

TEO LT, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2015
(UNAUDITED)

Beginning of the financial year	1 January 2015
End of reporting period	31 December 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

Exceptional quarter and improving annual results

Q4 2015 review

- The total revenue increased by 1.4% and reached EUR 54.2 million (EUR 53.4 million a year ago) – the highest quarterly revenue over the last 3 years.
- EBITDA, excluding non-recurring items, increased by 13.9% and amounted EUR 22.4 million (EUR 19.7 million) – the best quarterly EBITDA over the last 2 years.
- Free cash flow amounted to EUR 8.2 million and was by 15.4% lower than during the same period a year ago due to higher investments and increase in amounts receivables.

Full year 2015 review

- The total revenue was growing 3 out of 4 quarters and increased by 1.1% up to EUR 204.6 million (EUR 202.3 million). It is the first time since 2012 that Teo has demonstrated annual revenue increase.
- EBITDA, excluding non-recurring items, was EUR 80.8 million and compared with the year 2014 (EUR 83.1 million) was by 2.9% lower.
- Free cash flow was by 25.5% lower than a year ago and amounted to EUR 30.3 million.

Management comment

Teo strategy to develop a new generation IT and telecommunications business is working – the last quarter of 2015 was exceptional in terms of the best revenue and EBITDA figures over the last couple of years, and annual revenue started to grow.

In the last quarter improved profitability ratios also reflects a particular attention that during 2015 was given to streamlining and efficiency of activities.

In 2015, developing its business Teo continued investing into a next-generation fiber optic network and by the end of the year already 70% (or 854 thousand) of households in Lithuania had the possibility to use the fast broadband access. In total, investments into upgrade and development of network and IT systems amounted to EUR 34.6 million, an increase by 15.7% over the year 2014.

Throughout the year 2015 number of IPTV and broadband Internet customers continued to grow:

- Number of IPTV customers increased by 23.9% and reached 163 thousand.
- Number of broadband Internet customers increased by 5.5% and the total number of broadband connections amounted to 391 thousand, whereof 225 thousand were fiber-optic.

Changing services mix ensured positive revenue dynamics in 2015:

- Stable revenue from Internet, TV and IT growth fully offset declining revenue from retail voice telephony.
- Revenue from IT services and IT equipment sales to business customers was up by 8.9%.
- Revenue from equipment sales to residential customers over the year increased by 2.4 times.
- Revenue from voice transit services remained on the same level as a year ago.

Consistently transforming from traditional telecommunications operator into a new generation IT and telco company, Teo in October 2015 announced about the decision to acquire mobile operator Omnitel.

While preparing for a new company's development stage, Teo continued to streamline its activities and simplify Group's structure. In December 2015, subsidiaries Hostex and Hosting were merged into Baltic Data Center.

On 4 January 2016, a milestone for creation of a new generation telco was laid – Teo acquired a 100 per cent stake in Omnitel from TeliaSonera and the joined management team that was formed already in December started to run a new business.

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

KEY FIGURES OF TEO GROUP

Financial figures	January-December		Change (%)			
	2015	2014				
Revenue (EUR thousand)	204,598	202,285	1.1			
EBITDA (EUR thousand)	76,469	78,504	(2.6)			
EBITDA margin (%)	37.4	38.8				
<i>EBITDA excluding non-recurring items (EUR thousand)</i>	<i>80,765</i>	<i>83,146</i>	<i>(2.9)</i>			
<i>EBITDA margin excluding non-recurring items (%)</i>	<i>39.5</i>	<i>41.1</i>				
Operating profit (EUR thousand)	38,539	42,364	(9.0)			
Operating profit margin (%)	18.8	20.9				
Profit before income tax (EUR thousand)	38,279	42,436	(9.8)			
Profit before income tax (%)	20.6	21.0				
Profit for the period (EUR thousand)	34,176	38,076	(10.2)			
Profit for the period margin (%)	16.7	18.8				
Earnings per share (EUR)	0.059	0.052				
Average weighted number of shares (thousand)	582,613	738,509	(21.1)			
Cash flow from operations (EUR thousand)	64,206	71,839	(10.6)			
Operating free cash flow (EUR thousand)	30,341	40,736	(25.5)			
Financial ratios	31-12-2015	31-12-2014				
Return on capital employed (%)	14.1	15.2				
Return on average assets (%)	13.6	13.4				
Return on shareholders' equity (%)	15.0	13.8				
Operating cash flow to sales (%)	31.4	35.5				
Gearing ratio (%)	0.9	(2.7)				
Debt to equity ratio (%)	6.4	4.3				
Current ratio (%)	82.5	128.7				
Rate of turnover of assets (%)	72.4	64.2				
Equity to assets ratio (%)	81.8	84.1				
Operating figures	31-12-2015	31-12-2014	Change (%)			
Number of fixed telephone lines in service	500,475	525,879	(4.8)			
Number of broadband Internet connections (FTTB, FTTH, DSL and other excluding Wi-Fi)	390,883	370,599	5.5			
Number of TV services customers	210,273	186,935	12.5			
Number of personnel (head-counts)	2,603	2,631	(1.1)			
Number of full-time employees	2,309	2,381	(3.0)			
Breakdown of Teo Group revenue by customers	October-December		Change (%)	January-December		Change (%)
	2015	2014		2015	2014	
Business to Consumer	26,203	24,148	8.5	97,751	93,148	4.9
Business to Business	26,982	28,446	(5.1)	103,160	104,238	(1.0)
Other	980	842	16.4	3,688	4,900	(24.7)
Total	54,165	53,436	1.4	204,598	202,285	1.1

