

# RESULTS FOR THE YEAR 2013

TEO LT, AB GROUP



Results for the year 2013 / 20-03-2014

# WHAT IS TEO?

Leader in Lithuania

Business philosophy

History milestones

Part of TeliaSonera Group

Structure of the Group

Main figures

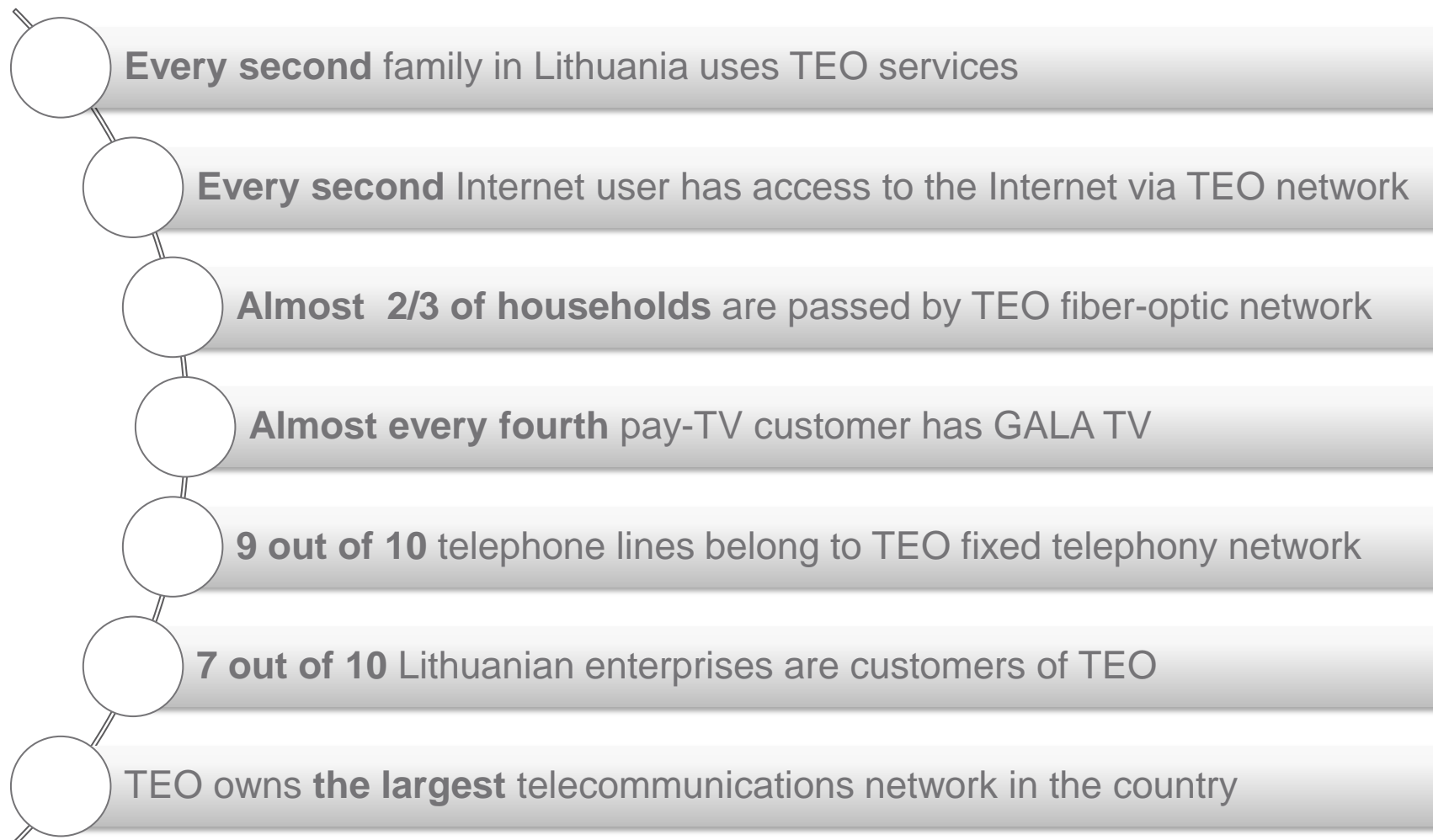
Employees

Awards



Results for the year 2013 / 20-03-2014

# TEO IN LITHUANIA





# LEADERSHIP IN LITHUANIA



No.1

- TELECOM OPERATOR IN TERMS OF REVENUE
- IN FIXED VOICE TELEPHONY
- IN BROADBAND INTERNET
- IN DIGITAL TELEVISION
- IN DATA COMMUNICATION AND LEASED LINES
- IN CARRIER BUSINESS
- IN INFORMATION PROVISION SERVICES
- IN DATA CENTER BUSINESS

# BUSINESS PHILOSOPHY

## VISION

- Your best partner in communicating with the constantly changing world  
*By constantly introducing the most advanced technologies we aim at enable our customers to reach people, knowledge and entertainment simply and easily*

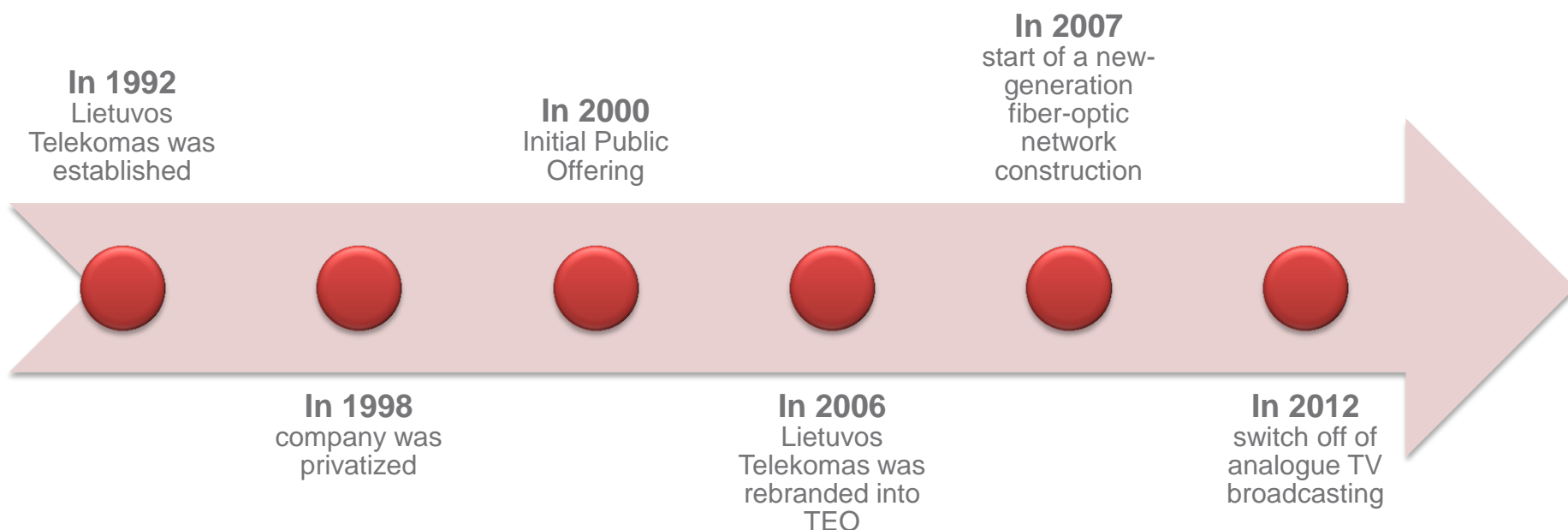
## MISSION

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

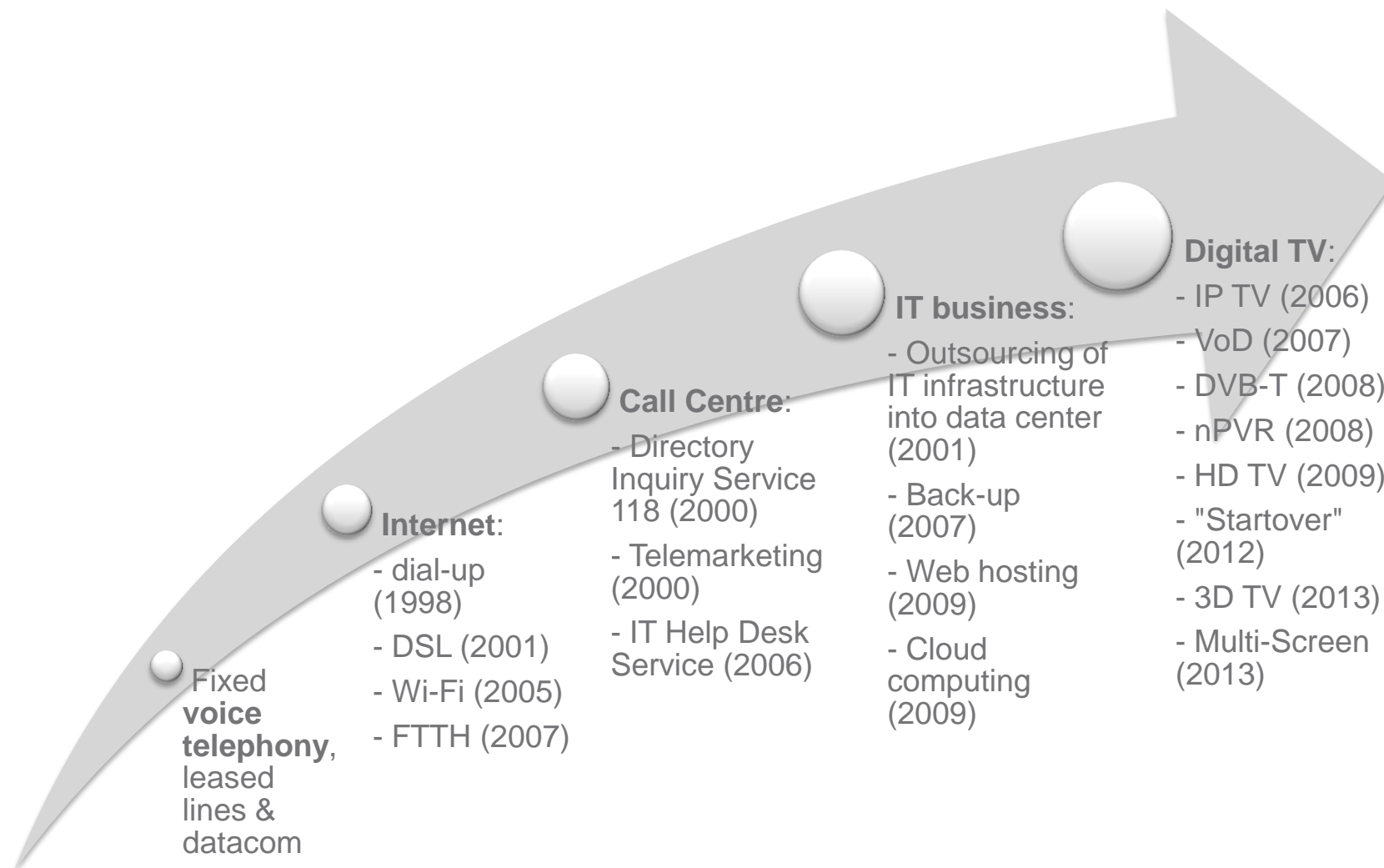
## VALUES

- CREATE VALUE      RESPECT      GOAL ORIENTATION, BUSINESS MINDED

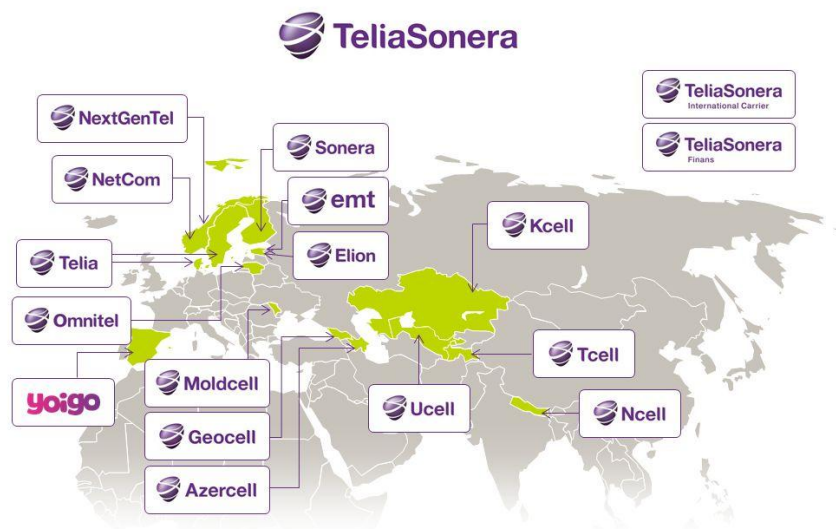
# HISTORY OF THE COMPANY



# DEVELOPMENT OF SERVICES



# TEO – PART OF TELIASONERA GROUP



- **TeliaSonera** provides telecommunication services in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain

