

INTERIM CONSOLIDATED REPORT

Approved by the Board
as at 16 July 2014

Reporting period

January-June 2014

Issuer and its contact details

Name of the Issuer	TEO LT, AB (hereinafter – TEO or “the Company”)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Name of the Register of Legal Entities	State Enterprise Centre of Registers
Company code	121215434
Registered office	Lvovo str. 25, LT-03501 Vilnius, Lithuania
Telephone number	+370 5 262 1511
Fax number	+370 5 212 6665
Internet address	www.teo.lt

Main activities of the Group

TEO LT, AB Group is the largest integrated telecommunication, IT and television services provider to residential and business customers in Lithuania. TEO Group is a part of TeliaSonera Group, a telecommunication services provider in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain.

The Company's **vision** is to be the best partner in communicating with the constantly changing world. By constantly introducing the most advanced technologies we aim at enabling our customers to reach people, knowledge and entertainment simply and easily. The Company's **mission** is to create value for shareholders and customers by providing professional, high-quality and easy to use telecommunications, television and IT services.

The Communication Regulatory Authority (CRA) of Lithuania has designated the Company together with its related legal entities as an **operator with significant market power** (SMP) in Lithuania on the following markets of:

- access to the public telephone network at a fixed location for residential customers;
- access to the public telephone network at a fixed location for non-residential customers;
- minimum set of leased lines;
- calls origination on public telephone network provided at a fixed location;
- calls termination on public telephone network provided at a fixed location;
- national transit in fixed public telephone network;
- international transit in fixed public telephone network;
- wholesale broadband access;
- wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location;
- wholesale terminating segments and trunk segments of leased lines;
- digital terrestrial television (DVB-T) broadcasting transmission services for end-users of content provision services using radio frequencies (channels) assigned to TEO.

As TeliaSonera AB (Sweden) owns a 100 per cent stake in one of the largest mobile operator in Lithuania UAB Omnitel, TEO is regarded as an entity related to UAB Omnitel, therefore TEO is considered as SMP on the market of voice call termination on the mobile network of Omnitel.

As on 30 June 2014, **TEO Group** consisted of the parent company, TEO LT, AB, (registered on 6 February 1992, code 121215434, name of the Register of Legal Entities: State Enterprise Center of Registers; address: Lvovo str. 25, LT-03501 Vilnius tel.: +370 5 262 1511; fax. +370 5 212 6665; internet address: www.teo.lt), subsidiaries of TEO LT, AB and subsidiaries of UAB Baltic Data Center (UAB Hostex, UAB Hosting and Baltic Data Center SIA).

The following companies are **subsidiaries of TEO LT, AB**:

Name of the company	Date of registration, code, name of the Register of Legal Entities	Contact details	TEO share in the share capital of the company (%)	TEO share of votes (%)
UAB Lintel	27 July 1992, code 110401957, State Enterprise Center of Registers	Ukmergės str. 223, LT-07156 Vilnius, Lithuania tel. +370 5 236 8301, fax. +370 5 278 3322, www.lintel.lt	100.00	100.00
UAB Baltic Data Center	17 December 2001, code 125830791, State Enterprise Center of Registers	Žirmūnų str. 141, LT-09128 Vilnius, Lithuania tel. +370 5 274 8360, fax. +370 5 278 3399, www.bdc.lt	100.00	100.00
UAB Kompetencijos Ugdymo Centras	5 July 1995, code 134517169, State Enterprise Center of Registers	Palangos str. 4, 3rd Floor LT-01117 Vilnius, Lithuania tel. +370 5 236 7214, fax. +370 5 231 3444	100.00	100.00
UAB Verslo Investicijos	13 November 2008, code 302247778, State Enterprise Center of Registers	Jogailos str. 9A/A.Smetonos str. 1, LT-01116, Vilnius, Lithuania tel. + 370 5 236 7330, fax. +370 5 278 3613	100.00	100.00
VšĮ Ryšių Istorijos Muziejus	13 July 2010, code 302528309, State Enterprise Center of Registers	Rotušės sq. 19, LT- 44279 Kaunas, Lithuania tel. +370 37 321 131 fax. +370 37 424 344 www.rysiumuziejus.lt	-	100.00

TEO LT, AB, the **parent company of the Group**, offers to residential and business customers in Lithuania voice telephony, Internet access, data communication, digital television, IT and telecommunications networks services.

In 2014, the Company renewed its Internet and TV services, which are now provided under common single TEO brand. Starting from 5 March 2014 television GALA became TEO television and from April Internet ZEBRA is called TEO Internet.

From 1 June 2014 a new governing structure of TEO LT, AB came into effect. The two new Business to Consumer and Business to Business Divisions, responsible for development of services and provision of customer care, were formed instead of Service Development and Sales Divisions. Along with these changes, the activities of the specialists of TEO Group companies – UAB Lintel and UAB Baltic Data Center (BDC) – are more and more integrated into these Divisions.

