

RESULTS FOR THE 12 MONTHS OF 2014



teo

Main events and figures

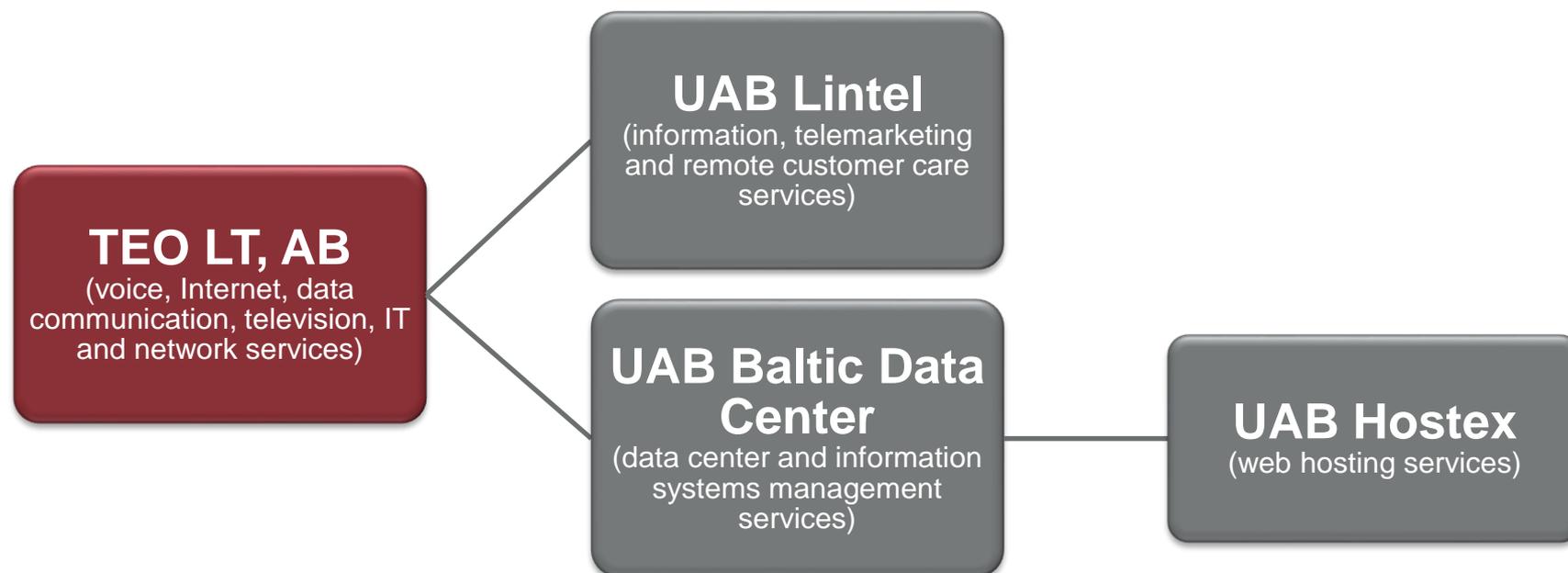
Highlights of Q4 2014

- On 20 October 2014, **authorized capital** of TEO was **reduced by LTL 194 million** by cancelling 194 million shares and paying out LTL 194 million to the shareholders on 17 November 2014
- “Smart TEO television” was awarded with **Gold Medal** during the contest “Lithuanian Product of the Year 2014”
- Internet TV service “**Interneto.tv**” was offered as separate service to everyone
- Number of TEO **fiber Internet connections** exceeded 200 thousand
- New service for business customers, “**Internet everywhere**”, was launched in December
- New **CCTV systems** implemented in Trakai and Akmenės districts



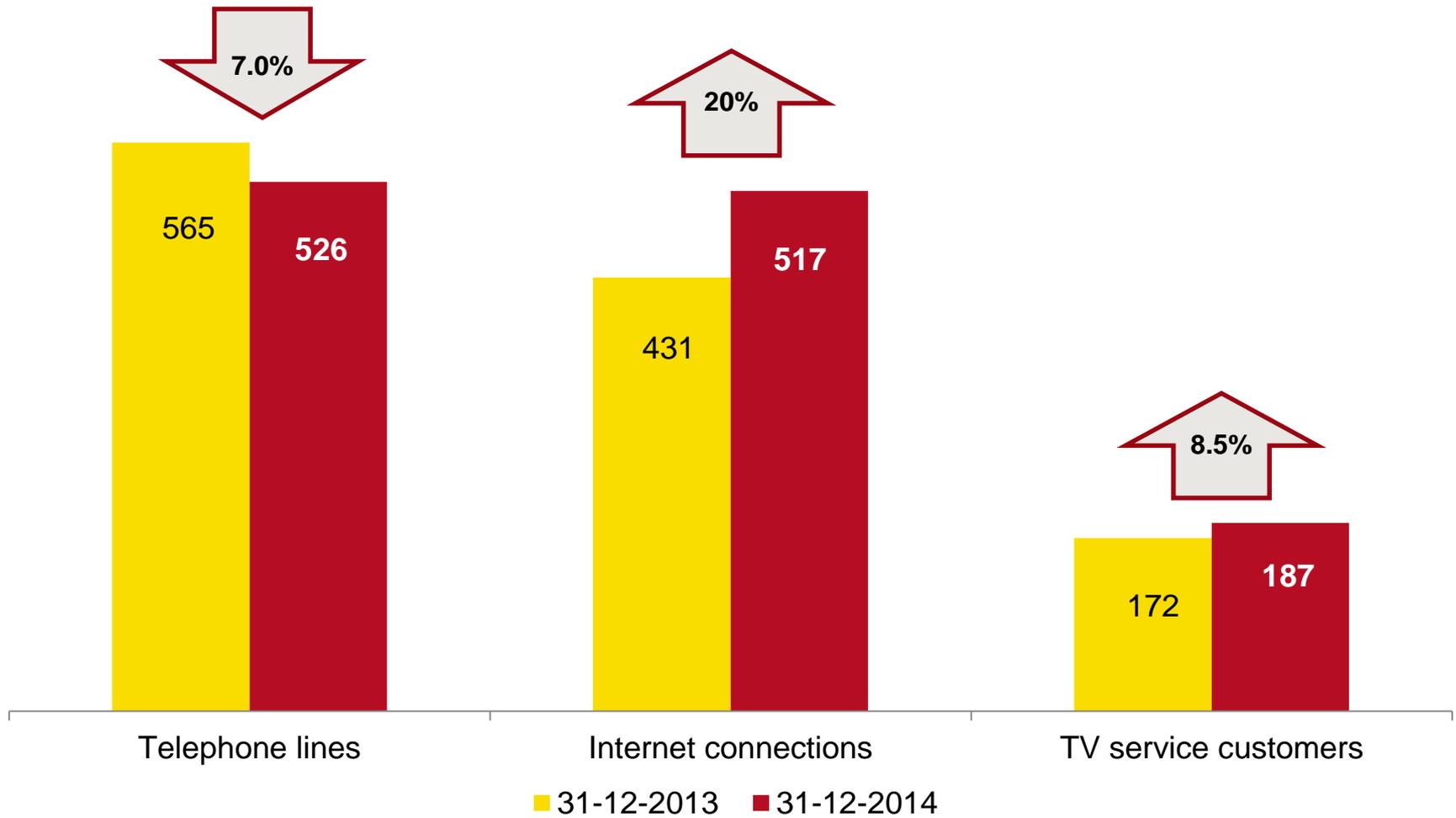
For the six year in a row, TEO is recognized as the best among the companies listed on NASDAQ OMX Baltic stock exchanges during the Baltic Corporate Excellence Awards 2014

TEO group



- **TEO** also holds 100% stakes in **UAB Verslo Investicijos** (investment project) and **UAB Kompetencijos Ugdymo Centras** (dormant subsidiary), and is the sole owner of a not-for-profit organization **VšĮ Ryšių Istorijos Muziejus** (Communications History Museum)
- In September 2014, **TEO** together with Bitė Lietuva, Tele2 and Omnitel established not-for-profit organization **VšĮ Numerio Perkėlimas** (“Number Portability”)
- **UAB Baltic Data Center** has a dormant subsidiary in Latvia
- **UAB Hostex** has a dormant subsidiary **UAB Hosting**

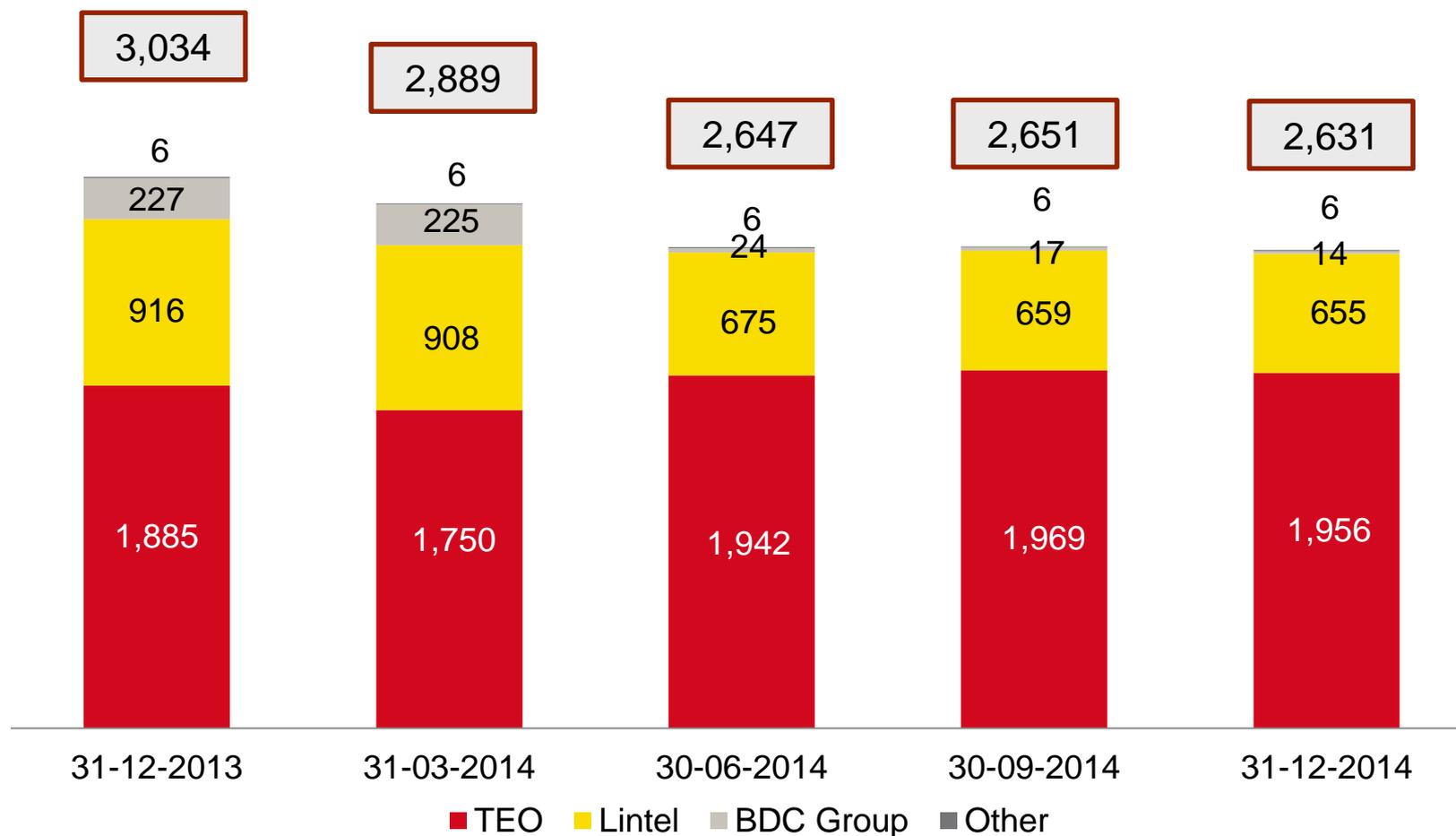
Main operating figures (thousands)



