

Results for the 6 months of 2016

20-07-2016

teo

teo.lt

Teo and Omnitel Group provides integrated telecommunication, IT and TV services to residents and businesses in Lithuania and develops cutting-edge data communication solutions

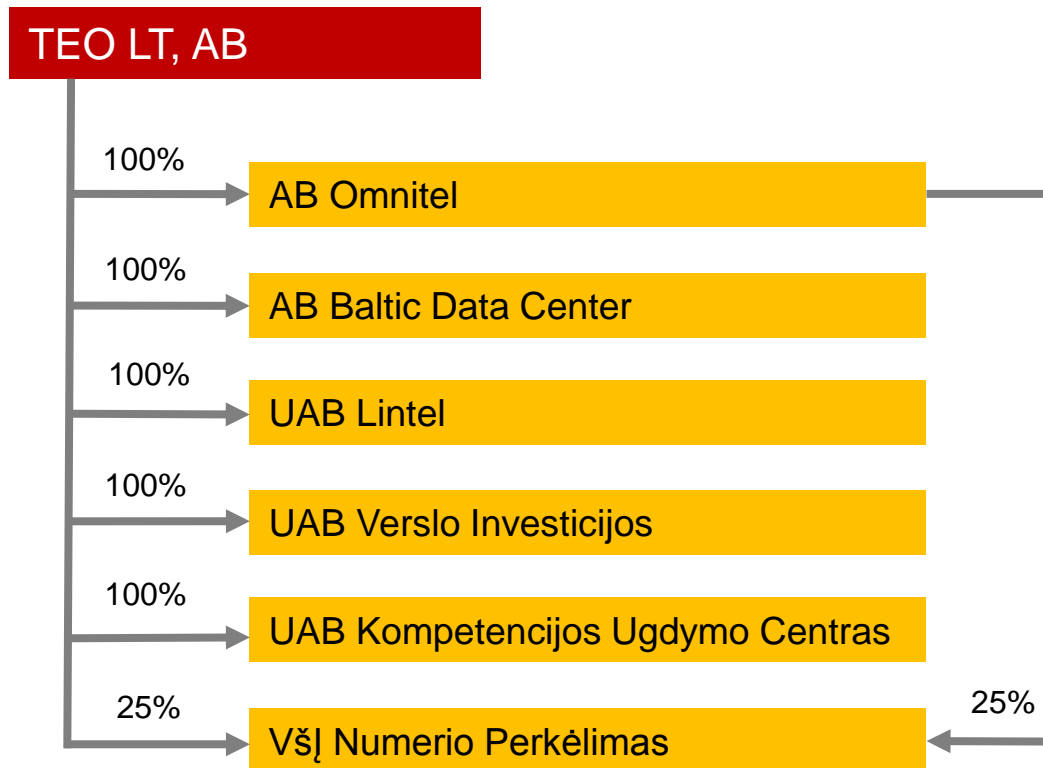
Our purpose: bringing the world closer – on the customer's terms

Highlights of Q2 2016

- Omnitel has installed **300 new 4G base stations**, reaching 99% of the population
- Omnitel **increases** 4G LTE Internet **speed**
- According to CRA data, **4G speed** in the Omnitel network amounts to **36 Mbps**
- Teo and Omnitel will ensure **smart electricity meter data transmission** and management services for business customers of ESO. It is the largest **Internet of Things** project in Lithuania
- Teo **switch off the last analogue** exchange and **optimized** its **DVB-T rebroadcasting network**
- In May **EUR 5.8 million of dividends** for the year 2015 were paid to shareholders

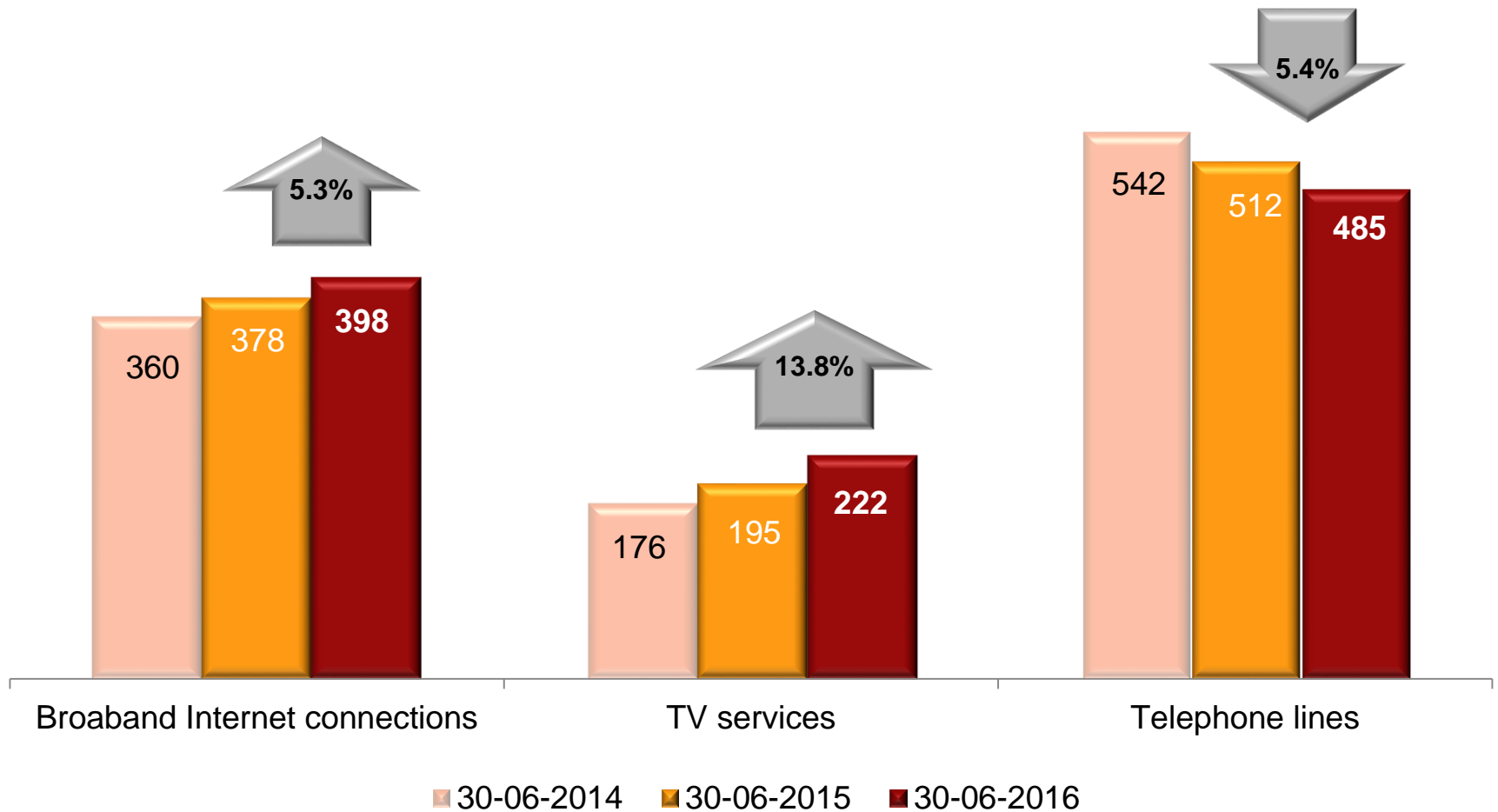


Teo Group

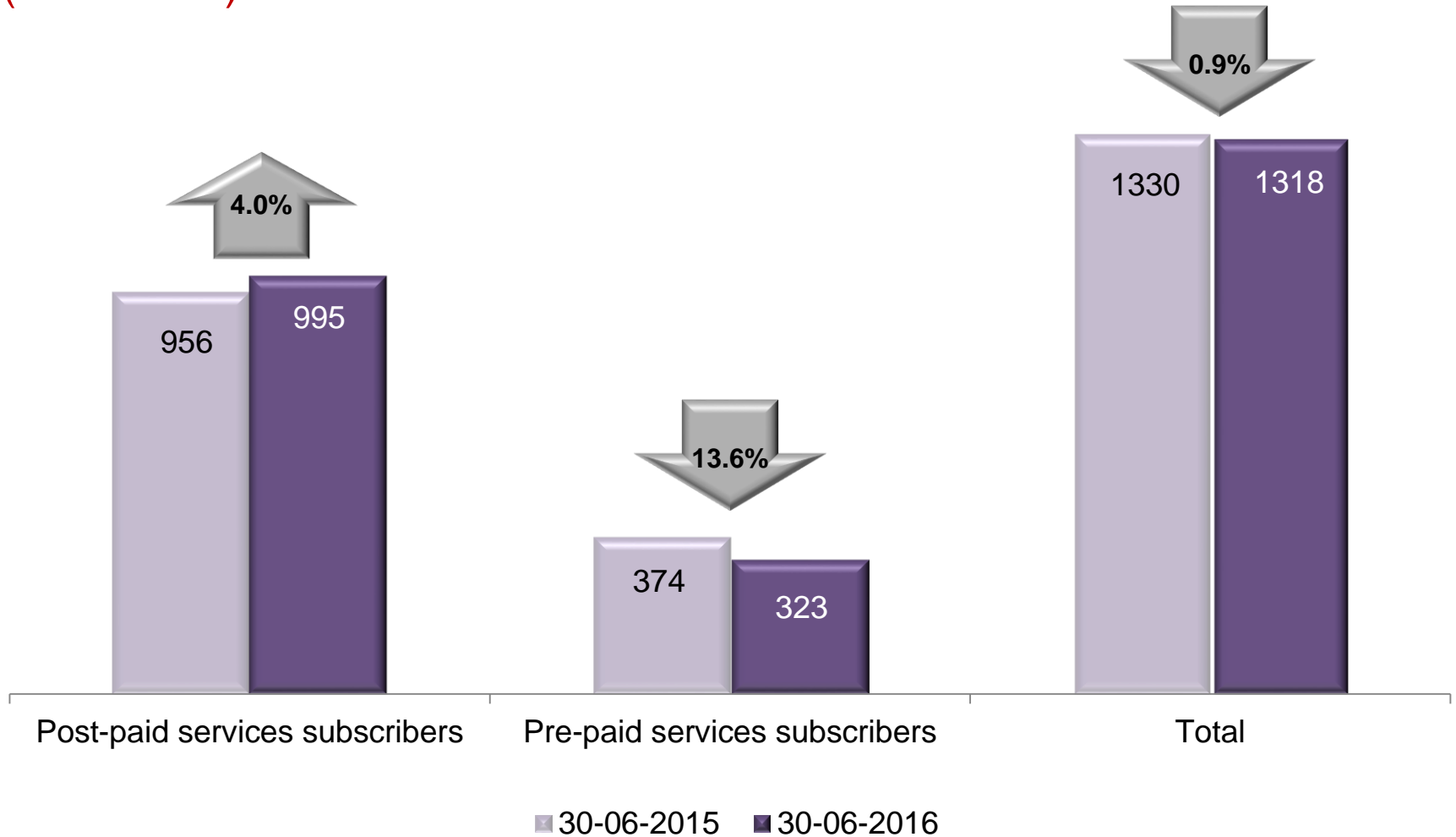


- On 4 January 2016, Teo **acquired a 100% stake in Omnitel**
- In January, Baltic Data Center SIA, a subsidiary of Baltic Data Center (BDC) in Latvia, was **liquidated**
- In April, Teo **transferred its owners' rights** in VšĮ Ryšių Istorijos Muziejus (The Communications History Museum) to Kaunas Municipality free of charge
- In June, Omnitel and BDC **changed their legal status** into joint-stock (AB) company, and **Terms of Merger** for Omnitel and BDC merger into Teo were announced
- In July, Omnitel **transferred its owners' rights (50%)** in VšĮ SOS Projektai to Swedbank AB, Lithuania, free of charge

Main broadband communications operating figures (thousands)



Main mobile communications operating figures (thousands)

