



CEO's word



The results for the year 2015 shows that Teo strategy to develop a new generation IT and telecommunications business is working. Therefore, in October 2015 we announced about the decision to acquire mobile operator Omnitel.

Consistently transforming from traditional telecommunications operator into a new generation IT and telco company, we remained a strong leader in all areas of activities – Internet, pay-TV, fixed voice, data communication and IT infrastructure.

During the year all over the Lithuania we renewed and opened 10 customer care showrooms of a new concept, Smart Home with Teo. Customers' spaces looking like home environment reflects the Company desire to present modern technologies in a simple, clear and flexible way.

Throughout the year 2015 number of IPTV and broadband Internet customers was growing. Higher than in 2014 revenue from Internet, TV and IT services led to the growth of annual revenue for the first time during the last three years.

In 2015, developing its business Teo continued investing into a next-generation fiber optic network and by the end of the year already 70 per cent (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 per cent over the year 2014.

The rapid development of technologies allowed us to increase the Internet speed up to 600 Mbps and to offer a next generation Wi-Fi router. Subscribers to Teo IPTV service were invited into the Cinema Club and to preview not yet aired parts of popular Lithuanian serials.

At the beginning of the year together with Omnitel we offered service Internet Everywhere to business customers, and in autumn – Microsoft cloud computing based package Office 365. In 2015, Teo became an authorised reseller of Apple products in Lithuania.

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, and at the end of the year the complex of premises in Kaunas, that belonged to Teo Group and where Communications History Museum was situated, was sold.

On 4 January 2016, a milestone for creation of a new generation telco was laid – Teo acquired a 100 per cent stake in Omnitel and the joined management team that was formed already in December 2015 started to run a new business.

Year 2016 will be the year of two company's integration, processes optimisation, business transformation and new challenges. Nevertheless, the main goal remains the same – creation of a new generation telecommunications business and value to our customers and shareholders.

Kęstutis Šliužas
CEO of TEO LT, AB

What is Teo?



Teo is a leading provider of IT and telecommunications services in Lithuania.

We provided integrated telecommunications, TV and IT services to residents and business as well as services to other telecommunications operators.

In January 2016, Teo acquired a 100 per cent stake in Omnitel, a provider of mobile communication services in Lithuania, and together will create a new generation telecommunications company.

Teo is a part of Telia Company Group, which provides telecommunications services in the Nordic and Baltic countries, Spain and in some markets of Eurasia, including Russia and Turkey.

Shares of Teo are listed on Nasdaq Vilnius stock exchange (ticker – TEO1L).

The Communication Regulatory Authority (CRA) of Lithuania has designated Teo together with its related legal entities as an operator with significant market power (SMP) on 8 markets. Teo and Omnitel are regarded as related entities, therefore Teo is considered as having SMP on the market of voice call termination in the public mobile network of Omnitel.

Teo head office is located at Lvovo str. 25 in Vilnius. The Company's services are available all over Lithuania.

Business philosophy

VISION

Your best partner in communicating with the constantly changing world.

By constantly introducing the most advanced technologies we aim at enabling our customers to reach people, knowledge and entertainment simply and easily.

MISSION

To create value for customers and shareholders by providing professional, high-quality and easy to use telecommunications, TV and IT services.

VALUES

We DARE to

INNOVATE by sharing ideas, taking risk and continuously learn

LEAD by engaging with our customers and challenging ourselves

SPEAK UP by expressing opinions and concerns

We CARE for

OUR CUSTOMERS by providing solution that are adapted to their needs

EACH OTHER by being supportive, respectful and honest

OUR WORLD by acting responsively and in accordance with our ethical standards

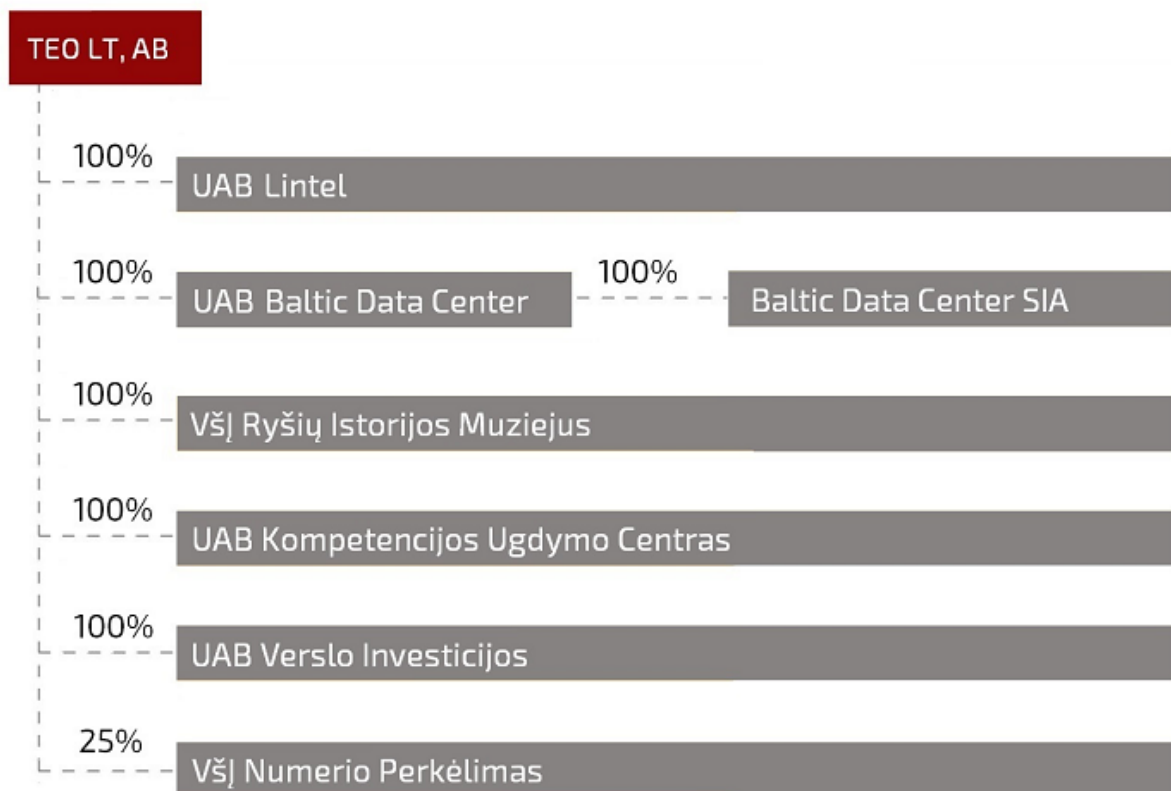
We SIMPLIFY

EXECUTION by taking actionable decisions and deliver with speed

TEAMWORK by transparent communication, active collaboration and knowledge sharing

OUR OPERATIONS by efficient processes and clear ownership

Teo Group



Group structure as of 31 December 2015

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

From 1 June 2014 a new governing structure of TEO LT, AB came into effect. The two new Business to Consumer (B2C) and Business to Business (B2B) Divisions, responsible for development of services and provision of customer care, were formed. Along with these changes, the activities of the specialists of Teo Group companies – UAB Lintel and UAB Baltic Data Center (BDC) – are more and more integrated into these Divisions.

UAB Lintel is the largest, in terms of business volumes, and the most modern, in terms of technologies and management, Call Center service provider in Lithuania. For residential customers Lintel provides Directory Inquiry Service 118, and for business customers – telemarketing and remote customer care services.

