

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 2015

(approved by AGM of  
shareholders)

29-04-2016

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

# 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.*

# Our mission

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

teo



# Our values



## We DARE to

- Innovate
- Lead
- Speak up

## We CARE for

- Our customers
- Each other
- Our world

## We SIMPLIFY

- Execution
- Teamwork
- Our operations

# Highlights of 2015



In February, Teo updated its **brand**



**Teo and Omnitel join forces:** in December a new management team was formed and in January 2016 Teo acquired a 100% stake in Omnitel



In June, Teo share capital expressed **in euro** was registered



During the year 10 upgraded or new customer care showrooms **Teo Smart Home** were opened



In November, **the first joint** Omnitel and Teo customer care showroom was opened in Alytus



In December, Hostex and Hosting **were merged** into Baltic Data Center



# New services



**Internet Everywhere** – join Teo and Omnitel proposal to business customers



**Cinema Club** – new service to IPTV customers



Teo became an **authorized** Apple reseller in Lithuania



Bandwidth of fiber optic internet increased up to **600 Mbps** and new Wi-Fi modem was introduced

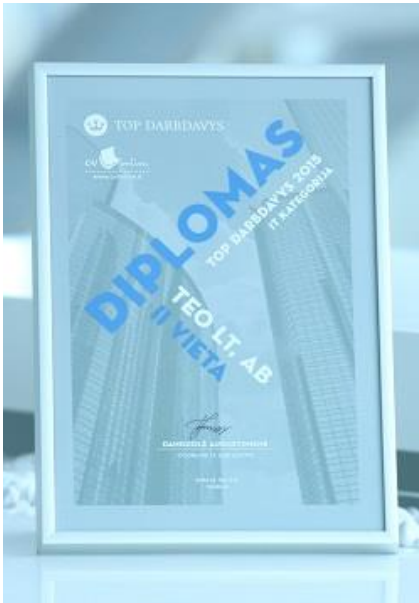


From October IPTV users are able to watch **future** series of some Lithuanian TV serials



Microsoft cloud based **Office 365** package was offered to business customers

# Awards in 2015



During **Top Employer 2015** awards by CV-Online Teo was awarded for the second place in IT enterprises' category



In December 2015 during the National Responsible Business Awards Teo was recognized as **The Most Environment Friendly Enterprise** and **The Best Employer** for the year 2014



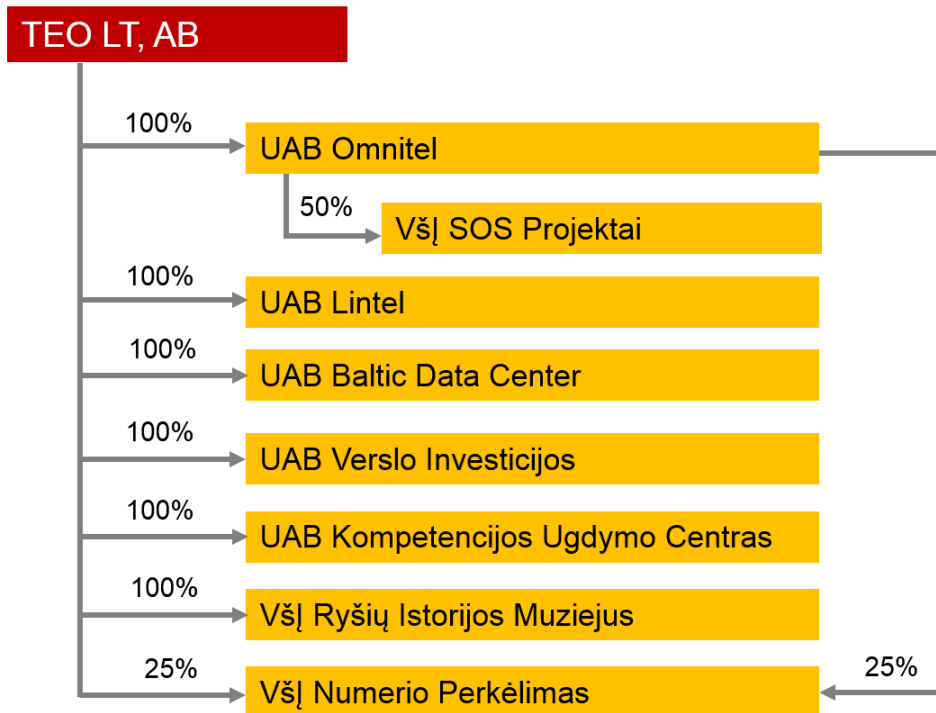
**Nasdaq Baltic Market Awards** for investor relations



Readers of the portal VZ.LT voted for Teo as **The Most Modern Managed Company 2015**

# Teo Group

from January 2016

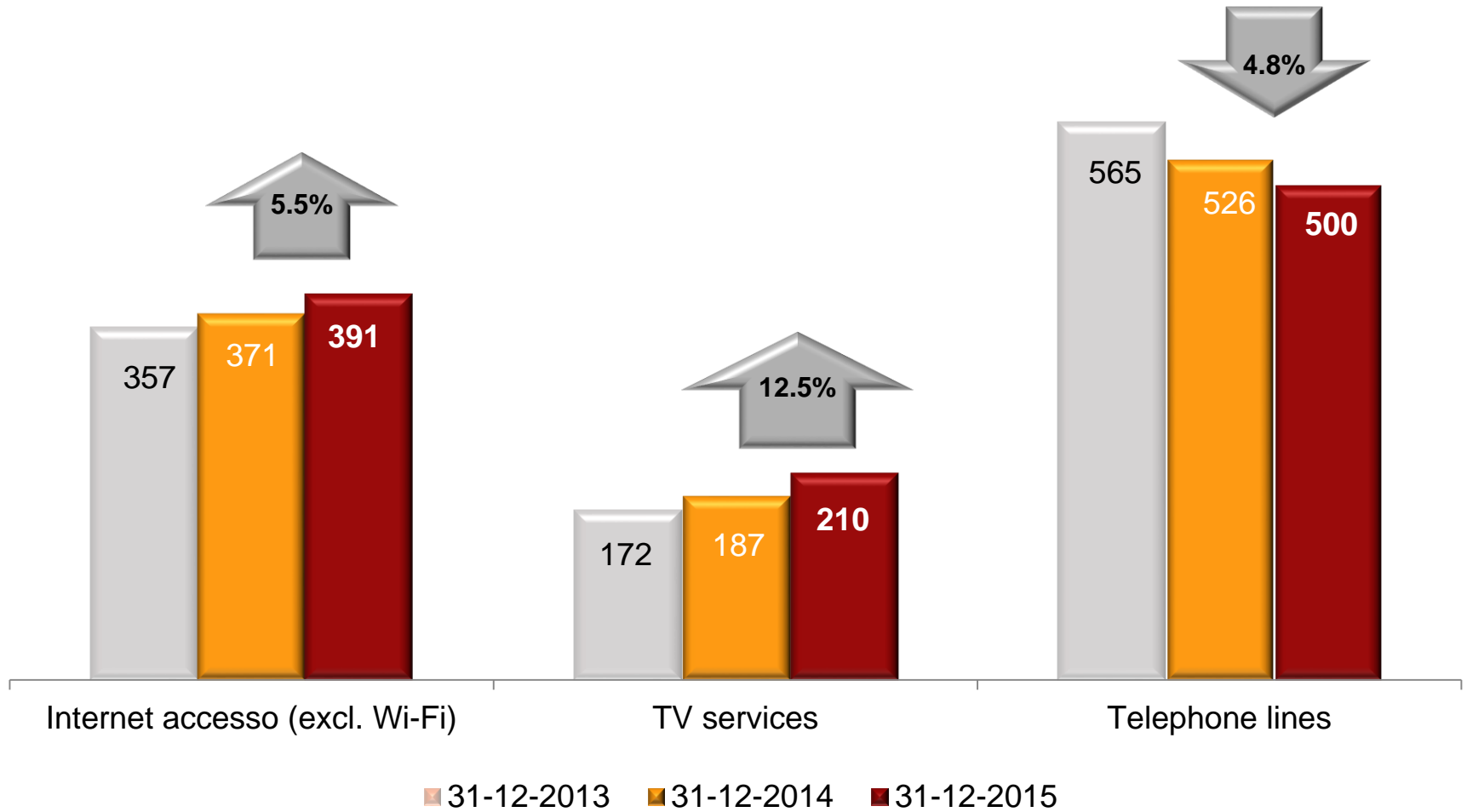


- On 4 January 2016, Teo **acquired a 100% stake in UAB Omnitel**
- In December 2015, UAB Hostex and UAB Hosting were **merged** into UAB Baltic Data Center
- In January 2016, Baltic Data Center SIA, a subsidiary of UAB Baltic Data Center in Latvia, was **liquidated**
- In December 2015, **premises** where Communications History Museum is located in Kaunas **were sold**.
- In March 2016, the Board **allowed to transfer owners rights** in VšĮ Ryšių Istorijos Muziejus to Kaunas Municipality free of charge.



# Main operating figures

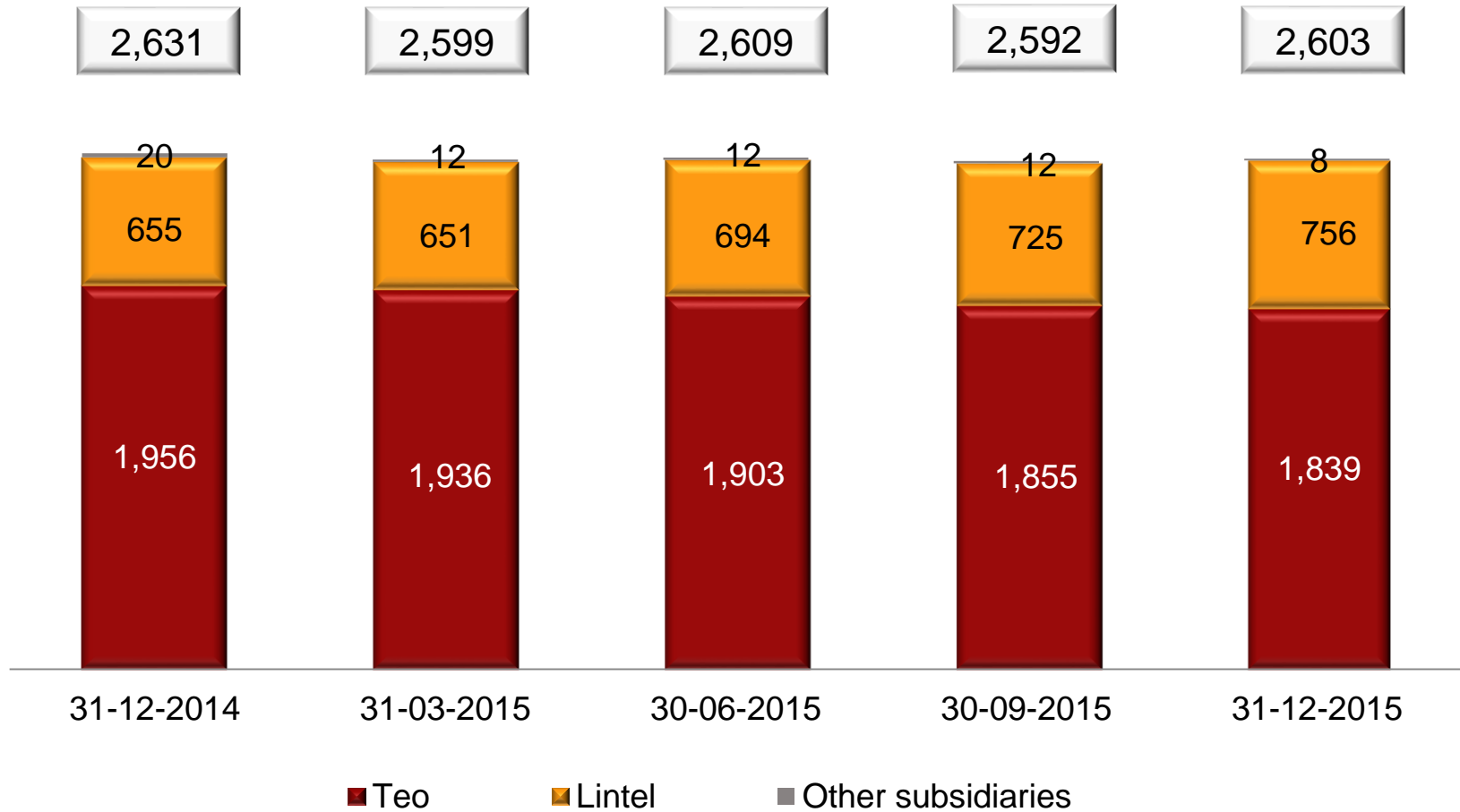
(thousands)



