

TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2015
(UNAUDITED)

Beginning of the financial year	1 January 2015
End of reporting period	31 March 2015
Name of the company	TEO LT, AB (hereinafter – “Teo” or “the Company”)
Legal form	public company (joint-stock company)
Date of registration	6 February 1992
Code of enterprise	121215434
Name of Register of Legal Entities	State Enterprise Centre of Registers
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	Integrated telecommunication, IT and TV services to residential and business customers in Lithuania

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(All tabular amounts are in EUR '000 unless otherwise stated)

MANAGEMENT REPORT

Management's comment on financial results for the 3 months of 2015:

"The first quarter of 2015 showed, for second quarter in a row, growth in total revenue: revenue for the first quarter increased by 1.8 per cent. EBITDA reached EUR 18.8 million, a decline by EUR 0.2 million, compared with the same period a year ago.

The positive customer intake continued and during the first quarter of 2015: the total number of broadband Internet access users (excluding Wi-Fi) increased by 4.1 thousand, while over the last twelve months – by 16.3 thousand. Number of fiber-optic internet connections increased over the year by 11.8 per cent and reached 206 thousand at the end of March 2015. The number of IPTV service users during the first three months of 2015 increased by 6.6 thousand and over the year by 27.4 thousand. By the end of March 2015, the Company had 138 thousand IPTV customers. The trend in decrease in telephone lines continued, but with a lower rate comparing with the previous year: during January-March 2015 it declined by 7.3 thousand.

In the first quarter of 2015, Teo updated its brand and opened customer care showrooms of a new concept in Kaunas and Vilnius. For business customers the Company launched Virtual servers' service with self-service portal and hourly accounting. At the end of the quarter, Directory Inquiry service 118 entered into partnership with the biggest in Lithuania events tickets distributor to become its information partner.

Share of revenue from non-voice services (IP & IT services) continued to grow and for the first three months of 2015 reached 60.3 per cent. The growth in revenue from residential customers' segment amounted to 1.2 per cent, driven by increase in revenue from FTTx Internet and IPTV services as well as sales of IT equipment. Revenue from business customers' segment declined by 7.9 per cent, with main decline in voice telephony and network capacity services. Business to Operators increased by 30.7 per cent, driven by higher transit volumes.

Total operating expenses for the first quarter of 2015 were by 3.5 per cent higher than last year, due to higher cost of goods and services (higher volume of transit traffic and higher equipment sales), which increased by 33.7 per cent. Operating expenses excluding cost of goods and services decreased by 13.9 per cent, where main reason was employee-related expenses, which decreased by 14 per cent. A year ago, employee-related expenses included a non-recurring redundancy charge of EUR 2.2 million.

EBITDA for the first quarter of 2015 eased by 1.3 per cent and amounted to EUR 18.8 million. EBITDA margin reached 37.6 per cent (38.8 per cent a year ago). This was due to change in product mix where the share of revenue from transit service and IT equipment sales increased and put a pressure on EBITDA margin.

During the first three months of 2015, capital investments amounted to EUR 4.3 million. The majority of capital investments (EUR 4 million) went to expansion of the core network and development of the next-generation fiber-optic access network."

(All tabular amounts are in EUR '000 unless otherwise stated)

KEY FIGURES OF TEO GROUP

Financial figures	January - March		Change (%)
	2015	2014	
Revenue (EUR thousand)	49,954	49,077	1.8
EBITDA (EUR thousand)	18,794	19,033	(1.3)
EBITDA margin (%)	37.6	38.8	
Operating profit (EUR thousand)	9,614	10,087	(4.7)
Operating profit margin (%)	19.2	20.6	
Profit before income tax (EUR thousand)	9,404	10,129	(7.2)
Profit before income tax margin (%)	18.8	20.6	
Profit for the period (EUR thousand)	8,473	9,179	(7.7)
Profit for the period margin (%)	17.0	18.7	
Earnings per share (EUR)	0.015	0.012	23.1
Number of shares (thousand)	582,613	776,818	(25.0)
Cash flow from operations (EUR thousand)	14,530	19,473	(25.4)
Operating free cash flow (EUR thousand)	4,278	10,083	(57.6)

