

INTERIM CONSOLIDATED REPORT

Approved by the Board
as at 19 July 2016

Reporting period

January-June 2016

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 Telia Company Group, a telecommunication services provider in the Nordic and Baltic countries, and some markets of Eurasia.

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;
- wholesale calls origination on public telephone network provided at a fixed location;
- wholesale calls termination on individual public telephone networks provided at a fixed location;
- wholesale local access provided at a fixed location;
- wholesale central access for mass market products;
- wholesale high quality data transmission services via terminating segment;
- digital terrestrial television broadcasting transmission services provided by TEO LT, AB in the territory of the Republic of Lithuania.

Since 4 January 2016, the Company owns a 100 per cent stake in Lithuanian mobile operator Omnitel, therefore Teo is considered as SMP on the market of voice call termination on the mobile network of Omnitel.

As of 30 June 2016, **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.

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 (%)
AB Omnitel	26 November 1991, code 110305282, State Enterprise Center of Registers	T. Ševčenkos str. 25, LT-03503 Vilnius, Lithuania tel. +370 698 63333, fax. +370 5 274 5574, www.omnitel.lt	100.00	100.00
AB 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 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 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 Numerio Perkėlimas	5 September 2014, code 303386211, State Enterprise Center of Registers	Jogailos str. 9, LT- 01116 Vilnius, Lithuania	-	50.00

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.

On 4 January 2016, the Company acquired a 100 per cent stake in **Omnitel** from Telia Company AB (then known as TeliaSonera AB), which also owns 88.15 per cent of the Company shares, for EUR 220 million on a cash and debt free basis. Omnitel provides mobile telecommunications services to residential and business customers in Lithuania.

In January 2016, Baltic Data Center SIA, a dormant subsidiary of **Baltic Data Center** (BDC) in Latvia, was liquidated.

On 8 June 2016, Omnitel and Baltic Data Center changed their legal form from closed joint-stock companies (UAB) into joint-stock companies (AB). After change of legal form, the companies operate as AB Omnitel and AB Baltic Data Center.

On 9 June 2016, the Boards of Teo and its subsidiaries – Omnitel and BDC – approved the Terms of Merger of Teo, Omnitel and BDC. Based on the Terms of Merger, Teo, Omnitel and BDC will undergo a merger pursuant to Part 3 of Article 2.97 of the Civil Code of the Republic of Lithuania by the way of a merger of Omnitel and BDC (both of which will terminate their activities as legal entities after the merger) into Teo, which after the merger will continue the activities currently carried out by Teo, Omnitel and BDC.

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.

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

Numerio Perkélimas, a joint not for profit organization, established by the four Lithuanian telecommunication companies Bité Lietuva, Omnitel, Tele2 and Teo (enterprises hold a 25 per cent stake each), from 1 January 2016 together with UAB Mediafon administers the central database to ensure telephone number portability.

On 29 April 2016, the Company transferred its ownership rights of VšĮ Ryšių Istorijos Muziejus (The Communications History Museum) to Kaunas City Municipality free of charge. VšĮ Ryšių Istorijos Muziejus, a not-for-profit organisation, was established in 2010 for the management of the Communications History Museum in Kaunas funded by the Company. Teo was a sole founder and owner of VšĮ Ryšių Istorijos Muziejus.

In July 2016, Omnitel transferred its 50 per cent stake of ownership rights of VšĮ SOS Projektai to Swedbank (Lithuania) free of charge. SOS Projektai was jointly established by Omnitel and Swedbank (each owning a 50 per cent stake) as a not for profit organisation for implementation of a professional volunteering project "Kam to reikia?!" ("Who needs it?!").

TEO LT, AB has no branches or 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 Vilnius stock exchange (code: TEO1L) as of 30 June 2016:

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 Vilnius stock exchange was reduced from 776,817,518 to 582,613,138. Nasdaq 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 100 per cent (except VšĮ Numerio Perkélimas and VšĮ SOS Projektai) owned by the Company.

