

TEO LT, AB GROUP RESULTS FOR THE YEAR 2012

(approved by the Annual General
Meeting of Shareholders)



Results for the year 2012 / 25.04.2013



WHAT IS TEO?

Leader in Lithuania
Business philosophy
History milestones
Part of TeliaSonera Group
Structure of the Group
Main figures
Main events
Employees
Awards

Results for the year 2012 / 25.04.2013

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 employing the most modern technologies we enable our customers to reach people, knowledge and entertainment

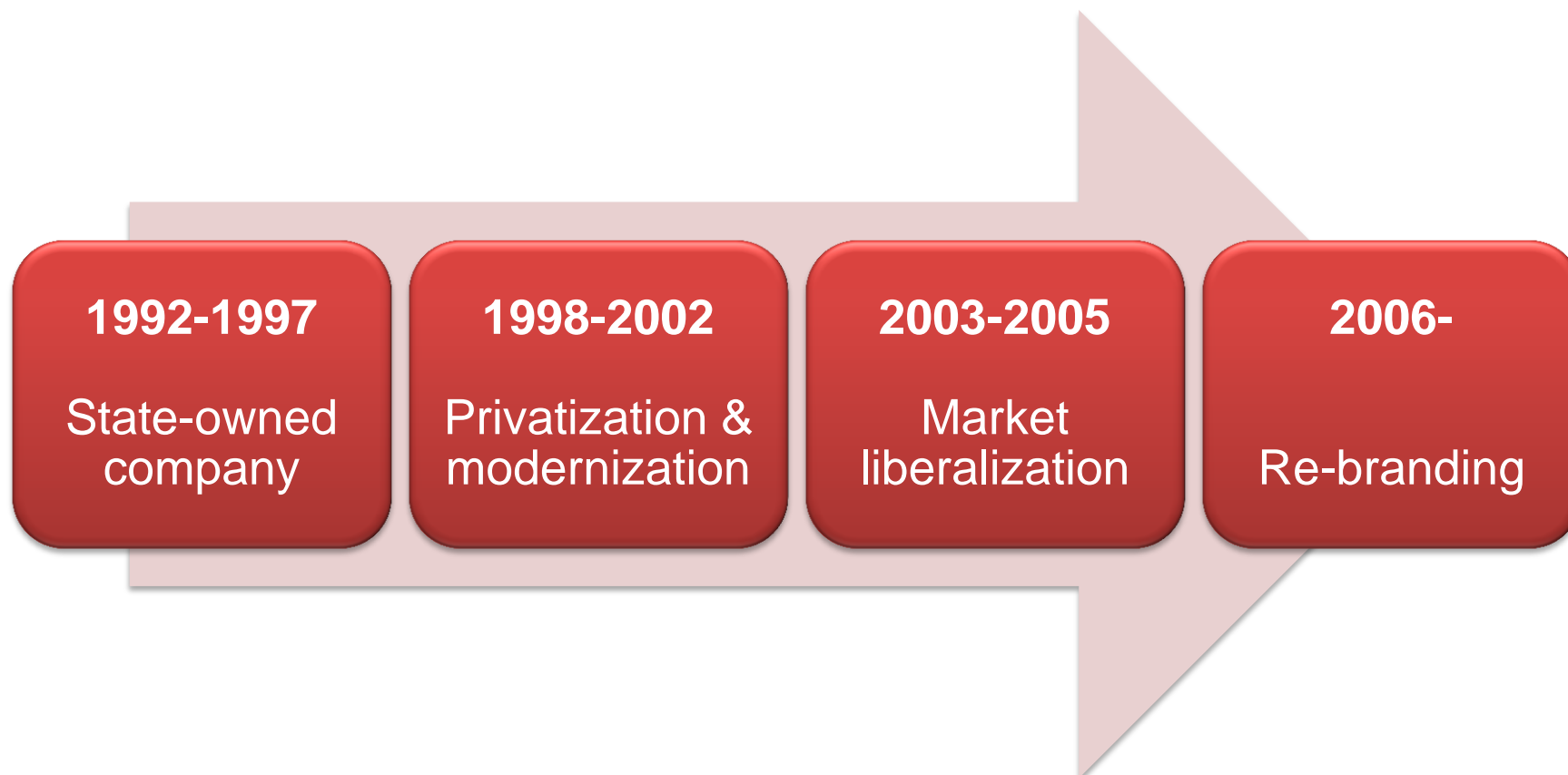
MISSION

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

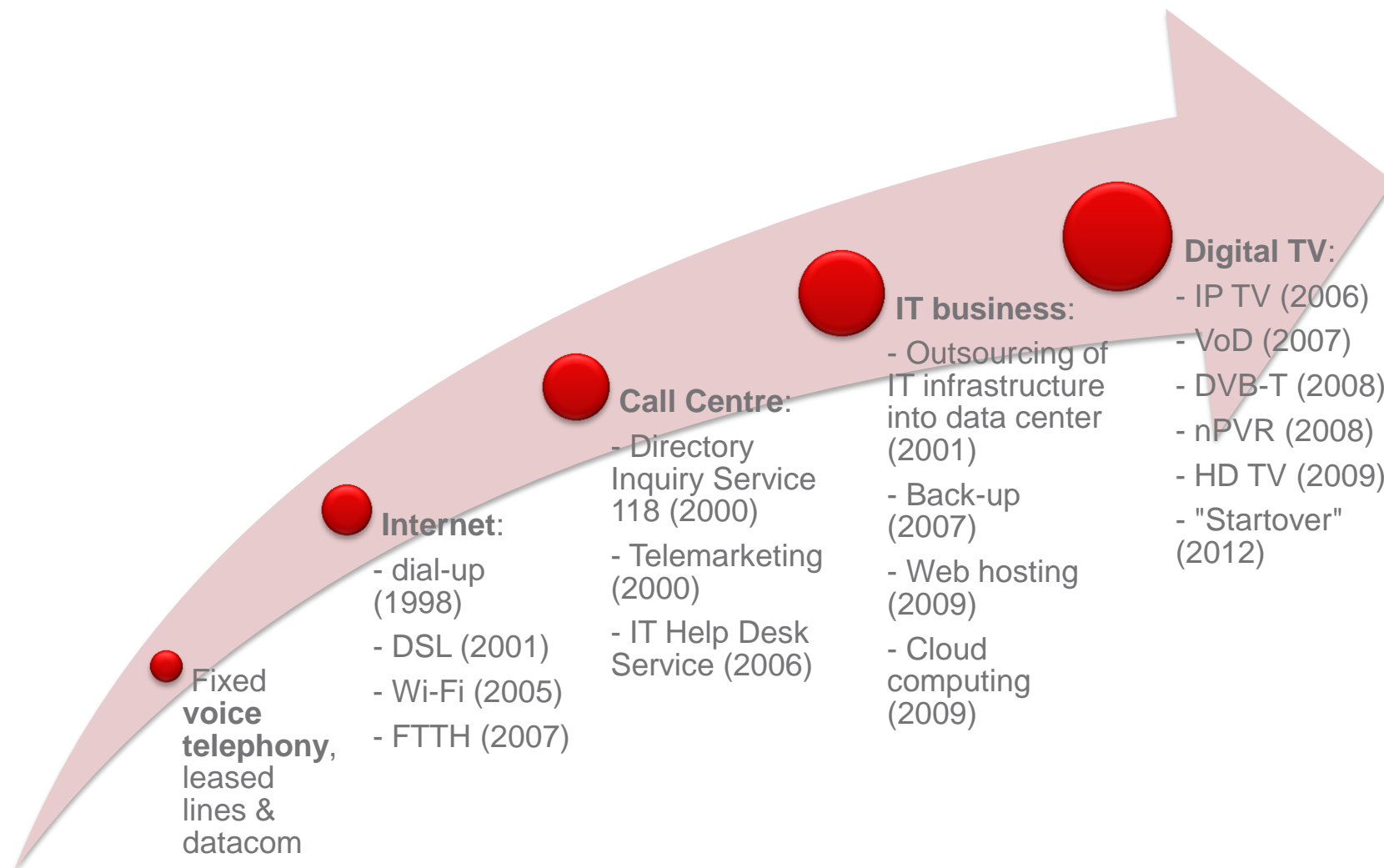
VALUES

- OPENNESS RELIABILITY BUSINESS MINDED PARTNERSHIP

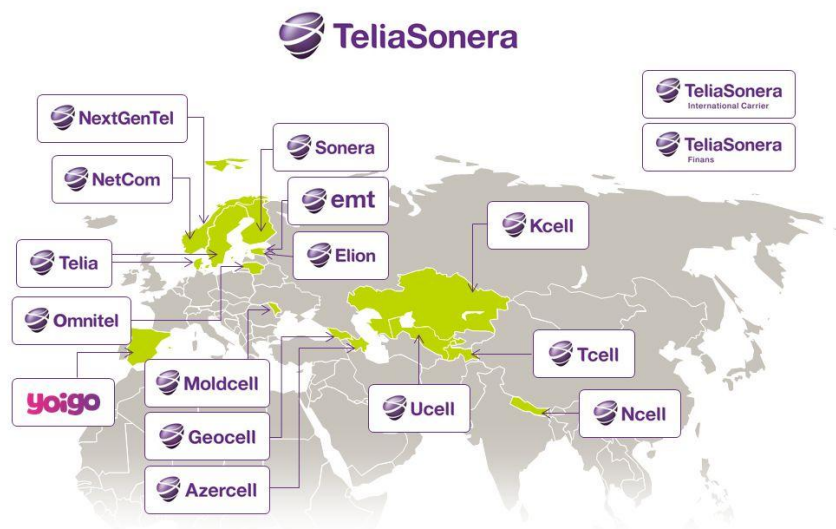
HISTORY OF THE COMPANY



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%

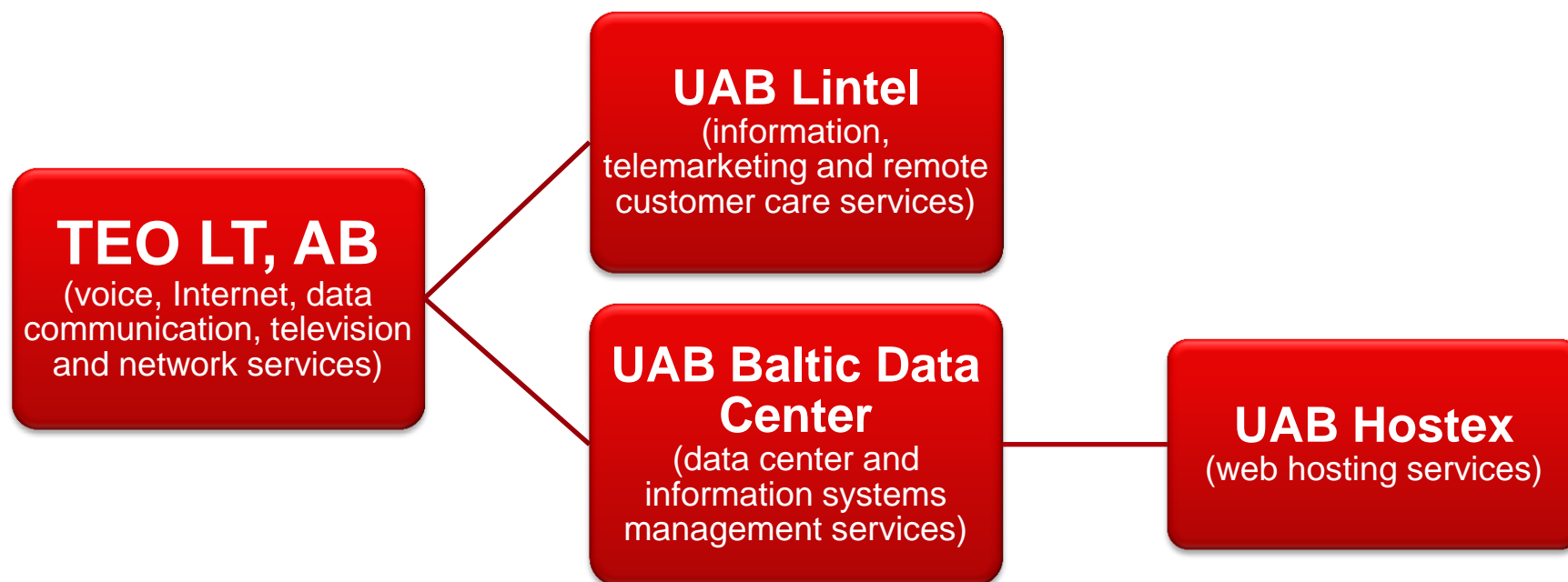
Latttelecom
(Latvia)
49%

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.
- On 23 April 2013 **UAB Interdata**, a subsidiary of **UAB Hostex**, was merged into UAB Hostex. **UAB Hosting**, a subsidiary of UAB Interdata, became a subsidiary of UAB Hostex

