

RESULTS FOR THE 12 MONTHS OF 2013

TEO LT, AB GROUP



Results for 12 months of 2013 / 29-01-2014

MAIN EVENTS AND FIGURES

Highlights of Q4 2013

New services

Structure of the Group

Operating figures

Employees



Results for 12 months of 2013 / 29-01-2014

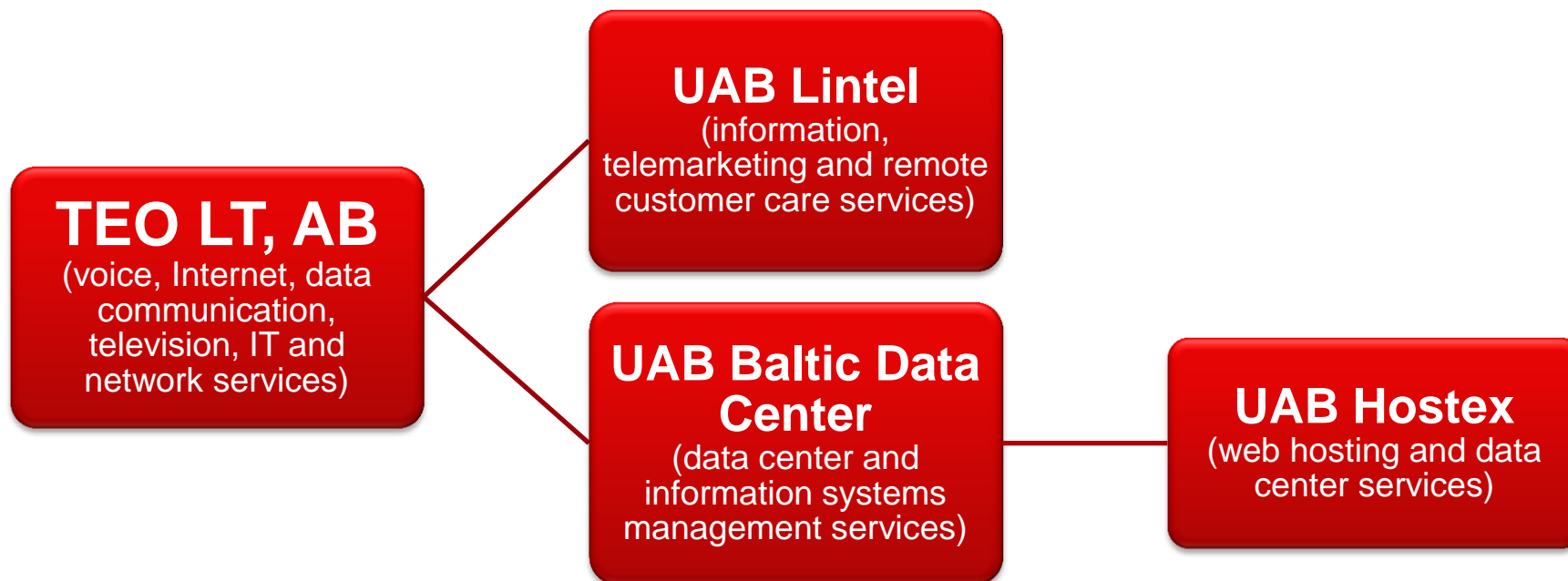
HIGHLIGHTS OF Q4 2013

- **Kęstutis Šliužas** was appointed to the position of CEO of TEO LT, AB from 1 November 2013
- TEO Group **provided services** during the events of Lithuania's Presidency of the Council of the European Union
- The Company offered to business customers **High Definition (HD)** voice over IP service
- TEO created new generation internet TV service for smart devices – **"Interneto.tv"**
- The Company installed **CCTV systems** in Kaunas, Elektrėnai, Vievis and Alytus' district
- TEO launched **CCTV service** tailored to companies and organizations
- The number of TEO fiber-optic Internet users **surpassed** that of broadband DSL
- BDC has become the first **certified SAP partner** in the Baltic States



Kęstutis Šliužas, a new General Manager of TEO LT, AB

TEO GROUP

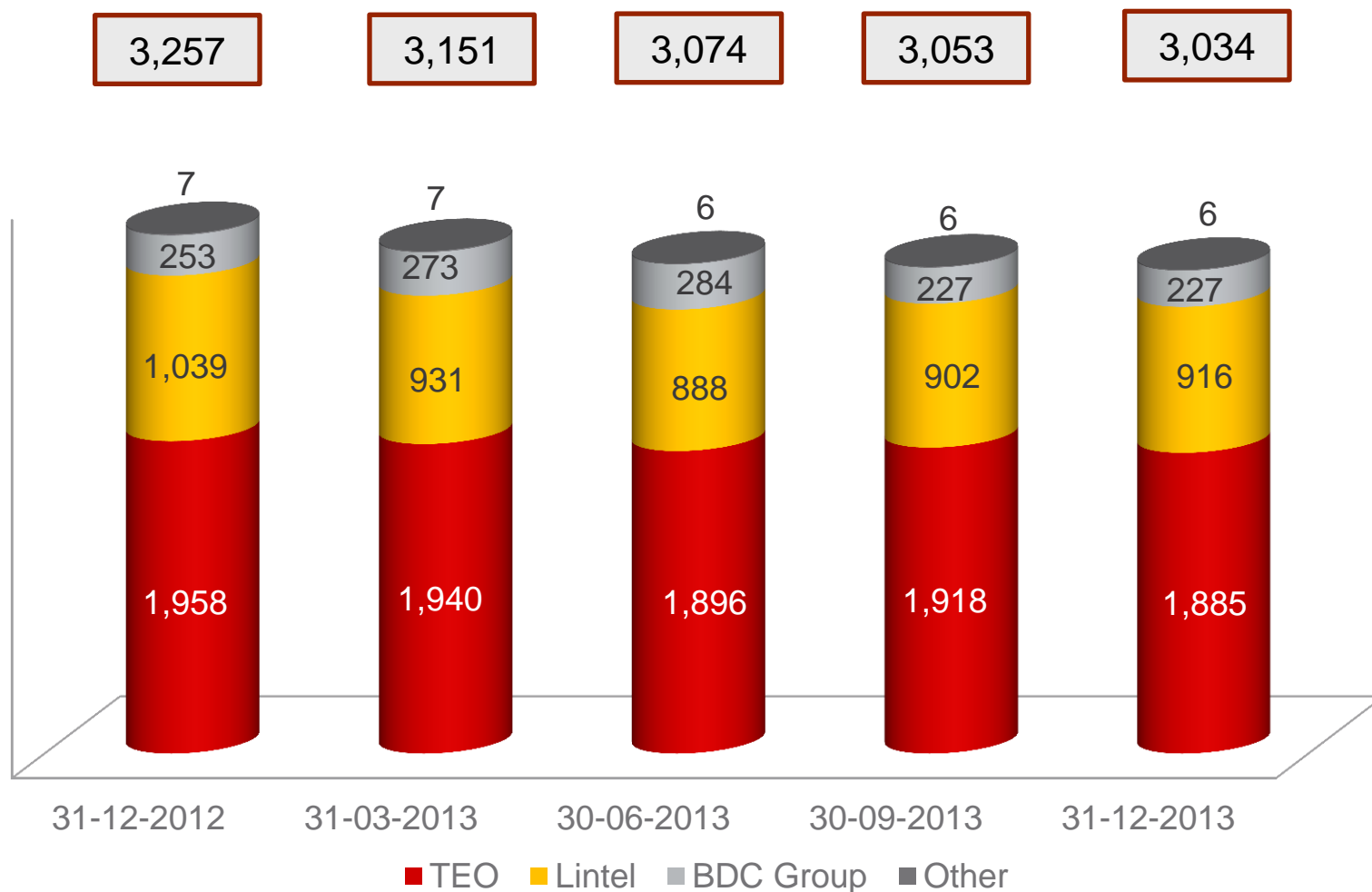


- **TEO LT, AB** also holds 100% stakes in UAB Verslo Investicijos (investment project) and UAB Kompetencijos Ugdymo Centras (dormant subsidiary), and is the sole owner of a not-for-profit organization VšĮ Ryšių Istorijos Muziejus (Communications History Museum)
- **UAB Baltic Data Center** has a dormant subsidiary in Latvia.
- **UAB Hostex** has a dormant subsidiary, UAB Hosting.