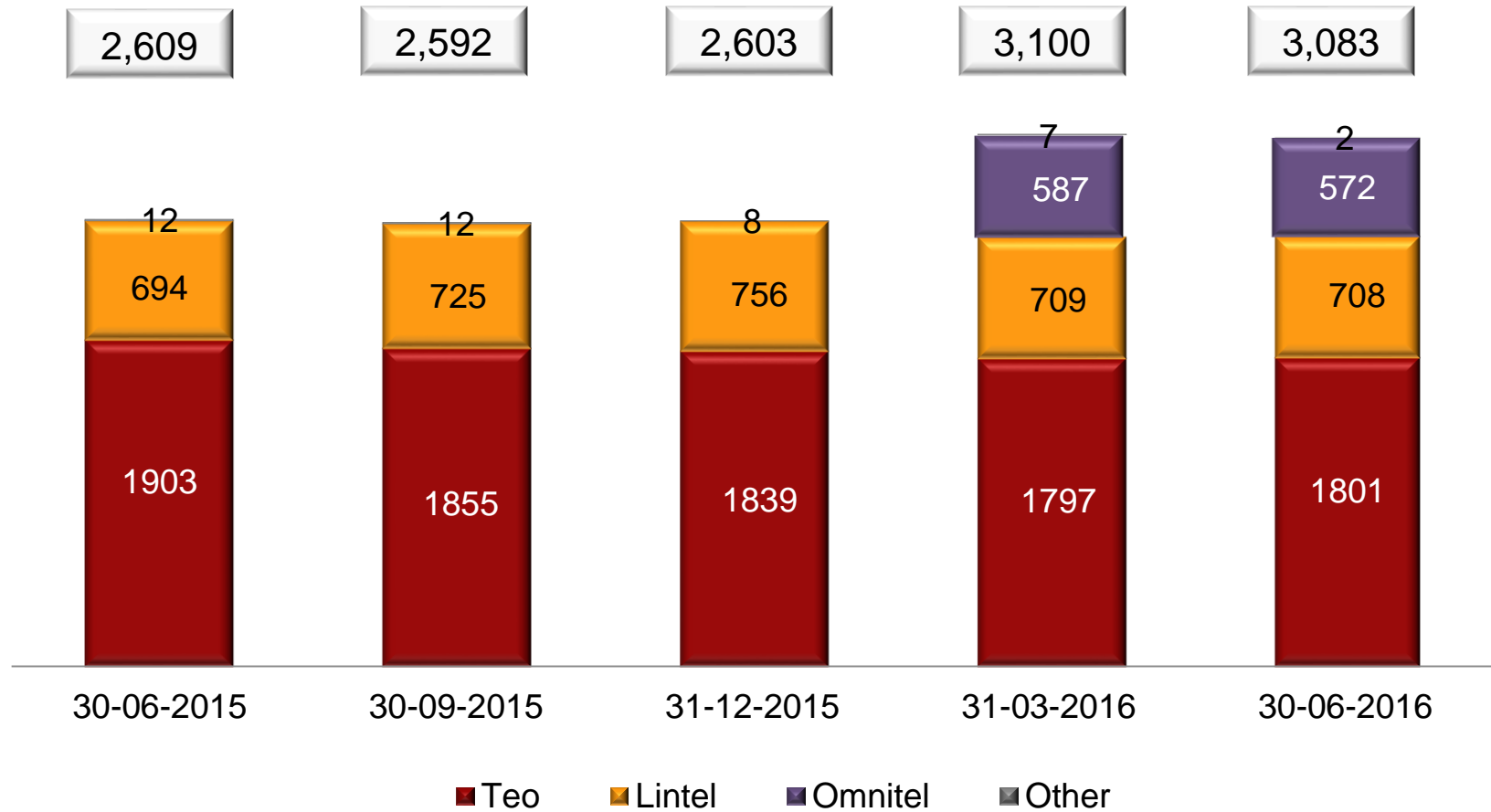


Main operating figures

(thousands)

	30-06-2016	30-06-2015	Change (%)
Number of broadband Internet accesses, in total:	398	378	5.3
- via fiber-optic lines	235	210	12.2
- via copper lines	163	168	(3.5)
Number of TV services users, in total:	222	195	13.8
- IPTV	178	144	22.1
- DVB-T	44	51	(13.7)
Number of fixed telephone lines	485	512	(5.4)
Number of mobile services' subscriber, in total:	1,318	1,330	(0.9)
- Post-paid services	995	956	4.0
- Pre-paid services	323	374	(13.6)

Employees of Teo Group

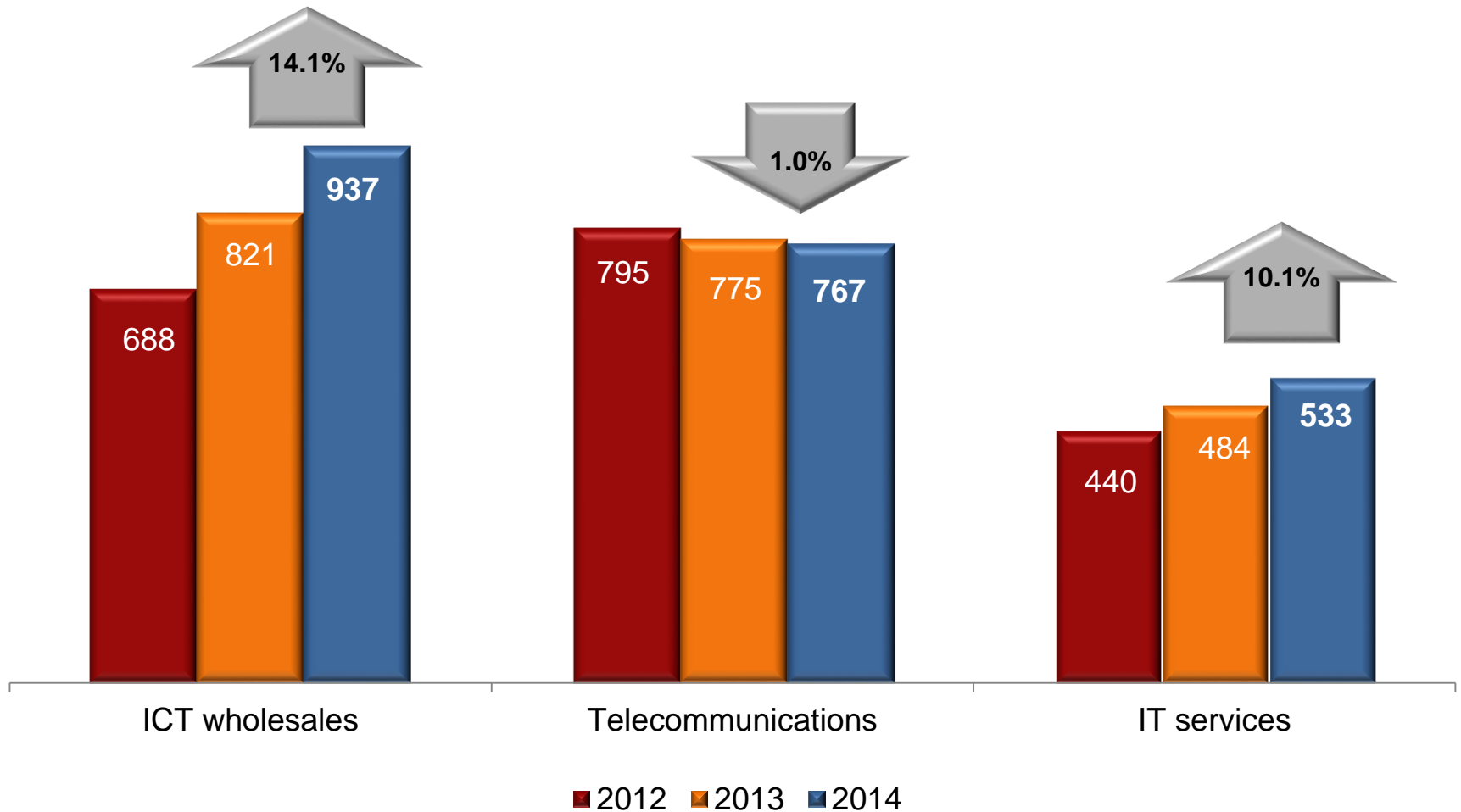


Electronic communications market of Lithuania

teo

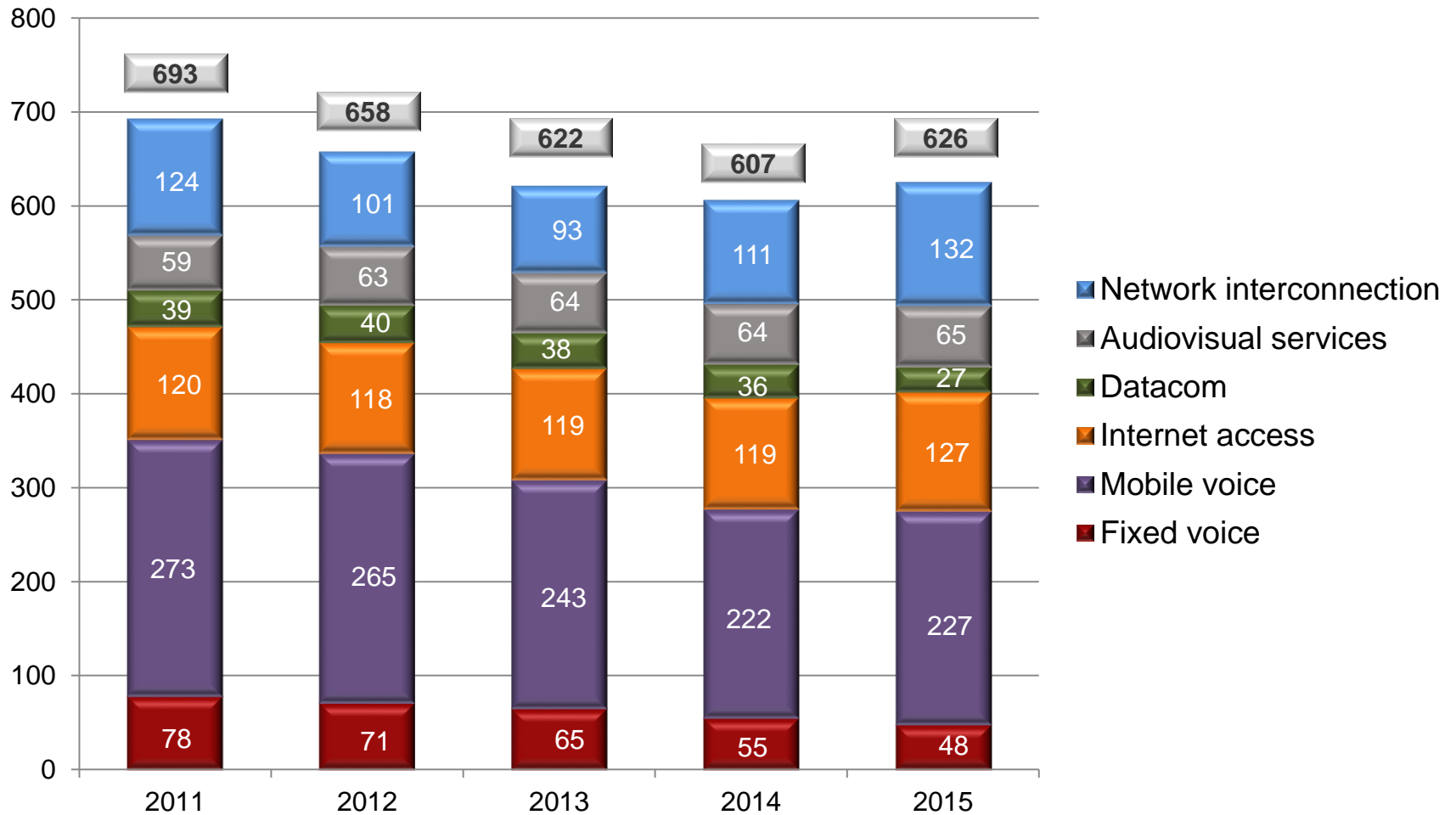
Lithuanian ICT market revenue trends

(EUR million)