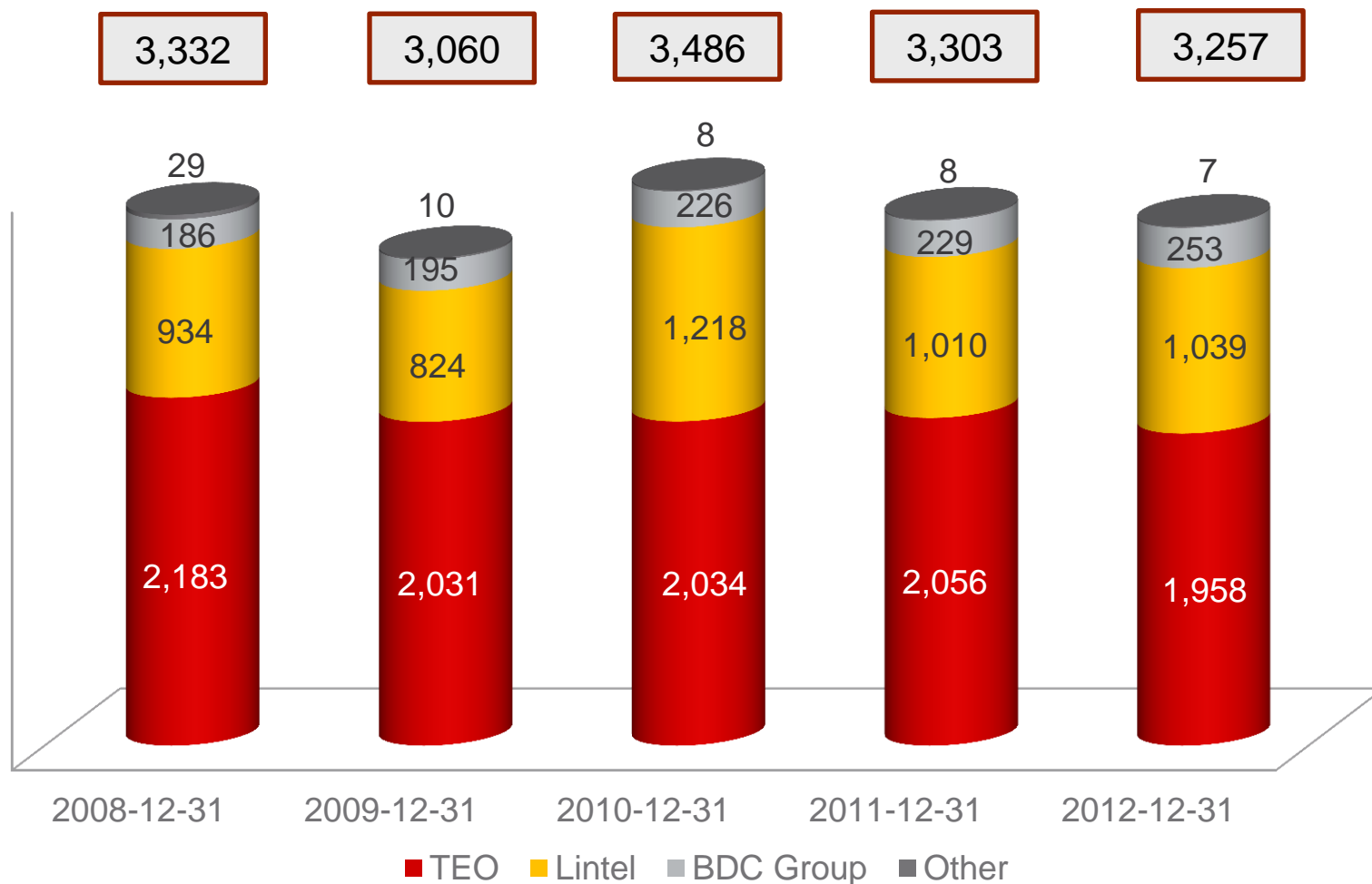
MAIN OPERATING FIGURES

	31-12-2012	31-12-2011	Change (%)
Number of telephone lines	605,424	647,524	(6.5)
Number of broadband Internet accesses, in total:	385,863	372,212	3.7
- via fiber-optic lines	162,038	140,242	13.5
- via copper lines	183,396	197,405	(7.1)
- wireless (WiFi) access	40,429	34,565	17.0
Number of TV services users, in total:	169,285	151,175	12.0
- IPTV	94,665	79,918	18.5
- DVB-T	74,620	71,257	4.7
Number of employees	3,257	3,303	(1.4)

MAIN EVENTS IN 2012

- **TeliaSonera AB** increased its stake in TEO from **68.29** to **88.15** per cent.
- TEO launched long-term computer and office equipment **rental services** for businesses and organizations.
- TEO transferred management of its entertainment news portal **Zebra.lt** to UAB “15 min”.
- The Company launched two additional ZEBRA Internet services: "**Time Control**" and "**Storage**".
- TEO offered residential customers to use **bundled** Internet, digital television and voice telephony **services** "Home 1", "Home 2" and "Home 3".
- Users of Interactive GALA were offered a new additional service – “**Startover**” and a package of **Russian channels**, and in September – three packages of **Viasat channels**.
- TEO offered its customer new additional payment plans for calls to mobile networks.
- In October, Arūnas Šikšta, CEO of TEO, closed the trading session of the **NASDAQ OMX Stock Exchange** in New York.
- On 29 October 2012 Lithuania **shutdown analogue TV broadcasting**.

EMPLOYEES OF TEO GROUP



RECENT TEO AWARDS



NASDAQ OMX Baltic Market Awards 2012

- The Best Investor Relations in the Baltic Countries
- The Best Annual Report
- The Best Investor Relations On-line
- One of the most attractive Lithuanian companies to small investors



Baltic Corporate Excellence Awards 2012

- The Most Successful Listed Company in the Baltic States
- The Most Successful Listed Company in Lithuania



National Responsible Business Awards 2011

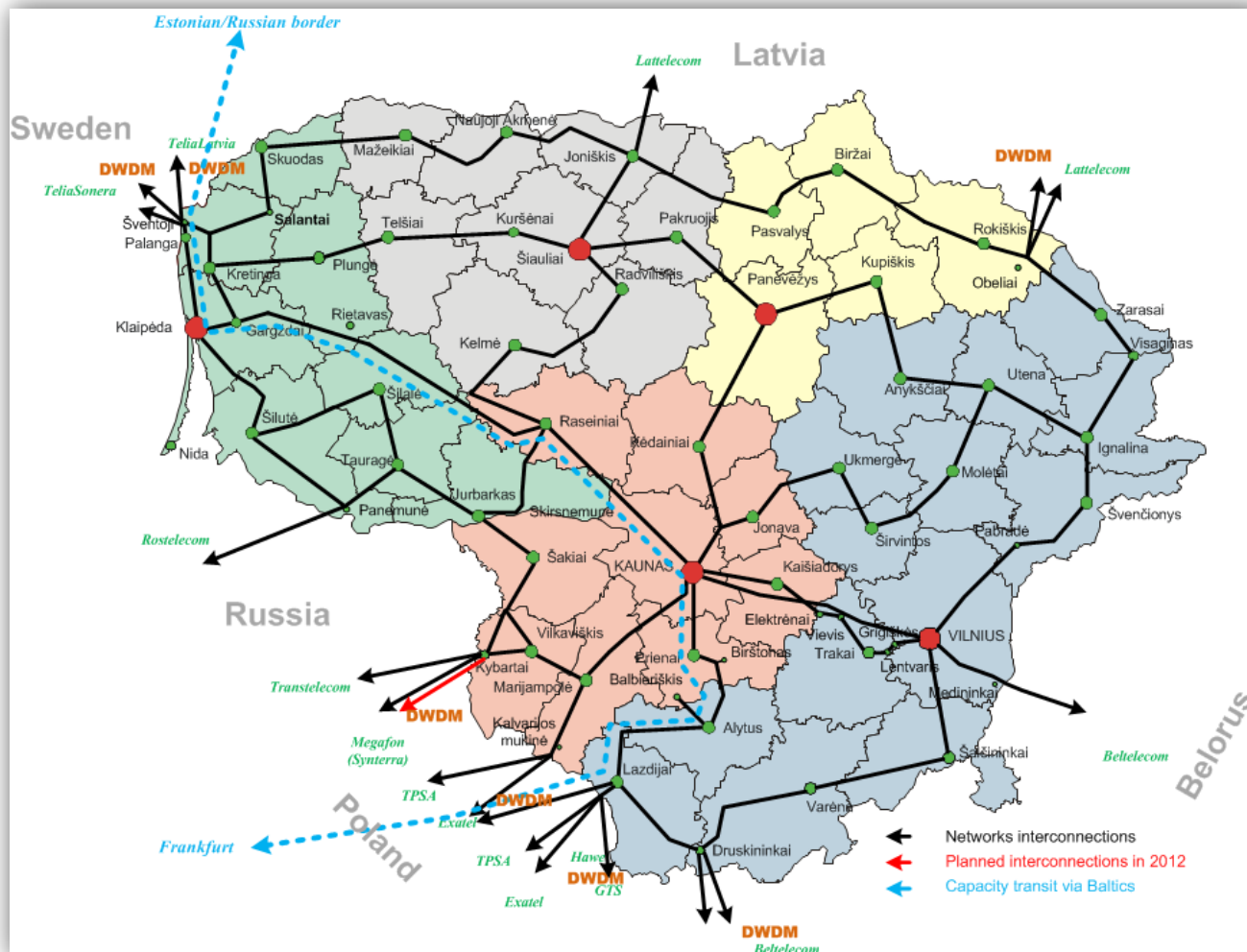
- Socially Responsible Enterprise (Large corporations)

SERVICES PROVIDED

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



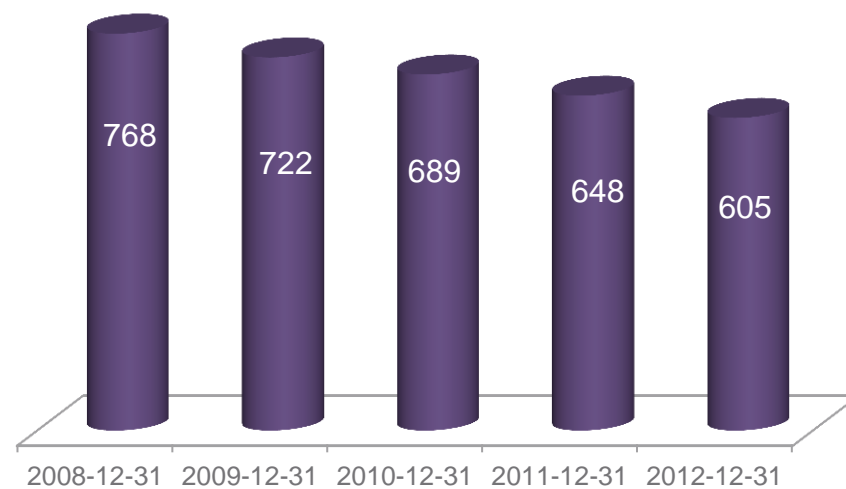
TEO OPERATES THE LARGEST TELECOMMUNICATIONS NETWORK IN LITHUANIA



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

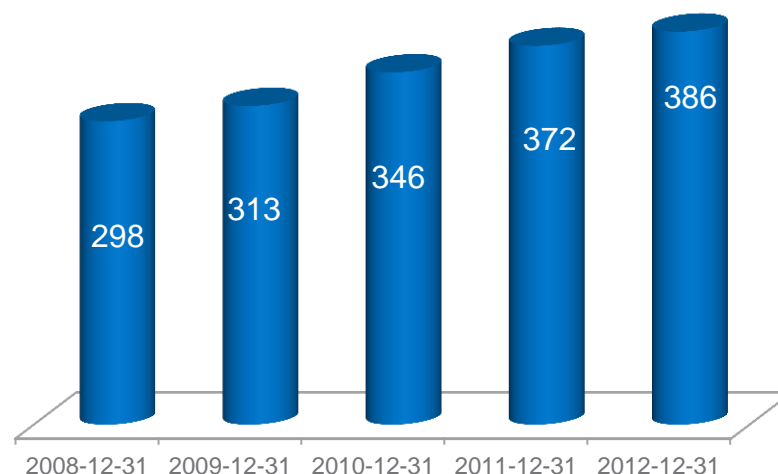
Number of telephone lines (thou.)