Main operating figures

	31-12-2014	31-12-2013	Change (%)
Number of telephone lines	525,879	565,327	(7.0)
Number of broadband Internet accesses, in total:	517,266	430,911	20.0
- via fiber-optic lines	200,539	180,154	11.3
- via copper lines	170,059	176,505	(3.7)
- wireless (WiFi) access	146,668	74,252	97,5
Number of TV services users, in total:	186,935	172,308	8.5
- IPTV	131,493	106,228	23.8
- DVB-T	55,442	66,080	(16.1)
Number of employees	2,631	3,034	(13.3)

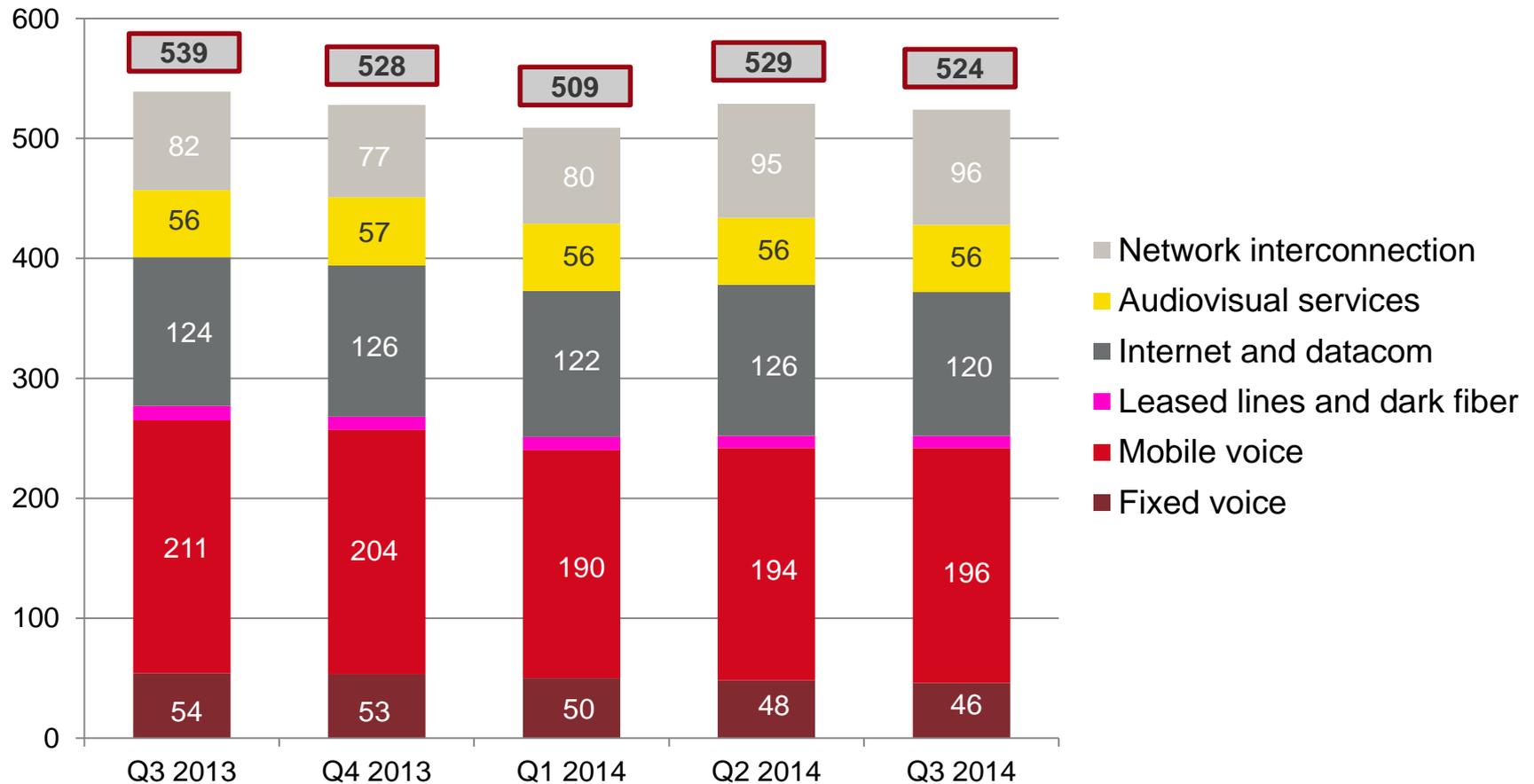
Employees of TEO Group



Electronic communications market of Lithuania

Telecommunication market in Lithuania

(LTL million)



Source: Report of the Communications Regulatory Authority

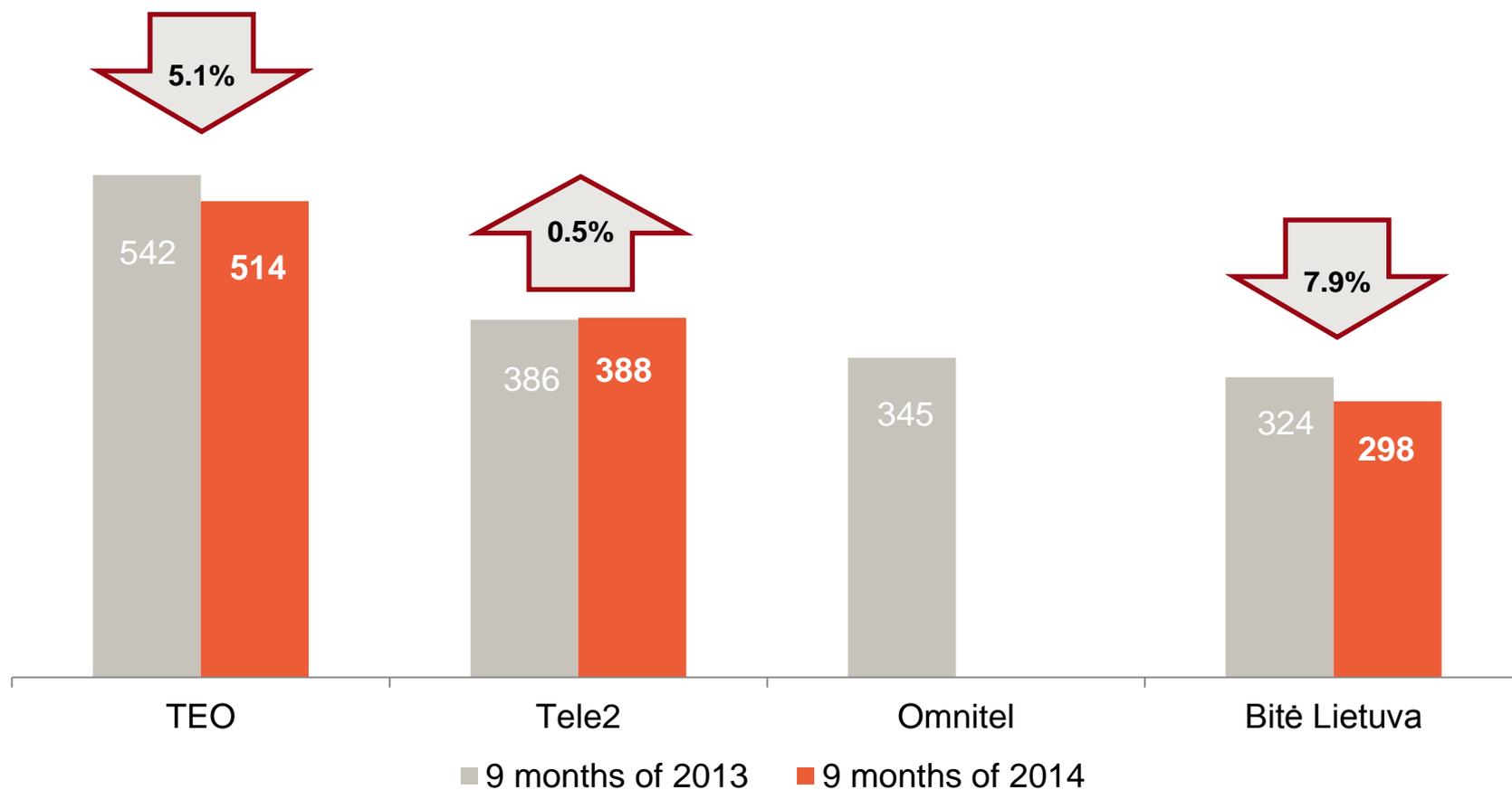
Main market figures

	30-09-2014	30-09-2013	Change (%)
Total market revenue (LTL million)	1,561.8	1,616.0	(3.4)
Number of telephone lines per 100 inhabitants	19.8	21.2	
Number of mobile voice subscribers per 100 inhabitants	152.9	169.0	
Number of Internet access subscribers	1,221,585	1,125,561	8.5
Number of broadband Internet access subscribers per 100 inhabitants	41.7	38.1	
Number of fixed Internet access subscribers per 100 inhabitants	31.3	27.8	
Number of pay-TV subscribers	718,676	728,250	(1.3)
Number of digital pay-TV subscribers per 100 households	32.7	31.3	
Total market investments (LTL million)	190.0	184.9	2.8