Telecommunication market in Lithuania

(EUR million)

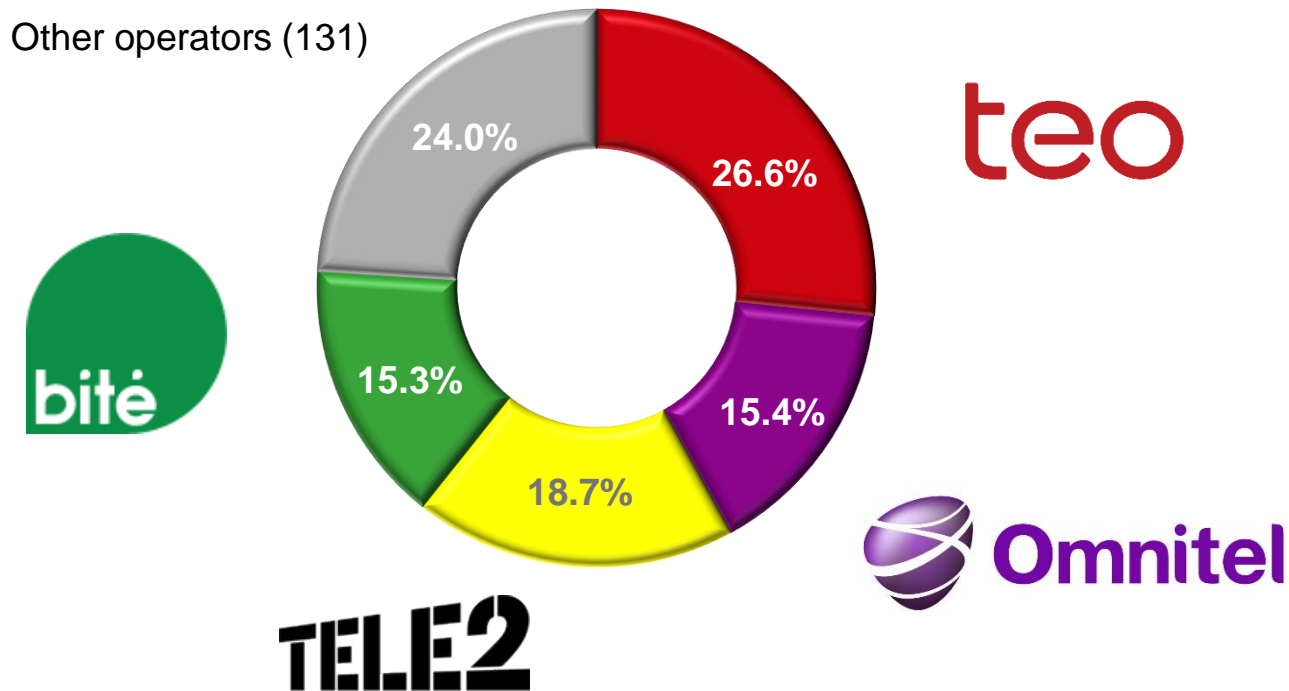


Source: Report of the Communications Regulatory Authority

Main market figures

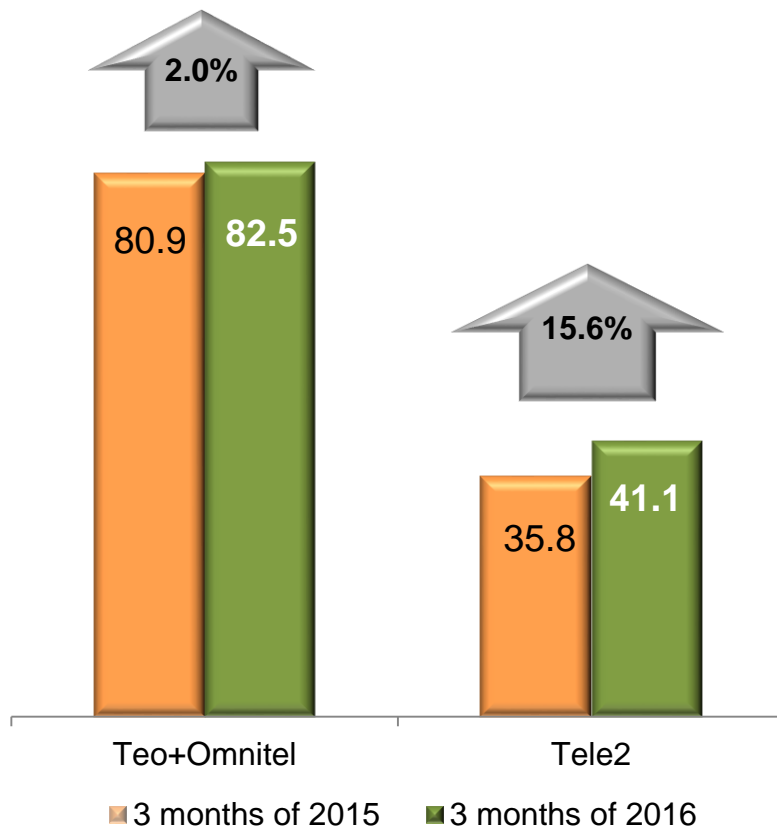
	31-03-2016	31-03-2015	Change (%)
Total market revenue (EUR million)	160.3	152.6	5.0
Number of mobile services subscribers	4,158,196	4,173,103	(0.4)
Number of mobile services subscribers per 100 inhabitants	144.5	143.3	
Number of telephone lines per 100 inhabitants	19.0	19.5	
Number of Internet access subscribers	1,212,259	1,123,327	7.9
Number of broadband Internet access subscribers per 100 inhabitants	42.1	38.6	
Number of fixed Internet access subscribers per 100 inhabitants	29.3	27.7	
Number of pay-TV subscribers	720,547	717,734	0.4
Number of pay-TV subscribers per 100 households	56.1	55.4	
Total market investments (EUR million)	38.9	18.5	110.0

Breakdown of the telecommunications market revenue in 2015 by operators

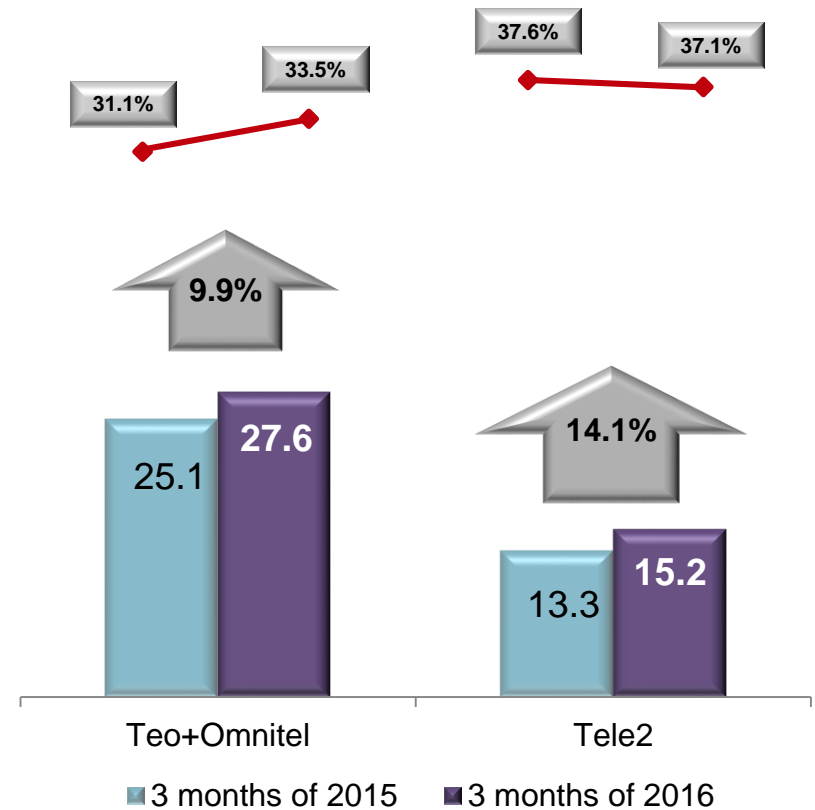


Main market players' revenue and EBITDA changes (EUR million)

