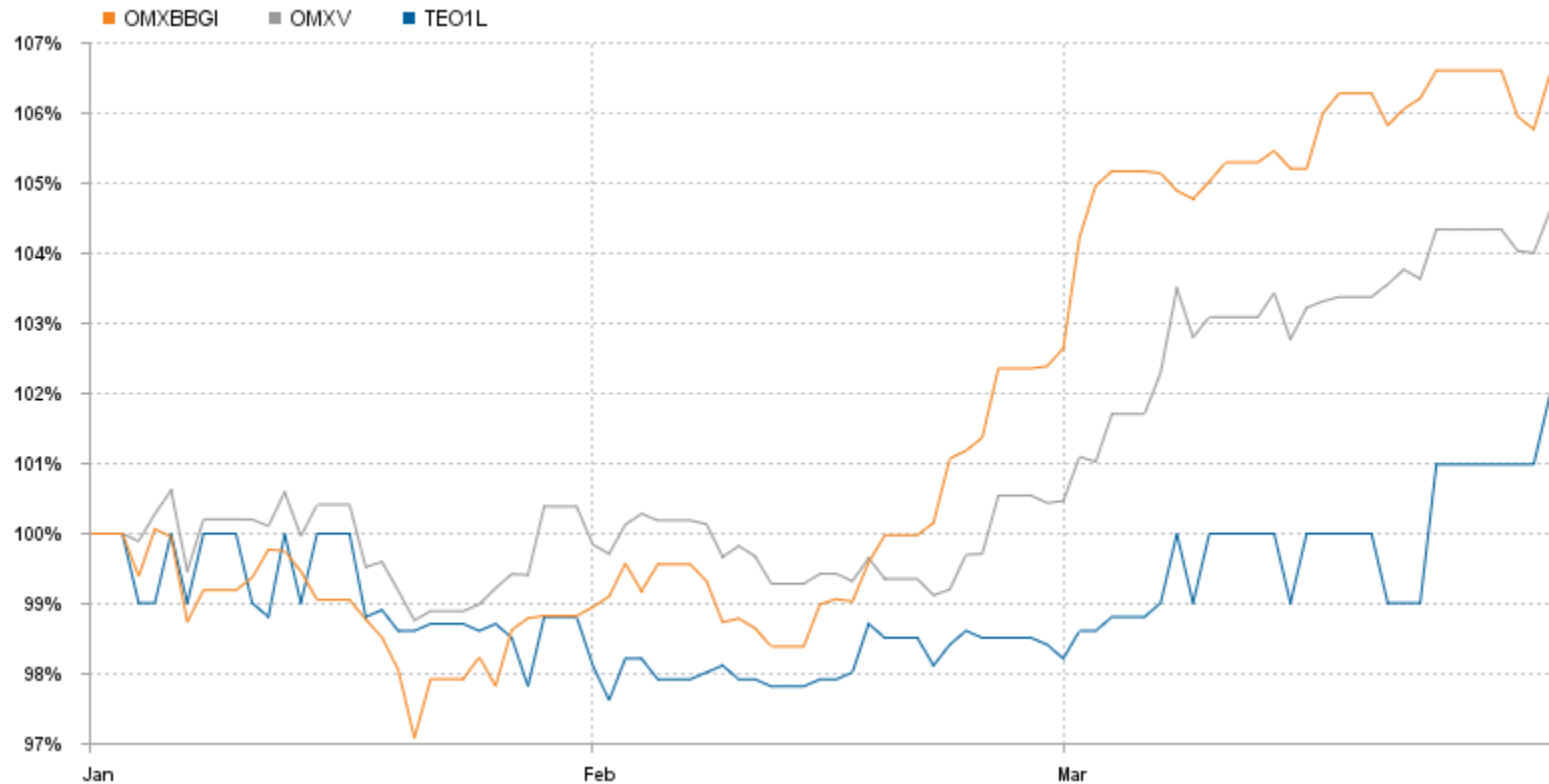
	EUR
01-01-2016	1.010
High	1.030
Low	0.927
31-03-2016	1.030