# Main operating figures

	31-12-2015	31-12-2014	Change (%)
Number of telephone lines	<b>500,475</b>	<b>525,879</b>	<b>(4.8)</b>
Number of broadband Internet accesses (excl. Wi-Fi), in total:	<b>390,883</b>	<b>370,599</b>	<b>5.3</b>
- 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:	<b>210,273</b>	<b>186,935</b>	<b>12.5</b>
- IPTV	162,984	131,493	23.9
- DVB-T	47,289	55,442	(14.7)
Number of employees	<b>2,603</b>	<b>2,631</b>	<b>(1.1)</b>

# Employees of Teo Group

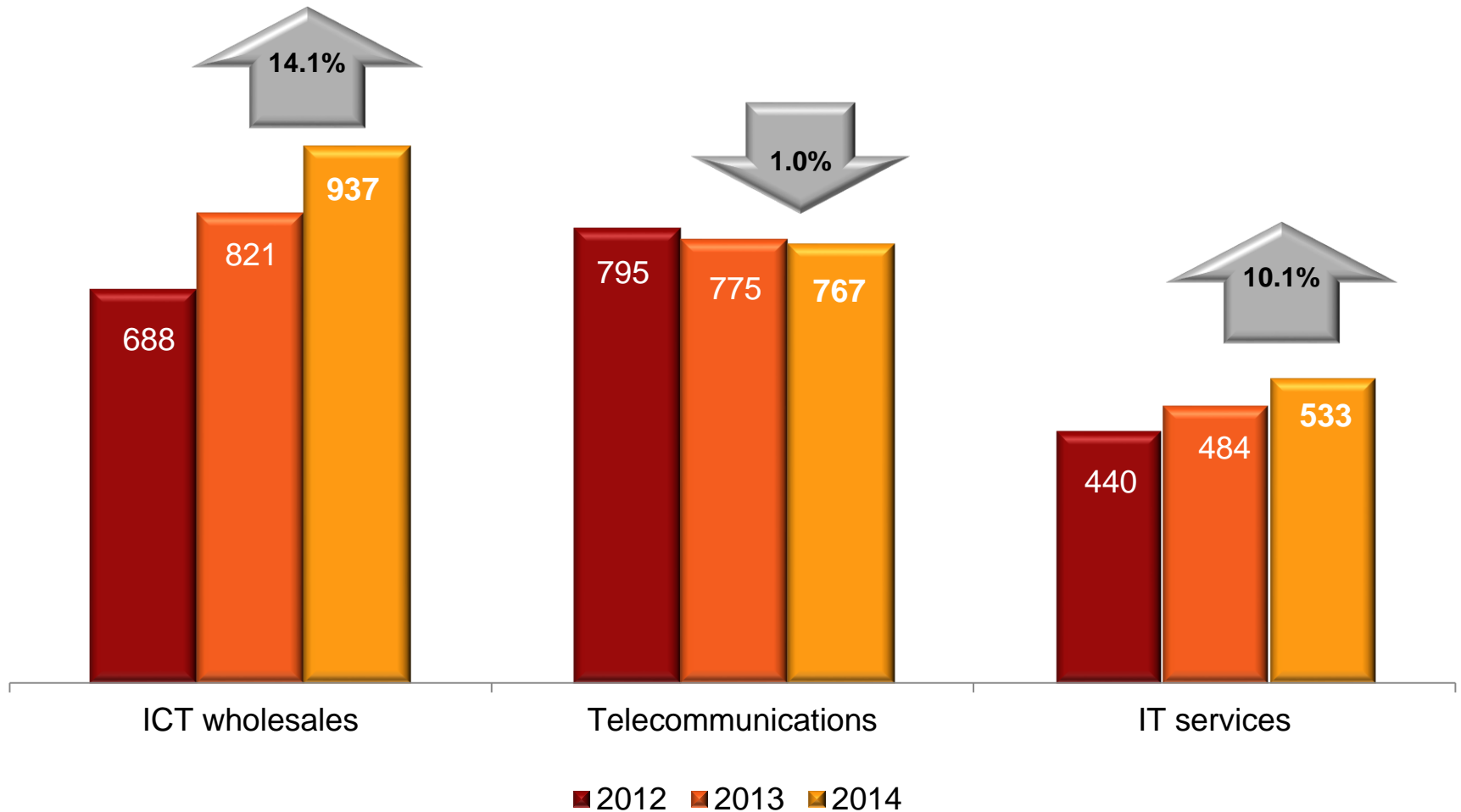


# Electronic communications market of Lithuania

teo

# Lithuanian ICT market revenue trends

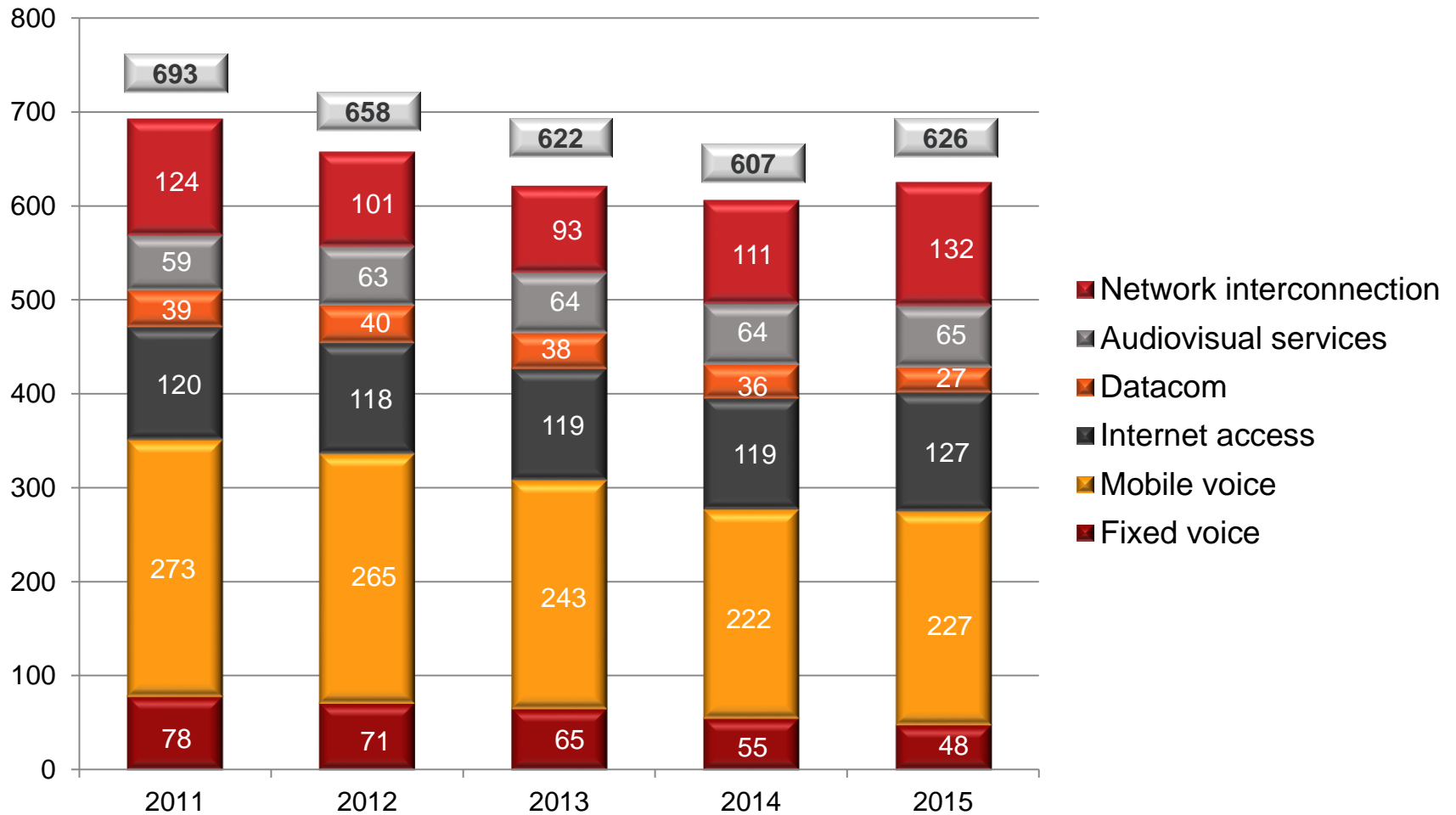
(EUR million)





# Telecommunication market in Lithuania

(EUR million)