Information about results of the Company's activities

As on 4 January 2016, TEO LT, AB acquired a 100 per cent stake in Omnitel, financial data of Teo Group for the second quarter and the first half of 2016 presented herein is the consolidated data of TEO LT, AB and its subsidiaries including Omnitel. Comparable data of financial statements for the second quarter and the first half of 2015 is the actual reported data of Teo Group for those periods. In order to present an approximate measure of the performance of the combined group, the comparable combined data of comprehensive income statement, as it is used in the Management Report of Consolidated Financial Statements for the second quarter and the first half of 2015, is data combined by simple aggregation after elimination of intragroup transactions as if Omnitel was at the time part of the Teo Group.

Total consolidated revenue in the second quarter of 2016 amounted to EUR 84.2 million, up by 3.6 per cent over the comparable combined revenue of EUR 81.2 million in the second quarter of 2015. Consolidated EBITDA, excluding non-recurring items, in the second quarter of 2016 reached EUR 29.1 million, up by 11.1 per cent over comparable combined EBITDA, excluding non-recurring items, of EUR 26.2 million in the second quarter of 2015.

Total consolidated revenue in the first half of 2016 amounted to EUR 166.7 million, up by 2.8 per cent over the comparable combined revenue of EUR 162.1 million in the first half of 2015. Consolidated EBITDA, excluding non-recurring items, in the first half of 2016 reached EUR 58.3 million, up by 11 per cent over comparable combined EBITDA, excluding non-

recurring items, of EUR 52.6 million in the first half of 2015. During the first six months of 2016, free cash flow amounted to EUR 20.8 million and was by 1.4 times higher than a year ago.

The synergy of Teo and Omnitel operating together is giving positive results: with the intake of new broadband Internet, IPTV and post-paid mobile communication customers, and growing mobile data usage, revenues continue to grow, operating expenses are under control and profitability of operations is increasing.

With the number of broadband Internet customers reaching almost 400 thousand, revenue from fixed services during the first half of 2016 increased by 3.3 per cent and revenue from mobile services went up by 10.1 per cent, driven by the persistently growing appetite for mobile data (more than 1.5 times growth) not only domestically but also while travelling abroad with the “roam like at home” offer in the Nordic countries and a special Internet offer for the U.S.A.

Omnitel completed the installation and launch of 300 new LTE 4G base stations, and now has nearly 1,000 4G base stations across Lithuania. It has been officially confirmed by the Communications Regulatory Authority that Omnitel is the first to cover the entire populated territory of the country with 4G connectivity – namely, 97 per cent. This means that the fastest 4G mobile Internet is currently available to nearly 100 per cent of the population in Lithuania. According to this indicator, Lithuania is among the world leaders.

In addition, in June the speed of 4G LTE technology in Vilnius and the surrounding areas was increased by 30 per cent, and by the end of June this was rolled out across Lithuania (with the exception of major cities, where the 4G speed will be increased during the summer in each city individually). According to the latest data of the Communications Regulatory Authority, the average 4G speed in the Omnitel network amounts to 36 Mb/s.

During the first half of 2016, investments into the development of the mobile network amounted to EUR 7.2 million (compared to EUR 3.3 million a year ago), while the total combined investments stood at EUR 23.5 million, up by 31.3 per cent over the comparable combined investments of EUR 17.9 million a year ago.

During the second quarter of 2016, the last remaining analogue fixed telephone lines in remote areas were connected to digital exchanges and Teo fully digitalised its fixed telephony network. Teo also optimised its DVB-T rebroadcasting by increasing the capacity of its own DVB-T network by 30 per cent, using 2 instead of 3 networks for rebroadcasting of digital terrestrial TV programs as of the 1st of July 2016.

Teo and Omnitel entered into the largest Internet of Things (IoT) project in Lithuania – to ensure smart electricity metering data transmission and management services for business customers of Energijos Skirstymo Operatorius (ESO). Omnitel will provide ESO with up to 80 thousand SIM cards adapted for the IoT.

The legal merger of Omnitel and the Baltic Data Center (BDC) with Teo is on track and in progress: following Teo shareholders' approval to go ahead with reorganisation, Omnitel and BDC changed their legal status from closed joint-stock (UAB) into joint-stock (AB) companies, and the Boards of Teo, Omnitel and BDC have approved the merger terms.