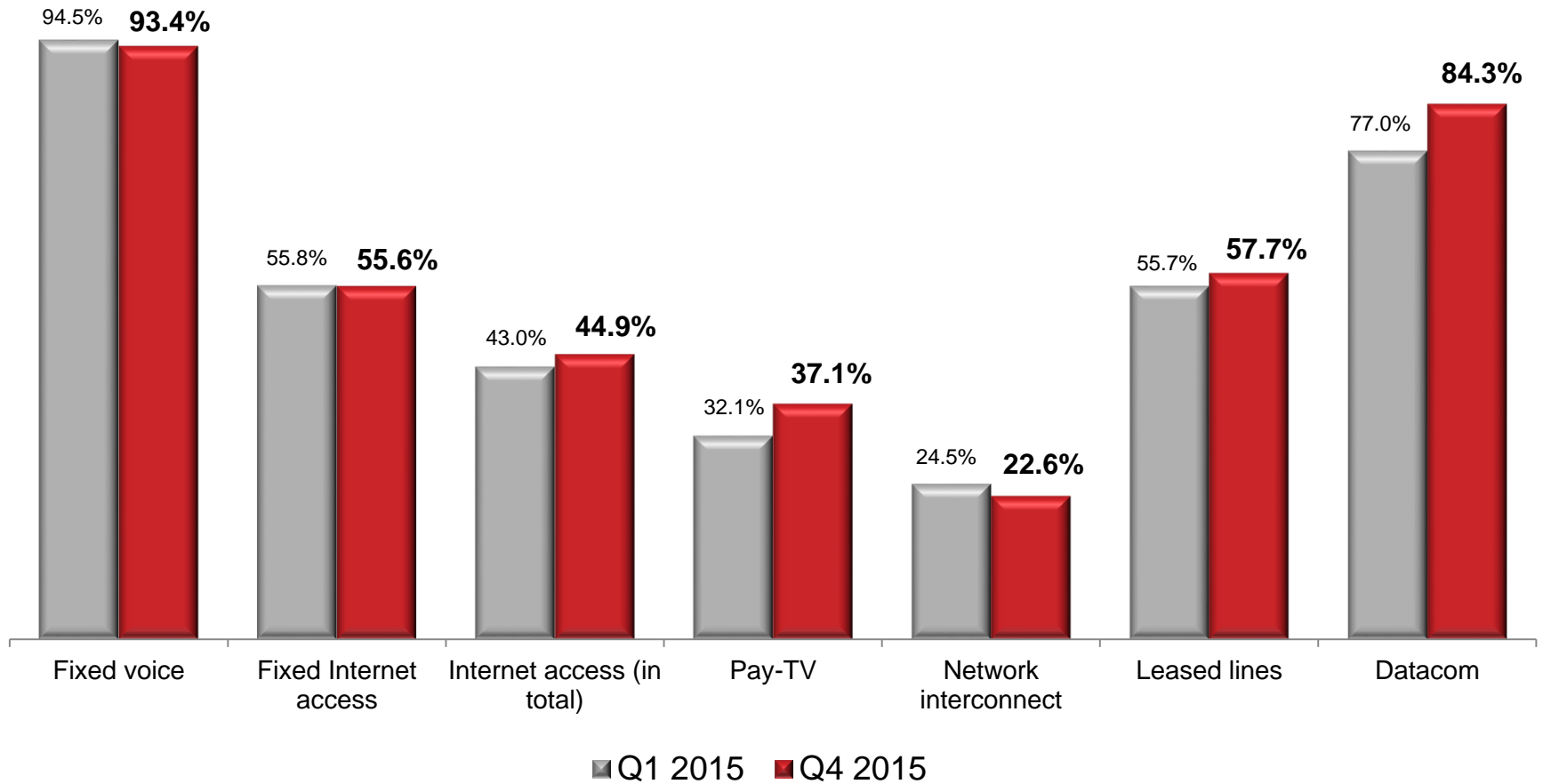
Revenue



EBITDA & EBITDA margins

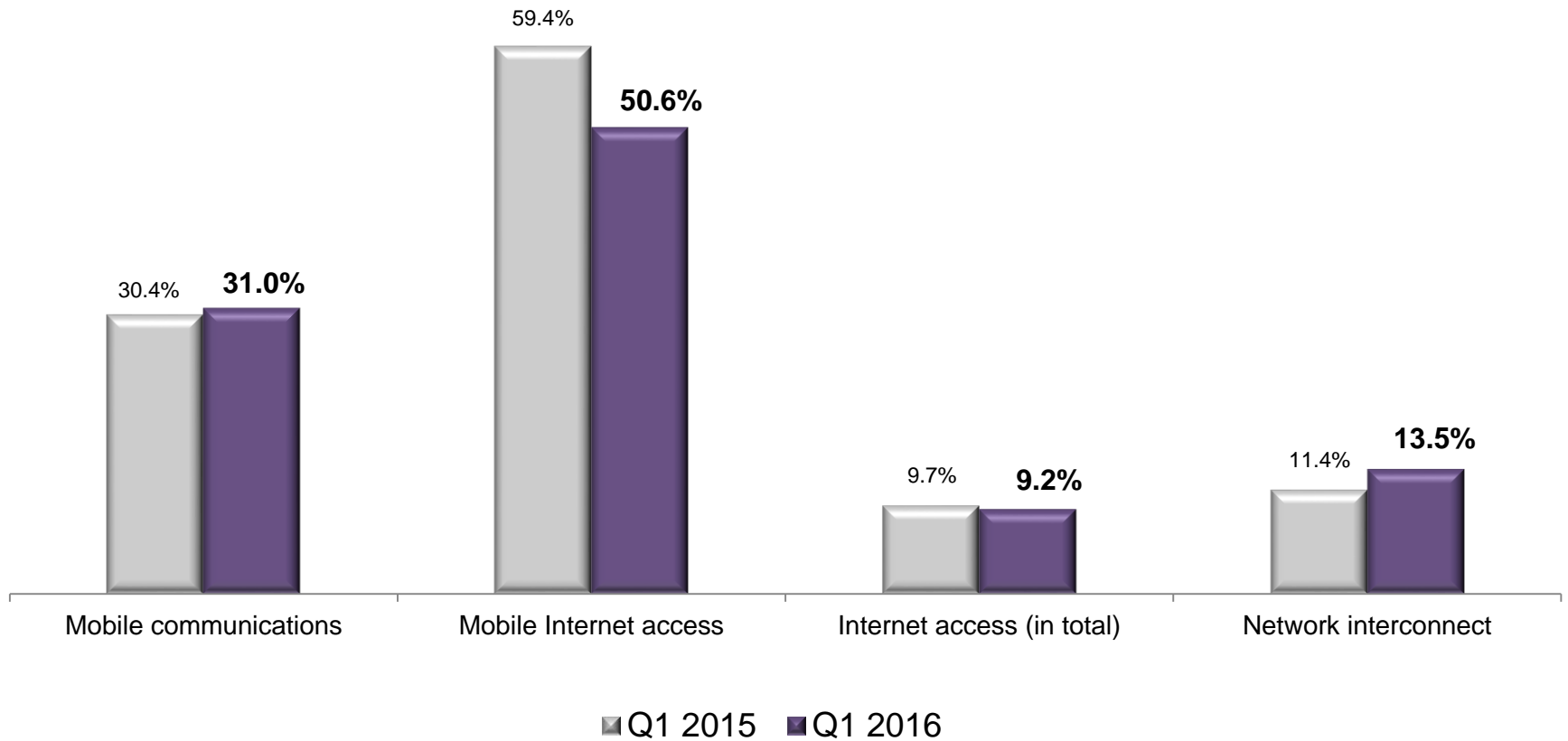


Teo market share in terms of revenue



Source: Report of the Communications Regulatory Authority

Omnitel market share in terms of revenue



Source: Report of the Communications Regulatory Authority

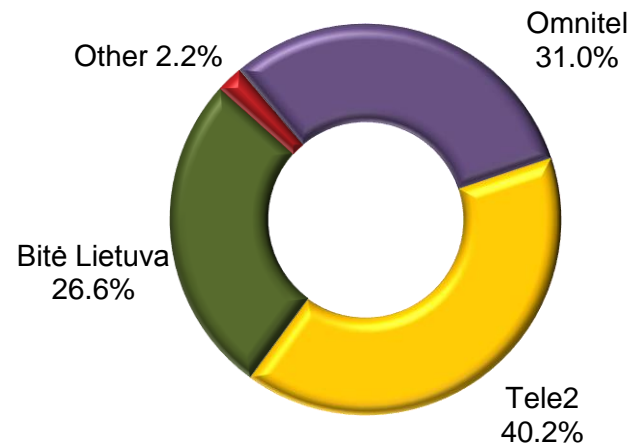
Market revenue by services

Market	Revenue in Q1 2016 (EUR million)	Change from Q1 2015 (%)	Number of market players
Mobile voice	57,9	8,0	3+13
Internet access	32,0	3,0	103
Network interconnection	35,4	8,7	14
Pay-TV	15,8	5,2	41
Fixed voice	11,5	(7,7)	40
Data communication	4,4	(1,2)	14
Leased lines	0,9	(17,9)	8
Dark fiber	1,3	(1,8)	14
TV and radio program transmission	1,1	6,7	5

Mobile voice market in Lithuania (Q1 2016)

- Mobile voice services are provided by **3 operators** (Omnitel, Tele2 and Bitė Lietuva), **5 other service providers** and **8 services' resellers**
- Number of other service providers' subscribers: **81 thousand** or **1.9%** of total subscribers' number
- **48.2%** of voice traffic was initiated in Tele2, **26.3%** in Omnitel, **22.8%** in Bitė Lietuva and **2.7%** in other service providers' networks
- **57.7%** of all initiated calls' duration where calls within own network, **38.2%** – calls to other mobile networks of Lithuania, **3.6%** – calls to fixed networks and **0.6%** – international calls

Q1 2016 revenue breakdown by service providers

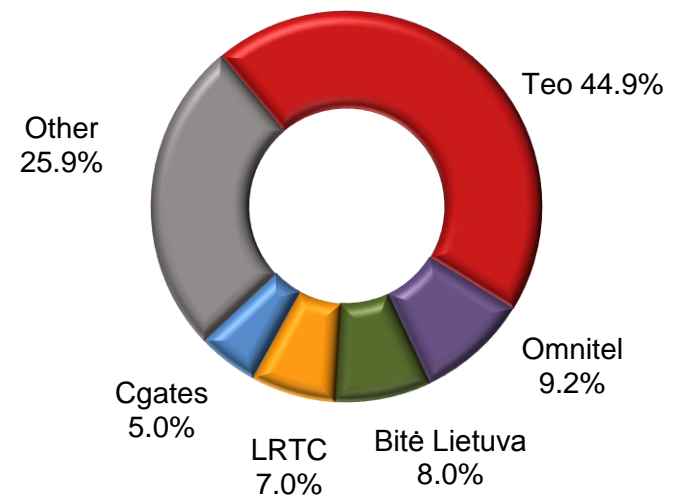


Source: Report of the Communications Regulatory Authority

Internet access market in Lithuania (Q1 2016)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber-optic	524	8.2
Via mobile network	370	16.9
DSL	164	(3.0)
Wireless	112	6.3
Via CATV network	32	(12.4)
Via LAN	10	(12.8)
Total:	1,212	7.9

Q1 2016 revenue by service providers

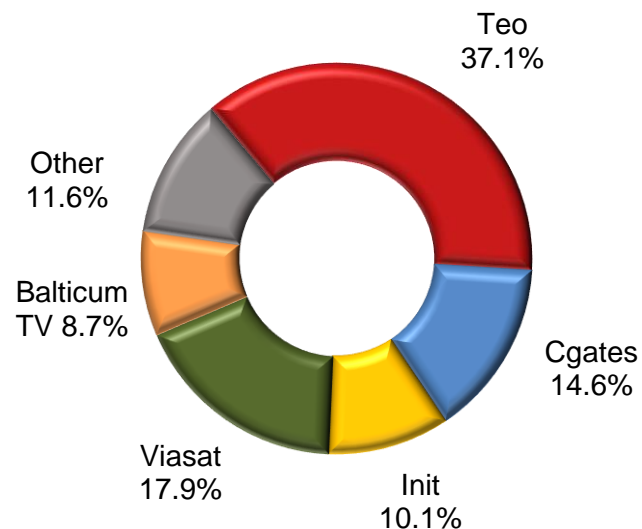


Source: Report of the Communications Regulatory Authority

Pay TV market in Lithuania (Q1 2016)

Access type	Number of users ('000)	Change, y-o-y (%)
Analogue CATV	253	(10.8)
Digital CATV	142	14.6
IPTV	186	22.1
Satellite	81	(10.5)
DVB-T	47	(14.4)
MVDS	12	(8.6)
Total:	721	0.4

Q1 2016 revenue breakdown by service providers



Source: Report of the Communications Regulatory Authority

Fixed voice telephony market in Lithuania (Q1 2016)

- **40 companies** are providing fixed voice services:
 - 35 provide retail,
 - 5 only wholesales (transit) services
- 31 company is using **IP network**
- Number of alternative operators' subscribers: **64 thousand** or 11.5% of total subscribers' number

Teo market share (Q1 2016) in terms of:	(%)
Total number of customers	88.5
Total traffic	91.7
Revenue from local calls	100.0
Revenue from domestic long distance calls	88.6
Revenue from international calls	69.5

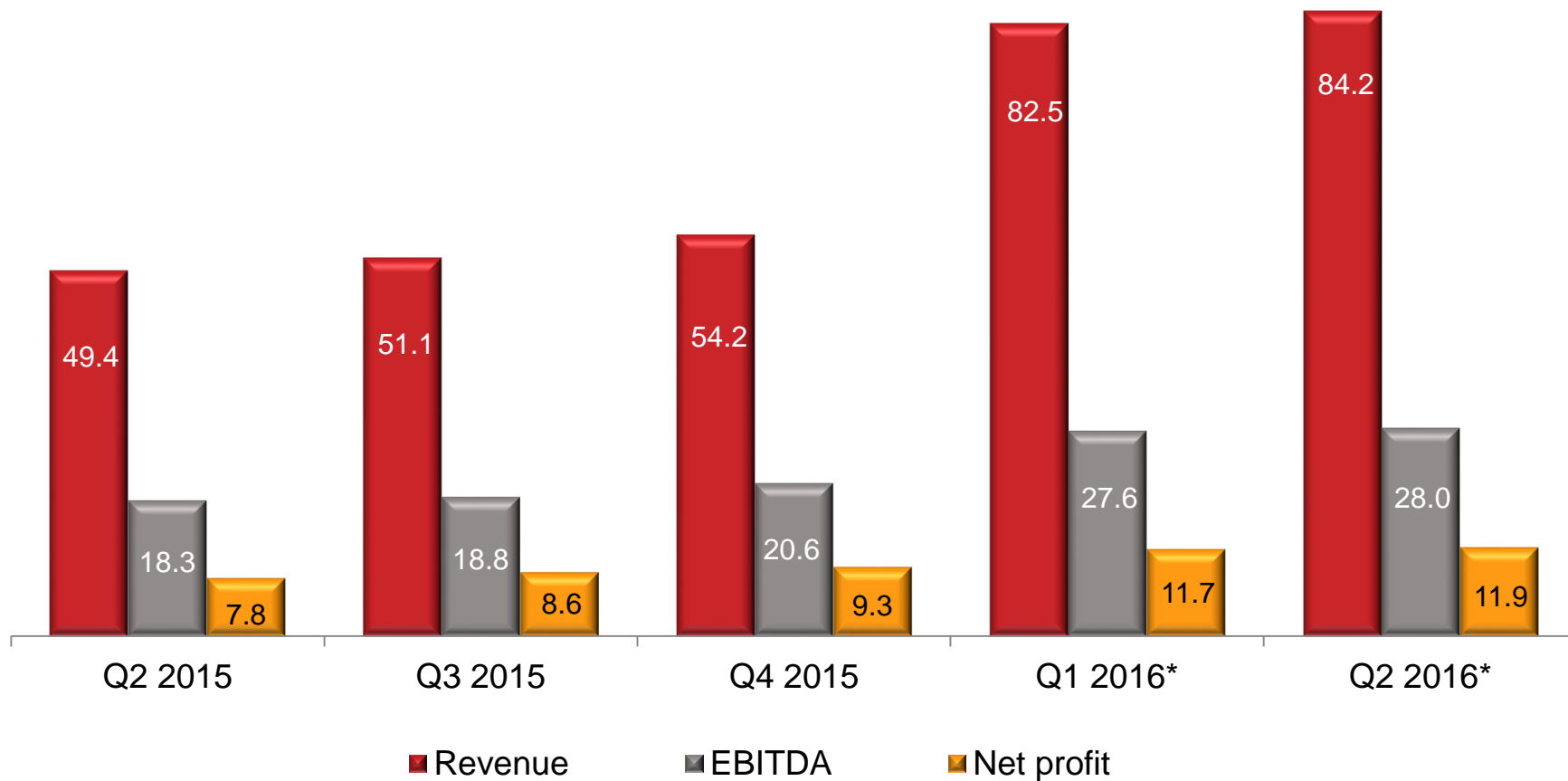
Source: Report of the Communications Regulatory Authority