MAIN OPERATING FIGURES

	31-12-2013	31-12-2012	Change (%)
Number of telephone lines	565,327	605,424	(6.6)
Number of broadband Internet accesses, in total:	430,911	385,863	11.7
- via fiber-optic lines	180,154	162,038	11.2
- via copper lines	176,505	183,396	(3.8)
- wireless (WiFi) access	74,252	40,429	83.7
Number of TV services users, in total:	172,308	169,285	1.8
- IPTV	106,228	94,665	12.2
- DVB-T	66,080	74,620	(11.4)
Number of employees	3,034	3,257	(6.8)

EMPLOYEES OF TEO GROUP



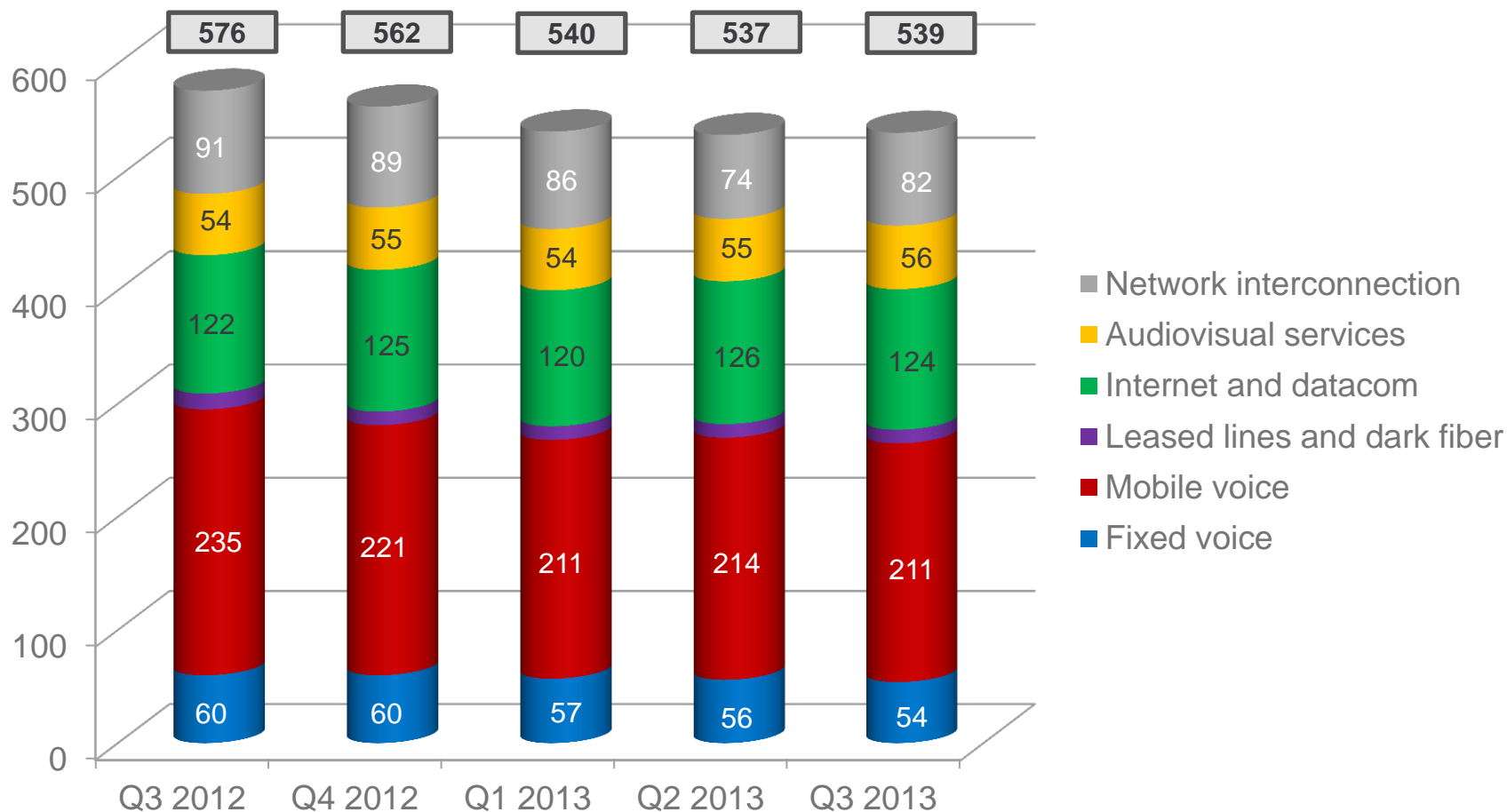
ELECTRONIC COMMUNICATIONS MARKET OF LITHUANIA

Dynamics of the market
Figures of main operators
TEO market shares
Voice telephony market
Internet market
Pay-TV market



Results for 12 months of 2013 / 29-01-2014

TELECOMMUNICATION MARKET IN LITHUANIA (LTL MILLION)



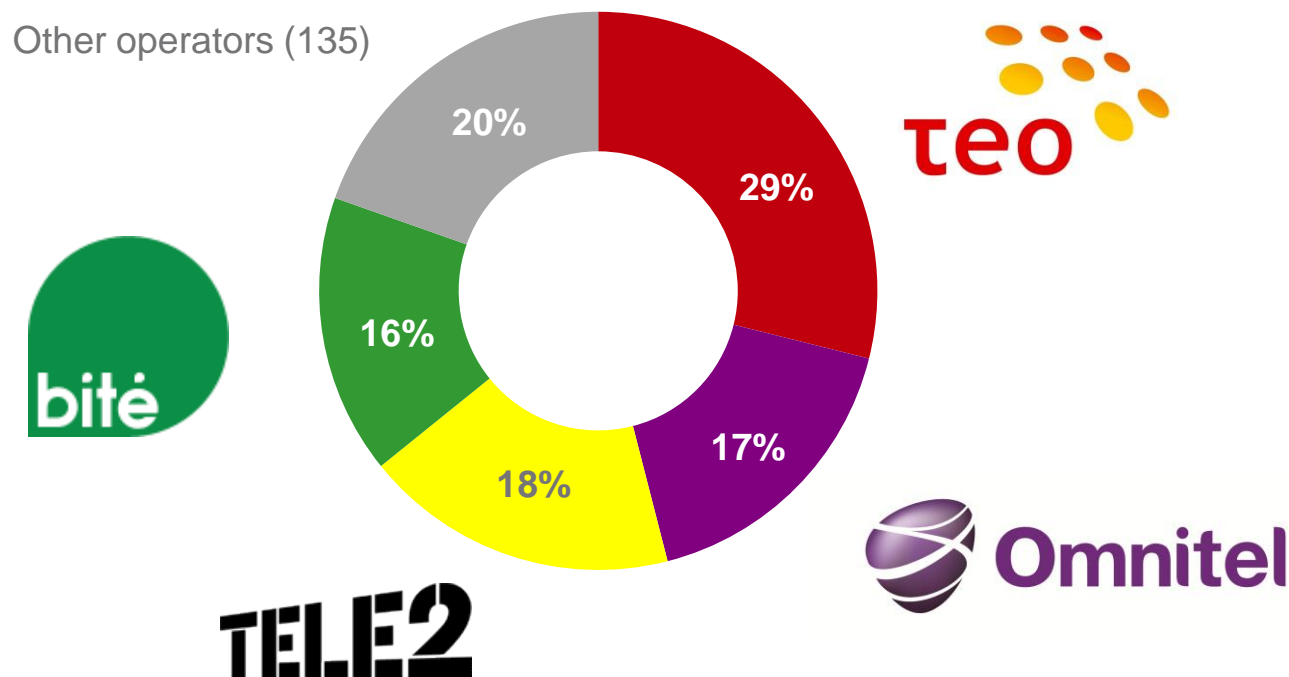
Source: Report of Communications Regulatory Authority

MAIN MARKET FIGURES

	30-09-2013	30-09-2012	Change (%)
Total market revenue (LTL million)	1,616.0	1,077.9	(5.5)
Number of telephone lines per 100 inhabitants	21.2	22.4	(5.4)
Number of mobile voice subscribers per 100 inhabitants	169.0	165.9	1.9
Number of Internet access subscribers	1,125,561	1,033,903	8.9
Number of broadband Internet access subscribers per 100 inhabitants	38.1	34.6	10.3
Number of fixed Internet access subscribers per 100 inhabitants	27.8	25.4	9.4
Number of pay-TV subscribers	728,250	700,191	4.0
Number of digital pay-TV subscribers per 100 households	31.3	27.4	14.2
Total market investments (LTL million)	215.3	227.4	(5.3)

Source: Report of the Communications Regulatory Authority

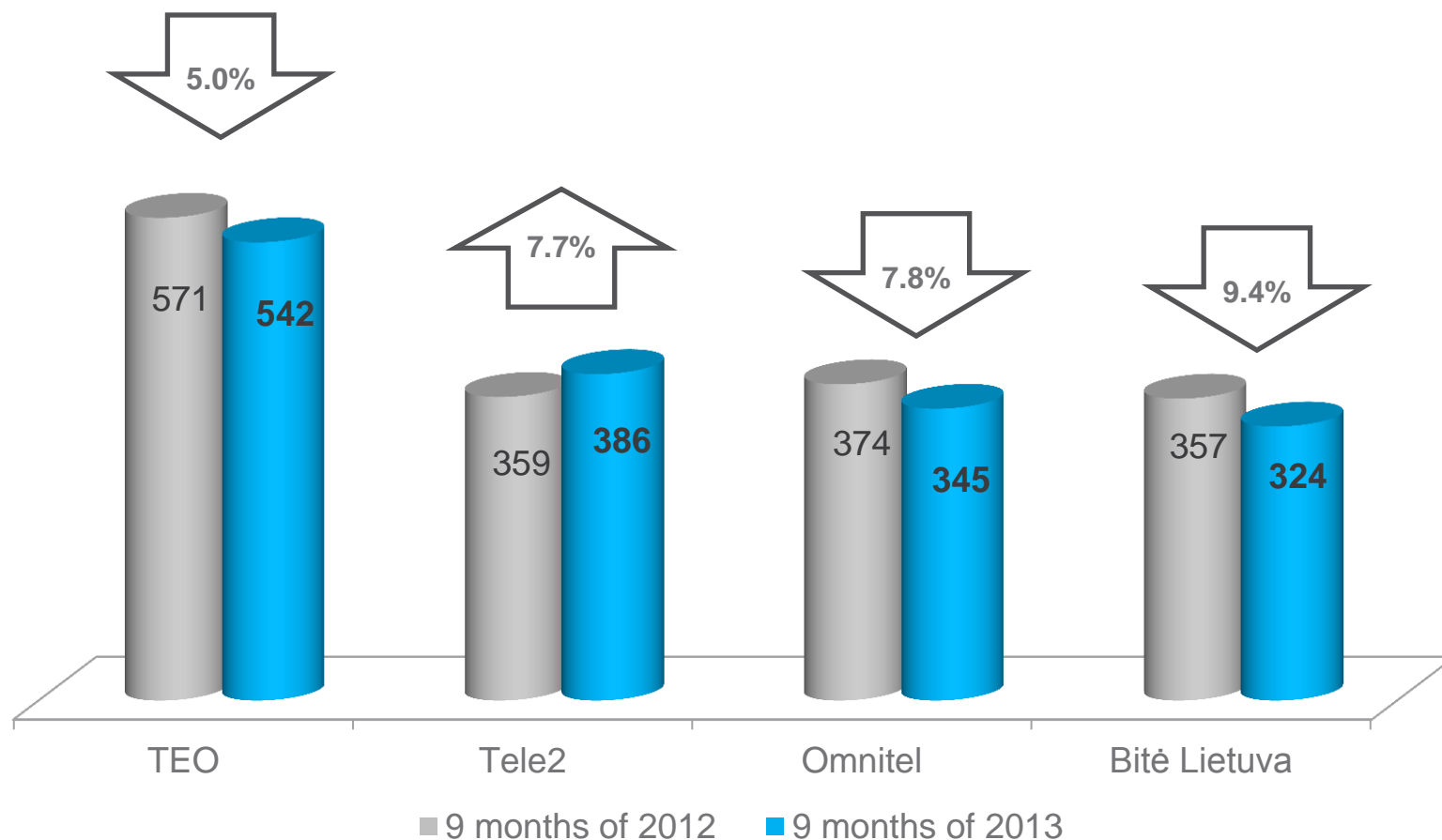
BREAKDOWN OF THE TELECOMMUNICATIONS MARKET REVENUE IN 2012 BY OPERATORS