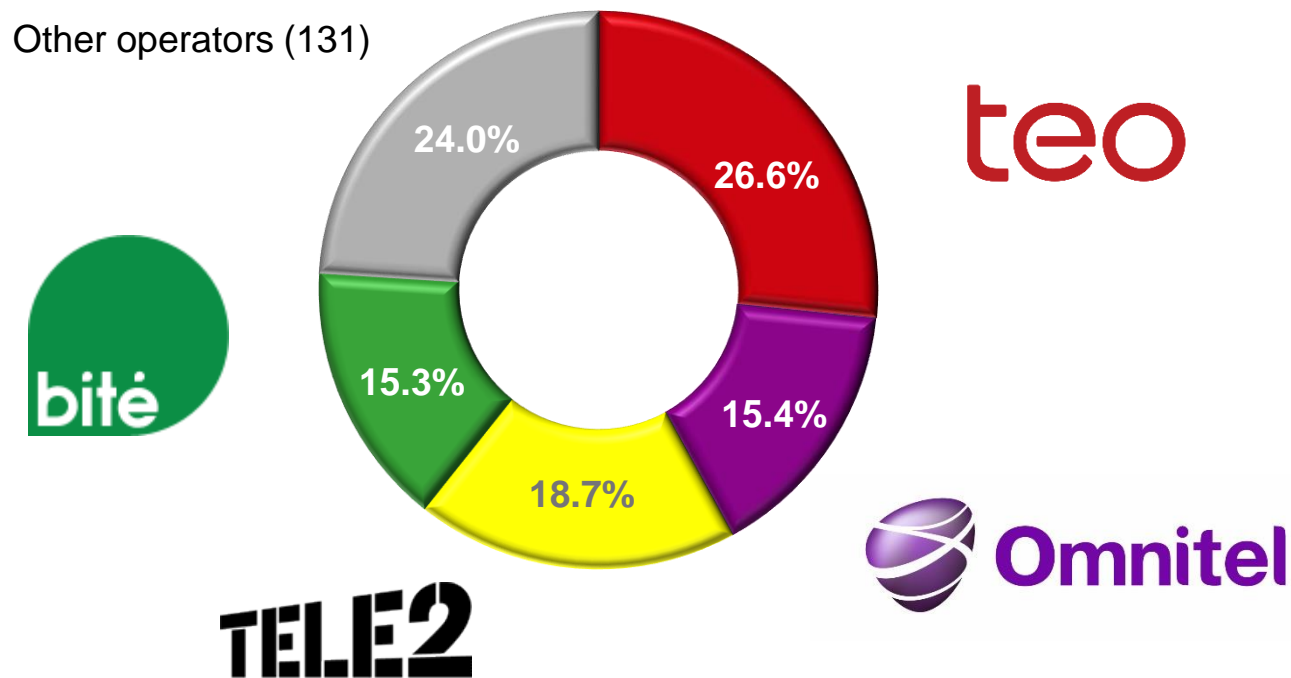


Source: Report of the Communications Regulatory Authority

# Main market figures

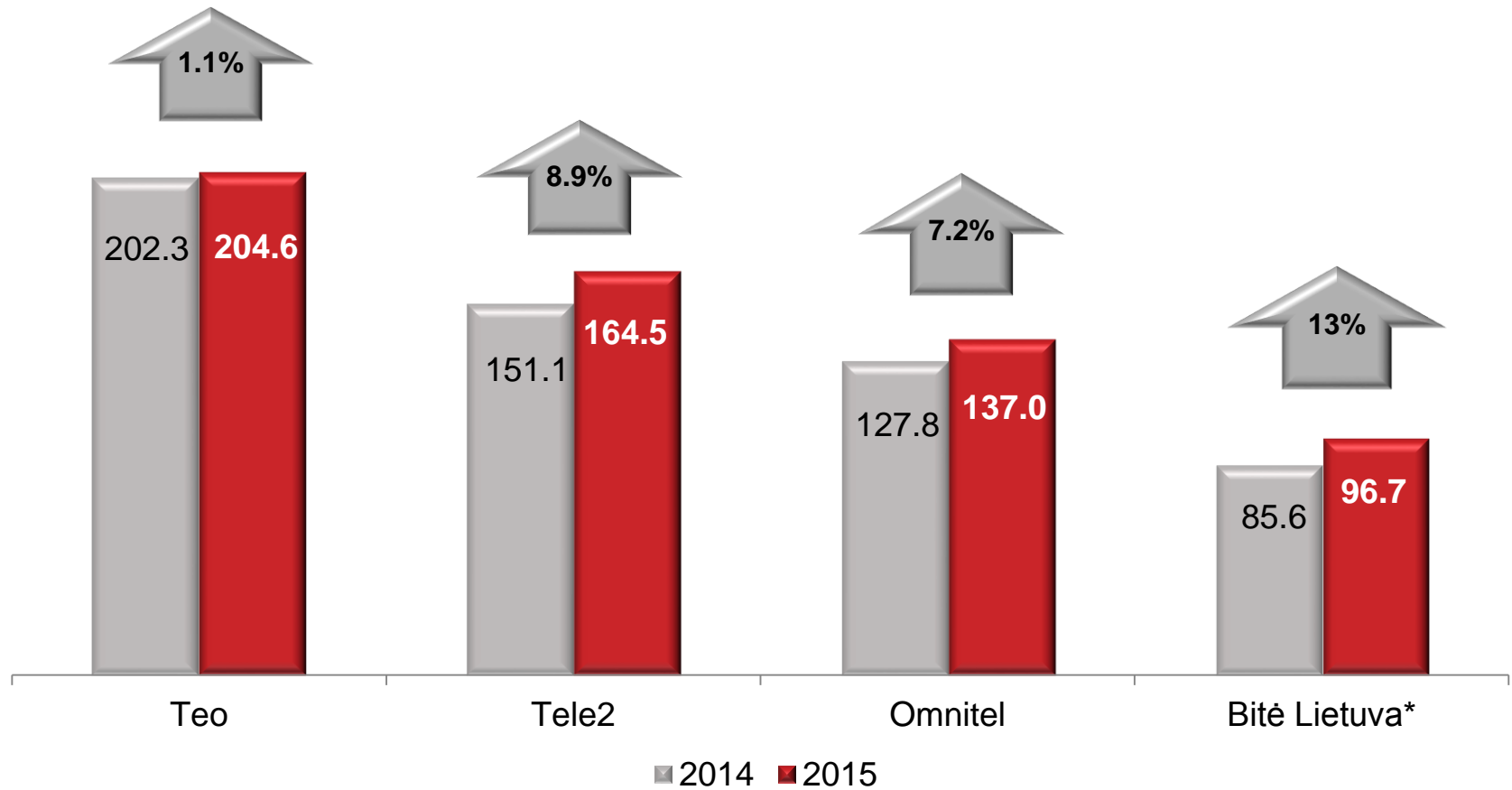
	31-12-2015	31-12-2014	Change (%)
Total market revenue (EUR million)	626.4	606.7	3.2
Number of telephone lines per 100 inhabitants	19.2	19.7	
Number of mobile voice subscribers per 100 inhabitants	144.8	146.1	
Number of Internet access subscribers	1,187,148	1,110,517	6.9
Number of broadband Internet access 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

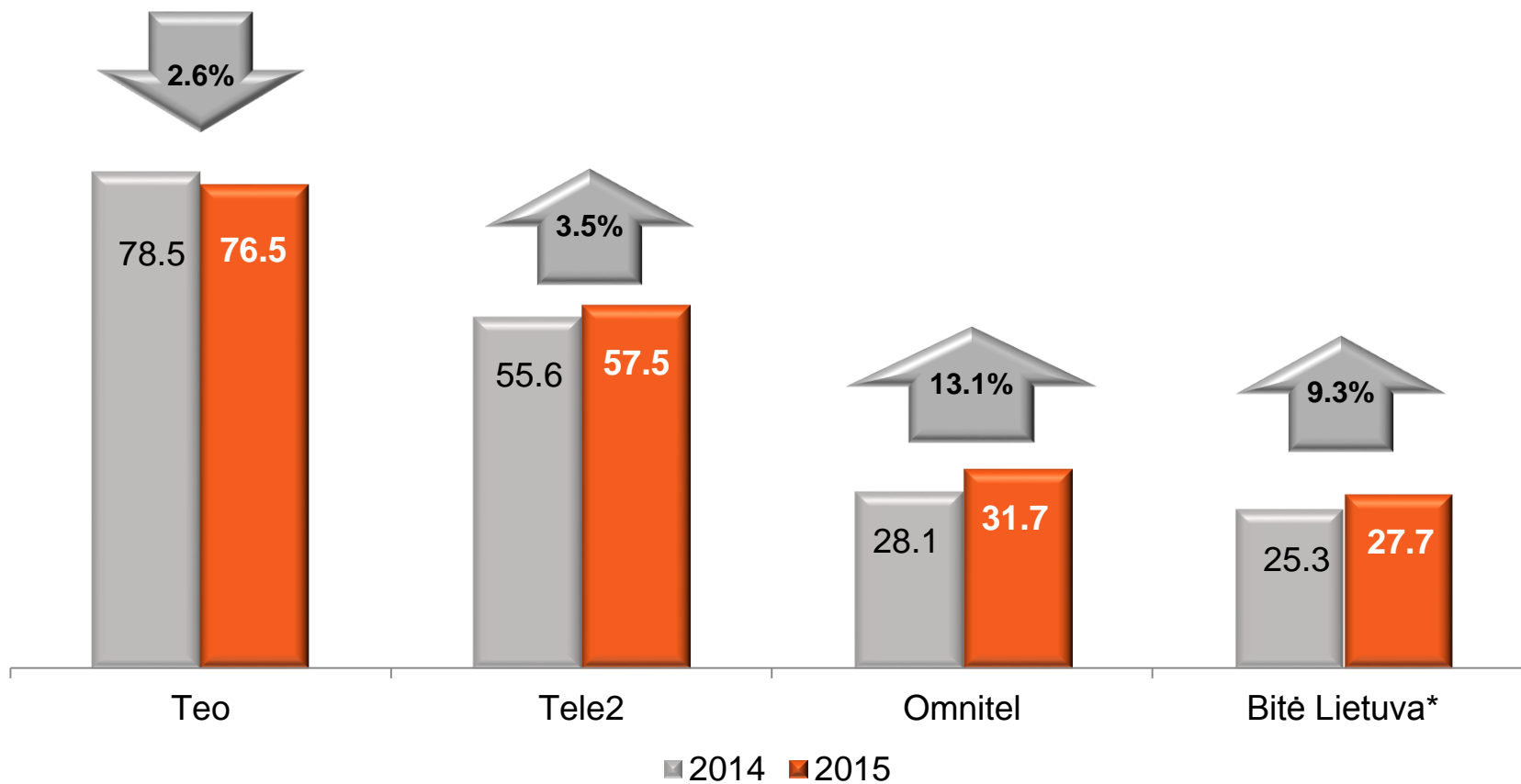
(EUR million)



\* Data for 9 months

# Main market players' EBITDA changes

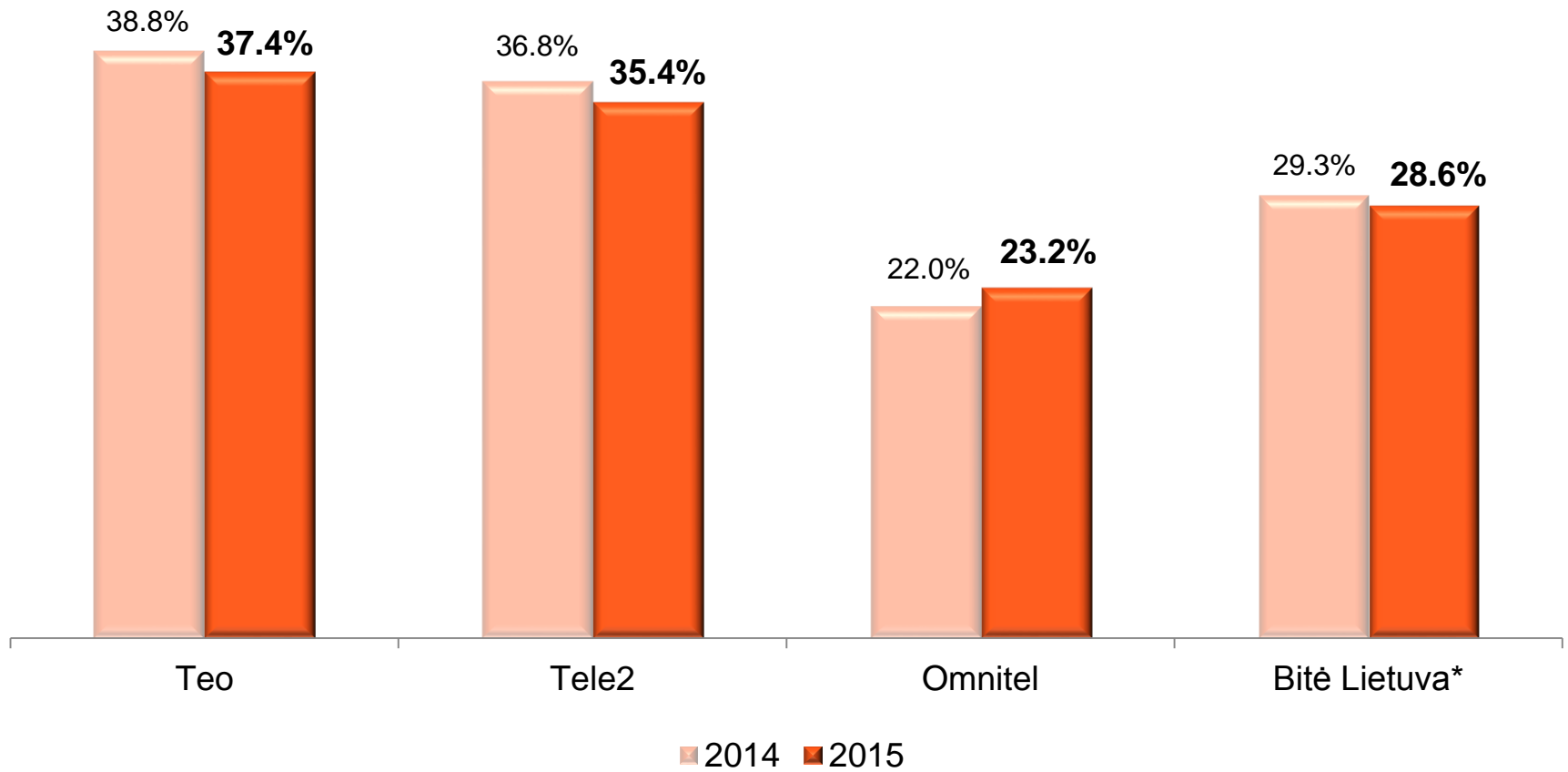
(EUR million)



