

TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015
(UNAUDITED)

Beginning of the financial year	1 January 2015
End of reporting period	30 September 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 third quarter and nine months of 2015:

"In the third quarter of 2015, Teo net sales (EUR 51.1 million) showed an increase by 3.3 per cent (EUR 1.6 million) compared with the same period a year ago, driven by a 32.8% growth in IT revenues. Revenue from residential customers showed a growth of 6.6 per cent, while revenue from business customers and other operators grew by 0.4 per cent. The customer intake continued to accelerate and during the third quarter of 2015 Teo delivered the highest IPTV and broadband Internet customers' net increase during the last 3 years.

During the quarter actions were taken to reduce operating expenses (excl. COGS), with reduction of number of full time employees (FTE) at the end of the quarter (that will show effect in employee related expenses in the next period), as well as other expenses that went down by 3.6 per cent, compared with the third quarter of 2014.

EBITDA (excl. non-recurring items) for the third quarter of 2015, compared with third quarter of 2014, declined by EUR 0.8 million (or 4 per cent) due to the product mix changes with declining revenue from fixed voice and increased revenue from IT and IPTV services, giving lower gross margin. EBITDA (excl. non-recurring) in the third quarter of 2015 was by 5.3% higher than EBITDA in the second quarter of 2015.

During July-September 2015, revenue from retail fixed voice telephony services continued to decline by 11 per cent in both B2B and B2C segments. However, disconnection of telephone lines showed the lowest level during the last 3 years. Revenue from voice transit increased by 4.6 per cent. Revenue from Internet services showed a growth of 2.8 per cent and revenue from IPTV services increased by 22 per cent due to continuous growth in our customer base. Quarterly net increase of broadband Internet and IPTV subscriptions (6 and 8.4 thousand, respectively) was the best during the past 3 years. This is a result of marketing campaigns, improved customer satisfaction and expanded retail sales places. Over the year, number of FTTH Internet customers increased by 24 thousand (a growth by 12 per cent) and by the end of September 2015 it amounted to almost 218 thousand. Number of IPTV customer increased by almost 29 thousand (or 23 per cent) and exceeded 152 thousand. During the third quarter of 2015, revenue from IT services showed a growth of 32.8 per cent as a result of high IT goods sales in our Online shop (B2C) and also in B2B segment.

Product mix (lower fixed voice traffic and higher IT goods sales, increase in transit traffic and IPTV subscriptions) had an impact on cost of goods and services (COGS) which during the third quarter of 2015 increased by 12.8 per cent (EUR 1.7 million).

During the third quarter of 2015, the Company reduced number of employees, but competence shift and pressure on salaries especially in the IT market, resulted in increase of employee related expenses (excl. non-recurring items) by 9.7 per cent. Other operating expenses went down by 3.6 per cent.

Investment into next generation fiber-optic access network, IT and in IPTV continued, and during the nine months of 2015 capital investments increased by 14.5 per cent and amounted to EUR 20.5 million.

During the third quarter of 2015, Teo continued to optimise and improve its customer care. A new customer care showrooms of a new "Smart Teo Home" concept were opened in Telšiai, shopping centre Ozas (with special focus on business customers) in Vilnius and shopping centre Saules Miestas in Šiauliai."