Financial ratios

	31 March 2015	31 March 2014
Return on capital employed (%)	14.0	15.7
Return on average assets (%)	13.9	14.1
Return on shareholders' equity (%)	14.4	14.1
Operating cash flow to sales (%)	29.1	39.7
Gearing ratio (%)	(4.4)	(24.1)
Debt to equity ratio (%)	4.1	0.2
Current ratio (%)	181.5	447.0
Rate of turnover of assets (%)	67.2	63.1
Equity to assets ratio (%)	86.8	91.1

Operating figures

	31 March 2015	31 March 2014	Change (%)
Number of fixed telephone lines in service	518,595	552,708	(6.2)
Number of broadband Internet connections (FTTB, FTTH, DSL and other excluding Wi-Fi)	374,723	358,469	4.5
Number of TV services customers	191,085	173,677	10.0
Number of personnel (head-counts) at the end of period	2,599	2,889	(10.0)
Number of full-time employees at the end of the period	2,324	2,556	(9.1)

Breakdown of Teo Group revenue by customers	January - March		Change (%)
	2015	2014	
Business to Consumer	23,414	23,128	1.2
Business to Business	17,587	19,097	(7.9)
Business to Operators	8,953	6,852	30.7
Total	49,954	49,077	1.8

(All tabular amounts are in EUR '000 unless otherwise stated)

Breakdown of Teo Group revenue by services	January - March		Change (%)
	2015	2014	
Voice telephony services	19,814	19,617	1.0
Internet services	13,435	13,425	0.1
Data communication and network capacity services	5,422	5,714	(5.1)
TV services	4,860	4,390	10.7
IT services	5,542	4,129	34.2
Other services	881	1,802	(51.1)
Total	49,954	49,077	1.8

REVENUE

During the first three months of 2015 revenue from voice transit, Internet, television and IT services as well as equipment sales continued to grow while revenue from retail voice, data communication, network capacity and other services were down.

As a result, the **total revenue** of Teo Group in January-March of 2015 was EUR 49.9 million, an increase by 1.8 per cent over the total revenue of EUR 49.1 million in the first three months of 2014.

Revenue from services provided to residential customers during the first quarter of 2015, compared with the same revenue a year ago, were up by 1.2 per cent. Revenue from services provided to business customers were lower by 7.9 per cent, but revenue from services provided to other telecommunication operators went up by 30.7 per cent.

Share of revenue from television and IT services continued to grow and from the total amount of revenue amounted to 9.7 and 11.1 per cent, respectively. Share of revenue from voice telephony services continued to shrink and amounted to 39.7 per cent, while revenue from Internet services amounted to 26.9 per cent of the total revenue. Revenue from data communications services and network capacity sales eased and amounted to 10.9 per cent and other services – 1.8 per cent of total revenue for the first quarter of 2015.

During the first three months of 2015, revenue from voice transit services increased by 39.9 per cent and resulted in an increase of 1 per cent of the total revenue from **voice telephony services** in spite of decline in number of telephone lines in service and consequently lower traffic volume. Revenue from retail voice telephony excluding networks' interconnection services went down by 13.9 per cent.

During January-March 2015, the total number of main telephone lines in service decreased by 7.3 thousand, while during first three months of 2014 it went down by 12.6 thousand. Over the last twelve months, the total number of main telephone lines in service decreased by 34.1 thousand.

During the first quarter of 2015, the total number of **broadband Internet access** (excluding Wi-Fi) users increased by 4.1 thousand, while over the last twelve months – by 16.3 thousand.

Over the year the number of Internet connections over the next-generation fiber-optic network using FTTH (Fiber to the home) and FTTB (Fiber to the building) technologies increased by 11.8 per cent and reached 206 thousand at the end of March 2015, while the number of copper DSL connections eased by 3.1 per cent to 169 thousand. During the last twelve months, the number of Teo Wi-Fi connections almost doubled and amounted to 163 thousand as of 31 March 2015.

By the end of March 2015, the number Internet connection over the fiber-optic access network amounted to 38 per cent of all 538 thousand Teo broadband Internet connections (including Wi-Fi).

