

Results for the first 12 months of 2016

27-01-2017

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

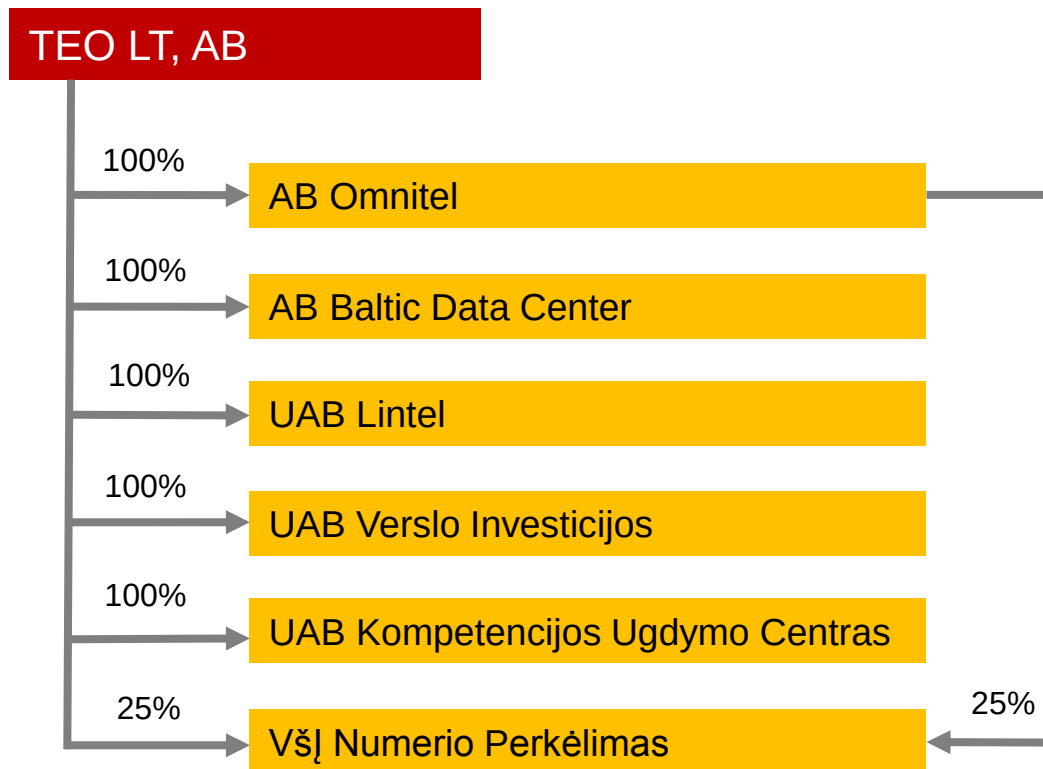
Our purpose: bringing the world closer – on the customer's terms

Highlights of Q4 2016

- In December completed **integration** of 70 Teo and Omnitel **retail outlets**
- Teo shareholders **approved** merger of Omnitel and BDC into Teo
- Shareholders also decided that after reorganization activities' continuing entity shall be named **Telia Lietuva, AB**
- Shareholders elected **UAB Deloitte Lietuva** as the Company's audit enterprise for 2016
- For customers' convenience **joint customer care short number** were introduced
- In October, business and residential customers' were offered **unlimited** mobile internet **at fixed location** for the flat fee
- Omnitel **increased amount of data** for users of mobile payment plans

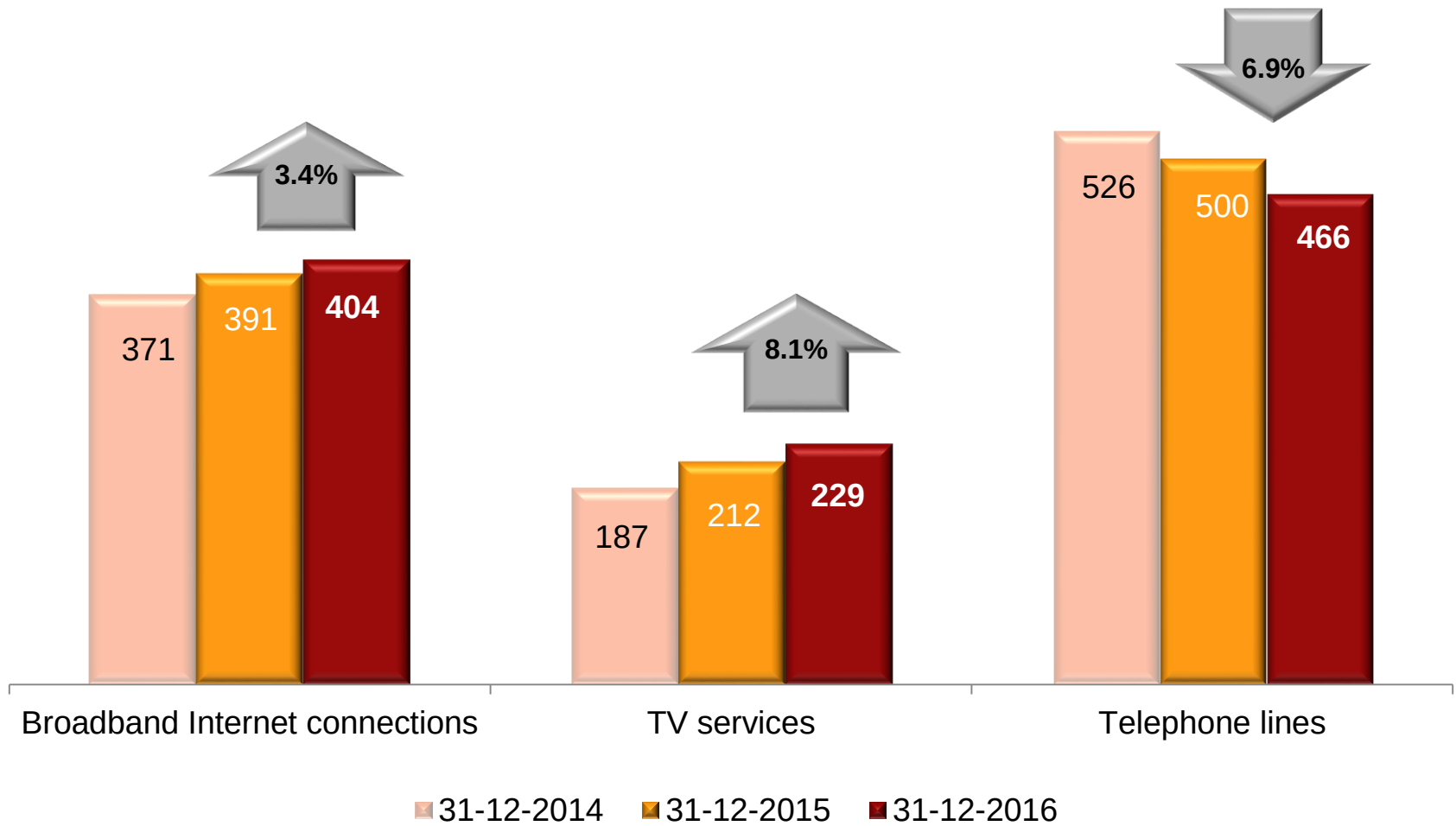


Teo Group

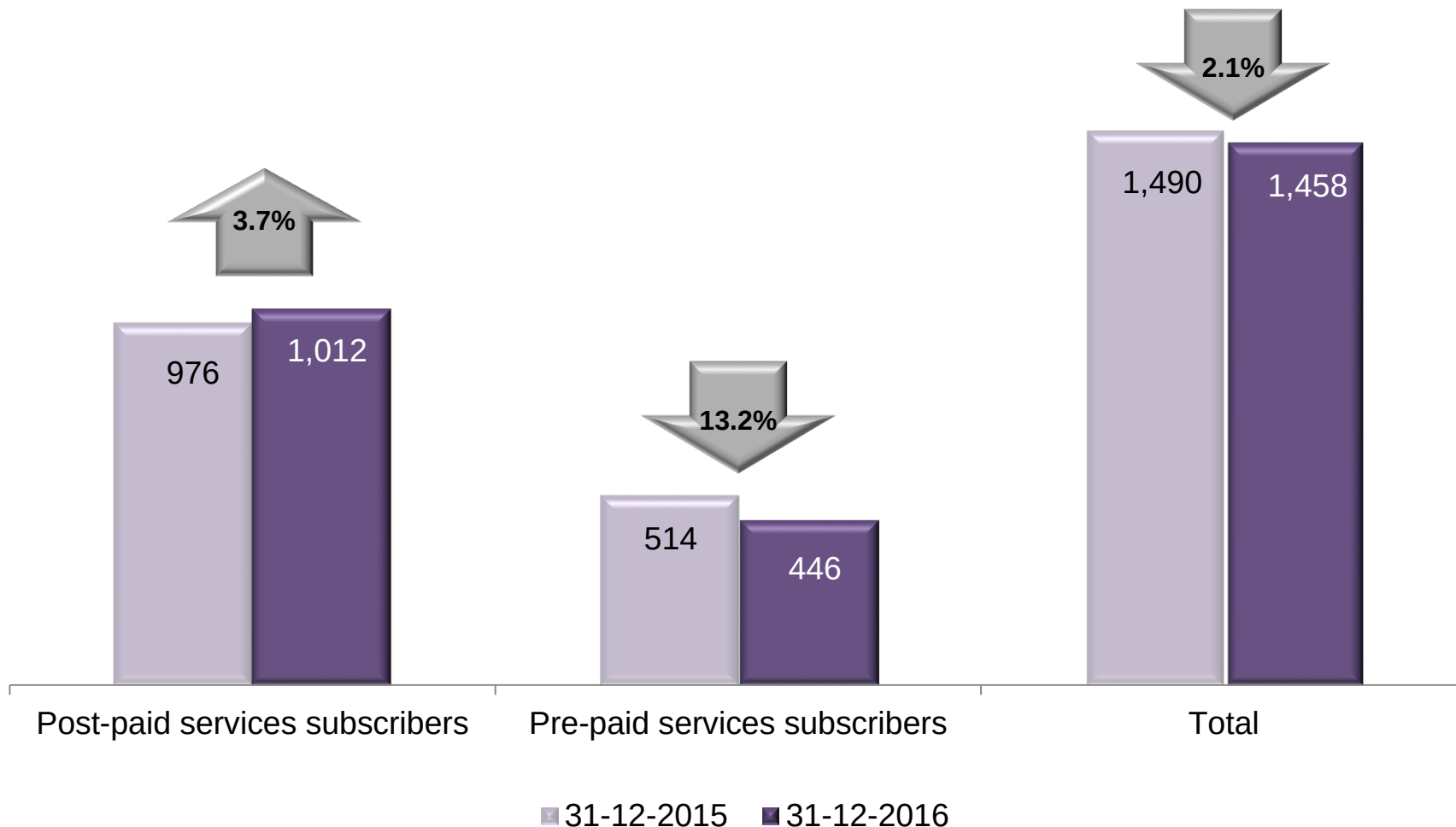


- On 4 January 2016, Teo **acquired a 100% stake in Omnitel**
- In January, Baltic Data Center SIA, a subsidiary of Baltic Data Center (BDC) in Latvia, was **liquidated**
- In April, Teo **transferred its owners' rights** in VšĮ Ryšių Istorijos Muziejus (The Communications History Museum) to Kaunas Municipality 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)

