

**TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
CONSOLIDATED INTERIM REPORT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015
(UNAUDITED)**

Beginning of the financial year	1 January 2015
End of reporting period	30 June 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 six months of 2015:

"Revenue for the first six months of 2015 were on the same level (-0.1 per cent) as for the same period a year ago and amounted to EUR 99.4 million. Revenue from Internet, TV and IT services continued to grow while revenue from voice telephone, data communication and network capacity went down. During the first half of 2015, total revenue, excluding revenue from continuously declining voice telephony services, increased by 3.8 per cent and share of revenue from non-voice telephony services amounted to 62 per cent of the total revenue.

Revenue for the second quarter of 2015 was EUR 49.4 million, which is by 1.8 per cent lower than in previous year. Revenues from voice services (including transit) decreased by 12.3 per cent, while the growth continued in Internet, TV and IT services, and revenue for these services increased by 12.7 per cent. During April-June of 2015, revenue from residential customers showed a growth of 3.3 per cent, while revenue from business customers and operators (transit revenues mainly) were lower by 4.2 and 10.7 per cent, respectively.

The change in product mix, with decline in voice services, and growth in IP and IT services, put a pressure on gross margin and during the second quarter of 2015, cost of goods and services increased by 7.3 per cent, compared with the second quarter of 2014. For the six months of 2015, cost of goods and services were by 19.5 per cent higher than a year ago due to higher volume of transit traffic and higher equipment sales.

Employee-related expenses (excluding non-recurring) for the second quarter and the first half of 2015 were higher by 7.2 and 2.8 per cent, respectively, due to higher average salary in 2015 driven by competence shift and market salary increase. Other operating expenses for the second quarter and the six months of 2015, decreased by 7.4 and 10.6 per cent, respectively.

All in all this gave an EBITDA (excluding non-recurring) for the six months of 2015 of EUR 38.3 million, a decrease by 10.1 per cent compared with the previous year. The EBITDA (excluding non-recurring) for the second quarter was 19.1 EUR million, a decrease by 10.7 per cent. EBITDA margin (excluding non-recurring) for the first six months of 2015 was 38.5 per cent.

The positive customer intake continued as well as customer's satisfaction. During April-June 2015, Teo opened 5 new customer care showrooms of a new concept in Vilnius, Šilutė, Šiauliai, Klaipėda and Elektrėnai. Marketing campaign in mass media had positive impact on Internet and TV sales in the second quarter.

By the end of June 2015, the total number of broadband Internet access (excluding Wi-Fi) users amounted to 378 thousand, an increase by 18.1 thousand over the last 12 months. Teo now has 842 thousand households passed (69 per cent of the country's households) by the FTTH network. Over the year, the number of active Internet connections over the FTTH/B network increased by 12.1 per cent and in second quarter of 2015 reached 210 thousand, meaning that 55.5 per cent of Teo active Internet customers now are having fiber-optic connections. In June 2015, the Company increased the bandwidth for its new and existing users of fiber-optic Internet plan "Premium" from 500 to 600 Mbps. During the last 12 months, number of Teo Wi-Fi connections increased by 1.7 times and amounted to 176 thousand.

The number of IPTV services users over the year increased by 27.7 thousand (or 23.8 per cent) and by the end of June 2015 amounted to 144 thousand. During the second quarter of 2015, the number of voice services subscriptions showed the lowest churn level during the last 3 years, and over the last 12 months, the total number of voice subscriptions decreased by 5.6 per cent.

During the first six months of 2015 capital investments increased by 14.4 per cent and amounted to EUR 11.9 million (EUR 10.4 million a year ago). The majority of capital investments went to development of the next generation fiber-optic access network and expansion of the core network including end customer equipment.

In May, following the resolution of the Annual General Meeting of Shareholders of 29 April 2015, dividend of the total amount of EUR 39.6 million or EUR 0.068 per share for the year 2014 were paid to Teo shareholders."

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

KEY FIGURES OF TEO GROUP

Financial figures	January - June		Change (%)
	2015	2014	
Revenue (EUR thousand)	99,365	99,415	(0.1)
EBITDA (EUR thousand)	37,098	38,750	(4.3)
EBITDA margin (%)	37.3	39.0	
<i>EBITDA excluding non-recurring items (EUR thousand)</i>	<i>38,283</i>	<i>42,565</i>	<i>(10.1)</i>
<i>EBITDA margin excluding non-recurring items (%)</i>	<i>38.5</i>	<i>42.8</i>	
Operating profit (EUR thousand)	18,525	20,771	(10.8)
Operating profit margin (%)	18.6	20.9	
Profit before income tax (EUR thousand)	18,307	20,807	(12.0)
Profit before income tax (%)	18.4	20.9	
Profit for the period (EUR thousand)	16,257	18,443	(11.8)
Profit for the period margin (%)	16.4	18.6	
Earnings per share (EUR)	0.028	0.024	17.5
Number of shares (thousand)	582,613	776,818	(25.0)
Cash flow from operations (EUR thousand)	30,655	35,553	(13.8)
Operating free cash flow (EUR thousand)	14,544	20,197	(28.0)

Financial ratios	30 June 2015	30 June 2014
Return on capital employed (%)	14.1	15.2
Return on average assets (%)	13.7	13.6
Return on shareholders' equity (%)	14.7	13.6
Operating cash flow to sales (%)	30.9	35.8
Gearing ratio (%)	8.5	(15.2)
Debt to equity ratio (%)	16.2	0.2
Current ratio (%)	85.8	341.5
Rate of turnover of assets (%)	68.9	62.8
Equity to assets ratio (%)	77.3	90.4

Operating figures	30 June 2015	30 June 2014	Change (%)
Number of fixed telephone lines in service	512,341	542,488	(5.6)
Number of broadband Internet connections (FTTB, FTTH, DSL and other excluding Wi-Fi)	378,274	360,151	5.0
Number of TV services customers	194,986	176,438	10.5
Number of personnel (head-counts)	2,609	2,647	(1.4)
Number of full-time employees	2,352	2,363	(0.5)

Breakdown of Teo Group revenue by customers	April - June		Change (%)	January - June		Change (%)
	2015	2014		2015	2014	
Business to Consumer	23,756	23,004	3.3	47,169	46,132	2.2
Business to Business	18,291	19,087	(4.2)	35,879	38,184	(6.0)
Business to Operators	7,364	8,247	(10.7)	16,317	15,099	8.1
Total	49,411	50,338	(1.8)	99,365	99,415	(0.1)

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

Breakdown of Teo Group revenue by services	April - June		Change (%)	January - June		Change (%)
	2015	2014		2015	2014	
Voice telephony services	18,033	20,556	(12.3)	37,847	40,173	(5.8)
Internet services	13,566	13,323	1.8	27,001	26,748	0.9
Data communication and network capacity services	5,371	5,804	(7.5)	10,793	11,518	(6.3)
TV services	5,012	4,507	11.2	9,872	8,897	11.0
IT services	6,413	4,351	47.4	11,955	8,480	41.0
Other services	1,016	1,797	(43.5)	1,897	3,599	(47.3)
Total	49,411	50,338	(1.8)	99,365	99,415	(0.1)

REVENUE

During the second quarter of 2015 revenue from Internet, TV and IT services (particularly IT equipment sales) continued to grow while revenue from voice telephone, data communication and network capacity, and other services went down.