Source: Report of the Communications Regulatory Authority

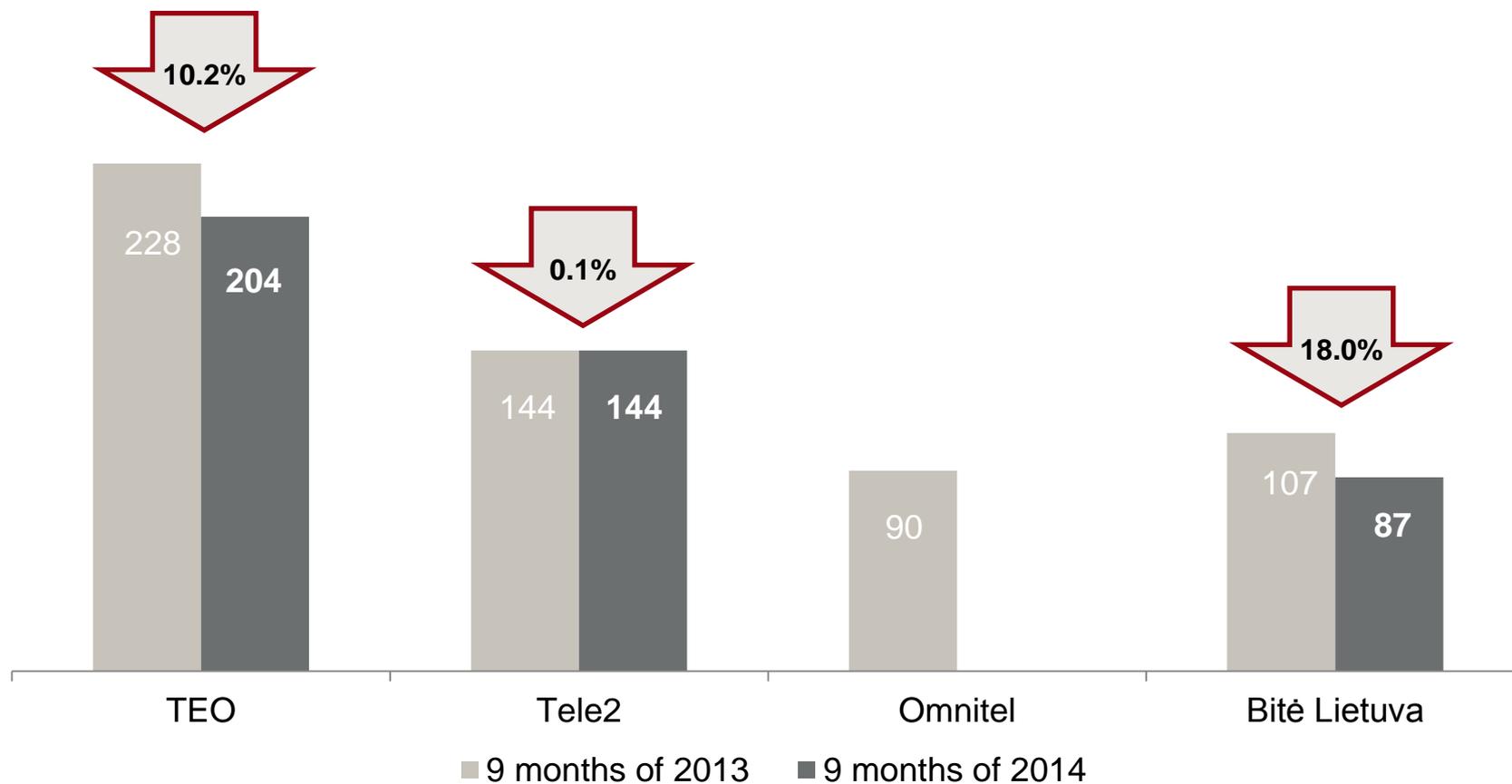
Main market players' revenue changes

(LTL million)

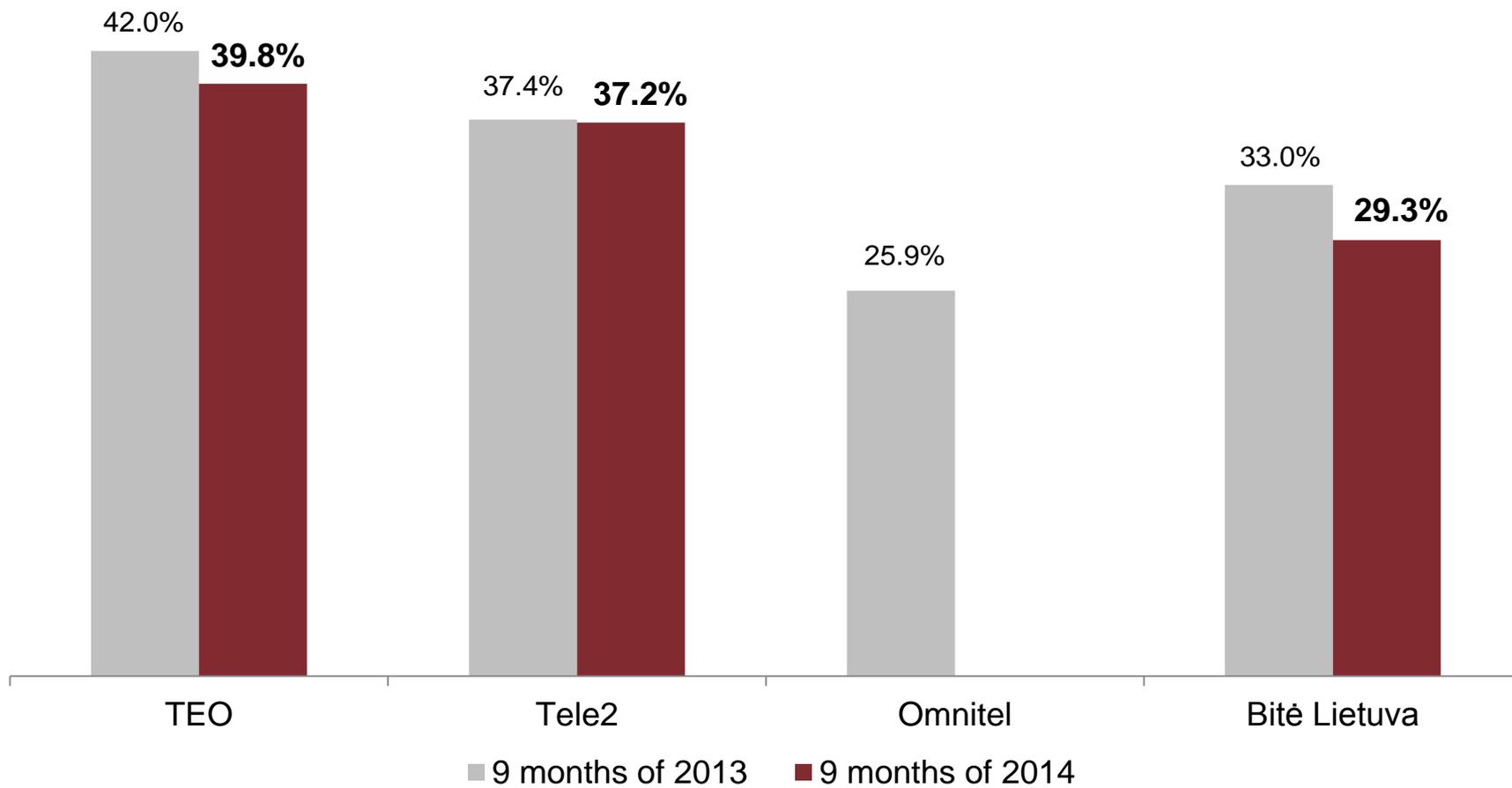


Main market players' EBITDA changes

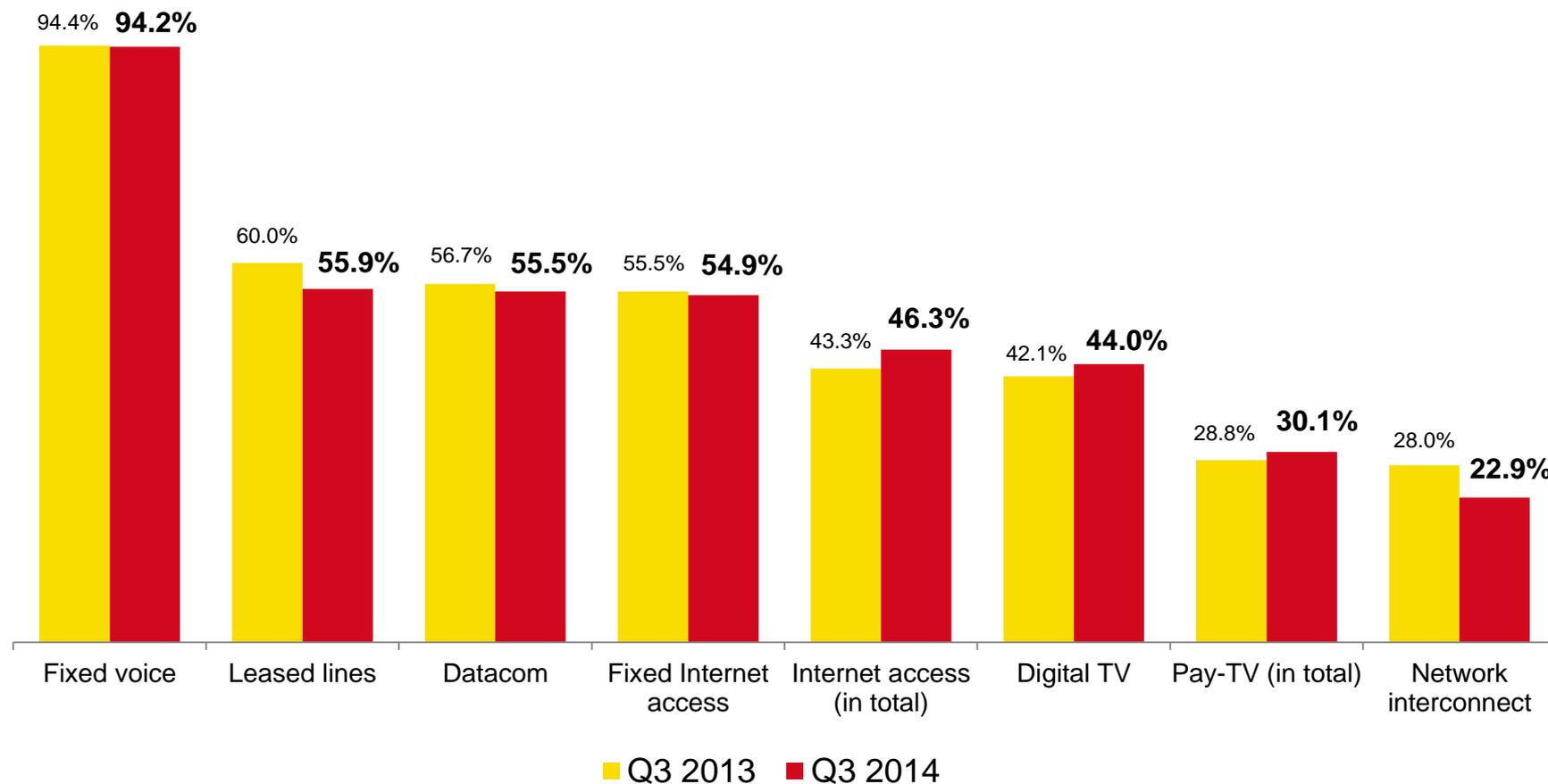
(LTL million)



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	Market revenue 9 months 2014 (LTL million)	Change from 9 months 2013 (%)	Number of market players	TEO share in Q3 2014 (%)
Fixed voice	143.7	(13.9)	46	94.2
Internet access	304.9	(0.5)	107	46.3
Network interconnection	271.8	12.5	>5	22.9
Pay-TV	155.7	0.4	47	30.1
Data communication	63.9	0.5	18	55.5
Leased lines	14.7	(13.1)	9	55.9
TV and radio program transmission	11.2	(4.2)	5	n/a
Dark fiber	15.9	(10.3)	16	n/a
Mobile voice	580.0	(8.8)	3+10	-

Source: Report of the Communications Regulatory Authority

Fixed voice telephony market in Lithuania (Q3 2013)

- **46 companies** are providing fixed voice services:
 - 35 provide national and international calls
 - 4 – only international calls
 - 7 – only wholesales (transit) services
- 33 companies are using **IP network**, 16 of them – CATV and data communication networks
- Number of alternative operators' subscribers: **58.2 thousand** or 9.9% of total subscribers' number