UAB Baltic Data Center (BDC) provides professional data centre, computer workstation and business management system support and development services.

In December 2015, **UAB Hostex**, a subsidiary of Baltic Data Center, that provided web hosting and data center services, and **UAB Hosting**, a dormant subsidiary of UAB Hostex, were merged into Baltic

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

UAB Kompetencijos Ugdymo Centras is a dormant company. **UAB Verslo Investicijos** implements an investment project.

TEO LT, AB is a sole founder and owner of a not-for-profit organisation, **VŠĮ Ryšių Istorijos Muziejus**, which managed the Communications History Museum in Kaunas. The Museum ceased its activities in March 2016.

VŠĮ Numerio Perkėlimas, a joint not for profit organization, that was established by four Lithuanian telecommunication companies – Bitė Lietuva, Omnitel, Tele2 and Teo, from 1 January 2016 together with UAB Mediafon administers central database to ensure telephone number portability.

On 4 January 2016, Teo acquired from Telia Company AB, a largest shareholder of Teo, a 100 per cent stake in **UAB Omnitel**.

TEO LT, AB has no branches or representative offices.

Membership in organisations

At the end of 2015, members of Teo was members of the following Lithuanian and international organisations:

Organizations of the Republic of Lithuania:

- Association INFOBALT
- Association Investor's Forum
- Lithuanian Responsible Business Association
- Lithuanian Advertising Association Advertising Bureau
- Association of Human Resource Professionals
- Lithuanian Business Confederation
- Vilnius Chamber of Commerce, Industry and Crafts
- Kaunas Chamber of Commerce, Industry and Crafts
- Šiauliai Chamber of Commerce, Industry and Crafts
- Panevėžys Chamber of Commerce, Industry and Crafts
- Mažeikiai Association of Entrepreneurs
- Tauragė Region Association of Entrepreneurs
- Swedish Chamber of Commerce in Lithuania
- The American Chamber of Commerce in Lithuania

International organizations:

- European Telecommunications Network Operators' Association (ETNO)
- UNPD Global Compact

Teo is a supporter of Lithuanian Free Market Institute and one of initiators of establishing project "Baltoji Banga" ("Clear Wave")

Key indicators

Teo Group key indicators

	2015	2014	Change (%)
Revenue (EUR million)	205	202	▲ 1.1
Profit for the year (EUR million)	34	38	▼ 10.2
Capital investments (EUR million)	35	30	▲ 15.7
Market capitalisation (EUR million)	588	577	▲ 1.9
Number of fixed telephone lines in service	500,475	525,879	▼ 4.8
Number of broadband Internet connections	390,883	370,599	▲ 5.5
Number of TV service customers	210,273	186,935	▲ 12.5
Number of employees at the end of period	2,603	2,631	▼ 1.1

More information about Teo financial results for the year 2015 is available in [Financial Statements for the year 2015](#).

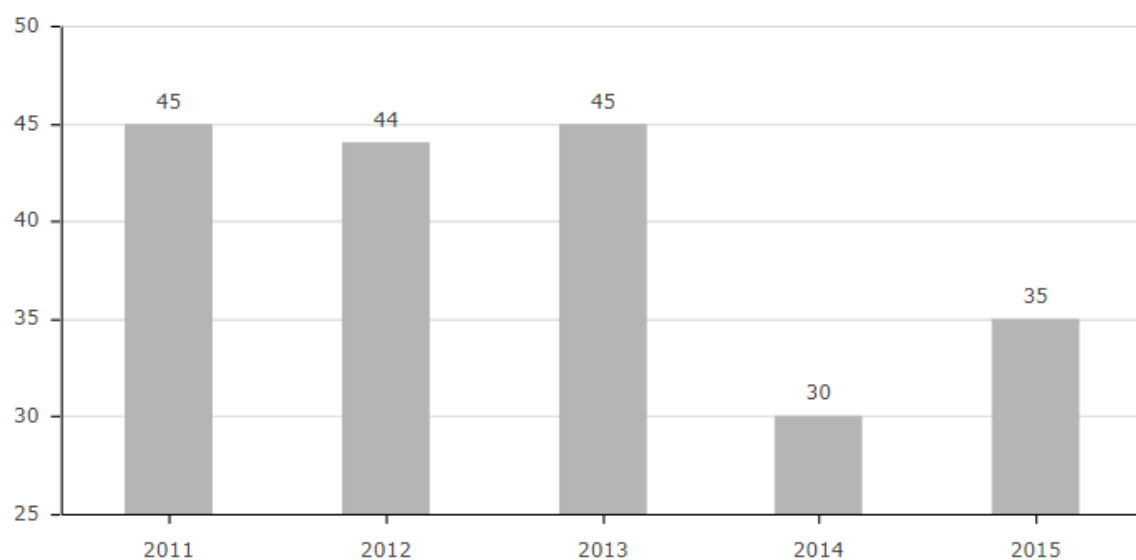
Revenue

Breakdown of revenue (EUR million)

	2015	2014	Change (%)
Fixed voice telephony services	74	80	▼ 7.7
Internet services	55	53	▲ 2.2
Data communication and network capacity services	22	23	▼ 4.4
TV services	21	18	▲ 13.9
IT services	30	22	▲ 32.9
Other services	4	6	▼ 27.7
Total	205	202	▲ 1.1

Investments

Capital investments (EUR million)



Important events

January

- Teo together with Omnitel have introduced to business customers a new service called "Internetas visur" ("Internet Everywhere")
- Teo installed 9 advanced digital cameras in Kretinga and in surrounding townships
- During the Baltic Market Awards Teo was awarded in the categories of the Best Investor Relations in the Baltic Countries according to the Analysts' Evaluation and the Best Annual and Corporate Governance Report
- According to the Top Employer 2014 survey conducted by CV-Online, Teo was announced as the top employer in the IT category

February

- Teo updated its brand and opened its first customer care showroom of a new concept in Kaunas
- The Company has become the first certified provider of Ethernet services in the Baltic States

March

- Teo concluded a contract with SEB Investicijų Valdymas on pension saving of Teo employees in third pillar pension funds

April

- The Company opened its first customer care centre in Šilutė
- Teo introduced a new service for smart television viewers called "Cinema Club": for a monthly fee subscribers can watch offered films for unlimited number of times
- The customer care showroom of a "Smart Home with Teo" concept was opened in Vilnius
- The Lintel's Directory Inquiry Service 118 became an information partner of Tiketa, one of the largest ticket distributors in Lithuania
- Teo started a public education project "Consciousness beats propaganda", a series of lectures with Aleksandras Matonis, an expert of information warfare, defense and security
- ISM University of Management and Economics and Teo launched a together developed two-day practical training programs for executives
- The Annual General Meeting of Shareholders decided to pay EUR 0.068 dividend per share for the year 2014 and re-elected the Board for a new two-year term.