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

Breakdown of Teo Group revenue by services	October-December		Change (%)	January-December		Change (%)
	2015	2014		2015	2014	
Voice telephony services	17,976	20,739	(13.3)	73,871	80,036	(7.7)
Internet services	13,966	13,409	4.2	54,641	53,463	2.2
Data communication and network capacity services	5,611	5,666	(1.0)	21,753	22,758	(4.4)
TV services	5,582	4,691	19.0	20,648	18,134	13.9
IT services	9,935	7,992	24.3	29,658	22,322	32.9
Other services	1,095	939	16.6	4,027	5,572	(27.7)
Total	54,165	53,436	1.4	204,598	202,285	1.1

REVENUE

Continuously growing revenue from non-voice telephony services such as Internet, TV, IT equipment and IT services fully offset decline in revenue from voice telephony during the fourth quarter of 2015.

The **total revenue** for the fourth quarter of 2015 was EUR 54.2 million, an increase by 1.4 per cent over the total revenue of EUR 53.4 million for the fourth quarter of 2014.

The total revenue for the twelve months of 2015 were by 1.1 per cent higher than revenue of EUR 202.3 million a year ago and amounted to EUR 204.6 million. Over the year the total revenue excluding revenue from voice telephony services increased by 6.9 per cent.

Revenue from services provided to residential customers during 2015, compared with revenue for the year 2014, increased by 4.9 per cent due to increased number of customers and surge in IT equipment sales. Revenue from services provided to business customers (including other telecommunication operators) eased by 1 per cent.

Share of revenue from non-voice telephony services continued to grow and amounted to 63.9 per cent of the total revenue for the year 2015. Share of revenue from Internet services increased and reached 26.7 per cent, from IT services and IT equipment sales – 14.5 per cent and TV services – 10.1 per cent. Share of revenue from data communication and network capacity services, and other services amounted to 10.6 and 2 per cent, respectively. Share of revenue from voice telephony services shrank to 36.1 per cent of the total revenue.

During the fourth quarter of 2015, the total number of main telephone lines in service decreased by 6.3 thousand (7.5 thousand a year ago), while during January-December 2015 – by 25.4 thousand lines (39 thousand in 2014).

As a result, revenue from retail **voice telephony** services during October-December 2015 went down by 9.7 per cent (15.7 per cent a year ago), while for the twelve months of 2015 revenue from retail voice telephony services decreased by 11.8 per cent. During the fourth quarter revenue from voice transit services dropped by 18.6 per cent and it resulted that revenue from voice transit services for the full year 2015 remained on the same level as in 2014.

Total voice telephony traffic volume generated by residential and business customers during 2015, compared with the year 2014, decreased by 13.6 and 6.7 per cent, respectively, while total volume of calls to mobile operators' networks increased by 16.1 per cent due to attractive payment plans for calls to mobile networks.

During October-December 2015, the total number of **broadband Internet access** (excluding Wi-Fi) users increased by 6.6 thousand (5.7 thousand a year ago), while over the full year 2015 – by 20.3 thousand (14 thousand during 2014).