(All tabular amounts are in EUR '000 unless otherwise stated)

Compared with the first quarter of 2014, revenue from **data communication** services alone declined by 0.7 per cent, while revenue from **network capacity** services alone decreased by 10.5 per cent.

During January-March 2015, the number of IPTV services users increased by 6.6 thousand, while over the year by 27.3 thousand and by the end of March 2015 amounted to 138 thousand. During the last twelve months number of digital terrestrial television (DVB-T) users decreased by 10 thousand and amounted to 53 thousand. Over the year, the total number of **television** service customers went up by 17.4 thousand.

Consolidated Teo Group revenue from **IT services** are generated from data center, information system management and web-hosting services provided to local and multinational enterprises by subsidiaries UAB Baltic Data Center (BDC) and UAB Hostex, and equipment sales and IT services provided by the Company.

Over the year Teo Group revenue from electronic equipment sales quadrupled.

Teo Group revenue from **other services** consists of the following non-telecommunication services: Contact Center services of UAB Lintel, lease of premises, discounts' refund to the Company and other.

Over the year revenue from other non-core business services decreased by 39.2 per cent, while revenue from Contact Center services were lower by 62 per cent due to termination of some projects in 2014.

In 2015, the Company upgraded video surveillance (CCTV) systems in the town and district of Kretinga.

TEO Group's **other income** consists of interest income from held-to-maturity investments. Gain or loss from sale of property, plant and equipment, as well as gain or loss on currency exchange is recorded at net value as **other gain (loss)**.

MARKET INFORMATION

According to the Reports of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue in the fourth quarter of 2014 increased by 0.6 per cent to LTL 531 million (EUR 154 million), compared with the same period a year ago, while during the 12 months of 2014 it went down by 2.5 per cent to LTL 2,092 million (EUR 606 million).

In 2014, Teo remained the largest telecommunication market player in Lithuania. The Company market share in terms of revenue was 28.1 per cent (28.5 per cent in 2013).

	Teo market share in terms of customers (%)		Teo market share in terms of revenue (%)	
	Q4 2014	Q4 2013	Q4 2014	Q4 2013
Fixed voice telephony services	89.6	90.3	93.5	93.9
Fixed Internet access services	54.4	51.2	55.8	55.4
Internet access services (total)	41.0	37.8	43.3	43.4
Pay-TV services	25.9	23.6	30.6	29.6
Network interconnection services	n/a	n/a	26.7	27.2
Data communication services	n/a	n/a	61.3	56.5
Leased line services	n/a	n/a	59.1	59.4

On 31 December 2014 Internet penetration per 100 residents of Lithuania was 43 per cent (in 2013 – 38.5 per cent), while the penetration of broadband Internet using fixed connection was 32.5 per cent (28.5 per cent a year ago). Pay-TV penetration per 100 households was 55.7 per cent, and the penetration of fixed voice telephony lines per 100 residents – 19.7 per cent (20.9 per cent a year ago).

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OPERATING EXPENSES

Total operating expenses of the Group for the first quarter of 2015 were by 3.5 per cent higher than a year due to higher cost of goods and services.

During January-March of 2015, **cost of goods and services** increased by 33.7 per cent, compared with the same period a year ago, mainly due to higher volume of transit traffic and higher equipment sales.

Employee-related expenses for the first three months of 2015 decreased by 14 per cent over employee-related expenses (including non-recurring expenses) for the first three months of 2014. During the first quarter of 2014, the Company had non-recurring redundancy charge that amounted to EUR 2.2 million when 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 first quarter of 2015, the total number of employees (headcount) decreased by 32 (mainly in Teo). Over the year, the total number of employees in Teo Group decreased by 290 (mainly in Lintel due to termination of some projects in 2014) – from 2,889 to 2,599. During the second quarter of 2014, the Company introduced a new organisational structure and majority of employees of Baltic Data Center moved into Teo.

In terms of full-time employees, the total number of employees in Teo Group during January-March of 2015 eased by 26 (mainly in Teo), while over the last twelve months – by 232 (mainly in Lintel) from 2,556 to 2,324.

Other expenses were under control and during the first quarter of 2015 decreased by 13.8 per cent.