May

- Teo was providing Wi-Fi service during the largest technology and progress conference in the Baltic States LOGIN 2015
- During the LOGIN 2015 conference the Company organized "Teo Business Summit @ LOGIN", an exclusive event for business and IT managers
- Teo opened a customer care showroom of a new concept "Smart Home with Teo" in Šiauliai, the first in northern Lithuania
- Teo has installed the first direct fiber-optic connection with Kiev, the capital of Ukraine

June

- Teo become an Apple Authorized Reseller in Lithuania
- Robert Andersson was re-elected as the Chairman of the Board and Stefan Block – as the Chairman of the Audit Committee
- The authorized capital of Teo expressed in euro was registered
- The Company gave up its license to rebroadcast high-definition (HD) digital terrestrial television (DVB-T) in Kaunas
- Teo increased the bandwidth for its new and existing subscribers of the FTTH Internet plan "Premium" from 500 Mbps to 600 Mbps
- Customer care showrooms of a new concept "Smart Home with Teo" were opened in Klaipėda and Elektrėnai
- Teo and the Šiauliai University have together prepared a new program of Information Technology Bachelor's Degree studies

July

- Teo presented a business solution for customer flow counting and analysis, developed by "SEMS Technologies", a Lithuanian start-up company
- The Company opened its first customer care showroom of a new concept "Smart Home with Teo" in Telšiai, the capital of Samogitia

August

- Mantas Goštautas joined Teo and occupied the position of the Head of Business Development
- Teo opened the second representative office of "Smart Home with Teo" in Vilnius with a separate space for business customers

September

- The first experimental smart classroom in Lithuania has opened its doors in the Kaunas Milikonių Secondary School. It was a joined project of Teo, Microsoft Lithuania, TAMO Group and BMK.
- Eglė Gudelytė-Harvey, Head of Legal Affairs at Teo, joined the Regulatory team at the TeliaSonera Legal Office and became responsible for regulatory affairs
- Teo opened another one new customer care showroom in Šiauliai
- ISM and Teo started the autumn session of the practical training program for executives

October

- It was announced that Teo will acquire the mobile operator Omnitel from TeliaSonera
- "Interneto.tv", an Internet television platform, was complemented with DELFI TV with its sports, news, fashion, interior design and entertainment shows
- Teo IPTV viewers were provided with a possibility to view some Lithuanian series, which has not yet aired
- Microsoft cloud based Office 365 package was offered to business customers

November

- Teo increased the speed of its standard Internet plan to 300 Mbps and introduced a next-generation Wi-Fi router
- Teo and Omnitel opened their first joint customer care showroom in Alytus
- In the Klaipėda Science and Technology Park a “Teo greenhouse of ideas” was opened

December

- Teo and Omnitel have formed a joint management team
- Teo together with Rimi Baltic completed the largest SAP HANA in-memory database installation project in the Baltic States
- UAB Hostex, a subsidiary of UAB Baltic Data Center, and its subsidiary UAB Hosting were merged into UAB Baltic Data Center
- Teo signed a loan agreement with SEB Bank and Danske Bank for EUR 150 million long-term loan for the acquisition of shares in Omnitel
- The buildings in the Old Town of Kaunas owned by Teo Group and in which the Communications History Museum was situated were sold to UAB Reksus

Awards



Teo – The Most Environment Friendly Enterprise and The Best Employer

On 1 December 2015 during the National Responsible Business Awards Teo among the large corporations was recognized as a "The Most Environment Friendly Enterprise" and "The Best Employer" for the year 2014. Ministry of Social Security and Labour of the Republic of Lithuania for the 8th time awarded socially responsible enterprises.

Awards for Investor Relations

On 28 January 2016 during the 10th Nasdaq Baltic Market Awards Teo received awards in 5 categories:

- The Best Annual and Corporate Governance Report (1st place)
- The Best Investor Relations in the Baltic Market (2nd place)
- The Best Investor Relations According to the Market Professionals (2nd place)
- The Best Interactive Investor Relations (3rd place)
- The Most Trustworthy Company on the Nasdaq Baltic Market According to Investors (3rd place)

Teo awarded as employer

During the second Top Employer 2015 awards organized by CV-Online Teo was awarded with diploma for the second place in IT enterprises' category

Teo recognized for governance

Readers of the business news portal VZ.LT voted for Teo as The Most Modern Managed Company 2015

The Lithuanian electronic communications market

- During 2015, the revenue of the Lithuanian electronic communications sector, compared to 2014, increased by 3.2 per cent.
- The total revenue of the market amounted to EUR 626 million (in 2014 – EUR 607 million).
- In 2015, in terms of revenue, the growth was recorded in the markets of mobile telephony (2.1 per cent), Internet access (7.1 per cent), networks' interconnection (18.6 per cent), and radio and television programs transmission (5.6 per cent) services.
- Revenue of pay-TV service market remained at the same level.
- The market of fixed-line telephony services decreased by 10.7 per cent, dark fiber – 9.5 per cent, leased lines – 22.5 per cent and data communication – 27.7 per cent.

Internet services market

- During 2015, the number of Internet users in Lithuania increased by 6.9 per cent or by 76.6 thousand – up to 1,187.1 thousand.
- At the end of 2015, the number of broadband Internet access users per 100 inhabitants of Lithuania was 41.1.
- The most rapid growth was in the number of users, connected to the Internet via mobile telecommunications networks (14.6 per cent), fiber-optic communication lines (8.2 per cent) and via wireless connections (3.3 per cent).
- 517 thousand or 43.6 per cent of the total number of Internet users connect to the Internet via fiber-optic lines. This is one of the best indicators in Europe.
- Internet access services are provided by 100 operators. The largest Internet service providers by the number of subscribers: TEO LT, AB (32.8 per cent), UAB Omnitel (15.6 per cent), UAB Bitė Lietuva (11.7 per cent), AB Lietuvos radijo ir televizijos centras (Lithuanian Radio and Television Centre) (7 per cent), UAB Cgates (6.3 per cent).

Voice services market

Fixed telephony services

- During 2015, the total number of fixed telephone lines in Lithuania decreased by 4.2 per cent or 24.7 thousand – down to 560.8 thousand.
- At the end of 2015, the number of fixed telephone lines per 100 inhabitants in Lithuania was 19.2.
- 89 per cent of fixed-line telephony subscribers were Teo customers, while 11 per cent – customers of alternative operators.
- At the end of 2015, there were 40 undertakings engaged in the provision of fixed telephony services in Lithuania: 35 – retail, 5 – wholesale (transit) services.
- 31 operator use the IP protocol, 13 of which – cable TV and data communication networks.

Mobile telephony services

- Over the year, the number of active mobile telephone subscribers decreased by almost 2 per cent or 83.5 thousand – down to 4,187 thousand.
- The number of active mobile telephone subscribers per 100 inhabitants in Lithuania was 144.8.
- Mobile telephony services in Lithuania are provided by 3 operators (UAB Omnitel, UAB Tele2 and UAB Bitė Lietuva) and 4 service providers. Other 6 undertakings act as resellers of the services provided by other operators to their subscribers.
- At the end of 2015, 42.6 per cent of active mobile telephone subscribers were customers of Tele2, 30.6 per cent – Omnitel, 24.9 per cent – Bitė Lietuva and 1.9 per cent – other service providers.