\* Data for 9 months

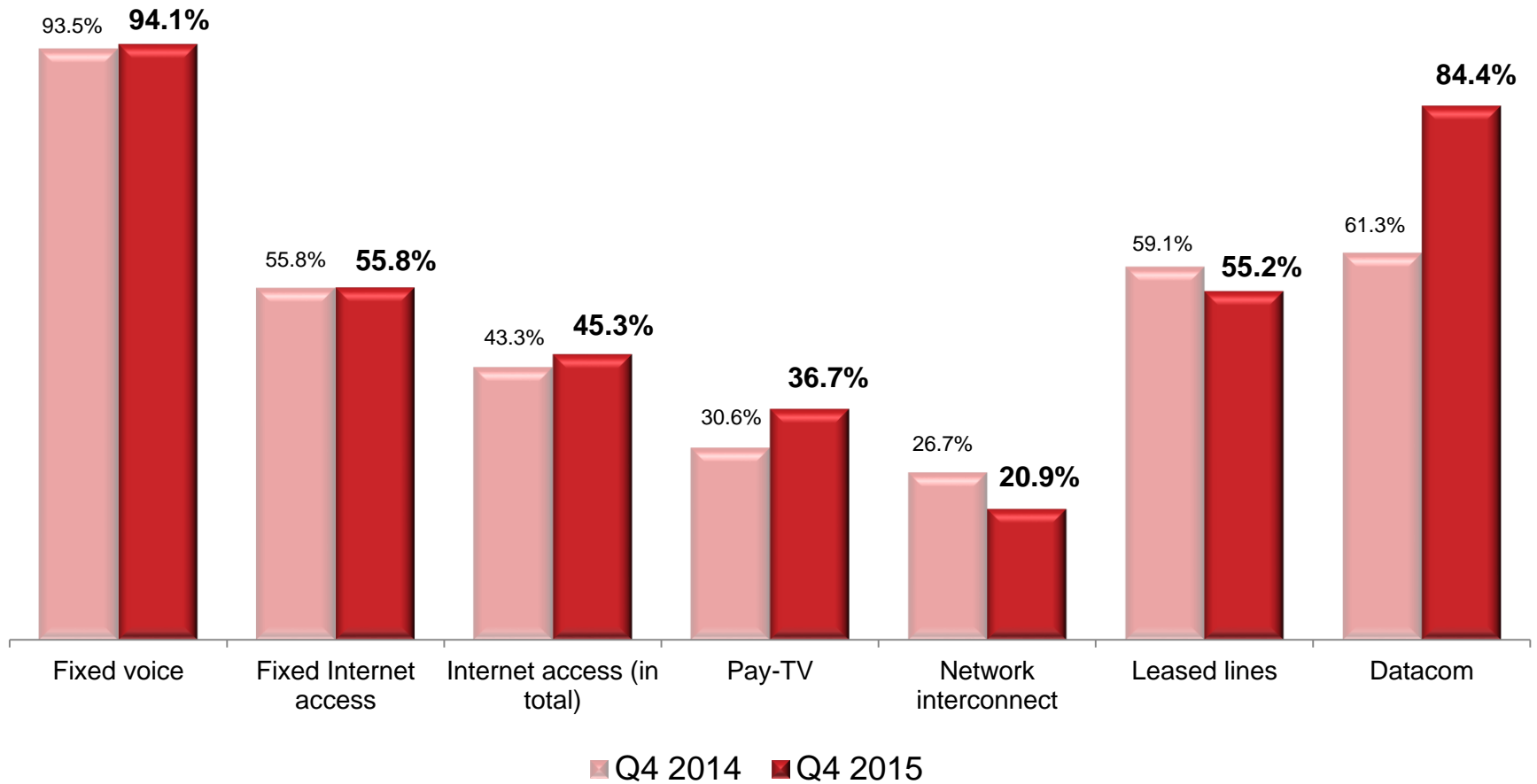


# Main market players' EBITDA margin changes



\* Data for 9 months

# Teo market share in terms of revenue



Source: Report of the Communications Regulatory Authority

# In 2015 Teo competed in all areas except mobile voice

Market	Revenue in 2015 (EUR million)	Change from 2014 (%)	Number of market players	Teo share in Q4 2015 (%)
Fixed voice	48.5	(10.7)	40	94.1
Internet access	127.4	7.1	100	45.3
Network interconnection	131.6	18.6	14	20.9
Pay-TV	60.3	(0.0)	41	36.7
Data communication	17.5	(27.7)	14	84.4
Leased lines	4.3	(22.5)	8	55.2
TV and radio program transmission	4.3	(5.6)	5	n/a
Dark fiber	5.4	(9.5)	14	n/a
Mobile voice	227.1	2.1	3+11	-

# 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

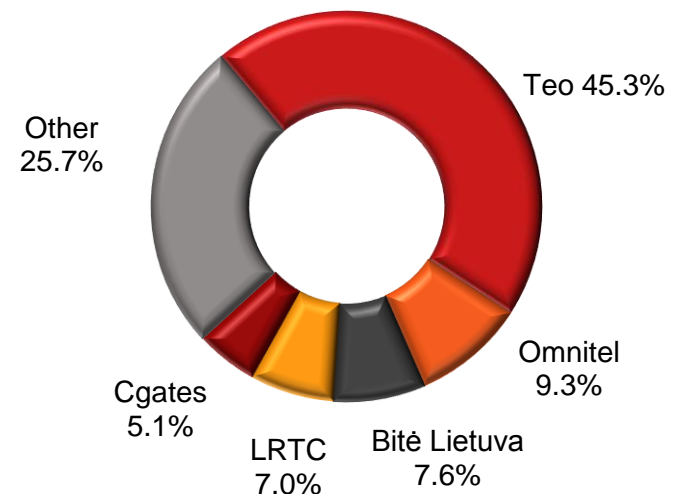
Teo market share (Q4 2015) in terms of:	(%)
Total number of customers	89.0
Total traffic	91.7
Revenue from local calls	100.0
Revenue from domestic long distance calls	89.9
Revenue from international calls	75.4

Source: Report of the Communications Regulatory Authority

# 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)
<b>Total:</b>	<b>1,187</b>	<b>6.9</b>

Q4 2015 revenue by service providers



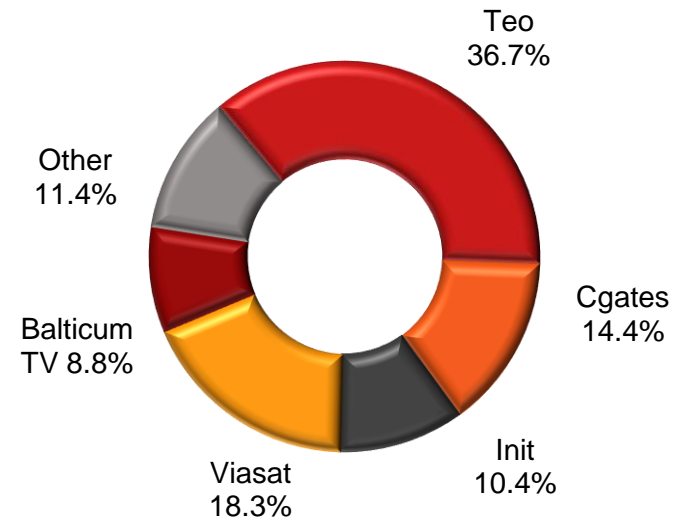
Source: Report of the Communications Regulatory Authority



# 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)
<b>Total:</b>	<b>724</b>	<b>0.2</b>

Q4 revenue breakdown by service providers



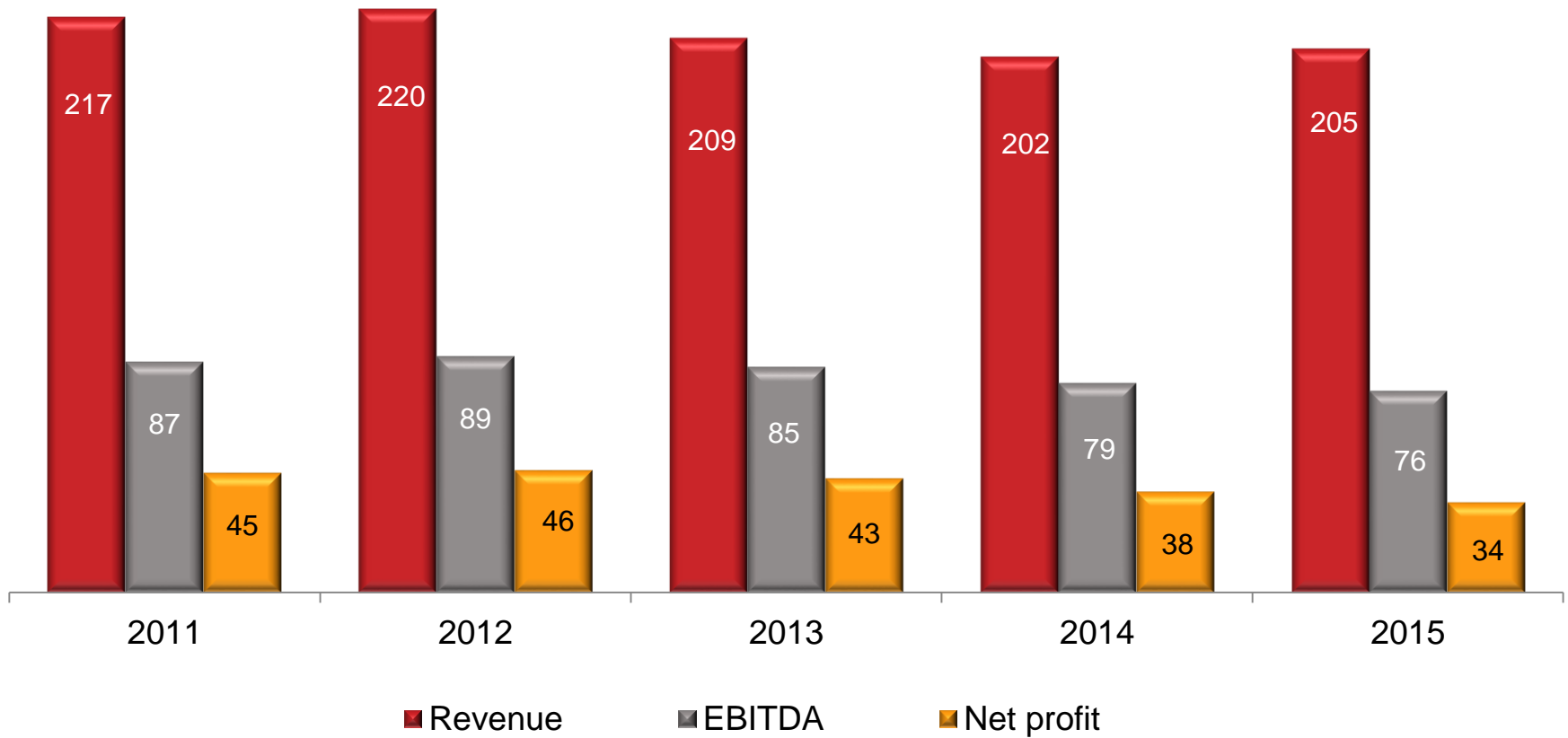
Source: Report of the Communications Regulatory Authority