## TeliaSonera in the Baltic States

### Business Area Broadband Services

### Business Area Mobility Services

Elion (Estonia)  
100%

TEO (Lithuania)  
88%

Latttelecom  
(Latvia)  
49%

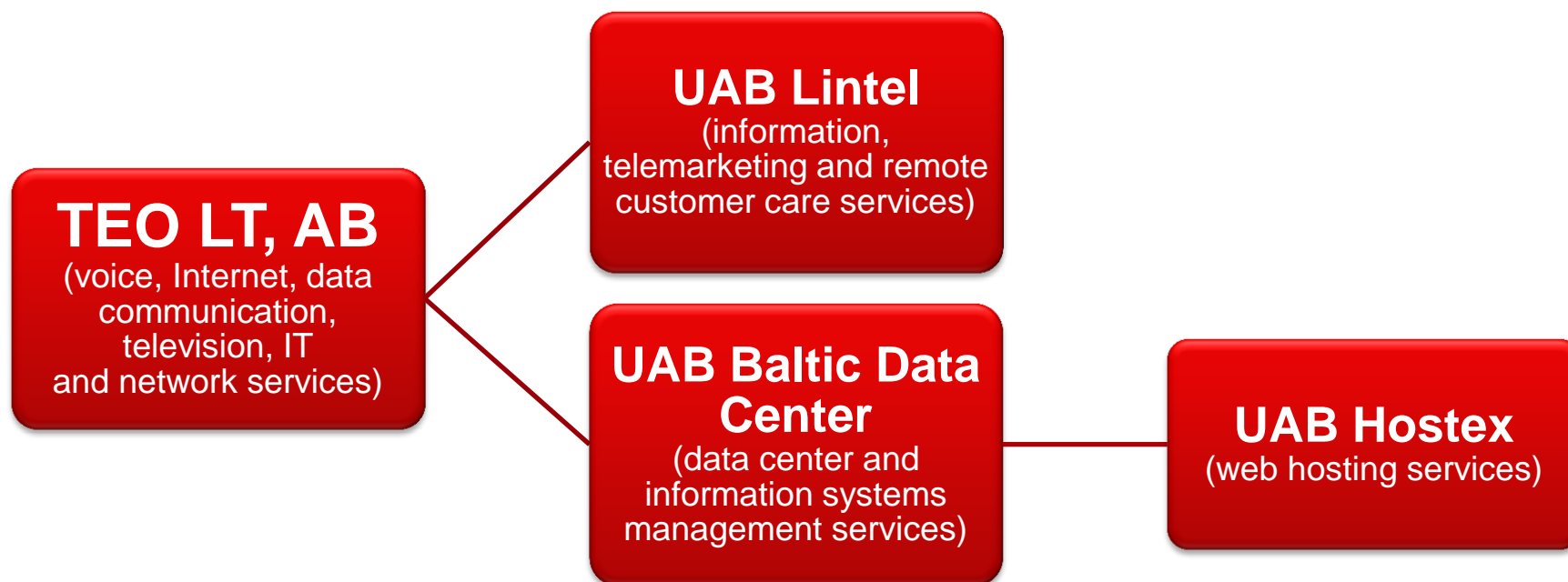
EMT (Estonia)  
100%

Omnitel  
(Lithuania)  
100%

LMT  
(Latvia)  
60%



# TEO GROUP

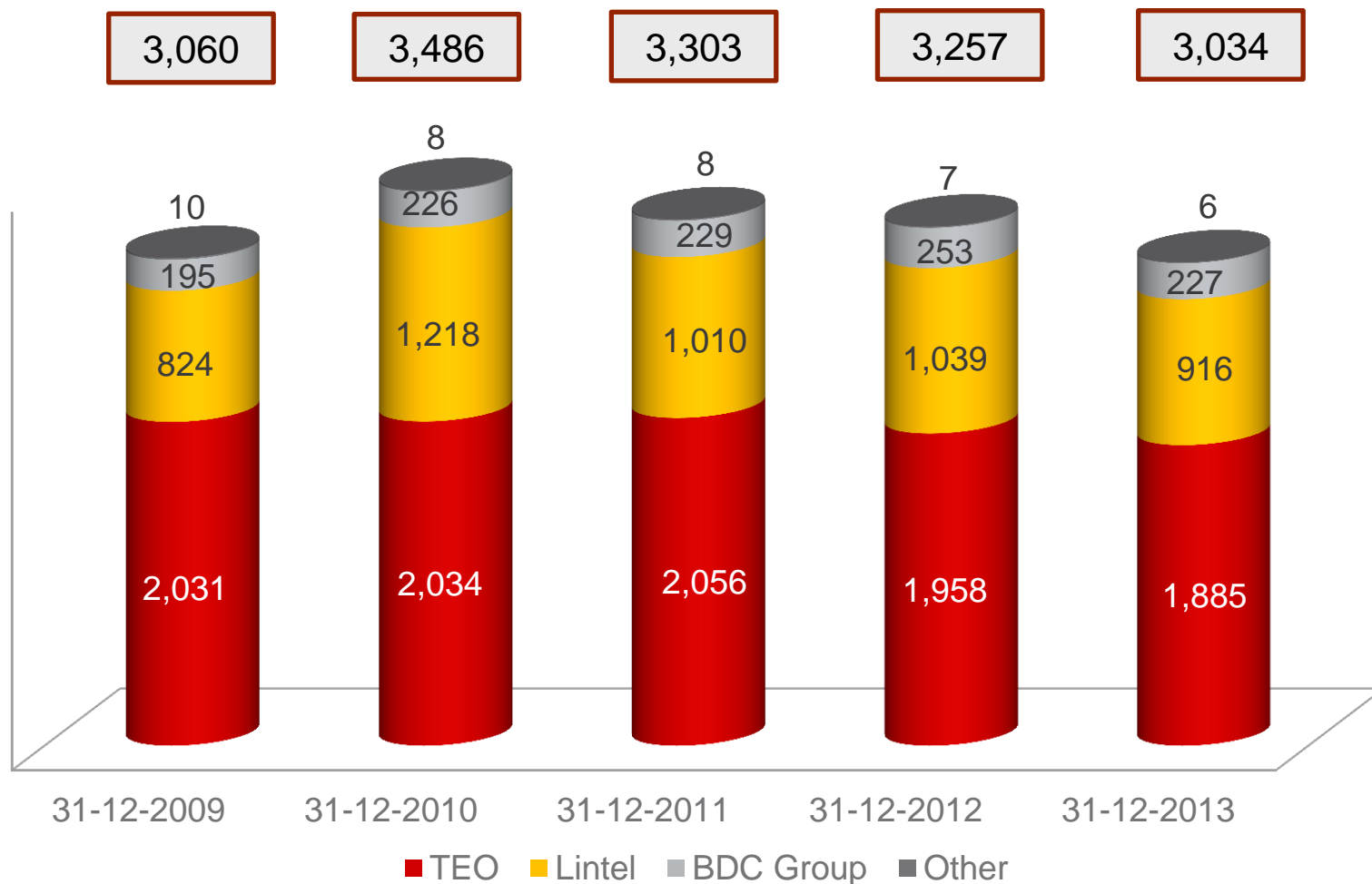


- **TEO LT, AB** also holds 100% stakes in **UAB Verslo Investicijos** (investment project) and **UAB Kompetencijos Ugdymo Centras** (dormant subsidiary), and is the sole owner of a not-for-profit organization **VšĮ Ryšių Istorijos Muziejus** (Communications History Museum)
- **UAB Baltic Data Center**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



# RECENT TEO AWARDS

## NASDAQ OMX Baltic Market Awards 2013



- Best Investor Relations According to the Analyst – 1st Place
- Best Annual and Corporate Governance Report – 1st Place
- Best Investor Relations in the Baltic Countries – 2nd Place
- Best Interactive Investor Relations – 2nd/3rd Place

## Baltic Corporate Excellence Awards 2013



- The Best Listed Company in the Baltic States
- The Best Listed Company in Lithuania

# SERVICES PROVIDED

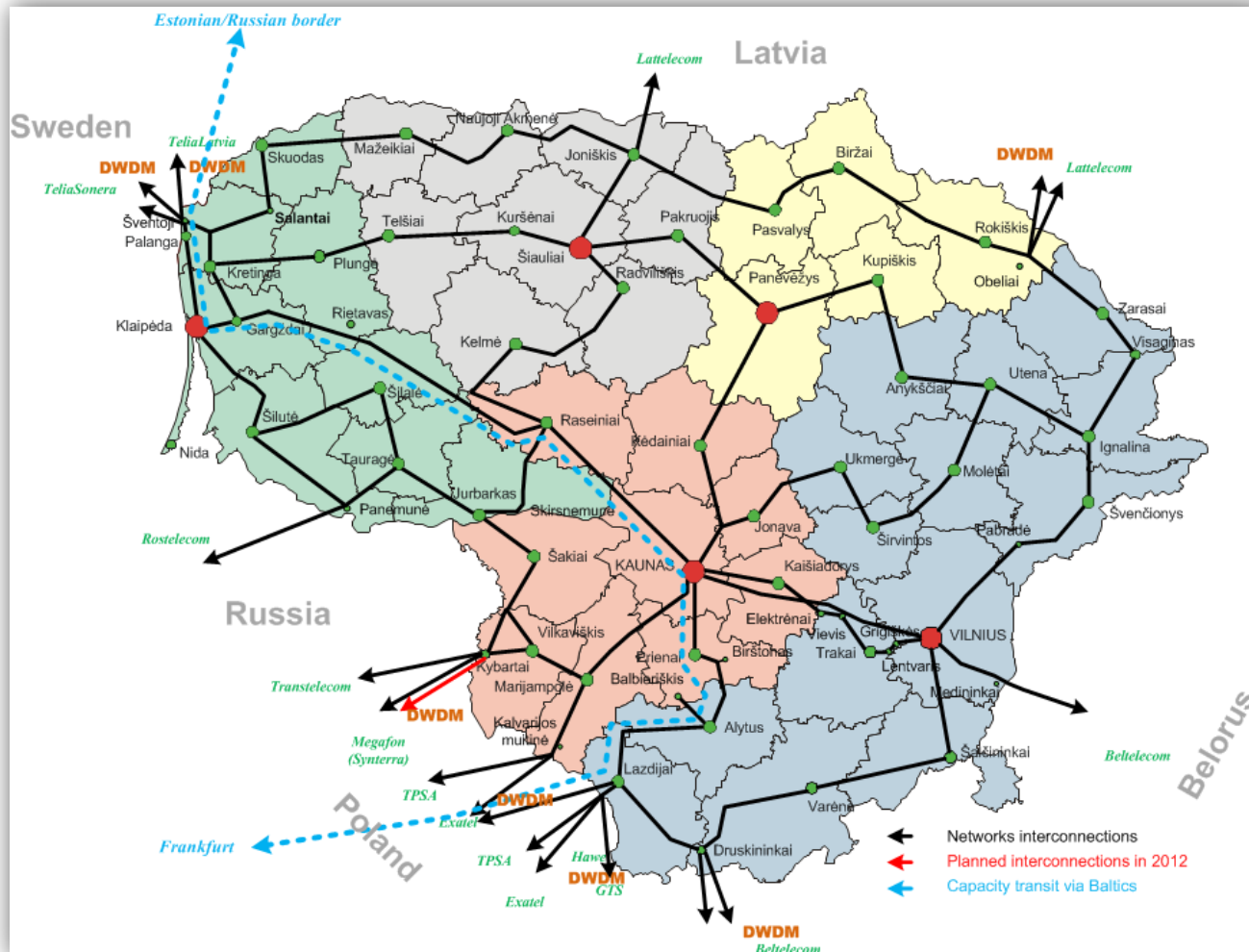
Network  
Voice telephony  
Internet access  
Digital television  
IT and data centres  
Call Centre  
Carrier business



Results for the year 2013 / 20-03-2014



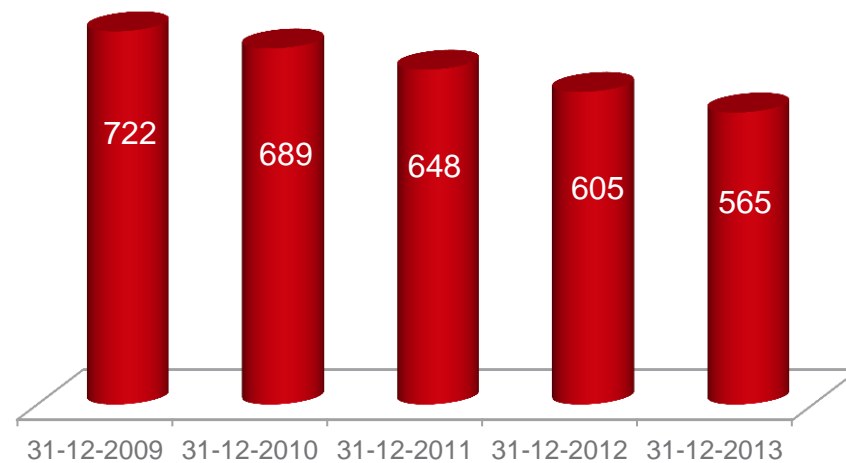
# TEO OPERATES THE LARGEST TELECOMMUNICATIONS NETWORK IN LITHUANIA



# VOICE TELEPHONY SERVICES

- TEO has the majority of fixed voice telephony customers (**90%**) in Lithuania
- TEO voice telephony services are provided **all over the country**
- Customers are offered a number of **flat-fee payment plans** depending on their needs for domestic or international calls, calls to other fixed or mobile networks

Number of telephone lines (thou.)