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

KEY FIGURES OF TEO GROUP

Financial figures	January-September		Change (%)			
	2015	2014				
Revenue (EUR thousand)	150,433	148,849	1.1			
EBITDA (EUR thousand)	55,902	59,197	(5.6)			
EBITDA margin (%)	37.2	39.8				
<i>EBITDA excluding non-recurring items (EUR thousand)</i>	58,347	63,458	(8.1)			
<i>EBITDA margin excluding non-recurring items (%)</i>	38.8	42.6				
Operating profit (EUR thousand)	28,138	32,133	(12.4)			
Operating profit margin (%)	18.7	21.6				
Profit before income tax (EUR thousand)	27,893	32,194	(13.4)			
Profit before income tax (%)	18.5	21.6				
Profit for the period (EUR thousand)	24,874	28,780	(13.6)			
Profit for the period margin (%)	16.5	19.3				
Earnings per share (EUR)	0.043	0.037	15.2			
Number of shares (thousand)	582,613	776,818	(25.0)			
Cash flow from operations (EUR thousand)	46,668	53,568	(12.9)			
Operating free cash flow (EUR thousand)	22,184	31,096	(28.7)			
Financial ratios	30-09-2015	30-09-2014				
Return on capital employed (%)	13.8	14.5				
Return on average assets (%)	13.4	13.0				
Return on shareholders' equity (%)	14.9	13.0				
Operating cash flow to sales (%)	31.0	36.0				
Gearing ratio (%)	4.8	(18.5)				
Debt to equity ratio (%)	11.2	0.2				
Current ratio (%)	82.5	402.5				
Rate of turnover of assets (%)	71.4	62.0				
Equity to assets ratio (%)	80.2	90.8				
Operating figures	30-09-2015	30-09-2014	Change (%)			
Number of fixed telephone lines in service	506,725	533,393	(5.0)			
Number of broadband Internet connections (FTTB, FTTH, DSL and other excluding Wi-Fi)	384,272	364,867	5.3			
Number of TV services customers	201,719	181,283	11.3			
Number of personnel (head-counts)	2,592	2,651	(2.2)			
Number of full-time employees	2,290	2,378	(3.7)			
Breakdown of Teo Group revenue by customers	July-September		Change (%)	January-September		Change (%)
	2015	2014		2015	2014	
Business to Consumer	24,379	22,867	6.6	71,548	68,999	3.7
Business to Business	25,738	25,639	0.4	76,178	75,792	0.5
Other	951	928	2.5	2,707	4,058	(33.3)
Total	51,068	49,434	3.3	150,433	148,849	1.1

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

Breakdown of Teo Group revenue by services	July-September		Change (%)	January-September		Change (%)
	2015	2014		2015	2014	
Voice telephony services	18,048	19,124	(5.6)	55,895	59,297	(5.7)
Internet services	13,674	13,306	2.8	40,675	40,054	1.6
Data communication and network capacity services	5,349	5,574	(4.0)	16,142	17,092	(5.6)
TV services	5,194	4,546	14.3	15,066	13,443	12.1
IT services	7,768	5,850	32.8	19,723	14,330	37.6
Other services	1,035	1,034	0.1	2,932	4,633	(36.7)
Total	51,068	49,434	3.3	150,433	148,849	1.1

REVENUE

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

The **total revenue** for the third quarter of 2015 was EUR 51.1 million, an increase by 3.3 per cent over the total revenue of EUR 49.4 million for the third quarter of 2014.

The total revenue for the nine months of 2015 were by 1.1 per cent higher than revenue of EUR 148.8 million for the same period a year ago and amounted to EUR 150.4 million. The total revenue excluding revenue from continuously declining voice telephony services increased by 5.6 per cent.

Revenue from services provided to residential customers during January-September 2015, compared with the same period a year ago, increased by 3.7 per cent, and revenue from services provided to business customers and other telecommunication operators went up by 0.5 per cent.

Share of revenue from non-voice telephony services continued to grow and amounted to 62.8 per cent of the total revenue for the nine months of 2015. Share of revenue from Internet, TV and IT services continued to grow and reached 27, 10 and 13.1 per cent, respectively. Share of revenue from data communication and network capacity services, and other services amounted to 10.7 and 1.9 per cent, respectively. Share of revenue from voice telephony services shrank to 37.2 per cent of the total revenue.

During the nine months of 2015, revenue from voice transit services, compared with a same period a year ago, increased by 8.6 per cent, but revenue from retail voice telephony services went down by 12.5 per cent and resulted in a decrease of 5.7 per cent of revenue from **voice telephony** services.

During January-September 2015, the total number of main telephone lines in service decreased by 19.2 thousand, while over the last twelve months – by 26.7 thousand lines.

Total voice telephony traffic volume generated by residential and business customers during the nine months of 2015, compared with the nine months of 2014, decreased by 13.5 and 7.5 per cent, respectively, while total volume of calls to mobile operators' networks increased by 18.3 per cent due to attractive payment plans for calls to mobile networks.

During January-September 2015, the total number of **broadband Internet access** (excluding Wi-Fi) users increased by 13.7 thousand, while over the last twelve months – by 19.4 thousand.

Over the year the number of Internet connections over the next-generation fiber-optic network using FTTH

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(Fiber to the home) and FTTB (Fiber to the building) technologies increased by 12.3 per cent and reached 218 thousand at the end of September 2015, while the number of copper DSL connections eased by 2.6 per cent to 167 thousand.

By the end of September 2015, the number Internet connection over the fiber-optic access network amounted to 56.6 per cent of 384 thousand of Teo broadband Internet connections (excluding Wi-Fi).

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 nine months of 2014, revenue from **data communication** services alone declined by 2.2 per cent, while revenue from **network capacity** services alone decreased by 9.7 per cent.