Financial results

teo

Revenue, EBITDA & Net profit

(EUR million)



Major financial indicators

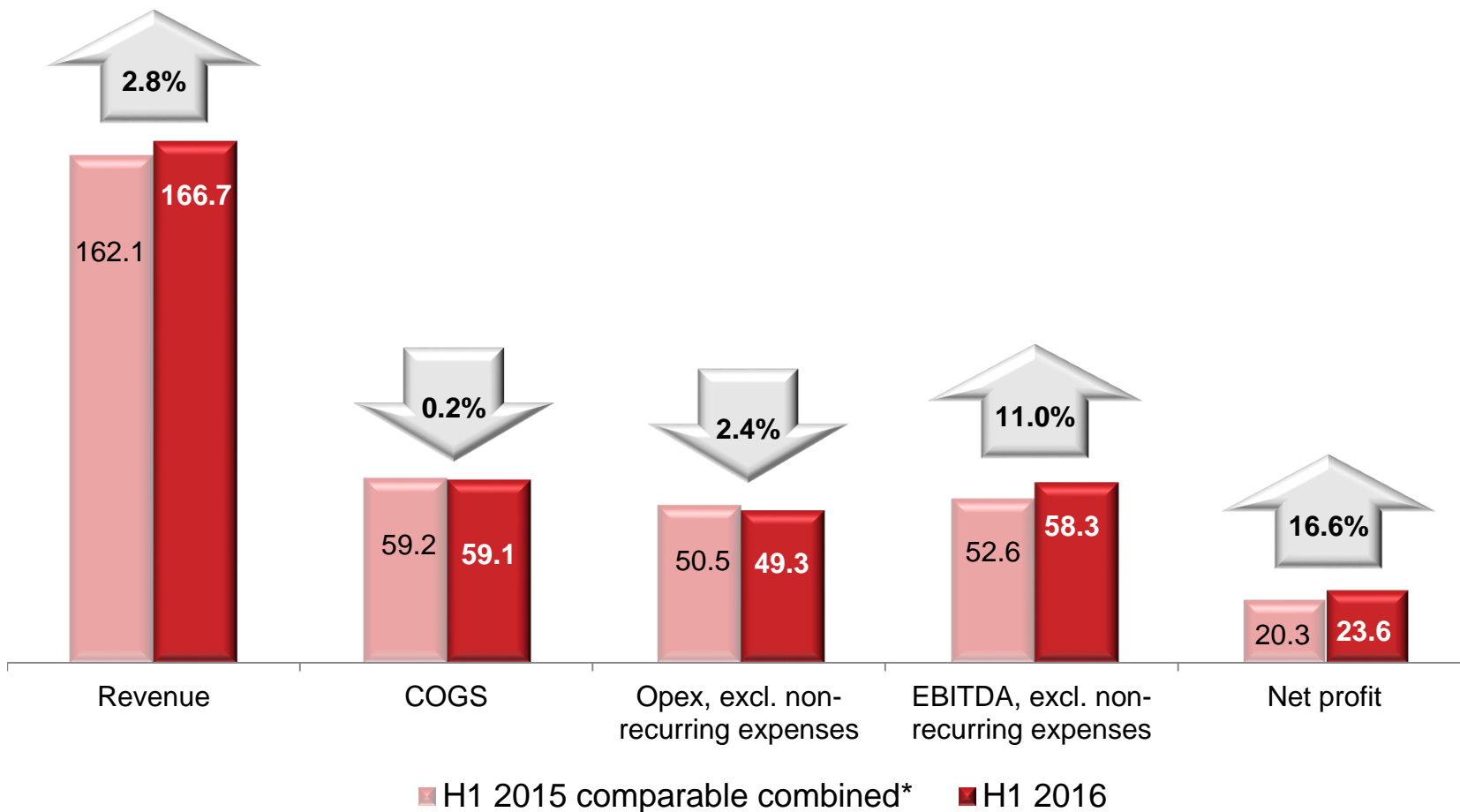
(thousand EUR)	H1 2016	H1 2015 comparable combined*	Change (%)	H1 2015
Revenue	166,712	162,129	2.8	99,365
EBITDA	55,600	50,932	9.2	37,099
EBITDA margin	33.4%	31.4%		37.3%
EBITDA (excluding non-recurring expenses)	58,333	52,554	11.0	38,284
EBITDA (excluding non-recurring expenses) margin	35.0%	32.4%		38.5%
Operating profit (EBIT)	27,923	22,520	24.0	18,526
Operating profit margin	16.7%	13.9%		18.6 %
Profit before income tax	27,247	22,463	21.3	18,307
Profit before income tax margin	16.3%	13.9 %		18.4%
Net profit	23,643	20,268	16.7	16,257
Net profit margin	14.2%	12.5%		16,4%
Earnings per share (EUR)	0.041	0.035		0.028
Average number of shares (thousands)	582,613	582,613		582,613



Note. * The comparable combined data is a data combined by simple aggregation after elimination of intragroup transactions as if Omnitel was the then a part of Teo Group.

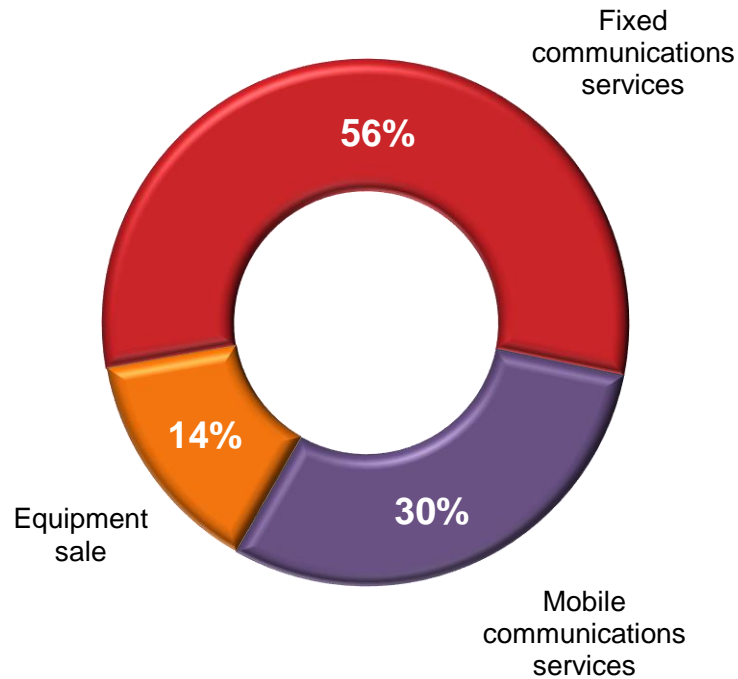
Dynamics of main financial indicators

(EUR million)

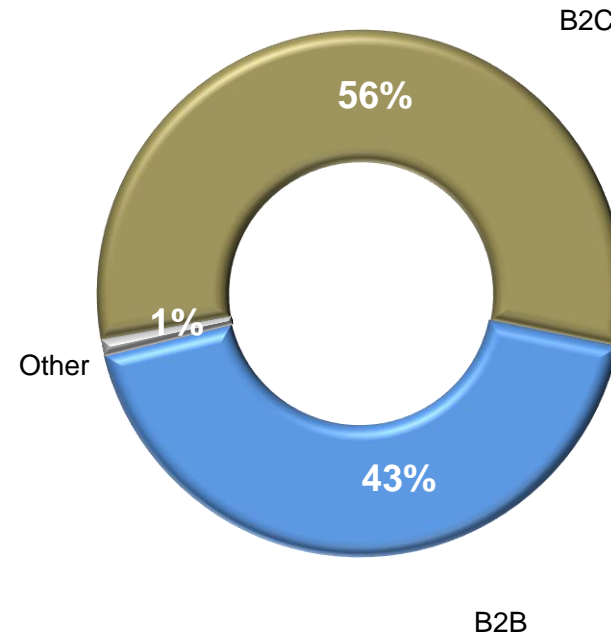


Revenue breakdown (H1 2016)