More information about the Company's activities and financial results for the first six months of 2016 is provided in TEO LT, AB Consolidated Interim Financial Statements for the period of six months ended 30 June 2016.

Information about related party transactions

Information about related party transactions is provided in Note 10 of TEO LT, AB Consolidated Interim Financial Statements for the six months period ended 30 June 2016.

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 Telia Company Group and top management of the Company. Companies that belong to Telia Company 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, Telia Company AB, are related to Telia Company Group that provides telecommunication services in Nordic and Baltic countries, and some markets of Eurasia. The main buyers and providers of telecommunications services to Teo Group are Telia Carrier (Sweden), Telia Eesti AS (Estonia), LMT (Latvia),

TeliaSonera Finland Oyj (Finland). As of 30 June 2016, Telia Company AB had an outstanding loan of EUR 77 million granted to Omnitel.

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.

On 18 December 2015, the Company signed an agreement with SEB Bank and Danske Bank for a long-term loan of EUR 150 million to finance an acquisition of Omnitel shares. As of 30 June 2016, the total amount of borrowings amounted to EUR 227 million, while cash amounted to EUR 33.2 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 employees responsible for the Group's treasury management at Finance unit under policies approved by the Board of Directors. The employees responsible for the Group's treasury management 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 2015.

Plans and forecasts

Year 2016 is a year of a new generation telco, combining fixed and mobile communications as well as content and IT services, creation. Integration of Teo and Omnitel activities shall ensure creation of the value to existing and potential customers, and secure consistent revenue growth. Technological leadership and convergence will create new customer experience through higher value services. Consistent customer's experience at any contact point and consistency in all channels is another strategic priority of a new business.

The Company will continue business transformation program that was launched in 2015 to simplify processes and service portfolio as well as upgrade of business support systems. The speed of decision making and implementation remains of high priority, as well as corporate culture oriented towards satisfaction of customer needs. Eventually customer is interested only in the ultimate result: services easily available anywhere, anytime and on any device.

In terms of business customers, we are seeking for long-term partnership and by offering the best information and communication technology (ICT) solution we provide them with opportunity to concentrate on doing their own business. We are seeking to be the best IT advisor to our customers.

Through value based and result oriented leadership we are seeking to create a digital ecosystem in Lithuania that would make proud our customers and all residents of the country.

Research and development activities

There were no major research and development projects undertaken during 2016, except of the on-going development and improvement of the Company's services.

Share capital

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.

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 (19 April 2016) for the Annual General Meeting of Shareholders, which was held on 26 April 2016, was 11,495.

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 June 2016:

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 (%)
Telia Company AB, 169 94 Solna, 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 2016, the number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders amounted to 582,613,138. 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 24 May 2016, the Company paid out to the shareholders EUR 5.8 million of dividends or EUR 0.01 per share for the year 2015. Following the Law, dividends were paid to the shareholders who on the dividend record day, 10 May 2016, 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.

Other material events during the reporting period

On 26 April 2016, the Annual General Meeting of Shareholders decided to approve the audited annual consolidated and separate financial statements of the Company for the year 2015, prepared according to the International Financial Reporting Standards. The Shareholders also approved the Company's profit allocation for the year 2015 and allocated EUR 5,826 thousand from the Company's distributable profit for the payment of dividends for the year 2015, or EUR 0.01 dividend per share. The amount of EUR 31,280 was allocated for tantiems for the year 2015 to two independent members of the Board – Inga Skisaker and Rolandas Viršilas, i.e. EUR 15,640 per one member of the Board.

The Annual General Meeting of Shareholders also approved the preparation of reorganisation terms, under which the Company's subsidiaries Omnitel and Baltic Data Center would be merged into TEO LT, AB.