The **total revenue** for the first six months of 2015 were almost the same as a year ago (a slight decline of 0.1 per cent) and amounted to EUR 99.4 million, while the total revenue excluding revenue from continuously declining voice telephony services increased by 3.8 per cent.

Revenue from services provided to residential customers during the first half of 2015, compared with the same period a year ago, went up by 2.3 per cent, and revenue from services provided to other telecommunication operators increased by 8.1 per cent. Revenue from services provided to business customers were lower by 6 per cent.

The total revenue for the second quarter of 2015 was EUR 49.4 million, which is by just 1.8 per cent lower than the total revenue of EUR 50.3 million for the second quarter of 2014. During April-June 2015, revenue from residential customers continued grow, while revenue from business customers and other operators were lower than a year ago.

Share of revenue from non-voice telephony services continued to grow and amounted to 62 per cent of the total revenue for the first six months of 2015. Share of revenue from Internet, TV and IT services continued to grow and reached 27.2, 9.9 and 12 per cent, respectively. Share of revenue from data communication and network capacity services, and other services decreased and amounted to 10.9 and 1.9 per cent, respectively. Share of revenue from voice telephony services shrank to 38.1 per cent of the total revenue.

During the first half of 2015, revenue from **voice telephony** services went down as increase in revenue from voice transit services by 9.8 per cent (compared with a same period a year ago) could not offset a 13.3 per cent decrease in revenue from retail voice telephony services.

During January-June 2015, the total number of main telephone lines in service decreased by 13.5 thousand, while over the last twelve months – by 30.1 thousand lines.

Total voice telephony traffic volume generated by residential and business customers during the first six months of 2015, compared with the first six months of 2014, decreased by 13.7 and 8.8 per cent, respectively, while total volume of calls to mobile operators' networks increased by 21.1 per cent due to attractive payment plans for calls to mobile networks.

During January-June 2015, the total number of **broadband Internet access** (excluding Wi-Fi) users increased

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by 7.7 thousand, while over the last twelve months – by 18.1 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 12.1 per cent and reached 210 thousand at the end of June 2015, while the number of copper DSL connections eased by 2.6 per cent to 168 thousand. During the last twelve months, the number of Teo Wi-Fi connections increased by 1.7 times and amounted to 176 thousand as of 30 June 2015.

By the end of first half of 2015, the number Internet connection over the fiber-optic access network amounted to 55.5 per cent of 378 thousand of Teo broadband Internet connections (excluding Wi-Fi). The total number of Teo Internet connections (including Wi-Fi) amounted to 555 thousand.

In June 2015, the Company increased the bandwidth for its new and existing users of fiber-optic Internet plan “Premium” from 500 to 600 Mbps.

Compared with the first half of 2014, revenue from **data communication** services alone declined by 3.2 per cent, while revenue from **network capacity** services alone decreased by 10.2 per cent.

During January-June 2015, the number of IPTV services users increased by 12.6 thousand, while over the year by 27.7 thousand and by the end of June 2015 amounted to 144 thousand. During the last twelve months number of digital terrestrial television (DVB-T) users eased by 9.1 thousand and amounted to 51 thousand. Over the year, the total number of **television** service customers went up by 18.5 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 as well as IT equipment sales.

Over the year Teo Group revenue from electronic equipment sales increased by 2.8 times. This is due to a more than tenfold increase in the range of products, convenient and simple purchase of equipment, direct contracts with manufacturers and attractive offers. In June 2015, Teo became an Apple Authorised Reseller in Lithuania.

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 Contact Center services went down by 51.2 per cent, while from other non-core business services by 43.6 per cent.

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 first quarter of 2015 increased by 3.6 per cent compared with the first quarter of 2014, while compared with the fourth quarter of 2014 decreased by 1.5 per cent, and amounted to EUR 153 million.

On 31 March 2015, Internet penetration per 100 residents of Lithuania was 38.6 per cent (36.5 per cent a year ago), while the penetration of broadband Internet using fixed connection was 27.7 per cent (26.4 per cent a year ago). Pay-TV penetration per 100 households was 55.4 per cent (55.6 per cent a year ago), and the penetration of fixed voice telephony lines per 100 residents – 19.5 per cent (20.3 per cent a year ago).

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

	TEO market share in terms of customers (%)		TEO market share in terms of revenue (%)	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Fixed voice telephony services	89.8	89.4	94.1	93.8
Fixed Internet access services	46.3	46.1	55.8	55.9
Internet access services (total)	33.2	33.3	43.0	45.8
Pay-TV services (total)	26.6	23.9	32.1	29.1
Network interconnection services	n/a	n/a	24.5	25.3
Data communication services	n/a	n/a	77.0	56.0
Leased line services	n/a	n/a	55.7	59.1

OPERATING EXPENSES

Total operating expenses for the second quarter of 2015 were by 1.3 per cent higher than total operating expenses for the second quarter of 2014, and total operating expenses for the first half of 2015 were by 2.4 per cent higher than a year ago due to higher cost of goods and services in January-June 2015.

Total operating expenses (excluding non-recurring items) for the second quarter and the first half of 2015 were higher by 4.4 and 7.2 per cent, respectively, than in 2014.

During the second quarter of 2015 **cost of goods and services** increased by 7.3 per cent, compared with the second quarter of 2014, due to higher volumes of IT equipment sales. For the six months of 2015, cost of goods and services were by 19.5 per cent higher than a year ago due to higher volume of transit traffic and higher equipment sales.

Employee-related expenses for the second quarter and the first half of 2015 were lower by 1 and 7.8 per cent, respectively, than a year ago. Employee-related expenses (excluding one-time redundancy pay-outs) for the second quarter and the first half of 2015 were higher by 7.2 and 2.8 per cent, respectively, than a year ago due to higher average salary in 2015.

The non-recurring employee-related expenses during the first half of 2015 amounted to EUR 1.2 million (EUR 3.8 million a year ago).