EARNINGS

EBITDA for the first three months of 2015 eased by 1.3 per cent, compared with EBITDA of EUR 19 million for the first three months of 2014, and amounted to EUR 18.8 million. EBITDA margin amounted to 37.6 per cent, while a year ago it was 38.8 per cent.

Depreciation and amortisation charges increased by 2.6 per cent and in January-March of 2015 amounted to 18.4 per cent of the total revenue (18.2 per cent a year ago).

Operating profit (EBIT) for the first quarter of 2015 was by 4.7 per cent lower than for the same period in 2014 and the operating profit margin was 19.2 per cent (20.6 per cent a year ago).

Net financial income in January-March of 2015 was negative and amounted to EUR 210 thousand.

Profit before income tax in the first three months of 2015 went down by 7.2 per cent and amounted to EUR 9.4 million (EUR 10.1 million a year ago).

The profit tax rate in Lithuania is 15 per cent. Following the provisions of the Law on Corporate Profit Tax regarding tax relief for investments in new technologies, the profit tax relief for the first quarter of 2015 amounted to EUR 521 thousand (EUR 608 thousand in 2014). **Income tax expenses** for the first three months of 2015 were by 2 per cent lower than a year ago.

Profit for the period in January-March 2015 amounted to EUR 8.5 million, a decrease by 7.7 per cent over the profit of EUR 9.2 million for January-March 2014. The profit margin was 17 per cent while a year ago it was 18.7 per cent.

BALANCE SHEET AND CASH FLOW

During the first quarter of 2015, **total assets** of Teo Group remained almost the same – a slight increase by 0.3 per cent.

(All tabular amounts are in EUR '000 unless otherwise stated)

Total **non-current assets** eased by 1.8 per cent due amortisation and depreciation of the assets, and amounted to 81.8 per cent of total assets. Total **current assets** increased by 11.3 per cent and amounted to 18.2 per cent of total assets, whereof cash alone represented 7.4 per cent of total assets.

During the first three months of 2015, **shareholders' equity** increased by 3.5 per cent and amounted to 86.8 per cent of total assets.

Following the Law on expression of nominal value of authorized capital and securities of the public and limited companies in euro and amendment of the By-laws of such companies of the Republic of Lithuania, as the Republic of Lithuania joined the euro zone from 1 January 2015, the Company recorded as a non-recurring loss an amount of EUR 221 thousand for the year 2015 due to conversion of the nominal value of the Company's share expressed in litas into euro and its rounding and recalculation of nominal value of the authorized capital.

The Board of the Company proposed to the Annual General Meeting of Shareholders that will be held on 29 April 2015 to pay **dividend** of EUR 0.068 (LTL 0.235) per share (in total EUR 39.6 million) for the year 2014.

Dividends paid to legal entities (residents and non-residents) will be subject to withholding Corporate income tax of 15 per cent and dividends paid to natural persons (residents and non-residents) will be subject to withholding Personal income tax of 15 per cent.

The Board also proposed to reduce the Company's **obligatory reserve** by EUR 5.6 million to EUR 16.9 million and to reallocate an amount of EUR 5.6 million to the Company's retained earnings.

During the fourth quarter of 2014, the Company borrowed EUR 10 million and at the end of March 2015 total amount of **borrowings** (loan and financial liabilities related to financial leasing of premises) amounted to EUR 10.3 million, while cash amounted to EUR 21.1 million.

Net **cash flow from operating activities** in the first three months of 2015 was by 25.4 per cent lower than that for same period in 2014. **Operating free cash flow** (operating cash flow excluding capital investments) in January-March 2015 was by 57.6 per cent lower than a year ago.

The part of cash (EUR 8.1 million) spent during January-March of 2015 for capital investments was payments for investments made in 2014. As of 31 December 2014, this amount was recorded in the balance sheet as current liabilities.

During the first three months of 2015, **capital investments** amounted to EUR 4.3 million (EUR 3.8 million a year ago). The majority of capital investments (EUR 4 million) went to expansion of the core network and development of the next-generation fiber-optic access network. An amount of EUR 270 thousand was invested into IT systems.

By the end of March 2015, Teo had 837 thousand households passed (808 thousand a year ago), or 69 per cent of the country's households, by the FTTH network.