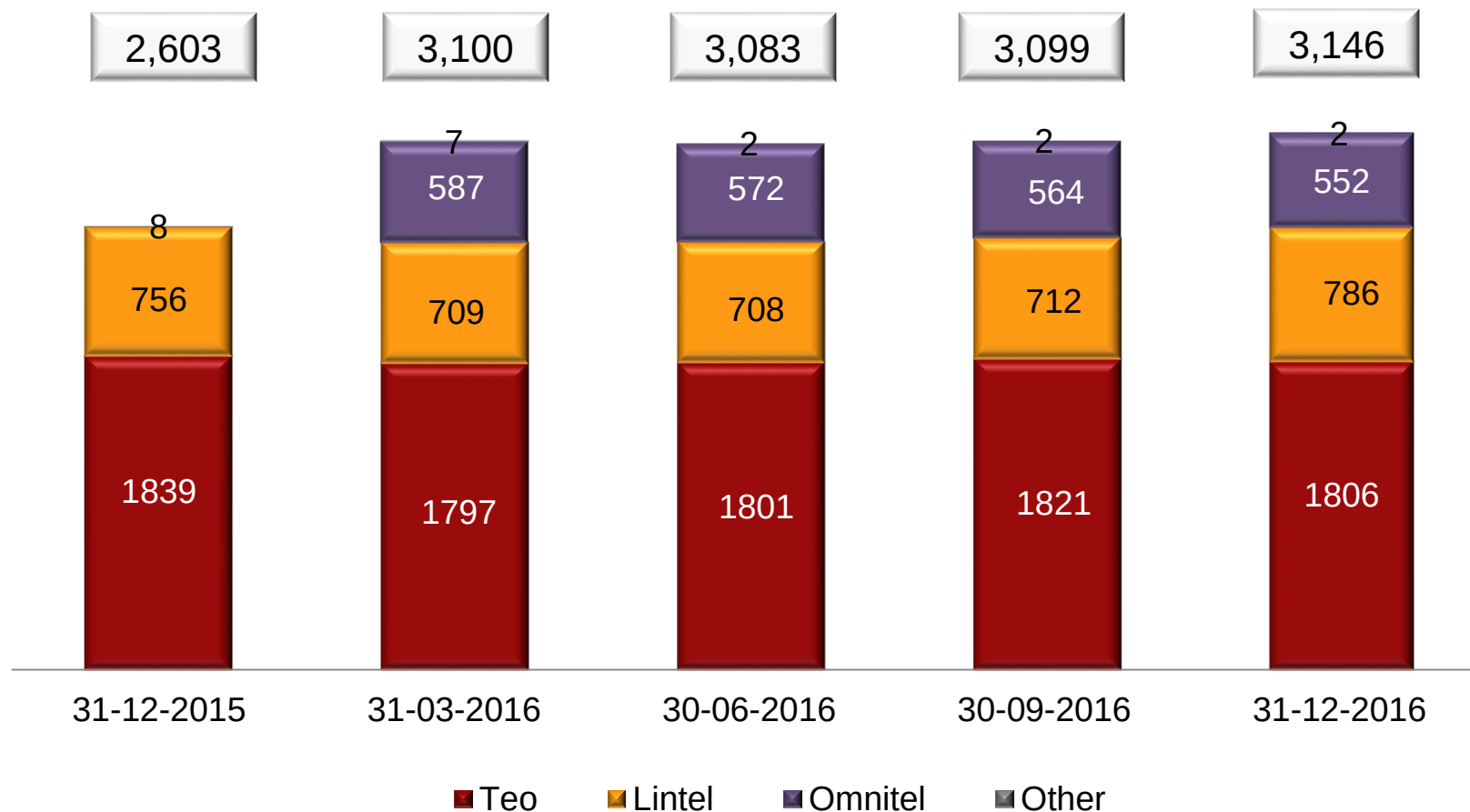


Main operating figures

(thousands)

	31-12-2016	31-12-2015	Change (%)
Number of broadband Internet accesses, in total:	404	391	3.4
- via fiber-optic lines	246	225	9.3
- via copper lines	158	166	(4.7)
Number of TV services users, in total:	229	212	8.1
- IPTV	191	165	15.8
- DVB-T	38	47	(18.7)
Number of fixed telephone lines	466	500	(6.9)
Number of mobile services' subscriber, in total:	1,458	1,490	(2.1)
- Post-paid services	1,012	976	3.7
- Pre-paid services	446	514	(13.2)

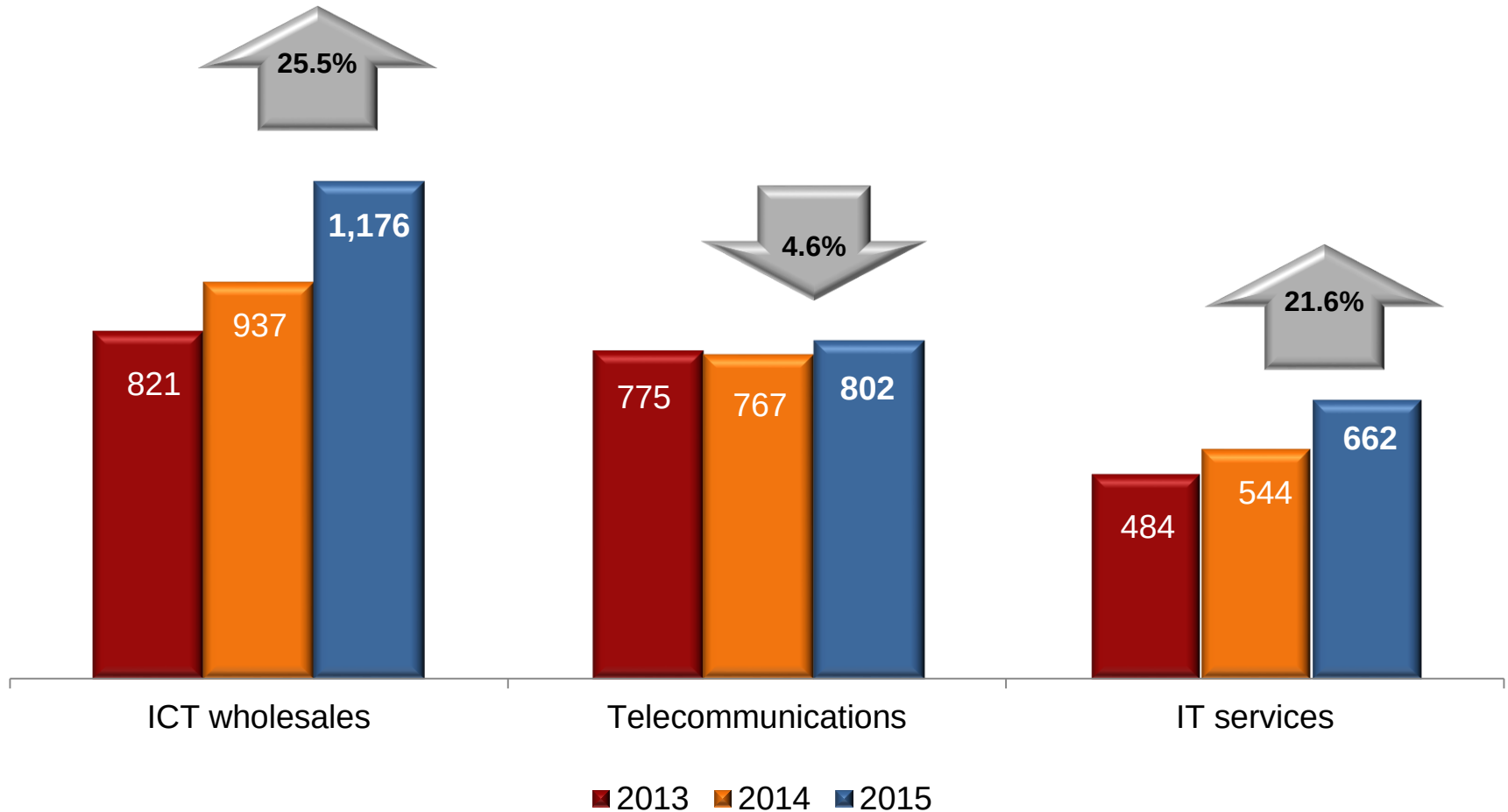
Employees of Teo Group



Electronic communications market of Lithuania

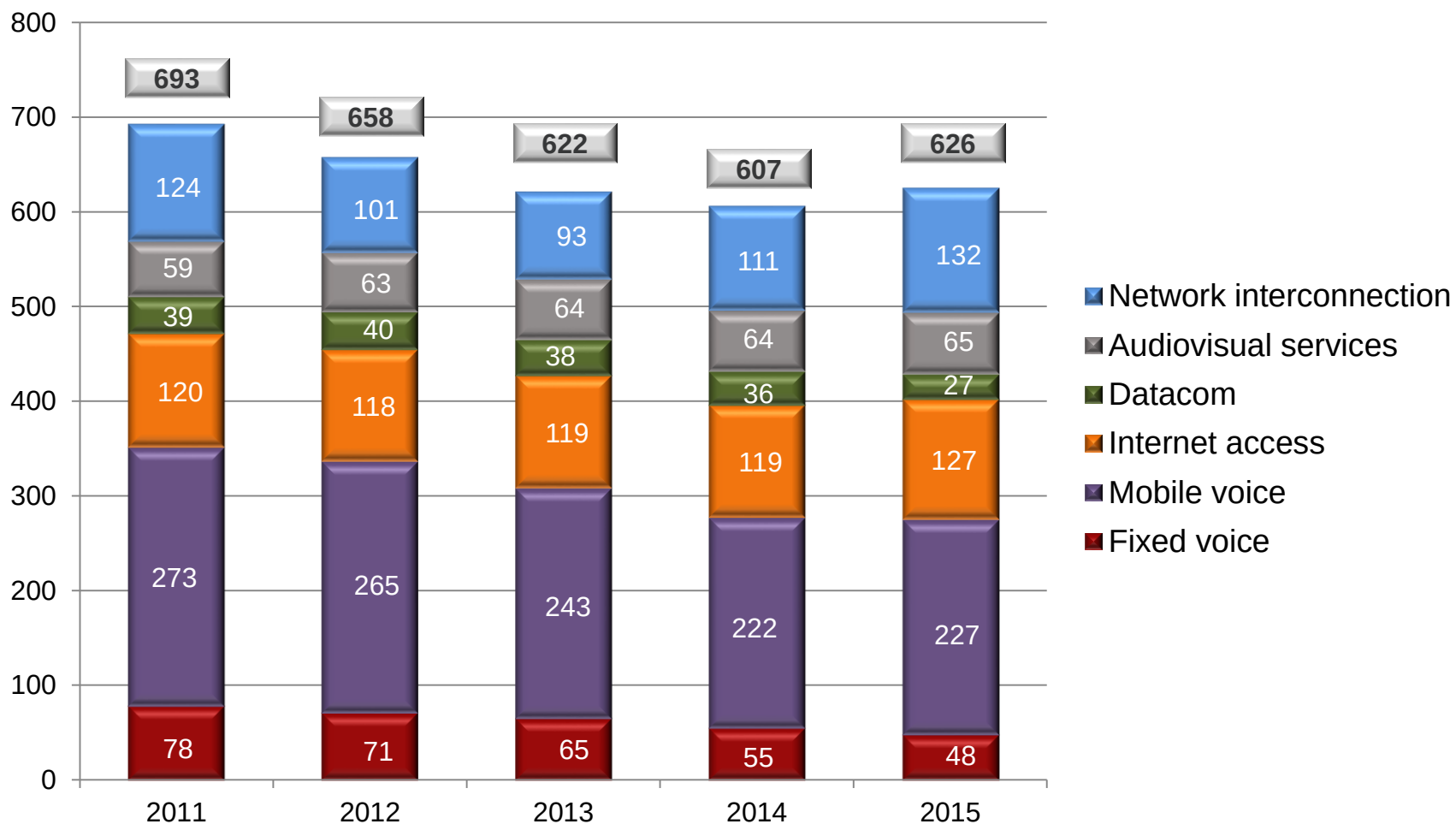
Lithuanian ICT market revenue trends

(EUR million)



Telecommunication market in Lithuania

(EUR million)