During the first half of 2015, the total number of employees (headcount) in Teo Group went down by 22, while over the year – by 38 from 2,647 to 2,609. In terms of full-time employees, the total number of employees during January-June of 2015 went down by 29, while over the last twelve months – by 10 from 2,363 to 2,352.

Other expenses for the second quarter and the six months of 2015 decreased by 7.4 and 10.6 per cent, respectively.

EARNINGS

EBITDA for the second quarter of 2015 decreased by 7.2 per cent to EUR 18.3 million over EUR 19.7 million in the second quarter of 2014. EBITDA margin for the second quarter of 2015 amounted to 37 per cent (39.2 per cent in 2014).

EBITDA for the first half of 2015 went down by 4.3 per cent to EUR 37.1 million over EUR 38.8 million for the same period year ago. EBITDA margin declined and amounted to 37.3 per cent (39 per cent in 2014). Over the year, EBITDA (excluding non-recurring items) decreased by 10.1 per cent while EBITDA margin (excluding non-recurring items) stood at 38.5 per cent.

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Depreciation and amortisation charges were by 4 and 3.3 per cent higher during the second quarter and the first half of 2015, respectively, compared with the depreciation and amortisation charges during the respective periods a year ago. In January-June of 2015, depreciation and amortisation charges amounted to 18.7 per cent of total revenue (18.1 a year ago).

Operating profit (EBIT) in the second quarter of 2015, compared with the same period a year ago, was down by 16.6 per cent and in the first half of 2015 – by 10.8 per cent. Operating profit margin for the second quarter of 2015 was 18 per cent (21.2 per cent a year ago) and for the first half of 2015 – 18.6 per cent (20.9 per cent in 2014). Operating profit (excluding non-recurring items) in January-June 2015 was by 19.8 per cent lower than for the same period in 2014, and operating profit margin (excluding non-recurring items) was 19.8 per cent.

Net financial income in January-June of 2015 was negative and amounted to EUR 219 thousand.

Profit before income tax in the second quarter of 2015, compared with the second quarter of 2014, went down by 16.6 per cent and amounted to EUR 8.9 million (EUR 10.7 million a year ago). Profit before income tax in the first half of 2015 was down by 12 per cent and amounted to EUR 18.3 million (EUR 20.8 million a year ago). Profit before income tax (excluding non-recurring items) was by 20.8 per cent lower than during the first half of 2014.

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 half of 2015 amounted to EUR 1 million (EUR 1.2 million in 2014). **Income tax expenses** for the first six months of 2015 were by 13.3 per cent lower than a year ago.

Profit for the period in April-June 2015 amounted to EUR 7.8 million, while a year ago it was EUR 9.3 million, a decrease by 16 per cent. The profit margin for the second quarter of 2015 was 15.8 per cent (18.4 per cent a year ago). Profit for the period in January-June 2015 amounted to EUR 16.3 million, a decrease by 11.8 per cent over the profit of EUR 18.4 million for the same period year ago. The profit margin was 16.4 per cent (18.6 per cent a year ago). Profit for the period (excluding non-recurring items) was by 21.6 per cent lower than in January-June 2014 and profit margin (excluding non-recurring items) was 17.6 per cent.

BALANCE SHEET AND CASH FLOW

During January-June 2015, **total assets** of Teo Group decreased by 1.7 per cent.

Total **non-current** assets declined by 2 per cent and amounted to 83.3 per cent of total assets. In May, following the resolution of the Annual General Meeting of Shareholders of 29 April 2015, dividend of the total amount of EUR 39.6 million or EUR 0.068 per share for the year 2014 were paid to the shareholders of the Company. Total **current assets** eased by 0.1 per cent and amounted to 16.7 per cent of the total assets, whereof cash alone represented 6 per cent of total assets.

Due to dividend payment, **shareholders' equity** decreased by 9.6 per cent and amounted to 77.3 per cent of the 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 222 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.

Following the decision of the Annual General Meeting of shareholders, held on 29 April 2015, the Register of Legal Persons of the Republic of Lithuania on 5 June 2015 registered the nominal value of one Teo share equal to 0.29 euro and the Company's **authorized capital** equal to 168,957,810.02 euro.

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

The Annual General Meeting of shareholders also decided 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 second quarter of 2015, the Company repaid a short-term EUR 10 million loan and for dividends payment borrowed EUR 35 million. At the end of June 2015, total amount of short-term **borrowings** (loan and financial liabilities related to financial leasing of premises) amounted to EUR 35.2 million, while cash amounted to EUR 16.7 million.

Net cash flow from operating activities in the first half of 2015 was by 13.8 per cent lower than that for same period of 2014. **Operating free cash flow** (operating cash flow excluding capital investments) in January-June 2015 was by 28 per cent less than a year ago.

The part of cash (EUR 8.1 million) spent during January-June 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 six months of 2015 **capital investments** increased by 14.4 per cent and amounted to EUR 11.9 million (EUR 10.4 million a year ago). The majority of capital investments (83 per cent or EUR 9.9 million) went to development of the next generation fiber-optic access network and expansion of the core network. An amount of EUR 1.7 million was invested into IT systems.

By the end of June of 2015, Teo had 842 thousand households passed (814 thousand a year ago), or 69 per cent of the country's households, by the FTTH network.

During the second quarter of 2015, Teo has installed the first direct fiber-optic connection with Kiev, the capital of Ukraine. Over the year the total bandwidth of the Company's direct international Internet connections increased by 25 per cent up to 146 Gbps.

In 2015, the Company is optimising and improving its customer care. A new customer care showrooms of a new "Smart Teo home" concept are already opened in Vilnius, Kaunas, Klaipėda, Šiauliai, Šilutė, Elektrėnai and Telšiai.

Cash and cash equivalents during January-June 2015 remained roughly on the same level – a decline by just EUR 140 thousand.

SHARE CAPITAL AND SHAREHOLDERS

From 5 June 2015, the **authorised capital** of the Company amounts to 168,957,810.02 euro and consists of 582,613,138 ordinary registered shares with a nominal value of 0.29 euro each. The number of Teo shares that provide voting rights during the General Meeting is 582,613,138.

On 29 March 2015, the Annual General Meeting of Shareholders decided to change the expression of the nominal value of the Company's shares and the authorized capital in litas into expression in euro, i.e. to determine that the nominal 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.

On 20 October 2014, the authorised capital of the Company was reduced 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 194,204,380 Company's shares with the nominal value equal to the reduction amount, i.e. 194,204,380 litas. The nominal value of one Teo share the then was one litas.

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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.

The number of **shareholders** on the shareholders registration day (22 April 2015) for the Annual General Meeting of Shareholders, which was held on 29 April 2015, was 11,624.