UAB Lintel is the largest, in terms of business volumes, and the most modern, in terms of technologies and management, Call Center service provider in Lithuania. It handles around 14 million contacts per year. For residential customers Lintel provides Directory Inquiry Service 118, and for business customers – telemarketing and remote customer care services.

UAB Baltic Data Center (BDC) is a leading provider of data center and information system management services in the Baltic States. BDC provides professional data centre, computer workstation and business management system support and development services. BDC has a subsidiary, UAB Hostex, that provides web hosting and data center services to residential customers and small companies as well as to Internet portals. UAB Hostex has a dormant subsidiary UAB Hosting. In Latvia, BDC owns a dormant subsidiary – Baltic Data Center SIA.

UAB Kompetencijos Ugdymo Centras is a dormant subsidiary of the Company. **UAB Verslo Investicijos** was acquired in 2008 for the implementation of an investment project.

TEO LT, AB is a sole founder and owner of a not-for-profit organisation, **VšĮ Ryšių Istorijos Muziejus**, which manages the Company's Communications History Museum in Kaunas.

TEO LT, AB has no branches and representative offices.

Agreements with intermediaries of public trading in securities

Since 1 December 2000 the Company and AB SEB Bankas (code 112021238), Gedimino ave. 12, LT-01103 Vilnius, have an agreement on accounting of the Company's securities and services related to the accounting of securities.

Data about securities traded on regulated market

The following securities of TEO LT, AB are included into the Main List of NASDAQ OMX Vilnius stock exchange (code: TEO1L):

Type of shares	Number of shares	Nominal value (in LTL)	Total nominal value (in LTL)	Issue Code
Ordinary registered shares	776,817,518	1	776,817,518	LT0000123911

NASDAQ OMX Vilnius stock exchange is a home market for TEO shares.

TEO shares are also included into the trading lists of Berlin Stock Exchange (Berlin Open Market (Freiverkehr), Frankfurt Stock Exchange (Open Market (Freiverkehr), Munich Stock Exchange and Stuttgart Stock Exchange. TEO share's symbol on German stock exchanges is ZWS.

Securities of the Company's subsidiaries are not traded publicly as subsidiaries are limited companies and are 100 per cent owned by the Company.

Information about results of the Company's activities

In the second quarter of 2014 we finalized our reorganization. From June 1, TEO Group has a new organization in place, with two main units in B2C and B2B, supported by Technology & IT and staff units. This will improve our possibilities to respond faster to the customers' needs and to create solutions and services that are easier to use.

During the first half of the year we also consolidated the Company's brand into one TEO brand, and the next step is now to transfer business and employees from subsidiary UAB Baltic Data Center (BDC) into TEO LT AB, in the new B2B unit.

Our EBITDA margin (excl. non-recurring items) improved compared to last year, and the EBITDA margin for the first six months of 2014 reached 42.8 per cent. Operating free cash flow (operating cash flow excluding capital investments) in January-June 2014 was by 4.7 per cent less than a year ago.

In second quarter of 2014 the demand for our IPTV service continued, and the quarter is showing the best IPTV net increase during the last two years. Compared y-o-y, IPTV customer base increased by 16.6 per cent. We also offered Internet TV service "Interneto.tv" for Omnitel mobile customers.

Over the year broadband fiber business grew by 10.9 per cent (active connected households), and the number of TEO Wi-Fi connections more than doubled (y-o-y) and amounted to 103 thousand at the end of second quarter of 2014. Internet connection over the fiber-optic access network amounted to 40 per cent of all TEO broadband Internet connections (including Wi-Fi connections).

Share of revenue from non-voice services (IP & IT services) continued to grow and for the first six months of 2014 the share of non-voice revenue reached 59.6 per cent.

In terms of revenue, the decline was by 4.8 per cent during the first six months, and for the second quarter of 2014 – 2.3 per cent, where residential customers' segment landed by 3.6 per cent, business customers' segment declined by 4.2 per cent and Business to Operators increased by 6.9 per cent, due to higher interconnect volumes.

Major negative impact on revenue in the second quarter of 2014 was still the decrease in fixed voice. Disconnection of telephone lines continues. During the last twelve months voice subscription base decreased by 7.2 per cent, outgoing voice traffic declined by 15.3 per cent, and revenue in the second quarter of 2014 declined by 6.9 per cent, though far better than in previous quarter due to the fact of increased international transit during the period.

Our efficiency improvement program and the setup of our new organization, gave that total operating expenses for the first half of 2014 were by 0.5 per cent lower than total operating expenses a year ago, in spite of non-recurring redundancy charge in January-June 2014. If excluding non-recurring redundancy, the operating expenses were by 5 per cent down.

More information about the Company's activities and financial results for the first six months of 2014 is provided in TEO LT, AB Consolidated Interim Financial Statements for the period of six months ended 30 June 2014.