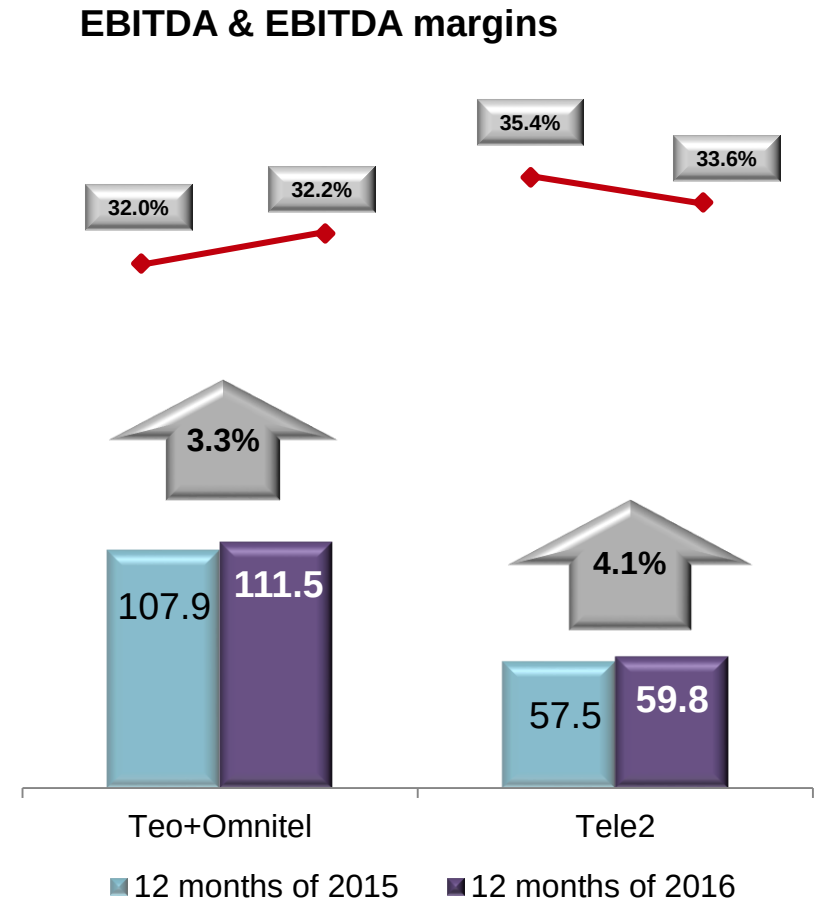
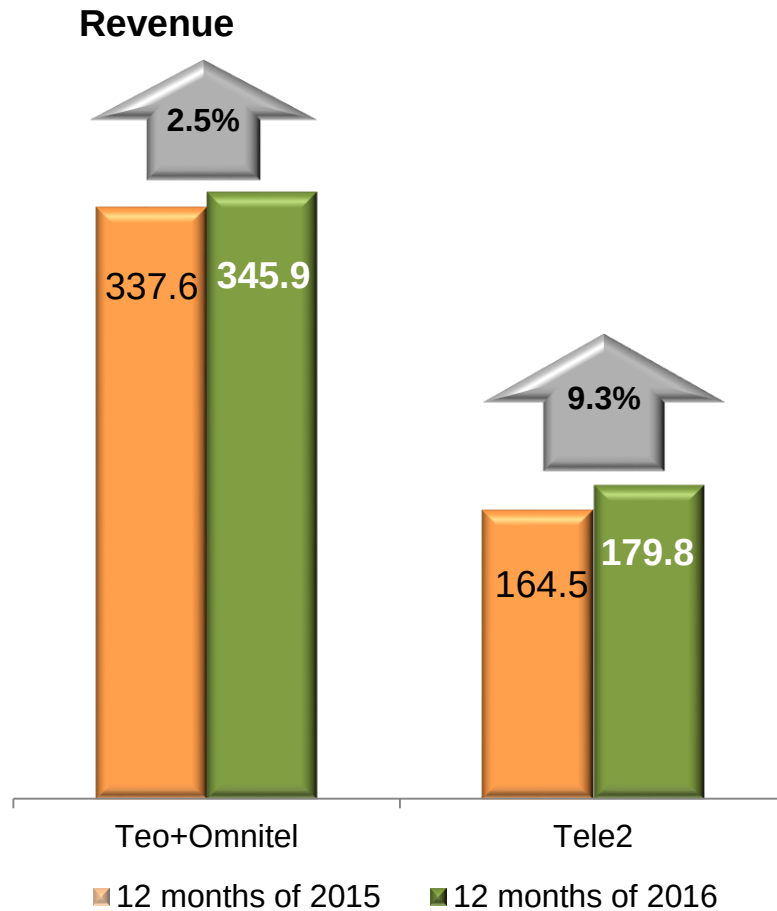


Source: Report of the Communications Regulatory Authority

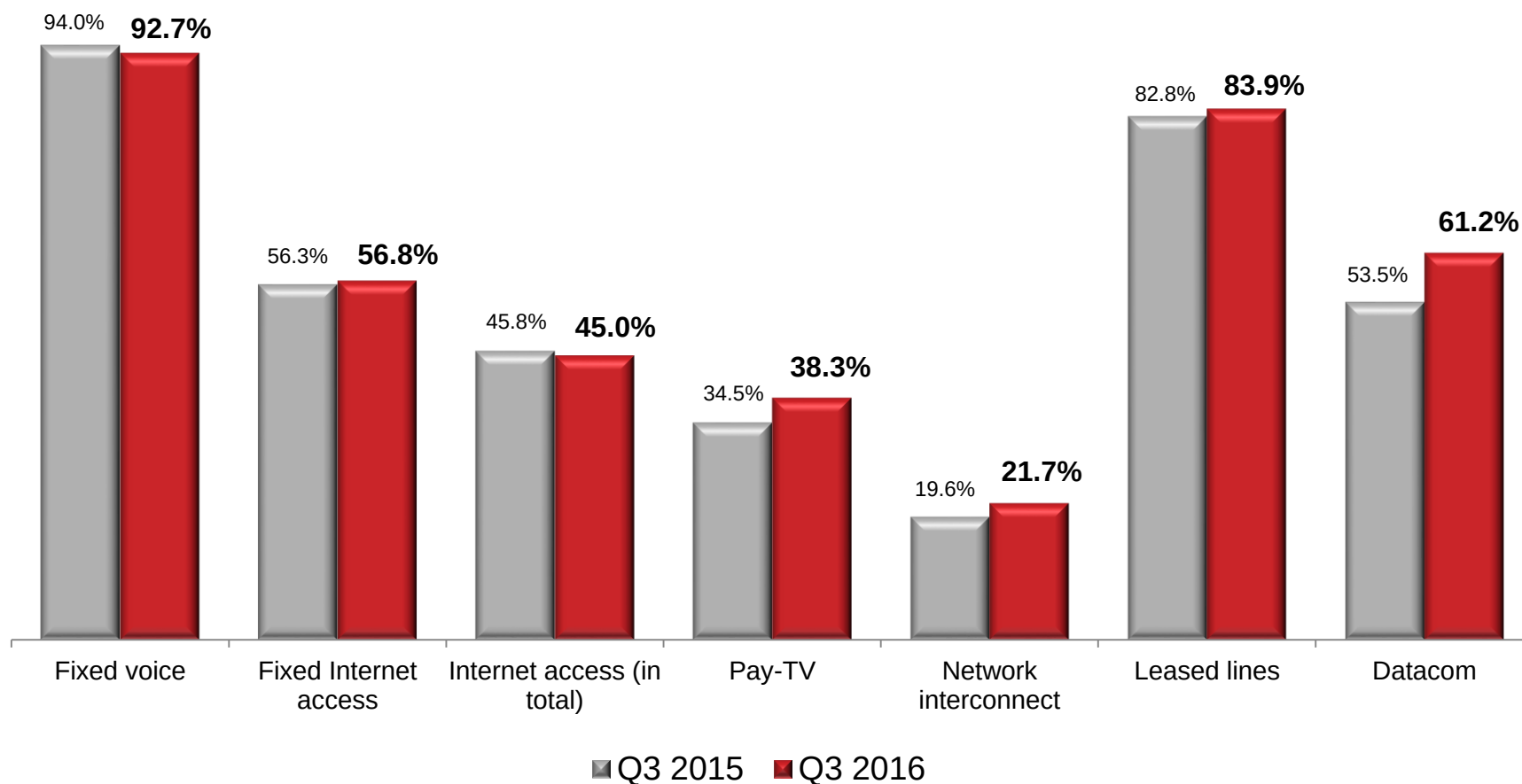
Main market figures

	30-09-2016	30-09-2015	Change (%)
Total market revenue (EUR million)	480.4	467.5	2.8
Number of mobile services subscribers	4,238,731	4,235,577	0.1
Number of mobile services subscribers per 100 inhabitants	148.2	146.3	
Number of telephone lines	540,602	562,400	(3.9)
Number of telephone lines per 100 inhabitants	18.6	19.1	
Number of Internet access subscribers	1,250,933	1,165,712	7.3
Number of broadband Internet access subscribers per 100 inhabitants	43.7	40.3	
Number of pay-TV subscribers	709,014	719,684	(1.5)
Number of pay-TV subscribers per 100 households	55.5	56.2	
Total market investments (EUR million)	96.1	64.8	48.3