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

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

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.000	1.110	0.986	1.040	1.056	3,683,498	3,889,008
LTL	3.453	3.833	3.404	3.591	3.645	3,683,498	13,427,968

Teo market capitalisation as on 30 June 2015 was the same as a year ago and amounted to EUR 605.9 million.

OTHER MATERIAL INFORMATION

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

The Annual General Meeting of Shareholders, held on 29 April 2015, decided to approve the audited annual consolidated financial statements of the Company for the year 2014 and to allocate the Company's profit for the year 2014 as follows: from the Company's distributable profit of EUR 39,886 thousand to allocate EUR 39,617 thousand for the dividend payment for the year 2014 or EUR 0.068 dividend per share. For annual payments (tantiemes) to six members of the Board for the year 2014 to allocate EUR 93.8 thousand, i.e. EUR 15,640 per one member of the Board.

The Annual General Meeting of Shareholders also decided to reduce the Company's obligatory reserve by EUR 5.6 million and to reallocate this amount to the Company's retained earnings. Shareholders 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 2015 and to make the assessment of the consolidated annual report of the Company for the year 2015.

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As the two-year term of the Company's Board expired on 25 April 2015, TeliaSonera AB, a largest shareholder of Teo, holding 88.15 per cent of shares, proposed and shareholders re-elected Robert Andersson, Stefan Block, Claes Nycander, Tiia Tuovinen, Inga Skisaker and Rolandas Viršilas for the new two-year term of the Board.

On 5 June 2015, following the decision of the Annual General Meeting of Shareholders, held on 29 April 2015, to change the expression of the nominal value of the Company's shares and the authorized capital in litas into expression in euro, the Register of Legal Persons of the Republic of Lithuania registered the new wording of the Company's By-Laws. From then the nominal value of one Company's share is equal to 0.29 euro and the Company's authorized capital is equal to 168,957,810.02 euro.

On 4 June 2015, the Board elected Robert Andersson as the Chairman of the Company's Board for the current term of the Board, i.e. until 29 April 2017. The Board appointed the following members of the Board: Stefan Block, Tiia Tuovinen and Inga Skisaker (independent member of the Board) as members of the Audit Committee for the two-year term (but in any case not longer than until their term of the membership in the Board) and elected Stefan Block as the Chairman of the Audit Committee. Also, the Board elected the following members of the Board: Robert Andersson, Claes Nycander and Rolandas Viršilas (independent member of the Board) as members of the Remuneration Committee for the one-year term (until 4 June 2016).

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 CEO. The Company does not have a Supervisory Council.

Members of the Board as of 30 June 2015:

Name, surname	Position in the Board	Employment	Ownership of Teo shares
Robert Andersson	Chairman of the Board, Chairman 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), Senior Legal Counsel, Head of Competition Group Legal Affairs	-
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

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.

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

Management Team as of 30 June 2015:

Name, surname	Position in the Company	Current Board Assignments	Ownership of Teo shares
Kęstutis Šliužas	CEO	Kaunas Technology University (Lithuania), member of the Business Council	-
Aleksandr Samuchov	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; AB Vilniaus Šilumos Tinklai (Lithuania), member of the Board	-
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	Member of the Cyber Security Council (Lithuania)	-
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	April - June		January - June	
		2015	2014	2015	2014
Revenue		49,410	50,339	99,365	99,415
Cost of goods sold		(13,912)	(12,963)	(28,692)	(24,016)
Employee-related expenses		(12,106)	(12,225)	(23,819)	(25,841)
Other expenses		(5,166)	(5,583)	(9,905)	(11,080)
Other income		-	28	-	58
Other gain/ (loss) - net		78	122	150	214
Depreciation, amortisation and impairment of fixed assets	2	(9,393)	(9,034)	(18,573)	(17,979)
Operating profit		8,911	10,684	18,526	20,771
Finance income		32	62	64	121
Finance costs		(41)	(69)	(283)	(84)
Finance income/ costs - net		(9)	(7)	(219)	37
Profit before income tax		8,902	10,677	18,307	20,808
Income tax	5	(1,118)	(1,414)	(2,050)	(2,365)
Profit for the period		7,784	9,263	16,257	18,443
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		7,784	9,263	16,257	18,443
Profit and comprehensive income attributable to:					
Owners of the Parent		7,784	9,263	16,257	18,443
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in litas per share)	6	0.013	0.012	0.028	0.024

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

CONSOLIDATED BALANCE SHEET

	Note	30 June 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	2	212,188	218,761
Intangible assets	2	12,552	12,744
Investment property		3,126	3,126
Investments in associates and subsidiaries		5	1
Trade and other receivables		5,885	3,777
Deferred tax assets		24	37
		233,780	238,446
Current assets			
Inventories		1,014	747
Trade and other receivables		28,211	28,073
Current income tax receivable		757	1,065
Cash and cash equivalents		16,722	16,862
		46,704	46,747
Total assets		280,484	285,193
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	4	168,958	168,736
Legal reserve		16,896	22,498
Retained earnings		30,885	48,643
Total equity		216,739	239,877
LIABILITIES			
Non-current liabilities			
Borrowings		-	61
Deferred tax liabilities		8,434	7,823
Deferred revenue and accrued liabilities		889	1,098
		9,323	8,982
Current liabilities			
Trade, other payables and accrued liabilities		19,179	26,007
Current income tax liabilities		28	21
Borrowings		35,215	10,306
		54,422	36,334
Total liabilities		63,745	45,316
Total equity and liabilities		280,484	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
Dividends paid for 2013	-	-	(42,747)	(42,747)
Balance at 30 June 2014	224,982	22,498	19,747	267,227
Balance at 1 January 2015	168,736	22,498	48,643	239,877
Net profit	-	-	16,257	16,257
Total comprehensive income for the period	-	-	16,257	16,257
Dividends paid for 2014	-	-	(39,617)	(39,617)
Share capital value adjustment due to conversion to euro	4 222	-	-	222
Reduction of legal reserve	-	(5,602)	5,602	-
Balance at 30 June 2015	168,958	16,896	30,885	216,739