During January-September 2015, the number of IPTV services users increased by 21 thousand, while over the year by 28.6 thousand and by the end of September 2015 amounted to 152 thousand. During the last twelve months number of digital terrestrial television (DVB-T) users eased by 8.2 thousand and amounted to 49 thousand. Over the year, the total number of **television** service customers went up by 20.4 thousand.

From 1 October 2015, the Company's Internet television platform "Interneto.tv" was complemented with sports, news, fashion, interior design and entertainment shows of DELFI TV, while starting from mid-October – with another four music and movie channels for children.

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 2.2 times. This is due to a more than tenfold increase in the range of products, convenient and simple purchase of equipment at Teo online shop, 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 35.6 per cent due to termination of some contracts in 2014, while revenue from other non-core business services decreased by 37.7 per cent.

In 2015, the Company upgraded video surveillance (CCTV) systems in the towns and districts of Kretinga and Šilutė.

Teo Group's **other income** in 2014 consisted 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 half of 2015 increased by 2.6 per cent compared with the first half of 2014, and amounted to EUR 308 million.

On 30 June 2015, Internet penetration per 100 residents of Lithuania was 39.4 per cent (36.8 per cent a year ago), while the penetration of broadband Internet using fixed connection was 28 per cent (26.6 per cent a year ago). Pay-TV penetration per 100 households was 55.7 per cent (55.2 per cent a year ago), and the penetration of fixed voice telephony lines per 100 residents – 19.3 per cent (20 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 (%)	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Fixed voice telephony services	90.1	90.8	94.0	94.0
Fixed Internet access services	46.3	46.1	56.3	55.8
Internet access services (total)	33.0	33.3	41.9	44.0
Pay-TV services (total)	27.1	24.6	33.1	29.6
Network interconnection services	n/a	n/a	20.1	26.3
Data communication services	n/a	n/a	77.2	56.7
Leased line services	n/a	n/a	55.0	58.6

OPERATING EXPENSES

During the third quarter of 2015 **cost of goods and services** increased by 12.8 per cent, compared with the third quarter of 2014, due to higher volumes of transit traffic and higher IT equipment sales. Consequently, cost of goods and services for the nine months of 2015 were by 17.1 per cent higher than a year ago.

Operating expenses (excluding cost of goods and services) for the third quarter of 2015 were by 10.1 per cent higher than total operating expenses for the third quarter of 2014, while operating expenses (excluding cost of goods and services) for the nine months of 2015 were by 3.1 per cent lower than a year ago.

Operating expenses (excluding cost of goods and services, and non-recurring items) for the nine-months of 2015 were just by 0.4 per cent higher than in 2014.

During July-September 2015, the Company reduce the total number of employees, but competence shift and pressure on salaries especially in IT area, and higher costs for bonus and vacation accruals, resulted that **employee-related expenses** for the third quarter of 2015 were by 17.1 per cent higher, while employee-related expenses for the nine months of 2015 were lower by 0.7 per cent than a year ago. Employee-related expenses (excluding one-time redundancy pay-outs) for the third quarter and the nine months of 2015 were higher by 9.7 and 4.9 per cent, respectively, than a year ago due to higher average salary in 2015.

The non-recurring employee-related expenses during the nine months of 2015 amounted to EUR 2.4 million (EUR 4.3 million a year ago).

During the nine months of 2015, the total number of employees (headcount) in Teo Group went down by 39, while over the year – by 59 from 2,651 to 2,592. In terms of full-time employees, the total number of employees during January-September of 2015 went down by 92, while over the last twelve months – by 88 from 2,378 to 2,290.

Other expenses for the third quarter and the nine months of 2015 decreased by 3.6 and 8.3 per cent, respectively.

EARNINGS

EBITDA for the third quarter of 2015 decreased by 8 per cent to EUR 18.8 million over EUR 20.4 million in the third quarter of 2014, but was higher by 2.7 per cent than EBITDA for the second quarter of 2015. EBITDA margin for the third quarter of 2015 amounted to 36.8 per cent (41.4 per cent in 2014).

EBITDA for the nine months of 2015 went down by 5.6 per cent to EUR 55.9 million over EUR 59.2 million for the same period year ago. EBITDA margin declined and amounted to 37.2 per cent (39.8 per cent in 2014).

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Over the year, EBITDA (excluding non-recurring items) decreased by 8.1 per cent while EBITDA margin (excluding non-recurring items) stood at 38.8 per cent.