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Over the year the number of Internet connections over the next-generation fiber-optic network using FTTH (Fiber to the home) and FTTB (Fiber to the building) technologies increased by 12.4 per cent and exceeded 225 thousand at the end of 2015, while the number of copper DSL connections eased by 2.7 per cent to 165 thousand.

By the end of 2015, the number Internet connection over the fiber-optic access network amounted to 57.7 per cent of 391 thousand of Teo broadband Internet connections (excluding Wi-Fi).

With the increasing volumes of data transmitted over the Internet, Teo shifted to new Internet bandwidth standards. From November 2015, the standard fiber-optic Internet plan "Optimalus plius" ("Optimal Plus") delivers the bandwidth of up to 300 Mbps, a 300 GB storage, time control and Internet security functions. The plan with 100 Mbps remains an economic option, while customers who want to receive maximum added value and speed are able to choose the plan with the bandwidth of up to 600 Mbps.

Compared with the year 2014, revenue from **data communication** services alone declined by 0.7 per cent, while revenue from **network capacity** services alone decreased by 9.1 per cent.

During the fourth quarter of 2015, the number of IPTV services users increased by a record 10.5 thousand (7.6 thousand a year ago), while over the full year by 31.5 thousand (25.3 thousand during 2014) and by the end of 2015 amounted to 163 thousand. During 2015 number of digital terrestrial television (DVB-T) users went down by 8.2 thousand and amounted to 47 thousand. Over the year, the total number of **television** service customers increased by 23.3 thousand or 12.5 per cent.

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.

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 revenue from electronic equipment sales to both residential and business customers increased by 1.8 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 and by end of the year started closer cooperation with Samsung.

In October 2015, Teo introduced a cloud services package including Microsoft Office 365 for businesses. The package contains Microsoft Office software, the Skype platform for business, email service with 50 GB storage, 1 TB data storage and support from Teo staff. The package is offered on a monthly subscription basis.

By the end of 2015, Teo, as developer of SAP competencies in Lithuania, together with Rimi Baltic have completed the largest SAP HANA in-memory database installation project in the Baltic States. The experience of Teo allowed migrating all data without stopping Rimi's business management systems and to complete the process within the scheduled time frame of five months. Rimi Baltic is currently the largest customer of SAP in the Baltic States.

Revenue from **other services** consists of the following non-telecommunication services: Contact Center services provided by subsidiary Lintel, lease of premises, discounts' refund and other.

Revenue from Contact Center services increased by 31.4 per cent during the fourth quarter of 2015, nevertheless over the year revenue generated by Contact Center went down by 24.7 per cent due to termination of some contracts in 2014. Revenue from other non-core business services decreased by 30.4 per cent.

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)**. In December 2015, Teo Group sold the buildings in the Old Town of Kaunas, in which the

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Communications History Museum, supported by the Company, is located. The Museum will cease its activities in March 2016.

MARKET INFORMATION

According to the Reports of the Communications Regulatory Authority (CRA), the Lithuanian electronic communications market in terms of revenue in the third quarter of 2015 increased by 1.8 per cent compared with the second quarter of 2015, and was up by 4.9 per cent compared with the third quarter of 2014, and amounted to EUR 159 million. During the nine months of 2015, the total revenue of the market amounted to EUR 467 million, an increase by 3.4 per cent over the nine months of 2014.

On 30 September 2015, Internet penetration per 100 residents of Lithuania was 40.3 per cent (37.4 per cent a year ago), while the penetration of broadband Internet using fixed connection was 28.5 per cent (27 per cent a year ago). Pay-TV penetration per 100 households was 56.2 per cent (55.2 per cent a year ago), and the penetration of fixed voice telephony lines per 100 residents – 19.1 per cent (19.8 per cent a year ago).

	Teo market share in terms of customers (%)		Teo market share in terms of revenue (%)	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Fixed voice telephony services	89.9	90.1	94.0	94.2
Fixed Internet access services	46.4	45.9	56.3	55.6
Internet access services (total)	32.8	33.2	45.8	46.8
Pay-TV services (total)	28.0	25.2	34.5	30.1
Network interconnection services	n/a	n/a	19.6	22.9
Data communication services	n/a	n/a	82.8	55.5
Leased line services	n/a	n/a	53.5	55.9

OPERATING EXPENSES

During the fourth quarter of 2015 **cost of goods and services** increased by 2.1 per cent, compared with the fourth quarter of 2014, while for the full year 2015 cost of goods and services were by 12.3 per cent higher than a year ago due to higher IT equipment sales and transit traffic volumes.