# NEW HOME PHONE PAYMENT PLANS

Payment plan	Main features	Monthly fee (incl. VAT)
“Minutes“	<b>100 minutes of free calls</b> to mobile and fixed networks of Lithuania	LTL 23.90
“Hours“	<b>600 minutes of free calls</b> to mobile and fixed networks of Lithuania	LTL 29.90
“24 Hours“	<b>LTL 0 per minute for calls</b> to mobile and fixed networks of Lithuania	LTL 36.90

- From July 2013 TEO has substantially reorganized the **basic home phone payment plans**. For almost the same price now they include 0 cents per minute calls not only to fixed-line networks of Lithuania, but mobile ones, too.

# INTERNET SERVICES

- TEO has the majority of fixed broadband Internet access (51%) and **37%** of all Internet (including mobile) users in Lithuania
- TEO provides Internet services **all over the country**
- **42%** of TEO Internet connections are fiber optic (FTTH/FTTB), **41%** – copper (DSL) and **17%** – wireless (Wi-Fi) connections
- TEO has the country's largest network of **3,072 Wi-Fi hot-spots**

Number of Internet connections (thou.)



# INTERNET PLANS FOR RESIDENTIAL CUSTOMERS

Internet plan	Monthly fee (incl. VAT)	Speed of fiber-optic (FTTH/FTTB) access	Speed of copper (DSL) access
"Premium"	LTL 79.90	up to <b>300</b> Mbps	up to maximum technically available
"Optimal"	LTL 49.90	up to <b>100</b> Mbps	up to <b>12</b> Mbps
"Basic"	LTL 39.90	up to <b>50</b> Mbps	up to <b>8</b> Mbps
"Start"	LTL 29.90	-	up to <b>4</b> Mbps
"24 hours"	LTL 9.90	up to <b>10</b> Mbps	up to <b>2</b> Mbps

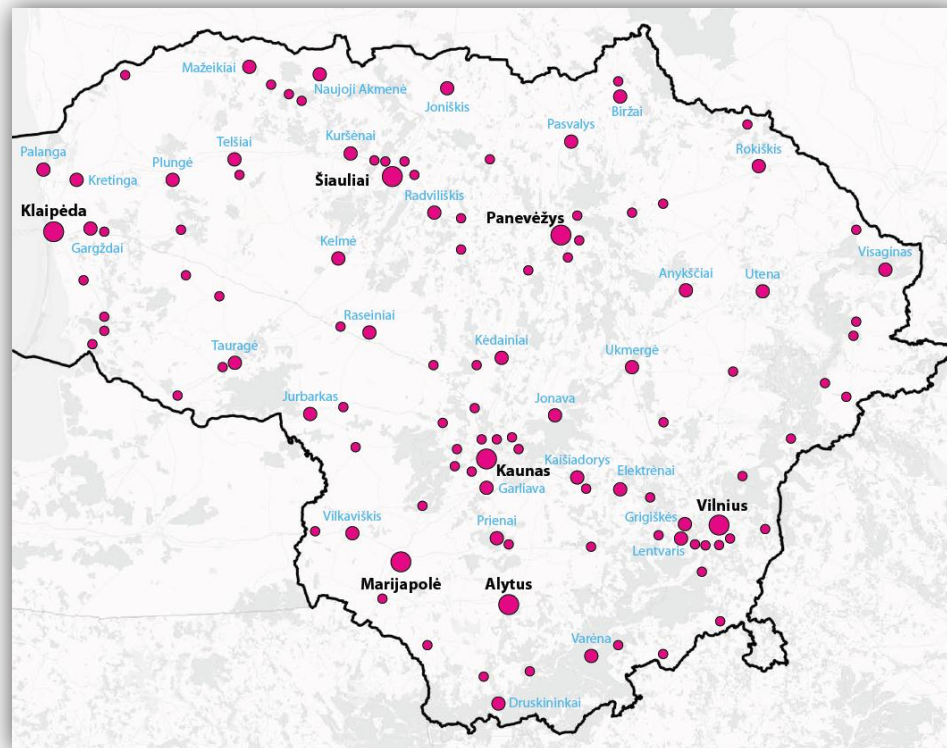
- Starting from July 2013, TEO Internet Wi-Fi service in public places is called "**TEO Wi-Fi**"
- In September TEO **increased speed** of DSL broadband Internet





# TEO FIBER OPTIC (FTTH) NETWORK

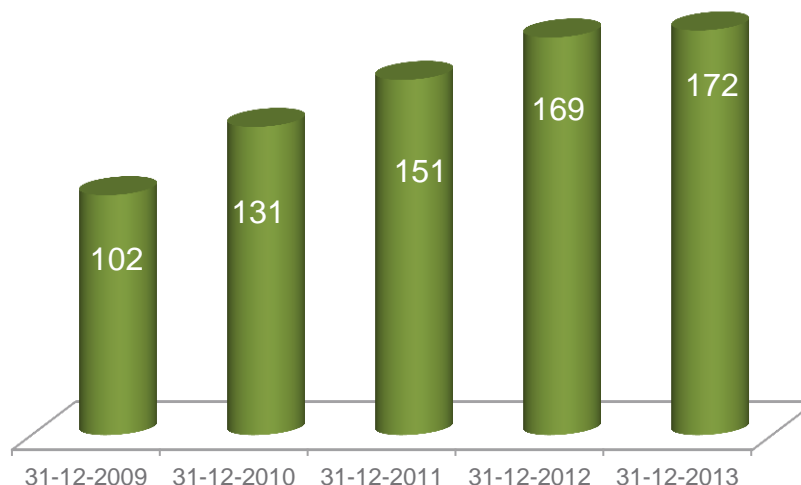
- **More than LTL 450 million** was invested in the next-generation fiber optic access network (FTTH) of TEO since 2007
- TEO FTTH network operates in more than **100** Lithuanian cities and towns
- **804 thousand** households, or 67% of the country's households, by the end of 2013 were passed by TEO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



# TELEVISION SERVICES

- TEO has the majority of pay-TV service users (**24%**) in Lithuania
- TEO provides IPTV and DVB-T services **all over the country** where it is technically possible
- TEO also operates **2 out of 4** national networks of DVB-T transmitters (10 TV channels per network) and obtained the license to construct a third one
- On **29 October 2012** Lithuania switched from analogue to digital TV broadcasting
- In 2013, TEO created new generation Internet television service for smart devices - "**Interneto.tv**"

Number of TV services users (thou.)



# SMART TELEVISION

- **Internet television (IPTV)** service was launched in October 2006
- Basic package consist of more than **50** TV channels
- **11** additional packages: news, sports, cinema, leisure, knowledge, for kids, Russian channels, Viasat Sport, Viasat Movie, Viasat Combo and HD & 3D TV (in total more than **45** TV channels)
- Customer could create their own packages of TV channels
- Basic monthly fee – **LTL 39.90**
- Video-on-demand service offers more than **2,000** video records
- Number of **exclusive IPTV features**: video recording, karaoke, games, digital radio, Facebook, YouTube, Picasa, Flickr and RSS feeds on a TV screen



# DIGITAL TERRESTRIAL TELEVISION

- Digital terrestrial television (DVB-T) service was launched in March 2008
- It offers up to **41 SD TV channel** of all over the country and **3 HDTV** channels in Vilnius, Kaunas and Marijampolė regions
- Regular monthly fee – **LTL 29.90**



- DVB-T transmitter networks cover **98%** of Lithuanian population

# MODERN SERVICES FOR BUSINESS CUSTOMERS

- **High Definition (HD) voice calls** – the Internet telephony (VoIP) innovation
- **Virtual IP PBX** – an alternative to tradition PBX, no need to acquire own PBX equipment and take care of it
- **Interactive Voice Response (IVR) equipment** – an automated handling of customers' calls
- Standardized **Internet Security Solutions** service not only for large, but also for small and medium size enterprises
- Long-term computer and office equipment **rent**
- **Storage for Business** – up to 1 TB (terabit) storage place for keeping and storing business files
- **Virtual Office** – the Microsoft Exchange 2007 based virtual collaboration system, created in the network of TEO
- **Video Surveillance Solutions** –infrastructure installation, equipment rent or purchase as well as its maintenance





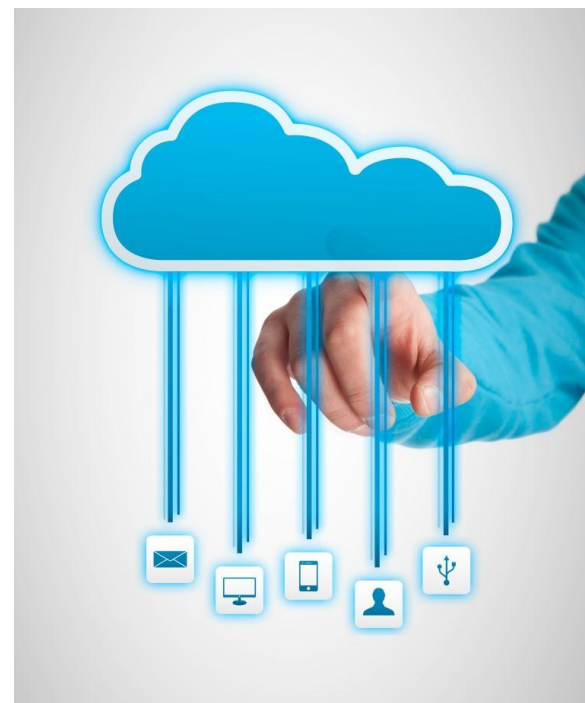
# IT SERVICES

- **Baltic Data Center (BDC)** – a leader in data center and information systems management in the Baltic States
- **7 data centers** fully comply with international standards
- A broad range of **IT outsourcing services**
- More than **220** highly skilled IT professionals
- **Customers** from Lithuania, Latvia, Estonia, Finland, Sweden, Norway, Denmark, Poland
- Services are provided under **ISO 20000** and **ISO 27001** certificates and ITIL best practice
- Professional support 24x7 (**IT Service Desk**)



# CLOUD COMPUTING

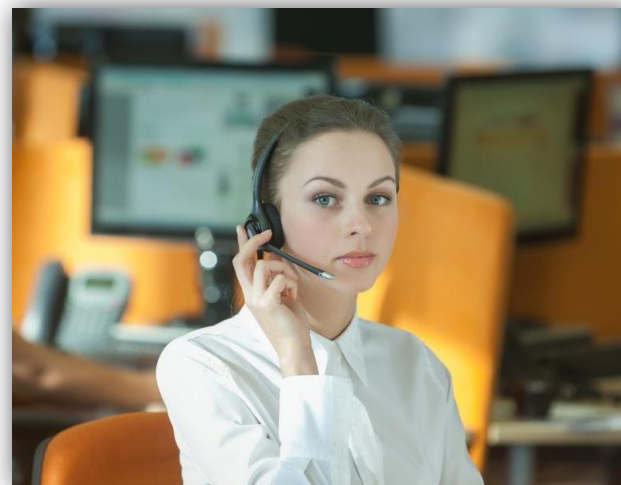
- **Hostex** is one of the leading providers of data centers and virtual resources – cloud computing services in Lithuania
- The company specializes in the design, installation and support of **web portals** and information systems
- It provides **hosting**, virtual dedicated server services and develops specialized solutions
- Ensures **TV channels** webcasting
- Operates **2 data centers**



**HOSTEX**

# CALL CENTER SERVICES

- **Lintel** is the largest and most modern Call Center service provider in Lithuania
- **6 Call Centers** handle around **14 million inquiries** a year
- All geographically remote Call Centers are connected into **one virtual Call Center**
- Call Centers are located in Vilnius, Kaunas, Klaipėda, Panevėžys and Radviliškis
- More than **900 employees**
- Services provided in Lithuania, Russian and English
- Directory Inquiry Service **118**
- **Telemarketing** and remote **customer care** services for business customers
- IT consultations service **24x7**



# CARRIER BUSINESS

- Being the largest operator in Lithuania, TEO provides services not only to retail customers but also to **national and international operators**
- National operators are provided with voice and data **networks interconnection**
- **Almost 60%** of Lithuania's direct international Internet traffic goes through TEO connections
- **International carriers** are offered calls termination in fixed and mobile networks of Lithuania, voice and data transit to networks of other international operators