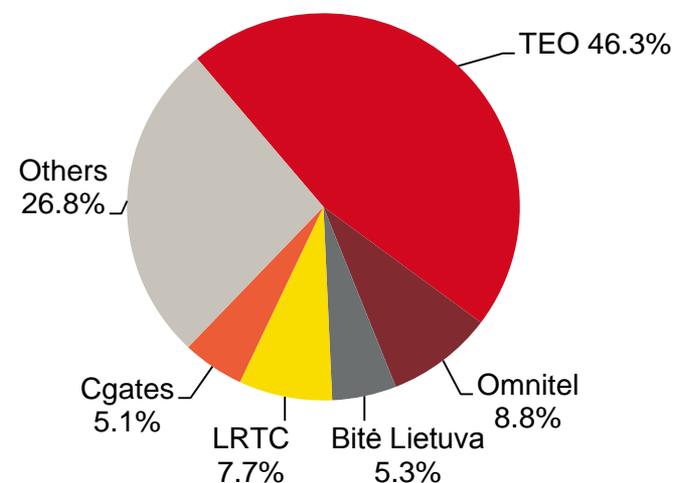
TEO market share (Q3 2014) in terms of:	(%)
Total number of customers	90.1
Total traffic	92.8
Revenue from local calls	100.0
Revenue from domestic long distance calls	91.0
Revenue from international calls	75.4

Source: Report of the Communications Regulatory Authority

Internet access market in Lithuania (Q3 2014)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber-optic	466	9.3
Via mobile network	305	(0.1)
DSL	171	(4.1)
Wireless	230	43.0
Via CATV network	38	(7.6)
Via LAN	12	(17.0)
Total:	1,222	8.5

Q3 2014 revenue by service providers

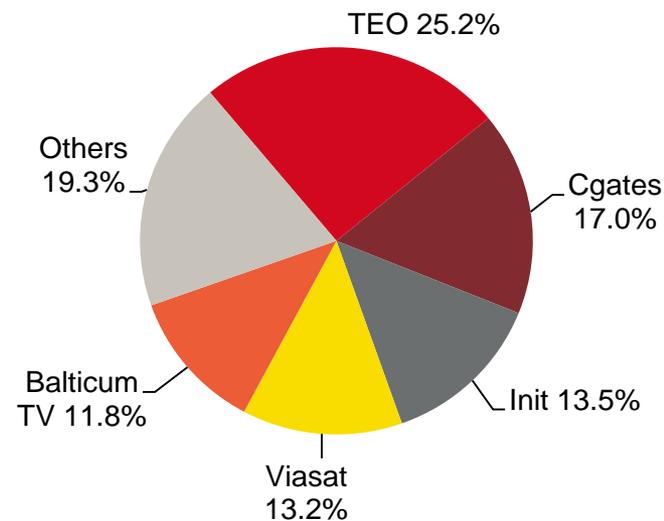


Source: Report of the Communications Regulatory Authority

Pay TV market in Lithuania (Q3 2014)

Access type	Number of users ('000)	Change, y-o-y (%)
Analogue CATV	294	(7.6)
Digital CATV	120	9.9
IPTV	138	20.9
Satellite	95	(6.5)
DVB-T	59	(15.8)
MVDS	14	(14.0)
Total:	719	(1.3)

Breakdown of users by service providers

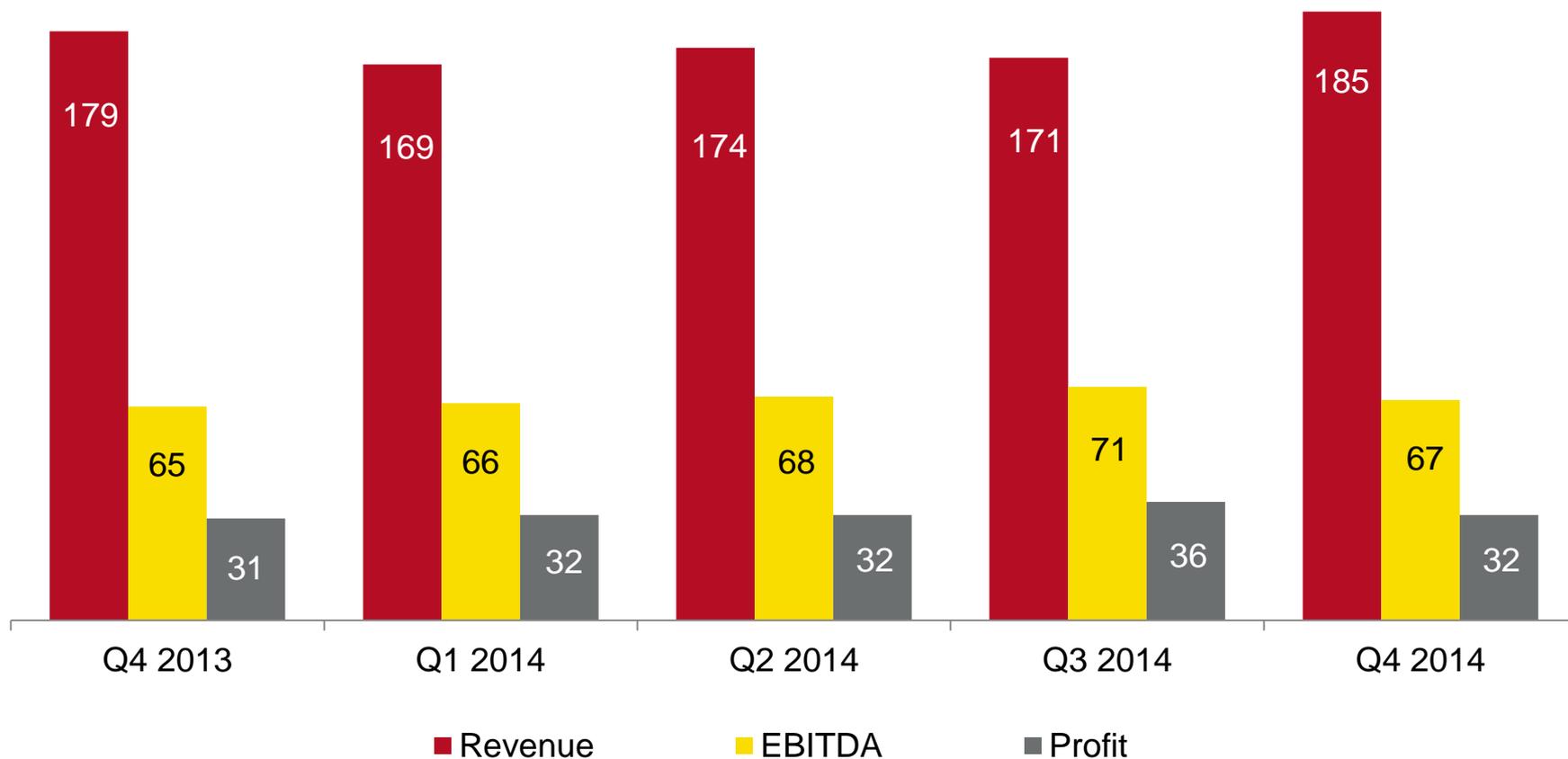


Source: Report of the Communications Regulatory Authority

Financial results

Revenue, EBITDA & net profit

(LTL million)

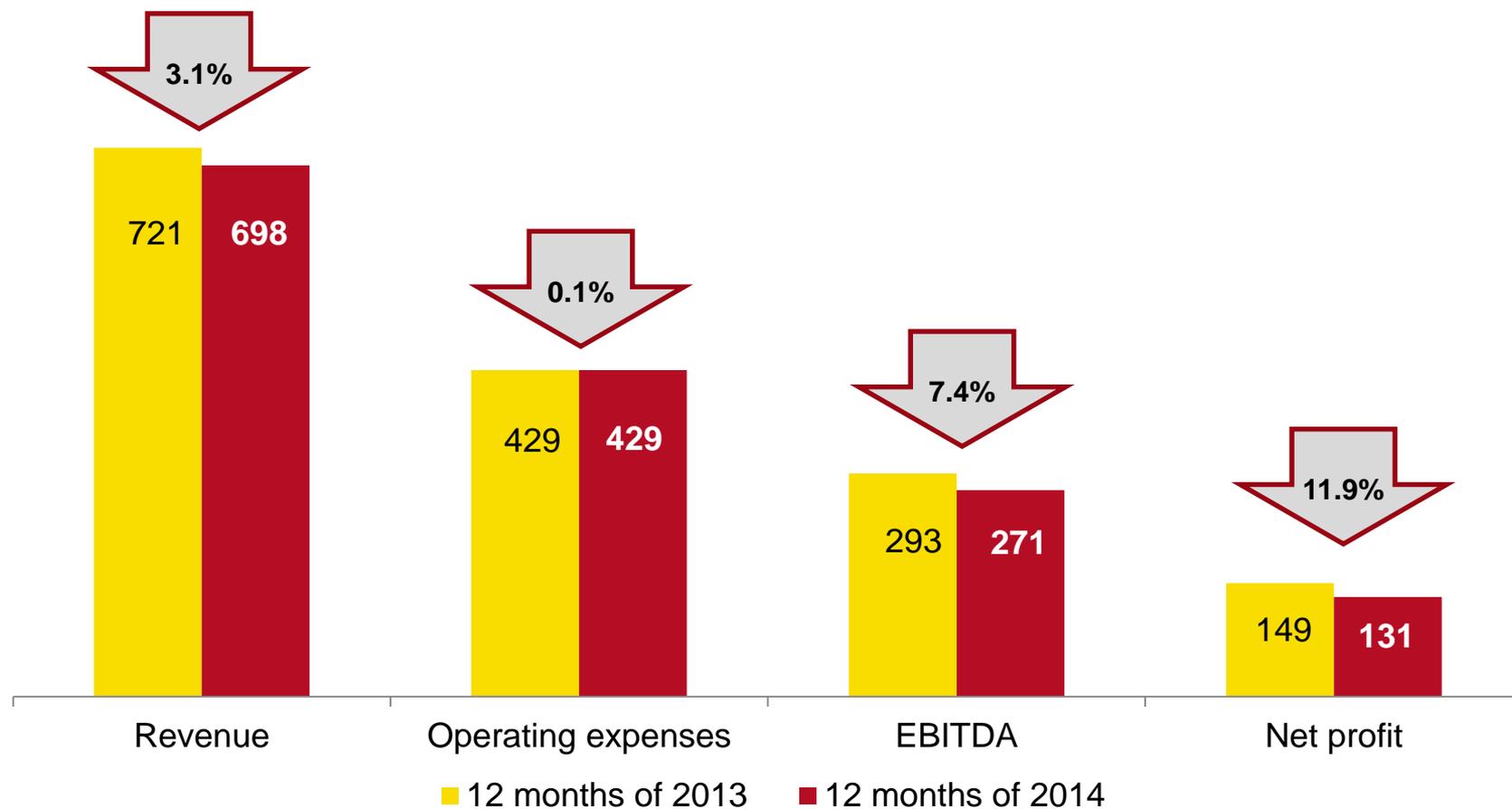


Major financial indicators

(thousand LTL)	Q4 2014	Q4 2013	Change (%)	12m 2014	12m 2013	Change (%)
Revenue	184,505	178,803	3.2	698,450	720,589	(3.1)
Operating expenses	118,171	114,039	3.6	429,068	428,306	(0.1)
EBITDA	66,656	65,129	2.3	271,052	292,737	(7.4)
EBITDA margin	36.1%	36.4%		38.8%	40.6%	
<i>EBITDA excl. non-recurring items</i>	67,974	65,668	3.5	287,081	297,999	(3.7)
<i>EBITDA margin excl. non-recurring items</i>	36.8%	36.7%		41.1%	41.4%	
Operating profit	35,321	34,194	3.3	146,269	165,083	(11.4)
Operating profit margin	19.1%	19.1%		20.9%	22.9%	
Net profit	32,092	30,921	3.8	131,465	149,151	(11.9)
Profit margin	17.4%	17.3%		18.8%	20.7%	
Earnings per share (LTL)	0.055	0.040		0.226	0.192	