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

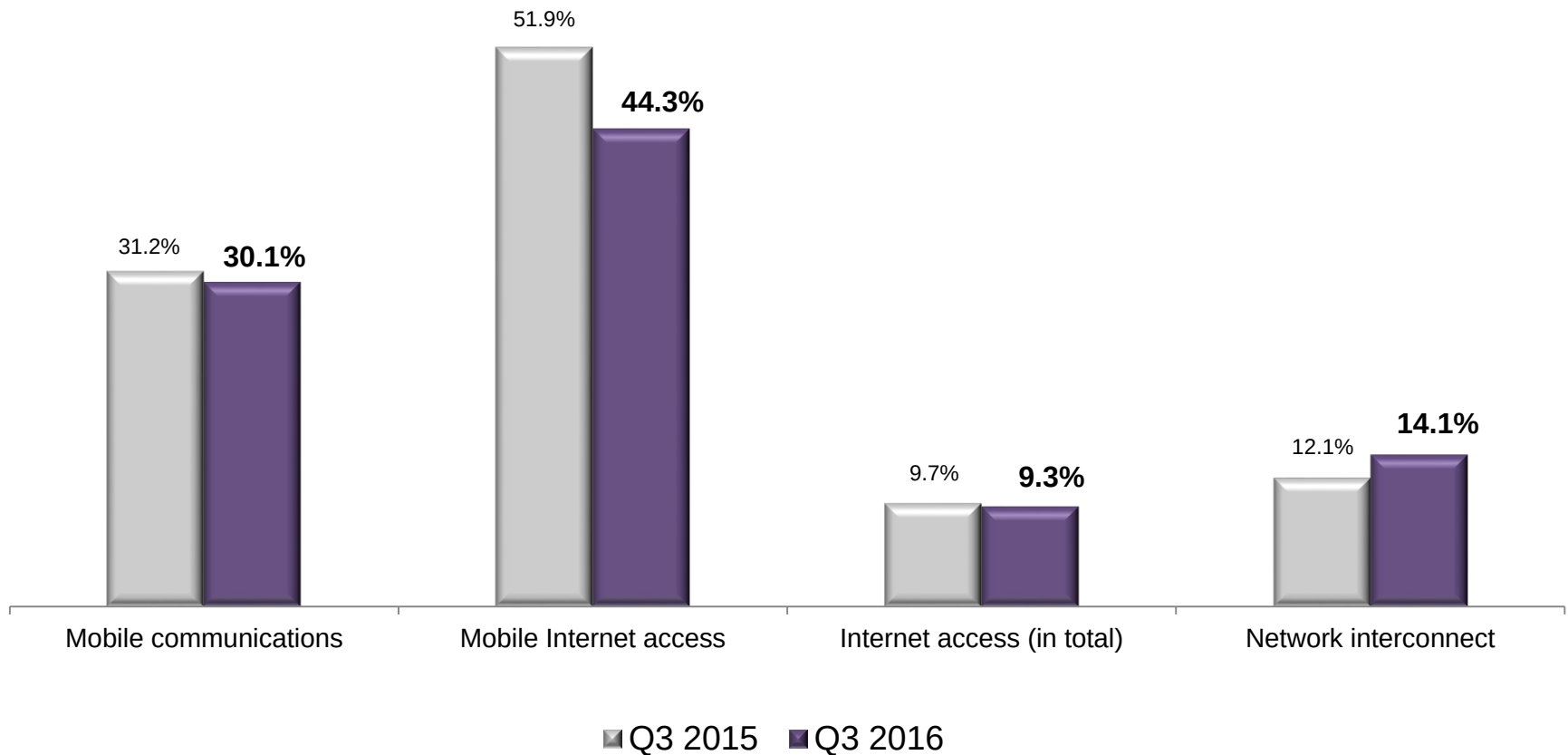


Teo market share in terms of revenue



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

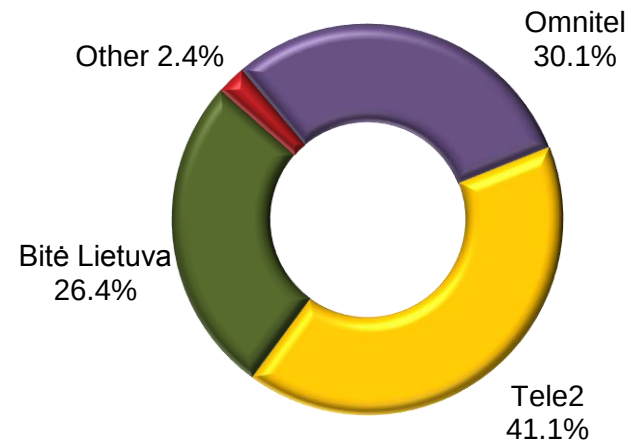
Market	Revenue in 9m 2016 (EUR million)	Change from 9m 2015 (%)	Number of market players
Mobile voice	176.6	4.7	3+13
Internet access	95.7	1.0	104
Network interconnection	103.2	4.5	14
Pay-TV	46.8	9.7	41
Fixed voice	34.8	(5.3)	42
Data communication	12.9	(0.5)	16
Leased lines	2.9	(12.5)	8
Dark fiber	4.0	(2.0)	15
TV and radio program transmission	3.6	12.8	4

Mobile voice market in Lithuania

(Q3 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: **84,8 thousand** or **2%** of total subscribers' number
- **48%** of voice traffic was initiated in Tele2, **26.6%** in Omnitel, **22.6%** in Bitė Lietuva and **2.7%** in other service providers' networks
- **57%** of all initiated calls' duration where calls within own network, **38.9%** – calls to other mobile networks of Lithuania, **3.5%** – calls to fixed networks and **0.6%** – international calls

Q3 2016 revenue breakdown by service providers



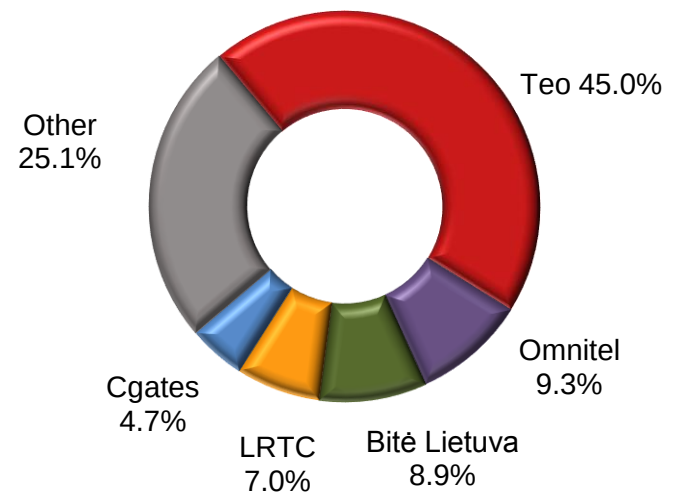
Source: Report of the Communications Regulatory Authority

Internet access market in Lithuania

(Q3 2016)

Access type	Number of users ('000)	Change, y-o-y (%)
Fiber-optic	541	7.1
Via mobile network	396	16.0
DSL	160	(3.7)
Wireless	114	4.9
Via CATV network	30	(11.8)
Via LAN	10	(3.2)
Total:	1,251	7.3

Q3 2016 revenue by service providers



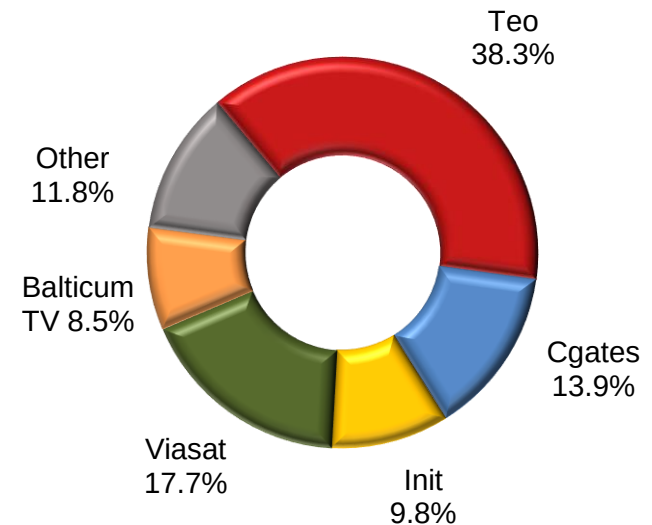
Source: Report of the Communications Regulatory Authority

Pay TV market in Lithuania

(Q3 2016)

Access type	Number of users ('000)	Change, y-o-y (%)
Analogue CATV	228	(16.6)
Digital CATV	153	20.0
IPTV	198	17.6
Satellite	75	(13.4)
DVB-T	44	(13.8)
MVDS	11	(13.0)
Total:	709	(1.5)

Q3 2016 revenue breakdown by service providers



Source: Report of the Communications Regulatory Authority

Fixed voice telephony market in Lithuania (Q3 2016)

- **43 companies** are providing fixed voice services:
 - 36 provide retail,
 - 7 only wholesales (transit) services
- 33 companies are using **IP network**
- Number of alternative operators' subscribers: **65.1 thousand** or 12% of total subscribers' number

Teo market share (Q3 2016) in terms of:	(%)
Total number of customers	88.0
Total traffic	88.9
Revenue from local calls	100.0
Revenue from domestic long distance calls	88.7
Revenue from international calls	65.7

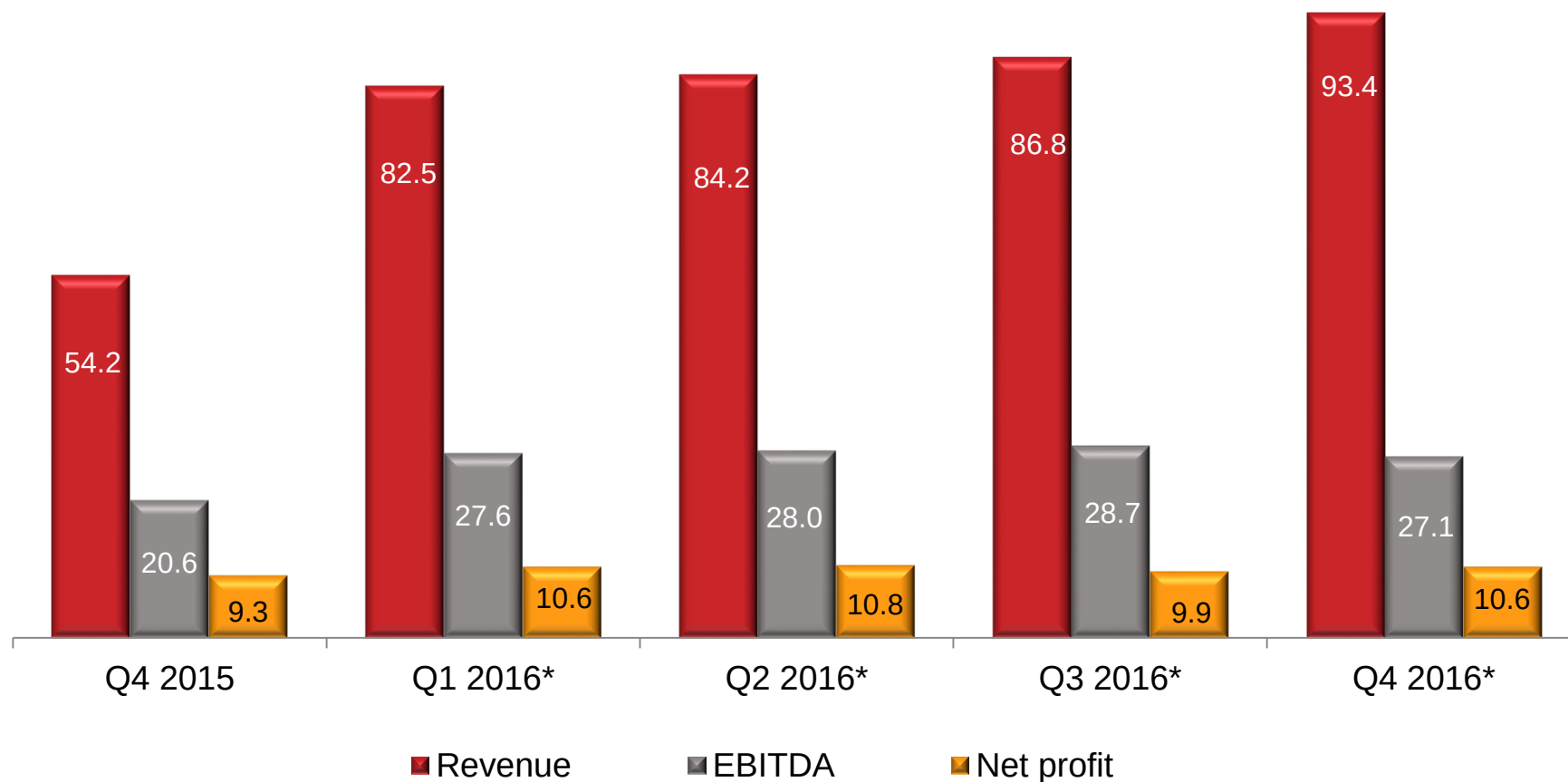
Source: Report of the Communications Regulatory Authority

Financial results

teo

Revenue, EBITDA & Net profit

(EUR million)