INTERNET SERVICES

- TEO has the majority of fixed broadband Internet access (50%) and **38%** 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), **48%** – copper (DSL) and **10%** – wireless (WiFi) connections
- TEO has the country's largest network of **3,013 WiFi hot-spots**
- In 2012, TEO offered new additional services: “**Storage**” (an online data storage service of up to 300 GB) and “**Time Control**”

Number of Internet connections (thou.)



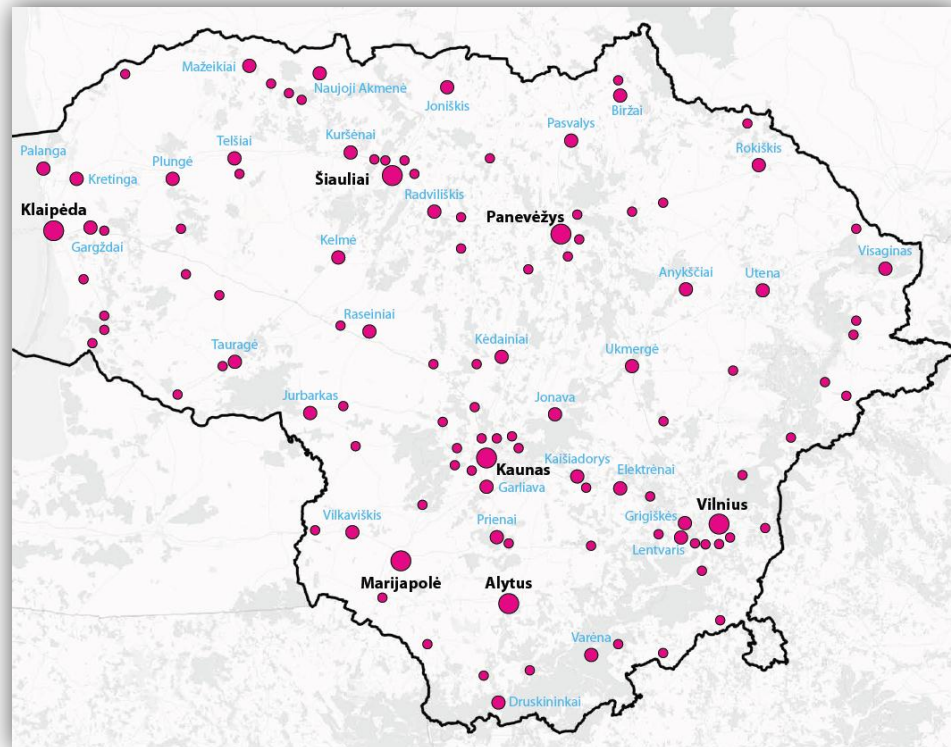
INTERNET PLANS FOR RESIDENTIAL CUSTOMERS

Internet plan	Monthly fee (incl. VAT)	Speed of fiber-optic (FTTH/FTTB) access	Speed of copper (DSL) access
"Premium"	LTL 79.90	up to 300 Mbps	up to 12 Mbps
"Optimal"	LTL 49.90	up to 100 Mbps	up to 8 Mbps
"Basic"	LTL 39.90	up to 50 Mbps	up to 4 Mbps
"Start"	LTL 29.90	-	up to 2 Mbps
"24 hours"	LTL 9.90	up to 10 Mbps	up to 1 Mbps

- In March 2012, TEO increased the speed of the ZEBRA Internet plans "Start" and "Basic FTTH", respectively, **from 1 up to 2 Mbps** and **from 40 up to 50 Mbps**
- Monthly fees for the Internet plans "Start", "Basic Plus" (DSL) and "Basic FTTH" were increased by 3 litas

TEO FIBER OPTIC (FTTH) NETWORK

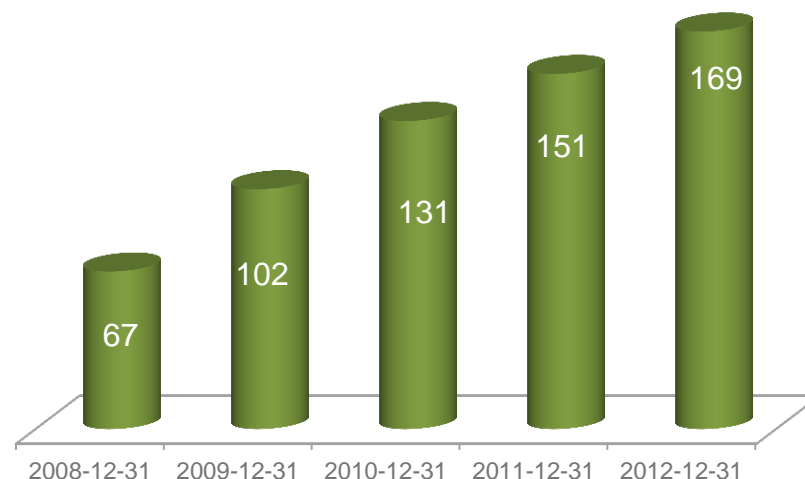
- A total of **LTL 394 million** was invested in the next-generation fiber optic access network (FTTH) of TEO since 2007
- TEO FTTH network operates in more than **100** Lithuanian cities and towns
- **764 thousand** households, or 64% of the country's households, by the end of December 2012 were passed 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

Number of TV services users (thou.)



INTERNET TELEVISION

- Internet television (IPTV) service ***Interaktyvioji GALA*** (*Interactive GALA*) 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 HDTV (in total more than **45** 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 **Skaitmeninė GALA** (*Digital GALA*) was launched in March 2008
- It offers up to **40 TV channels** all over the country and **3 HDTV** channels in Vilnius and Kaunas regions
- Regular monthly fee – **LTL 29,90**



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

TEO GROUP 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 **210** 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**)
- Webhosting services are provided by **Hostex**, a subsidiary of BDC
- In 2012, BDC revenue was **LTL 73 million**



CALL CENTER SERVICES

- **Lintel** is the largest and most modern Call Center service provider in Lithuania
- **6 Call Centers** with 800 work places handle around **15 million calls** 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 **1,000 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**
- **58%** 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

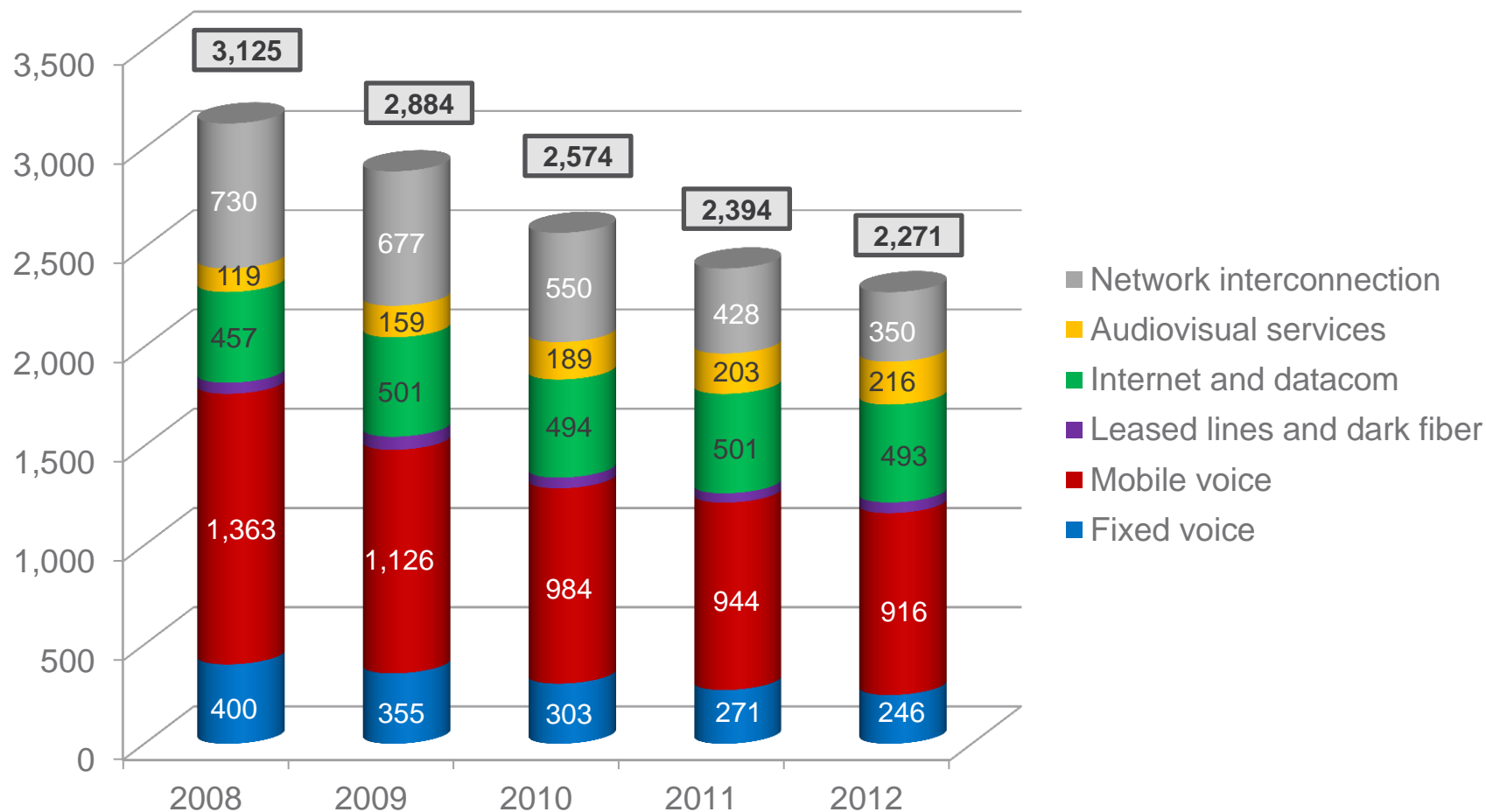
Figures of main operators

TEO market shares



Results for the year 2012 / 25.04.2013

TELECOMMUNICATION MARKET IN LITHUANIA (LTL MILLION)



Source: Report of the Communications Regulatory Authority

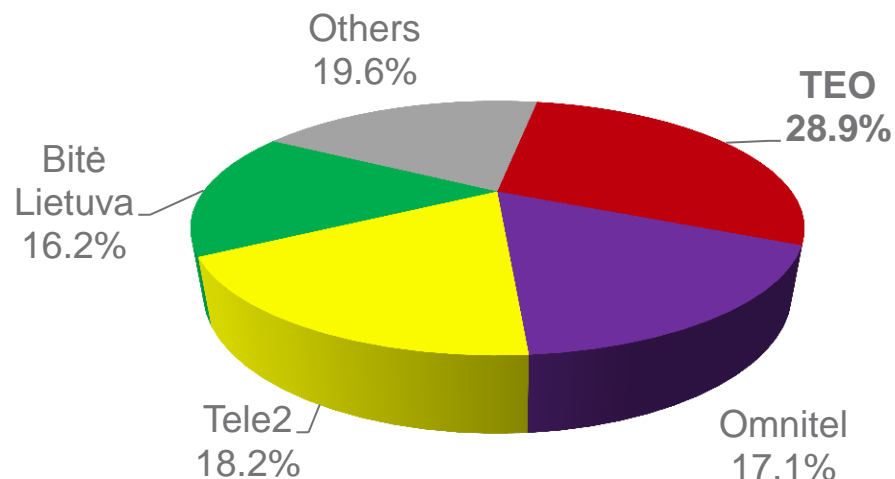
MAIN MARKET FIGURES

	31-12-2012	31-12-2011	Change (%)
Total market revenue (LTL million)	2,271.4	2,394.7	(5.2)
Number of telephone lines per 100 inhabitants	22.1	21.7	2.1
Number of mobile voice subscribers per 100 inhabitants	167.7	154.3	8.7
Number of Internet access subscribers	1,054,262	988,825	6.6
Number of broadband Internet access subscribers per 100 inhabitants	35.4	30.9	14.5
Number of fixed Internet access subscribers per 100 inhabitants	25.9	22.9	13.1
Number of pay-TV subscribers	709,567	668,172	6.2
Number of digital pay-TV subscribers per 100 households	32.1	25.2	27.6
Total market investments (LTL million)	265.8	359.9	(26.2)