# Financial results

teo

# Revenue, EBITDA & Net profit

(EUR million)

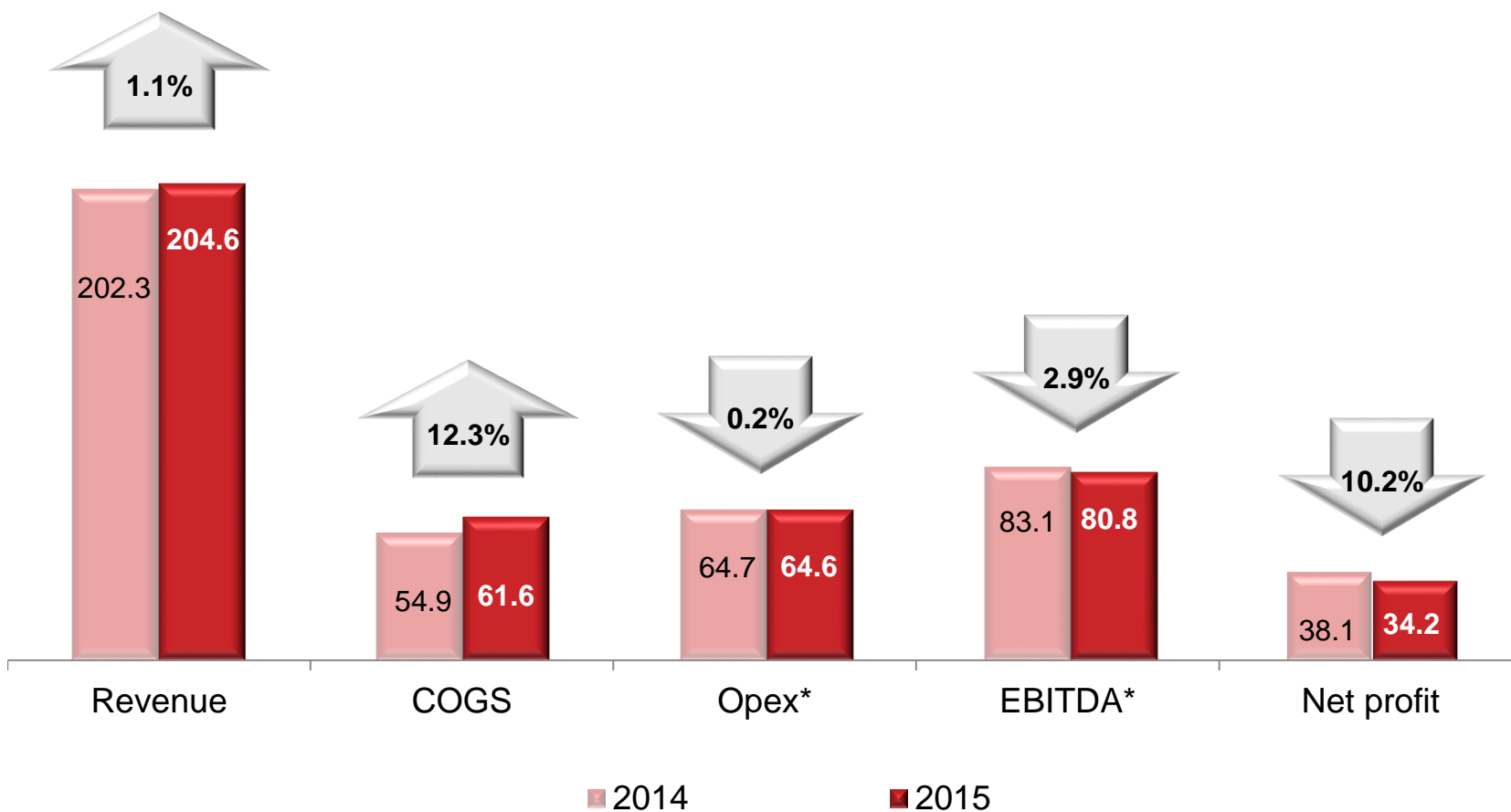


# Major financial indicators

(thousand EUR)	2015	2014	Change (%)	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	18.7%	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

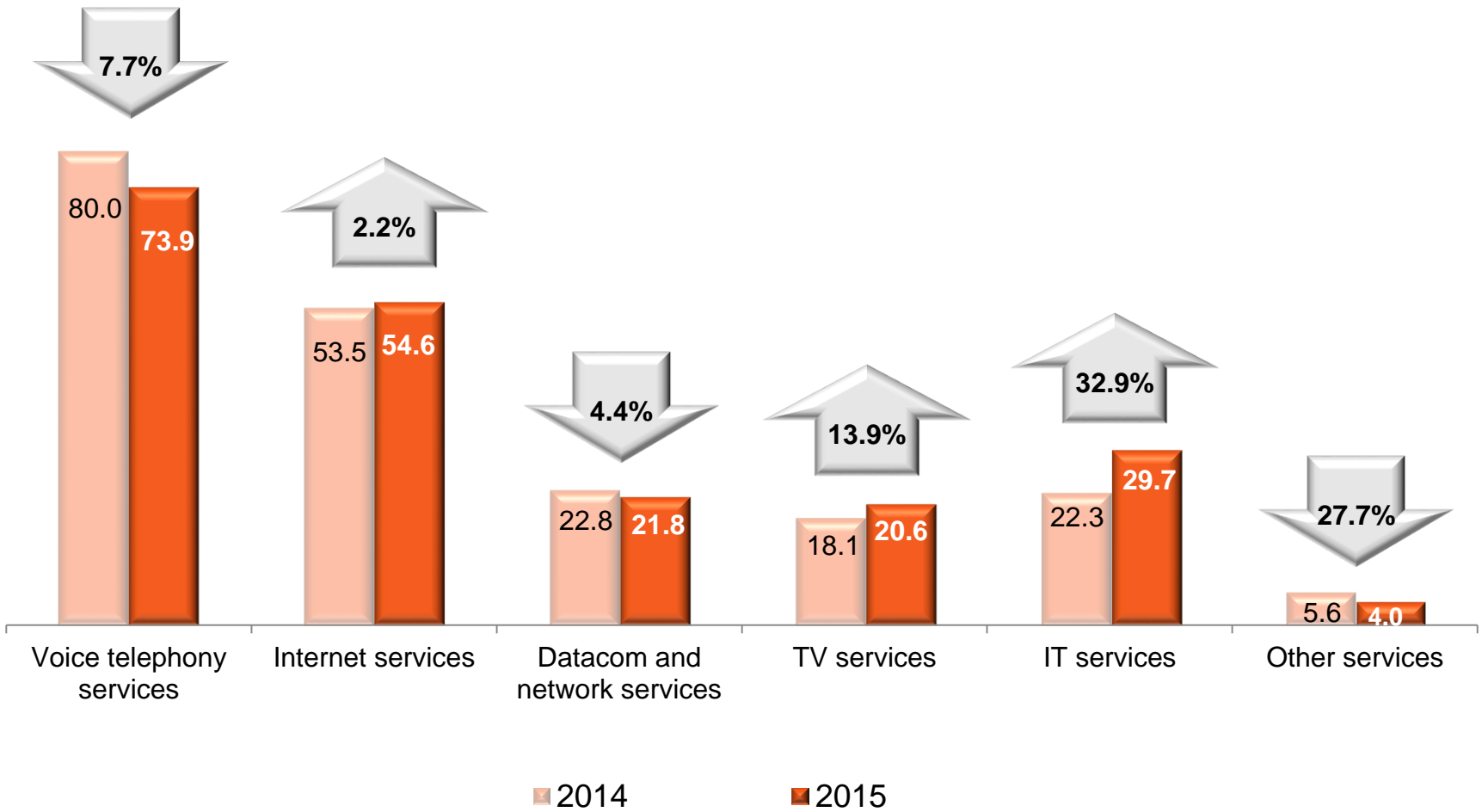
# Dynamics of Teo main financial indicators

(EUR million)