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 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 2016	30 June 2015	Change (%)
Number of personnel (headcounts)	3,083	2,609	18.2
Number of full time employees	2,750	2,352	16.9

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 2016	30 June 2015	Change
TEO LT, AB	1,801	1,903	(102)
AB Omnitel	572	-	572
AB Baltic Data Center	2	4	(2)
UAB Lintel	708	694	14
UAB Hostex	-	3	(3)
VšĮ Ryšių Istorijos Muziejus	-	5	(5)
	3,083	2,609	474

In January 2016, the Company acquire Omnitel, while in December 2015 Hostex was merged into Baltic Data Center and in April 2016 Ryšių Istorijos Muziejus (Communications History Museum) was handed over to Kaunas City Municipality.

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 2015.

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 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 remuneration and other conditions of the employment agreement, approves his office regulations, induces and applies penalties to him. 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 26 April 2016, the Annual General Meeting of Shareholders elected Hannu-Matti Mäkinen, General Counsel and Head of Legal of Region Europe at Telia Company AB, to the Board of Teo for the current term of the Board following the resignation of Tiia Tuovinen from the Board as of 25 April 2016. Notification about Tiia Tuovinen, General Counsel of Global Services and Operations (GSO) at Telia Company AB, resignation was received on 23 March 2016. Telia Company AB, as the largest shareholder of Teo, proposed Hannu-Matti Mäkinen for election to the Board.

The Board's activities

During January-June 2016, four ordinary and two extraordinary meetings of the Board were held. Three ordinary meetings were convened according to the preliminary approved schedule of the Board meetings, the date of one ordinary meeting for approval of audited annual financial results was changed and two extraordinary meeting were convened following the procedure provided by the Regulation of the Company's Board Activities for convocation of extraordinary meetings. During all Board meetings there was quorum prescribed by legal acts: all member of the Board participated in three meetings whereas one member of the Board did not attend one meeting and another member of the Board was missing at two other meetings. The Board approved financial statements for the 12 months of 2015 and 3 months of 2016, financial statements and the consolidated annual report for the year ended 31 December 2015, convoked the Annual General Meetings of Shareholders and proposed to the Annual General Meeting to allocate profit for the year 2015. The Board also approved Terms of Merger of Teo, Omnitel and BDC by the way of merger of Omnitel and BDC into Teo, and handing over of ownerships rights in VšĮ Ryšių Istorijos Muziejus and VšĮ SOS Projektai. The Board followed up implementation of the business and investment plans for the year 2016.

During the first half of 2016 two meeting of the Remuneration Committee were held. The following issues were considered during the meetings: approval of Teo Group Remuneration Policy, approval of the annual variable payout for 2015 to the top management of Teo, approval of the Annual Variable Pay Instructions, labour and salary market trends, update on pension plan „Save with Teo“. One member of the Committee was missing at the first meeting, whereas all members attended the second meeting of the Committee. The Chairman of the Committee chaired meetings.

During January-June 2016, two meetings of the Audit Committee were held, during which the following issues were considered: report and conclusions by external auditors regarding the financial statements for the year 2015, results of legal due diligence of Omnitel, internal audit report of the year 2015 and beginning of 2016 and internal audit plan for the year 2016. In addition, there were reviewed identified risks and action plans related to them, internal fraud cases and whistle blowing reports. One member of the Committee was missing at both meetings. The meetings were chaired by the Chairman of the Committee.

Three members of the Board – Robert Andersson, Stefan Block and Claes Nycander – and nominee for election to the Board, Hannu-Matti Mäkinen, as well as CEO of the Company participated at the Annual General Meeting of Shareholders on 26 April 2016.

On 26 April 2016, the shareholders resolved to assign the amount of EUR 31,280 for tantiems for the year 2015 just to independent members of the Board – Inga Skisaker and Rolandas Viršilas, i.e. EUR 15,640 per one member of the Board. As of 30 June 2016, the amount of EUR 15.6 thousand of tantiemes assigned for the year 2010 was not paid to the then member of the Board who had not provided written requests to the Company.