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January - June	
	2015	2014
Operating activities		
Profit for the period	16,257	18,443
Income tax	2,050	2,365
Depreciation, amortisation and impairment of fixed assets	18,573	17,979
Other gains and losses	(62)	(214)
Interest income	(64)	(121)
Interest expenses	36	63
Share capital value adjustment due to conversion to euro	222	-
Other non-cash transactions	114	50
Changes in working capital:		
Inventories	(267)	(240)
Trade and other receivables	(2,247)	793
Trade, other payables and accrued liabilities	(2,888)	(1,482)
Cash generated from operations	31,724	37,636
Interest paid	(22)	(63)
Interest received	64	184
Tax paid	(1,111)	(2,204)
Net cash from operating activities	30,655	35,553
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(16,111)	(15,356)
Proceeds from disposal of PPE and intangible assets	86	237
Acquisition of held-to-maturity investments	-	(17,377)
Disposal of held-to-maturity investments	-	23,060
Net cash used in investing activities	(16,025)	(9,436)
Financing activities		
Repayment of borrowings	(10,152)	(146)
Borrowings	35,000	-
Dividends paid to shareholders of the Company	(39,618)	(42,747)
Net cash used in financing activities	(14,770)	(42,893)
Increase (decrease) in cash and cash equivalents	(140)	(16,776)
Movement in cash and cash equivalents		
At the beginning of the year	16,862	41,963
Increase (decrease) in cash and cash equivalents	(140)	(16,776)
At the end of the period	16,722	25,187

(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 six months period ending 30 June 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 30 June 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
Six months ended 30 June 2014		
Opening net book amount as at 31 December 2013	223,556	14,556
Additions	10,104	336
Disposals and retirements	(74)	-
Reclassification	(53)	(1)
Depreciation and amortisation charge	(16,540)	(1,439)
Closing net book amount as at 30 June 2014	216,993	13,452
Six months ended 30 June 2015		
Opening net book amount as at 31 December 2014	218,761	12,744
Additions	10,371	1,579
Disposals and retirements	(85)	-
Reclassification	194	(251)
Depreciation and amortisation charge	(17,053)	(1,520)
Closing net book amount as at 30 June 2015	212,188	12,552

(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:

Subsidiary	Country of incorporation	Ownership interest in %		Profile
		30 June 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 5 June 2015 the authorised share capital comprises of 582,613,138 ordinary shares of EUR 0.29 nominal value each. From 20 October 2014 until 5 June 2015 the authorised share capital was comprised of 582,613,138 ordinary shares of LTL 1 nominal value each. Until 20 October 2014, the authorised share capital was comprised of 776,817,518 ordinary shares of LTL 1 nominal value each. On 20 October 2014, the authorised share capital was reduced by cancelling 194,204,380 ordinary shares of LTL 1 nominal value. All shares are fully paid up.

On 1 January 2015, the Republic of Lithuania joined the euro zone. 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, on 29 April 2015 the Company's shareholders passed a decision to determine that the nominal value of one Company's share is equal to EUR 0.29 and established that the Company's authorized capital is equal to EUR 168,957,810.02.

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

5 Income tax

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 1.0 million (2014: EUR 1.2 million).

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-June of 2014 was 776,818 thousand and for January-June 2015 – 582,613 thousand.

	January - June	
	2015	2014
Net profit	16,257	18,443
Weighted average number of ordinary shares in issue (thousands)	582,613	776,818
Earnings per share (EUR)	0.028	0.024

7 Dividends per share

A dividend that relates to the period to 31 December 2014 was approved the Annual General Meeting of Shareholders on 29 April 2015. The total amount of allocated dividend, that was paid off in May 2015 was EUR 39,617 thousand or EUR 0.068 per ordinary share.

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

8 Related party transactions

TeliaSonera AB (Sweden) which as on 30 June 2015 owned 88.15 per cent (88.15 per cent a year ago) of the Company's shares controls the Group.

Sales and purchases from TeliaSonera AB and its subsidiaries:

	January - June	
	2015	2014
Sales of telecommunication and other services	4,528	4,737
Total sales of telecommunication and other services	4,528	4,737
Purchases of services	2,156	1,800
Total purchases of services	2,156	1,800

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

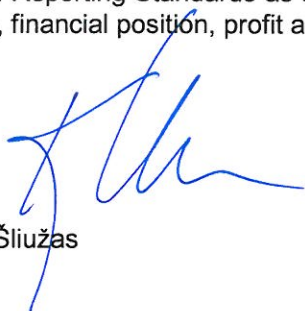
	As at 30 June	
	2015	2014
Long-term receivables from related parties	307	335
Receivables from related parties	678	718
Accrued revenue from related parties	623	743
Total receivables and accrued revenue from related parties	1,608	1,796
Short-term borrowings from related parties	35,000	10,000
Payables to related parties	211	17
Accrued expenses to related parties	14	20
Total payables and accrued expenses to related parties	32,225	10,037

The total amount of annual payments (tantiemes) assigned to the six members of the Board of the Company for the year 2014 during January-June 2015 amounted to EUR 94 thousand (2014: EUR 94 thousand). As of 30 June 2015, the amount of EUR 31 thousand of tantiemes assigned for the year 2010 and 2014 were not paid yet.

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

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, CEO 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, the not audited TEO LT, AB Interim Consolidated Financial Statements for the six months period ended 30 June 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 flow of TEO LT, AB and the Group of undertakings.



Kęstutis Šliužas
CEO



Lars Bolin
Head of Finance and Strategic Planning
Division

Vilnius, 16 July 2015

INTERIM CONSOLIDATED REPORTApproved by the Board
as at 16 July 2015**Reporting period**

January-June 2015

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 an information and communication technology company, providing integrated telecommunication, IT and television services to residents and businesses in Lithuania as well as services to national and international telecommunication operators. 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 individual public telephone networks provided at a fixed location;
- wholesale broadband access;
- wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location;
- low-speed wholesale terminating segments of leased lines market, high-speed wholesale terminating segments of leased lines market, national wholesale trunk segments of leased lines market;
- 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 Lithuanian mobile operator 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 of 30 June 2015, **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 and associates 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 and associates** 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	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
VšĮ Numerio Perkėlimas	5 September 2014, code 303386211, State Enterprise Center of Registers	Jogailos str. 9, LT- 01116 Vilnius, Lithuania	-	25.00

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

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. For residential customers Lintel provides Directory Inquiry Service 118, and for business customers – telemarketing and remote customer care services.

Activities and employees of **UAB Baltic Data Center (BDC)** from June 2014 are integrated into activities and organisational structure of Teo. 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.

In September 2014, four Lithuanian telecommunication companies Bitė Lietuva, Omnitel, Tele2 and Teo have established a joint not for profit organization **VšĮ Numerio Perkėlimas**. This undertaking together with UAB Mediafon from 1 January 2016 shall administer central database to ensure telephone number portability.

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) as of 30 June 2015:

Type of shares	Number of shares	Nominal value (in EUR)	Total nominal value (in EUR)	Issue Code
Ordinary registered shares	582,613,138	0.29	168,957,810.02	LT0000123911

On 20 October 2014, following the decision of the Annual General Meeting of Shareholders held on 29 April 2014, the authorised capital of the Company was reduced from 776,817,518 litas to 582,613,138 litas and, accordingly, the number of the Company's shares included into Main List of Nasdaq OMX Vilnius stock exchange was reduced from 776,817,518 to 582,613,138. 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 liabilities companies and are 100 per cent (except VšĮ Numerio Perkėlimas) owned by the Company.