Dynamics of TEO main financial indicators

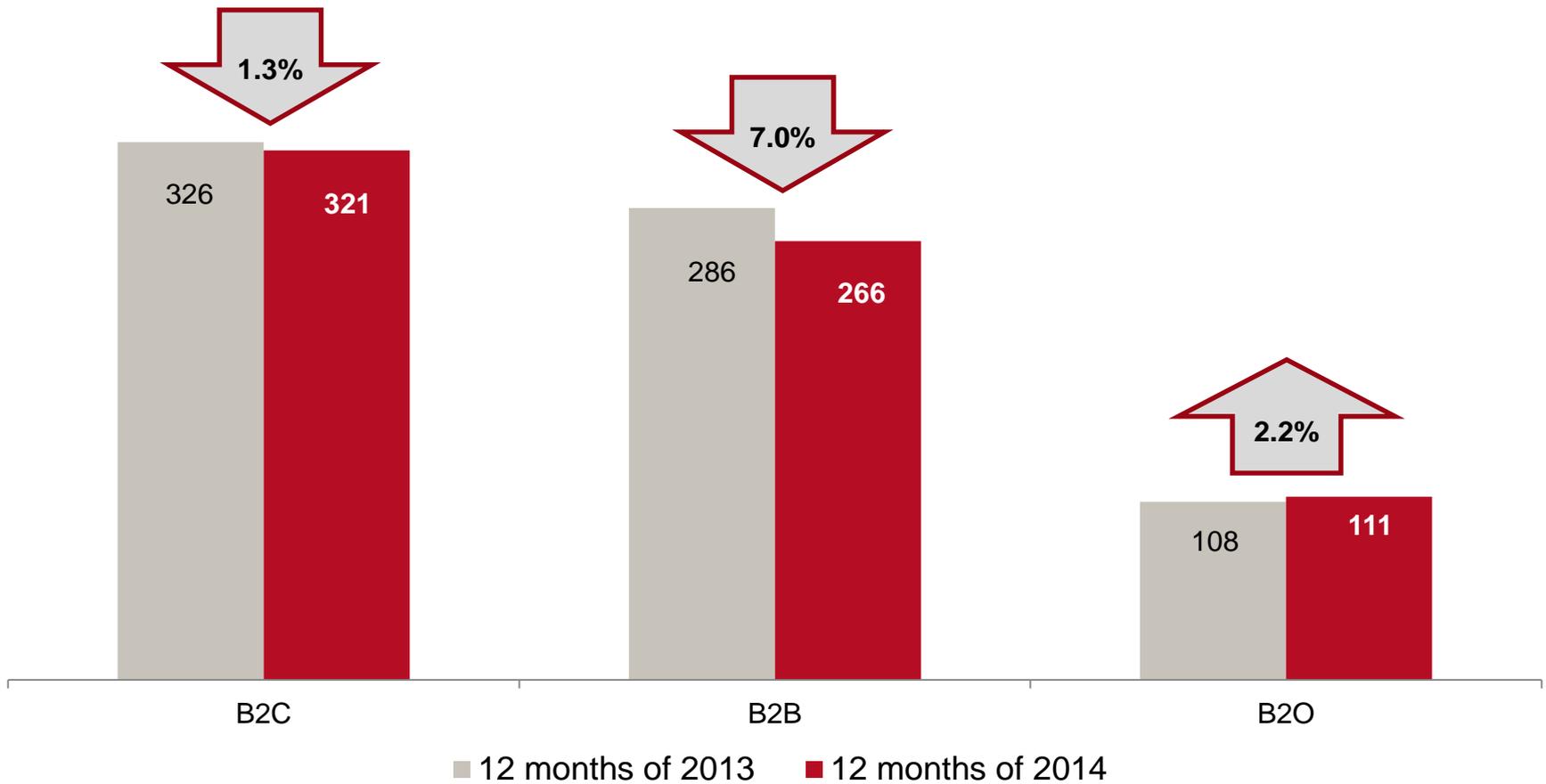
(LTL million)



- During 12 months of 2014 non-recurring expenses amounted to LTL 16 million

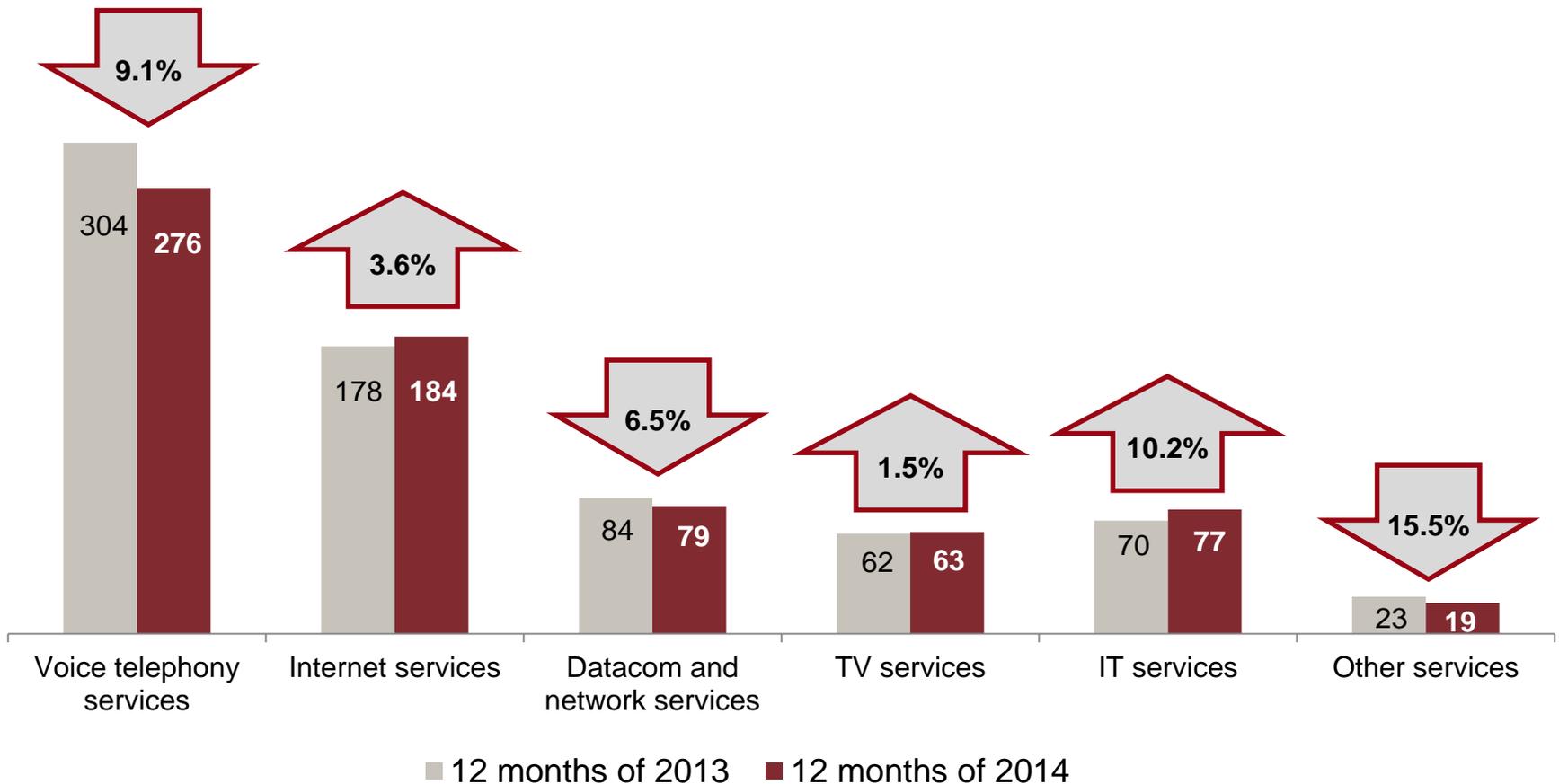
Revenue

(LTL million)



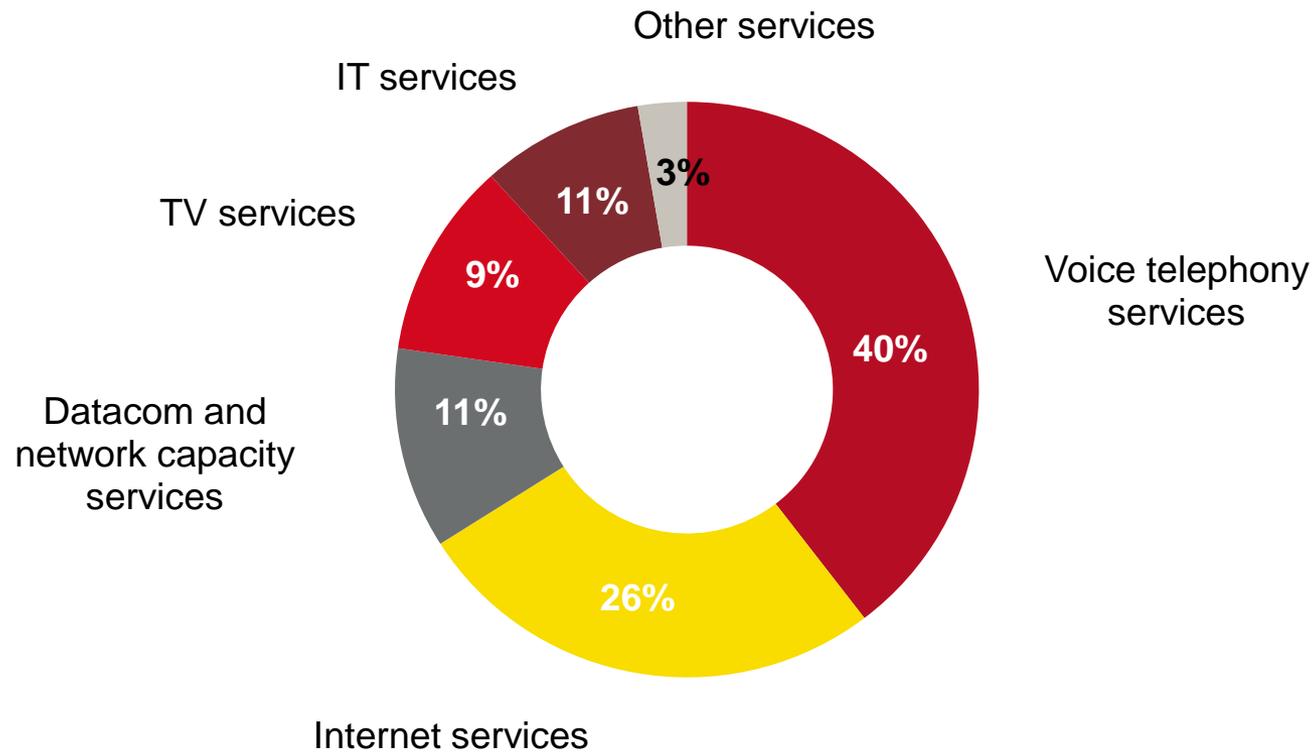
Revenue

(LTL million)