By group of services

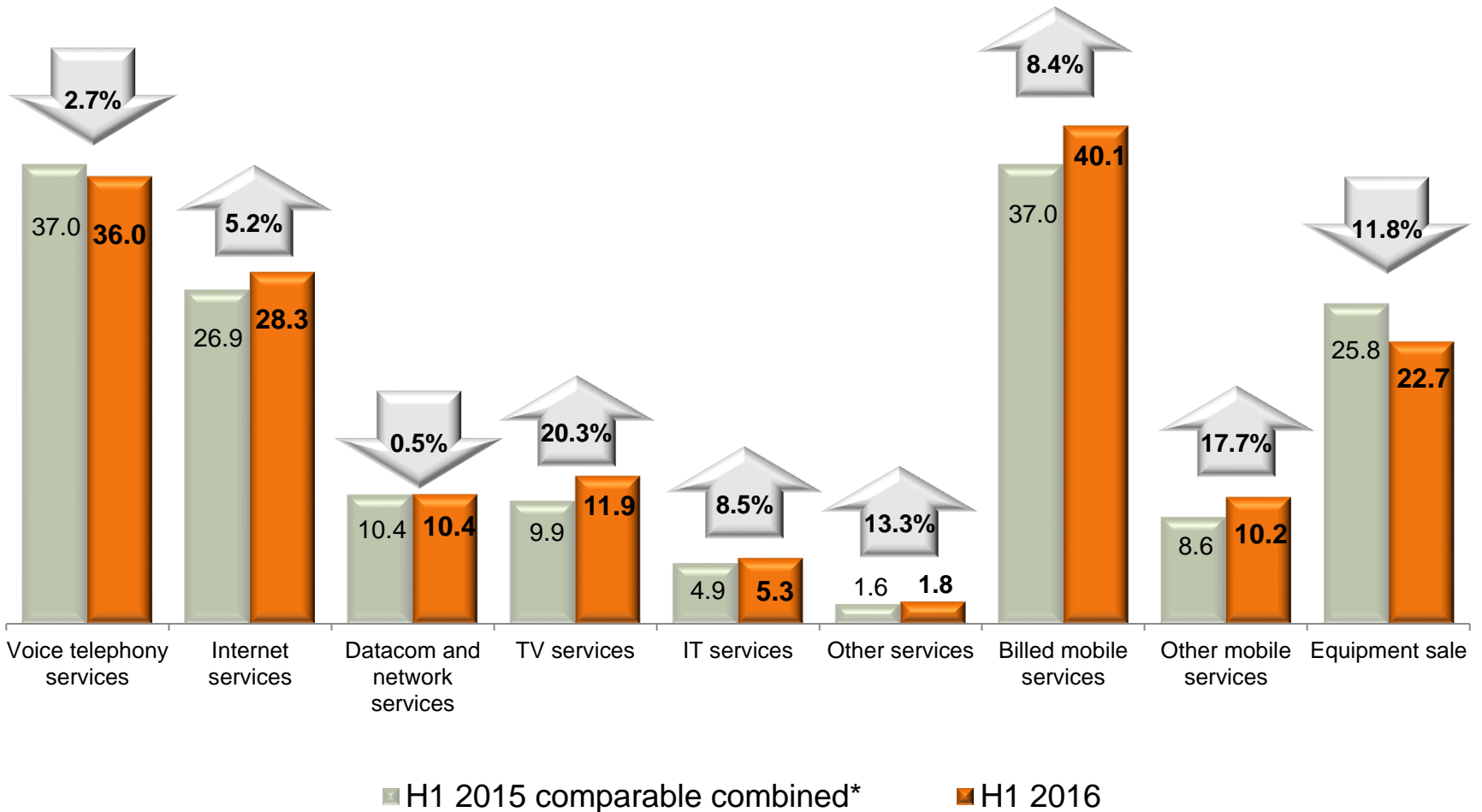


By segments

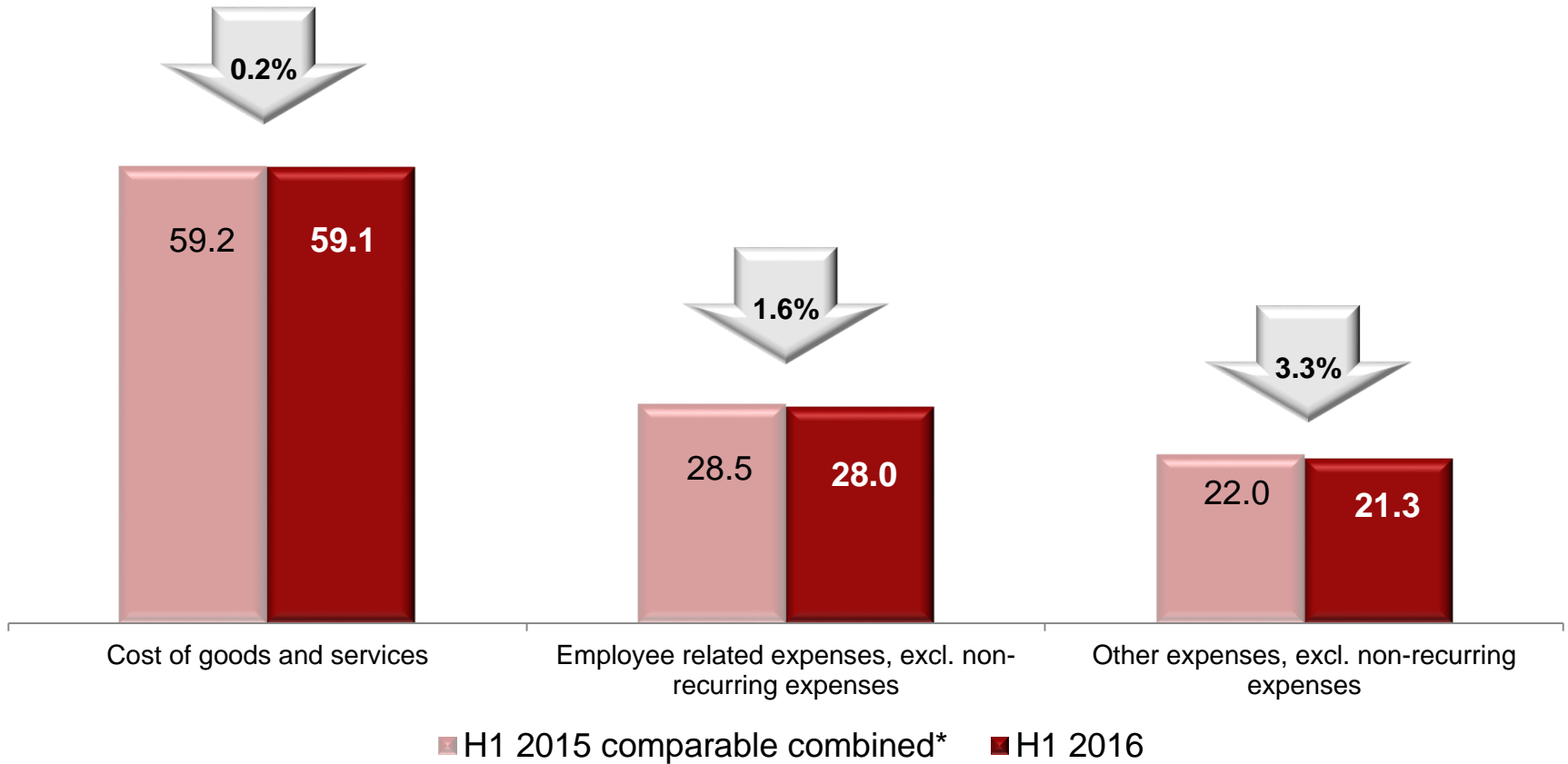


Revenue by services

(EUR million)

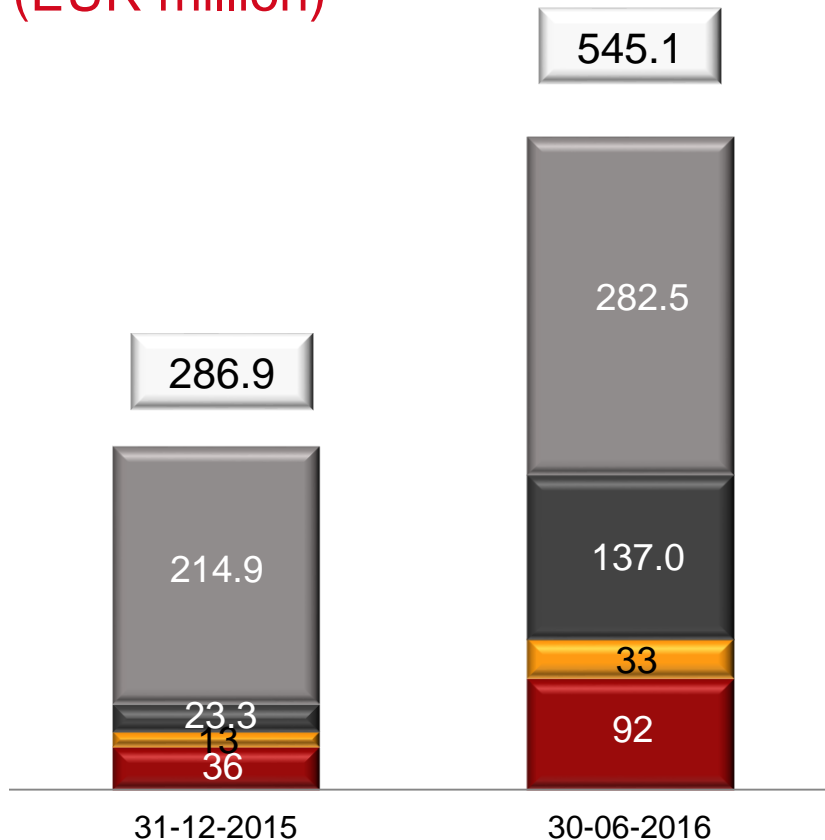


Operating expenses (EUR million)



Assets

(EUR million)

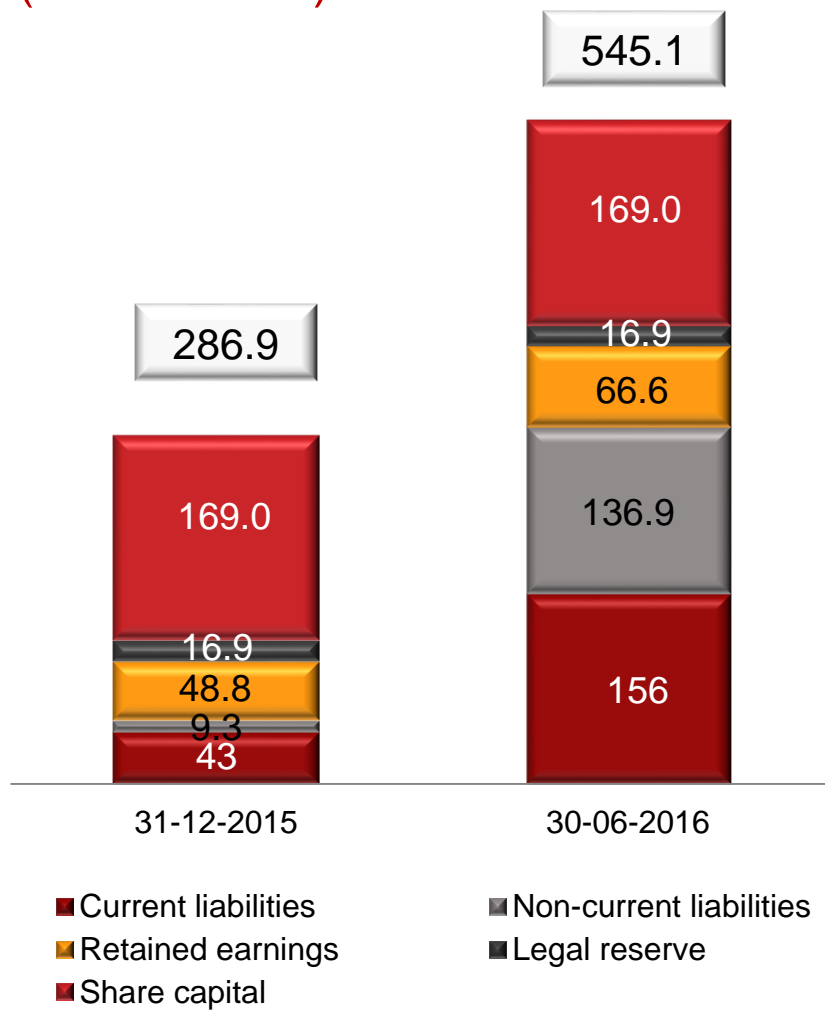


■ Property, plant and equipment ■ Other non-current assets
■ Cash and investments ■ Other current assets

- **Assets increased by 1.9 times** due to acquisition of Omnitel
- **Non-current assets** amounted to 77% of total assets (30-06-2016)
- **Cash** alone amounted to 6.1%
- **Return on capital employed:** 11.8%
- **Return on average assets:** 10.2%