Information about results of the Company's activities

Revenue for the first six months of 2015 were on the same level (-0.1 per cent) as for the same period a year ago and amounted to EUR 99.4 million. Revenue from Internet, TV and IT services continued to grow while revenue from voice telephone, data communication and network capacity went down. During the first half of 2015, total revenue, excluding revenue from continuously declining voice telephony services, increased by 3.8 per cent and share of revenue from non-voice telephony services amounted to 62 per cent of the total revenue.

Revenue for the second quarter of 2015 was EUR 49.4 million, which is by 1.8 per cent lower than in previous year. Revenues from voice services (including transit) decreased by 12.3 per cent, while the growth continued in Internet, TV and IT services, and revenue for these services increased by 12.7 per cent. During April-June of 2015, revenue from residential customers showed a growth of 3.3 per cent, while revenue from business customers and operators (transit revenues mainly) were lower by 4.2 and 10.7 per cent, respectively.

The change in product mix, with decline in voice services, and growth in IP and IT services, put a pressure on gross margin and during the second quarter of 2015, cost of goods and services increased by 7.3 per cent, compared with the second quarter of 2014. For the six months of 2015, cost of goods and services were by 19.5 per cent higher than a year ago due to higher volume of transit traffic and higher equipment sales.

Employee-related expenses (excluding non-recurring) for the second quarter and the first half of 2015 were higher by 7.2 and 2.8 per cent, respectively, due to higher average salary in 2015 driven by competence shift and market salary increase. Other operating expenses for the second quarter and the six months of 2015, decreased by 7.4 and 10.6 per cent, respectively.

All in all this gave an EBITDA (excluding non-recurring) for the six months of 2015 of EUR 38.3 million, a decrease by 10.1 per cent compared with the previous year. The EBITDA (excluding non-recurring) for the second quarter was 19.1 EUR million, a decrease by 10.7 per cent. EBITDA margin (excluding non-recurring) for the first six months of 2015 was 38.5 per cent.

The positive customer intake continued as well as customer's satisfaction. During April-June 2015, Teo opened 5 new customer care showrooms of a new concept in Vilnius, Šilutė, Šiauliai, Klaipėda and Elektrėnai. Marketing campaign in mass media had positive impact on Internet and TV sales in the second quarter.

By the end of June 2015, the total number of broadband Internet access (excluding Wi-Fi) users amounted to 378 thousand, an increase by 18.1 thousand over the last 12 months. Teo now has 842 thousand households passed (69 per cent of the country's households) by the FTTH network. Over the year, the number of active Internet connections over the FTTH/B network increased by 12.1 per cent and in second quarter of 2015 reached 210 thousand, meaning that 55.5 per cent of Teo active Internet customers now are having fiber-optic connections. In June 2015, the Company increased the bandwidth for its new and existing users of fiber-optic Internet plan "Premium" from 500 to 600 Mbps. During the last 12 months, number of Teo Wi-Fi connections increased by 1.7 times and amounted to 176 thousand.

The number of IPTV services users over the year increased by 27.7 thousand (or 23.8 per cent) and by the end of June 2015 amounted to 144 thousand. During the second quarter of 2015, the number of voice services subscriptions showed the lowest churn level during the last 3 years, and over the last 12 months, the total number of voice subscriptions decreased by 5.6 per cent.

During the first six months of 2015 capital investments increased by 14.4 per cent and amounted to EUR 11.9 million (EUR 10.4 million a year ago). The majority of capital investments went to development of the next generation fiber-optic access network and expansion of the core network including end customer equipment.

In May, following the resolution of the Annual General Meeting of Shareholders of 29 April 2015, dividend of the total amount of EUR 39.6 million or EUR 0.068 per share for the year 2014 were paid to Teo shareholders.

More information about the Company's activities and financial results for the first six months of 2015 is provided in TEO LT, AB Consolidated Interim Financial Statements for the period of six months ended 30 June 2015.

Information about related party transactions

Information about related party transactions is provided in Note 8 of TEO LT, AB Consolidated Interim Financial Statements for the six months period ended 30 June 2015.

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. 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). As of 30 June 2015 TeliaSonera AB had an outstanding loan granted to TEO LT, AB.

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 2015, the total amount of short-term borrowings (loan and financial liabilities related to financial leasing of premises) amounted to EUR 35.2 million, while cash amounted to EUR 16.7 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 Finance and Strategic Planning Division under policies approved by the Board. 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 2014.

Plans and forecasts

Teo will continue to have a strong focus on customer satisfaction and customer loyalty, which include sharpening up of our TV and value added services portfolio, strengthening our visibility, being close to our customers in the mass market and improvement of our end-to-end processes as well as our Online services. In Business to Business (B2B) segment main focus will be in the IT and ICT area, to take market share and introduce new IT services for both small and large business customers.

Long-term focus areas will also be to create business value through superior network connectivity, meaning transition from voice to data through future proof network access as well as increase in utilization of fiber and copper networks combined with selective fiber investments, mainly for single dwelling units and business centers. In addition, continued focus on business excellence, to improve time to market by simplify operations/processes and transform our legacy to create agility and cost efficiency. Furthermore, we will increase our focus to lead the way in responsible business by having sustainability, CSR and anti-corruption high up in our agenda.

In 2015, Teo plans to update or open in new places more than 10 showrooms of the new concept. The Company plans to invest EUR 1 million in the upgrading and opening of new showrooms during the next couple of years.

In the second half of 2015, the Company plans to open the eighth data centre, which will be built in strict compliance with high reliability level Tier III requirements. The constructed data centre will have 106 server racks; planned IT capacity is 500 kW. Servers will be cooled using an energy-efficient KyotoCooling cooling system, which is already used in another Teo data centre located in Vilnius. Investments into new data center will amount up to EUR 2.9 million.

Research and development activities

In 2015, Teo continues its on-going development and improvement of the Company's services.

Share capital

From 5 June 2014, the authorised capital of the Company amounts to 168,957,810.02 euro and consists of 582,613,138 ordinary registered shares with a nominal value of 0.29 euro each. The number of Teo shares that provide voting rights during the General Meeting is 582,613,138.

On 29 March 2015, the Annual General Meeting of Shareholders decided to change the expression of the nominal value of the Company's shares and the authorized capital in litas into expression in euro, i.e. to determine that the nominal 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.

On 20 October 2014, the authorised capital of the Company was reduced 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 194,204,380 Company's shares with the nominal value equal to the reduction amount, i.e. 194,204,380 litas. The nominal value of one Teo share the then was one litas.