Source: Report of the Communications Regulatory Authority

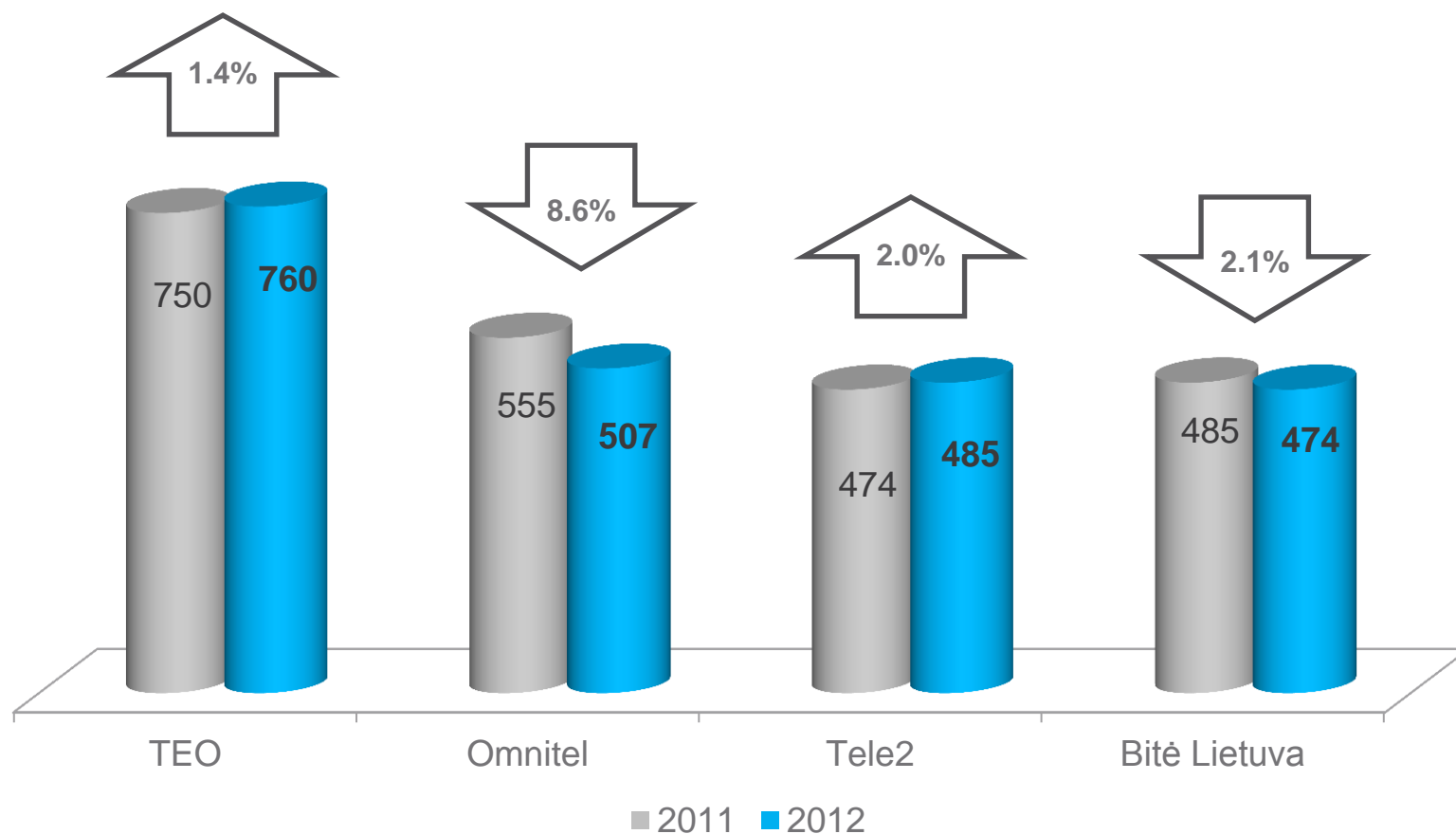
BREAKDOWN OF THE TELECOMMUNICATIONS MARKET REVENUE IN 2012 BY OPERATORS

- **TEO** is the largest operator in Lithuania in terms of revenue
- Omnitel, Tele2 and Bitė Lietuva are **mobile operators**
- Omnitel and TEO belong to **TeliaSonera Group**

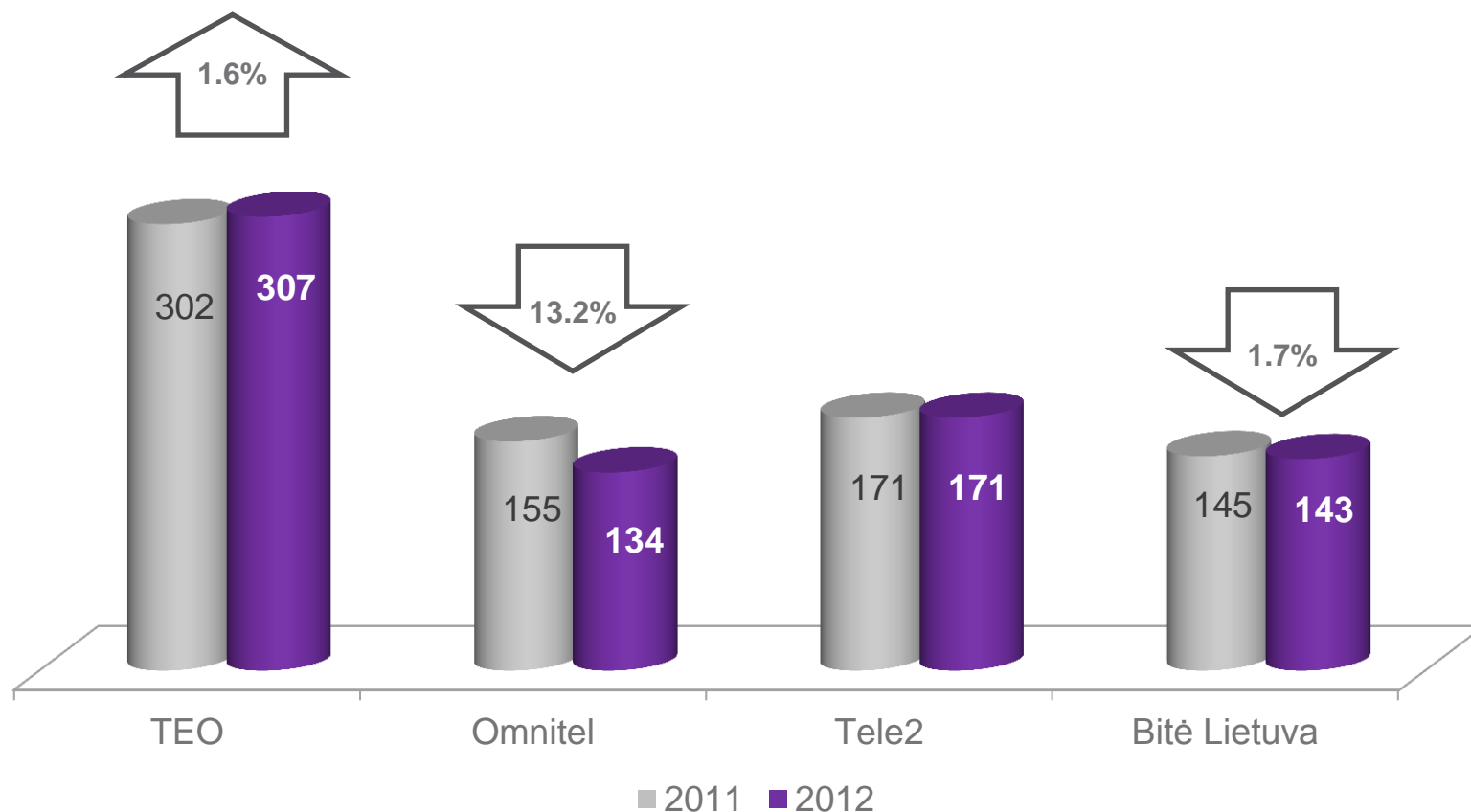


Source: Report of the Communications Regulatory Authority

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



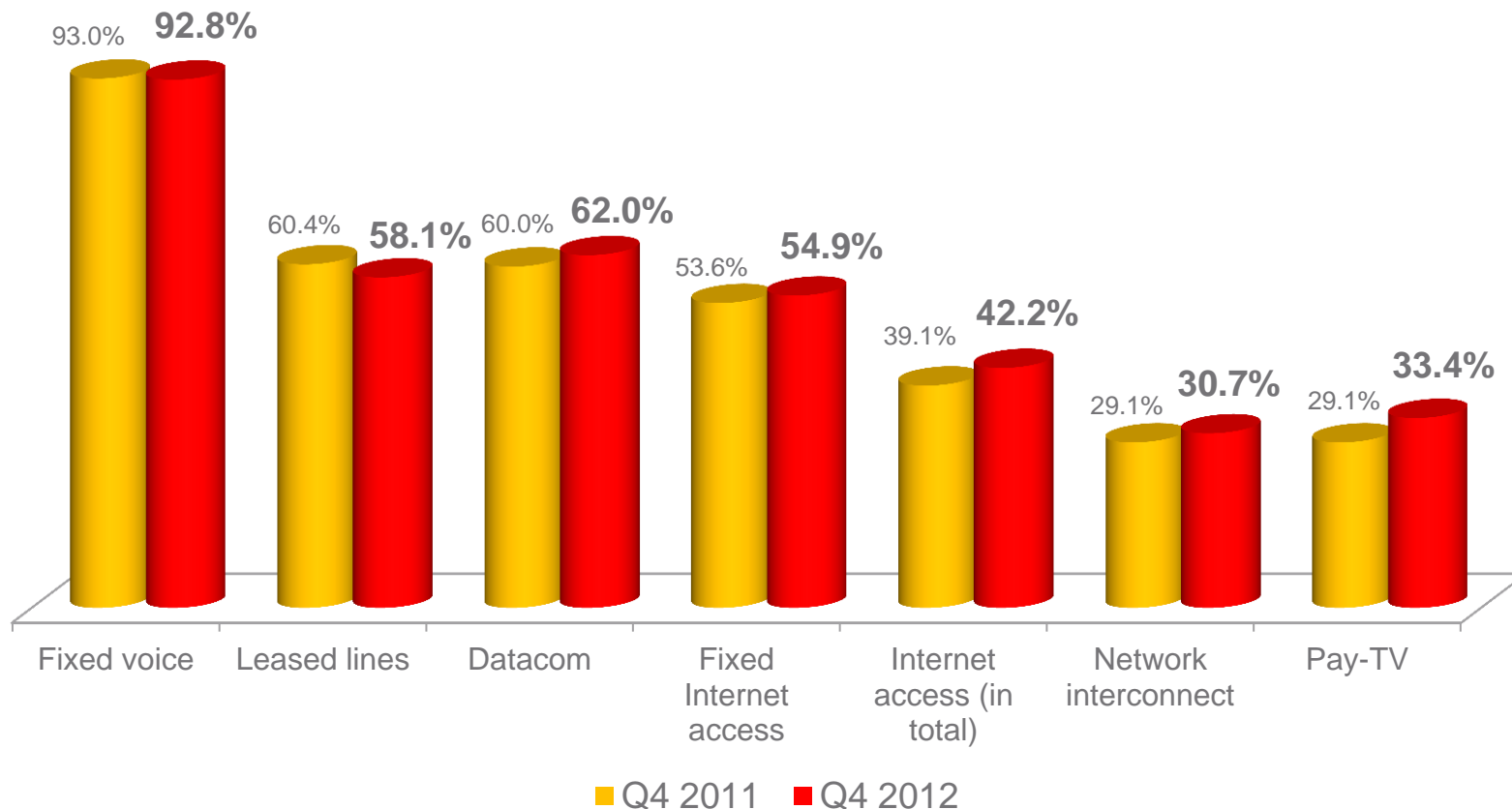
MAIN TELECOMMUNICATIONS MARKET PLAYERS' **EBITDA** CHANGES (LTL MILLION)