Teo is updating its brand and in February 2015 opened its first customer care showroom of a new concept in Kaunas. It is planned that this year more than 10 showrooms will be updated or opened in new places. The Company plans to invest EUR 1 million in the updating and opening of new showrooms during the next couple of years.

Cash and cash equivalents during the period of the first three months of 2015 increased by EUR 4.2 million.

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SHARE CAPITAL AND SHAREHOLDERS

From 20 October 2014 the **share capital** of the Company amounts to 582,613,138 litas and consists of 582,613,138 ordinary registered shares with a nominal value of 1 litas (0.29 euro) each. It was reduced from 776,817,518 litas to 582,613,138 litas by cancelling 194,204,380 shares. From 20 October 2014, the number of TEO shares that provide voting rights during the General Meeting is 582,613,138.

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 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 was 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.

On 25 March 2015, the Board of the Company proposed the Annual General Meeting of Shareholders, which shall be held on 29 April 2015, to change the expression of the par value of the Company's shares and the authorized capital in litas into expression in euro, i.e. to determine that the par value of one Company's share is equal to 0.29 euro and to establish that the Company's authorized capital is equal to 168,957,810.02 euro.

582,613,138 ordinary registered shares of TEO LT, AB (ISIN code LT0000123911) are listed on the Main List of Nasdaq OMX Vilnius stock exchange (code: TEO1L). Nasdaq OMX Vilnius stock exchange is a home market for Teo shares.

From January 2011 Teo shares are 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.

Information about **trading in Teo shares** on Nasdaq OMX Vilnius stock exchange in January-March of 2015:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.000	1.100	0.986	1.090	1.037	1,552,239	1,610,055
LTL	3.453	3.798	3.404	3.764	3.581	1,552,239	5,559,198

Teo market capitalisation as on 31 March 2015 was EUR 635 million (LTL 2,193 million) while a year ago it amounted to EUR 645 million (LTL 2,226 million).

The number of **shareholders** on the shareholders registration day (22 April 2014) for the last 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 31 March 2015:

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	513,594,774	88.15	88.15	-
Other shareholders	69,018,364	11.85	11.85	-
TOTAL:	582,613,138	100.00	100.00	-

(All tabular amounts are in EUR '000 unless otherwise stated)

OTHER MATERIAL INFORMATION

On 12 February 2015, Teo upgraded its brand and opened the first customer care showrooms of a new concept. These change reflect the Company's value and customers' expectations to use modern technologies in a simple, clear and flexible way.

On 25 March 2015, the Board of the Company decided to convoke the Annual General Meeting of Shareholders on 29 April 2015. The Board proposed for the Annual General Meeting of Shareholders from the Company's distributable profit of EUR 39,886 (LTL 137,720 thousand) to allocate EUR 39,618 thousand (LTL 136,792 thousand) for the dividend payment for the year 2014 or EUR 0.068 (LTL 0.235) dividend per share. For annual payments (tantiemes) to six members of the Board for the year 2014 to allocate EUR 93.8 thousand (LTL 324 thousand), i.e. EUR 15,640 (LTL 54 thousand) per one member of the Board.

The Board proposed to reduce the Company's obligatory reserve by EUR 5.6 million and to reallocate this amount to the Company's retained earnings. Also the Board proposed to elect 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 2015 and to make the assessment of the consolidated annual report of the Company for the year 2015.

Taking into consideration that the current term of the Company's Board of Directors expires on 25 April 2015, TeliaSonera AB, a largest shareholder of Teo, holding 88.15 per cent of shares, proposed for the two-year term of the Board to re-elect Robert Andersson, Stefan Block, Claes Nycander, Tiia Tuovinen, Inga Skisaker and Rolandas Viršilas.

MEMBERS OF THE 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.