Depreciation and amortisation charges were by 1.2 and 2.6 per cent higher during the third quarter and the nine months of 2015, respectively, compared with the depreciation and amortisation charges during the respective periods a year ago. In January-September of 2015, depreciation and amortisation charges amounted to 18.5 per cent of total revenue (18.2 a year ago).

Operating profit (EBIT) in the third quarter of 2015, compared with the same period a year ago, was down by 15.4 per cent and in the nine months of 2015 – by 12.4 per cent. Operating profit margin for the third quarter of 2015 was 18.8 per cent (23 per cent a year ago) and for the nine months of 2015 – 18.7 per cent (21.6 per cent in 2014). Operating profit (excluding non-recurring items) in January-September 2015 was by 16 per cent lower than for the same period in 2014, and operating profit margin (excluding non-recurring items) was 20.3 per cent.

Net financial income in January-September of 2015 was negative and amounted to EUR 245 thousand.

Profit before income tax in the third quarter of 2015, compared with the third quarter of 2014, went down by 15.8 per cent and amounted to EUR 9.6 million (EUR 11.4 million a year ago). Profit before income tax in the nine months of 2015 was down by 13.4 per cent and amounted to EUR 27.9 million (EUR 32.2 million a year ago). Profit before income tax (excluding non-recurring items) was by 16.8 per cent lower than during the nine months 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 nine months of 2015 amounted to EUR 1.4 million (EUR 1.8 million in 2014). **Income tax expenses** for the nine months of 2015 were by 11.6 per cent lower than a year ago.

Profit for the period in July-September 2015 amounted to EUR 8.6 million, while a year ago it was EUR 10.3 million, a decrease by 16.6 per cent. The profit margin for the third quarter of 2015 was 16.9 per cent (20.9 per cent a year ago). Profit for the period in January-September 2015 amounted to EUR 24.9 million, a decrease by 13.6 per cent over the profit of EUR 28.8 million for the same period year ago. The profit margin was 16.5 per cent (19.3 per cent a year ago). Profit for the period (excluding non-recurring items) was by 17.3 per cent lower than in January-September 2014 and profit margin (excluding non-recurring items) was 18.2 per cent.

BALANCE SHEET AND CASH FLOW

During January-September 2015, **total assets** of Teo Group decreased by 1.4 per cent.

Total **non-current** assets declined by 1.4 per cent and amounted to 83.6 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 1.6 per cent and amounted to 16.4 per cent of the total assets, whereof cash alone represented 5.1 per cent of total assets.

Due to dividend payment, **shareholders' equity** decreased by 6.1 per cent and amounted to 80.2 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.

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

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.

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 third quarter of 2015, the Company repaid EUR 10 million of the short-term loan of EUR 35 million borrowed for dividends payment. At the end of September 2015, total amount of short-term **borrowings** (loan and financial liabilities related to financial leasing of premises) amounted to EUR 25.1 million, while cash amounted to EUR 14.4 million.

Net **cash flow from operating activities** in the nine months of 2015 was by 12.9 per cent lower than that for same period of 2014. **Operating free cash flow** (operating cash flow excluding capital investments) in January-September 2015 was by 28.7 per cent less than a year ago.

The part of cash (EUR 8.1 million) spent during January-September 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 nine months of 2015 **capital investments** increased by 14.5 per cent and amounted to EUR 20.5 million (EUR 17.9 million a year ago). The majority of capital investments (77 per cent or EUR 15.8 million) went to development of the next generation fiber-optic access network and expansion of the core network. An amount of EUR 4.2 million was invested into IT systems.

By the end of September of 2015, Teo had 849 thousand households passed (821 thousand a year ago), or 69 per cent of the country's households, by the FTTH network.

During the third quarter of 2015, the Company continued to optimise and improve its customer care. A new customer care showrooms of a new "Smart Teo Home" concept were opened in Telšiai, shopping centre Ozas in Vilnius and shopping centre Saules Miestas in Šiauliai, in addition to already this year opened customer care showrooms in shopping centres in Vilnius, Kaunas, Klaipėda, Šiauliai, Šilutė and Elektrėnai.

Cash and cash equivalents during January-September 2015 decreased by EUR 2.4 million.

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 September 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-September of 2015:

Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover (units)	Turnover
EUR	1.000	1.110	0.986	1.010	1.047	4,751,945	4,976,822
LTL	3.453	3.833	3.404	3.487	3.616	4,751,945	17,183,970

Teo market capitalisation as on 30 September 2015 was EUR 588 million, while a year ago it amounted to EUR 577 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.