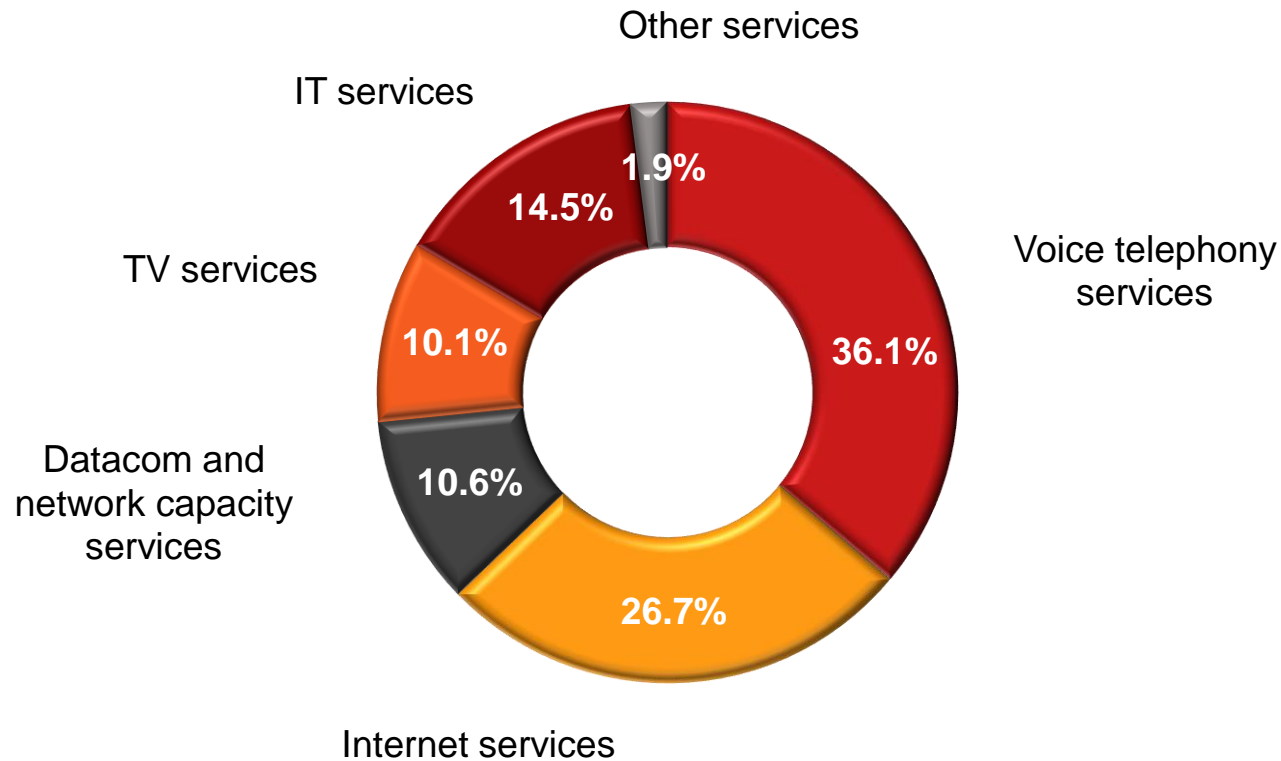


# Revenue (EUR million)



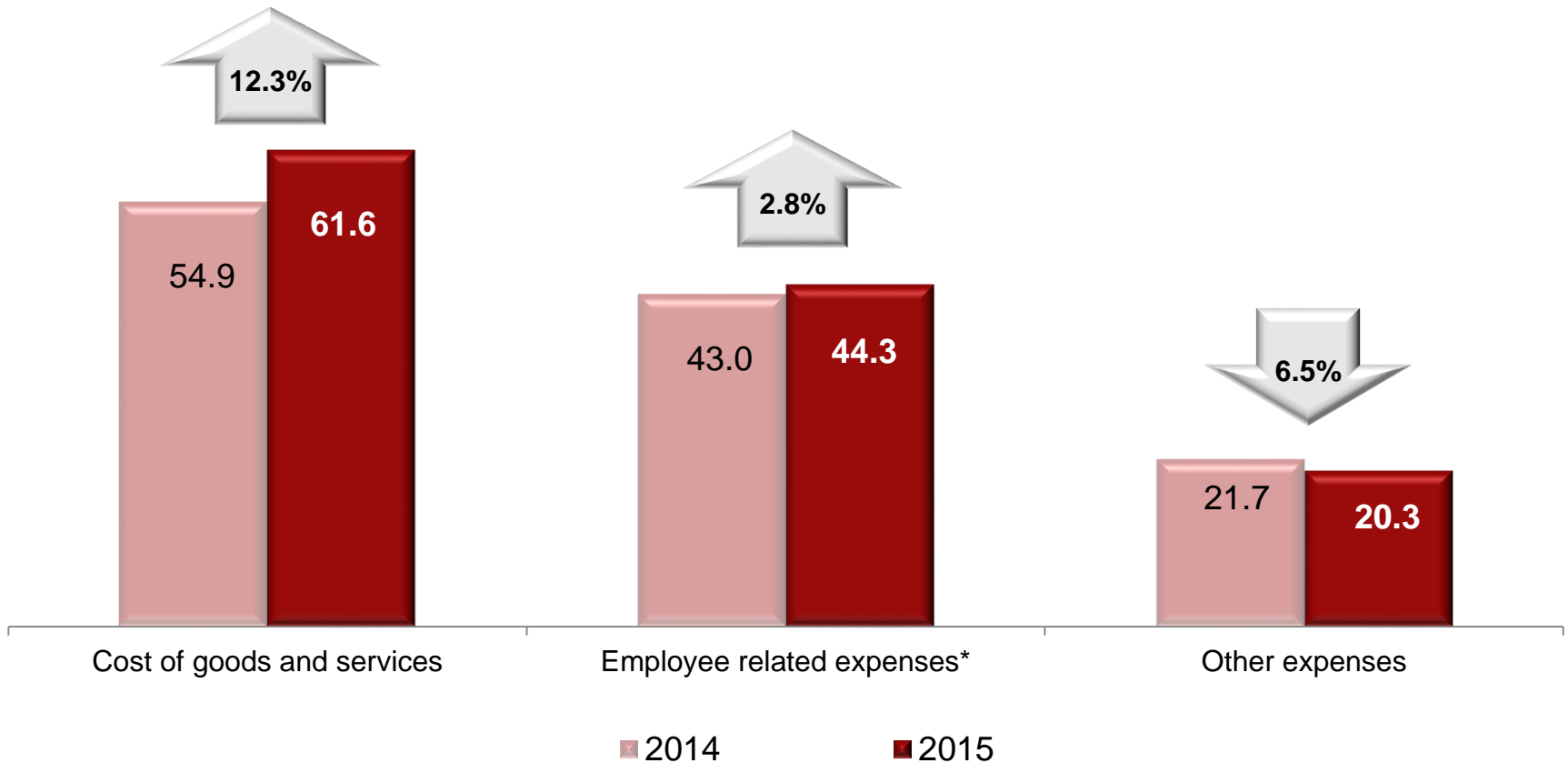
# Breakdown of revenue

(2015)



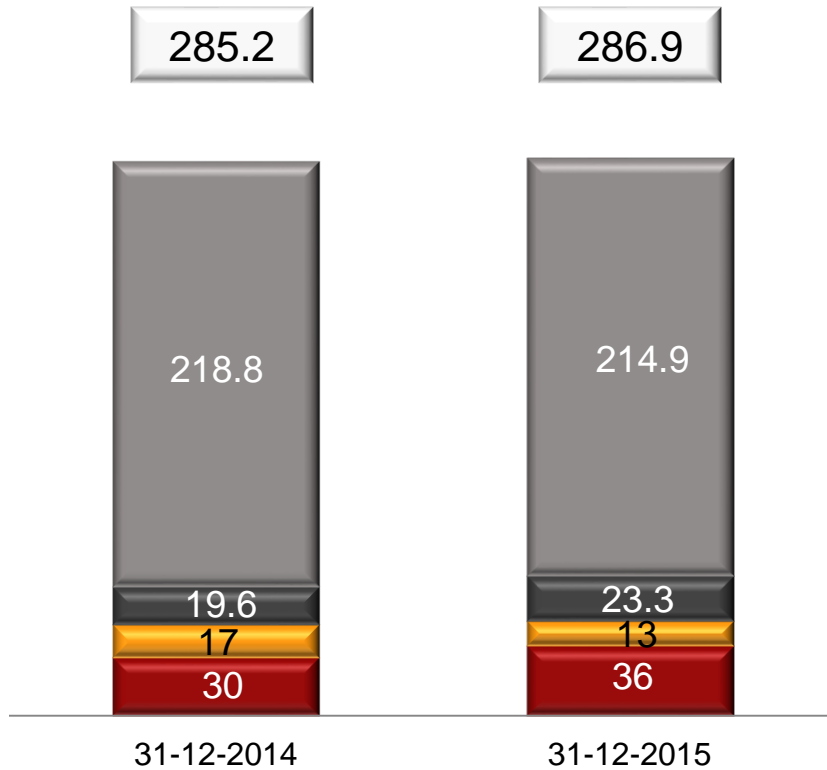
# Operating expenses

(EUR million)



# Assets

(EUR million)

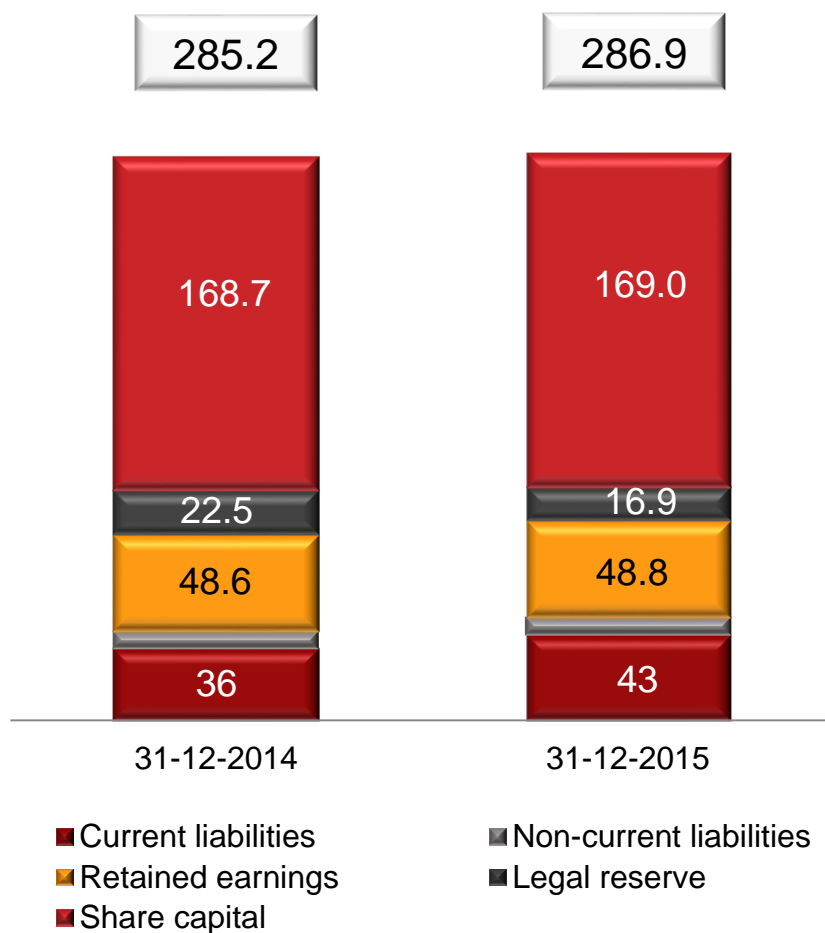


- **Non-current assets** amounted to 83% of total assets (31-12-2015)
- **Cash** alone amounted to 4.5%
- **Return on capital employed:** 14.1%
- **Return on average assets:** 13.6%

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

# Equity and liabilities

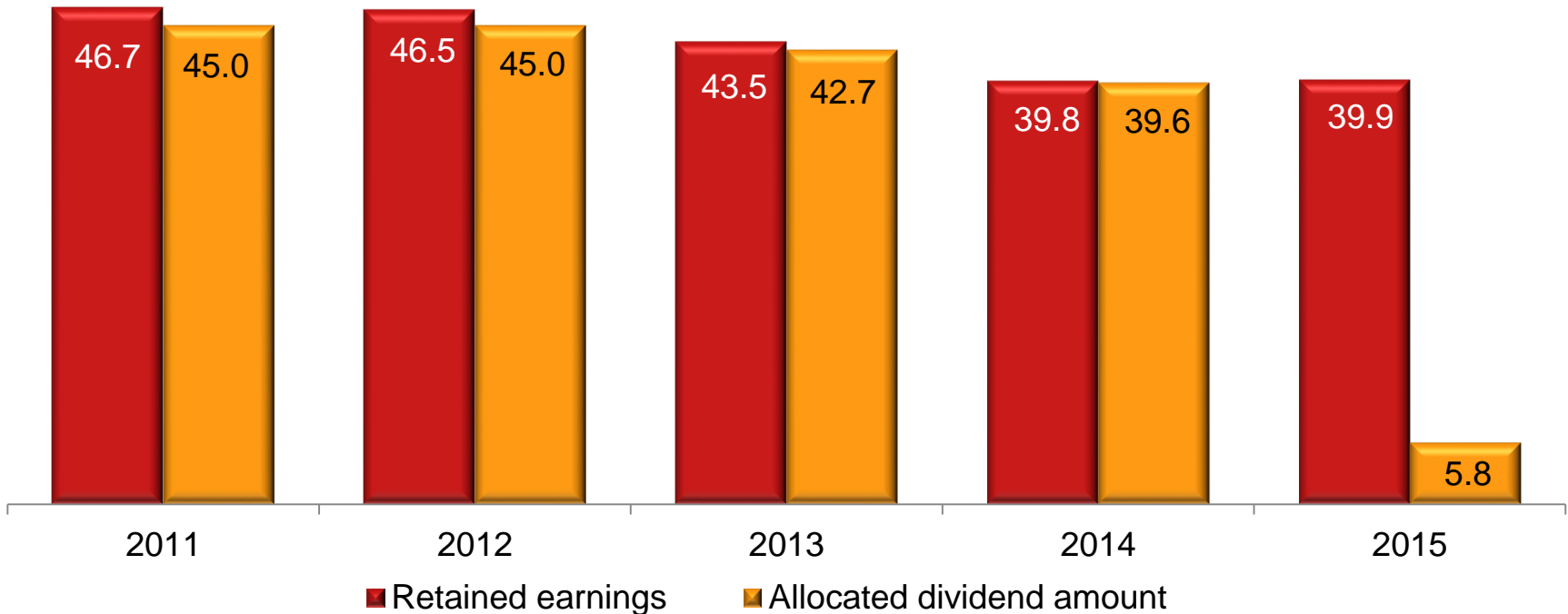
(EUR million)