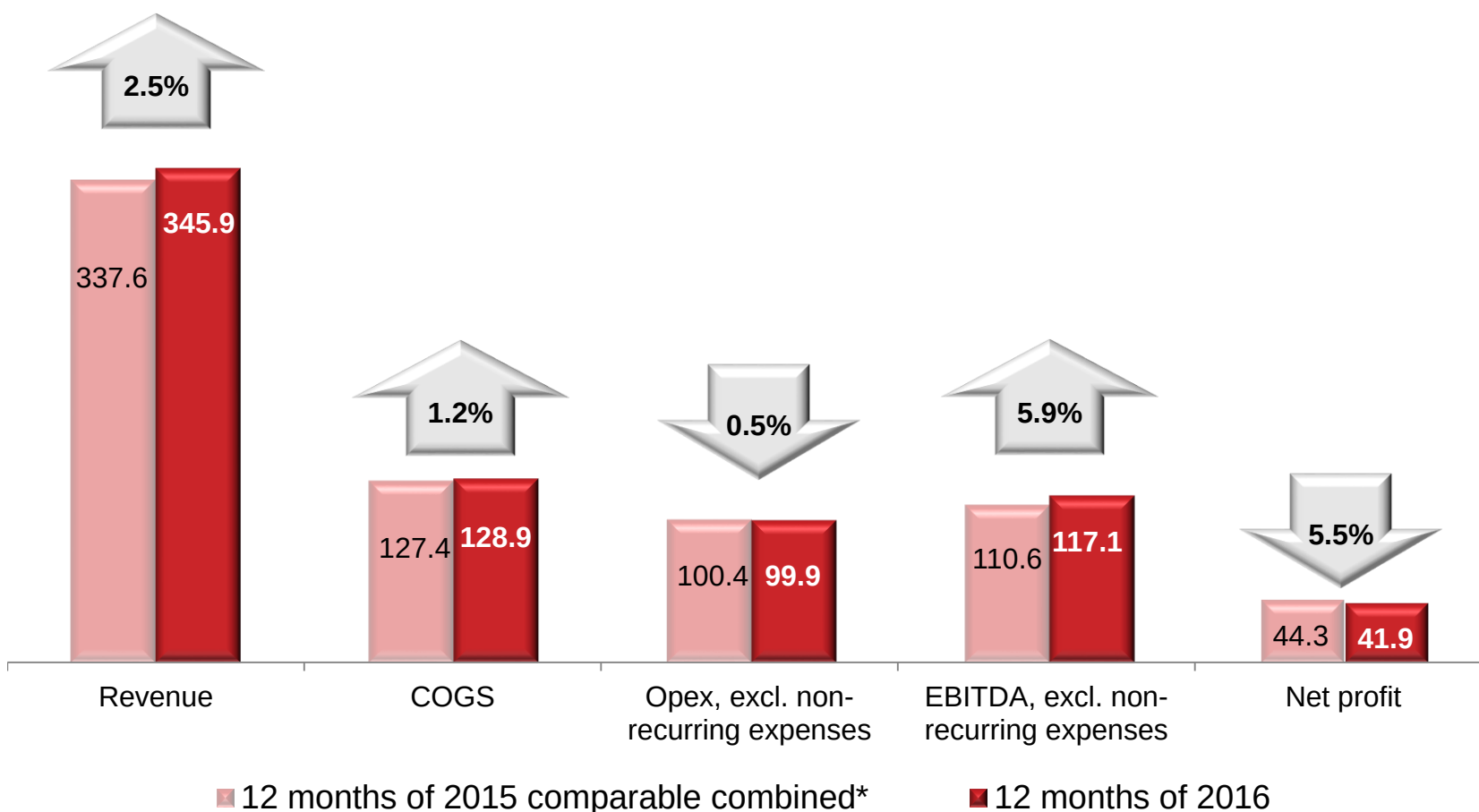


Major financial indicators

(thousand EUR)	12 months of 2016	12 months of 2015 comparable combined*	Change (%)	12 months of 2015
Revenue	345,906	337,612	2.5	204,598
EBITDA	111,457	107,931	3.3	76,469
EBITDA margin	32.2 %	32.0 %		37.4 %
EBITDA (excluding non-recurring expenses)	117,118	110,550	5.9	80,765
EBITDA (excluding non-recurring expenses) margin	33.9 %	32.7 %		39.5 %
Operating profit (EBIT)	48,615	49,234	(1.3)	38,539
Operating profit margin	14.1 %	14.6 %		18.8 %
Profit before income tax	47,545	49,249	(3.5)	38,279
Profit before income tax margin	13.7 %	14.6 %		20.6 %
Net profit	41,903	44,336	(5.5)	34,176
Net profit margin	12.1 %	13.1 %		16.7 %
Earnings per share (EUR)	0.072	0.076		0.059
Average number of shares (thousands)	582,613	582,613		582,613

Dynamics of main financial indicators

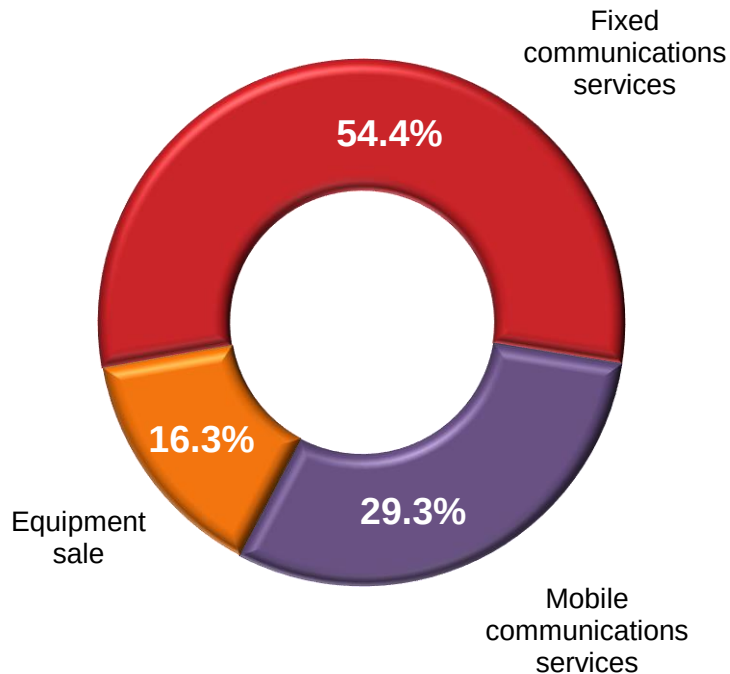
(EUR million)



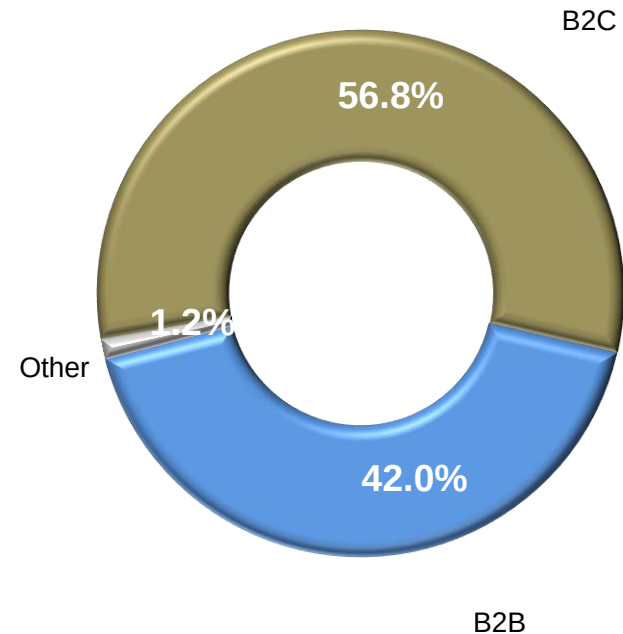
Revenue breakdown

(12 months of 2016)