Information about related party transactions

Information about related party transactions is provided in Note 9 of TEO LT, AB Consolidated Interim Financial Statements for the six months period ended 30 June 2014.

Following the International Financial Reporting Standards as adopted by the EU, the parties related to the Company are the Company's subsidiaries, companies that belong to TeliaSonera Group and top management of the Company. Companies that belong to TeliaSonera Group and top management of the Company are regarded as related parties to TEO Group. Transactions with related parties are carried out based on the arm's length principle.

The Company and its subsidiaries are providing to each other telecommunications, Call Center, IT and other services. As of 30 June 2014 the Company had an outstanding loan extended to UAB Hostex, a subsidiary of UAB Baltic Data Center. The Company's subsidiaries have no interest in the share capital of TEO LT, AB.

TEO and TEO Group through its largest shareholder, TeliaSonera AB, are related to TeliaSonera Group that provides telecommunication services in Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain. The main buyers and providers of telecommunications services to TEO Group are UAB Omnitel (Lithuania), TeliaSonera International Carrier (Sweden), Elion Ettevotted AS (Estonia), LMT (Latvia), TeliaSonera Finland Oyj (Finland).

Risk management

The main risk factors associated with the activities of the Company are as follows:

- Changes in the legal regulation of the Company's activities.
- Competition with other telecommunications market players.
- Acceptance of new products of the Company by the market.
- Currency exchange rates fluctuations.
- General economic situation in the Republic of Lithuania.
- Changes in the Lithuanian legislation.
- Changes in the regulation of accounting and taxation systems.

As of 30 June 2014 the total amount of borrowings of TEO Group amounted to LTL 1.8 million.

The Group's and the Company's activities expose it to the following financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk, liquidity risk. The Group's Policy for Treasury Management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group.

The Company's financial risk management is carried out by the Group's Treasury unit under policies approved by the Board of Directors. This unit identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

Information about the Company's financial risk management is provided in Note 3 of TEO LT, AB Financial Statements for the year ended 31 December 2013.

Plans and forecasts

In 2014, TEO continues to develop its next-generation fiber-optic access network in the areas of single dwelling units and expanding its customer base in the areas where fiber-optic network is already built. The Company is further developing its IPTV service, securities solutions for Internet users and other value added services with the vision that TEO services shall be simple and easy to use.

Research and development activities

There were no major research and development projects undertaken during 2014, except the on-going development and improvement of the Company's services. In March 2014, TEO changed the graphic user interface (GUI) of IPTV service –

the customers are able to use TV content more simply and intuitively, to easier find the programs and video recordings. Internet offerings of the Company were also enhanced with additional value added services and increased speed for a part of customers.

Share capital

The share capital of the Company amounts to 776,817,518 litas and consists of 776,817,518 ordinary registered shares with a nominal value of 1 litas each. The number of TEO shares that provide voting rights during the General Meeting is 776,817,518.

The Annual General Meeting of Shareholders, held on 29 April 2014, decided to reduce the Company's authorised capital by 194,204,380 litas from 776,817,518 litas to LTL 582,613,138 litas. The purpose of reduction of the Company's authorised capital – payment of the Company's funds to all shareholders in proportion to the nominal value of shares owned by the property right by the shareholder. The Company's authorised capital shall be reduced by way of cancelling of the Company's shares with the nominal value equal to the reduction amount, i.e. 194,204,380 litas. As of 30 June 2014, the authorized capital was not reduced yet.

Information about treasury stocks

The Company has no treasury stocks. The Company has never acquired any shares from the management of the Company.

Shareholders

The number of shareholders on the shareholders' registration day (22 April 2014) for the Annual General Meeting of Shareholders, which was held on 29 April 2014, was 11,913.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 June 2014:

Name of the shareholder (name of the enterprise, type and registered office address, code in the Register of Enterprises)	Number of ordinary registered shares owned by the shareholder	Share of the share capital (%)	Share of votes given by the shares owned by the right of ownership (%)	Share of votes held together with persons acting in concert (%)
TeliaSonera AB, Stureplan 8, Stockholm, SE-106 63, Sweden, code 556103-4249	684,791,575	88.15	88.15	-
Other shareholders	92,025,943	11.85	11.85	-
TOTAL:	776,817,518	100.00	100.00	-

Shareholders' rights

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. The number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders amounts to 776,817,518. One ordinary registered share of TEO LT, AB gives one vote in the General Meeting of Shareholders.

The Company is not aware of any agreements between the shareholders that could limit transfer of securities and/or their ability to exercise their voting rights.

Dividends

On 28 May 2014, the Company paid out to the shareholders LTL 147.6 million of dividends or 0.19 litas per share for the year 2013. Following the Law, dividends were paid to the shareholders who on the dividend record day, 14 May 2014, i.e. the tenth business day after the Annual General Meeting of Shareholders, were on the Shareholders' List of the Company. Dividends to all shareholders were paid in cash.