Operating expenses (excluding cost of goods and services, and non-recurring items) for the fourth quarter of 2015 were by 2.3 per cent lower than operating expenses for the fourth quarter of 2014, and operating expenses (excluding cost of goods and services, and non-recurring items) for the year 2015 were by 0.2 per cent lower than a year ago.

Employee-related expenses (excluding one-time redundancy pay-outs) for the fourth quarter of 2015 were lower by 3.1 per cent than a year ago, while total employee-related expenses including one-time redundancy pay-outs were higher by 7.3 per cent.

The competence shift and pressure on salaries especially in IT area, in spite of reduced the total number of employees, resulted that employee-related expenses (excluding one-time redundancy pay-outs) for the year 2015 were higher by 2.8 per cent than in 2014. The total employee-related expenses including one-time redundancy pay-outs were higher by just 1.2 per cent.

The non-recurring employee-related expenses during 2015 amounted to EUR 4 million (EUR 4.6 million in 2014).

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During October-December 2015, the total number of employees (headcount) in Teo Group increased by 11: in Lintel increased by 31, while in Teo and other subsidiaries decreased by 20. Over the year the total number of employees (headcount) went down by 28 from 2,631 to 2,603: Lintel's Contact Center employed 101 person while Teo and other subsidiaries reduced the number of employees by 129. In terms of full-time employees, the total number of employees of Teo Group during October-December 2015 increased by 19, while over the year it went down by 72 from 2,381 to 2,309.

Other expenses for the fourth quarter of 2015 were lower by 0.8 per cent and for the year 2015 decreased by 6.5 per cent.

EARNINGS

EBITDA (excluding non-recurring items) for the fourth quarter of 2015 increased by 13.9 per cent to EUR 22.4 million over EUR 19.7 million in the fourth quarter of 2014. EBITDA margin (excluding non-recurring items) for the fourth quarter of 2015 amounted to 41.4 per cent (36.8 per cent in 2014).

EBITDA including non-recurring items for the fourth quarter of 2015 (EUR 20.6 million) was higher by 6.5 per cent than EBITDA of EUR 19.3 million in the fourth quarter of 2014. EBITDA margin for the fourth quarter of 2015 amounted to 38 per cent (36.1 per cent in 2014).

EBITDA (excluding non-recurring items) for the year 2015 decreased by 2.9 per cent to EUR 80.8 million over EUR 83.1 million a year ago. EBITDA margin (excluding non-recurring items) amounted to 39.5 per cent (41.1 per cent in 2014). Over the year, EBITDA including non-recurring items eased by 2.6 per cent from EUR 78.5 million in 2014 to EUR 76.5 million in 2015. EBITDA margin including non-recurring items in 2015 stood at 37.4 per cent (38.8 per cent a year ago).

Depreciation, amortisation and impairment charges were by 12 and 5 per cent higher during the fourth quarter and the full year 2015, respectively, compared with the depreciation and amortisation charges during the respective periods a year ago. In 2015, depreciation, amortisation and impairment charges amounted to 18.6 per cent of total revenue (17.9 a year ago).

Operating profit (EBIT) in the fourth quarter of 2015, compared with the same period a year ago, was up by 1.7 per cent, while for the full year of 2015 was down by 9 per cent. Operating profit margin for the fourth quarter of 2015 was 19.2 per cent (19.1 per cent a year ago) and for year 2015 – 18.8 per cent (20.9 per cent in 2014). Operating profit (excluding non-recurring items) in 2015 was by 9.5 per cent lower than in 2014, and operating profit margin (excluding non-recurring items) was 20.8 per cent.

Net financial income in 2015 was negative and amounted to EUR 260 thousand.

Profit before income tax in the fourth quarter of 2015, compared with the fourth quarter of 2014, went up by 1.4 per cent and amounted to EUR 10.4 million (EUR 10.2 million a year ago). Profit before income tax in 2015 was down by 9.8 per cent and amounted to EUR 38.3 million (EUR 42.4 million a year ago). Profit before income tax (excluding non-recurring items) was by 10.2 per cent lower than during 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 year 2015 amounted to EUR 2 million (EUR 2.3 million in 2014). **Income tax expenses** for the year 2015 were by 5.9 per cent lower than a year ago.