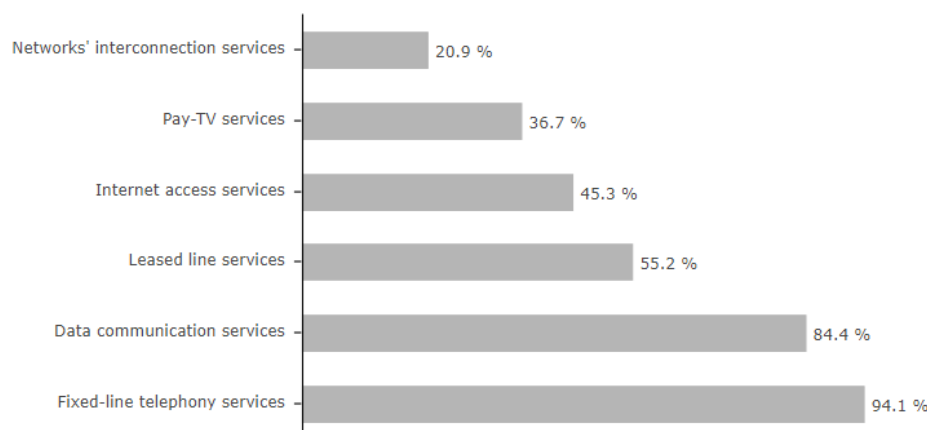
TV services market

- At the end of 2015, the total number of pay-TV subscribers was 724.5 thousand, i.e. almost by 1.5 thousand or 0.2 per cent more than at the end of 2014 when the number of TV subscribers was 723 thousand.
- Over the year, the number of digital television service users increased by 6.2 per cent – up to 459 thousand, and by the end of 2015 amounted to 63.3 per cent of the total number of pay-TV service subscribers.
- The number of Internet Protocol-based television (IPTV) and digital cable service users continued to grow, while the number of satellite, digital terrestrial television (DVB-T), cable analogue and microwave multi-channel television subscribers decreased.
- The number of pay-TV subscribers per 100 households in Lithuania was 56.7.
- At the end of 2015, cable television services were provided by 42, microwave multi-channel television (MDTV) services – by 2, IPTV – by 15, digital terrestrial television – by 2 and satellite television by one undertaking.
- At the end of 2015, the number of Teo digital television (IPTV and DVB-T) users (210.7 thousand) constituted 29.3 per cent of the total number of pay-TV subscribers in Lithuania.

Teo market shares

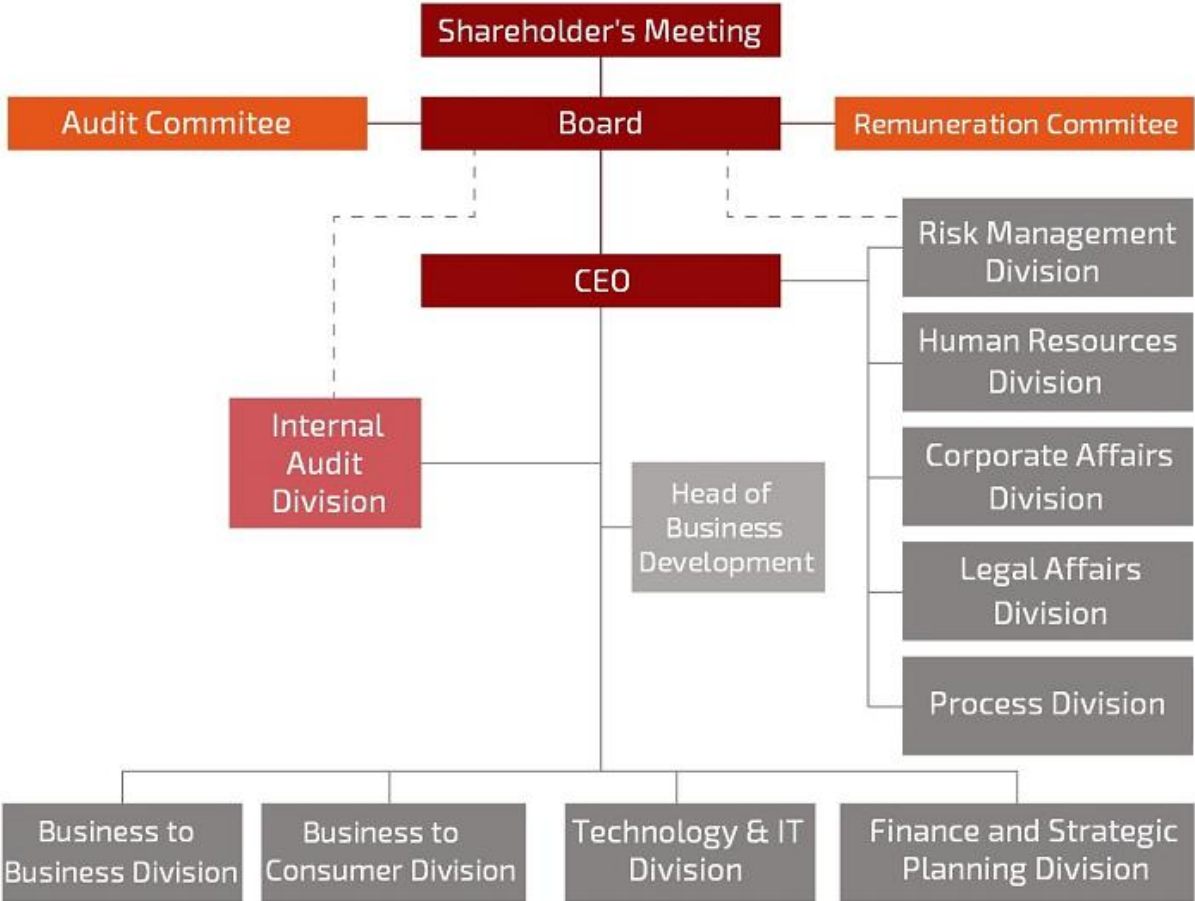
Teo market shares by revenues for the 4th quarter of 2015

Source: Report of the Communications Regulatory Authority



Structure of governance

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.



Corporate governance structure, that was valid from 1 April until 31 December 2015.

The decisions of the **General Meeting** made regarding the matters of competence of the General Meeting, are binding upon the Shareholders, the Board, CEO and other officials of the Company.

The Shareholders of the Company that at the end of the date of record of the General Meeting are shareholders of the Company have the right to participate in the General Meeting. The date of record of the General Meeting of the Shareholders of the Company is the fifth business day prior to the General Meeting or the repeated General Meeting. The person, participating in the General Meeting and having the right to vote, shall deliver his/her identification proving document. In case the person is not a shareholder he/she is to present a document, proving his/her right to vote at the General Meeting.

The members of the **Board** serving on the Board of the Company are acting jointly as a governing body of the Company. The Board consists of six members. The members of the Board are elected for a term of two years. The Chairman of the Board is elected by the Board from its members.

The members of the Board are elected by the General Meeting in accordance with the procedure established by the Law on Companies of the Republic of Lithuania. The Board institutes two Committees: Audit and Remuneration. Three members of the Board comprise each committee.

The Board elects and recalls CEO of the Company, sets his remuneration and other conditions of the employment agreement, approves his office regulations, induces and applies penalties to him.

CEO is the Head of the Company. The Head of the Company is a one-man management body of the Company and, within his scope of authority, organizes the day-to-day operation of the Company. The Work Regulations approved by CEO define the duties and authority of CEO and Heads of Divisions as well as other officers of the Company in more details.

More information about the Board activities in 2015 and disclosure of the Company's compliance with the principles and recommendation set by The Governance Code for the Companies Listed on Nasdaq Vilnius stock exchange is provided in [TEO LT, AB Consolidated Annual Report for the year 2015](#) and its appendix, [Corporate Governance Reporting Form](#), which are an integral part of the Company's Financial Statements.