Important events during the reporting period

On 20 March 2014, the Board approved a new governing structure of the Company, which took effect in June 2014. The Board also approved the termination of labour relations with Giedrius Vegys, Chief Financial Officer of the Company, and Edis Kasperavičius, Chief Sales Officer of the Company. Starting from 21 March 2014 Giedrius Vegys was not performing functions of Chief Financial Officer and terminated his work in the Company on 22 May 2014. Edis Kasperavičius was acting Chief Sales Officer until new governing structure of the Company came into effect and will terminate his work in the Company on 22 July 2014.

On 7 April 2014 the Board appointed the managers of the units in the new Company's structure, which took effect in June 2014. The Business to Consumer Division is led by Nerijus Ivanauskas, who was Chief Marketing Officer. The Head of the Business to Business Division is Aleksandras Samuchovas, who is Director of Baltic Data Center, a subsidiary of the Company. Giedrė Tarbūnienė joined the management team and leads the Process Division. In the new governing structure the Human Resources Division is led by Ramūnas Bagdonas, Legal Affairs – by Eglė Gudelytė-Harvey, Corporate Affairs – by Antanas Bubnelis, Risk Management – by Vytautas Bučinskas, Internal Audit – by Kastytis Kmitas. In the new structure instead of Finance Division, the Finance and Strategic Planning Division was formed. On 21 May 2014 the Board appointed Lars Bolin as Head of Finance and Strategic Planning from 23 June 2014 and Andrius Šemeškevičius as Head of Technology and IT from August 2014.

Darius Didžgalvis, Chief Technology Officer of the Company, left the Company on 8 April 2014 and Vytautas Bučinskas, Director of Risk Management Unit, was appointed as acting Chief Technology Officer. Eglutė Bivainienė, Chief Operational Officer of Company, left the Company on 30 May 2014.

The Annual General Meeting of shareholders, held on 29 April 2014, decided to approve the audited annual consolidated financial statements of the Company for the year 2013 and to allocate the Company's profit for the year 2013 as follows: from the Company's distributable profit of LTL 150,145 thousand to allocate LTL 147,595 thousand for the dividend payment for the year 2013 or LTL 0.19 dividend per share. For annual payments (tantiemes) to six members of the Board for the year 2013 to allocate LTL 324 thousand, i.e. LTL 54 thousand per one member of the Board. Shareholders upon resignation of Malin Frenning, Jens Lööw and Mats Lillienberg from the Board of the Company elected Robert Andersson, Stefan Block and Claes Nycander (all proposed by TeliaSonera AB) to the Board of the Company for the current term of the Board. The General Meeting also elected UAB „Deloitte Lietuva” as the Company's audit enterprise to perform the audit of the annual consolidated financial statements of the Company for the year 2014 and to make the assessment of the consolidated annual report of the Company for the year 2014.

On 21 May 2014 the Board elected Robert Andersson as the Chairman of the Company's Board for the current term of the Board, i.e. till 25 April 2015. The Board elected member of the Board Stefan Block as the member and as the Chairman of the Audit Committee for the current term of the Committee, and elected the following members of the Board as the members of the Remuneration Committee for the term of one year (until 21 May 2015): Robert Andersson, Claes Nycander and Rolandas Viršilas (independent member of the Board).

From 1 June 2014 a new governing structure of TEO LT, AB came into effect. The two new Business to Consumer and Business to Business Divisions, responsible for development of services and provision of customer care, were formed instead of Service Development and Sales Divisions. Along with these changes, the activities of the specialists of TEO Group companies – UAB Lintel and UAB Baltic Data Center (BDC) – will be more and more integrated into these Divisions.

From 1 June 2014, Renaldas Radvila, who is responsible for remote customer care of TEO private customers, was appointed as a new General Manager of UAB Lintel, a subsidiary of the Company. In the position of General Manager of Lintel he replaced Laurynas Šeškevičius, who became responsible for TEO private customer care in the regions.

All material events related to the activity of the Company have been submitted to the Financial Services and Market Supervision Department of the Bank of Lithuania, NASDAQ OMX Vilnius Stock Exchange, Lietuvos Rytas daily, BNS and ELTA news agencies and posted on the Company's Internet page www.teo.lt.

Personnel

Number of TEO Group employees:

	30 June 2014	30 June 2013	Change (%)
Number of personnel (headcounts)	2,647	3,074	(13.9)
Number of full time employees	2,363	2,737	(13.7)

While counting full-time employees, the number of part-time employees is recalculated into full-time employees, and this number does not include employees on maternity/paternity leave.