- TEO has **points of presence (POP)** in Frankfurt, Riga, London and Stockholm

# ELECTRONIC COMMUNICATIONS MARKET OF LITHUANIA

Dynamics of the market

Main market figures

Figures of main operators

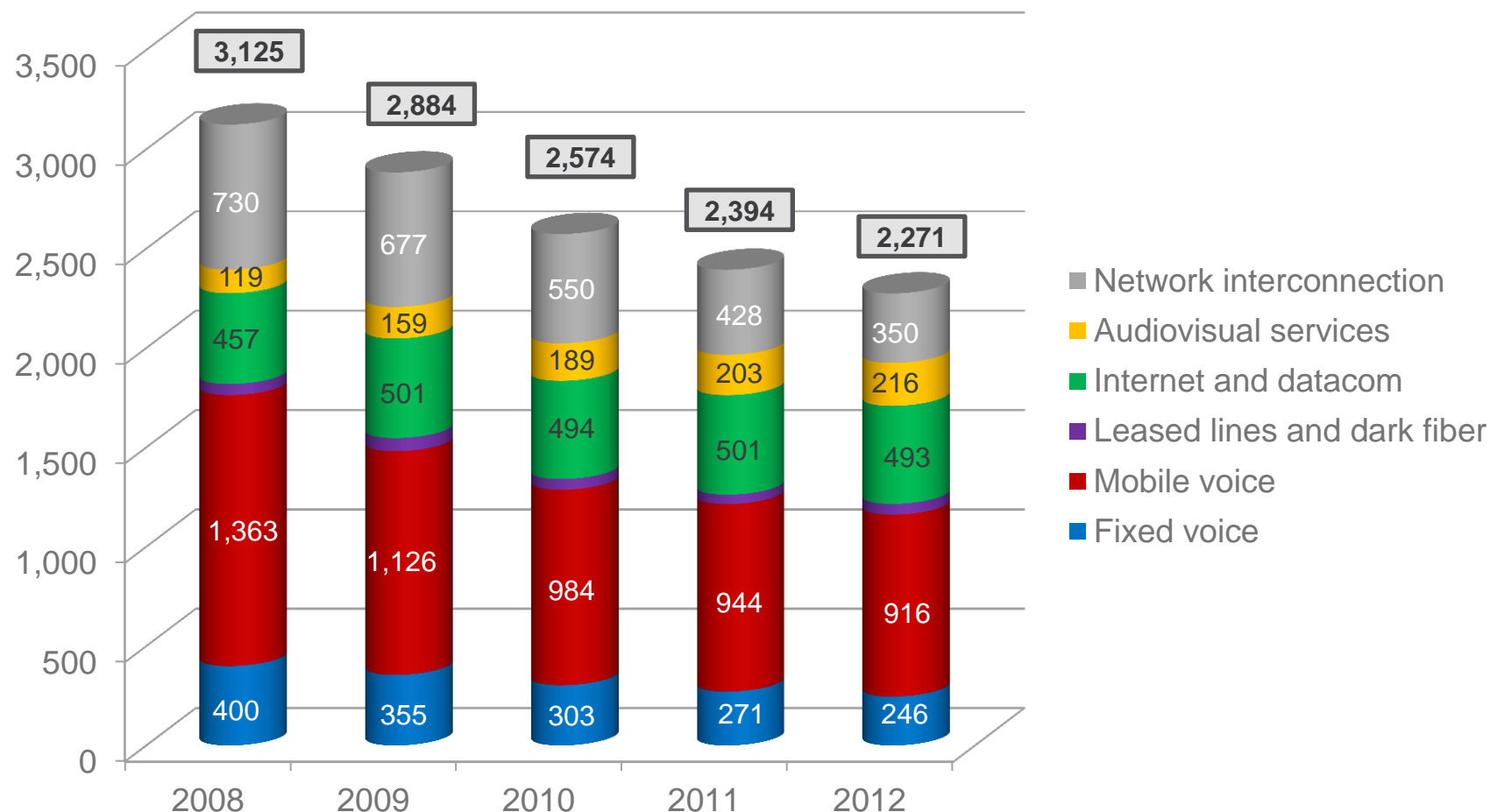
TEO market shares



Results for the year 2013 / 20-03-2014



# TELECOMMUNICATION MARKET IN LITHUANIA (LTL MILLION)



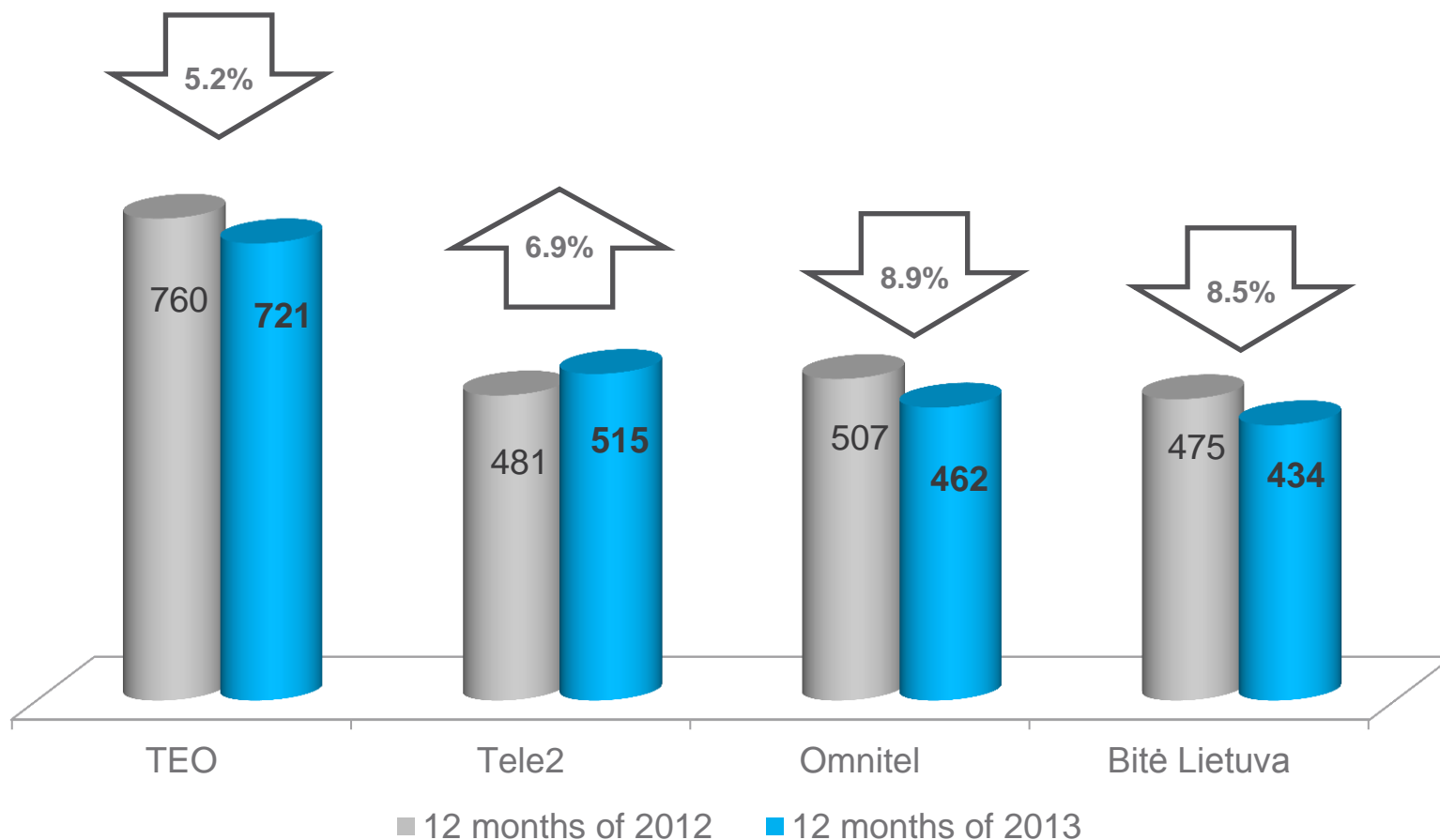
Source: Report of the Communications Regulatory Authority

# MAIN MARKET FIGURES

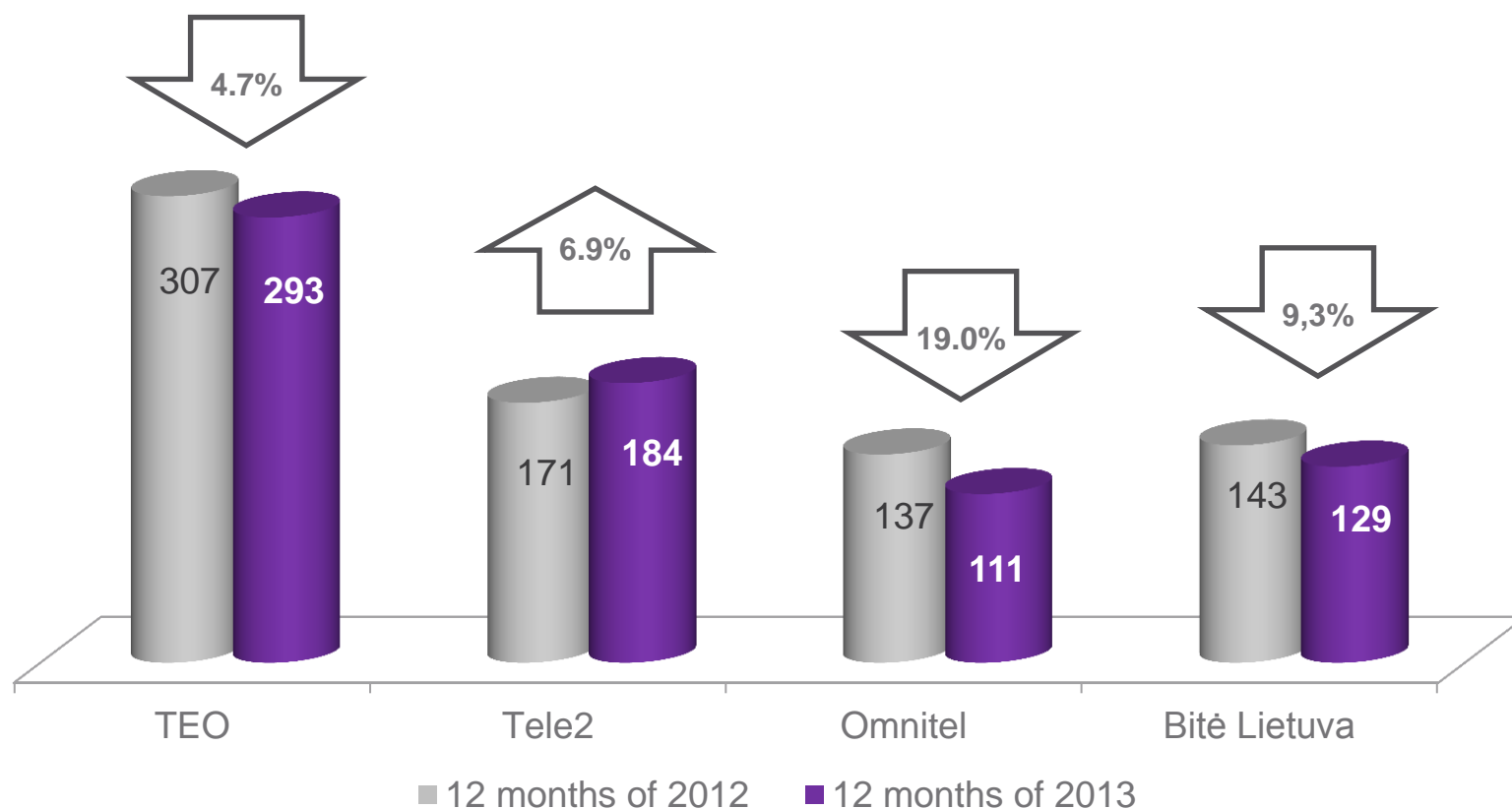
	30-09-2013	30-09-2012	Change (%)
Total market revenue (LTL million)	1,616.0	1,077.9	(5.5)
Number of telephone lines per 100 inhabitants	21.2	22.4	(5.4)
Number of mobile voice subscribers per 100 inhabitants	169.0	165.9	1.9
Number of Internet access subscribers	1,125,561	1,033,903	8.9
Number of broadband 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