Profit for the period in October-December 2015 amounted to EUR 9.3 million and was slightly by 0.1 per cent higher than a year ago. The profit margin for the fourth quarter of 2015 was 17.2 per cent (17.4 per cent a year ago). Profit for the period in January-December 2015 amounted to EUR 34.2 million, a decrease by 10.2 per cent over the profit of EUR 38.1 million for the same period year ago. The profit margin was 16.7 per cent (18.8 per cent a year ago). Profit for the period (excluding non-recurring items) was by 10.6 per cent lower than in January-December 2014 and profit margin (excluding non-recurring items) was 18.7 per cent.

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BALANCE SHEET AND CASH FLOW

During January-December 2015, **total assets** of Teo Group increased by 0.6 per cent.

Total **non-current** assets contracted by 0.1 per cent and amounted to 83 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. During the year total **current assets** increased by 2.1 per cent and amounted to 17 per cent of the total assets, whereof cash alone represented 4.5 per cent of the total assets.

Over the year **shareholders' equity** decreased by 2.2 per cent and amounted to 81.8 per cent of the total assets.

Following the Law on expression of nominal value of authorized capital and securities of the public and limited companies in euro and amendment of the By-laws of such companies of the Republic of Lithuania, as the Republic of Lithuania joined the euro zone from 1 January 2015, the Company recorded as a non-recurring loss an amount of EUR 222 thousand for the year 2015 due to conversion of the nominal value of the Company's share expressed in litas into euro and its rounding and recalculation of nominal value of the authorized capital.

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

The Annual General Meeting of shareholders also decided to reduce Teo **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.

As of 31 December 2015, consolidated **retained earnings** of Teo Group amounted to EUR 48.8 million, while retained earnings of the Parent company amounted to EUR 39.9 million or EUR 0.068 per share. According to the provisions of the Law of the Republic of Lithuania on Companies, dividends should be paid from retained earnings of the Parent company.

During the fourth quarter of 2015, the Company repaid another EUR 10 million (EUR 10 million was repaid during the third quarter) of the short-term loan of EUR 35 million borrowed for dividends payment. At the end of December 2015, total amount of short-term **borrowings** (loan and financial liabilities related to financial leasing of premises) amounted to EUR 15.1 million, while cash amounted to EUR 12.9 million.

Net cash flow from operating activities in 2015 was by 10.6 per cent lower than that in 2014. **Operating free cash flow** (operating cash flow excluding capital investments) in January-December 2015 was by 25.5 per cent less than a year ago.

The part of cash (EUR 8.1 million) spent during 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 fourth quarter of 2015 **capital investments** amounted to EUR 14.1 million, an increased by 18.5 per cent over capital investments during the same period year ago. During January-December 2015 capital investments increased by 15.7 per cent and amounted to EUR 34.6 million (EUR 29.9 million a year ago). The majority of capital investments (69 per cent or EUR 23.7 million) went to development of the next generation fiber-optic access network and expansion of the core network. An amount of EUR 10.2 million was invested into IT systems. In the beginning of 2016, the Company shall open a new Tier III standard data center in Vilnius.

By the end of December of 2015, Teo had 854 thousand households passed (836 thousand a year ago), or 70 per cent of the country's households, by the FTTH network.

In November 2015, Teo and Omnitel open the first experimental joint customer care showroom in Alytus, where customer could get acquainted with services of both companies – fast mobile and fiber-optic Internet, IPTV, voice telephony, IT equipment and various gadgets.

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Cash and cash equivalents during January-December 2015 decreased by EUR 3.9 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.

582,613,138 ordinary registered shares of TEO LT, AB (ISIN code LT0000123911) are listed on the Main List of Nasdaq Vilnius stock exchange (code: TEO1L). Nasdaq 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 31 December 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 Vilnius stock exchange in January-December 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	1.039	6,158,002	6,397,257
LTL	3.453	3.833	3.404	3.487	3.587	6,158,002	22,088,448

Teo market capitalisation as on 31 December 2015 was EUR 588 million, while a year ago it amounted to EUR 577 million.

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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, approved the audited annual consolidated financial statements of the Company for the year 2014 and allocated the Company's profit for the year 2014 as follows: from the Company's distributable profit of EUR 39,886 thousand allocated 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 shareholders allocated EUR 93.8 thousand, i.e. EUR 15,640 per one member of the Board.