Equity and liabilities

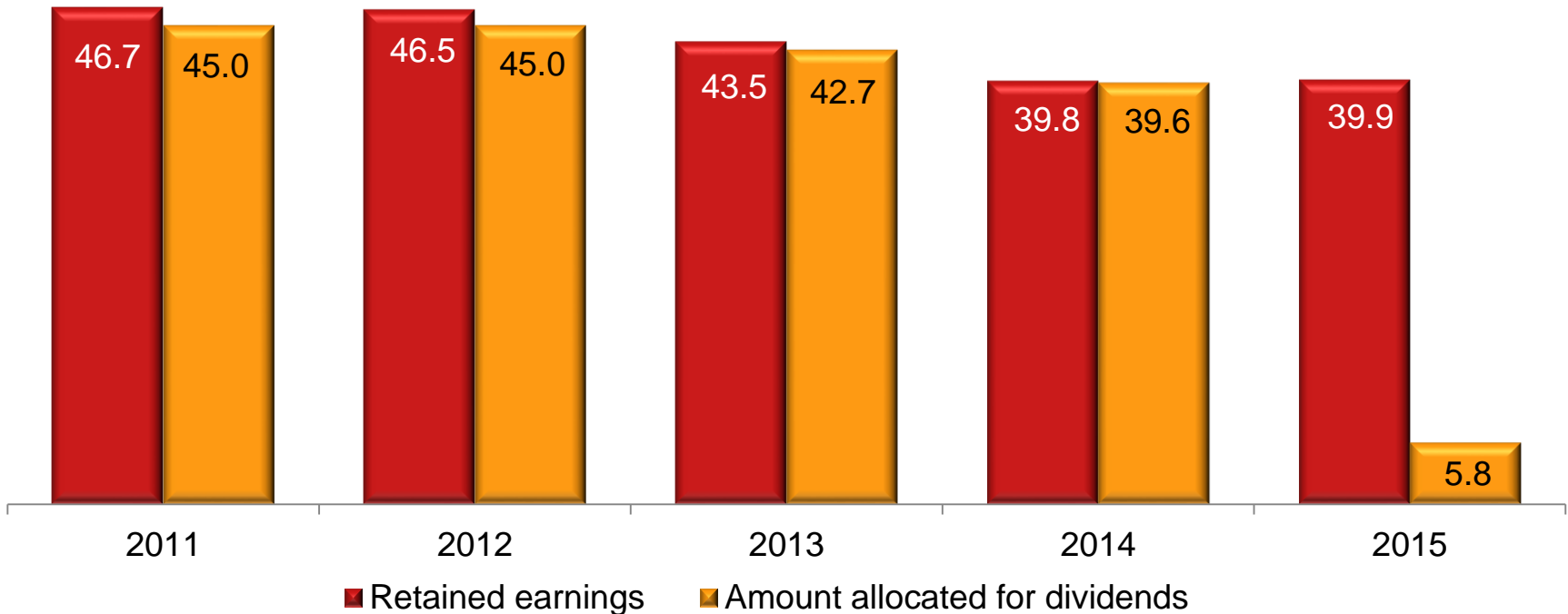
(EUR million)



- **Shareholders' equity** amounted to 46.3% of the total assets (30-06-2016)
- 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 227 million (30-06-2016)
- **Gearing ration:** 76.8%
- **Debt to equity:** 89.9%
- **Return on equity:** 18.7%
- On 26 April 2016 shareholders decided to **allocate the profit for the year 2015: EUR 5.8 million** was allocated for dividends and **EUR 34 million** as not distributed profit was carried forwards to the next financial year

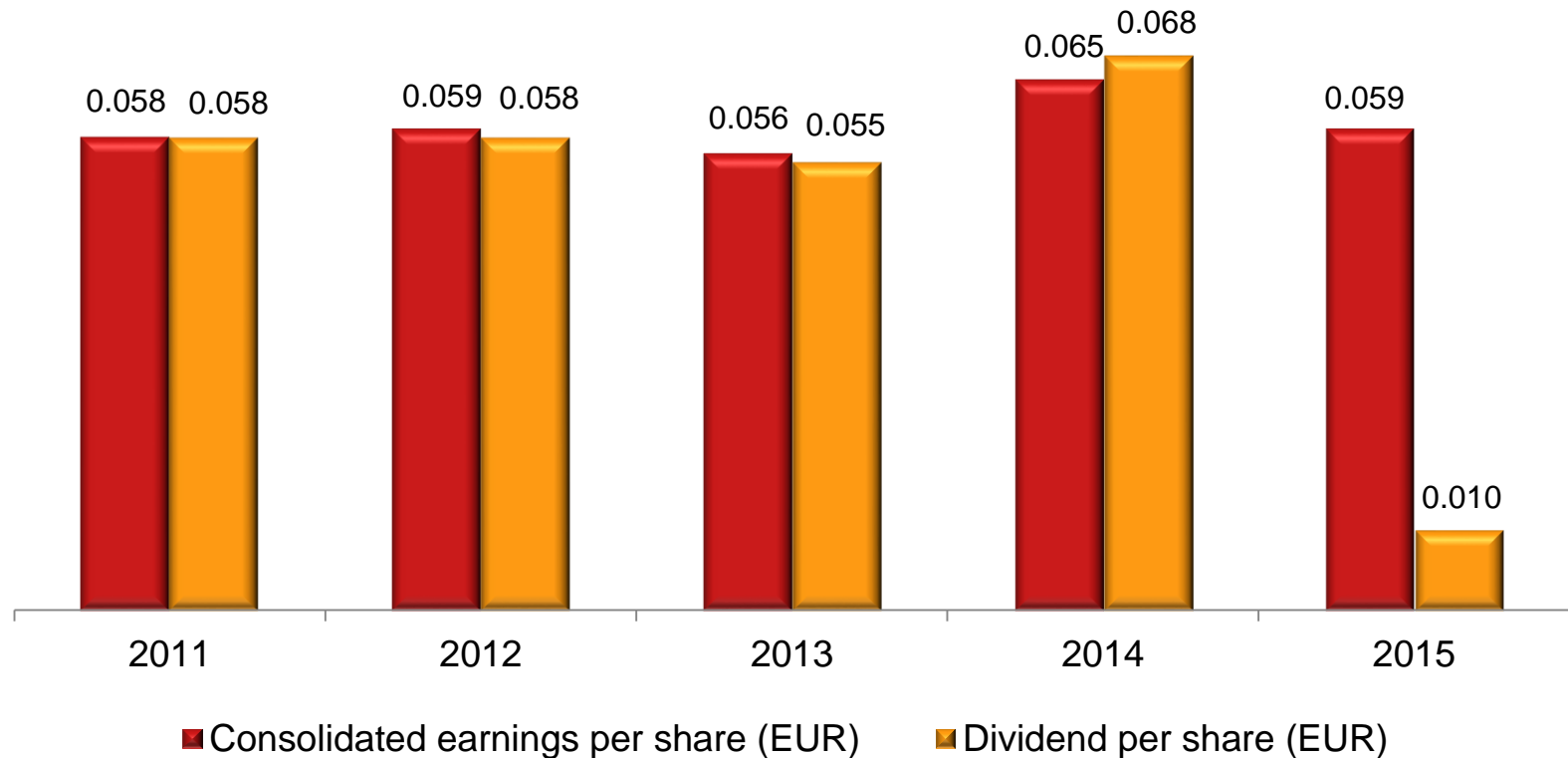
Teo retained earnings vs dividends

(EUR million)



- Following the Lithuanian Law on Company dividends shall be paid **from the Parent company's retained earnings**
- On 26 April 2016 shareholders decided to **allocate the profit for the year 2015: EUR 5.8 million** was allocated for dividends and **EUR 34 million** as not distributed profit was carried forwards to the next financial year

Dividend payout



- Earnings and dividends till 2014 are allocated to 776,817,518 shares, from 2014 – to 582,613,138 shares
- On 17 November 2014 shareholders got **0.072 euro per share payment due to reduction of authorized capital**

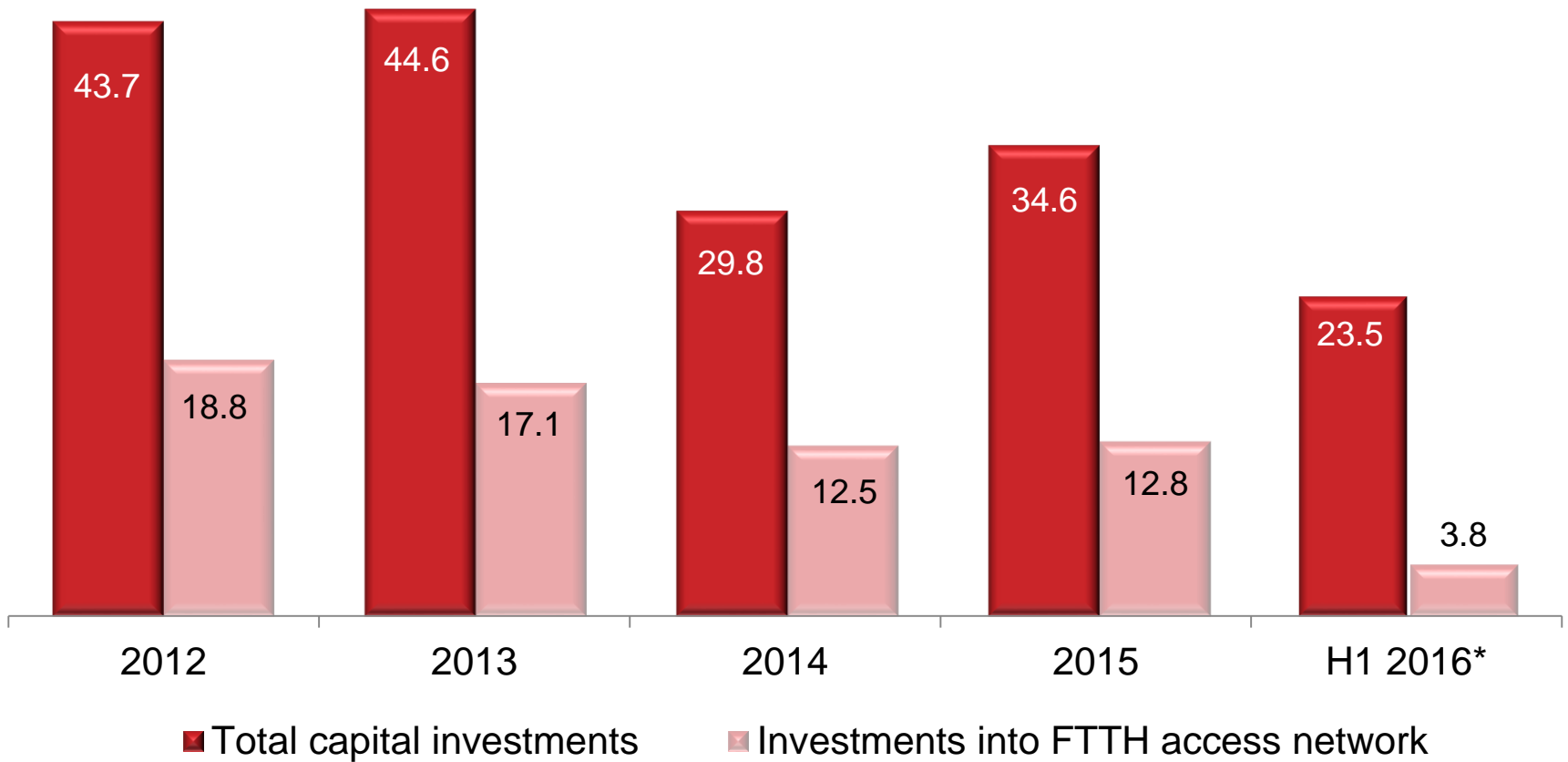
Cash flow

(thousand EUR)	6 months of 2016	6 months of 2015
Net cash from operating activities	51,683	30,655
Net cash used in investing activities	(160,474)	(16,025)
Net cash used in financing activities	129,113	(14,770)
Increase in cash and cash equivalents	20,322	(140)

- **Free Cash Flow** during 6 months of 2016 was by 1.4 times higher than a year go.
- **Investments** during 6 months of 2016 amounted to EUR 23.5 million (EUR 17.6 million a year ago)
- EUR 10.5 million went to expansion of the **core and fiber-optic access network**
- EUR 7.2 million invested into **development of mobile network** and EUR 5.6 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 30 June 2016