Following The Governance Code for the Companies Listed on Nasdaq Vilnius stock exchange all six members of the Board are non-executive directors. Four members of the Board represent Telia Company 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 2016

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 Telia Company 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 – Telia Company AB (Sweden), Executive Vice President and Head of Region Europe. Current Board Assignments: TeliaSonera Finland Oyj (Finland), Chairman of the Board; Telia Norge AS (Norway), Chairman of the Board; Telia Eesti AS (Estonia), Chairman of the Supervisory Council; Xfera Móviles S.A. (Spain), member of the Board, and Enea AB (Sweden), member of the Board. Telia Company 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 Telia Company 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 Telia Company AB), Chairman of the Audit Committee. Education – University of Stockholm (Sweden), Bachelor of Science in Business and Administration. Employment – Telia Company AB (Sweden), Chief Financial Officer of Region Europe. Current Board Assignments: Telia Danmark A/S (Denmark), Chairman of the Board; Síminn Denmark A/S (Denmark), member of the Board; Telia Finance AB (Sweden), member of the Board; Telia Norge AS (Norway), member of the Board; Xfera Móviles S.A. (Spain), member of the Board; LMT SIA (Latvia), member of the Supervisory Council; Telia Eesti AS (Estonia), member of the Supervisory Council. Telia Company 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 Telia Company 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 – Telia Company AB (Sweden), Chief Technology Officer of Region Europe. Current Board Assignments: TT Nätverket A/S (Denmark), Chairman of the Board; Systecon AB (Sweden), member of the Board; Svenska UMTS-Nät AB (Sweden), member of the Board; LMT SIA (Latvia), Chairman of Supervisory Council. Telia Company 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.

Hannu-Matti Mäkinen (born in 1970) – member of the Board since 26 April 2016 (nominated by Telia Company AB). Education: University of Arizona (U.S.A), College of Law, LL.M (Masters of Laws) in International Trade Law, and University of Lapland (Finland), School of Law, LL.B (Bachelor of Laws) and LL.M (Masters of Laws) in Finnish and EU-Law. Employment – Telia Company AB (Sweden), General Counsel Region Europe and Head of Legal of Region Europe. Current Board Assignments: TeliaSonera Finland Oyj (Finland), member of the Board; Telia Danmark A/S (Denmark), member of the Board; Tiltis Communications A/S (Denmark), member of the Board; Telia Norge AS (Norway), member of the Board; Telia Eesti AS (Estonia), member of the Supervisory Council; Latt telecom SIA (Latvia), member of the Supervisory Council. Telia Company AB (Sweden), that nominated Hannu-Matti Mäkinen to the Board of TEO LT, AB, has 88.15 per cent of TEO LT, AB share capital and votes. Hannu-Matti Mäkinen 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.

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 Telia Company 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. Telia Company 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 Telia Company 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 Sistemos Administratorius, member of the Board. Telia Company 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 2016

Kęstutis Šliužas (born in 1972) – CEO at Teo from 1 November of 2013. Education – Vilnius University (Lithuania), Bachelor's and Master's degrees. Involvement in activities of other entities: AB Omnitel (Lithuania), CEO; Kaunas Technology University (Lithuania), member of the Business Council; Vilnius Tech Park (Lithuania), member of the Council; Association INFOBALT (Lithuania), member of the Board; Baltic Institute of Corporate Governance, member of the Board. 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.

Petteri Ahonen (born in 1970) – Head of B2B at Teo from 1 January 2016. Education: Swedish School of Economics and Business Administration (Helsinki, Finland), Master of Science in Economics; Espoo Commercial College (Espoo, Finland), Commercial Diploma. Involvement in activities of other entities – AB Omnitel (Lithuania), Head of B2B. Petteri Ahonen 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.

Norbertas Žioba (born in 1973) – Head of B2C at Teo from 1 January 2016. Education: Durham University (United Kingdom), Business School, Master in Business Administration (MBA); Vytautas Magnus University (Lithuania), Faculty of Social Sciences, Student for Master in Business Law; Vytautas Magnus University (Lithuania), Faculty of Business and Management, Bachelor of Science in Business Administration and Management. Involvement in activities of other entities – AB Omnitel (Lithuania), Head of B2C. Norbertas Žioba has 3601 share of TEO LT, AB that accounts to 0.0006% 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.