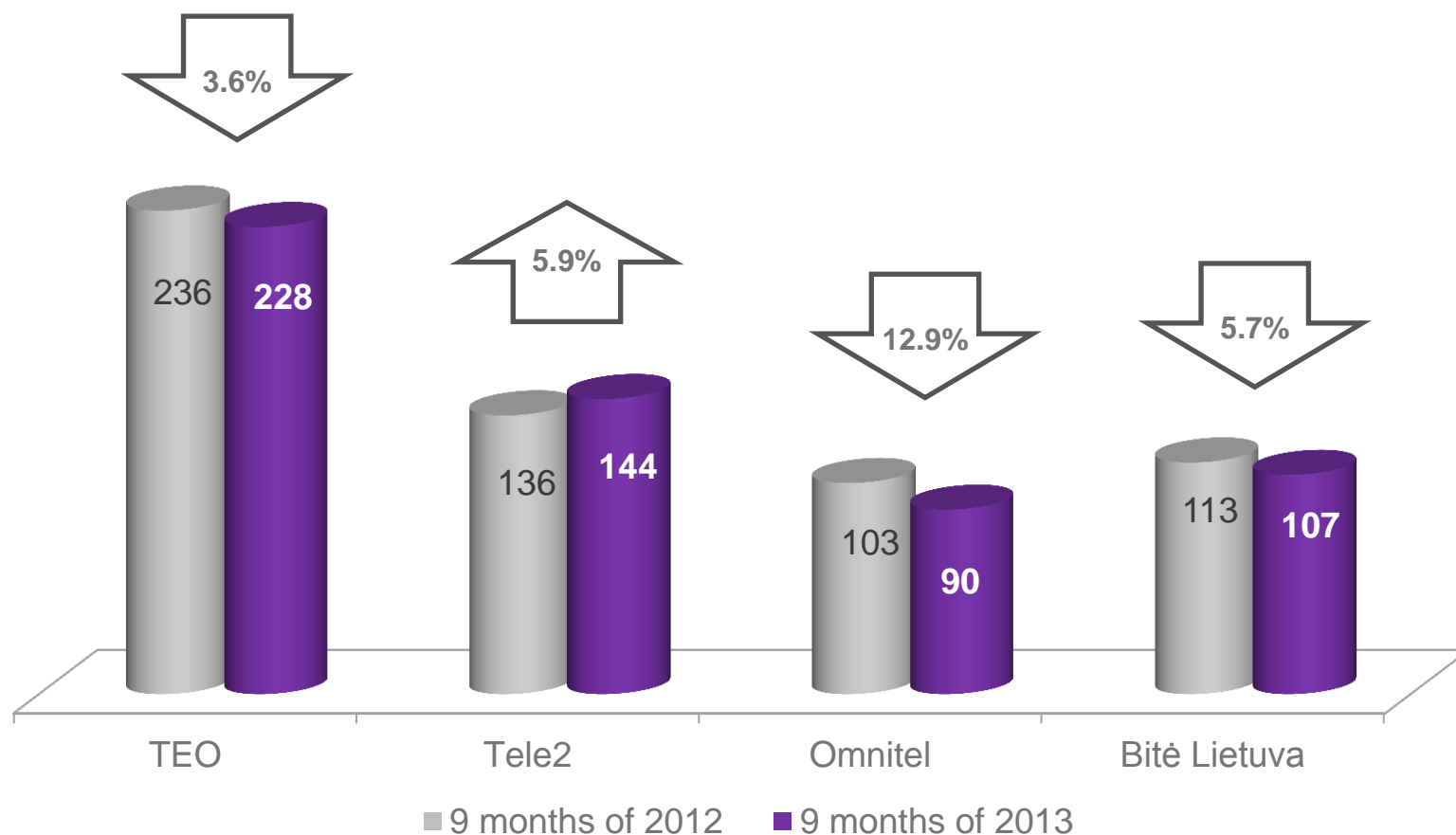
- Omnitel, Tele2 and Bitė Lietuva are **mobile operators**
- Omnitel and TEO belong to **TeliaSonera Group**

Source: Report of the Communications Regulatory Authority

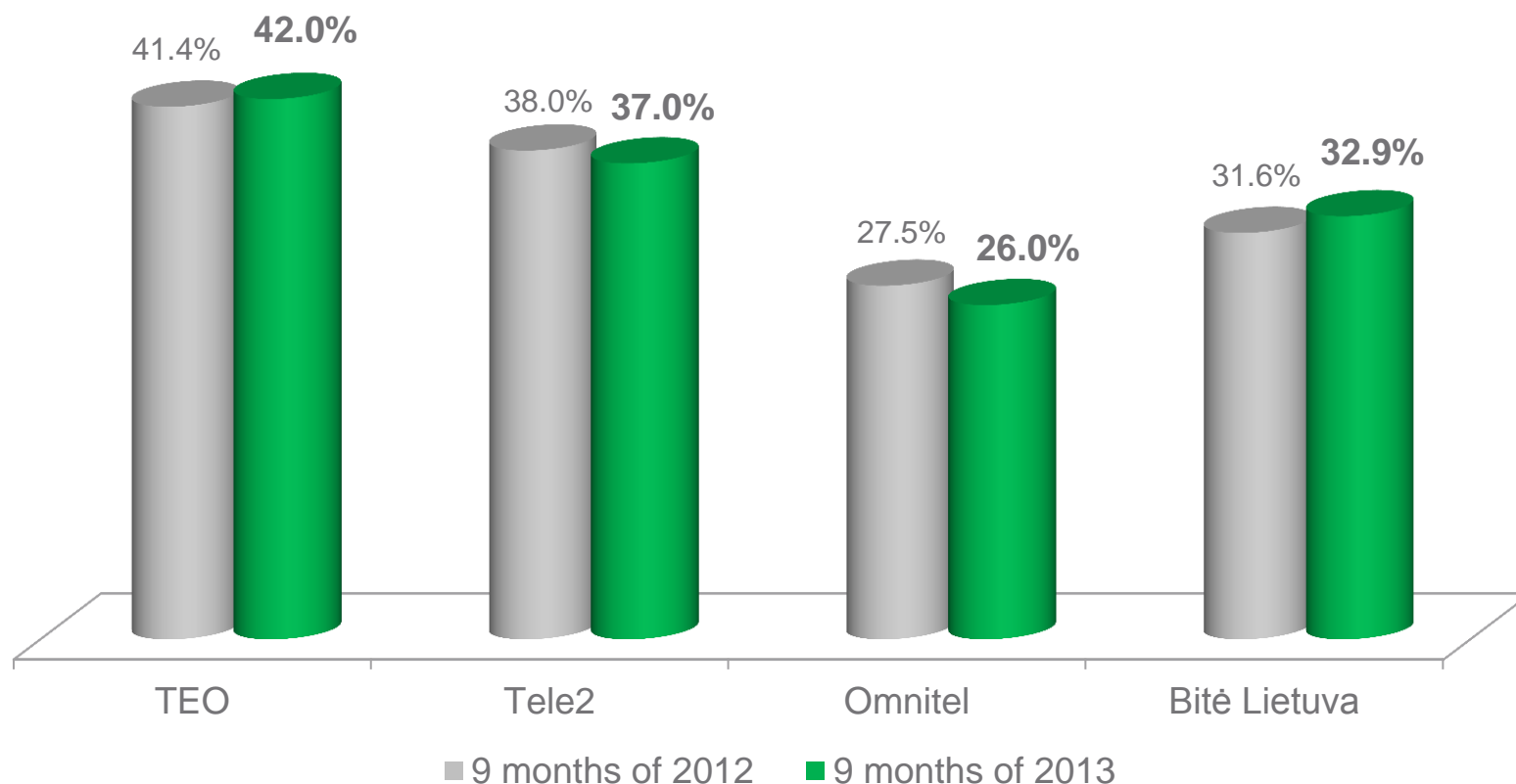
MAIN TELECOMMUNICATIONS MARKET PLAYERS' **REVENUE** CHANGES (LTL MILLION)