The Annual General Meeting of Shareholders also decided to reduce the Company's obligatory reserve by EUR 5.6 million and to reallocate this amount to the Company's retained earnings. Shareholders elected UAB Deloitte Lietuva as the Company's audit enterprise to perform the audit of the annual consolidated financial statements of the Company for the year 2015 and to make the assessment of the consolidated annual report of the Company for the year 2015.

As the two-year term of the Company's Board expired on 25 April 2015, TeliaSonera AB, a largest shareholder of Teo, holding 88.15 per cent of Teo 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. In addition, 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 Pakutinskas, Executive Legal Advisor of Teo, became acting Head of Legal Affairs of Teo. From 7 December 2015, the position of the Head of Legal Affairs was taken by Giedrė Kaminskaitė Salters.

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. On 4 January 2016, Teo acquired 100 per cent share of Omnitel for EUR 220 million on a cash and debt free basis. On 18 December 2015, Teo signed an agreement with SEB Bank and Danske Bank for a long-term loan of EUR 150 million to finance this acquisition. The combination is estimated to generate annual synergies of around EUR 10 million when implemented.

On 1 December 2015, the Board of Teo approved a joint management team for Teo and Omnitel that from January 2016 began to lead the companies to offer new joint broadband and mobile communication, Internet, television and IT services. From 1 January 2016, Kęstutis Šliužas, CEO of Teo, also became the CEO of Omnitel. Petteri Ahonen, Head of B2B of Omnitel, from 1 January 2016 was also appointed to the position of the Head of B2B at Teo. The position of the Head of B2C in both companies was taken by Norbertas Žioba. Laimonas Devyžis, CFO of Omnitel, was appointed to the position of Head of Finance of both companies. Andrius

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

Šemeškevičius, Head of Technology & IT at Teo, become the Head of Technology of new business. Andrius Byčkovas, CTO of Omnitel, from January 2016 took the position of the Head of Competitive Customer Operations of the joint management team. Ramūnas Bagdonas, Head of Human Resources at Teo, was also appointed as the Head of Human Resources at Omnitel. Audronė Mažeikaitė, Head of Communications at Omnitel, became responsible for Corporate Affairs of both companies. Giedrė Kaminskaitė-Salters, Head of Legal at Teo, took the position of the Head of Legal at Omnitel as well. Mantas Goštautas, who joined Teo in August 2015, became the Head of Business Development of both companies. Vytautas Bučinskas, who was the Head of Risk Management Unit at Teo, also took the position of the Head of Risk at Omnitel.

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.

In December 2015, reorganization of the companies belonging to Teo Group – UAB Hostex and UAB Hosting – by merging them into UAB Baltic Data Center (BDC) was completed. UAB Hostex and UAB Hosting were reorganized in accordance with the Part 3 of Article 2.97 of the Civil Code of the Republic of Lithuania by way of merger, by merging UAB Hostex and UAB Hosting, which both, after the reorganization, ceased their activities as legal entities, into UAB Baltic Data Center, that continues its activities after the reorganization. UAB Hosting was a dormant subsidiary of UAB Hostex, a provider of domain registration, web hosting and dedicated server services. UAB Hostex was subsidiary of UAB Baltic Data Center, and Teo owns a 100 per cent stake in UAB Baltic Data Center. UAB Baltic Data Center continuing after the reorganization took over all the assets and liabilities as well as the rights and obligations of UAB Hostex and UAB Hosting.

On 29 December 2015, the buildings in the Old Town of Kaunas at Rotušės sq. 17, 18, 19 and 20 owned by Teo Group and in which the Communications History Museum is situated were sold to UAB Reksus, a company specializing in real estate rentals in Kaunas. The Communications History Museum, run and funded by Teo through non-profit organization VšĮ Ryšių Istorijos Muziejus, will continue its activities for the next three months. The aim is that the collected exhibits continue to be available to the public; therefore, their transfer is being discussed with other museums and institutions. The Museum's collection includes postal, radio, telegraph, telephone and computer science exhibits, sets of postage stamps, electronic computing machines.

In January 2016, Baltic Data Center SIA, a dormant subsidiary of UAB Baltic Data Center in Latvia, was liquidated.