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 2015) for the Annual General Meeting of Shareholders, which was held on 29 April 2015, was 11,624.

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

Shareholders' rights

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. As of 30 June 2015, the number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders amounted to 582,613,138 (before the reduction of the authorized capital on 20 October 2014 it was 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 27 May 2015, the Company paid out to the shareholders EUR 39.6 million of dividends or EUR 0.068 per share for the year 2014. Following the Law, dividends were paid to the shareholders who on the dividend record day, 14 May 2015, 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 12 February 2015, Teo upgraded its brand and opened the first customer care showrooms of a new concept. These changes reflect the Company's value and customers' expectations to use modern technologies in a simple, clear and flexible way.

The Annual General Meeting of Shareholders, held on 29 April 2015, decided to approve the audited annual consolidated financial statements of the Company for the year 2014 and to allocate the Company's profit for the year 2014 as follows: from the Company's distributable profit of EUR 39,886 thousand to allocate EUR 39,617 thousand for the dividend payment for the year 2014 or EUR 0.068 dividend per share. For annual payments (tantiemes) to six members of the Board for the year 2014 to allocate EUR 93.8 thousand, i.e. EUR 15,640 per one member of the Board.

The Annual General Meeting of Shareholders also decided to reduce the Company's obligatory reserve by EUR 5.6 million and to reallocate this amount to the Company's retained earnings. Shareholders 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 2015 and to make the assessment of the consolidated annual report of the Company for the year 2015.

As the two-year term of the Company's Board expired on 25 April 2015, TeliaSonera AB, a largest shareholder of Teo, holding 88.15 per cent of shares, proposed and shareholders re-elected Robert Andersson, Stefan Block, Claes Nycander, Tiia Tuovinen, Inga Skisaker and Rolandas Viršilas for the new two-year term of the Board.

On 5 June 2015, following the decision of the Annual General Meeting of Shareholders, held on 29 April 2015, to change the expression of the nominal value of the Company's shares and the authorized capital in litas into expression in euro, the

Register of Legal Persons of the Republic of Lithuania registered the new wording of the Company's By-Laws. From then the nominal value of one Company's share is equal to 0.29 euro and the Company's authorized capital is equal to 168,957,810.02 euro.

On 4 June 2015, the Board decided to elect Robert Andersson as the Chairman of the Company's Board for the current term of the Board, i.e. until 29 April 2017. The Board appointed the following members of the Board: Stefan Block, Tiia Tuovinen and Inga Skisaker (independent member of the Board) as members of the Audit Committee for the two-year term (but in any case not longer than until their term of the membership in the Board) and elected Stefan Block as the Chairman of the Audit Committee. Also, the Board elected the following members of the Board: Robert Andersson, Claes Nycander and Rolandas Viršilas (independent member of the Board) as members of the Remuneration Committee for the one-year term (until 4 June 2016).

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 2015	30 June 2014	Change (%)
Number of personnel (headcounts)	2,609	2,647	(1.4)
Number of full time employees	2,352	2,363	(0.5)

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.

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

Name of the company	30 June 2015	30 June 2014	Change
TEO LT, AB	1,903	1,942	(39)
UAB Lintel	694	675	19
UAB Baltic Data Center	4	14	(10)
UAB Hostex	3	10	(7)
UAB Kompetencijos Ugdymo Centras	-	1	(1)
VšĮ Ryšių Istorijos Muziejus	5	5	-
	2,609	2,647	(38)

From 1 June 2014 a new governing structure of Teo 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 UAB Baltic Data Center (BDC) and UAB Hostex were integrated into Teo.

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. More detailed information about the Collective Bargaining Agreement is provided in TEO LT, AB Consolidated Annual Report for the year ended 31 December 2014.

Managing Bodies

According to the By-laws of TEO LT, AB the managing bodies of the Company are General Meeting, Board and CEO. 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, CEO 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 CEO of the Company, sets his/her remuneration and other conditions of the employment agreement, approves his/her office regulations, induces and applies penalties to him/her. CEO 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 that are approved by CEO define the duties and authority of CEO and other officers of the Company in more details.

On 29 April 2015, the Annual General Meeting of Shareholders, upon termination of two-year term of the Board, re-elected Robert Andersson, Stefan Block, Claes Nycander, Tiia Tuovinen, Inga Skisaker and Rolandas Viršilas (all proposed by TeliaSonera AB) to the Board of the Company for the new two-year term of the Board.

On 4 June 2015, the Board elected Robert Andersson as the Chairman of the Company's Board for the current term of the Board, i.e. until 29 April 2017. The Board appointed the following members of the Board: Stefan Block, Tiia Tuovinen and Inga Skisaker (independent member of the Board) as members of the Audit Committee for the two-year term (but in any case not longer than until their term of the membership in the Board) and elected Stefan Block as the Chairman of the Audit Committee. Also, the Board elected the following members of the Board: Robert Andersson, Claes Nycander and Rolandas Viršilas (independent member of the Board) as members of the Remuneration Committee for the one-year term (until 4 June 2016).

The Board's activities

During January-June 2015, four meetings of the Board were held. All meetings were convened according to the preliminary approved schedule of the Board meetings. During all Board meetings there was quorum prescribed by legal acts, all member of the Board participated in all meetings. The Board approved financial statements for the 12 months of 2014 and 3 months of 2015, financial statements and the consolidated annual report for the year ended 31 December 2014, convoked the Annual General Meetings of Shareholders and proposed to the Annual General Meeting to allocate profit for the year 2014, to re-elect audit enterprise of the Company, to reduce the Company's obligatory reserve and to express the nominal value of the Company's shares and the authorized capital in euro. The Board also elected Chairman of the Board, members of the Audit and Remuneration Committees and Chairman of the Audit Committee; followed up implementation of the business and investment plans for the year 2015.

During the first half of 2015 two meeting of the Remuneration Committee were held. The following issues were considered during the meetings: approval of pension savings program for the Company's employees "Save with Teo", approval of the order on annual premium payouts to employees of the Company, approval of annual premium payouts to the Management Team for the year 2014, election of the Chairman and the Secretary of the Committee. All members of the Committee attended both Remuneration Committee meetings. The Chairman of the Committee chaired meetings.

During January-June 2015, two meetings of the Audit Committee were held, during which the following issues were considered: audited financial statements and annual report for the year 2014, profit allocation for the year 2014, expenses management in 2014 and plan for 2015, Teo Group treasury policy, internal audit report for the fourth quarter of 2014 and the first quarter of 2015 as well as internal audit plan for the year 2015. Both meetings also considered risk management issues including financial and IT risks, internal fraud cases and whistle blowing reports. The Audit Committee meetings were attended by all members of the Committee and meetings were chaired by the Chairman of the Audit Committee.