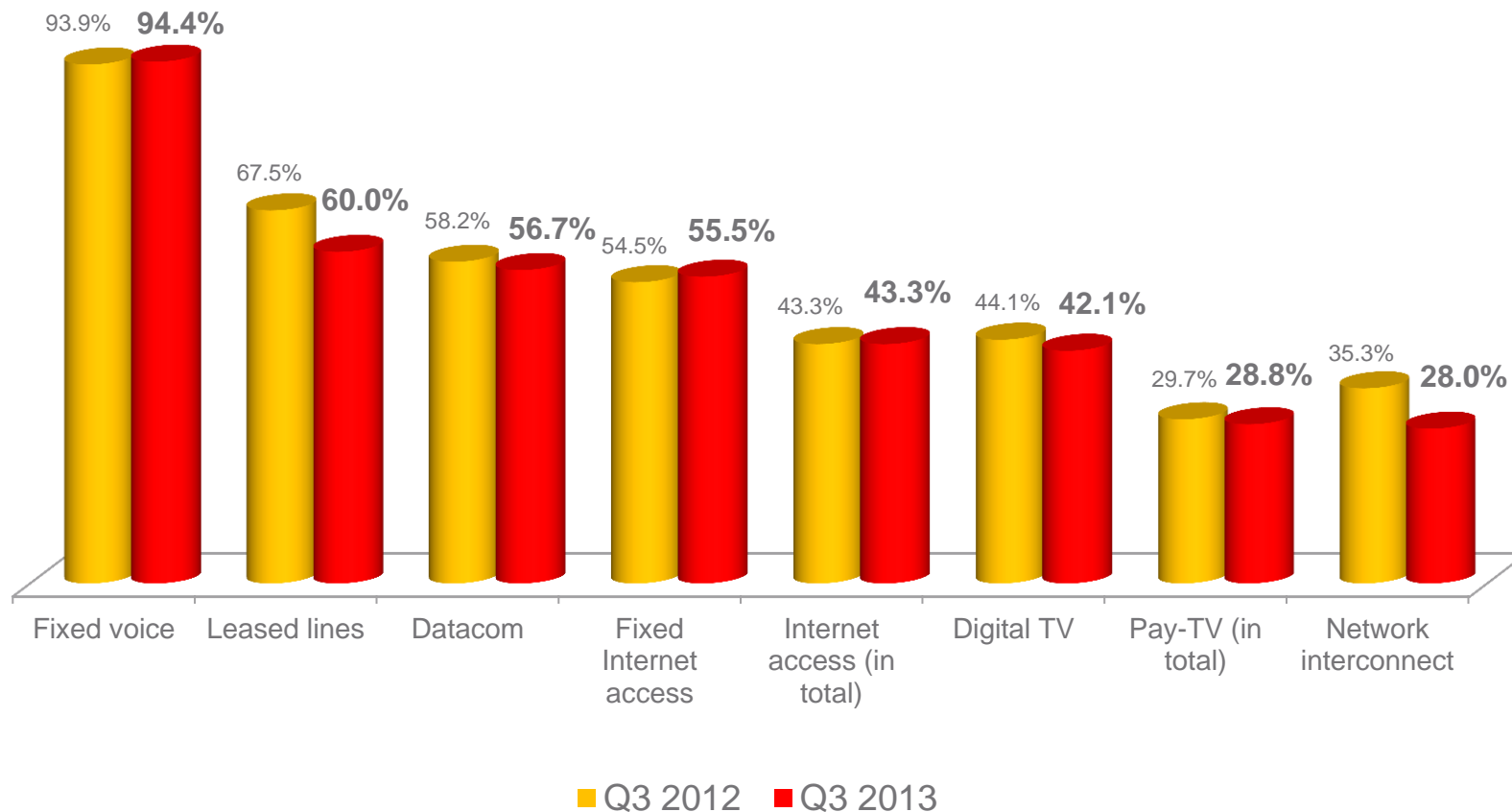
MAIN TELECOMMUNICATIONS MARKET PLAYERS' **EBITDA** CHANGES (LTL MILLION)



MAIN TELECOMMUNICATIONS MARKET PLAYERS' EBITDA MARGIN CHANGE



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 of 2013 (LTL million)	Change from 9 months of 2012 (%)	Number of market players	TEO share in Q3 2013 (%)
Fixed voice	166.8	(10.1)	46	94.4
Internet access	306.3	1.1	101	43.3
Network interconnection	241.7	(7.4)	>5	28.0
Pay-TV	155.1	11.7	45	28.8
Data communication	63.6	(2.3)	19	56.7
Leased lines	16.9	(19.9)	12	60.0
TV and radio program transmission	11.6	(47.6)	2	n/a
Dark fiber	17.7	(0.5)	17	n/a
Mobile voice	636.0	(8.5)	3+4	-

Source: Report of the Communications Regulatory Authority

FIXED VOICE TELEPHONY MARKET IN LITHUANIA (Q3 2013)

- **46 companies** are providing fixed voice services:
 - 34 provide national and international calls
 - 5 – only international calls
 - 7 – only wholesales (transit) services
- 31 companies are using **IP network**, 16 of them – CATV and data communication networks
- Number of alternative operators' subscribers: **62.6 thousand** or 9.8% of total subscribers' number



TEO market share (Q3 2013) in terms of:	(%)
Total number of customers	90.2
Total traffic	93.3
Revenue from local calls	99.9
Revenue from domestic long distance calls	91.4
Revenue from international calls	76.5

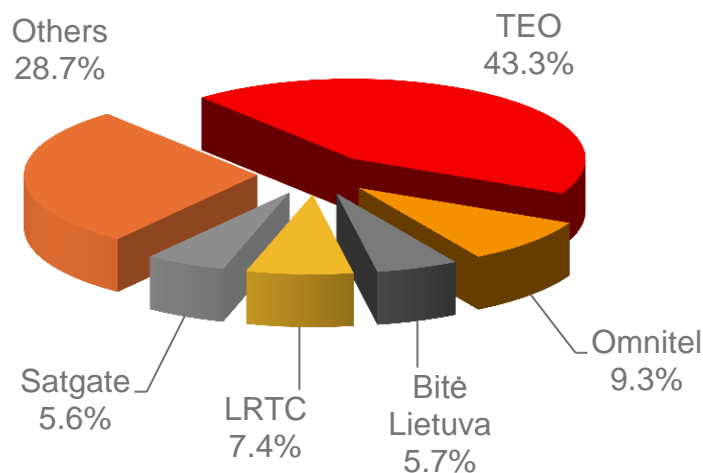


Source: Report of the Communications Regulatory Authority

INTERNET ACCESS MARKET IN LITHUANIA (Q3 2013)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber-optic	427	8.9
Via mobile network	305	10.7
DSL	178	(4.4)
Wireless	161	31.7
Via CATV network	41	(4.9)
Via LAN	14	(6.0)
Total:	1,126	8.8

Q3 2013 revenue by service providers

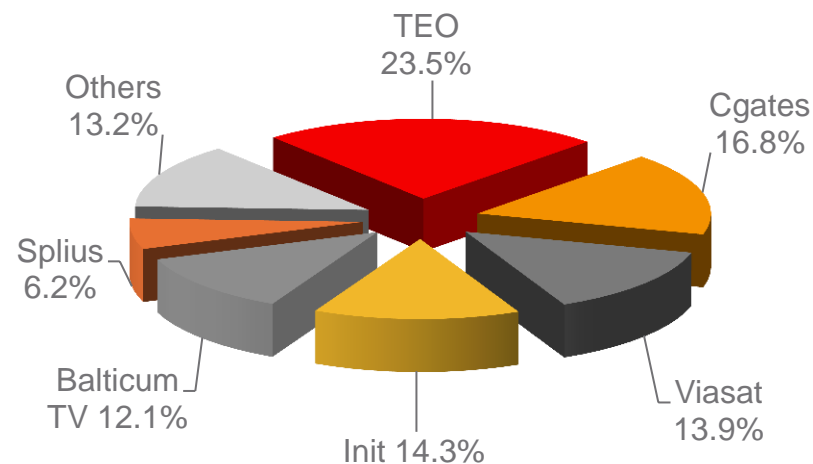


Source: Report of the Communications Regulatory Authority

PAY TV MARKET IN LITHUANIA (Q3 2013)

Access type	Number of users ('000)	Change, y-o-y (%)
Analogue CATV	318	(0.5)
Digital CATV	114	16.9
IPTV	109	11.6
Satellite	101	6.7
DVB-T	70	(4.9)
MVDS	16	(6.2)
Total:	728	4.0