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 for the year 2012 (LTL million)	Change from 2011 (%)	Number of market players	TEO share in Q4 2012 (%)
Fixed voice	245.6	(9.4)	48	92.8
Internet access	406.9	(1.8)	100	42.2
Leased lines	27.0	(2.0)	11	62.0
Data communication	86.2	(0.2)	20	58.1
Network interconnection	349.6	(18.3)	>5	35.3
Pay-TV	188.7	10.2	45	30.7
TV and radio program transmission	27.0	(13.0)	2	n/a
Dark fiber	23.6	18.0	17	n/a
Mobile voice	916.0	(3.0)	3+4	-

Source: Report of the Communications Regulatory Authority

FIXED VOICE TELEPHONY MARKET IN LITHUANIA (Q4 2012)

- **48 companies** are providing fixed voice services:
 - 35 provide national and international calls
 - 8 – only international calls
 - 5 – only wholesales (transit) services
- 35 companies are using **IP network**, 16 of them – CATV and data communication networks
- Number of alternative operators' subscribers: **71.2 thousand** or 10.5% of total subscribers' number



TEO market share (Q4 2012) in terms of:	(%)
Total number of customers	89.5
Total traffic	93.7
Revenue from local calls	99.9
Revenue from domestic long distance calls	90.9
Revenue from international calls	77.5

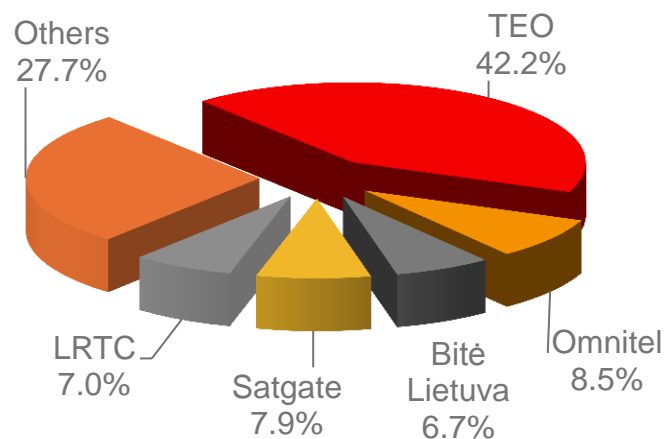


Source: Report of the Communications Regulatory Authority

INTERNET ACCESS MARKET IN LITHUANIA (Q4 2012)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber optics	403	11.9
Via mobile network	282	9.6
DSL	183	(7.2)
Wireless	128	20.4
Via CATV network	43	(6.4)
Via LAN	15	(30.0)
Total:	1,054	6.6

Q4 2012 revenue by service providers



PAY TV MARKET IN LITHUANIA (Q4 2012)

Access type	Number of operators	Number of users ('000)	Change to Q3 2011 (%)	Revenue 9 months of 2012 (mLTL)	Change to 9 months of 2011 (%)
Analogue CATV	41	310.5	(5.3)	63.2	(6.5)
Digital:					
Digital CATV	19	102.4	30.4	22.9	89.3
Digital MVDS	2	17.5	(6.5)	5.7	3.5
IP TV	9	102.5	22.7	33.8	32.8
DVB-T	2	75.8	5.5	23.8	11.3
Digital satellite	1	100.9	15.0	39.3	0.1
Total digital:	25	399.1	17.3	125.5	21.0
Total:		709.6	6.2	188.7	10.2