During the first quarter of 2014 the Company implemented efficiency improvement program under which up to 130 employees of TEO Group terminated their employment contracts on the base of mutual agreement. During the second quarter of 2014 a new organizational structure of the Company was introduced and majority of employees of Baltic Data Center was moved into TEO. Also, due to termination of some projects number of Lintel employees went down by more than 200. The total cost of redundancy pay-outs during the first half of 2014 amounted to LTL 13.2 million.

The breakdown of the number of TEO Group employees (head-counts) by the companies:

Name of the company	30 June 2014	30 June 2013	Change
TEO LT, AB	1,942	1,896	46
UAB Lintel	675	888	(213)
UAB Baltic Data Center	14	237	(223)
UAB Hostex	10	47	(37)
UAB Kompetencijos Ugdymo Centras	1	1	-
VšĮ Ryšių Istorijos Muziejus	5	5	-
	2,647	3,074	(427)

The currently valid Collective Bargaining Agreement between TEO LT, AB, as the employer, and employees of TEO LT, AB, represented by joint representation of Trade Unions, came into force from 25 April 2007.

This Collective Bargaining Agreement applies only to employees of TEO LT, AB. If provisions of the Collective Bargaining Agreement are more favourable than the same provisions of individual labour agreements, then provisions of the Agreement shall apply. If provisions of the Agreement are more favourable than new legislation imposed during the period of the Agreement validity, provisions of the Agreement shall apply. The Collective Bargaining Agreement of the Company grants a number of additional social guarantees to employees of TEO. More detailed information about the Collective Bargaining Agreement is provided in TEO LT, AB Consolidated Annual Report for the year ended 31 December 2013.

Managing Bodies

According to the By-laws of TEO LT, AB the managing bodies of the Company are General Meeting, Board and General Manager. The Company does not have a Supervisory Council. The Board of the Company represents the shareholders and performs supervision and control functions.

The decisions of the General Meeting made regarding the matters of competence of the General Meeting, are binding upon the Shareholders, the Board, General Manager and other officials of the Company. The Shareholders of the Company that at the end of the date of record of the General Meeting are shareholders of the Company have the right to participate in the General Meeting. The date of record of the General Meeting of the Shareholders of the Company is the fifth business day prior to the General Meeting or the repeated General Meeting. The person, participating in the General Meeting and having the right to vote, shall deliver his/her identification proving document. In case the person is not a shareholder he/she is to present a document, proving his/her right to vote at the General Meeting.

The Members of the Board serving on the Board of the Company are acting jointly as a governing body of the Company. The Board consist of six members. The members of the Board are elected for a term of two years. The Chairman/Chairwoman of the Board is elected by the Board from its members for two years. The members of the Board are elected by the General Meeting in accordance with the procedure established by the Law on Companies of the Republic of Lithuania. The Board institutes two Committees: Audit and Remuneration. Three members of the Board comprise each committee.

The Board elects and recalls the General Manager, sets his/her remuneration and other conditions of the employment agreement, approves his/her office regulations, induces and applies penalties to him/her. The General Manager is the Head of the Company. The Head of the Company is a one-man management body of the Company and, within his scope of authority, organizes the day-to-day operation of the Company. The Work regulations of the Administration that are approved by the General Manager define the duties and authority of the General Manager and his/her Deputies as well as other officers of the Company in more details.

On 29 April 2014, the Annual General Meeting of Shareholders elected Robert Andersson, Stefan Block and Claes Nycander (all proposed by TeliaSonera AB) to the Board of the Company for the current term of the Board instead of the following members of the Board who resigned from the Board as of 28 April 2014: Malin Frenning, Jens Lööw and Mats Lillienberg.

On 21 May 2014, the Board elected Robert Andersson as the Chairman of the Board for the current term of the Board, i.e. till 25 April 2015. The Board elected member of the Board Stefan Block as the member and as the Chairman of the Audit Committee for the current term of the Committee, and elected the following members of the Board as the members of the Remuneration Committee for the term of one year (until 21 May 2015): Robert Andersson, Claes Nycander and Rolandas Viršilas (independent member of the Board).

The Board's activities

During January–June 2014 four ordinary and two extraordinary meetings of the Board were held. Four ordinary meetings were convened according to the preliminary approved schedule of the Board meetings, and two extraordinary meetings were related to the appointment of members of the Management Team. During all Board meetings in 2014 there was quorum prescribed by legal acts. The Board approved financial statements for the 12 months of 2013 and 3 months of 2014, financial statements and the consolidated annual report for the year ended 31 December 2013, convoked the Annual General Meetings of Shareholders, proposed to the Annual General Meeting a profit allocation for the year 2013, new audit enterprise of the Company and reduction of the authorized capital of the Company, approved a new governing structure of the Company and appointed members of the Management Team, elected Chairman of the Board, Chairman of the Audit Committee and members of the Remuneration Committees, followed up implementation of the business and investment plan for the year 2014.