	Part of shares and votes
Telia Company AB	88.15%
Others	11.85%

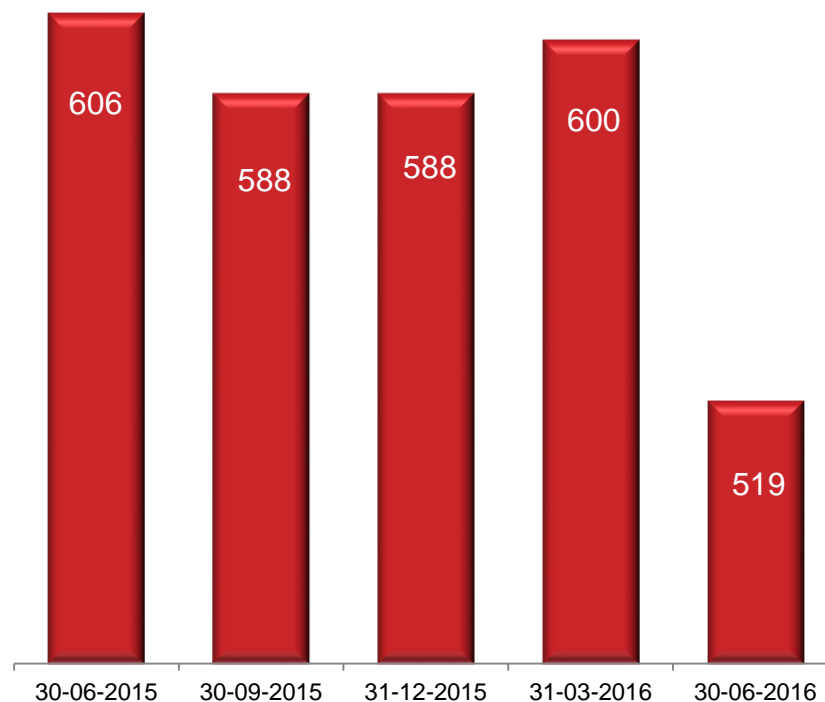
- On **24 October 2014**, authorized **capital was reduced** by LTL 194 million and accordingly **number of voting shares** was reduced from 776,817,518 to **582,613,138**

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-June 2016: 2.8 million of shares or EUR 2.7 million
- Share **price** on Nasdaq Vilnius:

	EUR
01-01-2016	1.010
High	1.030
Low	0.879
30-06-2016	0.890

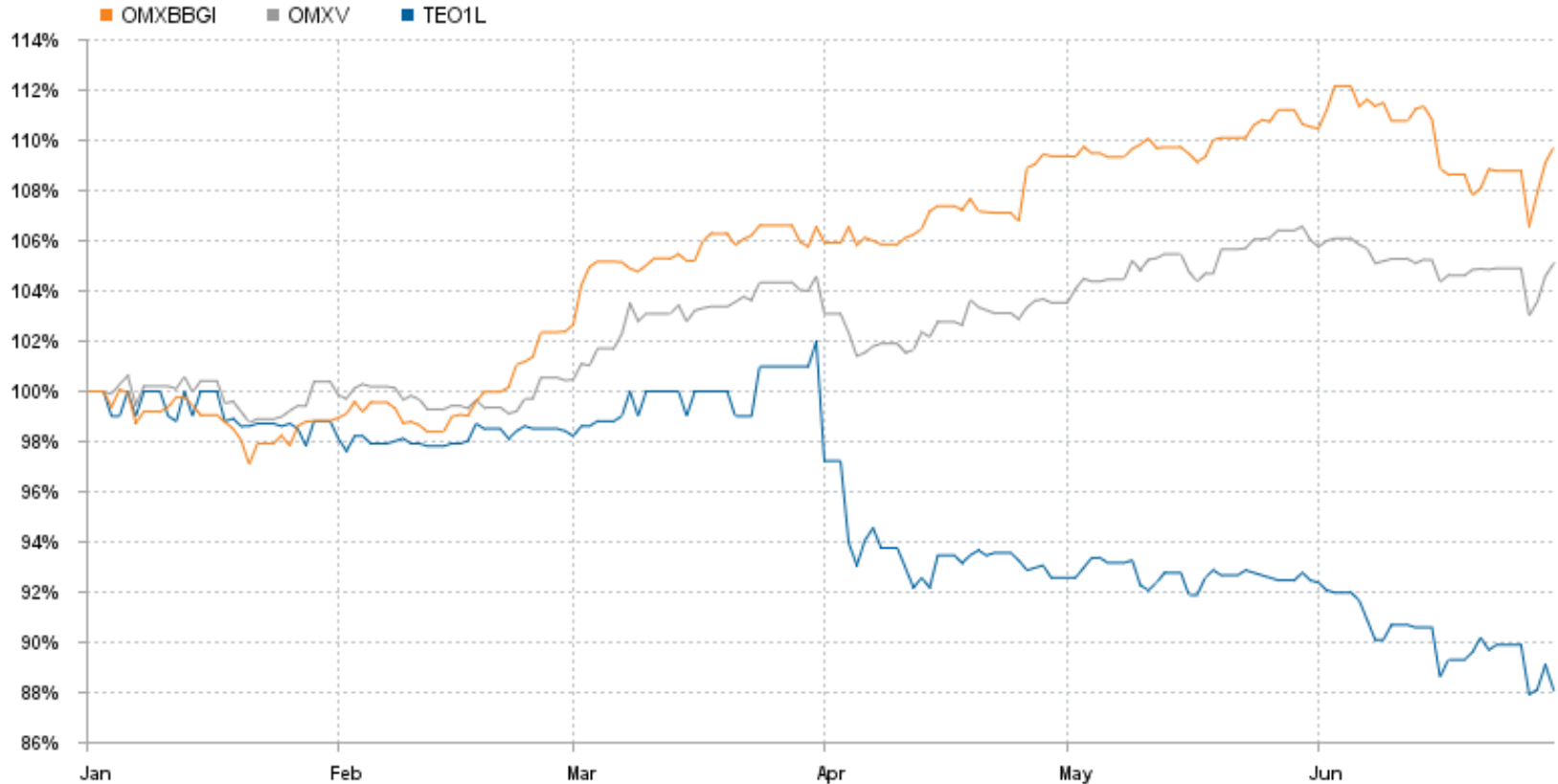
Market capitalisation (EUR million)



Trading in Teo shares on Nasdaq Vilnius stock exchange in 2016



Teo share price and Nasdaq Vilnius indexes comparison



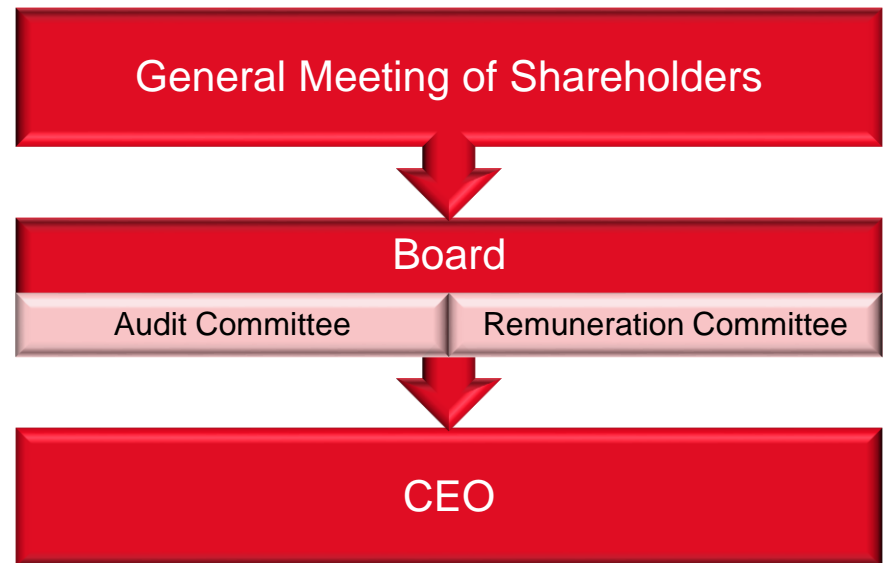
Source: Nasdaq Vilnius

Corporate governance

teo

Governing bodies

- The **Annual General Meeting** of Shareholders was 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, 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**



Teo Board



Robert Andersson (born in 1960),
Chairman of the Board
represents Telia Company AB,
Chairman of the Remuneration
Committee



Hannu-Matti Mäkinen (born in
1970)
Member of the Board
represents Telia Company AB



Stefan Block (born in 1967),
Member of the Board
represents Telia Company AB,
Chairman of the Audit Committee



Inga Skisaker (born in 1971),
Independent member of the
Board,
Member of the Audit Committee



Claes Nycander (born in 1963),
Member of the Board
represents Telia Company AB,
Member of the Audit Committee

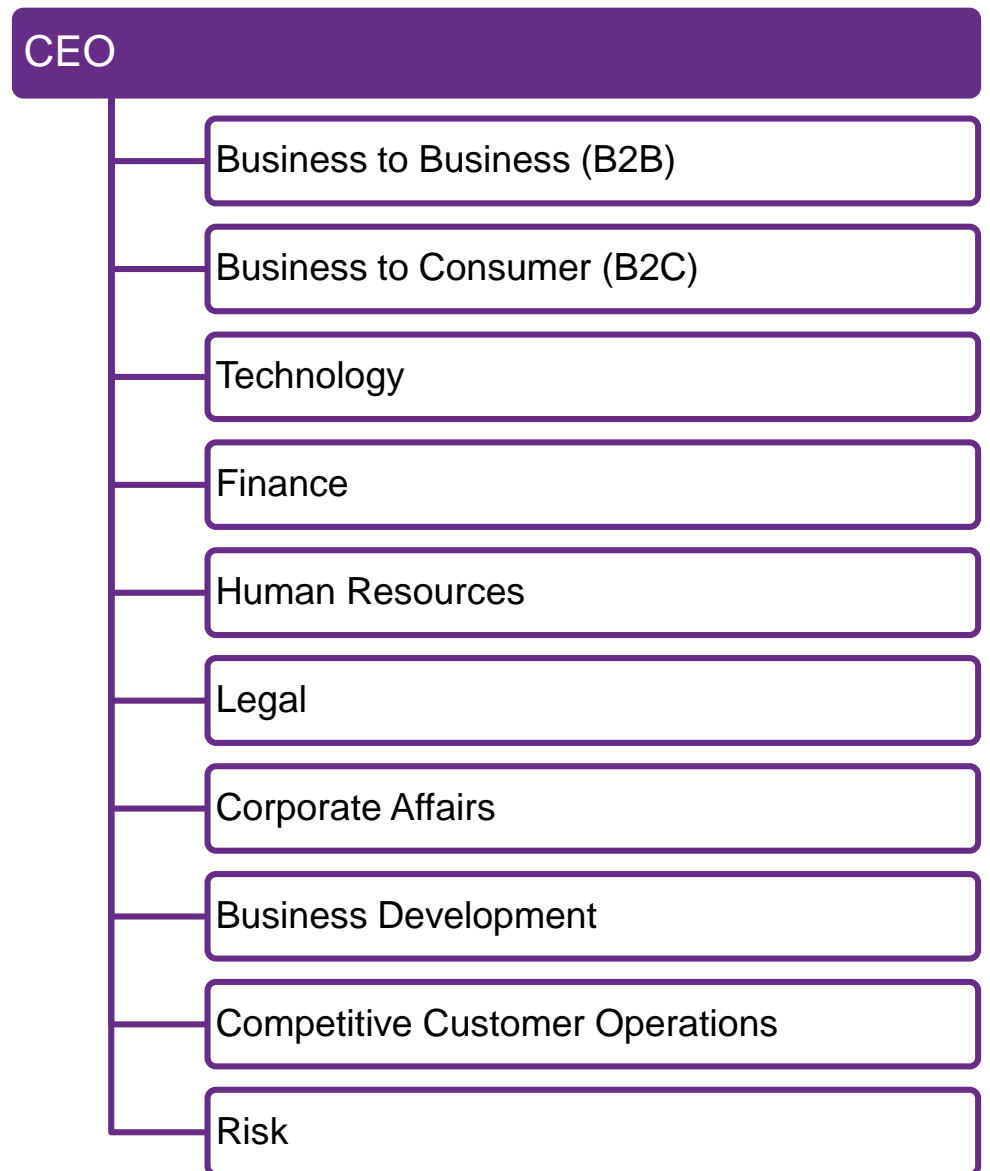


Rolandas Viršilas (born in 1963)
Independent member of the
Board,
Member of the Remuneration
Committee

- Rolandas Viršilas has 75,000 shares of Teo, other members of the Board have no direct interest in the share capital of Teo

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**

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Thank you!