Board



Robert Andersson (born in 1960)

*Chairman of the Board of TEO LT, AB,
member of the Board from 29 April 2014 (nominated by Telia Company AB, till 13 April 2016 called
TeliaSonera AB),
Chairman of the Remuneration Committee*

Education

George Washington University, Washington DC, (U.S.A.) *Master of Business Administration,
International Business*
Swedish School of Economics and Business Administration, Helsinki (Finland) *Master of Science,
Accounting/Finance*

Employment

Telia Company AB (Sweden), *Executive Vice President and Head of Region Europe*

Current Board Assignments

TeliaSonera Finland Oyj (Finland), *Chairman of the Board*
Telia Norge AS (Norway), *Chairman of the Board*
Telia Eesti AS (Estonia), *Chairman of the Supervisory Council*
UAB Omnitel (Lithuania), *Chairman of the Board*
Xfera Móviles S.A. (Spain), *member of the Board*
Enea AB (Sweden), *member of the Board*

Telia Company AB (Sweden) that nominated Robert Andersson to the Board of TEO LT, AB,
has 88.15 per cent of TEO LT, AB share capital and votes.

Robert Andersson has no direct interest in the share capital of TEO LT, AB. He owns 10,000 of Telia
Company's shares. He has no shareholdings that exceed 5 per cent of the share capital of any
company.



Stefan Block (born in 1967)

*Member of the Board of TEO LT, AB from 29 April 2014,
(nominated by Telia Company AB, till 13 April 2016 called TeliaSonera AB),
Chairman of the Audit Committee*

Education

University of Stockholm (Sweden), *Bachelor of Science in Business and Administration*

Employment

Telia Company AB (Sweden), *Chief Financial Officer of Region Europe*

Current Board Assignments

Telia Danmark A/S (Denmark), *Chairman of the Board*

Síminn Denmark A/S (Denmark), ***member of the Board***

Telia Finance AB (Sweden), *member of the Board*

Telia Norge AS (Norway), *member of the Board*

Xfera Móviles S.A. (Spain), *member of the Board*

UAB Omnitel (Lithuania), *member of the Board*

LMT SIA (Latvia), *member of the Supervisory Council*

Telia Eesti AS (Estonia), *member of the Supervisory Council*

Telia Company AB (Sweden), that nominated Stefan Block to the Board of TEO LT, AB, has 88.15 per cent of TEO LT, AB share capital and votes.

Stefan Block has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Claes Nycander (born in 1963)

*Member of the Board of TEO LT, AB from 29 April 2014
(nominated by Telia Company AB, till 13 April 2016 called TeliaSonera AB),
member of the Remuneration Committee*

Education

Uppsala University (Sweden), *Master of Business and Administration*

Stanford University Palo Alto (U.S.A.), *Master of Science in Electrical Engineering*

Institute of Technology at University of Linköping (Sweden), *Master of Science in Electrical Engineering*

University of Linköping (Sweden), *Bachelor of Science in Mathematics*

Employment

Telia Company AB (Sweden), *Chief Technology Officer of Region Europe*

Current Board Assignments

TT Nätverket A/S (Denmark), *Chairman of the Board*

Systecon AB (Sweden), *member of the Board*

Svenska UMTS-Nät AB (Sweden), *member of the Board*

LMT SIA (Latvia), *member of Supervisory Council*

Telia Company AB (Sweden), that nominated Claes Nycander to the Board of TEO LT, AB, has 88.15 per cent of TEO LT, AB share capital and votes.

Claes Nycander has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Tiia Tuovinen (born in 1964)

*Member of the Board of TEO LT, AB from 28 April 2009
(nominated by Telia Company AB, till 13 April 2016 called TeliaSonera AB),
member of the Audit Committee,
Resigned from the Board as of 25 April 2016*

Education

University College London (United Kingdom), *Master of Laws*
University of Helsinki (Finland), *Master of Laws*

Employment

Telia Company AB (Sweden), Global Services and Operations (GSO), *General Counsel*

Current Board Assignments

Kekkilä Oy (Finland), *member of the Board*

Telia Company AB (Sweden), that nominated Tiia Tuovinen to the Board of TEO LT, AB, has 88.15 per cent of TEO LT, AB share capital and votes.

Tiia Tuovinen has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Inga Skisaker (born in 1971)

*Member of the Board of TEO LT, AB from 28 April 2011
(nominated as independent candidate by Telia Company AB, till 13 April 2016 called TeliaSonera AB),
member of the Audit Committee*

Education

Vilnius University (Lithuania), *Master of International Business Administration*

Employment

Nordea Bank AB Lithuania Branch (Sweden), *General Manager and Head of Banking Baltic Countries*

Current Board Assignments

Baltic Management Institute (Lithuania), *member of the Board*

Investors Forum (Lithuania), *member of the Board*

Telia Company AB (Sweden), that nominated Inga Skisaker as independent candidate to the Board of TEO LT, AB, has 88.15 per cent of TEO LT, AB share capital and votes.

Inga Skisaker has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Rolandas Viršilas (born in 1963)

*Member of the Board of TEO LT, AB from 25 April 2013
(nominated as independent candidate by Telia Company AB, till 13 April 2016 called TeliaSonera AB),
member of the Remuneration Committee*

Education

Vilnius University (Lithuania), *Faculty of Mathematics, Master's degree*

Employment

UAB Švyturys - Utenos Alus (Lithuania), *Chief Executive Officer*

Current Board Assignments

Lithuanian Brewers' Guild (Lithuania), *Chairman of the Council*

VŠĮ Užstato Sistemos Administratorius (Lithuania), *member of the Board*

Telia Company AB (Sweden), that nominated Rolandas Viršilas a independent candidate to the Board of TEO LT, AB, has 88.15 per cent of TEO LT, AB share capital and votes.

Rolandas Viršilas Rolandas Viršilas has 75,000 shares of TEO LT, AB that accounts to 0.0129 per cent of the total number of the Company's shares and votes. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Management Team



Kęstutis Šliužas (born in 1972)

CEO of TEO LT, AB

Education

Vilnius University (Lithuania), *Bachelor's degree and Master's degree*

Current Board Assignments

Kaunas Technology University (Lithuania), member of the Business Council
Association INFOBALT (Lithuania), member of the Board

Kęstutis Šliužas has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Aleksandr Samuchov (born in 1973)

Head of B2B at TEO LT, AB until 31 December 2015

Education

Vilnius University (Lithuania), *Diploma in Economics*

ISM University of Management and Economics (Lithuania), *Master of Business Administration*

Vienna University of Economics and Business (Austria), *Executive Master of Business Administration*

Current Board Assignments

UAB Baltic Data Center, a subsidiary of TEO LT, *General manager*

Aleksandr Samuchov has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Nerijus Ivanauskas (born in 1970)

Head of B2C at TEO LT, AB until 31 December 2015

Education

Vilnius University, *Bachelor of Econometrics*

International Management School, Budapest, Hungary, *Candidate Master of Business Administration*

Emory University, Atlanta, U.S.A., *Master of Business Administration*

Current Board Assignments

UAB Lietuvos Monetų Kalykla, *member of the Board*

Nerijus Ivanauskas has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Andrius Šemeškevičius (born in 1976)

Head of Technology and IT at TEO LT, AB

Education

Vilnius Gediminas Technical University (Lithuania), *Bachelor's degree in Engineering Informatics and Master's degree in Engineering Informatics*

Current Board Assignments

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Andrius Šemeškevičius has 8,761 share of TEO LT, AB that accounts to 0.0015 per cent of the total number of the Company's shares and votes. He has no shareholdings that exceed 5 per cent of the share capital of any company.