During the first half of 2014 two meeting of the Remuneration Committee were held to prepared recommendation to the Board on approval of annual variable payouts for employees of the Company, including the Management Team, for the results achieved in 2013, and to elect the Chairman as well as the Secretary of the Committee. Both Remuneration Committee meetings were attended by two members of the Committee, one member of the Committee was absent. Meetings were chaired by the then Chairwoman or Chairman of the Committee.

During January-June 2014, two meetings of the Audit Committee were held, during which the following issues were considered: consideration and approval of the draft of consolidated financial statements for the year 2013, draft of consolidated annual report for the year 2013, draft of profit allocation for the year 2013, internal audit plan for the year 2014, risk management issues as well as nomination of the external audit enterprise. The Audit Committee meetings were attended by all members of the Committee and meetings were chaired by the Chairman of the Audit Committee.

On 29 April 2014, the Annual General Meeting of TEO LT, AB shareholders resolved to assign LTL 324 thousand for the payment of annual payments (tantiemes) for the year 2013 to six members of the Board, i.e. LTL 54 thousand per one member of the Board. As of 30 June 2014 the amount of LTL 54 thousand of tantiemes assigned for the year 2010 was not paid to one member of the Board who had not provided written requests to the Company, and the amount of LTL 324 thousand of tantiemes assigned for the year 2013 to six members of the Board was paid during the second quarter of 2014.

Members of the Board as of 30 June 2014

Robert Andersson (born in 1960) – Chairman of the Board, for the current term of the Board elected on 29 April 2014 (nominated by TeliaSonera AB), Chairman of the Remuneration Committee. Education: George Washington University, Washington DC, (U.S.A.), Master of Business Administration, International Business, and Swedish School of Economics and Business Administration, Helsinki (Finland), Master of Science, Accounting/Finance. Employment – TeliaSonera AB (Sweden), Executive Vice President and Head of Region Europe. Current Board assignments: TeliaSonera Finland Oyj (Finland), Chairman of the Board; TeliaSonera Norge AS (Norway), Chairman of the Board; UAB Omnitel (Lithuania), Chairman of the Board; Xfera Móviles S.A. (Spain), member of the Board; Enea AB (Sweden), member of the Board; AS Eesti Telekom (Estonia), Chairman of the Supervisory Council; AS EMT (Estonia), Chairman of the Supervisory Council; Elion Ettevõtte AS (Estonia), Chairman of the Supervisory Council. TeliaSonera AB (Sweden) that nominated Robert Andersson to the Board of TEO LT, AB, has 684,791,575 shares of TEO LT, AB that accounts to 88.15 per cent of the share capital and votes. Robert Andersson has no direct interest in the share capital of TEO LT, AB. He owns 10,000 shares of TeliaSonera AB. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Tiia Tuovinen (born in 1964) – member of the Board since 28 April 2009, re-elected for the two-year term on 25 April 2013 (nominated by TeliaSonera AB), member of the Audit Committee. Education: University College London (United Kingdom), Master of Laws, and University of Helsinki (Finland), Master of Laws. Employment – TeliaSonera AB (Sweden), Group

Legal Affairs, Senior Legal Counsel for Competition and Corporate Governance. Current Board assignments: Kekkilä Oy (Finland), member of the Board; Innofactor Oyj (Finland), member of the Board and member of the Board of several real estate companies in Helsinki, Finland. TeliaSonera AB (Sweden) that nominated Tiia Tuovinen to the Board of TEO LT, AB has 684,791,575 shares of TEO LT, AB that accounts to 88.15 per cent of the share capital and votes. Tiia Tuovinen has no direct interest in the share capital of TEO LT, AB. She has no shareholdings that exceed 5 per cent of the share capital of any company.

Inga Skisaker (born in 1971) – member of the Board since 28 April 2011, re-elected for the two-year term on 25 April 2013 (nominated as independent candidate by TeliaSonera AB), member of the Audit Committee. Education: Vilnius University (Lithuania), Master of International Business Administration. Employment – Nordea Bank AB Lithuania Branch (Sweden), General Manager and Head of Banking Baltic Countries. Current Board assignments: Baltic Management Institute (Lithuania), member of the Board, and Investors Forum (Lithuania), member of the Board. TeliaSonera AB (Sweden) that nominated Inga Skisaker as independent candidate to the Board of TEO LT, AB has 684,791,575 shares of TEO LT, AB that accounts to 88.15 per cent of the share capital and votes. Inga Skisaker has no direct interest in the share capital of TEO LT, AB. She has no shareholdings that exceed 5 per cent of the share capital of any company.