Source: Report of the Communications Regulatory Authority

FINANCIAL RESULTS

Revenue, EBITDA, net profit

Investments

Balance sheet

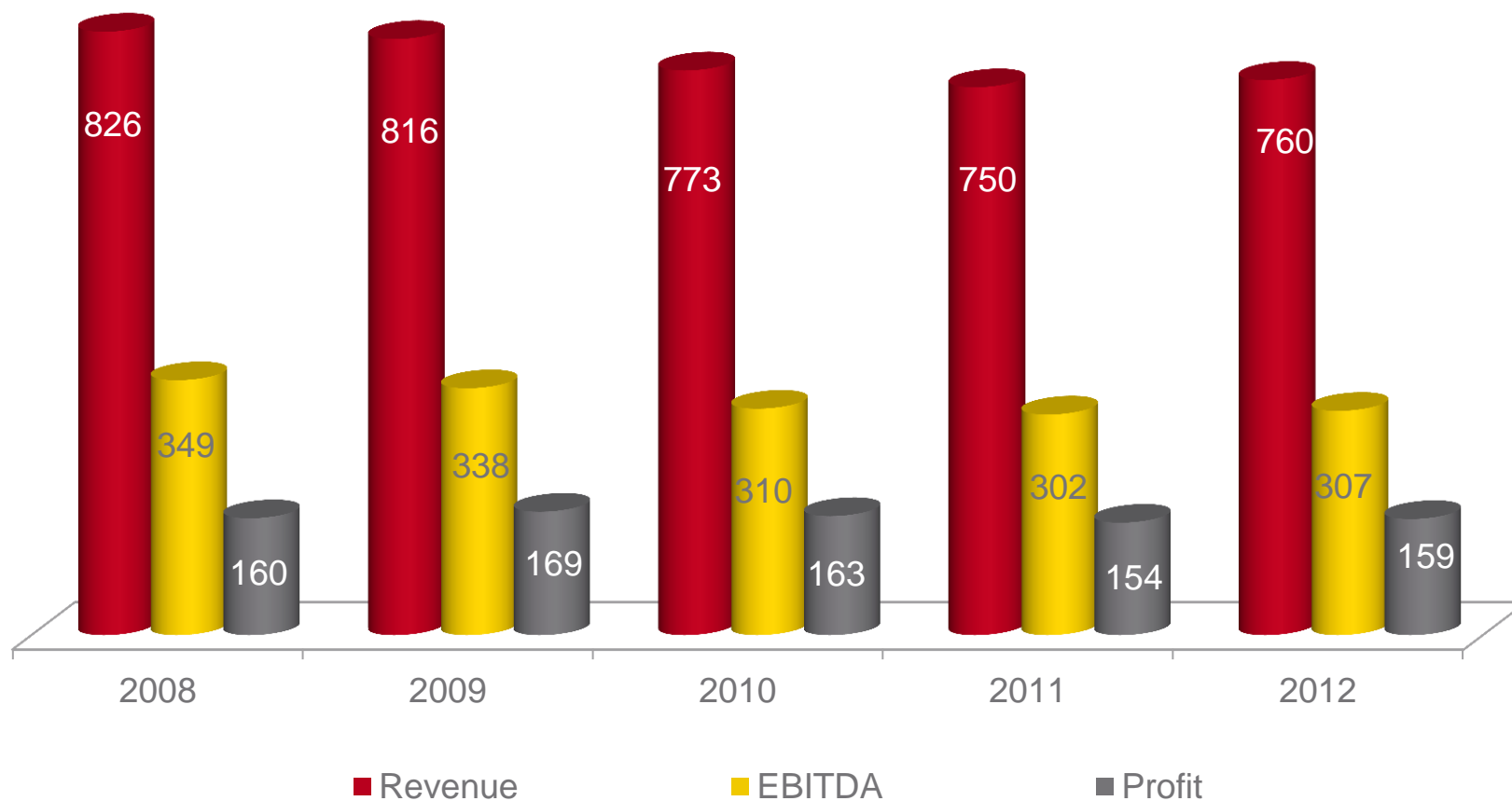
Cash flow

Dividends

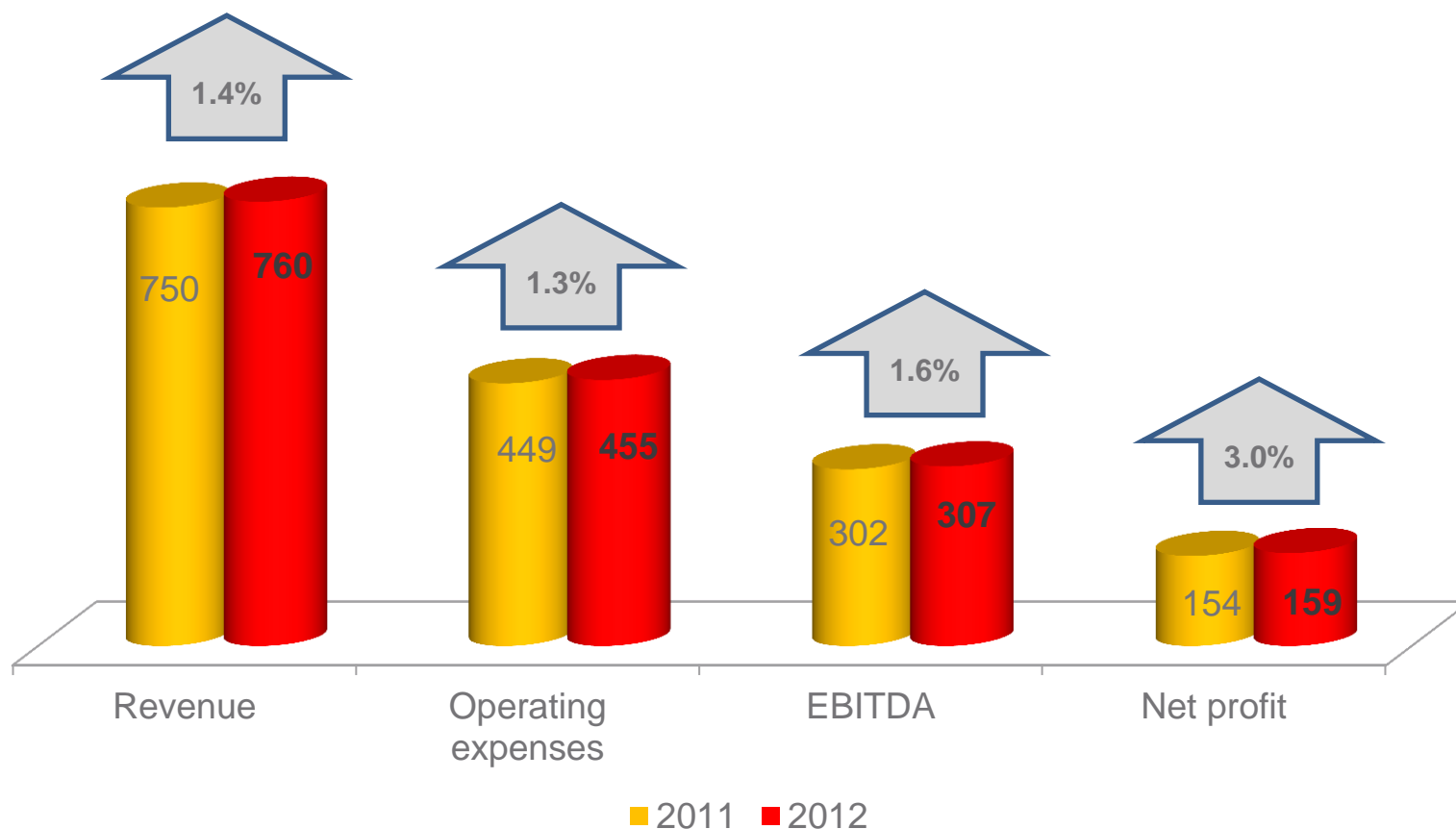


Results for the year 2012 / 25.04.2013

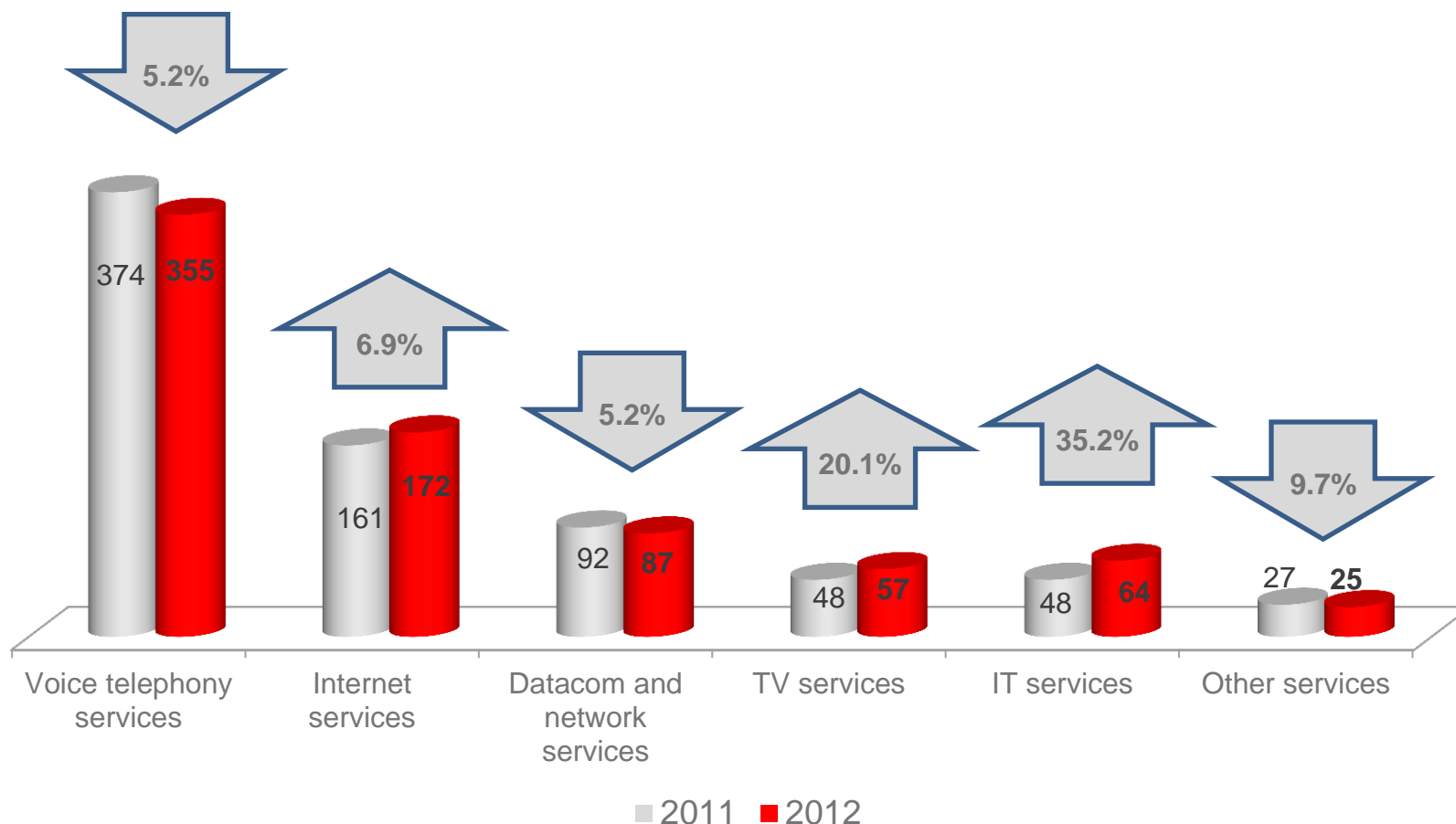
REVENUE, EBITDA & NET PROFIT (LTL MILLION)



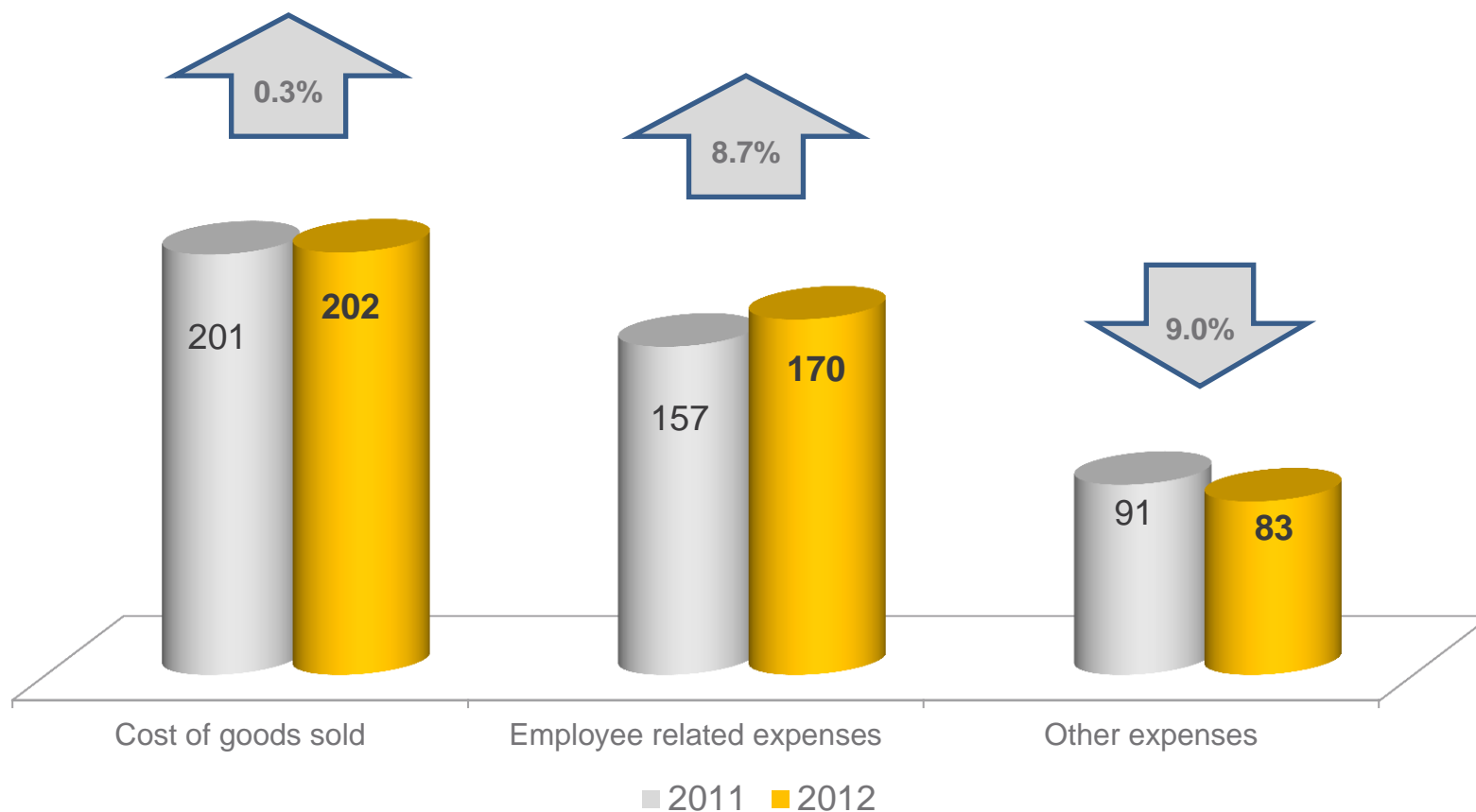
DYNAMICS OF TEO MAIN FINANCIAL INDICATORS (LTL MILLION)



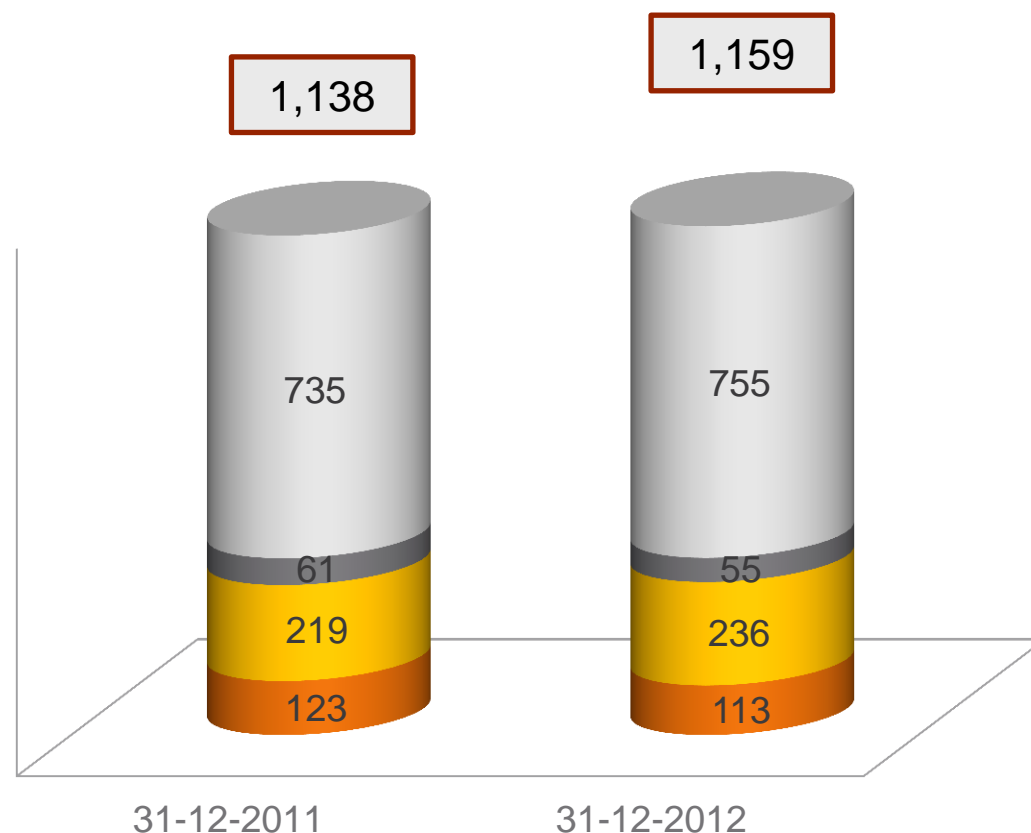
REVENUE (LTL MILLION)



OPERATING EXPENSES (LTL MILLION)



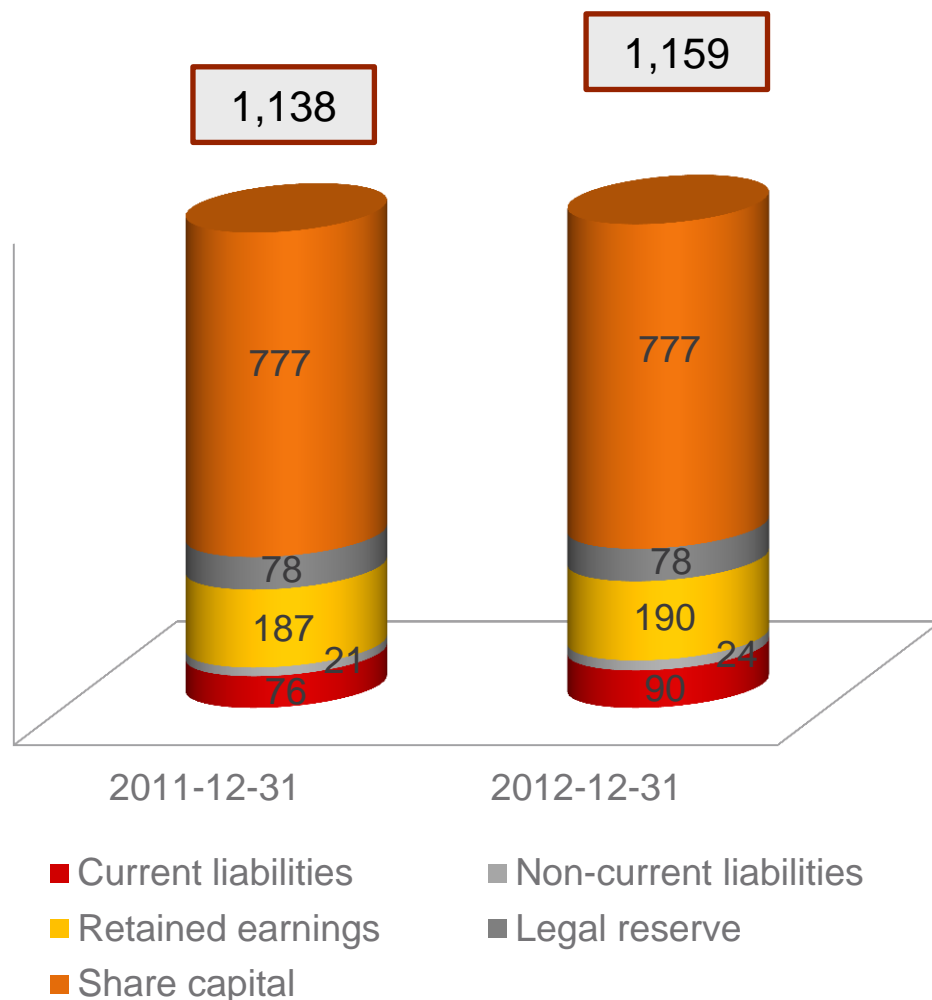
ASSETS (LTL MILLION)



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

- **Non-current assets** amounted to 69.9% of total assets (31-12-2012)
- **Cash and held-to-maturity investments** alone amounted to 20.3%
- LTL 155 million were paid out as **dividends for 2011** in May 2012
- **Return on capital employed: 17.6%**
- **Return on average assets: 15.8%**