By group of services

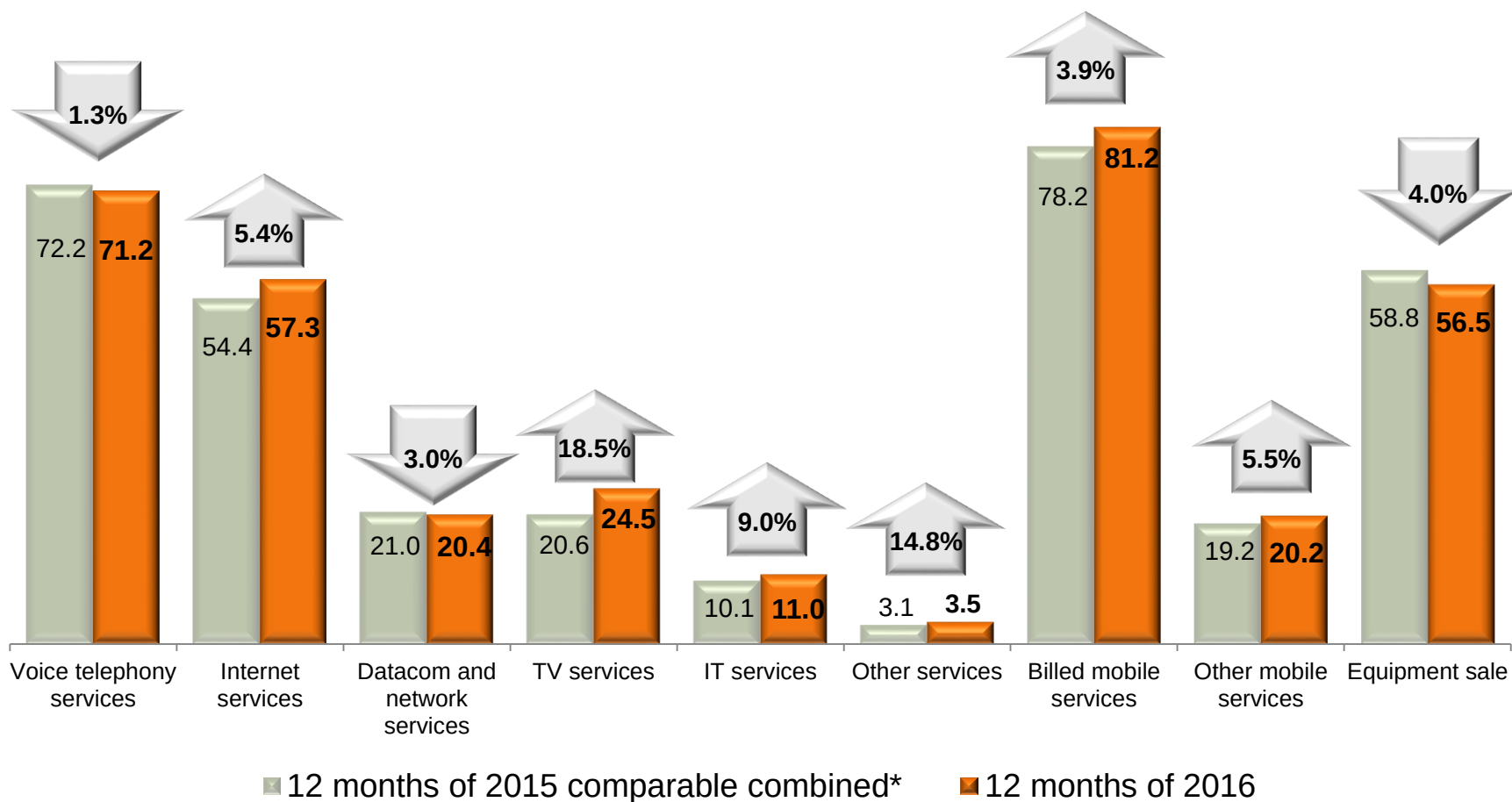


By segments



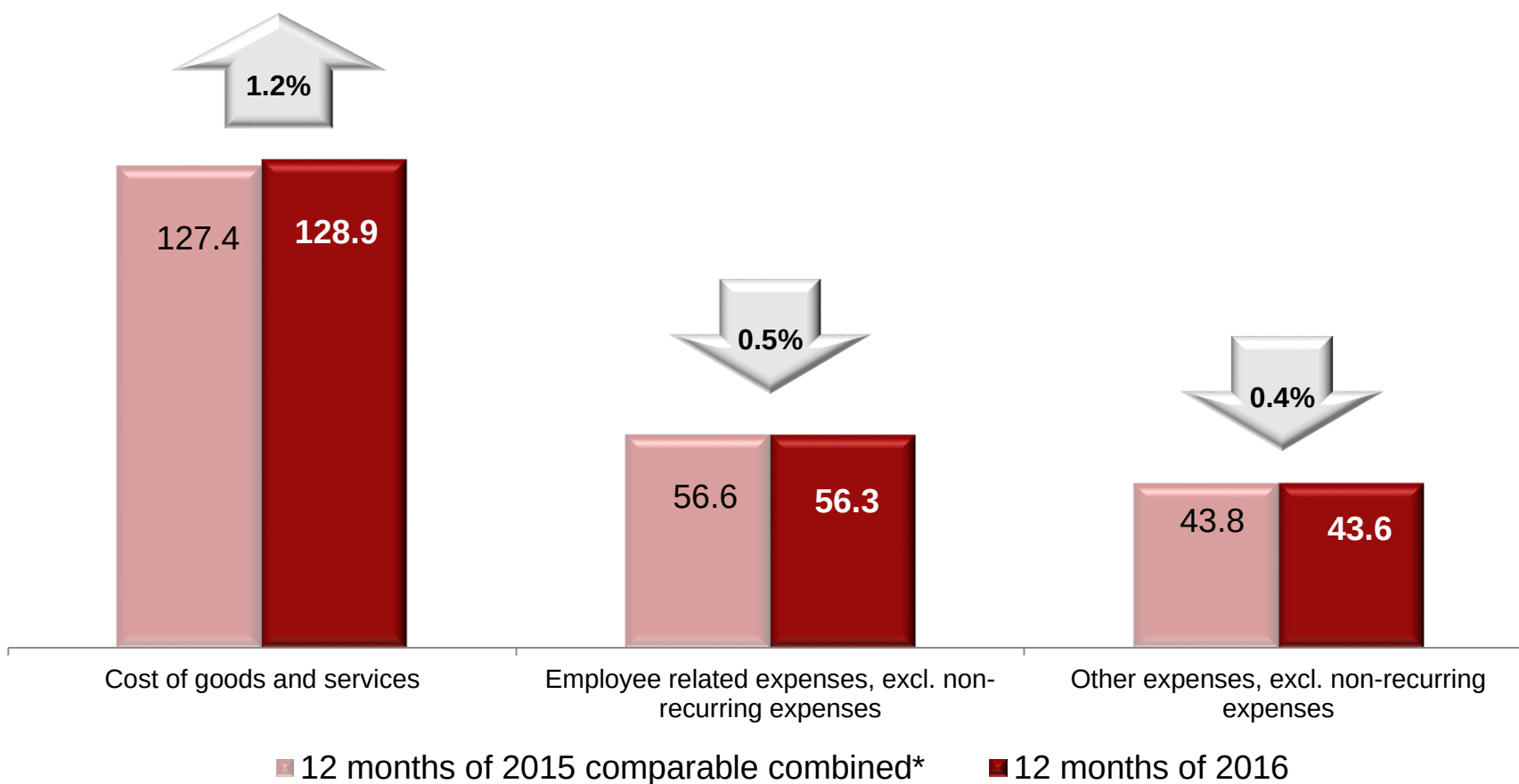
Revenue by services

(EUR million)



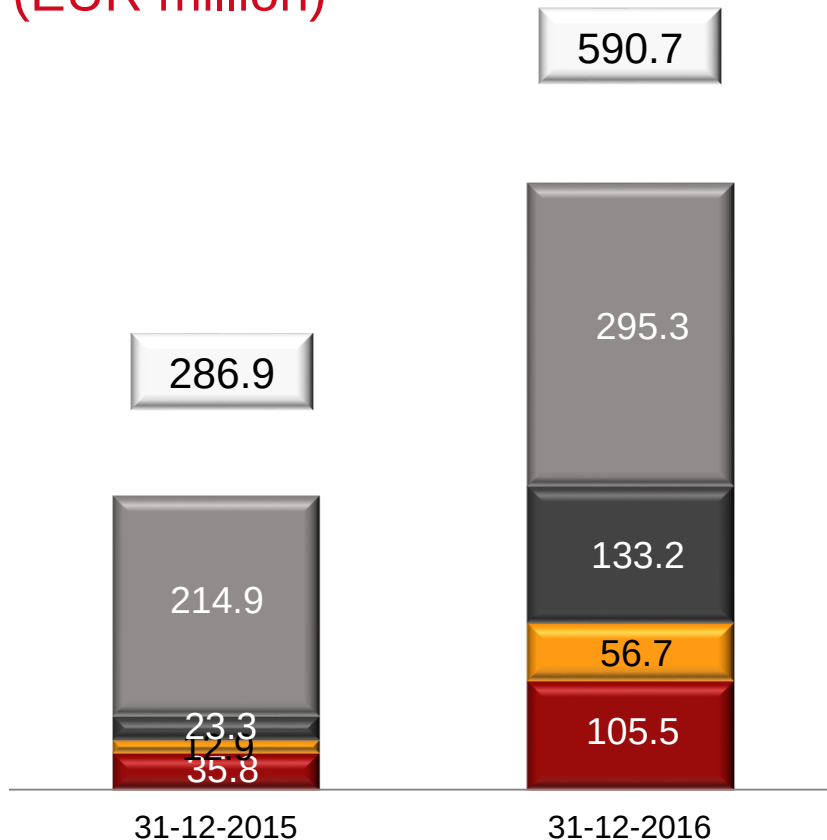
Operating expenses

(EUR million)



Assets

(EUR million)

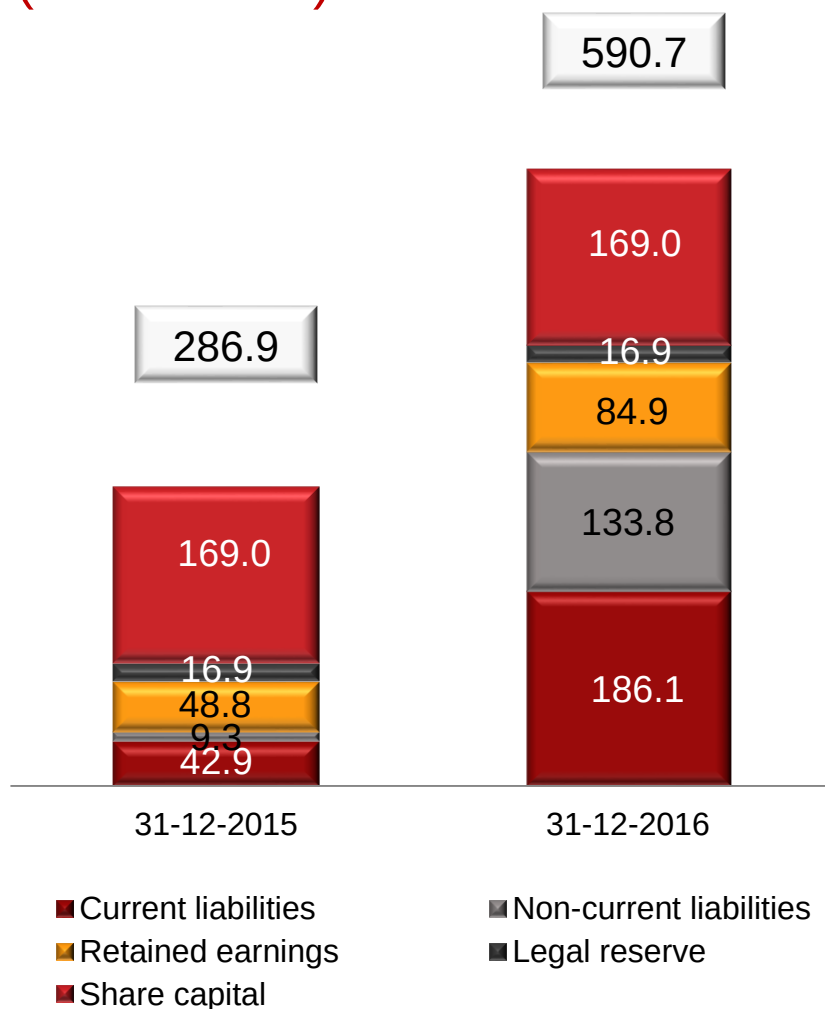


■ Property, plant and equipment ■ Other non-current assets
■ Cash and investments ■ Other current assets

- **Assets increased by more than 2 times** due to acquisition of Omnitel
- **Non-current assets** amounted to 72.5% of total assets (31-12-2016)
- **Cash** alone amounted to 9.6%
- **Return on capital employed:** 10.3%
- **Return on average assets:** 8.7%

Equity and liabilities

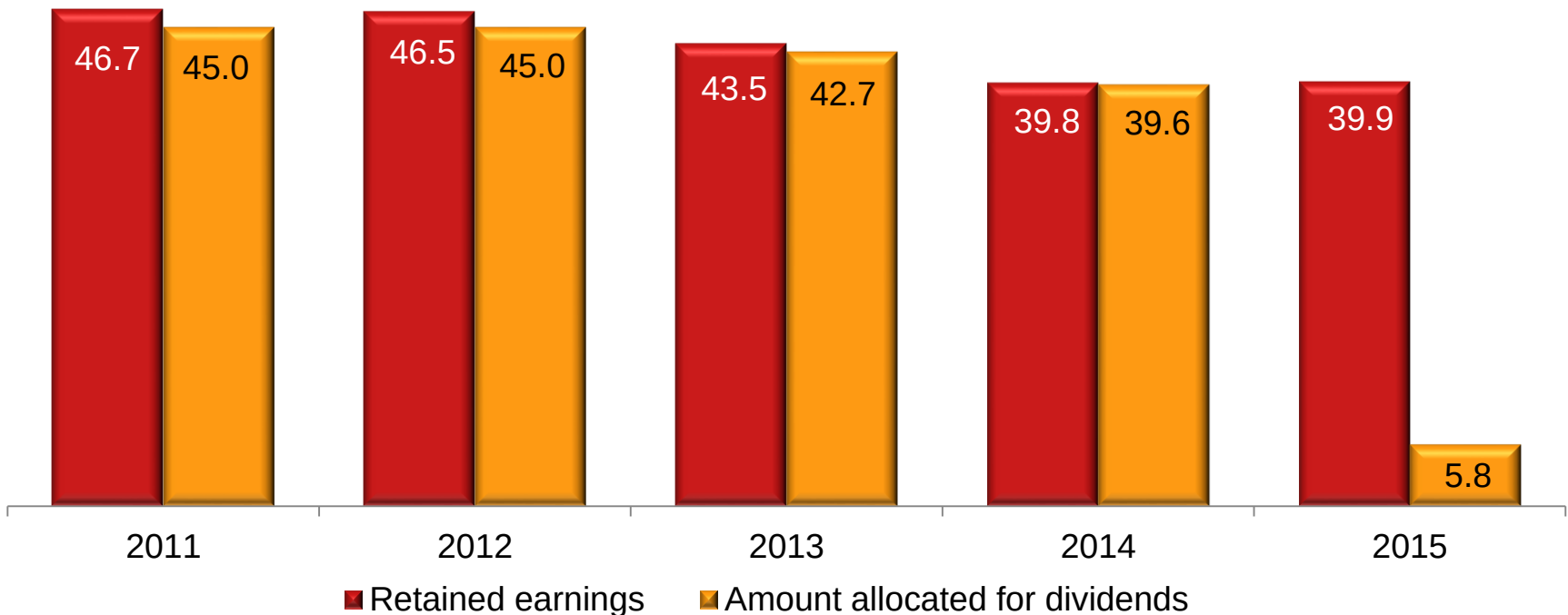
(EUR million)



- **Shareholders' equity** amounted to 45.8% of the total assets (31-12-2016)
- 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 (31-12-2016)
- **Gearing ration:** 62.9%
- **Debt to equity:** 83.8%
- **Return on equity:** 16.2%
- 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