Breakdown of users by service providers



Source: Report of the Communications Regulatory Authority

FINANCIAL RESULTS

Revenue, EBITDA, net profit

Main financial indicators

Dynamics of main indicators

Revenue breakdown

Operating expenses

Balance sheet

Cash flow

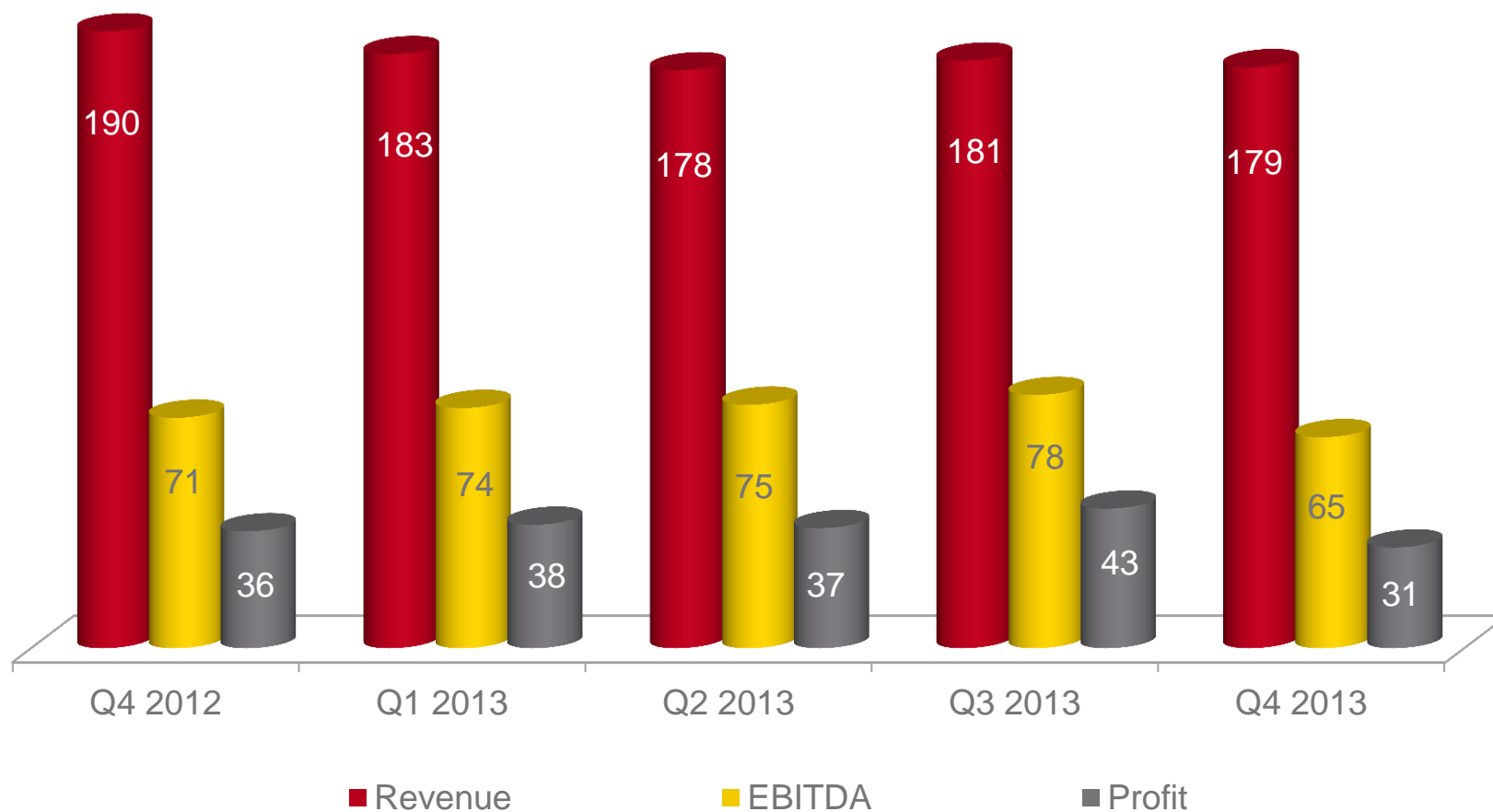
Investments



Results for 12 months of 2013 / 29-01-2014

REVENUE, EBITDA & NET PROFIT

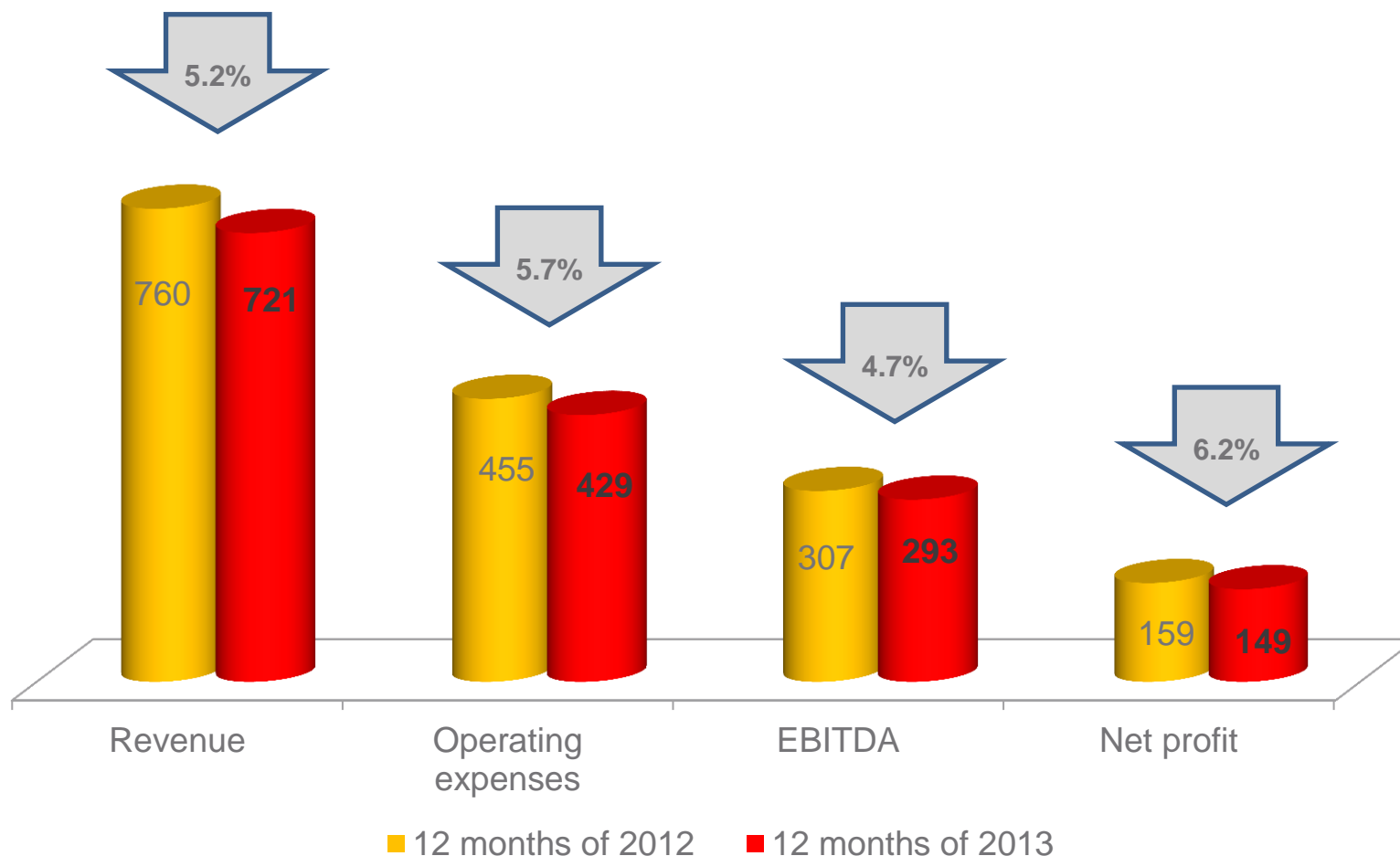
(LTL MILLION)