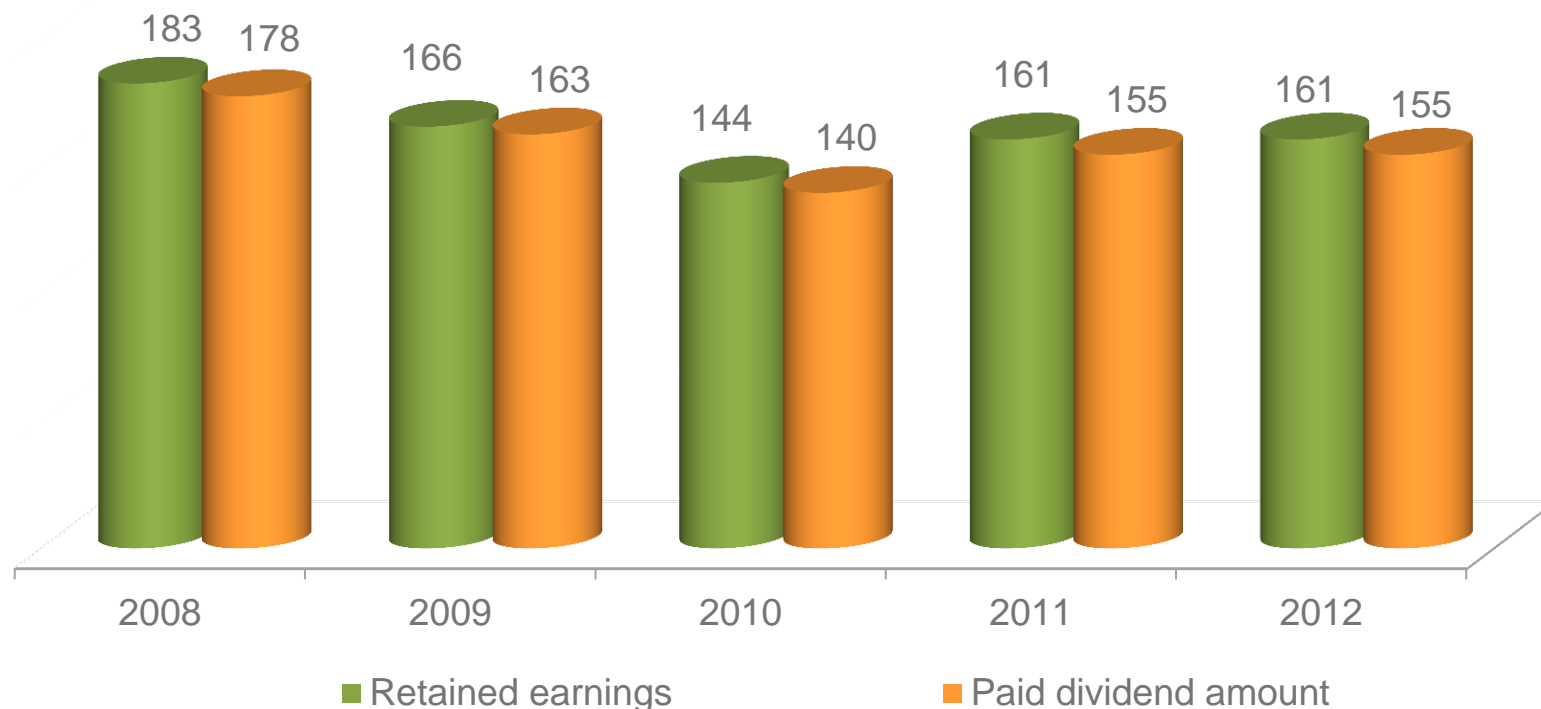
EQUITY AND LIABILITIES (LTL MILLION)



- **Shareholders' equity** amounted to 90.1% of the total assets (31-12-2012)
- LTL 155 million were paid out as **dividends for 2011** in May 2012
- **Borrowings** amounted to LTL 3.3 million
- **Net debt** was negative and amounted to LTL 232 million
- **Gearing ration:** (22.2)%
- **Debt to equity:** 0.3%
- **Return on equity:** 15.7%

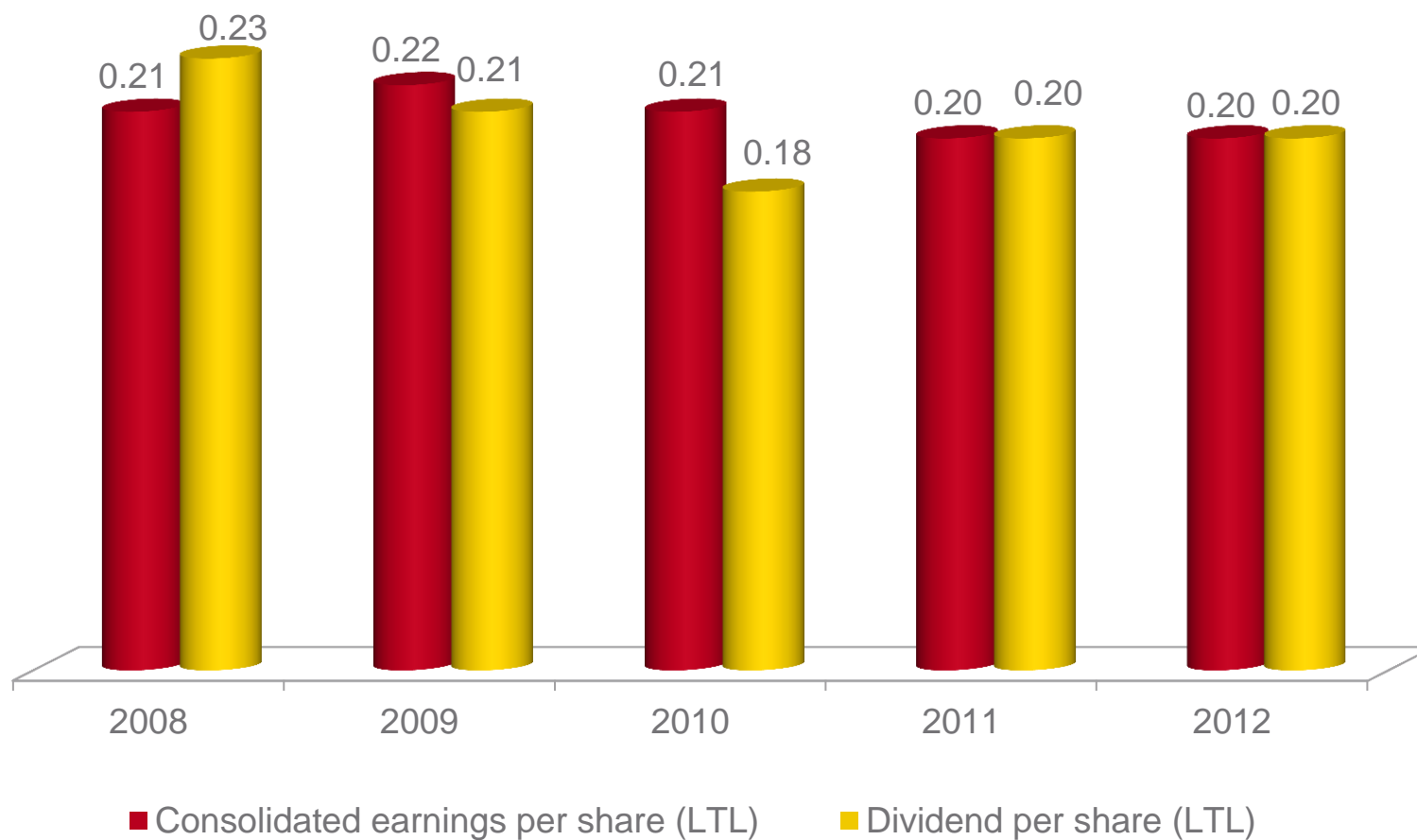
TEO RETAINED EARNINGS VS DIVIDENDS

(LTL MILLION)



- Following the Law on Company of the Republic of Lithuania dividends shall be paid **from the Parent company's retained earnings**
- On 25 April 2013 the Annual General Meeting of Shareholders decided to pay LTL 155 million or **LTL 0.20 per share of dividends for the year 2012**

DIVIDEND PAYOUT

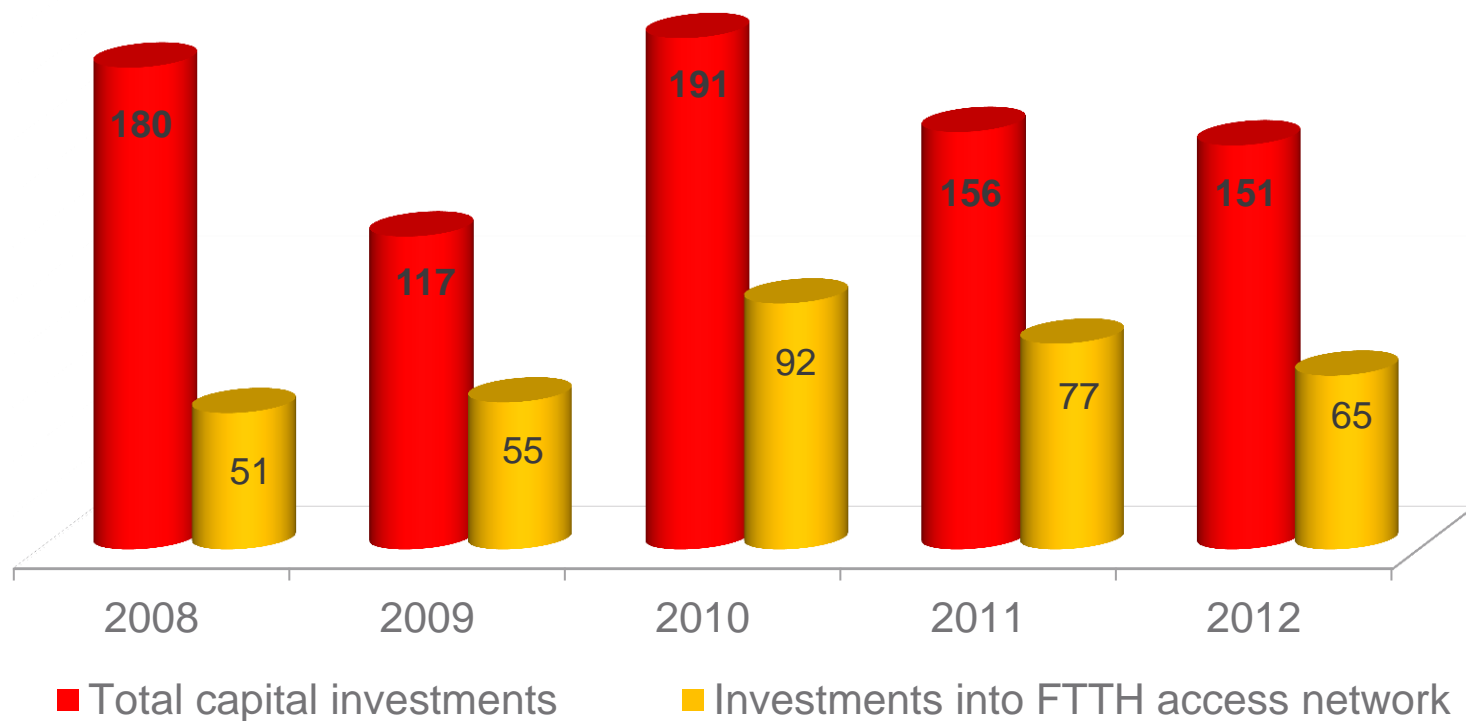


CASH FLOW

(thousand LTL)	2012	2011
Net cash from operating activities	308,489	298,567
Net cash used in investing activities	(165,142)	(188,488)
Net cash used in financing activities	(156,338)	(141,016)
Increase in cash and cash equivalents	(12,991)	(30,937)

- Capital **investments** during 12 months of 2012 amounted to LTL 151 million (LTL 156 million in 2011)
- LTL 120 million went to expansion of the **core and fiber-optic access network**
- LTL 25 million was invested into **IT systems**, LTL 3 million – into transportation, and LTL 2 million – renovation of premises
- In May, the Company paid out LTL 155 million of **dividends** for the year 2011 (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 2012 / 25.04.2013

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 2011

	Part of shares and votes
TeliaSonera AB	68.29%
East Capital (Sweden)	7.24%
Others	24.47%