Members of the Board as of 31 March 2015:

Name, surname	Position in the Board	Employment	Ownership of Teo shares
Robert Andersson	Chairman of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), Executive Vice President and Head of Region Europe	-
Stefan Block	Member of the Board, Chairman of the Audit Committee	TeliaSonera AB (Sweden), Chief Financial Officer of Region Europe	-
Claes Nycander	Member of the Board, member of the Remuneration Committee	TeliaSonera AB (Sweden), Chief Technology Officer of Region Europe	-
Tiia Tuovinen	Member of the Board, member of the Audit Committee	TeliaSonera AB (Sweden), Group Legal Affairs, Senior Legal Counsel for Competition and Corporate Governance	-
Inga Skisaker	Member of the Board, member of the Audit Committee	Nordea Bank AB Lithuania Branch (Sweden), General Manager and Head of Banking Baltic Countries	-
Rolandas Viršilas	Member of the Board, member of the Remuneration Committee	UAB Švyturys – Utenos Alus (Lithuania), CEO	75,000 shares or 0.0129% of the total number of Teo shares and votes

(All tabular amounts are in EUR '000 unless otherwise stated)

Following provisions of The Governance Code for the Companies Listed on Nasdaq OMX Vilnius stock exchange, all members of the Board are regarded as non-executive members of the Board, and Inga Skisaker and Rolandas Viršilas are regarded as independent members of the Board. Information about other Board assignments of the members of the Company's Board is provided at the Company's webpage www.teo.lt.

Management Team as of 31 March 2015:

Name, surname	Position in the Company	Current Board Assignments	Ownership of Teo shares
Kęstutis Šliužas	General Manager (CEO)	-	-
Aleksandras Samuchovas	Head of Business to Business	UAB Baltic Data Center, a subsidiary of TEO LT, AB, General Manager	-
Nerijus Ivanauskas	Head of Business to Consumer	UAB Lietuvos Monetų Kalykla (Lithuanian Mint), member of the Board	-
Andrius Šemeškevičius	Head of Technology and IT	-	8,761 shares or 0.0015% of the total number of Teo shares and votes
Lars Bolin	Head of Finance and Strategic Planning	-	-
Ramūnas Bagdonas	Head of Human Recourses	-	-
Eglė Gudelytė-Harvey	Head of Legal Affairs	Vilnius International School (Lithuania), Chairwoman of the Council	-
Antanas Bubnelis	Head of Corporate Affairs	BMI Alumni Association (Lithuania), member of the Council	-
Giedrė Tarbūnienė	Head of Process	BMI Alumni Association (Lithuania), member of the Council	-
Vytautas Bučinskas	Head of Risk Management	-	-
Kastytis Kmitas	Head of Internal Audit	-	4,202 shares or 0.0007% of the total number of Teo shares and votes

(All tabular amounts are in EUR '000 unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	January - March	
		2015	2014
Revenue		49,954	49,077
Cost of goods and services		(14,781)	(11,053)
Employee-related expenses		(11,713)	(13,616)
Other expenses		(4,738)	(5,499)
Other income		0	30
Other gain/ (loss) - net		72	93
Depreciation, amortisation and impairment of fixed assets	2	(9,180)	(8,945)
Operating profit		9,614	10,087
Finance income		32	59
Finance costs		(242)	(17)
Finance income/ costs - net		(210)	42
Profit before income tax		9,404	10,129
Income tax	5	(931)	(950)
Profit for the period		8,473	9,179
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		8,473	9,179
Profit and comprehensive income attributable to:			
Owners of the Parent		8,473	9,179
Minority interests		-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in euro per share)	6	0.015	0.012

(All tabular amounts are in EUR '000 unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Note	31 March 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	2	214,746	218,761
Intangible assets	2	11,813	12,744
Investment property		3,126	3,126
Investments in associated and subsidiaries		5	1
Trade and other receivables		4,436	3,777
Deferred tax assets		29	37
		234,155	238,446
Current assets			
Inventories		909	747
Trade and other receivables		28,755	28,073
Current income tax receivable		1,253	1,065
Cash and cash equivalents		21,106	16,862
		52,023	46,747
Total assets		286,178	285,193
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	4	168,736	168,736
Legal reserve		22,498	22,498
Retained earnings		57,116	48,643
Total equity		248,350	239,877
LIABILITIES			
Non-current liabilities			
Borrowings		31	61
Deferred tax liabilities		8,144	7,823
Deferred revenue and accrued liabilities		994	1,098
		9,169	8,982
Current liabilities			
Trade, other payables and accrued liabilities		18,367	26,007
Current income tax liabilities		31	21
Borrowings		10,261	10,306
		28,659	36,334
Total liabilities		37,828	45,316
Total equity and liabilities		286,178	285,193