- **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

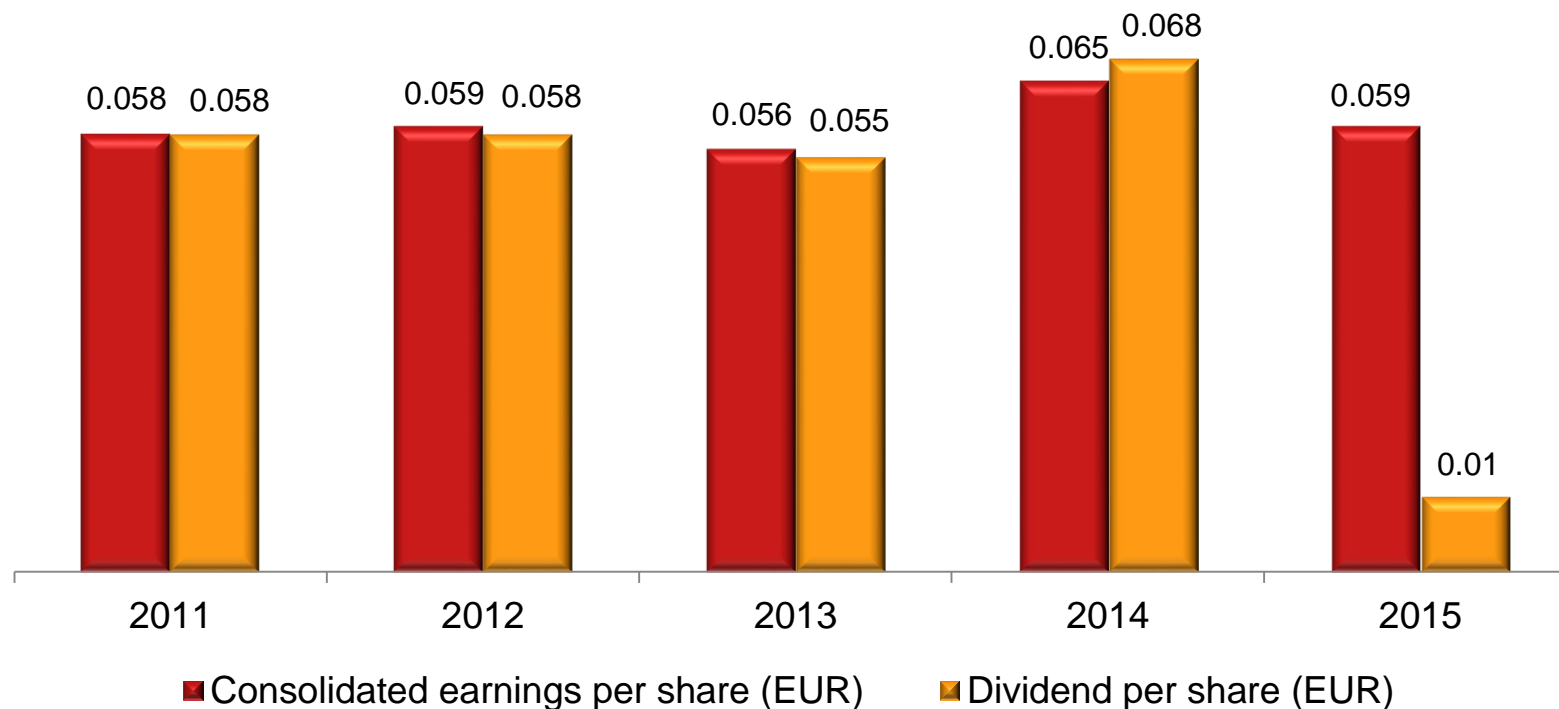
# Teo retained earnings vs dividends allocated

(EUR million)



- Following the Lithuanian Law on Company dividends shall be paid **from the Parent company's retained earnings**
- The Annual General Meeting of Shareholders decided to allocate **EUR 5.8 million for dividend payment for the year 2015** or EUR 0.01 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 2015** will be paid on 24 May 2016

# Cash flow

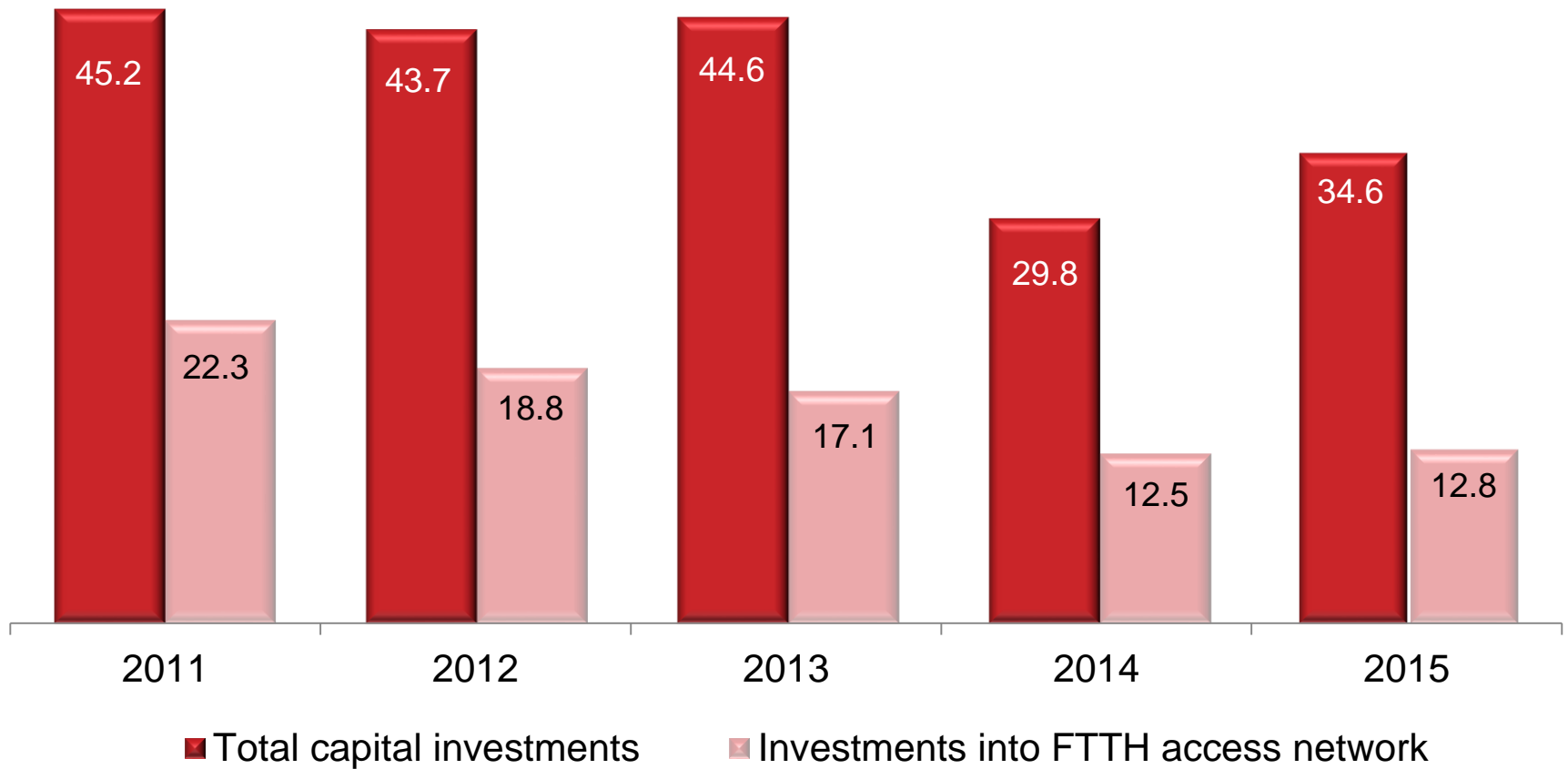
(thousand EUR)	2015	2014
Net cash from operating activities	62,408	71 837
Net cash used in investing activities	(31,449)	(7,652)
Net cash used in financing activities	(34,923)	(89,286)
Increase (decrease) in cash and cash equivalents	(3,964)	(25,101)

- **Free Cash Flow** during 2015 was by 29.9% lower than a year go.
- **Investments** during 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

- **Telia Company AB** (Sweden) (till 13-04-2016 called TeliaSonera AB) 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%

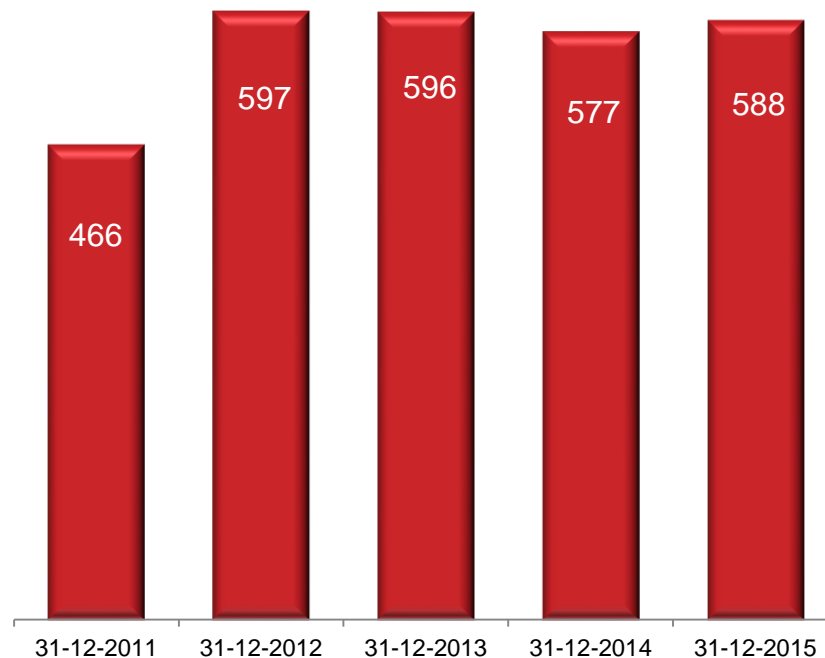
- On **24 October 2014**, authorized **capital was reduced** by LTL 194 million and accordingly **number of voting shares** was reduced from 776,817,518 to **582,613,138**

# Teo shares

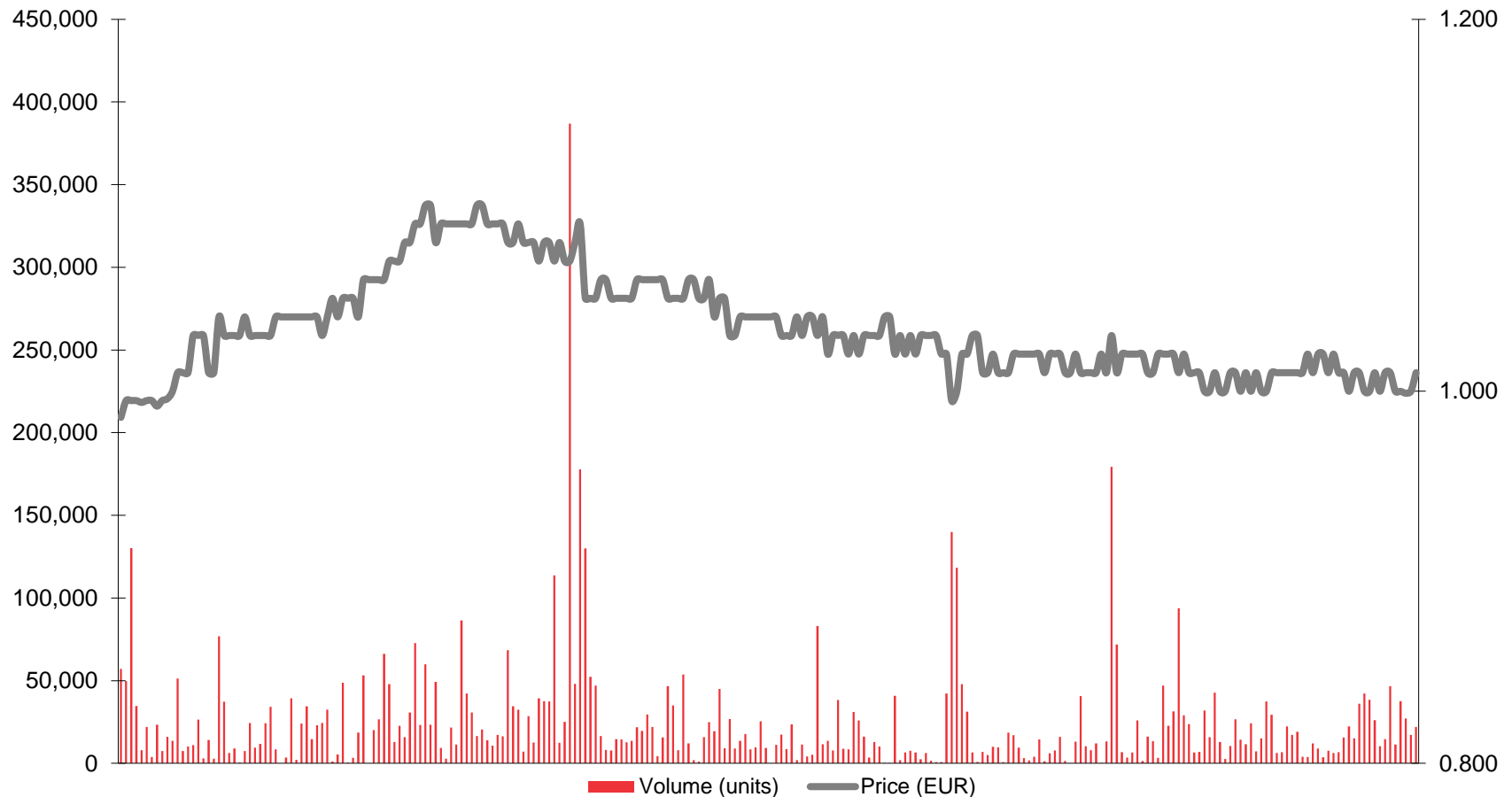
- Since June 2000, Teo shares are listed on **Nasdaq Vilnius** stock exchange (ticker: TEO1L)
- Since January 2011, Teo shares were included into the trading lists of a few **German stock exchanges** (ticker: ZWS)
- **Turnover** on Nasdaq Vilnius stock exchange during January-December 2015: 6.2 million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