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

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 31 December 2015:

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

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

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

Management Team as of 31 December 2015:

Name, surname	Position in the Company	Involvement in activities of other entities	Ownership of Teo shares
Kęstutis Šliužas	CEO	Association INFOBALT (Lithuania), member of the Board; Kaunas Technology University (Lithuania), member of the Business Council	-
Aleksandr Samuchov	Head of Business to Business	UAB Baltic Data Center, a subsidiary of TEO LT, AB, General Manager	-
Nerijus Ivanauskas	Head of Business to Consumer	UAB Lietuvos Monetų Kalykla (Lithuanian Mint), member of the Board	-
Andrius Šemeškevičius	Head of Technology and IT	-	8,761 shares or 0.0015% of the total number of Teo shares and votes
Lars Bolin	Head of Finance and Strategic Planning	-	-
Ramūnas Bagdonas	Head of Human Resources	-	-
Giedrė Kaminskaitė-Salters	Head of Legal Affairs	-	-
Antanas Bubnelis	Head of Corporate Affairs	BMI Alumni Association (Lithuania), member of the Council; Vilnius University (Lithuania), Lecturer	-
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	October-December		January-December	
		2015	2014	2015	2014
Revenue		54,165	53,436	204,598	202,285
Cost of goods sold		(17,783)	(17,413)	(61,632)	(54,861)
Employee-related expenses		(12,279)	(11,444)	(48,264)	(47,676)
Other expenses		(5,328)	(5,368)	(20,325)	(21,729)
Other income		-	4	-	81
Other gain/ (loss) - net		1,791	90	2,091	404
Depreciation, amortisation and impairment of fixed assets	2	(10,165)	(9,075)	(37,929)	(36,140)
Operating profit		10,401	10,230	38,539	42,364
Finance income		34	49	135	224
Finance costs		(48)	(38)	(395)	(152)
Finance income/ costs - net		(14)	11	(260)	72
Profit before income tax		10,387	10,241	38,279	42,436
Income tax	5	(1,085)	(947)	(4,103)	(4,360)
Profit for the period		9,302	9,294	34,176	38,076
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		9,302	9,294	34,176	38,076
Profit and comprehensive income attributable to:					
Owners of the Parent		9,302	9,294	34,176	38,076
Minority interests		-	-	-	-
Earnings per share for profit attributable to the equity holders of the Company (expressed in Eur per share)	6	0.016	0.016	0.059	0.052

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

CONSOLIDATED BALANCE SHEET

	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	2	214,882	218,761
Intangible assets	2	12,370	12,744
Investment property		3,126	3,126
Investments in associates and subsidiaries		-	1
Trade and other receivables		7,768	3,777
Deferred tax assets		-	37
		238,146	238,446
Current assets			
Inventories		1,371	747
Trade and other receivables		33,568	28,073
Current income tax receivable		874	1,065
Cash and cash equivalents		12,898	16,862
		48,711	46,747
Total assets		286,857	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		48,804	48,643
Total equity		234,658	239,877
LIABILITIES			
Non-current liabilities			
Borrowings		-	61
Deferred tax liabilities		8,922	7,823
Deferred revenue and accrued liabilities		424	1,098
		9,346	8,982
Current liabilities			
Trade, other payables and accrued liabilities		26,861	26,007
Current income tax liabilities		91	21
Borrowings		15,061	10,306
Provisions for other liabilities		840	-
		42,853	36,334
Total liabilities		52,199	45,316
Total equity and liabilities		286,857	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	-	-	38,076	38,076
Total comprehensive income for the period	-	-	38,076	38,076
Reduction of share capital	(56,246)	-	-	(56,246)
Dividends paid for 2013	-	-	(42,748)	(42,748)
Balance at 31 December 2014	168,736	22,498	48,643	239,877
Balance at 1 January 2015	168,736	22,498	48,643	239,877
Net profit	-	-	34,176	34,176
Total comprehensive income for the period	-	-	34,176	34,176
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 31 December 2015	168,958	16,896	48,804	234,658