Four members of the Board – Robert Andersson, Stefan Block, Claes Nycander and Tiia Tuovinen – as well as CEO and Head of Finance and Strategic Planning of the Company participated in the Annual General Meeting of Shareholders on 29 April 2015.

On 29 April 2015, the shareholders resolved to assign EUR 93.8 thousand for the payment of annual payments (tantiemes) for the year 2014 to six members of the Board, i.e. EUR 15,640 per one member of the Board. As of 30 June 2015 the amount of EUR 15.6 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 EUR 15.6 thousand of tantiemes assigned for the year 2014 to one member of the Board was paid yet.

Following The Governance Code for the Companies Listed on Nasdaq OMX Vilnius stock exchange all six members of the Board are non-executive directors. Four members of the Board represent TeliaSonera Group and two members of the Board – Inga Skisaker and Rolandas Viršilas – are regarded as independent members of the Board.

Members of the Board as of 30 June 2015

Robert Andersson (born in 1960) – Chairman of the Board, member of the Board since 29 April 2014, re-elected for the two-year term on 29 April 2015 (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; AS Eesti Telekom (Estonia), Chairman of the Supervisory Council; Xfera Móviles S.A. (Spain), member of the Board, and Enea AB (Sweden), member of the Board. TeliaSonera AB (Sweden) that nominated Robert Andersson to the Board of Teo has 88.15 per cent of the share capital and votes of the Company. Robert Andersson has no direct interest in the share capital of Teo. He owns 10,000 shares of TeliaSonera AB. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Stefan Block (born in 1967) – member of the Board since 29 April 2014, re-elected for the two-year term on 29 April 2015 (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; Siminn 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, and AS Eesti Telekom (Estonia), member of the Supervisory Council. TeliaSonera AB (Sweden) that nominated Stefan Block to the Board of Teo has 88.15 per cent of the share capital and votes of the Company. Stefan Block has no direct interest in the share capital of Teo. 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 since 29 April 2014, re-elected for the two-year term on 29 April 2015 (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; Institute of Technology at University of Linköping (Sweden), Master of Science in Electrical Engineering and 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, and Svenska UMTS-Nät AB (Sweden), member of the Board. TeliaSonera AB (Sweden) that nominated Claes Nycander to the Board of Teo has 88.15 per cent of the share capital and votes of the Company. Claes Nycander has no direct interest in the share capital of Teo. 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 29 April 2015 (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), Senior Legal Counsel, Head of Competition Group Legal Affairs. Current Board assignment – Kekkilä Oy (Finland), member of the Board. TeliaSonera AB (Sweden) that nominated Tiia Tuovinen to the Board of Teo has 88.15 per cent of the share capital and votes of the Company. Tiia Tuovinen has no direct interest in the share capital of Teo. 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 29 April 2015 (nominated 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 has 88.15 per cent of the share capital and votes of the Company. Inga Skisaker has no direct interest in the share capital of Teo. She has no shareholdings that exceed 5 per cent of the share capital of any company.

Rolandas Viršilas (born in 1963) – member of the Board since 25 April 2013, re-elected for the two-year term on 29 April 2015 (nominated by TeliaSonera AB), member of the Remuneration Committee. Education – Vilnius University (Lithuania), Faculty of Mathematics, Master's degree. Employment – UAB Švyturys-Utenos Alus (Lithuania), CEO. Current Board assignments: Lithuanian Brewers' Guild (Lithuania), Chairman of the Council, and VšĮ Užstato Sistemų Administratorius, member of the Board. TeliaSonera AB (Sweden) that nominated Rolandas Viršilas as independent candidate to the Board of Teo has 88.15 per cent of the share capital and votes of the Company. Rolandas Viršilas has 75,000 shares of Teo 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 2015

Kęstutis Šliužas (born in 1972) – CEO of Teo from 1 November of 2013. Education – Vilnius University (Lithuania), Bachelor's and Master's degrees. Current Board assignment – Kaunas Technology University (Lithuania), member of the Business Council. Kęstutis Šliužas has no direct interest in the share capital of Teo. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Aleksandr Samuchov (born in 1973) – Head of Business to Business Division of Teo 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 assignment – UAB Baltic Data Center, a subsidiary of TEO LT, AB, General Manager. Aleksandr Samuchov has no direct interest in the share capital of Teo. 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 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 assignment – UAB Lietuvos Monetų Kalykla (Lithuania), member of the Board. Nerijus Ivanauskas has no direct interest in the share capital of Teo. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Andrius Šemeškevičius (born in 1976) – Head of Technology & IT Division of Teo from 18 August 2014. Education –: Vilnius Gediminas Technical University (Lithuania), Bachelor's degree in Engineering Informatics and Master's degree in Engineering Informatics. Andrius Šemeškevičius has 8,761 share of Teo that accounts to 0.0015 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.

Lars Bolin (born in 1963) – Head of Finance and Strategic Planning Division of Teo 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. 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 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. He has 450 shares of TeliaSonera AB (Sweden). 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 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: Vilnius International School (Lithuania), Chairwoman of the Council and AB Vilniaus Šilumos Tinklai (Lithuania), member of the Board. Eglė Gudelytė-Harvey has no direct interest in the share capital of Teo. 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 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. Current Board assignment – BMI Alumni Association (Lithuania), member of the Council. Antanas Bubnelis has no direct interest in the share capital of Teo. He 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 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 assignment – BMI Alumni Association (Lithuania), member of the Council. Giedrė Tarbūnienė has no direct interest in the share capital of Teo. She has no shareholdings that exceed 5 per cent of the share capital of any company.

Vytautas Bučinskas (born in 1974) – Head of Risk Management Division of Teo 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. Current Board assignment – member of the Cyber Security Council (Lithuania). Vytautas Bučinskas has no direct interest in the share capital of Teo. He 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 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 4,202 shares of Teo 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 2015, 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 Aleksandr Samuchov who is also a General Manager of UAB Baltic Data Center, a subsidiary of Teo.

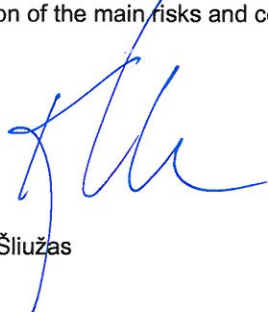
Information about compliance with the Governance Code

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 CEO. 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. Members of the Audit Committee for the two years' term and members of the Remuneration Committee for a one year term were elected in June 2015. 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, CEO 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 2015 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
CEO



Lars Bolin
Head of Finance and
Strategic Planning Division