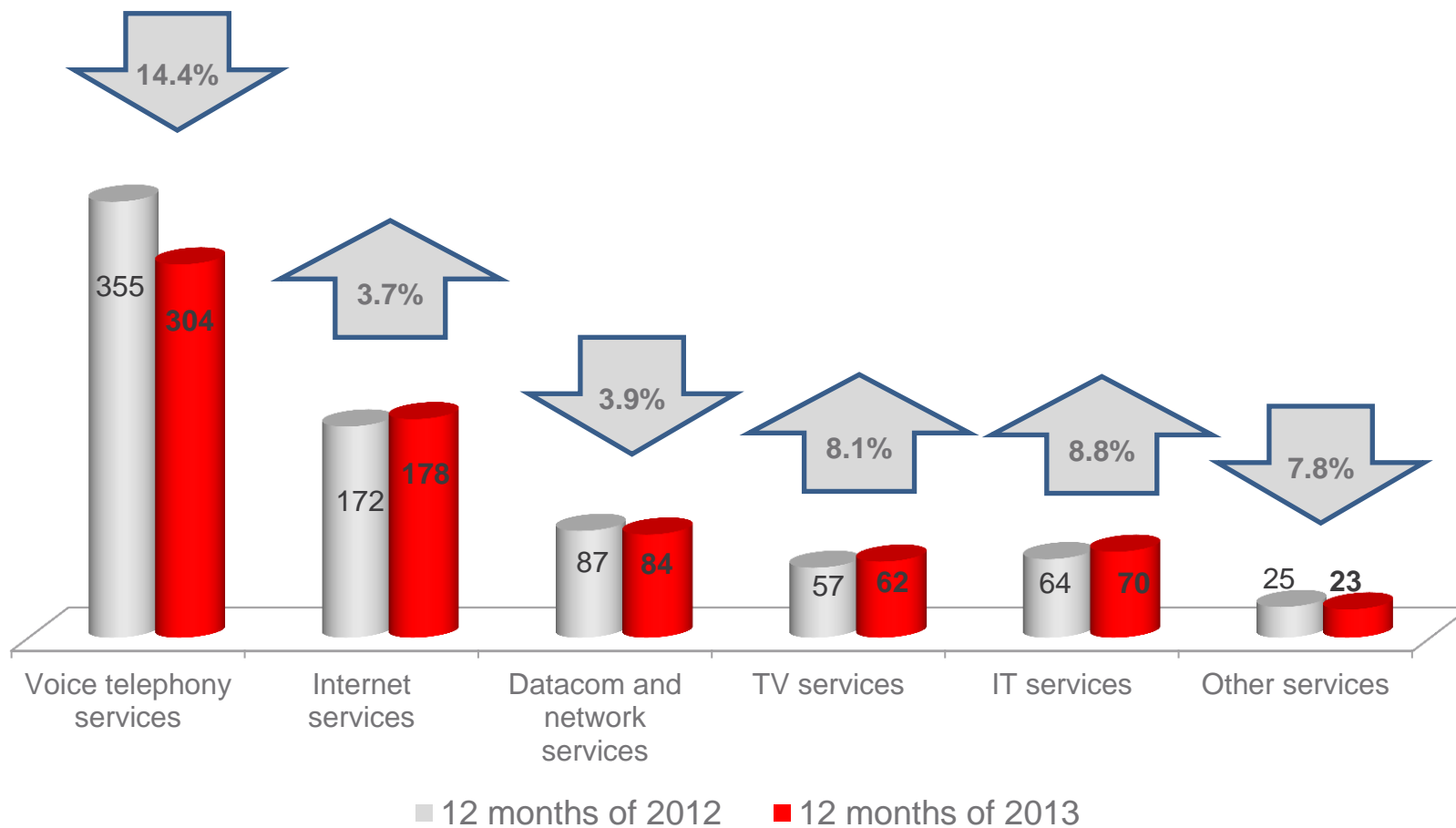
MAJOR FINANCIAL INDICATORS

(thousand LTL)	Q4 2013	Q4 2012	Change (%)	12 months of 2013	12 months of 2012	Change (%)
Revenue	178,803	189,672	(5.7)	720,589	760,174	(5.2)
Operating expenses	114,039	119,459	(4.5)	429,306	455,253	(5.7)
EBITDA	65,129	70,881	(8.1)	292,737	307,080	(4.7)
EBITDA margin	36.4%	37.4%		40.6%	40.4%	
Depreciation and amortization	30,936	32,899	(6.0)	127,654	130,562	(2.2)
Operating profit	34,194	37,982	(10.0)	165,083	176,518	(6.5)
Operating profit margin	19.1%	20.0%		22.9%	23.2%	
Net profit	30,921	35,516	(12.9)	149,151	159,066	(6.2)
Profit margin	17.3%	18.7%		20.7%	20.9%	
Earnings per share (LTL)	0.040	0.046		0.192	0.205	

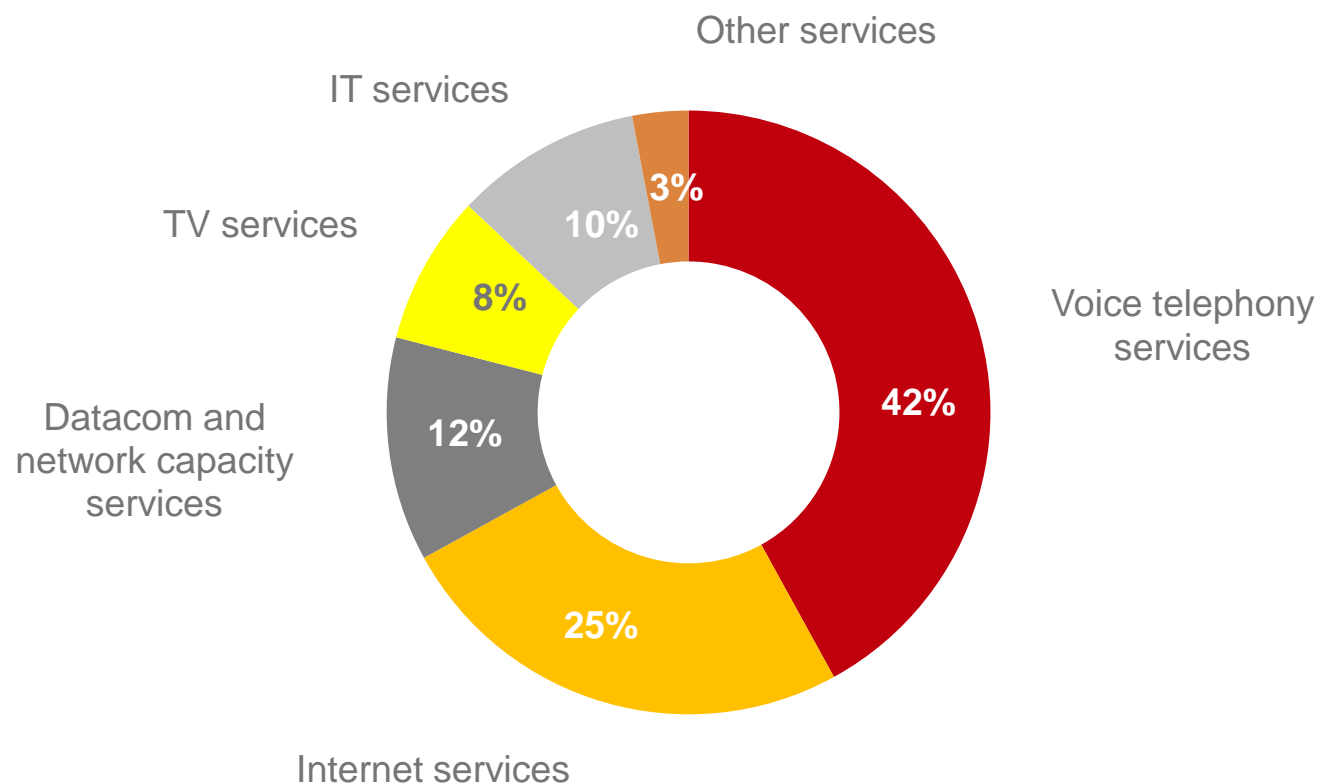
DYNAMICS OF TEO MAIN FINANCIAL INDICATORS (LTL MILLION)



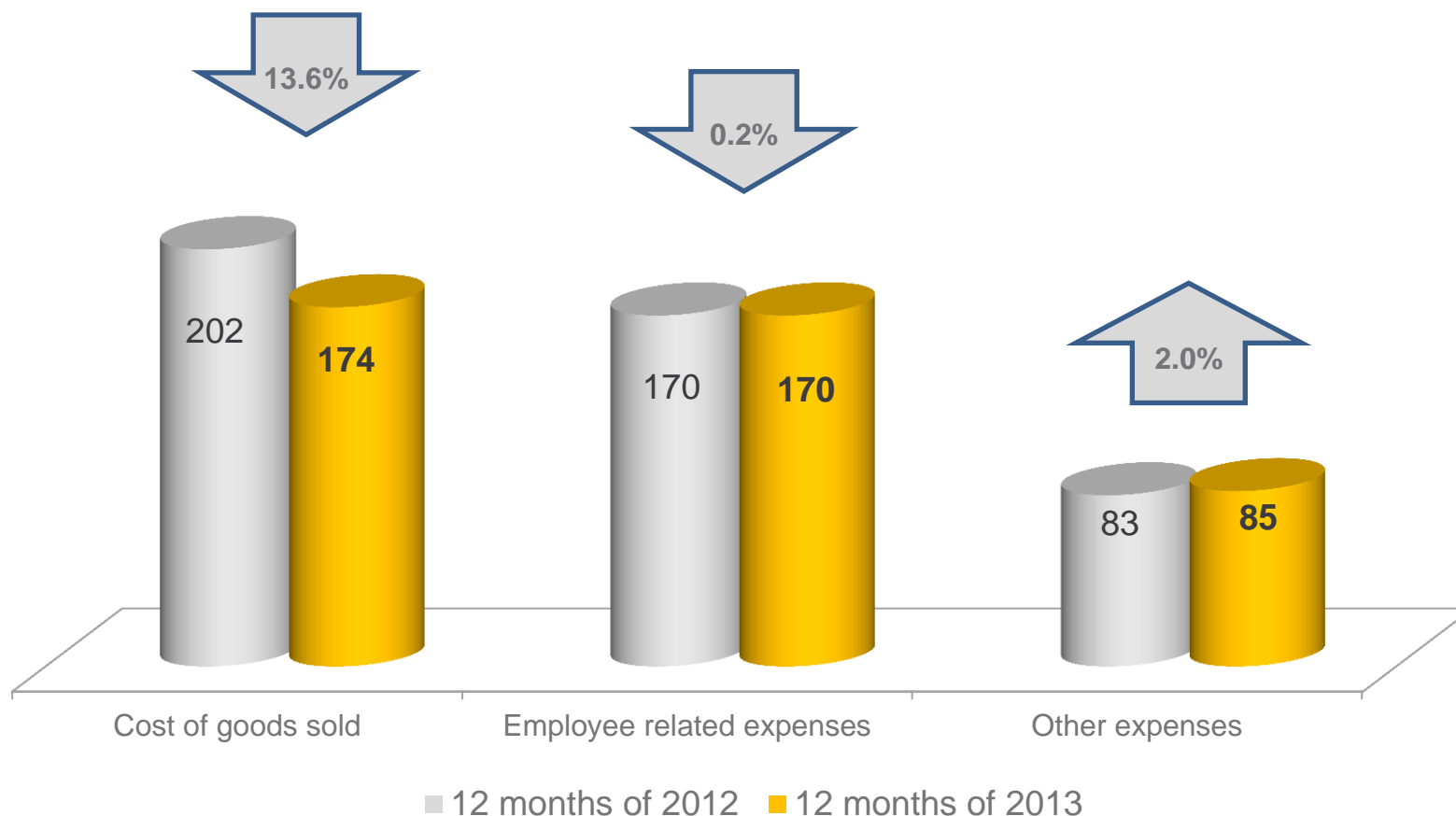
REVENUE (LTL MILLION)