Lars Bolin (born in 1963)

Head of Finance and Strategic Planning at TEO LT, AB until 31 December 2015

Education

Gothenburg School of Economics (Sweden), *Studies in Economics*

Chalmers University of Gothenburg (Sweden), *Master of Science in Industrial Engineering*

Stockholm School of Economics (Sweden), *Executive Master of Business Administration*

Current Board Assignments

-

Lars Bolin has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Ramūnas Bagdonas (born in 1974)

Head of Human Resources at TEO LT, AB

Education

Vytautas Magnus University (Lithuania), *Master of Business Administration*

Baltic Management Institute (BMI) (Lithuania), *Executive Master of Business Administration (EMBA)*

Current Board Assignments

-

Ramūnas Bagdonas has no direct interest in the share capital of TEO LT, AB. He has 450 shares of Telia Company AB (Sweden). He has no shareholdings that exceed 5 per cent of the share capital of any company.



Giedrė Kaminskaitė-Salters (born in 1978)

Head of Legal Affairs at TEO LT, AB

Education

Maastricht University (The Netherlands), *Doctor of Law*

BPP Law School, London (United Kingdom), *law conversion studies, juris doctor equivalent*

Oxford University (United Kingdom), *MPhil in Russian and East European Studies*

London School of Economics (United Kingdom), *Bachelor of Science in International Relations*

Current Board Assignments

-

Giedrė Kaminskaitė-Salters has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Antanas Bubnelis (born in 1981)

Head of Corporate Affairs at TEO LT, AB until 31 December 2015

Education

Vilnius University (Lithuania), *Bachelor of Information and Communication Science and Master of Arts in Public Relations*

Baltic Management Institute (BMI) (Lithuania), *Executive Master of Business Administration (EMBA)*

Current Board Assignments

BMI Alumni Association (Lithuania), *member of the Council*

Antanas Bubnelis has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Giedrė Tarbūnienė (born in 1974)

Head of Process at TEO LT, AB until 23 December 2015

Education

Vilnius University (Lithuania), *Master of Science in Economics*

Baltic Management Institute (BMI) (Lithuania), *Executive Master of Business Administration (EMBA)*

Current Board Assignments

BMI Alumni Association (Lithuania), *member of the Council*

Giedrė Tarbūnienė has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Vytautas Bučinskas (born in 1974)

Head of Risk Management at TEO LT, AB

Education

Kaunas Technology University (Lithuania), *Bachelor of Management of Production and Master of Marketing*

Baltic Management Institute (BMI) (Lithuania), *Executive Master of Business Administration (EMBA)*

Current Board Assignments

Member of the Cyber Security Council (Lithuania)

INFOBALT (Lithuania), *Deputy Chairman of Cybersecurity Committee*

European Telecommunications Network Operator's (ETNO) Association, *Deputy Chairman of Cybersecurity Committee*

Vytautas Bučinskas has no direct interest in the share capital of TEO LT, AB, and has no shareholdings that exceed 5 per cent of the share capital of any company.



Kastytis Kmitas (born in 1958)

Head of Internal Audit at TEO LT, AB

Education

Vilnius University (Lithuania), *Diploma in Economics*

ISM University of Management and Economics (Lithuania), *Master of Business Administration*

Current Board Assignments

-

Kastytis Kmitas has 4,202 shares of TEO LT, AB that accounts to 0.0007 per cent of the total number of the Company's shares and votes. He has no shareholdings that exceed 5 per cent of the share capital of any company.

Share capital

From 5 June 2015, the share 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.

One ordinary registered share of TEO LT, AB gives one vote at the General Meeting of Shareholders. The number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders 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 to 582,613,138 litas (decrease by 194,204,380 litas). The purpose of reduction of the Company's authorized capital – payment of the Company's funds to all shareholders in proportion to the nominal value of shares owned by the proprietary right by the shareholder. The Company's authorized capital was reduced by way of cancelling of the Company's shares with the nominal value equal to the reduction amount, i.e. 194,204,380 litas. The then nominal value of one share was one litas.

Size and structure of TEO LT, AB capital

	Size of the capital	Ordinary Registered Shares
31-12-2015	EUR 168,957,810.02	100.00 %
31-12-2014	LTL 582,613,138	100.00 %
31-12-2013	LTL 776,817,518	100.00 %
31-12-2012	LTL 776,817,518	100.00 %
31-12-2011	LTL 776,817,518	100.00 %

Shareholders

The main shareholder of Teo – Telia Company AB (till 13 April 2016 called TeliaSonera AB), a telecommunications operator that owns 88.15 per cent of the Company's shares.

TeliaSonera provides telecommunication services in the Nordic and Baltic countries, and in Spain.

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 by countries

Breakdown of TEO LT, AB shareholders by the country of residence
as of 31 December 2015

Country	Number of shareholders	Number of shares	Share of Teo share capital (%)
Sweden	8	513,598,760	88.15
Lithuania	11,052	54,640,443	9.38
Estonia	415	9,065,481	1.56
Luxemburg	5	1,662,942	0.29
Canada	2	1,186,406	0.20
U.S.A.	42	970,312	0.17
Latvia	33	835,763	0.14
New Zealand	1	241,559	0.04
United Kingdom	18	163,628	0.03
Belgium	2	72,667	0.01
France	3	56,326	0.01
Germany	9	44,998	0.01
Ireland	4	18,023	0.00
Denmark	1	11,476	0.00
Russia	4	6,750	0.00
Austria	1	5,250	0.00

China	2	4,912	0.00
Australia	3	4,523	0.00
Belarus	2	4,217	0.00
South Korea	1	3,825	0.00
Cyprus	2	2,767	0.00
Norway	2	2,108	0.00
Serbia	1	1,987	0.00
Switzerland	1	1,950	0.00
Moldova	1	1,817	0.00
Finland	2	1,500	0.00
Italy	1	1,050	0.00
Azerbaijan	1	787	0.00
Spain	1	286	0.00
Poland	1	273	0.00
Argentina	1	215	0.00
The Netherlands	1	136	0.00
Cayman Islands	1	1	0.00
	11,624	582,613,138	100.00

Shareholders' structure

Breakdown of TEO LT, AB shareholders registered in Lithuania
as of 31 December 2015

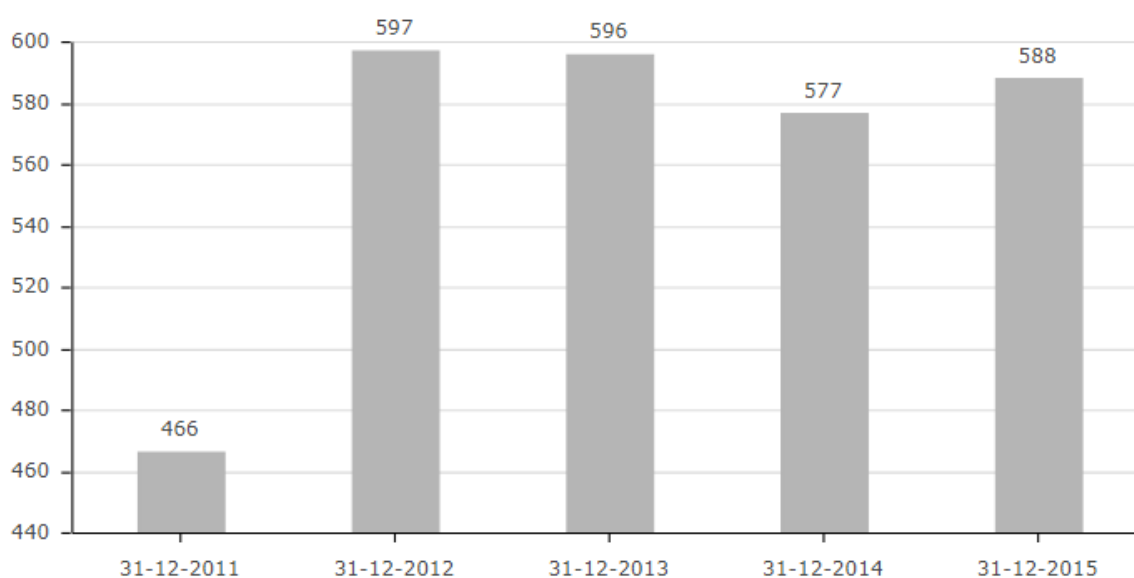
	Number of shareholders	Number of shares	Share of Teo share capital (%)
Private individuals	10,976	49,902,351	8.57
Financial institutions	19	2,088,643	0.36
Legal entities	57	2,649,449	0.45
	11,052	54,640,443	9.38