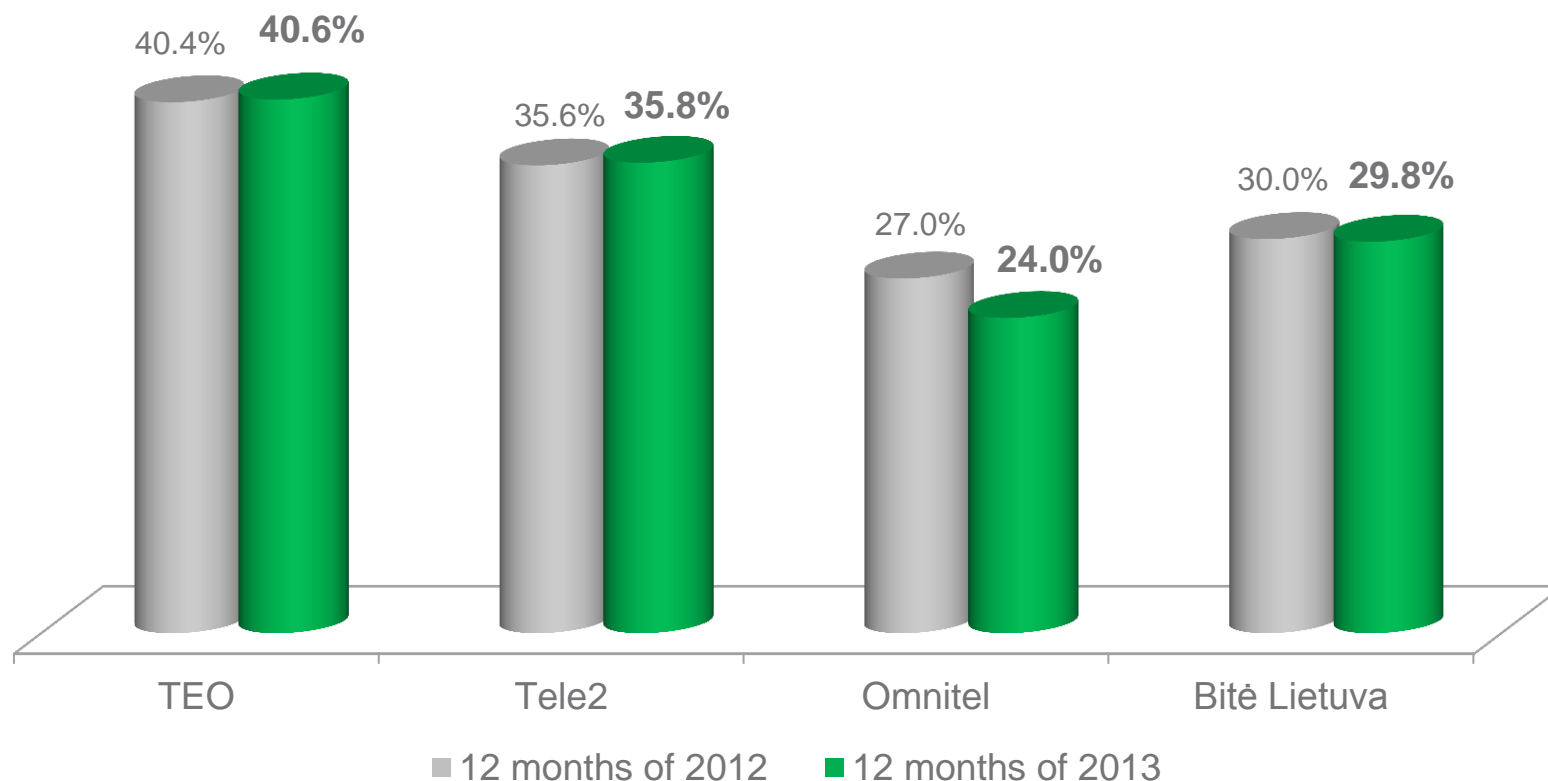
# MAIN TELECOMMUNICATIONS MARKET PLAYERS' **REVENUE** CHANGES (LTL MILLION)



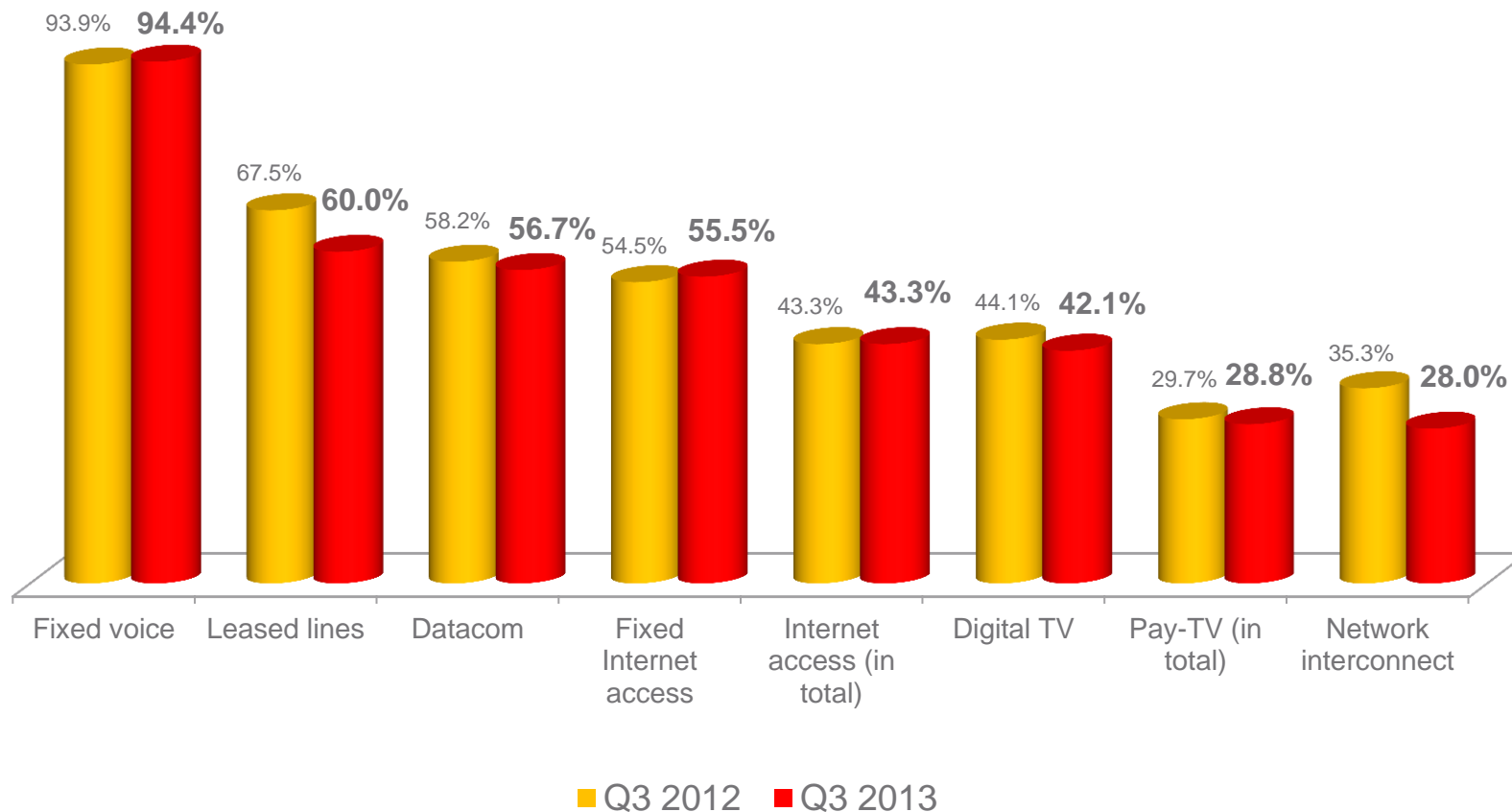
# MAIN TELECOMMUNICATIONS MARKET PLAYERS' **EBITDA** CHANGES (LTL MILLION)