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

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).

From 1 September 2015 Eglė Gudelytė-Harvey, Head of Legal Affairs of Teo, joined the Regulatory team at the TeliaSonera Legal Office, and Paulius Pakutinskis, Executive Legal Advisor of Teo, became acting Head of Legal Affairs of Teo.

On 6 October 2015, the Company announced that Teo will acquire from TeliaSonera AB, which also owns 88.15 per cent of Teo shares, a 100 per cent stake in UAB Omnitel. Teo will acquire Omnitel for EUR 220 million on a cash and debt free basis and the combination is estimated to generate annual synergies of around EUR 10 million when implemented. Teo will use the external financing for acquisition of Omnitel shares. The acquisition shall be implemented at the beginning of 2016. The new business will be run by a single management team that will be led by Kęstutis Šliužas, current CEO of Teo. Both Kęstutis Šliužas and Dan Strömberg, CEO of Omnitel, will continue their current roles until the end of 2015.

On 6 October 2015, the Company informed that Teo considers all possible ways of use of the land lot at 21A Lvovo str. in Vilnius belonging to Teo Group, including the disposal of the shares of UAB Verslo Investicijos, which holds the land lot. However, at the mean time there is no legally binding decisions adopted.

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 September 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	-

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

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.

Management Team as of 30 September 2015:

Name, surname	Position in the Company	Involvement in activities of other entities	Ownership of Teo shares
Kęstutis Šliužas	CEO	Kaunas Technology University (Lithuania), member of the Business Council; Vilnius Tech Park (Lithuania), member of the 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 Resources	-	-
Paulius Pakutinskis	Acting Head of Legal Affairs	UAB Verslo Investicijos, a subsidiary of TEO LT, AB, General Manager; Mykolas Romeris University (Lithuania), Associate Professor, Researcher and Manager of Projects	750 shares or 0.0001% of the total number of Teo shares and votes.
Antanas Bubnelis	Head of Corporate Affairs	BMI Alumni Association (Lithuania), member of the Council; Vilnius University (Lithuania), Lecturer	-
Giedrė Tarbūnienė	Head of Process	BMI Alumni Association (Lithuania), member of the Council	-

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

Vytautas Bučinskas	Head of Risk Management	Member of the Cyber Security Council (Lithuania); Deputy Chairman of INFOBALT (Lithuania) Cybersecurity Committee; Vice Chairman of Network and Services Security and Fraud Control Committee of European Telecommunications Network Operator's (ETNO) Association	-
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	July-September		January-September	
		2015	2014	2015	2014
Revenue		51,068	49,434	150,433	148,849
Cost of goods sold		(15,157)	(13,433)	(43,849)	(37,449)
Employee-related expenses		(12,164)	(10,391)	(35,985)	(36,232)
Other expenses		(5,093)	(5,281)	(14,997)	(16,361)
Other income		-	18	-	76
Other gain/ (loss) - net		150	100	300	314
Depreciation, amortisation and impairment of fixed assets	2	(9,191)	(9,085)	(27,764)	(27,064)
Operating profit		9,613	11,362	28,138	32,133
Finance income		37	54	101	175
Finance costs		(64)	(29)	(346)	(114)
Finance income/ costs - net		(27)	25	(245)	61
Profit before income tax		9,586	11,387	27,893	32,194
Income tax	5	(969)	(1,049)	(3,019)	(3,414)
Profit for the period		8,617	10,338	24,874	28,780
Other comprehensive income:					
Other comprehensive income for the period					
Total comprehensive income for the period		8,617	10,338	24,874	28,780
Profit and comprehensive income attributable to:					
Owners of the Parent		8,617	10,338	24,874	28,780
Minority interests					
Earnings per share for profit attributable to the equity holders of the Company (expressed in Eur per share)	6	0.015	0.013	0.043	0.037