Trading in Teo shares on Nasdaq Vilnius stock exchange in 2016



Teo share price and Nasdaq Vilnius indexes comparison



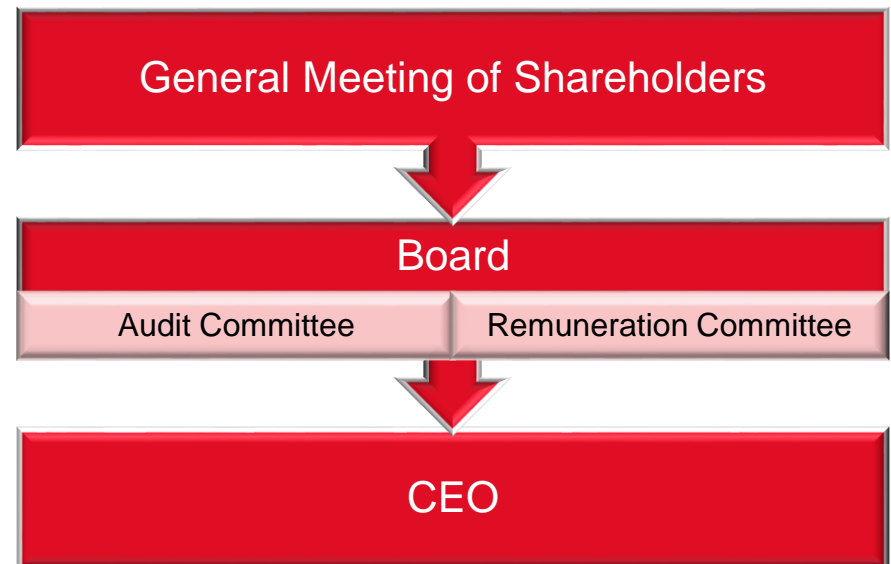
Source: Nasdaq Vilnius

Corporate governance

teo

Governing bodies

- The **Annual General Meeting** of Shareholders will be held on 26 April 2016
- The **Board** consist of 6 members elected for the 2 year term
- Instead of Tiia Tuovinen who resigns from the Board as of 25 April 2016, Telia Company AB proposed to the shareholders **to elect Hannu-Matti Mäkinen** to the Board
- 3 members of the Board comprise **Audit** and **Remuneration Committees**
- **UAB Deloitte Lietuva** was the Company's independent auditor for the year 2015
- The Board elects and recalls **CEO**



Teo Board



Robert Andersson,
Chairman of the Board
represents Telia Company AB,
Chairman of the Remuneration
Committee



Tiia Tuovinen,
Member of the Board
represents Telia Company AB,
Member of the Audit Committee



Stefan Block,
Member of the Board
represents Telia Company 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 Telia Company AB,
Member of the Audit Committee



Rolandas Viršilas,
Independent member of the
Board,
Member of the Remuneration
Committee

- Tiia Tuovinen resigns from the Board as of 25 April 2016
- Rolandas Viršilas has 75,000 shares of Teo, other members of the Board have no direct interest in the share capital of Teo

Governing structure

from 1 January 2016



Management team



Kęstutis Šliužas,
(born in 1972),
CEO



Petteri Ahonen,
(born in 1970),
Head of Business to
Business



Norbertas Žioba,
(born in 1973),
Head of Business to
Consumer



Andrius Šemeškevičius,
(born in 1976),
Head of Technology



Laimonas Devyžis,
(born in 1982),
Head of Finance



Ramūnas Bagdonas,
(born in 1974),
Head of Human
Resources



**Giedrė Kaminskaitė-
Salters,**
(born in 1978),
Head of Legal Affairs



Audronė Mažeikaitė,
(born in 1970),
Head of Corporate Affairs



Mantas Goštautas,
(born in 1981),
Head of Business
Development



Andrius Byčkovas,
(born in 1977),
Head of Competitive
Customer Operations



Vytautas Bučinskas,
(born in 1974),
Head of Risk

- Norbertas Žioba owns 3601, Andrius Šemeškevičius – 8,761 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**



The background is a solid red color with several overlapping, semi-transparent geometric shapes in various shades of red. These shapes create a layered, abstract effect. The shapes include a large triangle on the left, a parallelogram in the center, and several other polygons that overlap each other, creating a sense of depth and movement.

Thank you!