# 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

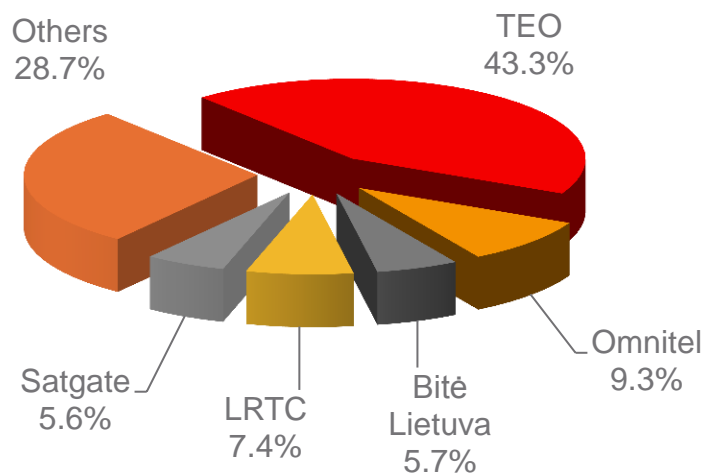


Source: Report of the Communications Regulatory Authority

# 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)
<b>Total:</b>	<b>1,126</b>	<b>8.8</b>

Q3 2013 revenue by service providers

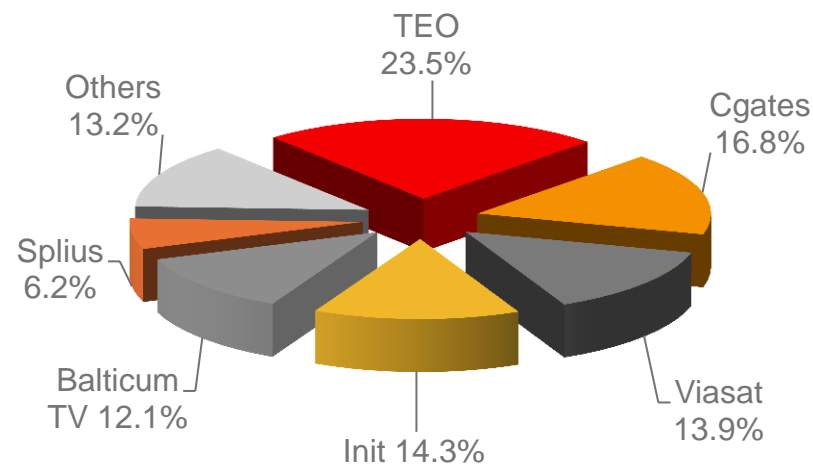


Source: Report of the Communications Regulatory Authority

# 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)
<b>Total:</b>	<b>728</b>	<b>4.0</b>

Breakdown of users by service providers



Source: Report of the Communications Regulatory Authority

# FINANCIAL RESULTS

Revenue, EBITDA, net profit

Investments

Balance sheet

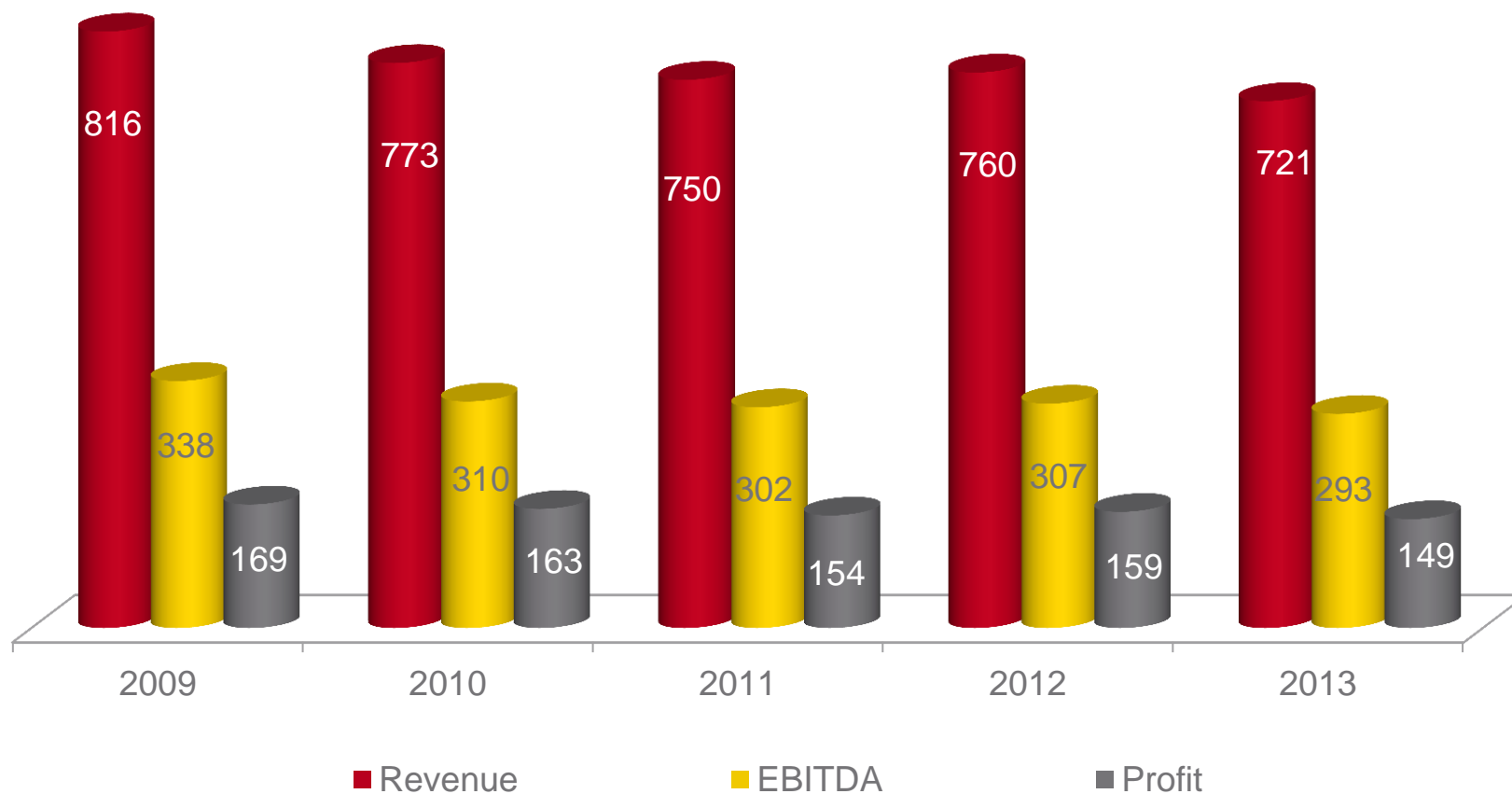
Cash flow

Dividends



Results for the year 2013 / 20-03-2014

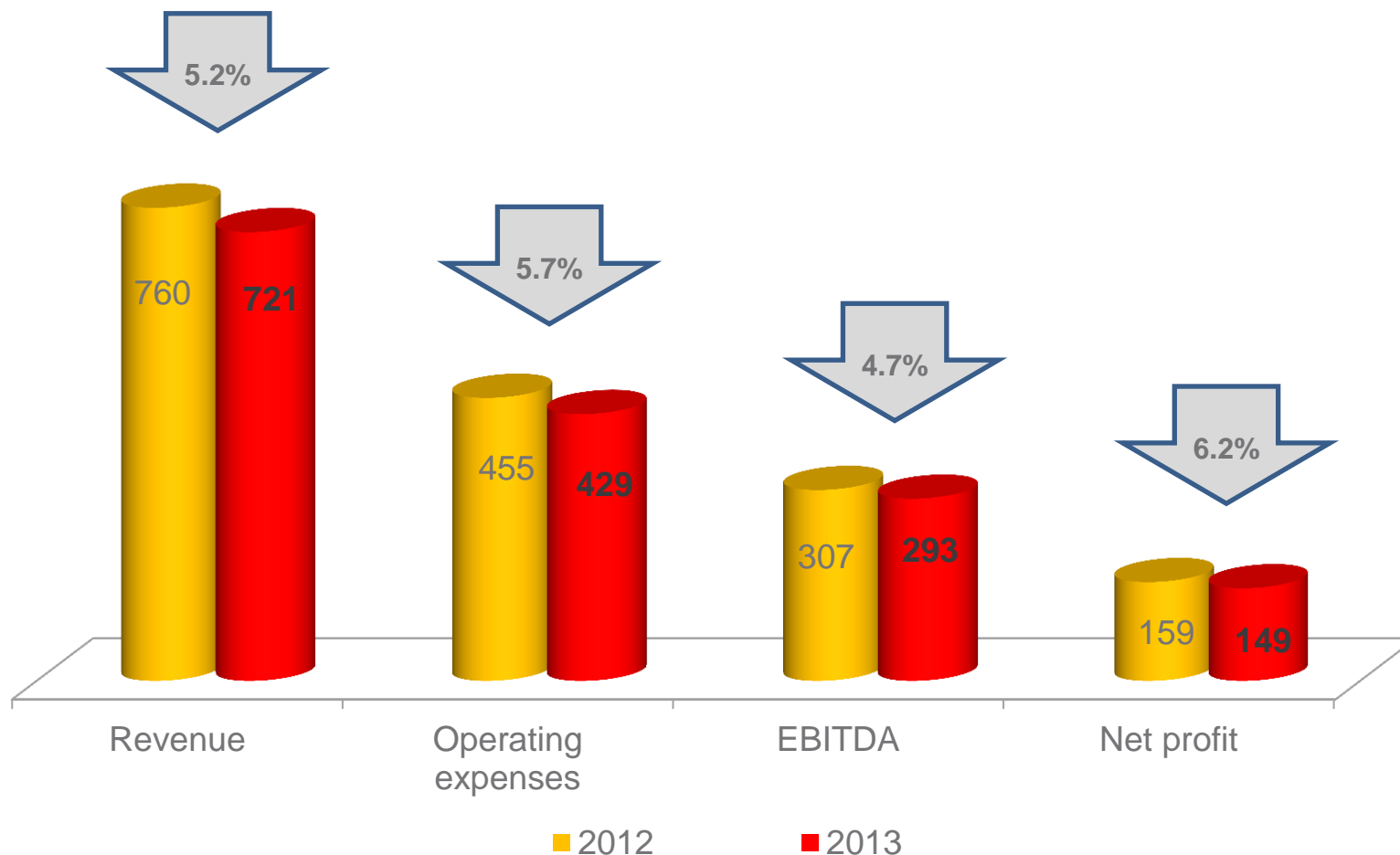
# REVENUE, EBITDA & NET PROFIT (LTL MILLION)



# MAJOR FINANCIAL INDICATORS

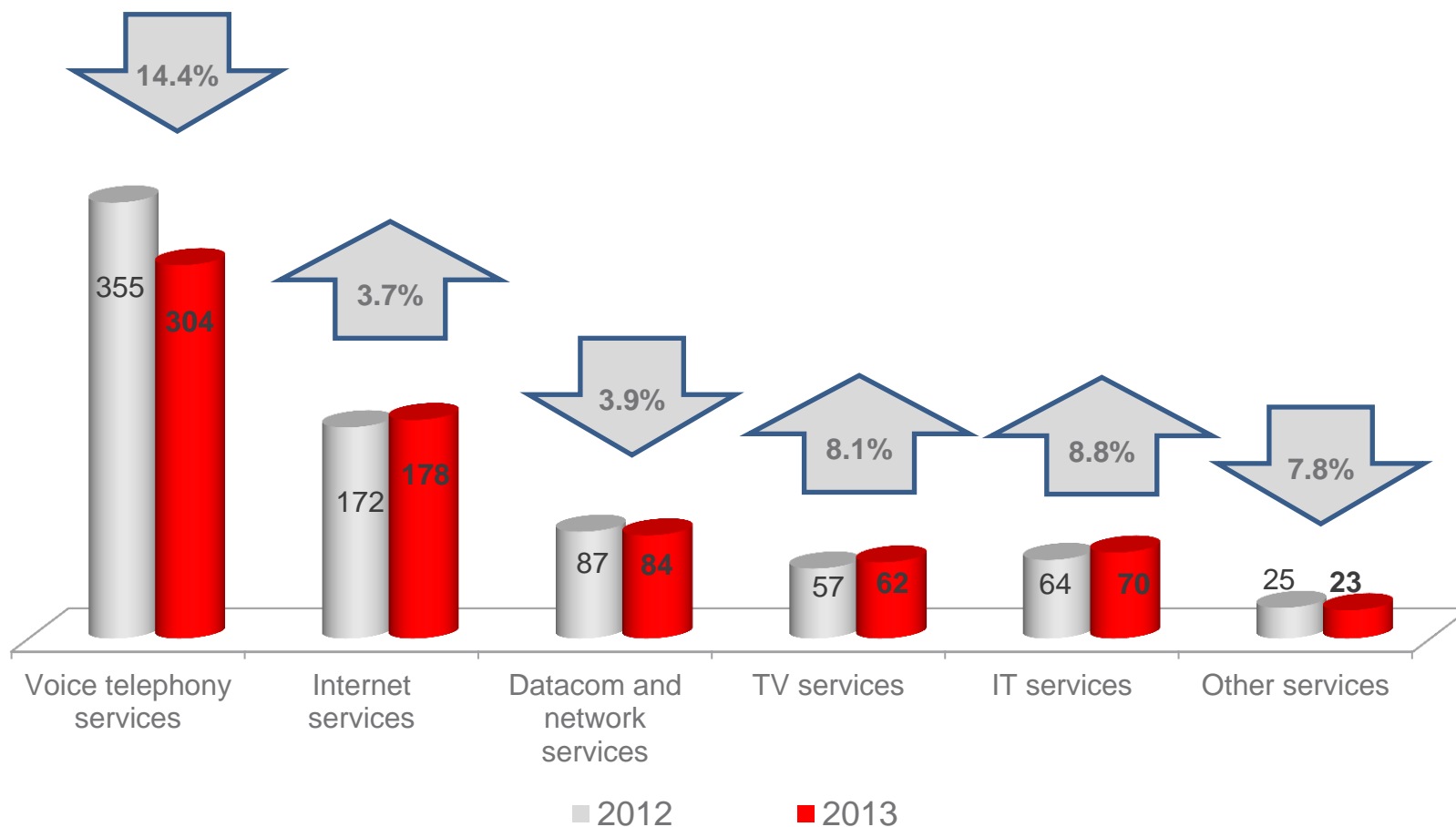
(thousand LTL)	2013	2012	Change (%)
Revenue	720,589	760,174	(5.2)
Operating expenses	429,306	455,253	(5.7)
EBITDA	292,737	307,080	(4.7)
EBITDA margin	40.6%	40.4%	
Depreciation and amortization	127,654	130,562	(2.2)
Operating profit	165,083	176,518	(6.5)
Operating profit margin	22.9%	23.2%	
Net profit	149,151	159,066	(6.2)
Profit margin	20.7%	20.9%	
Earnings per share (LTL)	0.192	0.205	