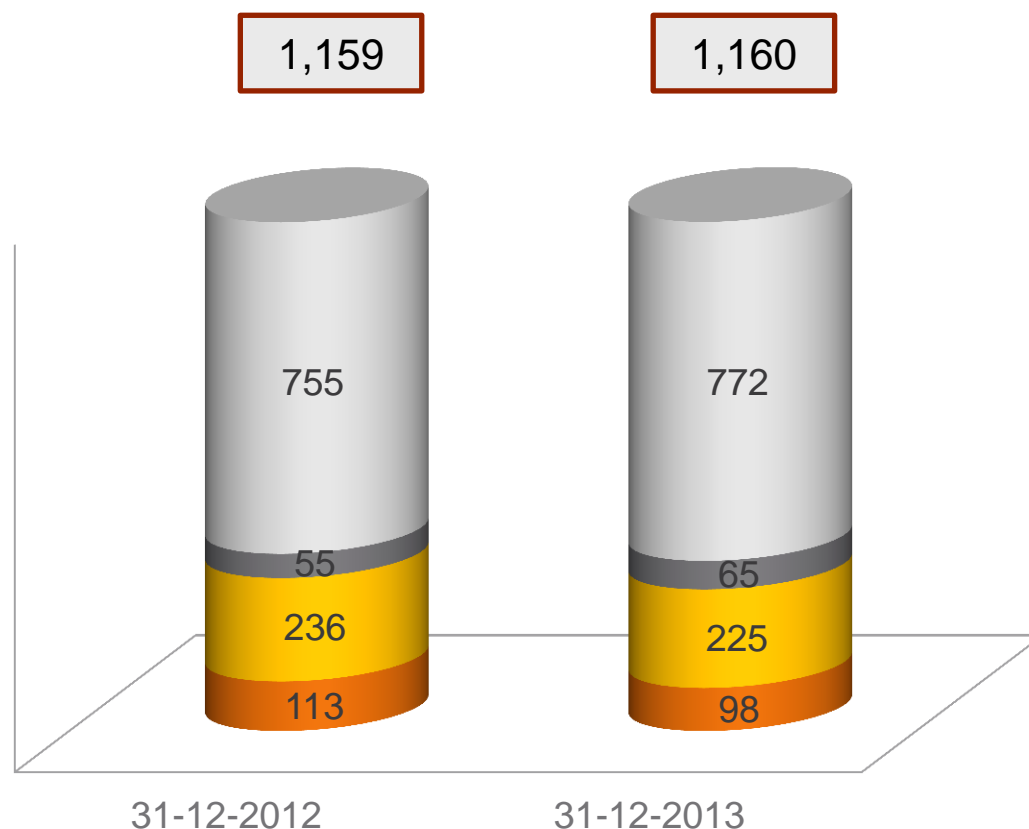
BREAKDOWN OF REVENUE (12 MONTHS OF 2013)



OPERATING EXPENSES (LTL MILLION)



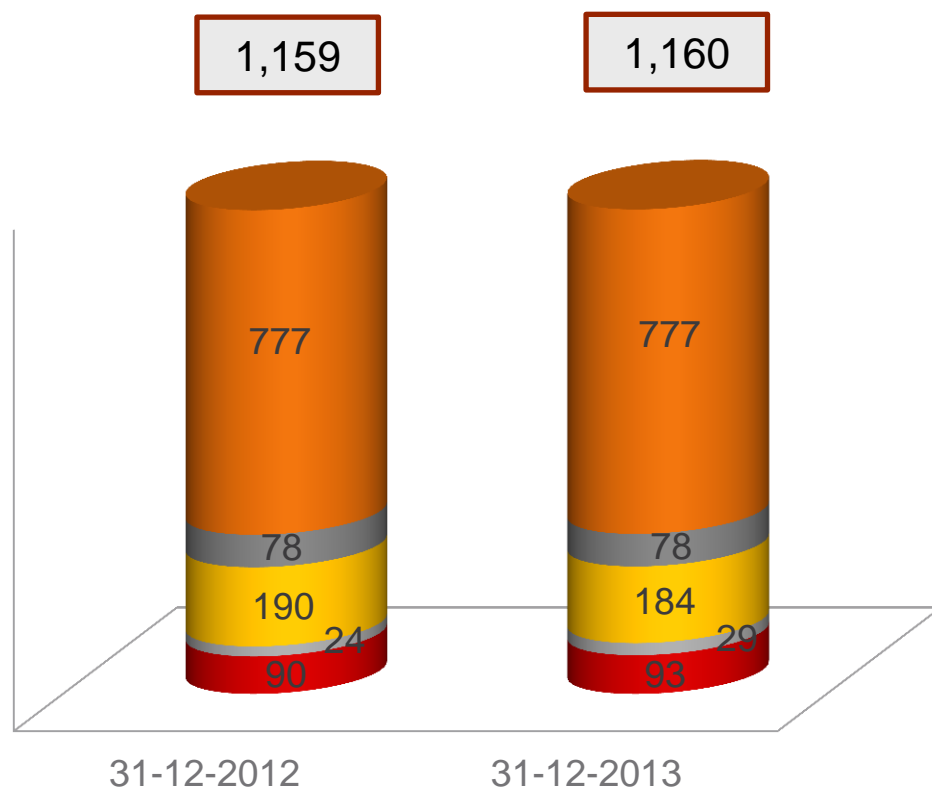
ASSETS (LTL MILLION)



- **Non-current assets** amounted to 72.2% of total assets (31-12-2013)
- **Cash and held-to-maturity investments** alone amounted to 19.4%
- **Return on capital employed:** 16.4%
- **Return on average assets:** 14.7%

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

EQUITY AND LIABILITIES (LTL MILLION)



- **Shareholders' equity** amounted to 89.5% of the total assets (31-12-2013)
- **Borrowings** amounted to LTL 2.3 million
- **Net debt** was negative and amounted to LTL 222 million
- **Gearing ration:** (21.4)%
- **Debt to equity:** 0.2%
- **Return on equity:** 14.7%

TEO RETAINED EARNINGS VS DIVIDENDS

(LTL MILLION)



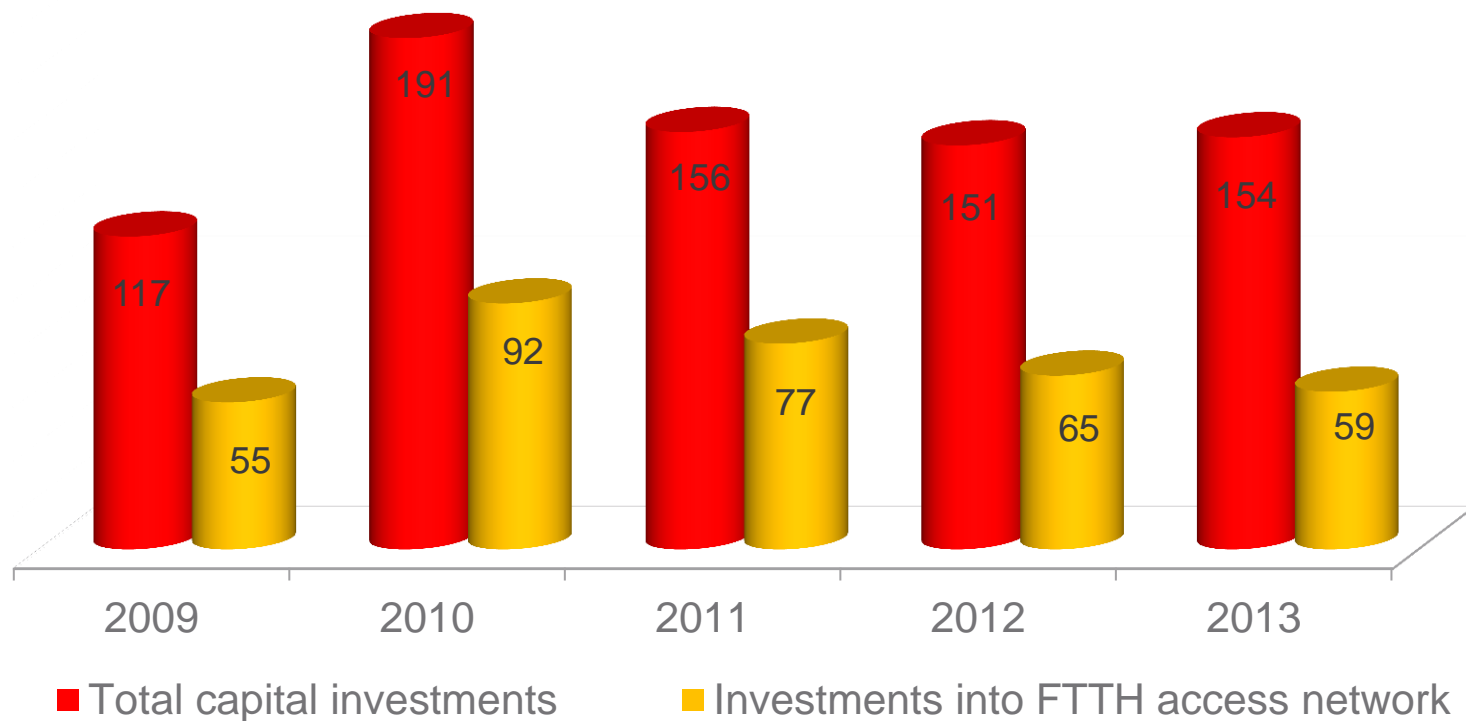
- Following the Lithuanian Law on Company dividends shall be paid **from the Parent company's retained earnings**
- Retained earnings of the Parent company for 2013 amounted to LTL 150 million or **LTL 0.193 per share**

CASH FLOW

(thousand LTL)	12 months of 2013	12 months of 2012
Net cash from operating activities	292,177	308,489
Net cash used in investing activities	(166,543)	(165,142)
Net cash used in financing activities	(156,341)	(156,338)
Increase in cash and cash equivalents	(30,707)	(12,991)