Shareholders as of 31 December 2012

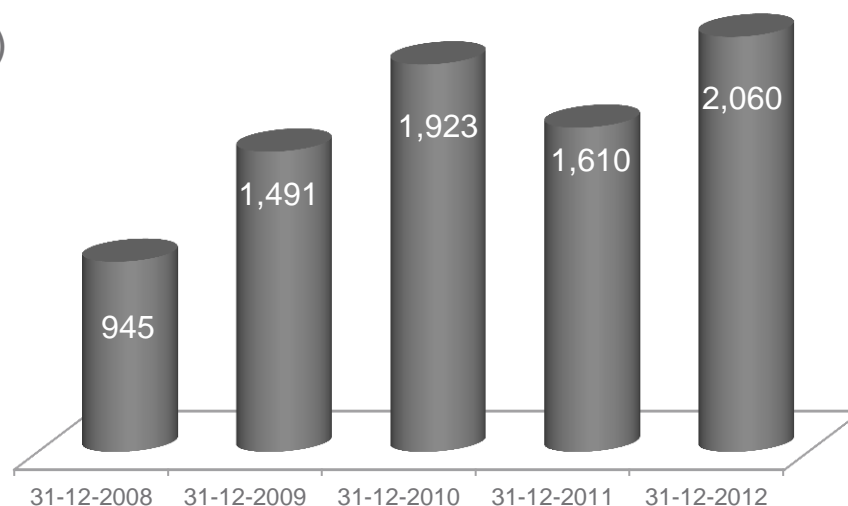
	Part of shares and votes
TeliaSonera AB	88.15%
Others	11.85%

TEO SHARES

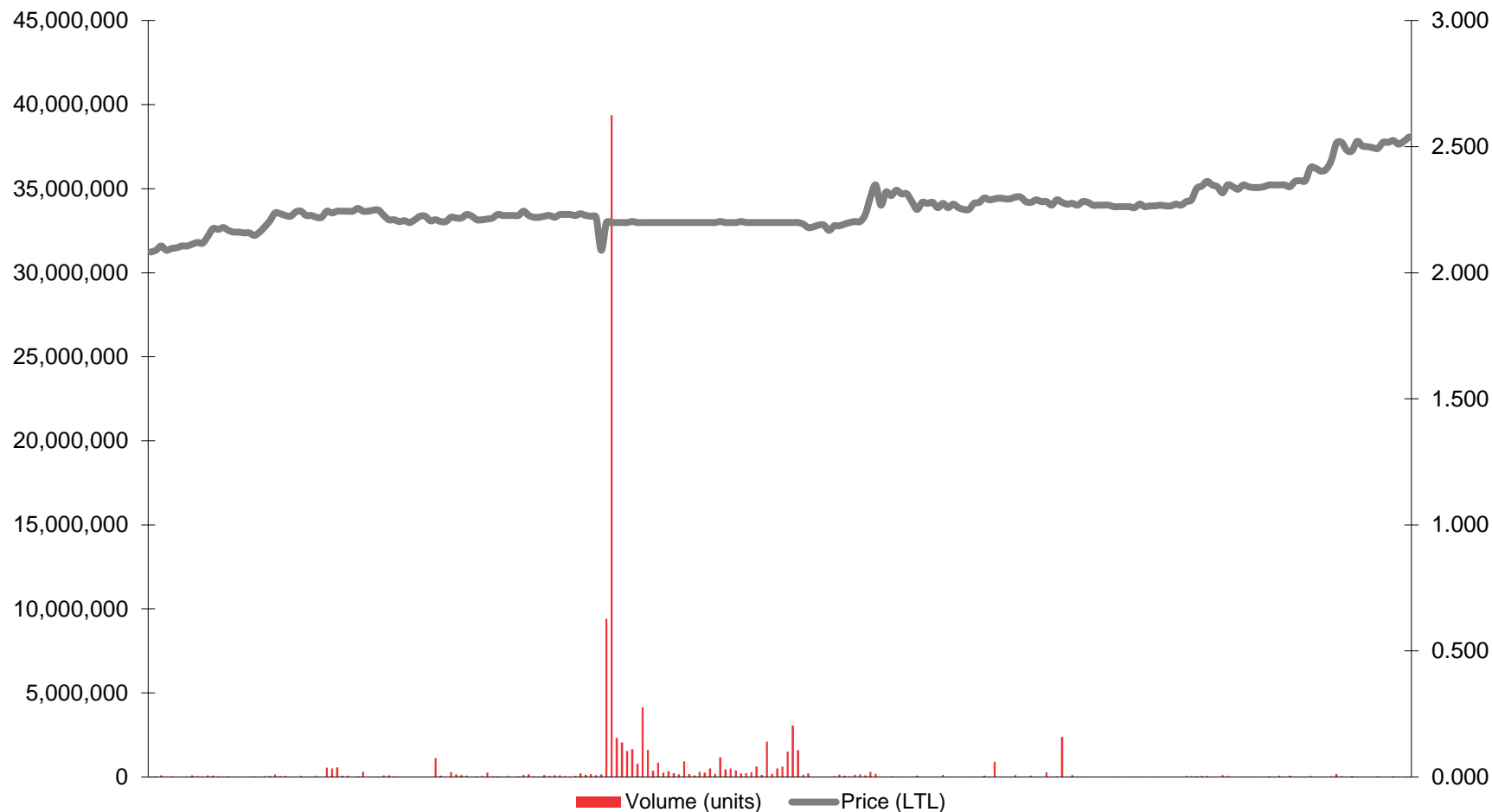
- Since June 2000 TEO shares are listed on **NASDAQ OMX Vilnius** stock exchange (ticker: TEO1L)
- Since January 2011 TEO shares were included into the trading lists of a few **German stock exchanges** (ticker: ZWS)
- **Turnover** on the Vilnius stock exchange during 2012: 98 million shares or LTL 217 million
- Share **price** on NASDAQ OMX Vilnius:

	LTL	EUR
01-01-2012	2.075	0.601
High	2.659	0.770
Low	2.061	0.597
31-12-2012	2.625	0.768

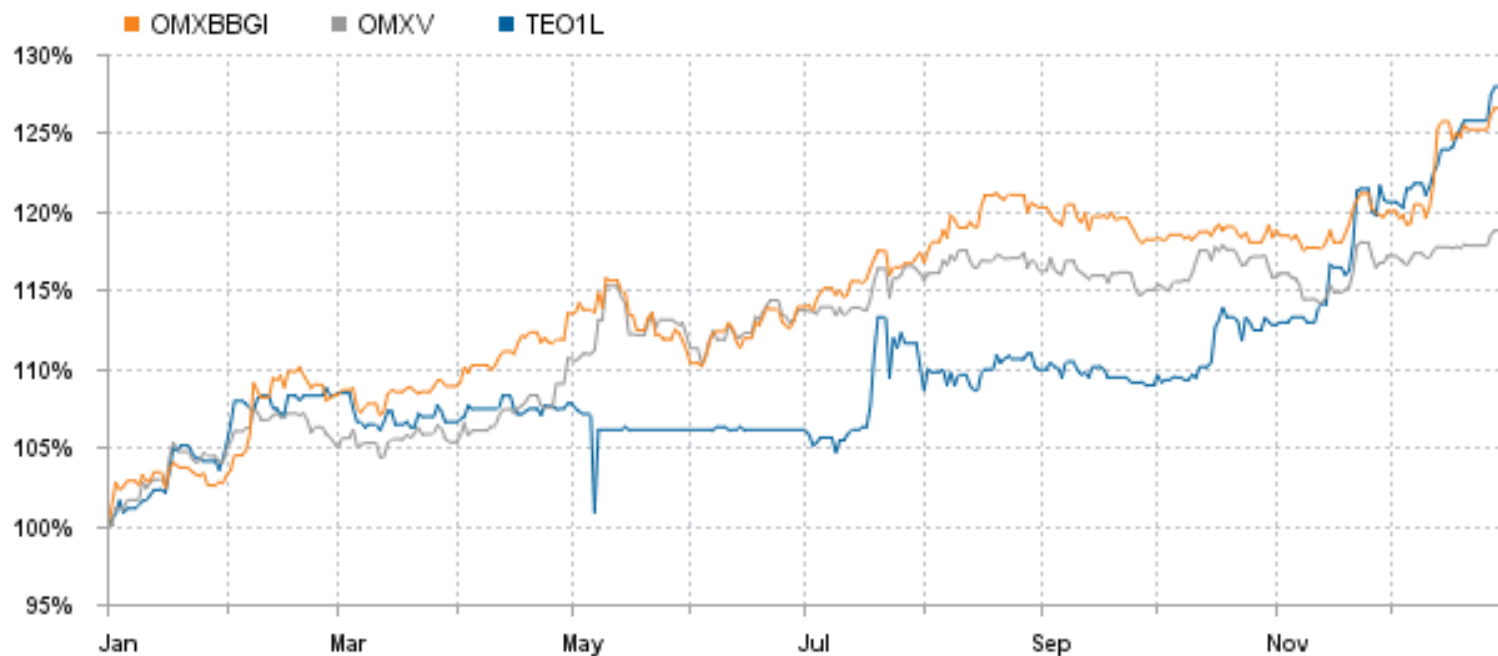
Market Capitalisation (LTL million)



TRADING IN TEO SHARES ON NASDAQ OMX VILNIUS STOCK EXCHANGE IN 2012



TEO SHARE PRICE AND NASDAQ OMX VILNIUS INDEXES COMPARISON



Source: NASDAQ OMX Vilnius

CORPORATE GOVERNANCE

Managing bodies

Board

Senior management

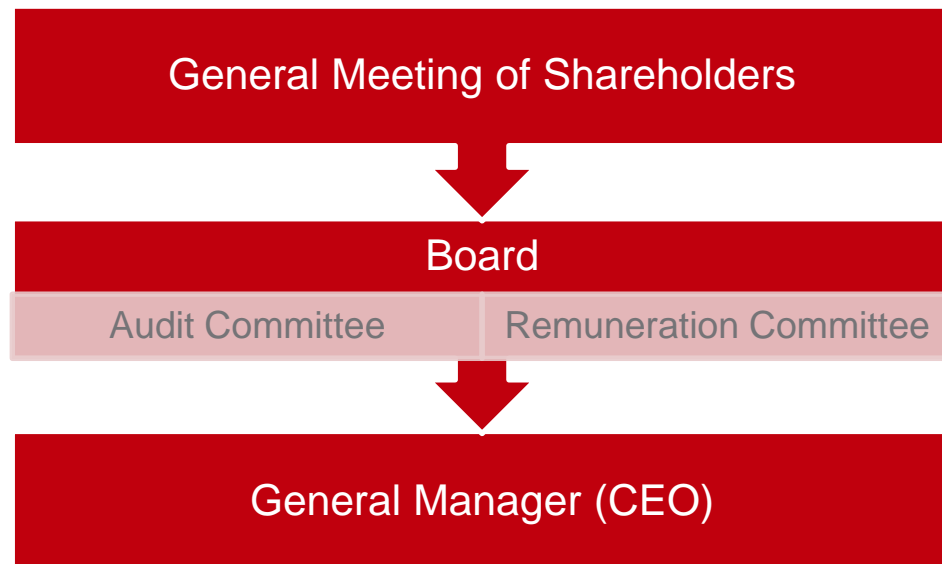
Corporate social responsibility



Results for the year 2012 / 25.04.2013

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)**
- The General Meeting also elects the Company's **independent auditor** for a term of 2 years
- On 24 April 2012 shareholders elected PricewaterhouseCoopers as the Company's independent auditor



TEO BOARD (ELECTED IN 2013)



Malin Frenning
Member of the Board
Represents TeliaSonera AB



Tiia Tuovinen
Member of the Board
Represents TeliaSonera AB



Inga Skisaker
Independent member of
the Board



Jens Lööw
Member of the Board
Represents TeliaSonera AB



Mats Lillienberg
Member of the Board
Represents TeliaSonera AB



Rolandas Viršilas
Independent member of
the Board

- 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



Giedrius Vegys
(born in 1959),
Acting 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



Antanas Poška
(born in 1967)
Acting 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** fuel **consumption** by 5.4%, electricity – by 9.7%



During National Responsible Business Awards 2011 TEO was recognized as a "Socially Responsible Enterprise" of the year

THANK YOU FOR YOUR ATTENTION

BŪTI SU PASAULIU



More information about the Company is available at www.teo.lt