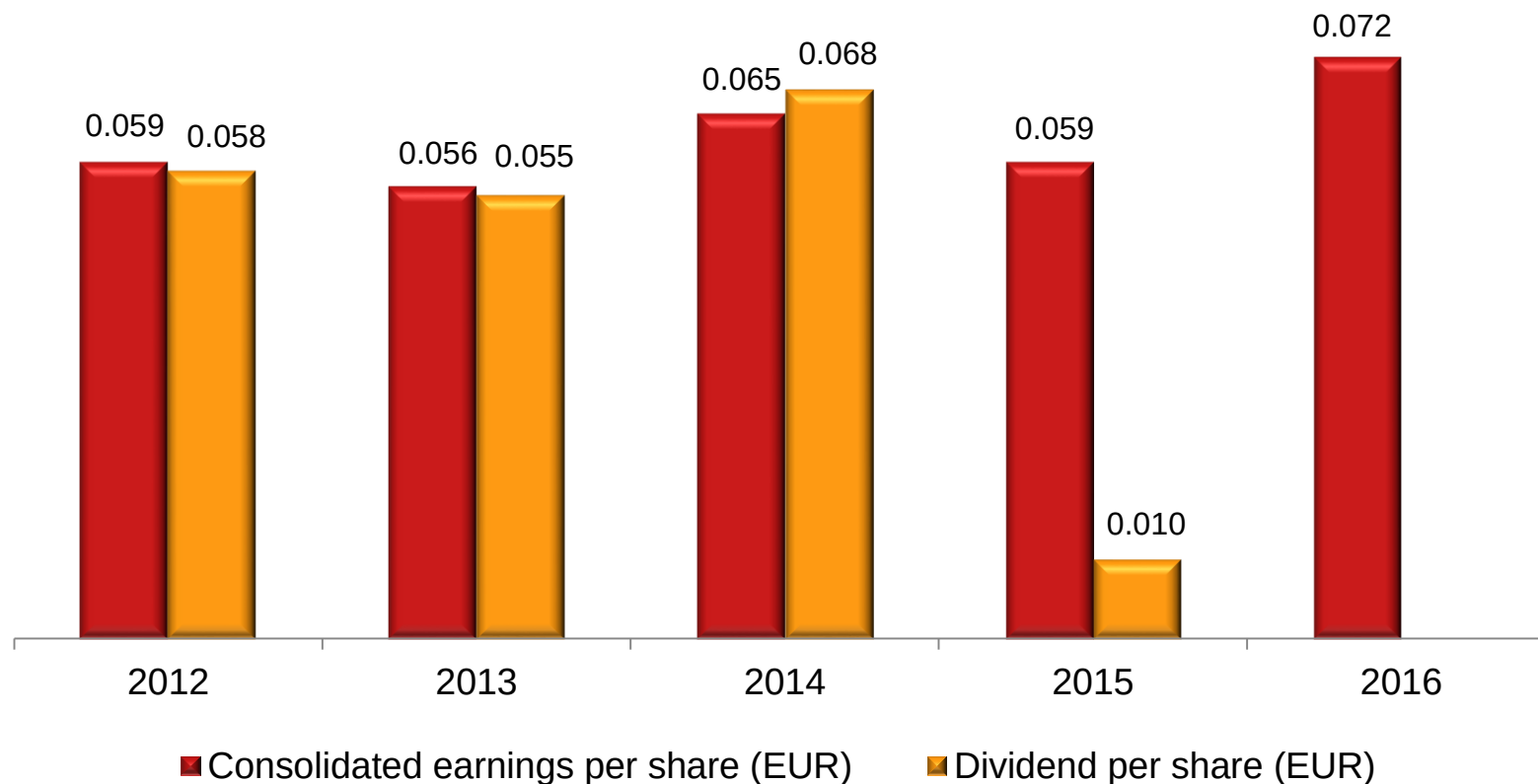
Teo retained earnings vs dividends

(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
- As of 31 December 2016, the **retained earnings** of Parent company amounted to EUR 68.1 million

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**

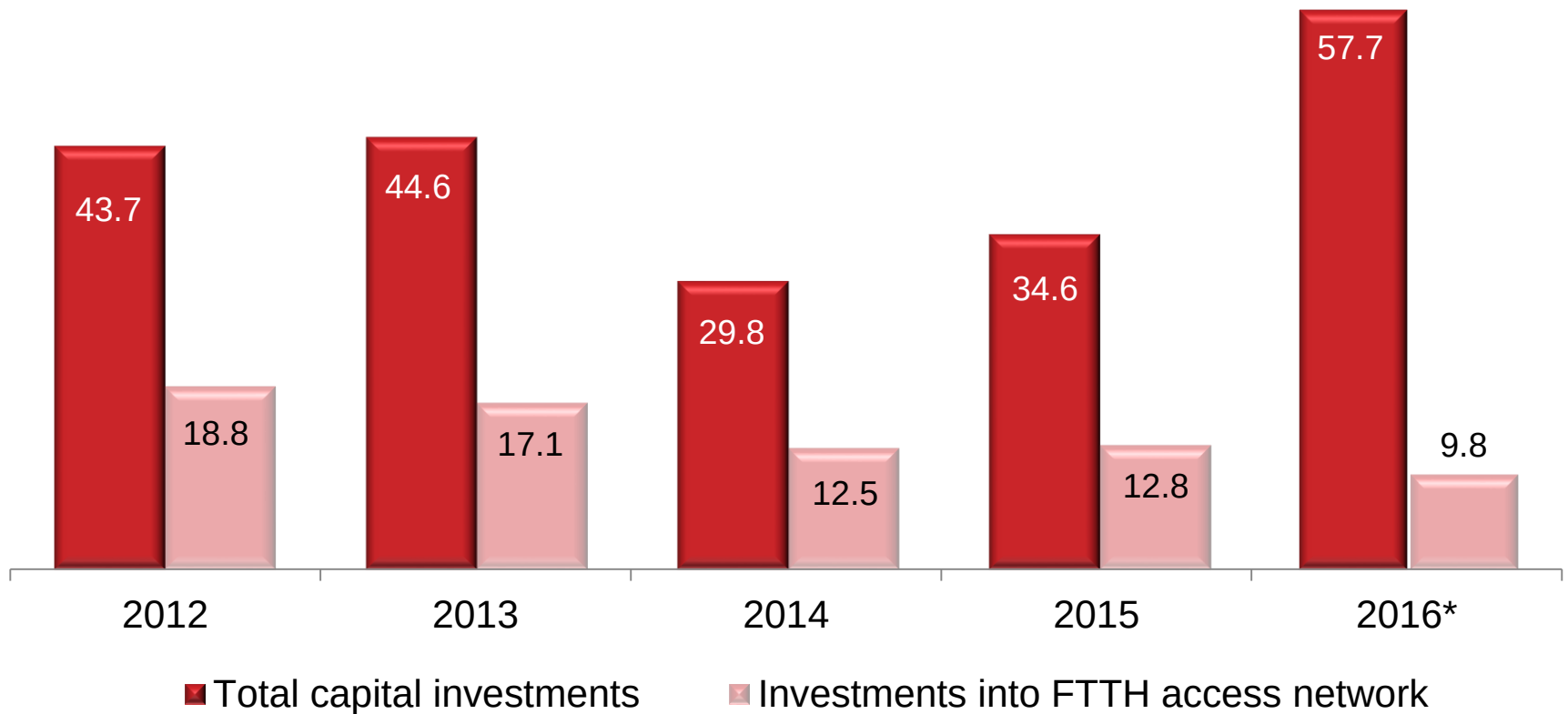
Cash flow

(thousand EUR)	12 months of 2016	12 months of 2015
Net cash from operating activities	112,429	62,408
Net cash used in investing activities	(197,790)	(31,449)
Net cash used in financing activities	129,113	(34,923)
Increase in cash and cash equivalents	43,752	(3,964)

- **Free Cash Flow** during 12 months of 2016 was EUR 44.2 million or by 1.5 times higher than a year ago
- **Investments** during 2016 amounted to EUR 57.7 million (EUR 50.8 million a year ago)
- EUR 26.6 million went to expansion of the **core and fiber-optic access network**
- EUR 13.5 million invested into **development of mobile network** and EUR 16.7 million into **IT systems**
- In January 2016, Teo took a **long-term loan of EUR 150 million** to finance acquisition of Omnitel's shares

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 31 December 2016

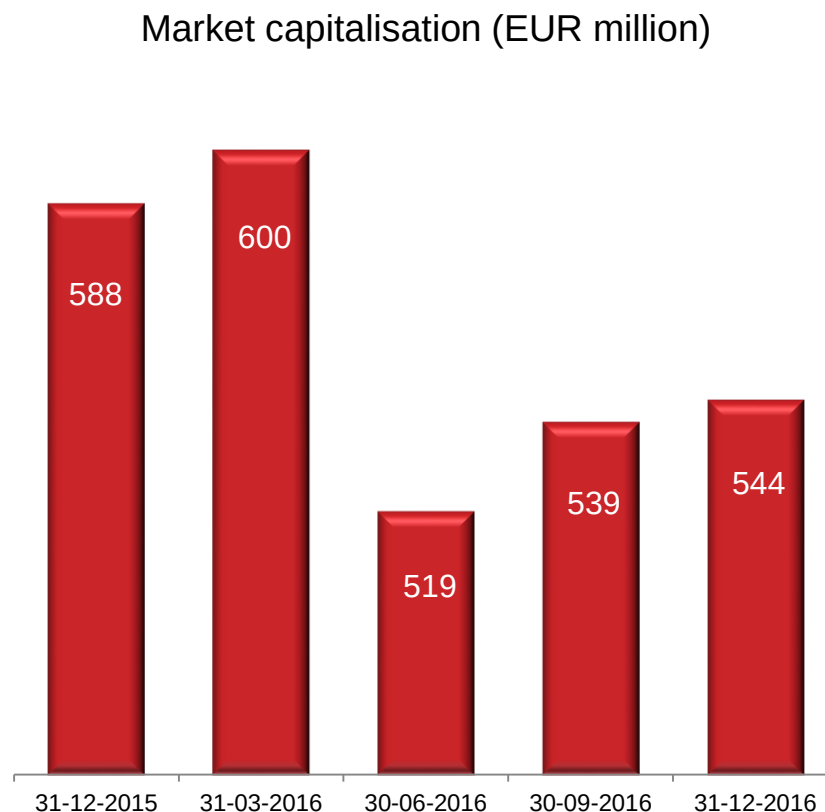
	Part of shares and votes
Telia Company AB	88.15%
Others	11.85%