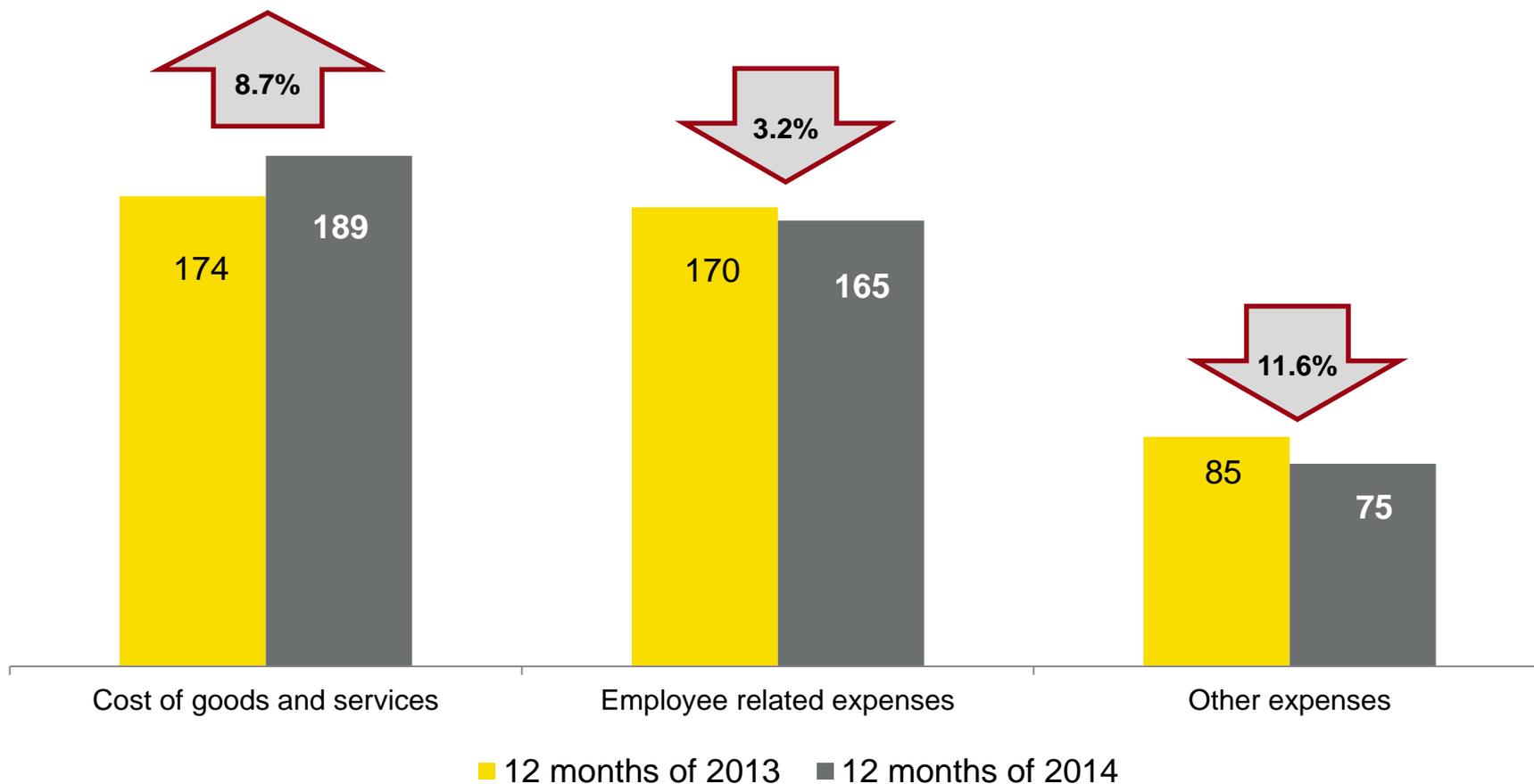
Breakdown of revenue

(12 months of 2014)



Operating expenses

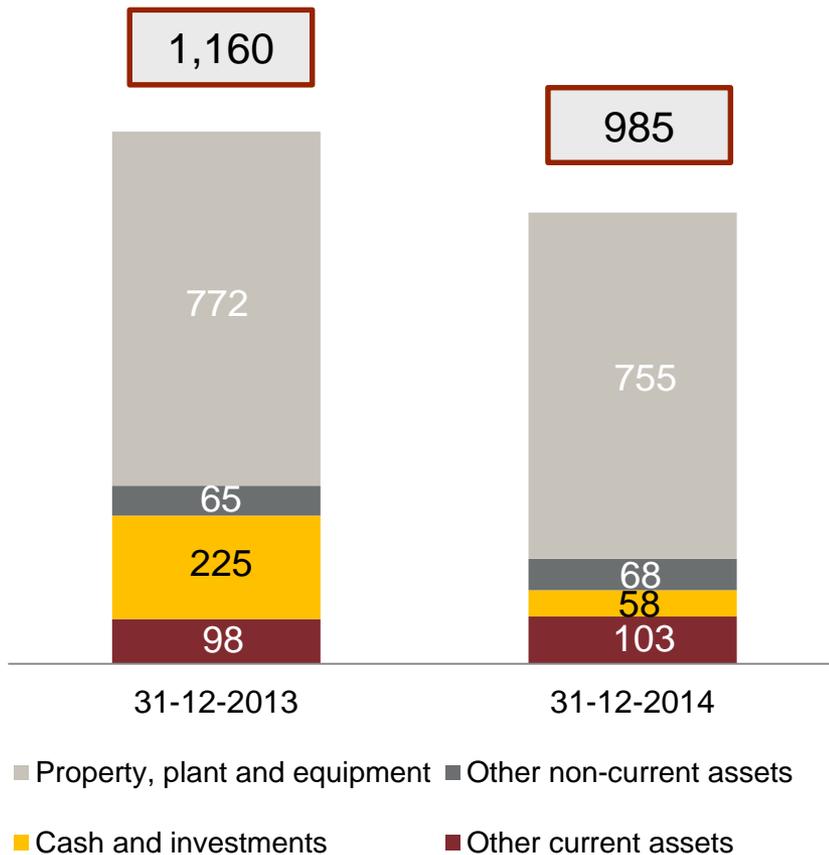
(LTL million)



- During 12 months of 2014 non-recurring expenses amounted to LTL 16 million

Assets

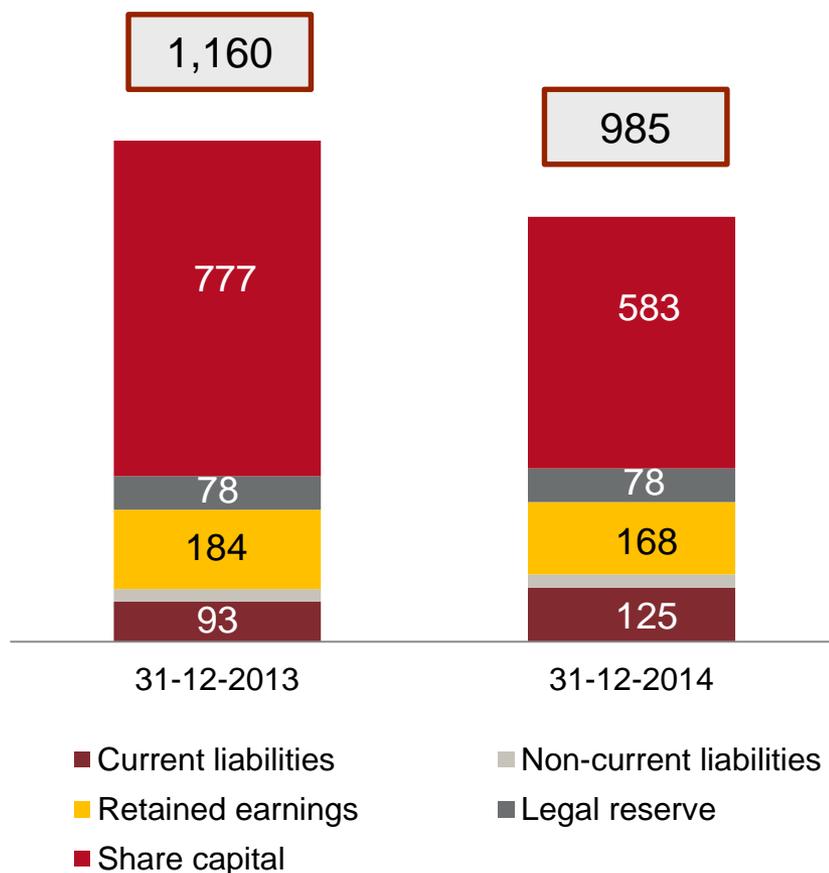
(LTL million)



- **Non-current assets** amounted to 84% of total assets (31-12-2014)
- **Cash** alone amounted to 5.9%
- **Return on capital employed:** 15.2%
- **Return on average assets:** 13.4%

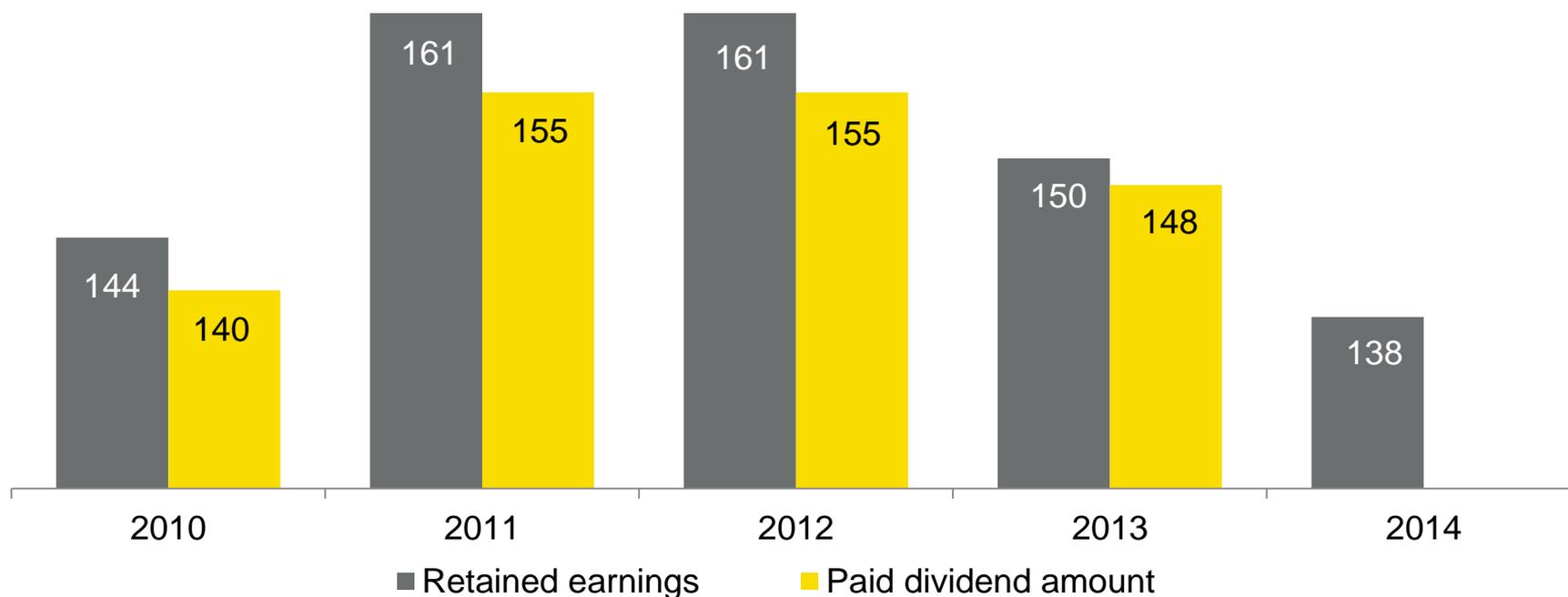
Equity and liabilities

(LTL million)