Stefan Block (born in 1967) – member of the Board, for the current term of the Board elected on 29 April 2014 (nominated by TeliaSonera AB), Chairman of the Audit Committee. Education – University of Stockholm (Sweden), Bachelor of Science in Business and Administration. Employment – TeliaSonera AB (Sweden), Chief Financial Officer of Region Europe. Current Board assignments: TeliaSonera Denmark A/S (Denmark), Chairman of the Board; Síminn Denmark A/S (Denmark), member of the Board; Telia Finance (Sweden), member of the Board; TeliaSonera Norge AS (Norway), member of the Board; Xfera Móviles S.A. (Spain), member of the Board; UAB Omnitel (Lithuania), member of the Board; LMT SIA (Latvia), member of the Supervisory Council; AS Eesti Telekom (Estonia), member of the Supervisory Council; AS EMT (Estonia), member of the Supervisory Council; Elion Ettevõtte AS (Estonia), member of the Supervisory Council. TeliaSonera AB (Sweden) that nominated Stefan Block to the Board of TEO LT, AB has 684,791,575 shares of TEO LT, AB that accounts to 88.15 per cent of the share capital and votes. Stefan Block has no direct interest in the share capital of TEO LT, AB. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Claes Nycander (born in 1963) – member of the Board, for the current term of the Board elected on 29 April 2014 (nominated by TeliaSonera AB), member of the Remuneration Committee. Education: Uppsala University (Sweden), Master of Business and Administration; Stanford University Palo Alto (U.S.A.), Master of Science in Electrical Engineering; Technical University of Linköping (Sweden), Master of Science in Electrical Engineering; University of Linköping (Sweden), Bachelor of Science in Mathematics. Employment – TeliaSonera AB (Sweden), Chief Technology Officer of Region Europe. Current Board assignments: TT Nätverket A/S (Denmark), Chairman of the Board; LMT SIA (Latvia), member of the Supervisory Council; Systecon AB (Sweden), member of the Board. TeliaSonera AB (Sweden) that nominated Claes Nycander to the Board of TEO LT, AB, has 684,791,575 shares of TEO LT, AB that accounts to 88.15 per cent of the share capital and votes. Claes Nycander has no direct interest in the share capital of TEO LT, AB. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Rolandas Viršilas (born in 1963) – member of the Board, elected for the two-year term on 25 April 2013 (nominated as independent candidate by TeliaSonera AB), member of the Remuneration Committee. Education – Vilnius University (Lithuania), Faculty of Mathematics, Master's degree. Employment – UAB Švyturys – Utenos Alus (Lithuania), Chief Executive Officer. TeliaSonera AB (Sweden) that nominated Rolandas Viršilas as independent candidate to the Board of TEO LT, AB has 684,791,575 shares of TEO LT, AB that accounts to 88.15 per cent of the share capital and votes. Rolandas Viršilas has 100,000 shares of TEO LT, AB that accounts to 0.0129 per cent of the total number of the Company's shares and votes. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Members of the Management Team as of 30 June 2014

Kęstutis Šliužas (born in 1972) – General Manager of TEO LT, AB from 1 November 2013. Education – Vilnius University (Lithuania), Bachelor's degree and Master's degree. Kęstutis Šliužas has no direct interest in the share capital of TEO LT, AB. He is not involved in the business of other Lithuanian companies and has no shareholdings that exceed 5 per cent of the share capital of any company.

Aleksandras Samuchovas (born in 1973) – Head of Business to Business Division of TEO LT, AB from 1 June 2014. Education: Vilnius University (Lithuania), Diploma in Economics; ISM University of Management and Economics (Lithuania), Master of Business Administration; Vienna University of Economics and Business (Austria), Executive Master of Business Administration. Current Board assignments: UAB Baltic Data Center, a subsidiary of TEO LT, AB, Chairman of the Board and General Manager; UAB Hostex, a subsidiary of UAB Baltic Data Center, Chairman of the Board. Aleksandras

Samuchovas has no direct interest in the share capital of TEO LT, AB. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Nerijus Ivanauskas (born in 1970) – Head of Business to Consumer Division of TEO LT, AB from 1 June 2014. Education: Vilnius University (Lithuania), Bachelor of Econometrics; International Management School (Budapest, Hungary) and Candidate Master of Business Administration; Emory University (Atlanta, U.S.A.), Master of Business Administration. Current Board assignments: UAB Lintel, a subsidiary of TEO LT, AB, Chairman of the Board; UAB Lietuvos Monetų Kalykla (Lithuania), member of the Board. Nerijus Ivanauskas has no direct interest in the share capital of TEO LT, AB. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Vytautas Bučinskis (born in 1974) – acting Head of Technology and IT Division of TEO LT, AB from 8 April 2014, Head of Risk Management Division of TEO LT, AB from 1 June 2014. Education: Kaunas Technology University (Lithuania) Bachelor of Management of Production and Master of Marketing; Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration. Vytautas Bučinskis has no direct interest in the share capital of TEO LT, AB. He is not involved in the business of other Lithuanian companies and has no shareholdings that exceed 5 per cent of the share capital of any company.