Andrius Šemeškevičius (born in 1976) – Head of Technology at Teo from 18 August 2014. Education – Vilnius Gediminas Technical University (Lithuania), Bachelor's degree in Engineering Informatics and Master's degree in Engineering Informatics. Involvement in activities of other entities – AB Omnitel (Lithuania), Head of Technology. 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 has no shareholdings that exceed 5 per cent of the share capital of any company.

Laimonas Devyžis (born in 1982) – Head of Finance at Teo from 1 January 2016. Education: ACCA (Association of Chartered and Certified Accountants) (Glasgow, UK); Stockholm School of Economics in Riga (Latvia), Bachelor of Science in Economics & Business Administration. Involvement in activities of other entities: AB Omnitel (Lithuania), member of the Board and Head of Finance; AB Baltic Data Center (Lithuania), member of the Board; UAB LD Corporate Consulting (Lithuania), 100 per cent owner and Director. Laimonas Devyžis has no direct interest in the share capital of TEO LT, AB, and has no other shareholdings that exceed 5 per cent of the share capital of any company.

Ramūnas Bagdonas (born in 1974) – Head of Human Resources at Teo from 1 June 2014. Education: Vytautas Magnus University (Lithuania), Master of Business Administration; Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration. Involvement in activities of other entities – AB Omnitel (Lithuania), Head of Human Resources. Ramūnas Bagdonas has no direct interest in the share capital of Teo. He has 450 shares of Telia Company AB (Sweden). He has no shareholdings that exceed 5 per cent of the share capital of any company.

Giedrė Kaminskaitė-Salters (born in 1978) – Head of Legal at Teo from 7 December 2015. Education: Maastricht University (The Netherlands), Doctor of Law; BPP Law School, London (United Kingdom), law conversion studies, juris doctor equivalent; Oxford University (United Kingdom), MPhil in Russian and East European Studies; London School of Economics (United Kingdom), Bachelor of Science in International Relations. Involvement in activities of other entities: AB Omnitel (Lithuania), member of the Board and Head of Legal; AB Baltic Data Center (Lithuania), member of the Board. Giedrė Kaminskaitė-Salters 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.

Audronė Mažeikaitė (born in 1970) – Head of Corporate Affairs at Teo from 1 January 2016. Education: Lugano University (Switzerland), Executive Master of Science in Communications Management; Durham University (United Kingdom), Master of Business Administration; Vilnius University (Lithuania), Diploma in Economic Analysis. Involvement in activities of other entities – AB Omnitel (Lithuania), Head of Corporate Affairs. Audronė Mažeikaitė 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.

Mantas Goštautas (born in 1981) – Head of Business Development at Teo from 17 August 2015. Education: Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration; CIMA (Chartered Institute of Management Accounting) (London, UK), Certificate in Business Accounting; Stockholm School of Economics in Riga (Latvia), Bachelor in Economics and Business Administration. Involvement in activities of other entities – AB Omnitel (Lithuania), Head of Business Development. Mantas Goštautas 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 Byčkovas (born in 1977) – Head of Competitive Customer Operations at Teo from 1 January 2016. Education – Vilnius University (Lithuania), Master's Degree in Management and Business Administration. Involvement in activities of other entities – AB Omnitel (Lithuania), Head of Competitive Customer Operations. Andrius Byčkovas 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.

Vytautas Bučinskas (born in 1974) – Head of Risk at Teo from 1 June 2014. Education: Baltic Management Institute (BMI) (Lithuania), Executive Master of Business Administration; Kaunas Technology University (Lithuania), Bachelor of Management of Production and Master of Marketing. Involvement in activities of other entities: AB Omnitel (Lithuania), Head of Risk; Member of the Cyber Security Council (Lithuania); Deputy Chairman of INFOBALT (Lithuania) Cybersecurity Committee; Deputy Chairman of European Telecommunications Network Operator's (ETNO) Association Cybersecurity Committee. 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.

During January–June 2016, 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.

Information about compliance with the Governance Code

TEO LT, AB essentially follows a recommendatory Corporate Governance Code for the Companies Listed on Nasdaq 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. Current 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 of them 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 Laimonas Devyžis, Head of Finance 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 2016 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

Laimonas Devyžis
Head of Finance