(All tabular amounts are in EUR '000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2014	224,982	22,498	53,315	300,795
Net profit	-	-	9,179	9,179
Total comprehensive income for the period	-	-	9,179	9,179
Balance at 31 March 2014	224,982	22,498	62,494	309,974
Balance at 1 January 2015	168,736	22,498	48,643	239,877
Net profit	-	-	8,473	8,473
Total comprehensive income for the period	-	-	8,473	8,473
Balance at 31 March 2015	168,736	22,498	57,116	248,350

(All tabular amounts are in EUR '000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOW

	January - March	
	2015	2014
Operating activities		
Profit for the period	8,473	9,179
Income tax	931	950
Depreciation, amortisation and impairment of fixed assets	9,180	8,945
Other gains and losses	(72)	(93)
Interest income	(32)	(59)
Interest expenses	21	6
Other non-cash transactions	89	22
Changes in working capital:		
Inventories	(162)	(116)
Trade and other receivables	(1,341)	977
Trade, other payables and accrued liabilities	(1,806)	484
Cash generated from operations	15,281	20,295
Interest paid	(3)	(6)
Interest received	32	75
Tax paid	(780)	(891)
Net cash from operating activities	14,530	19,473
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(10,252)	(9,390)
Proceeds from disposal of PPE and intangible assets	41	96
Acquisition of held-to-maturity investments	-	(5,792)
Disposal of held-to-maturity investments	-	5,792
Net cash used in investing activities	(10,211)	(9,294)
Financing activities		
Repayment of borrowings	(75)	(72)
Net cash used in financing activities	(75)	(72)
Increase (decrease) in cash and cash equivalents	4,244	10,107
Movement in cash and cash equivalents		
At the beginning of the year	16,862	41,963
Increase (decrease) in cash and cash equivalents	4,244	10,107
At the end of the period	21,106	52,070

(All tabular amounts are in EUR '000 unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The consolidated interim financial statements for the three months period ending 31 March 2015 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2014.

The presentation currency is euro. The financial statements are presented in thousands of euro, unless indicated otherwise. The financial statements are prepared under the historical cost convention. The previous year comparison information recalculated using the official litas to euro conversion ratio: 1 euro = 3.4528 litas.

Financial statements for the period ended 31 March 2015 are not audited. Financial statements for the year ended 31 December 2014 are audited by the external auditor UAB Deloitte Lietuva.

2 Property, plant and equipment and intangible assets

	Property, plant and equipment	Intangible assets
Three months ended 31 March 2014		
Opening net book amount as at 31 December 2013	223,556	14,556
Additions	3,721	69
Disposals and retirements	(28)	-
Reclassification	(28)	(1)
Depreciation and amortisation charge	(8,227)	(718)
Closing net book amount as at 31 March 2014	218,994	13,906
Three months ended 31 March 2015		
Opening net book amount as at 31 December 2014	218,761	12,744
Additions	4,230	68
Disposals and retirements	(36)	-
Reclassification	219	(247)
Depreciation and amortisation charge	(8,428)	(752)
Closing net book amount as at 31 March 2015	214,746	11,813

(All tabular amounts are in EUR '000 unless otherwise stated)

3 Investments in subsidiaries and associates

The subsidiaries and associates included in the Group's consolidated financial statements are indicated below:

Name	Country of incorporation	Ownership interest in %		Profile
		31 March 2015	31 December 2014	
UAB Lintel	Lithuania	100%	100%	The subsidiary provides Directory Inquiry Service 118 and Contact Center services.
UAB Baltic Data Center	Lithuania	100%	100%	The subsidiary provides information technology infrastructure services to the Group and third parties.
UAB Hostex	Lithuania	100%	100%	The web hosting and data center services providing subsidiary of UAB Baltic Data Center.
UAB Hosting	Lithuania	100%	100%	The dormant subsidiary of UAB Hostex.
Baltic Data Center SIA	Latvia	100%	100%	The dormant subsidiary of UAB Baltic Data Center.
UAB Kompetencijos Ugdymo Centras	Lithuania	100%	100%	The dormant subsidiary of the Company.
UAB Verslo Investicijos	Lithuania	100%	100%	The subsidiary for implementation of the investment project.
VšĮ Ryšių Istorijos Muziejus	Lithuania	100%	100%	A not-for-profit organisation established and owned by the Company for management of the Communications History Museum.
VšĮ Numerio Perkėlimas	Lithuania	25%	25%	A not-for-profit organisation established together with three Lithuanian mobile operators from 1 January 2016 shall administer central database to ensure telephone number portability.