Trading in shares

Ordinary registered shares of Teo (ISIN code LT0000123911) are listed on the Main List of Nasdaq Vilnius stock exchange (code: TEO1L).

From January 2011, Teo ordinary shares are included into the trading lists of the Berlin Stock Exchange (Berlin Open Market called *Freiverkehr*), the Frankfurt Stock Exchange (Open Market (*Freiverkehr*)), the Munich Stock Exchange and the Stuttgart Stock Exchange. Teo share's symbol on German stock exchanges is ZWS.

Market capitalisation (EUR million)



Nasdaq Vilnius (LTL)

Trading in Teo shares on Nasdaq Vilnius stock exchange in LTL

	2011	2012	2013	2014	2015
Opening price (LTL)	2.472	2.075	2.655	2.666	3.453
Highest price (LTL)	2.472	2.659	2.904	3.625	3.833
Lowest price (LTL)	1.837	2.061	2.555	2.417	3.404
Average price (LTL)	2.206	2.209	2.690	2.812	3.587
Closing price (LTL)	2.072	2.652	2.648	3.422	3.487
Volume (units)	40,643,808	98,430,559	13,187,454	9,654,486	6,158,002
Turnover (LTL million)	89.67	217.44	35.48	27.14	22.09
Capitalisation (LTL million)	1,609.32	2,060.12	2,057.01	1,993.54	2,031.57

Trading in Teo shares on Nasdaq Vilnius stock exchange from 12-06-2000 till 31-12-2015 in LTL

(recalculated considering that number of shares was reduced by 25 per cent on 20 October 2014)



Nasdaq Vilnius (EUR)

Trading in Teo shares on Nasdaq Vilnius stock exchange in EUR

	2011	2012	2013	2014	2015
Opening price (EUR)	0.716	0.601	0.769	0.772	1.000
Highest price (EUR)	0.716	0.770	0.841	1.050	1.110
Lowest price (EUR)	0.532	0.597	0.740	0.700	0.986
Average price (EUR)	0.639	0.640	0.779	0.814	1.039
Closing price (EUR)	0.600	0.768	0.767	0.991	1.010
Volume (units)	40,643,808	98,430,559	13,187,454	9,654,486	6,158,002
Turnover (EUR million)	25.97	62.97	10.28	7.86	6.40
Capitalisation (EUR million)	466.09	596.60	595.82	577.37	588.44

Trading in Teo shares on Nasdaq Vilnius stock exchange from 12-06-2000 till 31-12-2015 in EUR

(recalculated considering that number of shares was reduced by 25 per cent on 20 October 2014)



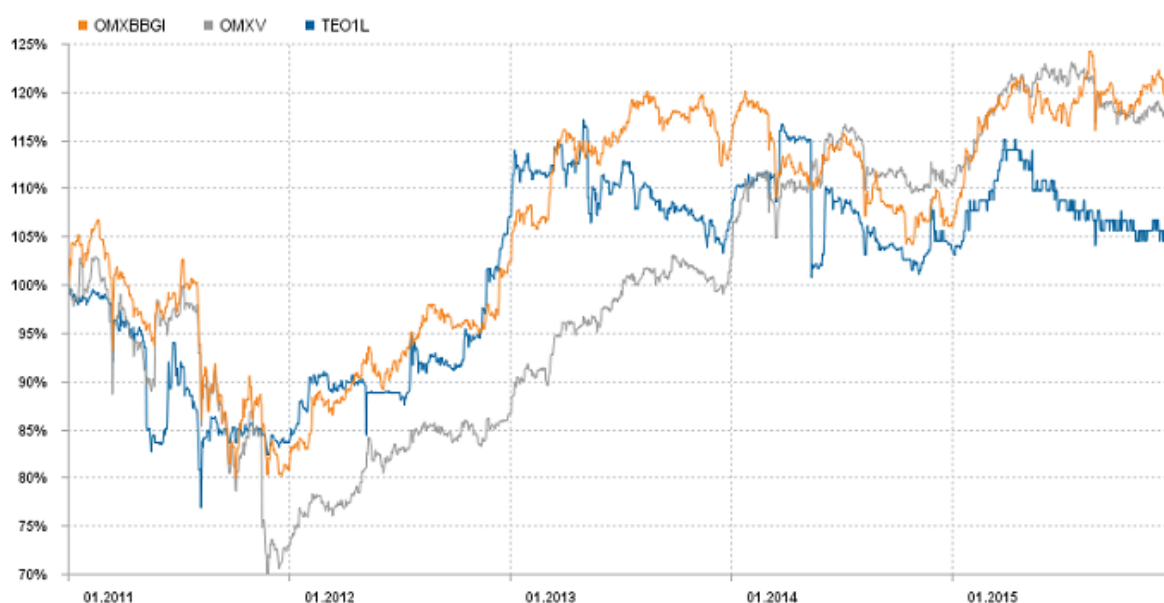
Indexes

TEO LT, AB shares as one of the most liquid stocks on Nasdaq Vilnius stock exchange are included into calculation of the following indexes of Nasdaq Baltic stock exchanges:

- **Benchmark index (OMX Baltic Benchmark)** is available on the Baltic level. The index consists of a portfolio of the largest and most traded shares, representing all sectors available on the Nasdaq OMX Baltic Market.
- **Tradable index (OMX Baltic 10)** is available on the Baltic level and consists of the 10 most actively traded stocks on the Nasdaq OMX Baltic Market.
- **All Share indexes (OMX Baltic, OMX Tallinn, OMX Riga, OMX Vilnius)** are available on both local and Baltic level and include the shares listed on the Main and Secondary lists of the Baltic exchanges.
- **OMX Baltic Telecommunication Sector** index is based on the Industry Classification Benchmark (ICB) developed by FTSE Group.

TEO LT, AB share price and Nasdaq Vilnius stock exchange indexes development during 2011-2015

	01-01-2011	31-12-2015	Change (%)
OMX Baltic Benchmark GI Index	533.99	648.32	▲ 21.41
OMX Vilnius Index	409.65	485.99	▲ 18.64
TEO LT, AB share price (EUR)	0.956	1.010	▲ 5.65



Dividends

Each year the Company pays dividends although there is no officially approved dividend policy.