# DYNAMICS OF TEO MAIN FINANCIAL INDICATORS (LTL MILLION)

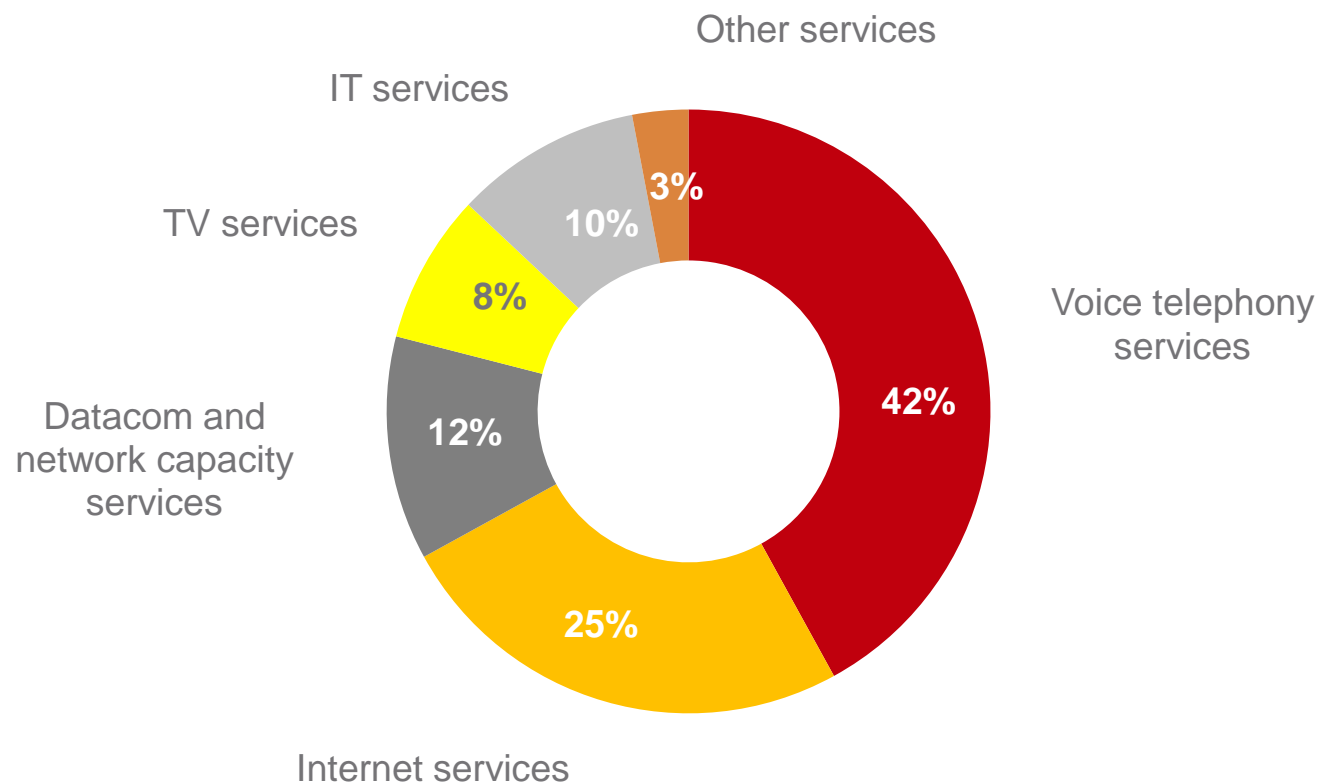




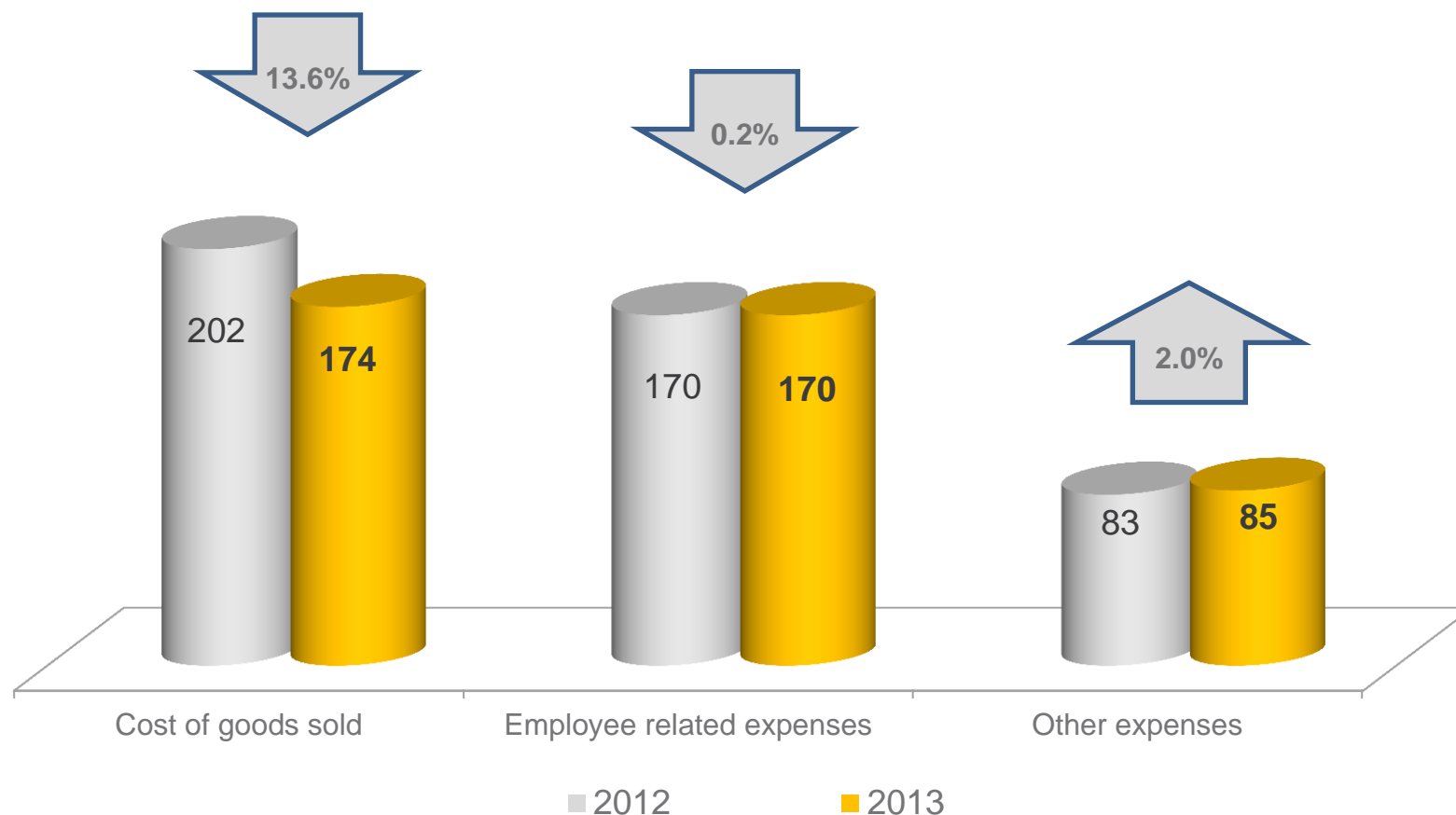
# REVENUE (LTL MILLION)



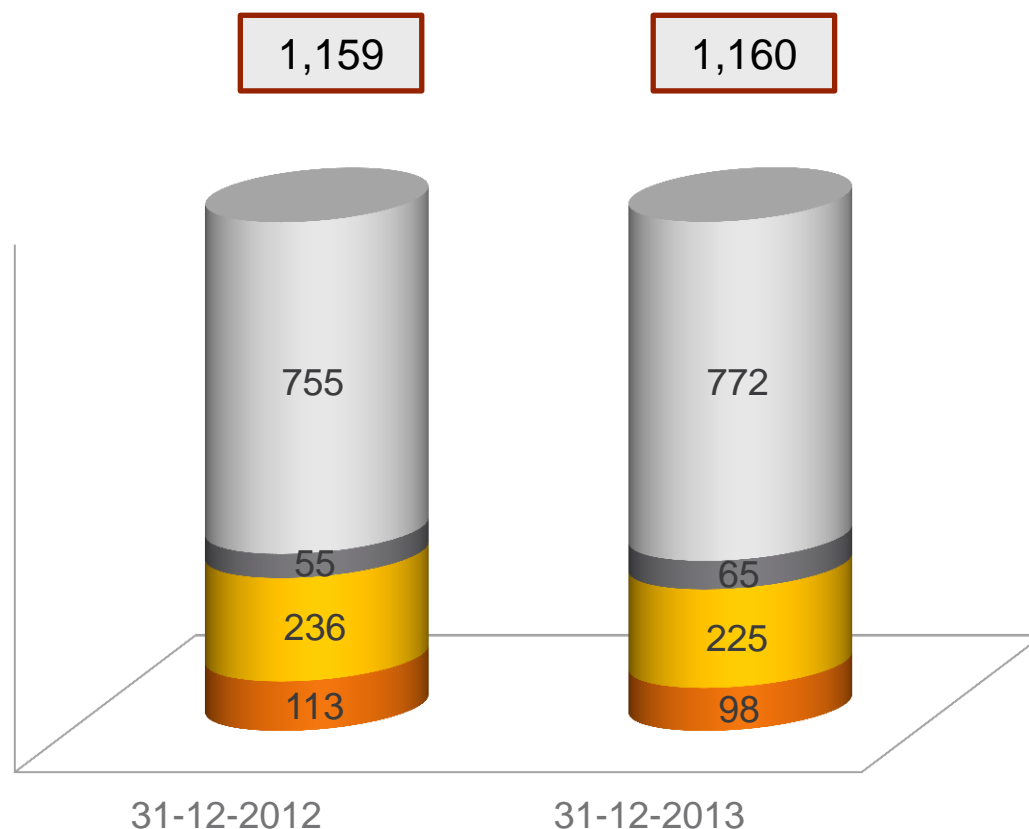
# BREAKDOWN OF REVENUE



# OPERATING EXPENSES (LTL MILLION)



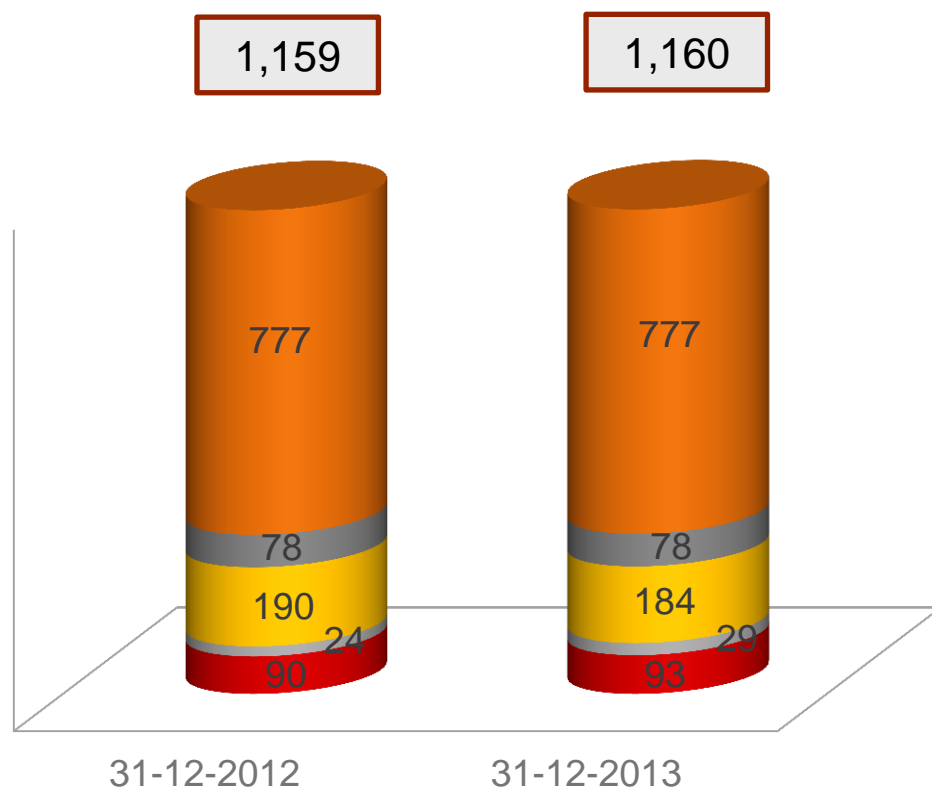
# ASSETS (LTL MILLION)



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

- **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%

# 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%

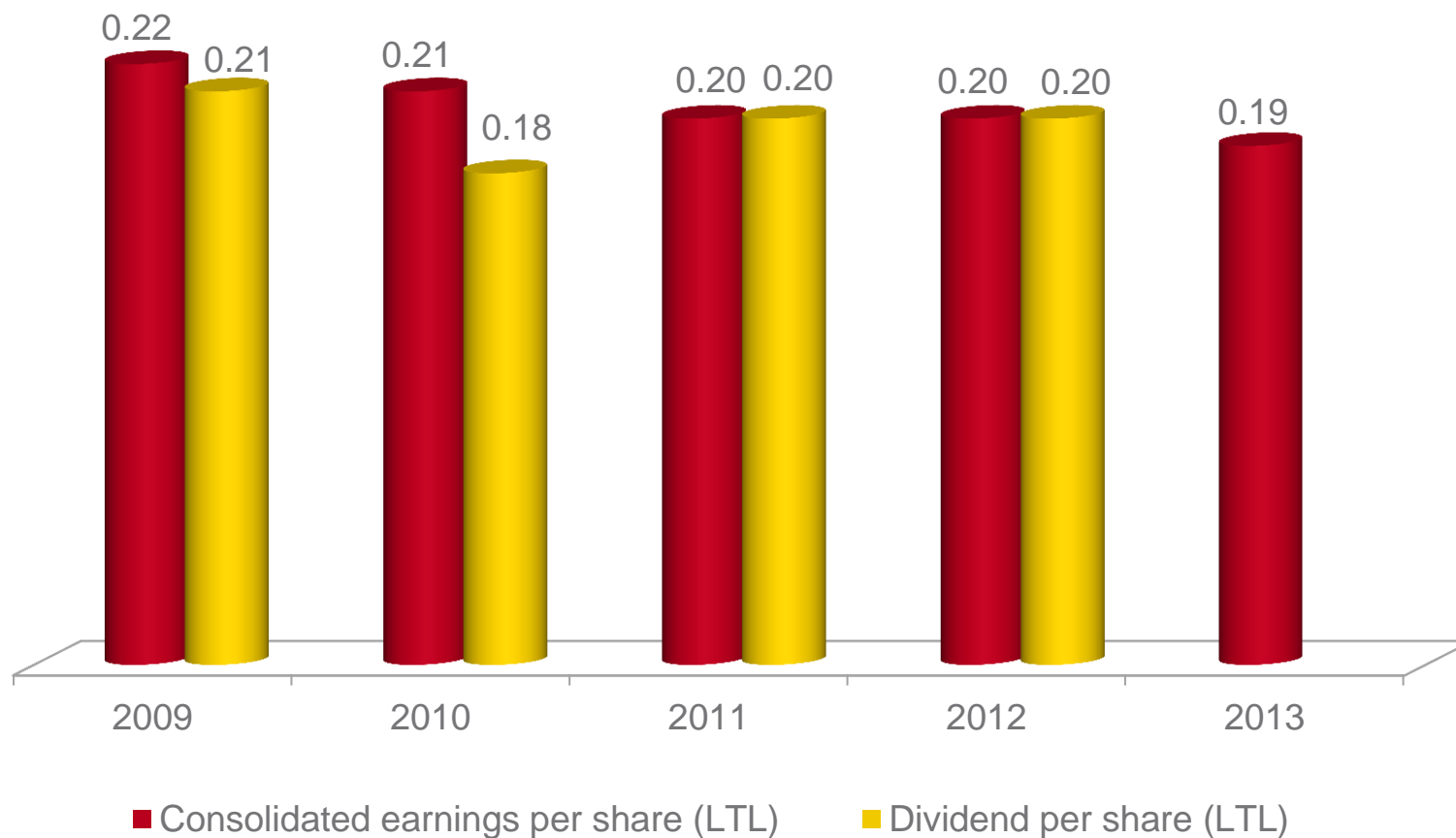
# TEO RETAINED EARNINGS VS DIVIDENDS

(LTL MILLION)