Lars Bolin (born in 1963) – Head of Finance and Strategic Planning Division of TEO LT, AB from 23 June 2014. Education: Gothenburg School of Economics (Sweden), Studies in Economics; Chalmers University of Gothenburg (Sweden), Master of Science in Industrial Engineering; Stockholm School of Economics (Sweden), Executive Master of Business Administration. Lars Bolin has no direct interest in the share capital of TEO LT, AB. He is not involved in the business of other Lithuanian companies and has no shareholdings that exceed 5 per cent of the share capital of any company.

Ramūnas Bagdonas (born in 1974) – Head of Human Resources Division of TEO LT, AB from 1 June 2014. Education: Vytautas Magnus University (Lithuania), Master of Business Administration; Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration. Ramūnas Bagdonas has no direct interest in the share capital of TEO LT, AB. He is not involved in the business of other Lithuanian companies and has no shareholdings that exceed 5 per cent of the share capital of any company.

Eglė Gudelytė-Harvey (born in 1975) – Head of Legal Affairs Division of TEO LT, AB from 1 June 2014. Education: Vilnius University (Lithuania), Master of Law; King's College London (United Kingdom), Diploma in EU Competition Law and Master of EU Competition Law. Current Board assignments: UAB Lintel, a subsidiary of TEO LT, AB, member of the Board; Vilnius International School, Chairwoman of the Council. Eglė Gudelytė-Harvey has no direct interest in the share capital of TEO LT, AB. She has no shareholdings that exceed 5 per cent of the share capital of any company.

Antanas Bubnelis (born in 1981) – Head of Corporate Affairs Division of TEO LT, AB from 1 June 2014. Education: Vilnius University (Lithuania), Bachelor of Information and Communication Science and Master of Arts in Public Relations; Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration. Antanas Bubnelis has no direct interest in the share capital of TEO LT, AB. He is not involved in the business of other Lithuanian companies and has no shareholdings that exceed 5 per cent of the share capital of any company.

Giedrė Tarbūnienė (born in 1974) – Head of Process Division of TEO LT, AB from 1 June 2014. Education: Vilnius University (Lithuania), Master of Science in Economics; Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration. Current Board assignments: BMI Alumni Association (Lithuania), member of the Council. Giedrė Tarbūnienė has no direct interest in the share capital of TEO LT, AB. She has no shareholdings that exceed 5 per cent of the share capital of any company.

Kastytis Kmitas (born in 1958) – Head of Internal Audit Division of TEO LT, AB from 1 June 2014. Education: Vilnius University (Lithuania), Diploma in Economics; ISM University of Management and Economics (Lithuania), Master of Business Administration. Kastytis Kmitas has 5,603 shares of TEO LT, AB that accounts to 0.0007 per cent of the total number of the Company's shares and votes. He is not involved in the business of other Lithuanian companies and has no shareholdings that exceed 5 per cent of the share capital of any company.

During January–June 2014, there were no loans, guarantees or sponsorship granted to the members of the Board or members of the Management Team by the Company as well as none of subsidiaries paid salaries or other payouts to the members of the Board or members of the Management Team of the Company for being members of their managing bodies, except Aleksandras Samuchovas who is also a General Manager of UAB Baltic Data Center, a subsidiary of TEO LT, AB.

Information about compliance with the Governance Code

TEO LT, AB essentially follows a recommendatory Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius stock exchange (hereinafter 'the Governance Code') adopted in August 2006, amended in December 2009 and valid from 1 January 2010. According to the By-Laws of TEO LT, AB the governing bodies of the Company are the General Shareholder's Meeting, the Board and the General Manager. The Law of the Republic of Lithuania on Companies provides that Lithuanian companies at their discretion could have either two (Supervisory Council and Board) or only one collegial governing body. There is no Supervisory Council in TEO LT, AB. The Board of the Company consists of six members who are elected for the term of two years. The Board represents the shareholders, and performs supervision and control functions. The Board institutes two Committees: Audit and Remuneration. Three members of the Board comprise each committee.

Following the Governance Code, all members of the Board are considered non-executive directors, whereby two out of six members are independent members of the Board. The members of the Audit Committee for the two years' term were elected in June 2013 and one member of the Committee instead of resigned member of the Board was elected in June 2014 by the Board. Members of the Remuneration Committee for a new one year term were elected in June 2014. Two members of the Audit Committee have financial background and one member of this Committee is an independent member of the Board.

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Kęstutis Šliužas, General Manager of TEO LT, AB, and Lars Bolin, Head of Finance and Strategic Planning Division of TEO LT, AB, hereby confirm that, to the best of our knowledge, TEO LT, AB Consolidated Interim Report for the six months period ended 30 June 2014 includes a fair review of the development and performance of the business and the position of the Company and the Group of undertakings in relation to the description of the main risks and contingencies faced thereby.

Kęstutis Šliužas
General Manager

Lars Bolin
Head of Finance and
Strategic Planning Division