After Initial Public Offering (IPO) in 2000 the amount allocated for dividend payment amounted to 50-70 per cent of yearly net profit. In 2003, the Company suffered a loss, but dividends were paid out. Starting from 2003 till 2008 each year the amount of dividends paid out per share was higher than consolidated earnings per share for respective year. That is because 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 of the Group, i.e. from retained earnings of TEO LT, AB. Since 2006, the Company has been paying almost the maximum amount of dividends allowed by the laws – 96-98 per cent of retained earnings of the Parent company.

In 2015, the Company paid out to the shareholders EUR 39.6 million of dividends or 0.068 euro per share for the year 2014. Following the Law, the dividends were paid to the shareholders who at the end of the tenth business day following the Annual General Meeting that adopted a decision on dividend payment, i.e. on 14 May 2015 were shareholders of TEO LT, AB. On 27 May 2015 dividends to shareholders were paid in cash.

The Annual General Meeting of TEO LT, AB Shareholders, where a decision regarding the allocation of the profit for the year 2015 was adopted, was held on 26 April 2016. The Annual General Meeting of Shareholders decided to pay 0.01 euro dividend for the year 2015. Dividends will be paid to the shareholders who at the end of the tenth business day after the General Meeting, i.e. on 10 May 2016, will be shareholders of the Company.

	2011	2012	2013	2014	2015
Consolidated earnings per share (EUR)	0.058	0.059	0.056	0.052	0.059
Paid out dividend per share (EUR)	0.058	0.058	0.055	0.068	0.01
Retained earnings of Parent company (EUR thousand)	46,676	46,538	43,485	39,886	39,892
Paid out dividend amount (EUR thousand)	44,997	44,997	42,746	39,618	5,826
Number of shares (thousand)	776,818	776,818	776,818	582,613	582,613

In 2014 due to reduction of the authorised capital by LTL 194.2 million (EUR 56.2 million), on 17 November 2014 the Company paid out to the shareholders LTL 194.2 million (EUR 56.2 million) or 0.25 litas (0.072 euro) per share held on 14 May 2014.

Main figures of Teo Group

Financial figures	2011	2012	2013	2014	2015
Revenue (EUR million)	217	220	209	202	205
EBITDA (EUR million)	87	89	85	79	76
EBITDA margin (%)	40.3	40.4	40.6	38.8	37.4
Operating profit (EUR million)	49	49	48	42	39
Operating profit margin (%)	22.7	23.2	22.9	20.9	18.8
Profit before income tax (EUR million)	50	51	48	42	38
Profit before income tax margin (%)	23.2	23.3	23.0	21.0	20.6
Profit for the period (EUR million)	45	46	43	38	34
Profit margin (%)	20.6	20.9	20.7	18.8	16.7
Total assets (EUR million)	330	336	336	285	287
Shareholders' equity (EUR million)	301	303	301	240	235
Capital investments (EUR million)	45	44	45	30	35
Average weighted number of shares (thousand)	776,818	776,818	776,818	738,509	582,613
Earnings per share (EUR)	0.058	0.059	0.056	0.052	0.059
Paid out dividend per share (EUR)	0.058	0.058	0.055	0.068	0.01
Share price at the end of period (EUR)	0.600	0.768	0.767	0.991	1.010

Ratios	31-12-2011	31-12-2012	31-12-2013	31-12-2014	31-12-2015
Return on capital employed (%)	17.2	17.6	16.4	15.2	14.1
Average return on assets (%)	15.3	15.8	14.7	13.4	13.6
Return on shareholders' equity (%)	15.4	15.7	14.7	13.8	15.0
Gearing ratio (%)	(20.6)	(22.2)	(21.4)	(2.7)	0.9
Debt to equity ratio (%)	0.4	0.3	0.2	4.3	6.4
Current ratio (%)	459.6	386.8	348.3	128.7	82.5
Rate of turnover of assets (%)	67.3	67.9	64.1	64.2	72.4
Equity to assets ratio (%)	91.5	90.1	89.5	84.1	81.8
Dividend payout ratio (%)	96.4	96.7	98.3	99.3	14.6
Price to earnings ratio	10.4	12.9	13.8	19.2	17.1
Operating figures	31-12-2011	31-12-2012	31-12-2013	31-12-2014	31-12-2015
Number of fixed telephone lines in service	647,524	605,424	565,327	525,879	500,475
Number of broadband Internet connections in total:	337,647	345,434	356,659	370,599	390,883
- DSL connections	197,405	183,396	176,505	170,059	165,466
- connections via the fiber-optic network (FTTB, FTTH)	140,242	162,038	180,154	200,539	225,417
Number of wireless Internet (WiFi) hot-spots	3,385	3,013	3,072	2,967	2,870
Number of TV service users in total:	151,175	169,285	172,308	186,935	210,273
- IPTV customers	79,918	94,665	106,228	131,493	162,984
- DVB-T customers	71,257	74,620	66,080	55,442	47,289
Number of personnel at the end of period	3,303	3,257	3,034	2,631	2,603

Information to investors

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders of TEO LT, AB was held at the head-office of TEO LT, AB at Lvovo str. 25, Vilnius, Lithuania, at 1 p.m. on Tuesday, 26 April 2016.

Shareholders who at the end of the General Meeting of Shareholders' accounting day, i.e. 19 April 2016, were shareholders of the Company had a right to participate and vote at the General Meeting of Shareholders.

One ordinary registered share of TEO LT, AB gives one vote at the General Meeting of Shareholders. The share capital of the Company consists of 582,613,138 ordinary registered shares. Therefore, the number of TEO LT, AB shares that provide voting rights during the General Meeting of Shareholders is 582,613,138.

Dividends for the year 2015

Dividends will be paid to the shareholders who at the end of the tenth business day following the Annual General Meeting that adopts a decision on allocation of the profit for the year 2015 and dividend payment, i.e. on 10 May 2016 (dividend record day), will be shareholders of TEO LT, AB.

According to the rules of Nasdaq Vilnius stock exchange, the ownership right to the shares acquired through Automatically Matched trades is transferred on the second business day after conclusion of the transaction. The ex-dividend day for Teo shares is 6 May 2016.

The Law of the Republic of Lithuania on Companies provides that dividends are to be paid within one month from the day of making a decision on allocation of the profit.

Following the Lithuanian legislation, dividends paid to:

- natural persons–residents of the Republic of Lithuania and natural persons–residents of foreign countries are subject to withholding Personal income tax of 15 per cent;
- legal entities of the Republic of Lithuania and legal entities–residents of foreign countries are subject to withholding Corporate income tax of 15 per cent, unless otherwise provided for by the laws.

Residents of the foreign countries, which have concluded agreements on Avoidance of Double Taxation with the Republic of Lithuania, could take advantage of reduced tariffs provided by such agreements by submitting Claim for Reduction or Exemption from the Anticipatory Tax Withheld at Source, form FR0021 (DAS-1), before dividend payout or Claim for Refund of Tax Withheld at Source, form FR0022 (DAS-2), after dividend payout.

Financial Reports

The Financial Statements, Consolidated Annual and Corporate Social Responsibility Reports of TEO LT, AB for the year 2015 in the English and Lithuanian languages as well as other Company's financial reports and press releases are available online at www.teo.lt.

In 2016, TEO Group financial results will be released on the following dates:

- Interim Consolidated Financial Statements for the period ended 31 March 2016: April 20
- Interim Consolidated Financial Statements for the period ended 30 June 2016: July 20
- Interim Consolidated Financial Statements for the period ended 30 September 2016: October 21

Investor Relations

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