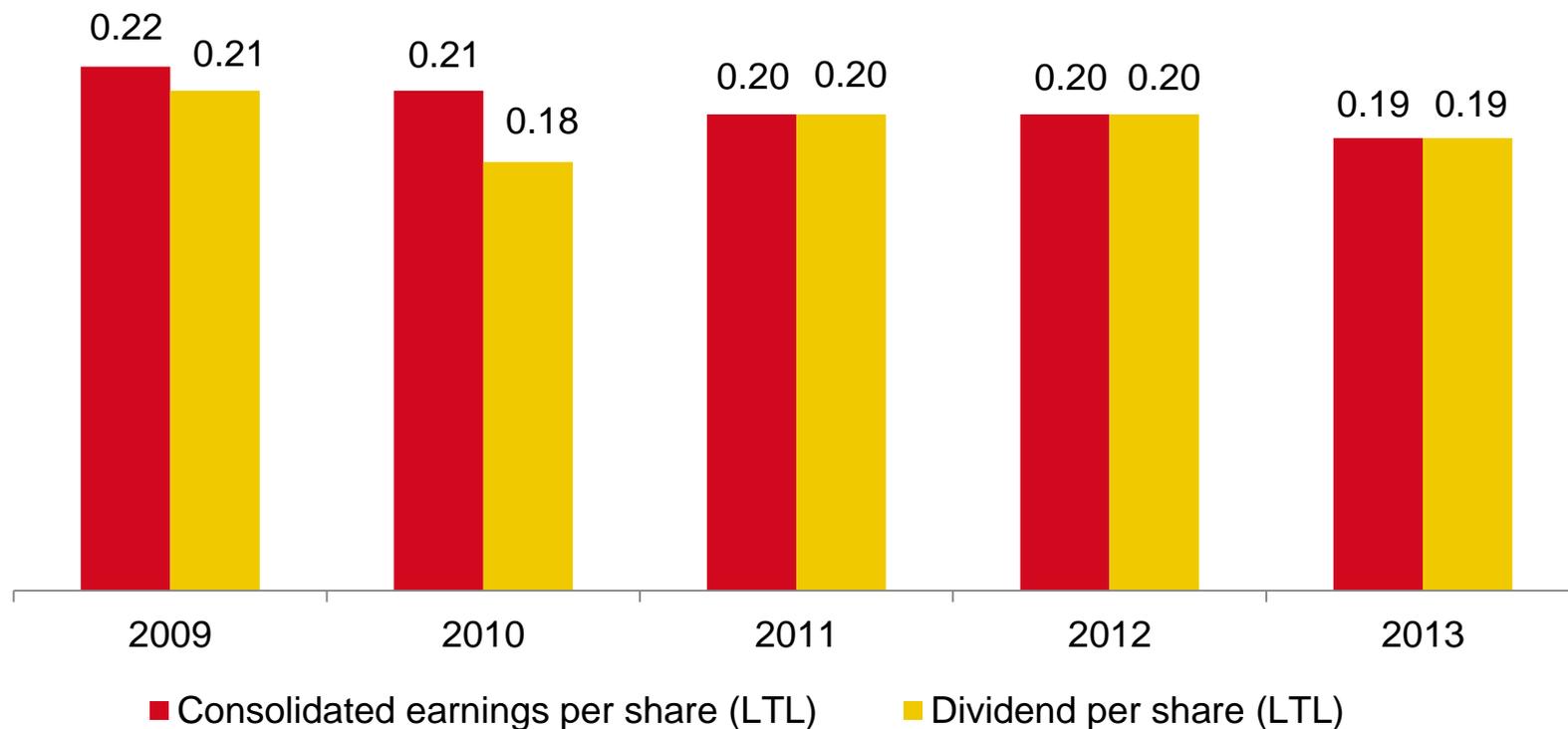
- **Shareholders' equity** amounted to 84% of the total assets (31-12-2014)
- **Borrowings** amounted to LTL 36 million
- **Net debt** was negative and amounted to LTL 22 million
- **Gearing ratio:** (2.7)%
- **Debt to equity:** 4.2%
- **Return on equity:** 13.8%
- On 20 October 2014 **authorized capital was reduce by LTL 194 million** by cancelling 194 million of shares and paying out to the shareholders LTL 194 million

TEO retained earnings vs dividends (LTL 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 2014 amounted to LTL 138 million or LTL 0.236 per share

Dividend payout



- Dividends for the year 2013 to the shareholders were **paid on 28 May 2014**
- On 17 November 2014 shareholders got **LTL 0.25 per share payment due to authorized capital reduction**

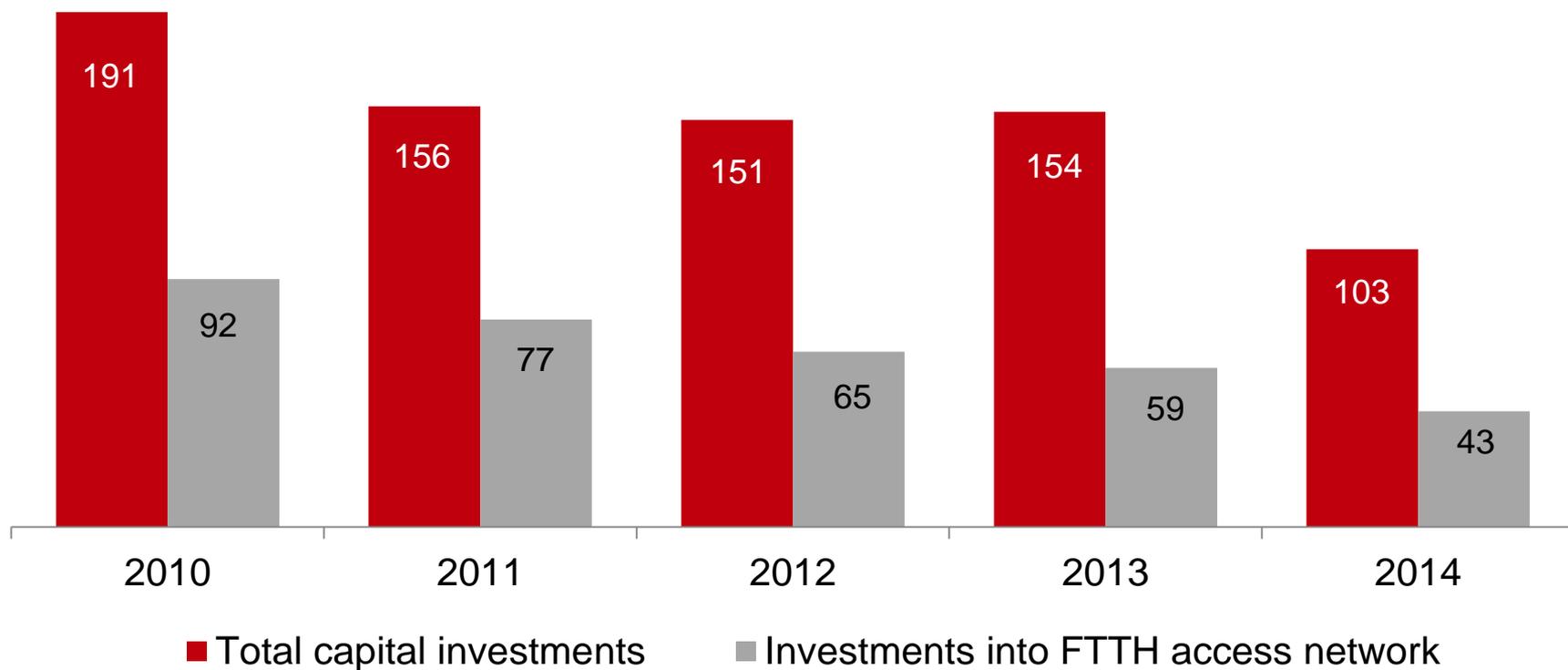
Cash flow

(thousand LTL)	12 months of 2014	12 months of 2013
Net cash from operating activities	248,045	292,177
Net cash used in investing activities	(26,428)	(166,543)
Net cash used in financing activities	(308,288)	(156,341)
Increase in cash and cash equivalents	(86,671)	(30,707)

- **Free Cash Flow** during January-December 2014 was by 3.8% lower than a year go.
- Capital **investments** during 12 months of 2014 amounted to LTL 103 million (LTL 154 million in 2013)
- LTL 90.6 million went to expansion of the **core and fiber-optic access network**
- LTL 5.3 million was invested into **IT systems**, LTL 4.6 million into **transport**, LTL 2.6 million - other
- In May 2014, the Company paid out **LTL 148 million of dividends** for the year 2013 (i.e. 0.19 litas per share)
- In November 2014, **LTL 194 million** (i.e. 0.25 litas per share) was paid to the shareholders due to reduction of authorized capital

TEO investments

(LTL 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% through direct deals, on an open market and by launching a takeover bid

Shareholders as of 31 December 2014

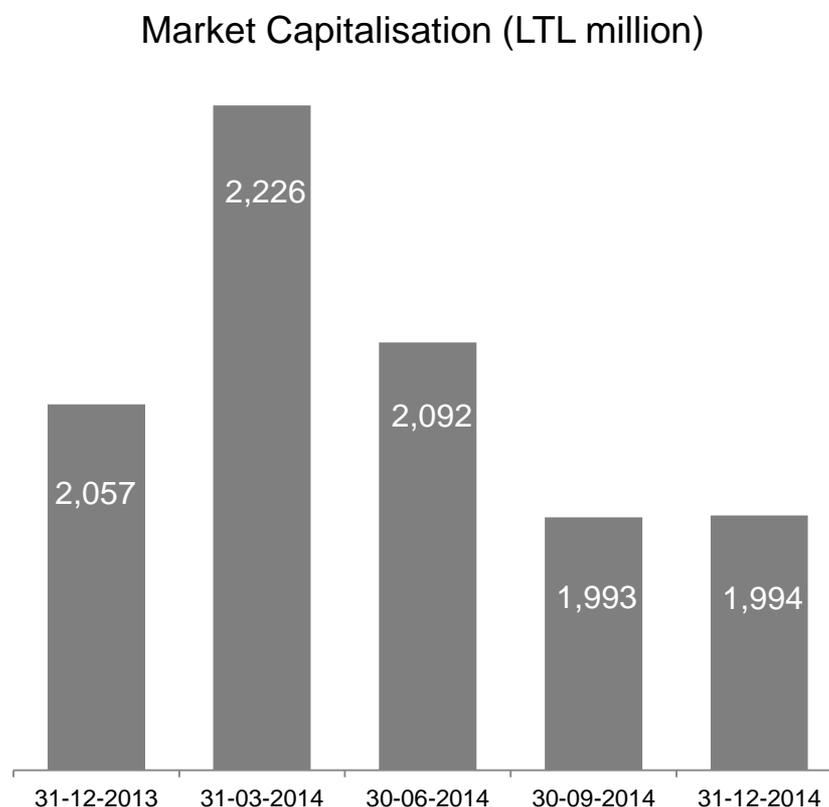
	Part of shares and votes
TeliaSonera AB	88.15%
Others	11.85%