4 Share capital

From 20 October 2014 the authorised share capital comprises 582,613,138 ordinary shares of LTL 1 par value each. Until 20 October 2014, the authorised share capital was comprised of 776,817,518 ordinary shares of LTL 1 par value each. The authorised share capital was reduced by cancelling 194,204,380 ordinary shares of LTL 1 par value. All shares are fully paid up.

Following the Law on expression of nominal value of authorized capital and securities of the public and limited companies in euro and amendment of the By-laws of such companies of the Republic of Lithuania, as the Republic of Lithuania joined the euro zone as of 1 January 2015, the Company's shareholders shall pass a decision during the forthcoming Annual General Meeting of Shareholders on 29 April 2015 to determine that the par value of one Company's share is equal to 0.29 euro and to establish that the Company's authorized capital is equal to 168,957,810.02 euro.

(All tabular amounts are in EUR '000 unless otherwise stated)

5 Income tax

The tax expenses for the period comprise current and deferred tax.

Profit for 2015 is taxable at a rate of 15 per cent in accordance with Lithuanian regulatory legislation on taxation (2014: 15 per cent).

According to amendments to the Law on Corporate Profit Tax which provides tax relief for investments in new technologies, the Company's calculated profit tax relief in 2015 amounted to EUR 521 thousand (2014: EUR 608 thousand).

6 Earnings per share

Basic earnings per share are calculated by dividing the net profit (loss) for the period by the weighted average number of ordinary shares in issue during the period. The Group has no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share. The weighted average number of shares for the January-March of 2014 was 776,818 thousand and for January-March 2015 – 582,613 thousand.

	January - March	
	2015	2014
Net profit	8,473	9,179
Weighted average number of ordinary shares in issue (thousands)	582,613	776,818
Earnings per share (euro)	0.015	0.012

7 Dividends per share

A dividend that relates to the period to 31 December 2014 was proposed by the Board on 25 March 2015. The total proposed amount is EUR 39,618 thousand or EUR 0.068 per ordinary share.

8 Related party transactions

The Group is controlled by TeliaSonera AB (Sweden) which as of 31 March 2015 owned 88.15 per cent (88.15 per cent a year ago) of the Company's shares. The following transactions were carried out with related parties:

Sales and purchases from TeliaSonera AB and its subsidiaries:

	January - March	
	2015	2014
Sales of telecommunication and other services	2,281	2,247
Total sales of telecommunication and other services	2,281	2,247
Purchases of services	1,079	844
Total purchases of services	1,079	844

(All tabular amounts are in EUR '000 unless otherwise stated)

8 Related party transactions (continued)

Balances arising from sales/purchase of assets/services and other transaction to/from TeliaSonera AB and its subsidiaries:

	As at 31 March	
	2015	2014
Long-term receivables from related parties	307	335
Receivables from related parties	652	621
Accrued revenue from related parties	736	590
Total receivables and accrued revenue from related parties	1,695	1,546
Short-term borrowings from related parties	10,000	-
Payables to related parties	14	68
Accrued expenses to related parties	26	22
Total borrowings, payables and accrued expenses to related parties	10,040	90

As of 31 March 2015 the amount of EUR 16 thousand of tantiemes, assigned for the year 2010, was not paid to one member of the Board.

MANAGEMENT CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the 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 of TEO LT, AB, hereby confirm that, to the best of our knowledge, the not audited TEO LT, AB Interim Consolidated Financial Statements for the three months period ended 31 March 2015, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit and cash flows of TEO LT, AB and the Group of undertakings.

Kęstutis Šliužas
General Manager

Lars Bolin
Head of Finance and
Strategic Planning

Vilnius, 20 April 2015