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

CONSOLIDATED BALANCE SHEET

	Note	30 September 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	2	211,184	218,761
Intangible assets	2	12,853	12,744
Investment property		3,126	3,126
Investments in associates and subsidiaries		5	1
Trade and other receivables		7,949	3,777
Deferred tax assets		22	37
		235,139	238,446
Current assets			
Inventories		1,021	747
Trade and other receivables		29,663	28,073
Current income tax receivable		898	1,065
Cash and cash equivalents		14,423	16,862
		46,005	46,747
Total assets		281,144	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		39,502	48,643
Total equity		225,356	239,877
LIABILITIES			
Non-current liabilities			
Borrowings		-	61
Deferred tax liabilities		8,795	7,823
Deferred revenue and accrued liabilities		855	1,098
		9,650	8,982
Current liabilities			
Trade, other payables and accrued liabilities		20,921	26,007
Current income tax liabilities		79	21
Borrowings		25,138	10,306
		46,138	36,334
Total liabilities			45,316
Total equity and liabilities		281,144	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	-	-	28,780	28,780
Total comprehensive income for the period	-	-	28,780	28,780
Dividends paid for 2013	-	-	(42,747)	(42,747)
Balance at 30 September 2014	224,982	22,498	39,348	286,828
Balance at 1 January 2015	168,736	22,498	48,643	239,877
Net profit	-	-	24,874	24,874
Total comprehensive income for the period	-	-	24,874	24,874
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 September 2015	168,958	16,896	39,502	225,356

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January-September	
	2015	2014
Operating activities		
Profit for the period	24,874	28,781
Income tax	3,018	3,414
Depreciation, amortisation and impairment of fixed assets	27,764	27,064
Other gains and losses	(184)	(314)
Interest income	(101)	(173)
Interest expenses	74	67
Share capital value adjustment due to conversion to euro	222	-
Other non-cash transactions	181	122
Changes in working capital:		
Inventories	(274)	(495)
Trade and other receivables	(5,763)	250
Trade, other payables and accrued liabilities	(1,374)	(2,233)
Cash generated from operations	48,437	56,483
Interest paid	(64)	(67)
Interest received	101	253
Tax paid	(1,806)	(3,101)
Net cash from operating activities	46,668	53,568
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(24,484)	(22,472)
Proceeds from disposal of PPE and intangible assets	223	315
Acquisition of held-to-maturity investments	-	(17,377)
Disposal of held-to-maturity investments	-	28,853
Net cash used in investing activities	(24,261)	(10,681)
Financing activities		
Repayment of borrowings	(20,228)	(220)
Borrowings	35,000	-
Dividends paid to shareholders of the Company	(39,618)	(42,746)
Net cash used in financing activities	(24,846)	(42,966)
Increase (decrease) in cash and cash equivalents	(2,439)	(79)
Movement in cash and cash equivalents		
At the beginning of the year	16,862	41,963
Increase (decrease) in cash and cash equivalents	(2,439)	(79)
At the end of the period	14,423	41,884

(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 nine months period ending 30 September 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 September 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
Nine months ended 30 September 2014		
Opening net book amount as at 31 December 2013	223,556	14,556
Additions	17,253	667
Disposals and retirements	(118)	(3)
Reclassification	(80)	-
Depreciation and amortisation charge	(24,900)	(2,165)
Closing net book amount as at 30 September 2014	215,711	13,055
Nine months ended 30 September 2015		
Opening net book amount as at 31 December 2014	218,761	12,744
Additions	17,867	2,653
Disposals and retirements	(136)	-
Reclassification	161	(249)
Depreciation and amortisation charge	(25,469)	(2,295)
Closing net book amount as at 30 September 2015	211,184	12,853

(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 September 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 1.4 million (2014: EUR 1.8 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-September of 2014 was 776,818 thousand and for January-September 2015 – 582,613 thousand.

	January - June	
	2015	2014
Net profit	24,874	28,780
Weighted average number of ordinary shares in issue (thousands)	582,613	776,818
Earnings per share (EUR)	0.043	0.037

7 Dividends per share

A dividend that relates to the period to 31 December 2014 was approved by 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 September 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 - September	
	2015	2014
Sales of telecommunication and other services	6,971	7,053
Total sales of telecommunication and other services	6,971	7,053
Purchases of services	3,259	2,811
Total purchases of services	3,259	2,811

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

	As at 30 September	
	2015	2014
Long-term receivables from related parties	307	335
Receivables from related parties	741	515
Accrued revenue from related parties	671	505
Total receivables and accrued revenue from related parties	1,719	1,355
Short-term borrowings from related parties	25,000	-
Payables to related parties	118	96
Accrued expenses to related parties	10	5
Total payables and accrued expenses to related parties	25,128	101

The total amount of annual payments (tantiemes) assigned to the six members of the Board of the Company for the year 2014 during January-September 2015 amounted to EUR 94 thousand (2014: EUR 94 thousand). As of 30 September 2015, the amount of EUR 16 thousand of tantiemes assigned for the year 2010 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 nine months period ended 30 September 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, 19 October 2015