- 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**

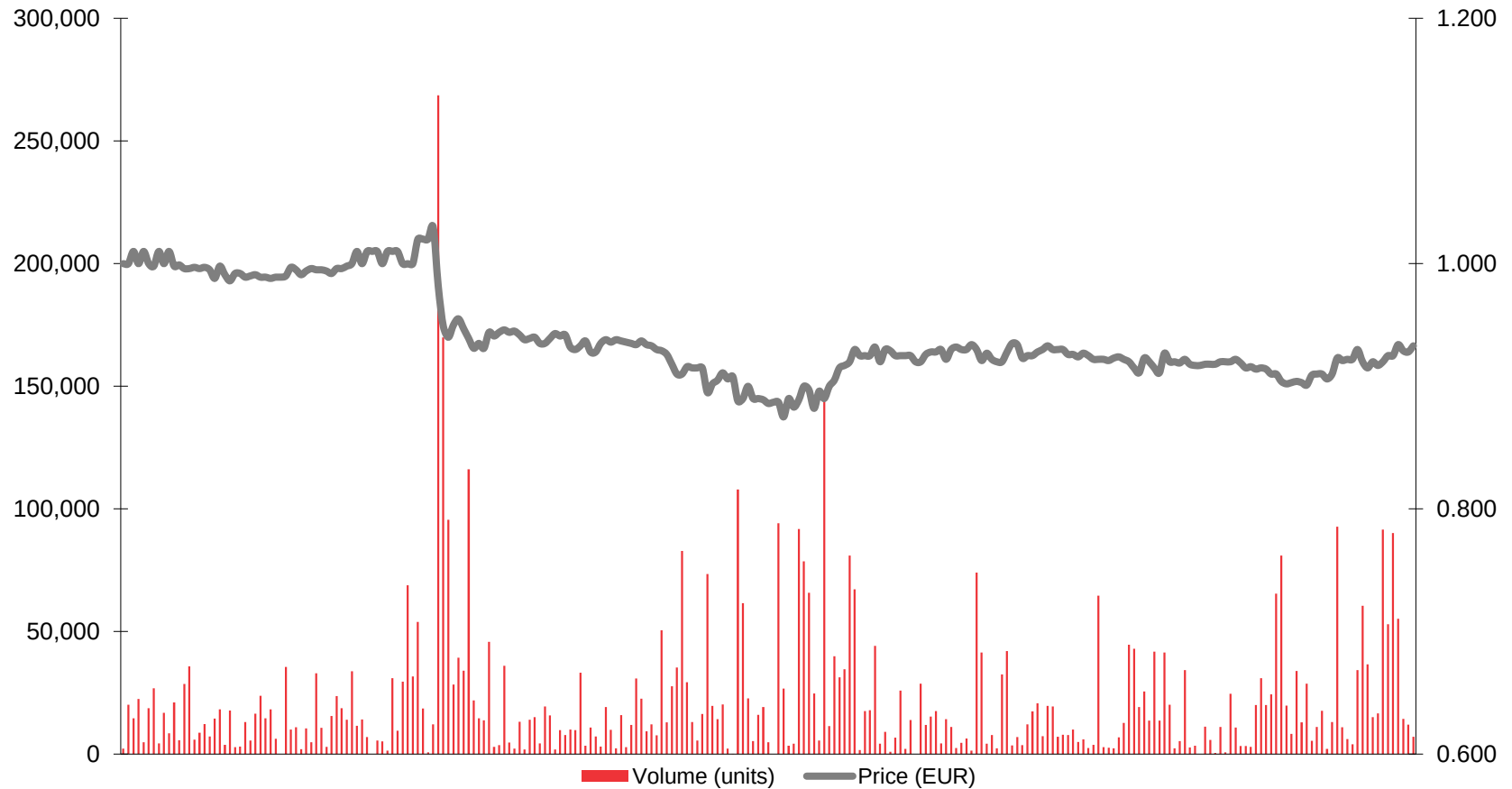
Teo shares

- 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-December 2016: 5.7 million of shares or EUR 5.4 million
- Share **price** on Nasdaq Vilnius:

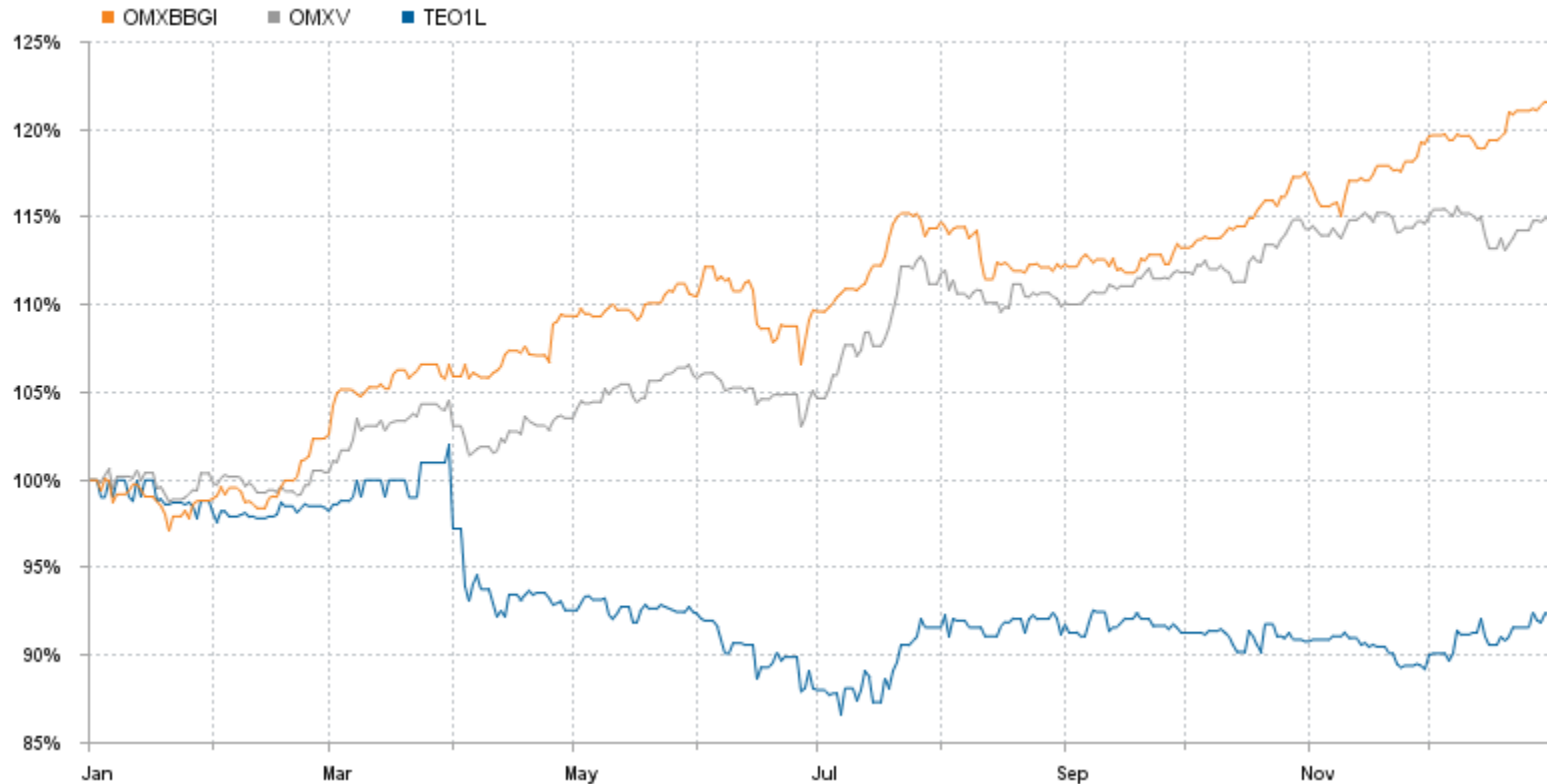
	EUR
01-01-2016	1.010
High	1.030
Low	0.875
31-12-2016	0.933



Trading in Teo shares on Nasdaq Vilnius stock exchange in 2016



Teo share price and Nasdaq Vilnius indexes comparison



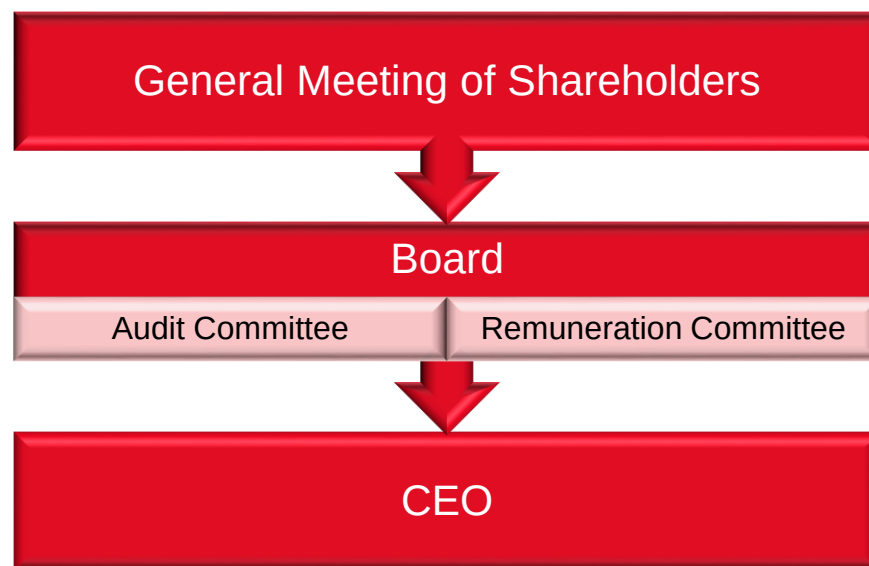
Source: Nasdaq Vilnius

Corporate governance

teo

Governing bodies

- The **Annual General Meeting** of Shareholders was held on 26 April 2016, and **Extraordinary** – on 15 December 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** is the Company's independent auditor for the year 2016
- 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,
Member of the Audit Committee



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 (till 31-12-2016)



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



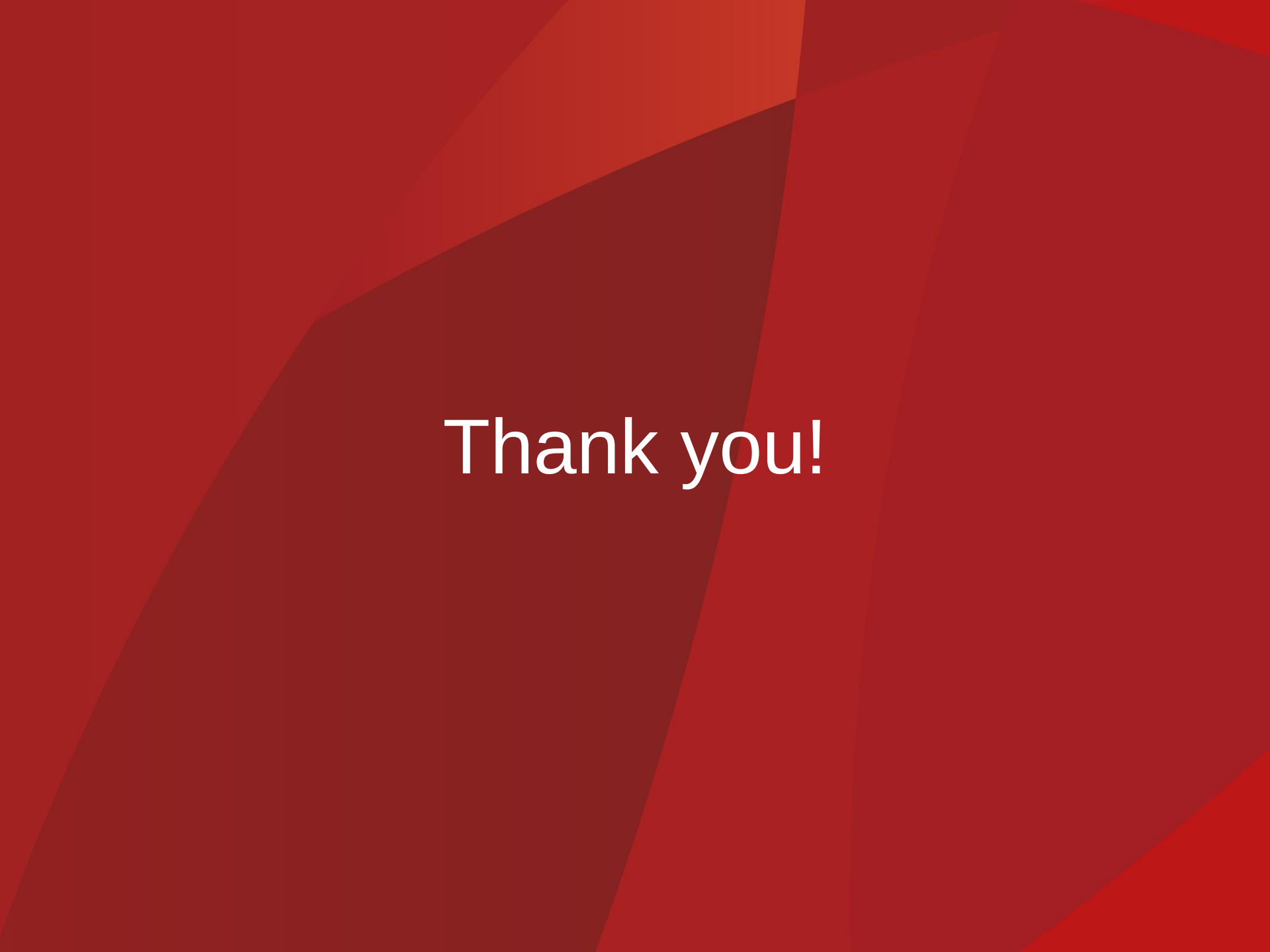
Vytautas Bučinskas,
(born in 1974),
Head of Risk

- 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**





Thank you!