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

CONSOLIDATED STATEMENT OF CASH FLOW

	January-December	
	2015	2014
Operating activities		
Profit for the period	34,176	38,075
Income tax	4,103	4,360
Depreciation, amortisation and impairment of fixed assets	37,929	36,139
Other gains and losses	(129)	(403)
Interest income	(134)	(221)
Interest expenses	88	78
Share capital value adjustment due to conversion to euro	222	-
Other non-cash transactions	459	262
Changes in working capital:		
Inventories	(624)	(109)
Trade and other receivables	(9,487)	(2,840)
Trade, other payables and accrued liabilities	257	194
Cash generated from operations	66,860	75,535
Interest paid	(82)	(72)
Interest received	134	323
Tax paid	(2,706)	(3,947)
Net cash from operating activities	64,206	71,839
Investing activities		
Purchase of property, plant and equipment (PPE) and intangible assets	(33,865)	(31,103)
Proceeds from disposal of PPE and intangible assets	618	389
Acquisition of held-to-maturity investments	-	(17,377)
Disposal of held-to-maturity investments	-	40,438
Net cash used in investing activities	(33,247)	(7,654)
Financing activities		
Repayment of borrowings	(30,306)	(294)
Borrowings	35,000	10,000
Dividends paid to shareholders of the Company	(39,617)	(42,746)
Pay out to shareholders due to reduction of share capital	-	(56,246)
Net cash used in financing activities	(34,923)	(89,286)
Increase (decrease) in cash and cash equivalents	(3,964)	(25,101)
Movement in cash and cash equivalents		
At the beginning of the year	16,862	41,963
Increase (decrease) in cash and cash equivalents	(3,964)	(25,101)
At the end of the period	12,898	16,862

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

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

Financial statements for the period ended 31 December 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
Year ended 31 December 2014		
Opening net book amount as at 31 December 2013	223,556	14,556
Additions	28,774	1,088
Disposals and retirements	(211)	(7)
Reclassification	(110)	(1)
Depreciation and amortisation charge	(33,248)	(2,892)
Closing net book amount as at 31 December 2014	218,761	12,744
Year ended 31 December 2015		
Opening net book amount as at 31 December 2014	218,761	12,744
Additions	30,771	3,853
Disposals and retirements	(831)	-
Reclassification	(120)	3
Depreciation, amortisation and impairment charge	(33,699)	(4,230)
Closing net book amount as at 31 December 2015	214,882	12,370

(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
		31 December 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 provided information technology infrastructure services to the Group and third parties.
UAB Hostex	Lithuania	-	100%	The web hosting and data center services providing subsidiary was merged into UAB Baltic Data Center in December 2015.
UAB Hosting	Lithuania	-	100%	The dormant subsidiary of UAB Hostex was merged into UAB Baltic Data Center in December 2015.
Baltic Data Center SIA	Latvia	100%	100%	The dormant subsidiary of UAB Baltic Data Center was liquidated in January 2016.
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 non-profit organisation established and owned by the Company for management of the Communications History Museum.
VšĮ Numerio Perkėlimas	Lithuania	25%	25%	A non-profit organisation established together with three Lithuanian mobile operators from 1 January 2016 started to 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 2.0 million (2014: EUR 2.3 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-December of 2014 was 738,509 thousand and for January-December 2015 – 582,613 thousand.

	January-December	
	2015	2014
Net profit	34,176	38,076
Weighted average number of ordinary shares in issue (thousands)	582,613	738,509
Earnings per share (EUR)	0.059	0.052

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 31 December 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-December	
	2015	2014
Sales of telecommunication and other services	9,715	9,211
Total sales of telecommunication and other services	9,715	9,211
Purchases of services	4,407	4,002
Total purchases of services	4,407	4,002

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

	As at 31 December	
	2015	2014
Long-term receivables from related parties	279	307
Receivables from related parties	1,035	500
Accrued revenue from related parties	976	697
Total receivables and accrued revenue from related parties	2,290	1,504
Short-term borrowings from related parties	15,000	10,000
Payables to related parties	203	315
Accrued expenses to related parties	6	24
Total payables and accrued expenses to related parties	15,209	10,339

The total amount of annual payments (tantiemes) assigned to the six members of the Board of the Company for the year 2014 during 2015 amounted to EUR 94 thousand (2014: EUR 94 thousand). As of 31 December 2015, the amount of EUR 16 thousand of tantiemes assigned for the year 2010 were not paid yet.

9 Events after balance sheet day

On 4 January 2016, Teo acquired from TeliaSonera AB, which also owns 88.15 per cent of Teo shares, a 100 per cent stake in UAB Omnitel for EUR 220 million on a cash and debt free basis. On 18 December 2015, Teo signed an agreement with SEB Bank and Danske Bank for a long-term loan of EUR 150 million to finance this acquisition. The combination is estimated to generate annual synergies of around EUR 10 million when implemented.

(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 Laimonas Devyžis, Head of Finance 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 twelve months period ended 31 December 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

Laimonas Devyžis
Head of Finance

Vilnius, 28 January 2016