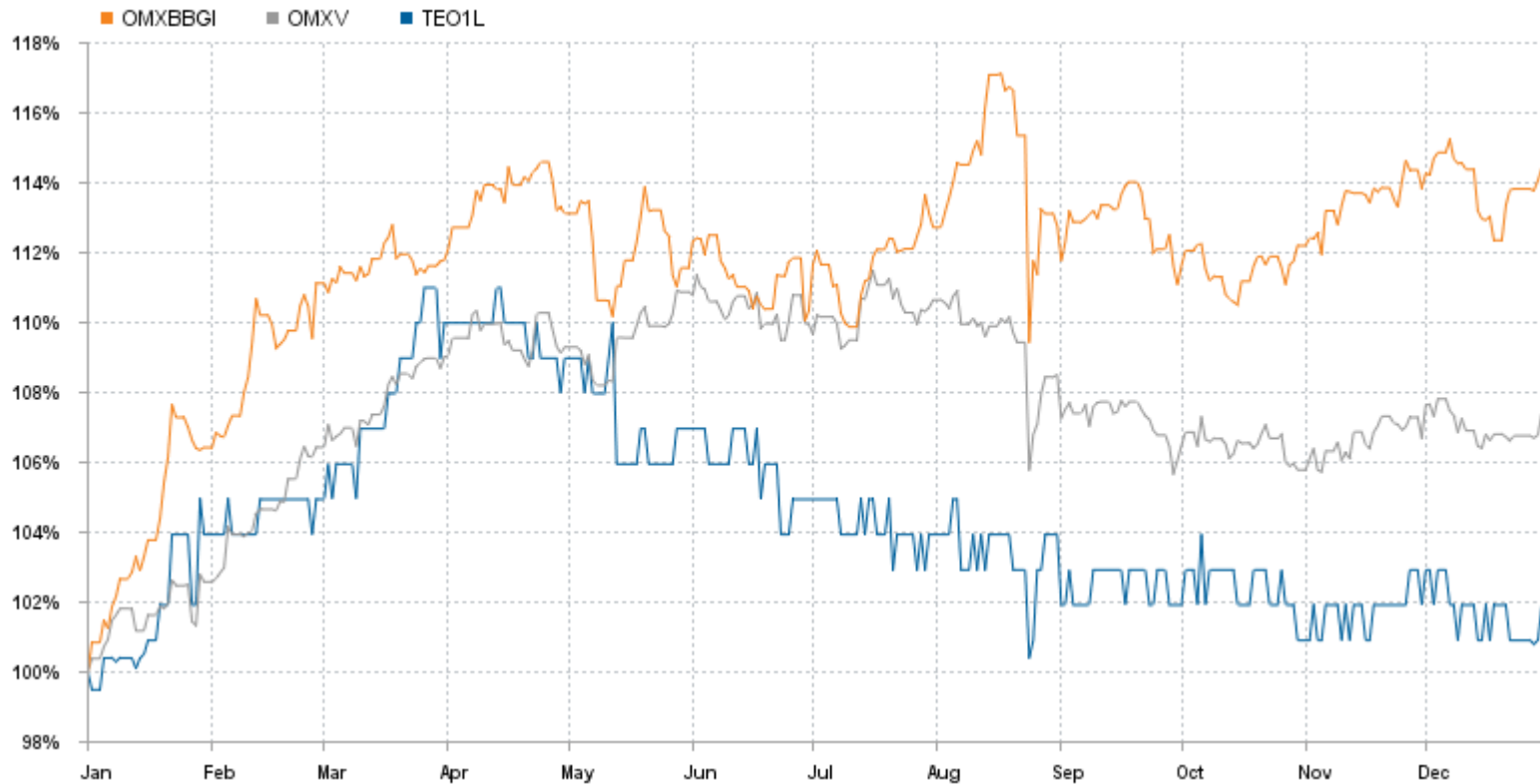
Market capitalization (EUR million)



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



# Teo share price and Nasdaq Vilnius indexes comparison



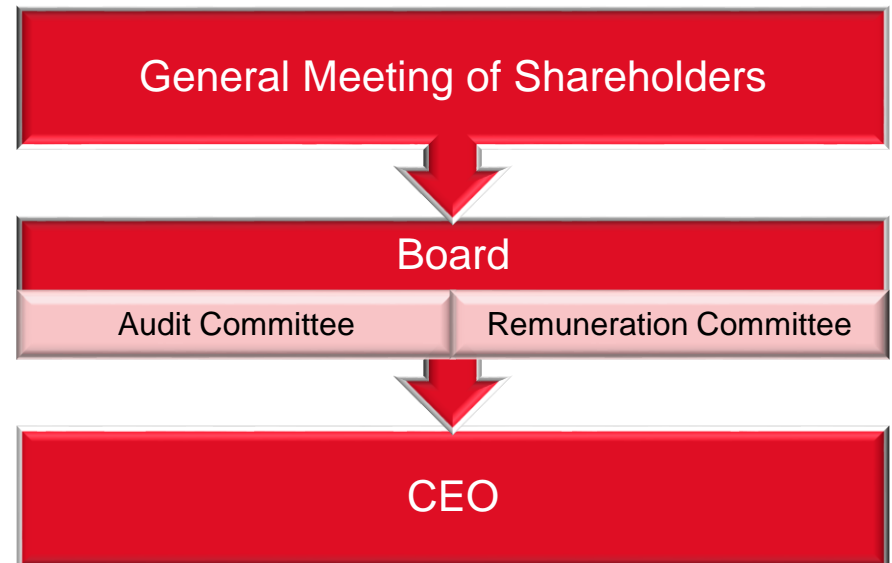
Source: Nasdaq Vilnius

# Corporate governance

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# Governing bodies

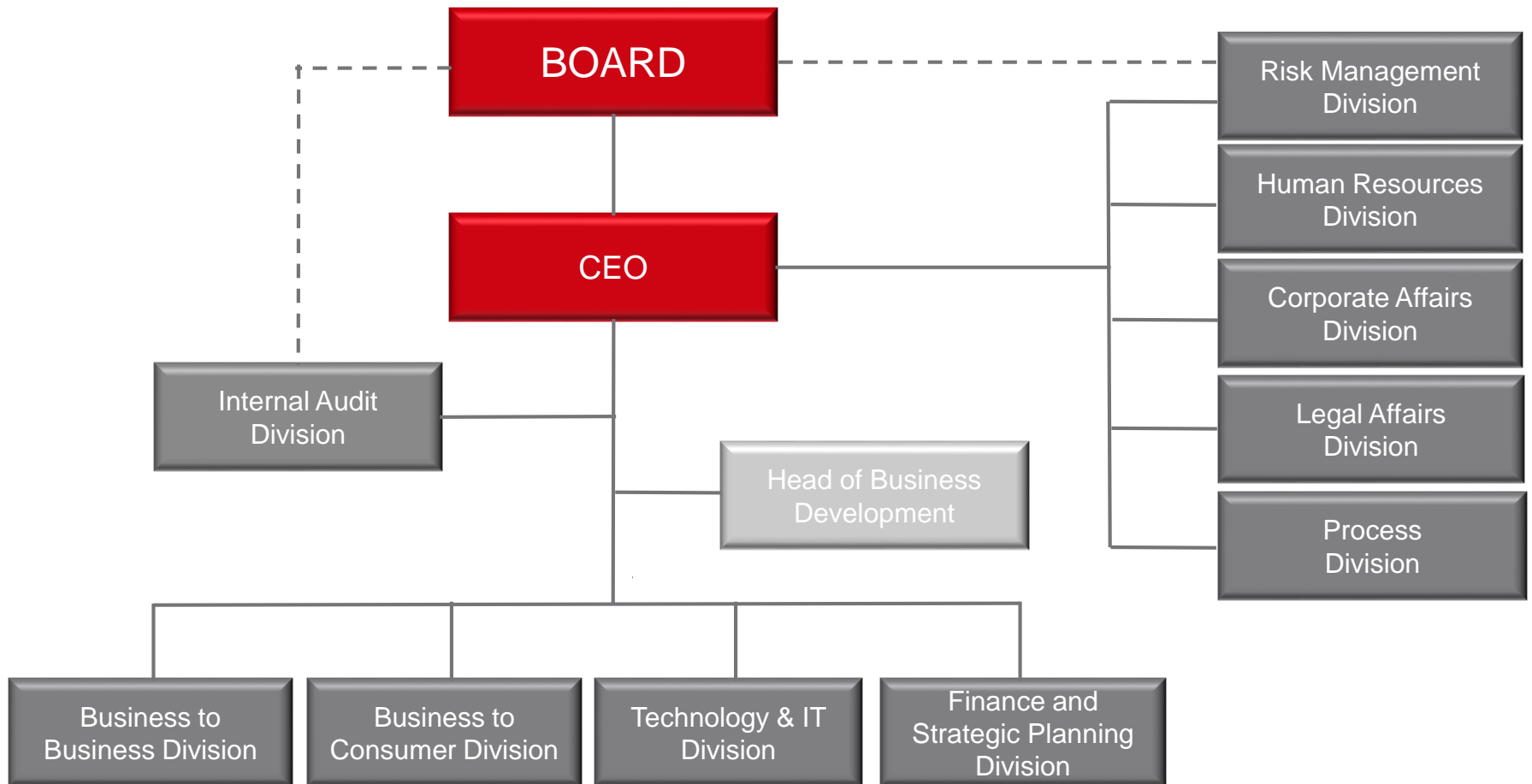
- The **Annual General Meeting** of Shareholders was held on 26 April 2016
- The **Board** consist of 6 members elected for the 2 year term
- Instead of Tiia Tuovinen who resigned from the Board as of 25 April 2016, the shareholders **elected Hannu-Matti Mäkinen** to the Board
- 3 members of the Board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





# Governing structure of Teo

from 1 April 2015 till 31 December 2015



# Teo Board (as of 31 December 2015)



**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

- Tiia Tuovinen resigned 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

# 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 1978),  
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!