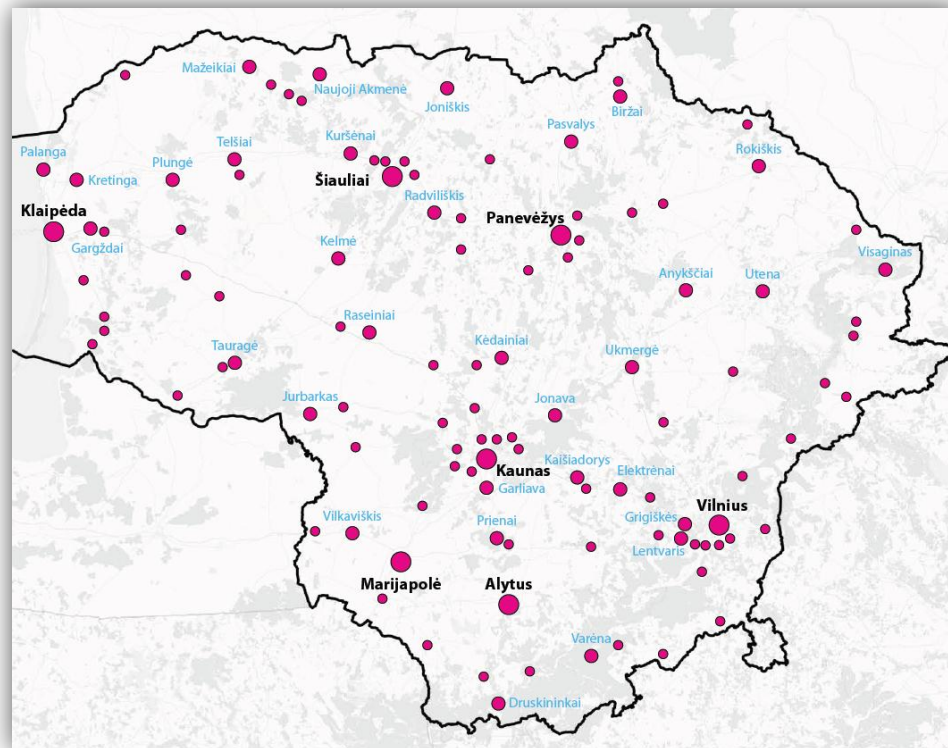
- Capital **investments** during 12 months of 2013 amounted to LTL 154 million (LTL 151 million in 2012)
- LTL 122 million went to expansion of the **core and fiber-optic access network**
- Almost LTL 27 million was invested into **IT systems**
- In May 2013, the Company paid out **LTL 155 million of dividends** for the year 2012 (i.e. 0.20 litas per share)

TEO INVESTMENTS (LTL MILLION)



TEO FIBER OPTIC (FTTH) NETWORK

- **More than LTL 450 million** was invested in the next-generation fiber optic access network (FTTH) of TEO since 2007
- TEO FTTH network operates in more than 100 Lithuanian cities and towns
- **804 thousand** households (764 thousand a year ago), or 67 per cent of the country's households, by the end of 2013 were passed by TEO FTTH network
- **Lithuania is No. 1** in Europe in terms of FTTH/B penetration (Source: FTTH Council Europe)



SHARES AND SHAREHOLDERS

Shareholders

Listing of shares

Market capitalisation

Trading in shares

Shares and indexes



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 2012

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

Shareholders as of 31 December 2013

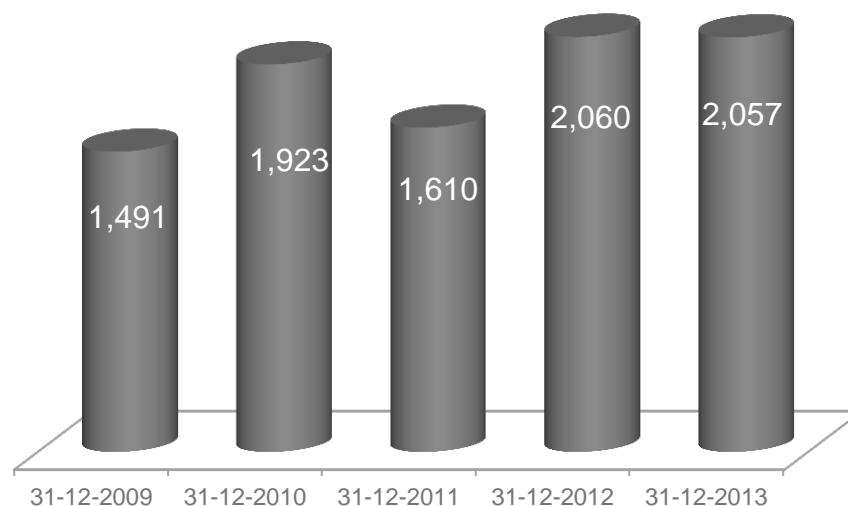
	Part of shares and votes
TeliaSonera AB	88.15%
Others	11.85%

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 2013: 13.2 million shares or LTL 35.5 million
- Share **price** on NASDAQ OMX Vilnius:

	LTL	EUR
01-01-2013	2.655	0.769
High	2.904	0.841
Low	2.555	0.740
31-12-2013	2.648	0.767

Market Capitalisation (LTL million)



TRADING IN TEO SHARES ON NASDAQ OMX VILNIUS STOCK EXCHANGE IN 2013



TEO SHARE PRICE AND NASDAQ OMX VILNIUS INDEXES COMPARISON



Source: NASDAQ OMX Vilnius

CORPORATE GOVERNANCE

Governing bodies

Board

Senior management

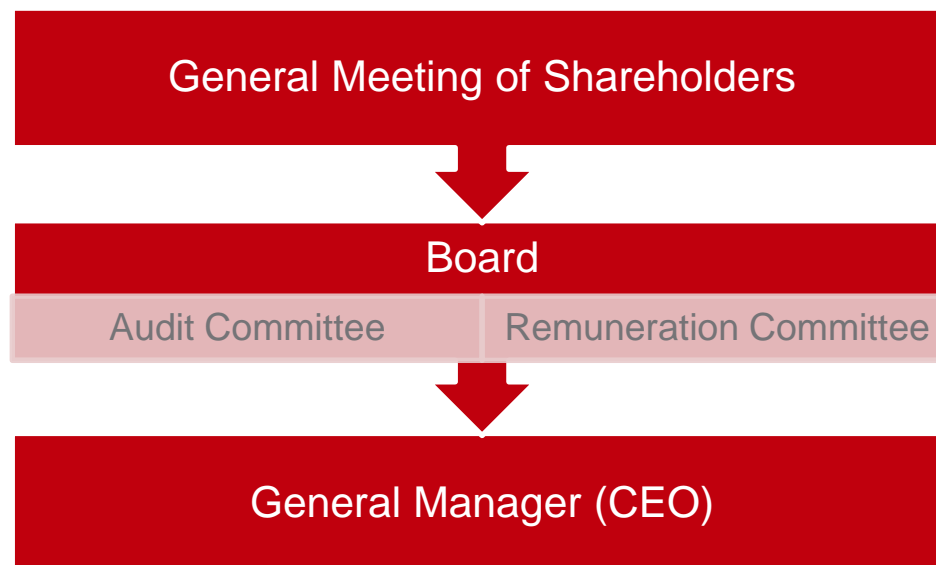
Corporate social responsibility



Results for 12 months of 2013 / 29-01-2014

GOVERNING BODIES

- The **Annual General Meeting** of Shareholders was held on 25 April 2013
- Upon termination of the 2 years term a new **Board consisting of 6 members** was elected
- The Board elects and recalls the **General Manager (CEO)**
- In August 2013, the Board elected **Kęstutis Šliužas** as a new CEO of the Company
- The General Meeting also elects the Company's **independent auditor** for 2 years term
- UAB PricewaterhouseCoopers is the Company's independent auditor



TEO BOARD (ELECTED IN 2013)



Malin Frenning
Chairwoman of the Board
Represents TeliaSonera AB
Chairwoman of Remuneration
Committee



Jens Lööw
Member of the Board
Represents TeliaSonera AB
Chairman of Audit Committee



Tiia Tuovinen
Member of the Board
Represents TeliaSonera AB
Member of Audit Committee



Mats Lillienberg
Member of the Board
Represents TeliaSonera AB
Member of Remuneration
Committee



Inga Skisaker
Independent member of the Board
Member of Audit Committee



Rolandas Viršilas
Independent member of the Board
Member of Remuneration
Committee

- **Rolandas Viršilas has 100,000 shares of TEO**, other members of the Board have no direct interest in the share capital of TEO

SENIOR MANAGEMENT



Kęstutis Šliužas
(born in 1972),
General Manager



Darius Didžgalvis
(born in 1969)
Chief Technology Officer and
Deputy General Manager



Edis Kasperavičius
(born in 1961)
Chief Sales Officer



Eglutė Bivainienė
(born in 1967)
Chief Operational Officer



Nerijus Ivanauskas
(born in 1970),
Chief Marketing Officer and
Deputy General Manager



Giedrius Vegys
(born in 1959)
Chief Financial Officer

- Senior managers of the Company 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
- In 2012, the Company **reduced** CO2 emission by 6.7% and **consumption** of electricity by 9.7%, office paper – by 11%, water – by 6%



Since 2008 TEO implements internal project „Tausok ir keiskis“ („Save resources and change yourself“), that helped to save LTL 4.5 million by reducing consumption of fuel, electricity, water, office paper and other resources

THANK YOU FOR YOUR ATTENTION

BŪTI SU PASAULIU



For more information about the Company please visit our website www.teo.lt