- Following the Lithuanian Law on Company dividends shall be paid **from the Parent company's retained earnings**
- The Board proposed to pay LTL 148 million or **LTL 0.19 per share of dividends** for the year 2013 from retained earnings of LTL 150 million

# DIVIDEND PAYOUT



- The **Annual General Meeting** of Shareholders that shall adopt a decision regarding the dividends for the year 2013 will be held **on 29 April 2014**

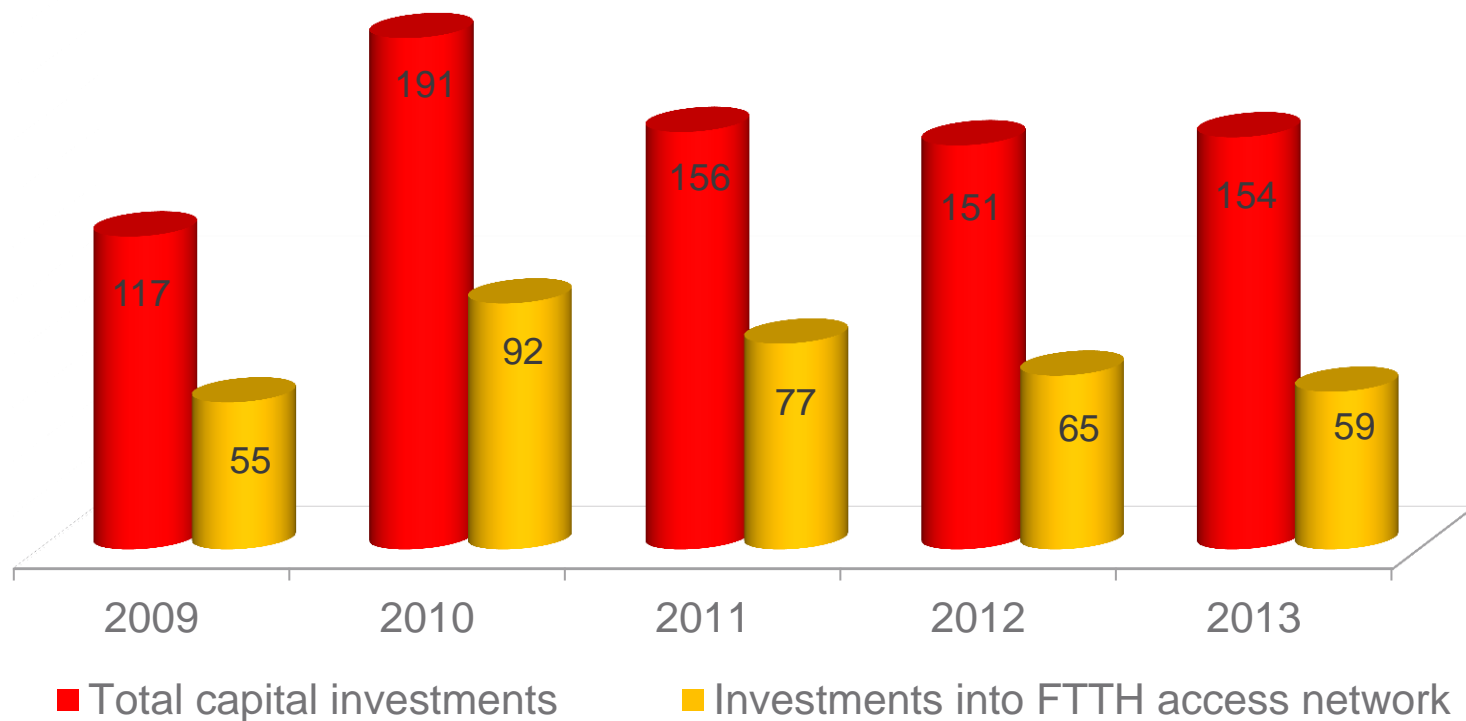


# CASH FLOW

(thousand LTL)	2013	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 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)



# SHARES AND SHAREHOLDERS

Shareholders

Listing of shares

Market capitalisation

Trading in shares

Shares and indexes



Results for the year 2013 / 20-03-2014

# 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

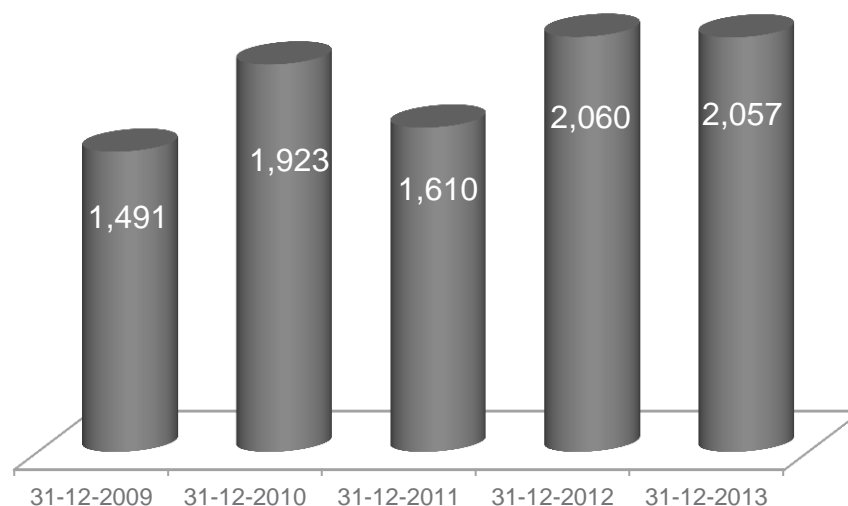
	Part of shares and votes
TeliaSonera AB	88.15%
Others	11.85%

# TEO SHARES

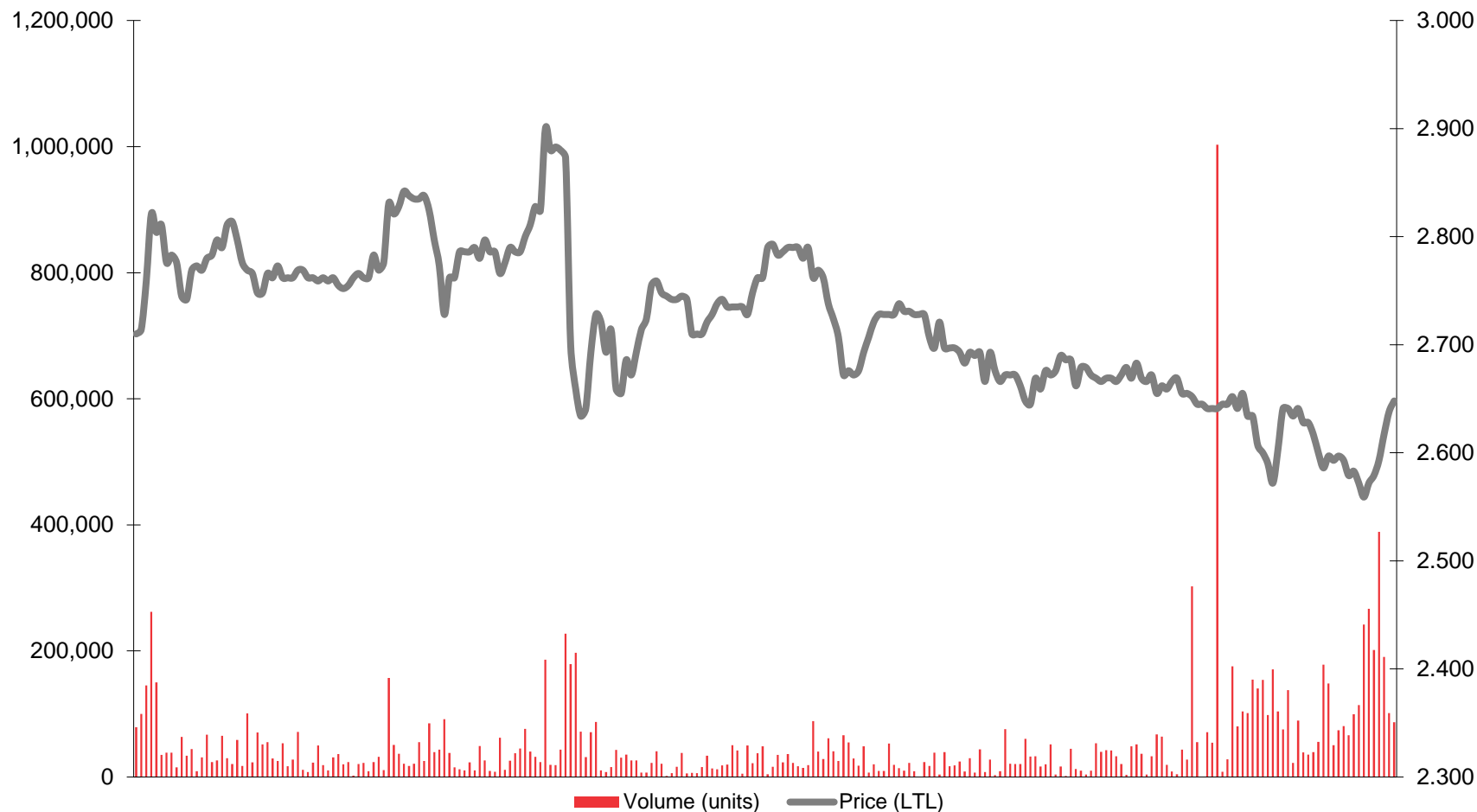
- Since June 2000 TEO shares are listed on **NASDAQ OMX Vilnius** stock exchange (ticker: TEO1L)
- Since January 2011, TEO shares were included into the trading lists of a few **German stock exchanges** (ticker: ZWS)
- **Turnover** on Vilnius stock exchange during 2013: 13.2 million shares or LTL 35.5 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

Managing bodies

Board

Senior management

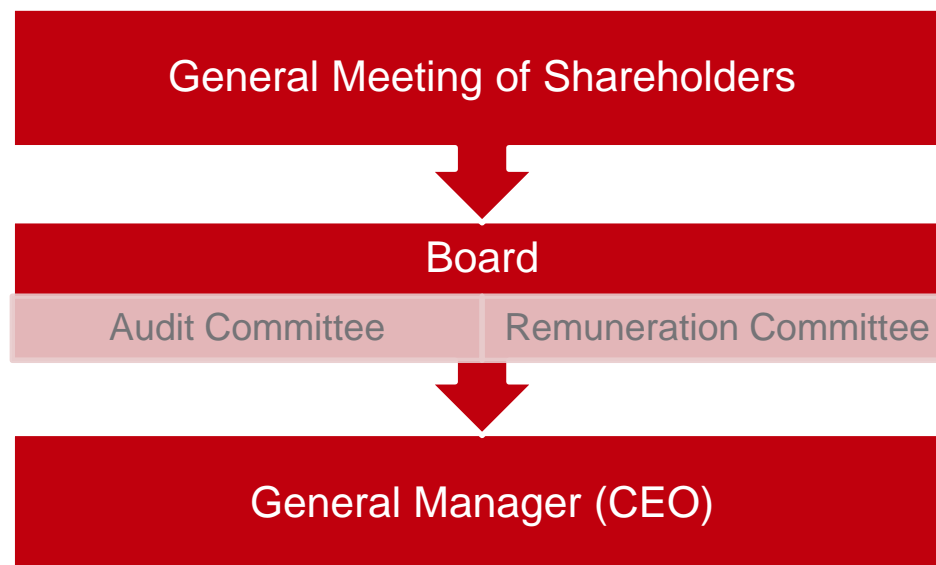
Corporate social responsibility



Results for the year 2013 / 20-03-2014

# GOVERNING BODIES

- In 2013 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 starting from 1 November 2013
- The General Meeting also elects the Company's **independent auditor** for 2 years term
- UAB PricewaterhouseCoopers was the Company's independent auditor for the year 2013



# TEO BOARD (ELECTED IN 2013)



**Malin Frenning**  
**Chairwoman** of the Board  
represents TeliaSonera AB  
Chairwoman of the Remuneration  
Committee



**Jens Lööw**  
**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



**Mats Lillienberg**  
**Member** of the Board  
represents TeliaSonera AB  
Member of the Remuneration  
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

- **Malin Frenning, Jens Lööw and Mats Lillienberg** will resign from the Board as of 28 April 2014
- **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 2013, the Company **reduced consumption** of electricity by 2.3% (for administrative purposes – by 11.7%), water – by 11% and office paper usage – by 8.2%



*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



More information about the Company is available at [www.teo.lt](http://www.teo.lt)