- 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**

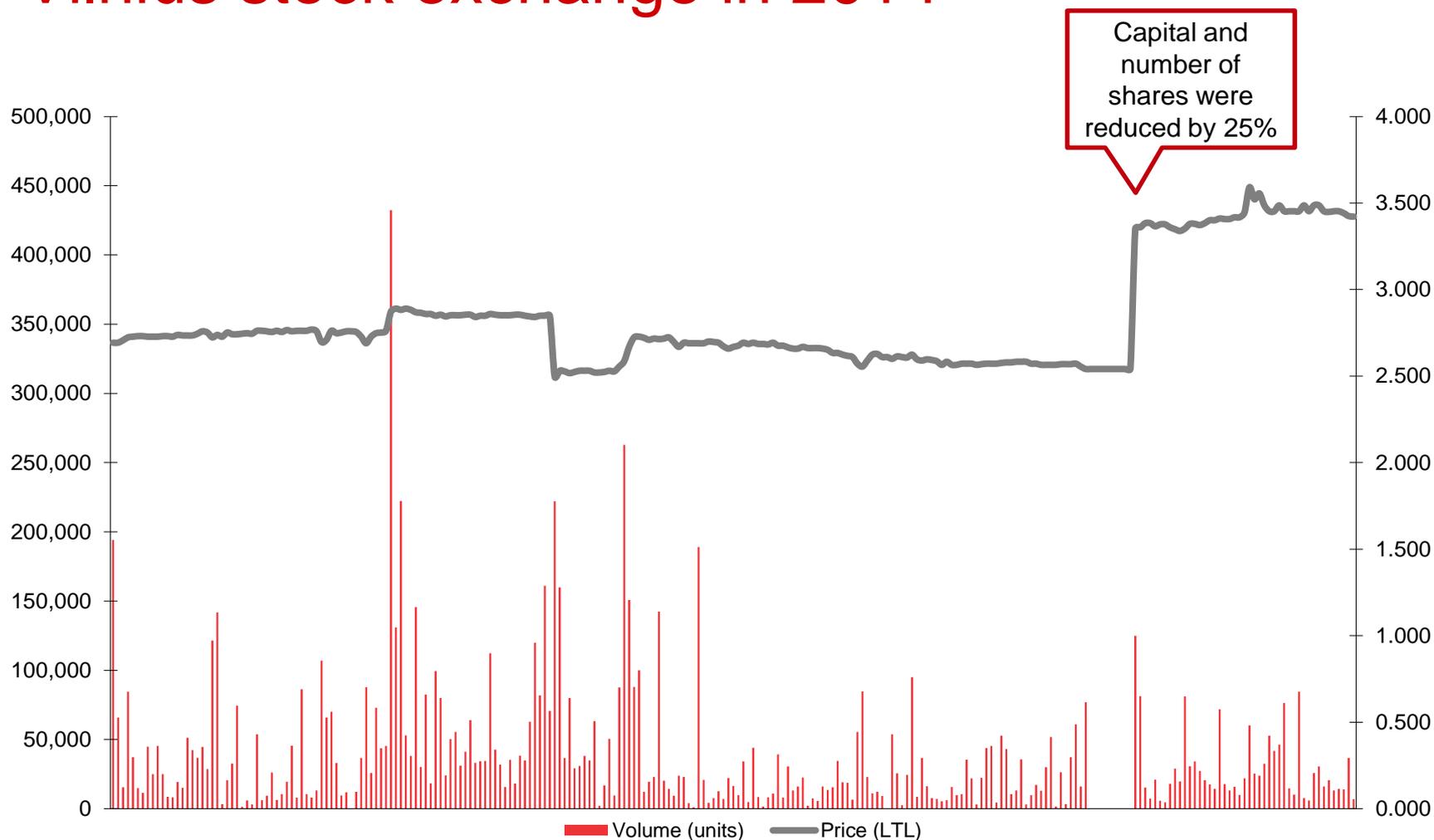
TEO shares

- 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-December 2014: 9.6 million shares or LTL 27 million (EUR 7.9 million)
- Share **price** on NASDAQ OMX Vilnius:

	LTL	EUR
01-01-2014	2.666	0.772
High	3.625	1.050
Low	2.417	0.700
31-12-2014	3.422	0.991



Trading in TEO shares on NASDAQ OMX Vilnius stock exchange in 2014



TEO share price and NASDAQ OMX Vilnius indexes comparison



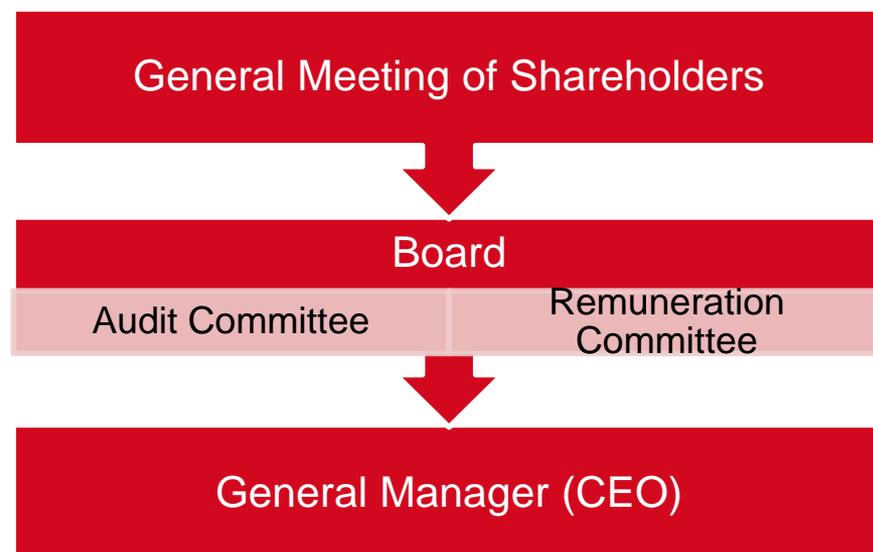
- TEO share price is historically adjusted to reduction of number of shares by 25% on 24 October 2014

Source: NASDAQ OMX Vilnius

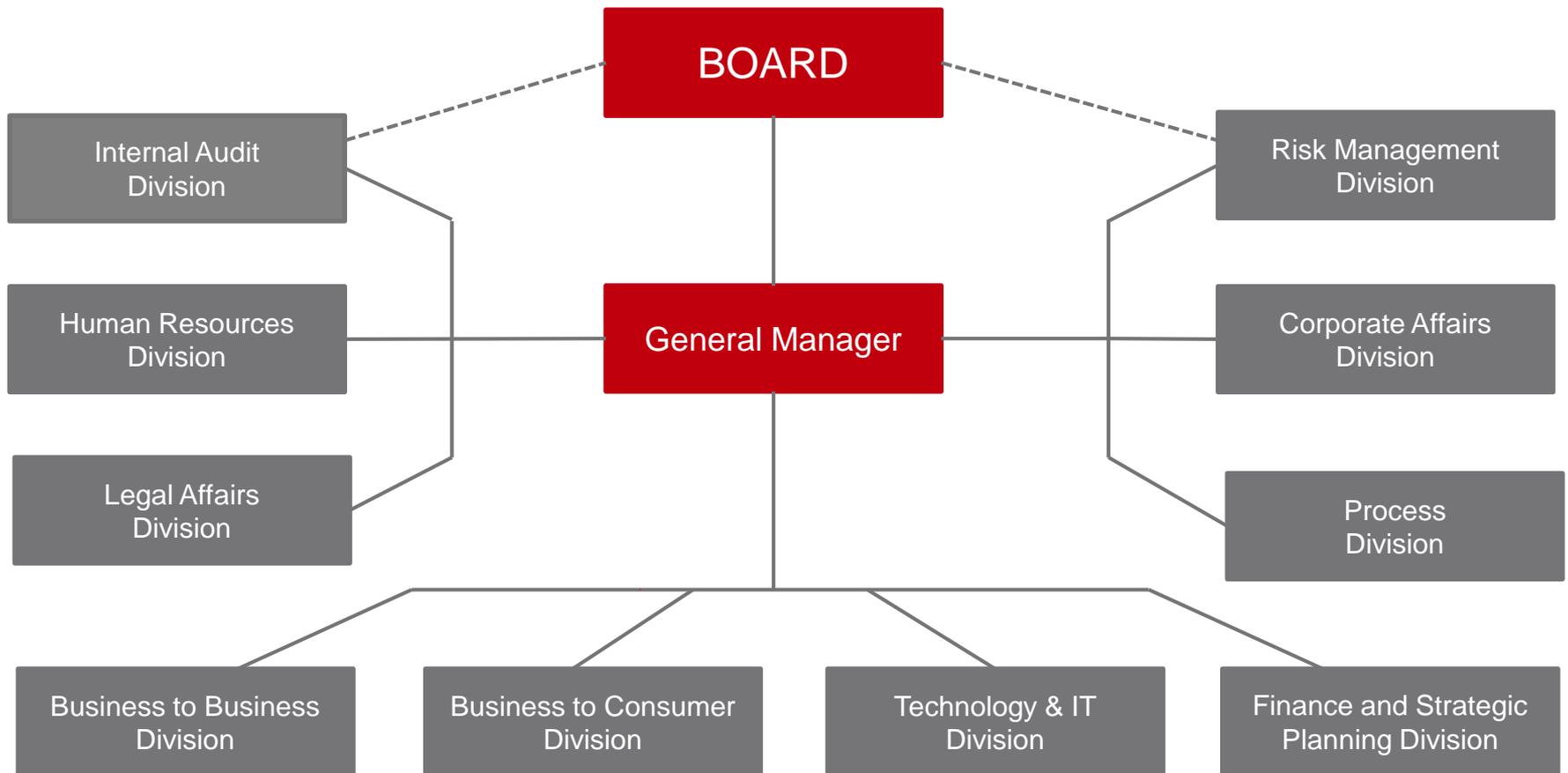
Corporate governance

Governing bodies

- The **Annual General Meeting** of Shareholders shall be held within 4 months after the end of financial year
- The last AGM was held on 29 April 2014
- The **Board** consist of 6 members elected for the 2 year term
- Upon resignation of 3 members of the Board, **3 new members of the Board** were elected during the last AGM
- 3 members of the Board comprise **Audit and Remuneration Committees**
- The AGM also elected **UAB Deloitte Lietuva** as the Company's independent auditor for the year 2014
- The Board elects and recalls the **General Manager**



Governing structure of TEO



TEO Board



Robert Andersson,
Member of the Board
represents TeliaSonera AB,
Chairman of the Remuneration
Committee



Stefan Block,
Member of the Board
represents TeliaSonera AB,
Chairman of the Audit Committee



Tiia Tuovinen,
Member of the Board
represents TeliaSonera AB,
Member of the Audit Committee



Claes Nycander,
Member of the Board
represents TeliaSonera AB,
Member of the Audit Committee



Inga Skisaker,
Independent member of the
Board,
Member of the Audit Committee



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

- **Robert Andersson, Stefan Block** and **Claes Nycander** were elected to the Board on 29 April 2014
- **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),
General Manager



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



Eglė Gudelytė-Harvey,
(born in 1975),
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 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.**



