

# **AB Lietuvos Telekomas**

## **Report for the 1st quarter of the year 2003**

**(Prepared according to the Rules on Periodic Disclosure of Information  
about Issuers' Activities and their Securities approved by the Securities  
Commission of Lithuania)**

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## I. GENERAL PROVISIONS

### 1. Accountable period for which the report has been prepared

First quarter of the year 2003.

### 2. Main data about the Issuer

|                                     |   |
|-------------------------------------|---|
| Name of the Issuer                  | AB Lietuvos Telekomas   |
| Authorised capital                  | 814,912,760 litas   |
| Registered office                   | Savanoriu ave. 28, 2600 Vilnius, Lithuania                    |
| Telephone number                    | +370 46 48 15 11  |
| Fax number                          | +370 5 212 66 65  |
| E-mail address                      | info@telecom.lt   |
| Internet address                    | www.telecom.lt  |
| Legal and organisational form       | public company (joint-stock company)                          |
| Date and place of registration      | 6 February 1992, Board of Vilnius City                        |
| Date and place of re-registration   | 8 July 1998, Ministry of Economy of the Republic of Lithuania |
| Registration No.:                   | BI 98 - 195   |
| Code in the Register of Enterprises | 2121543   |

### 3. Information about where and how it is possible to get acquainted with the report and other documents on the basis whereof it was prepared and the name of the means of the mass media

Report and other documents on the basis whereof this report was prepared are available at AB Lietuvos Telekomas' headquarters at Savanoriu ave. 28, Vilnius, Lithuania on business days from 8 a.m. till 5 p.m.

All material events, concerning the Company's activities, as well as information about the time and place of the General Meeting of Shareholders, other notices to be given to the shareholders and other persons shall be published in the Lietuvos Rytas daily or Respublika daily following the procedure established by the laws of the Republic of Lithuania.

### 4. Persons responsible for the accuracy of information in the report

#### 4.1. Members of the managing bodies of the Issuer, employees and the head of the administration responsible for the report:

Tapio Paarma, General Manager and President of AB Lietuvos Telekomas  
tel. +370 5 236 76 00, fax. +370 5 212 66 65.

Jan-Erik Elserius, Chief Financial Officer and Director of the Finance Department of AB Lietuvos Telekomas, tel. +370 5 236 76 03, fax. +370 5 231 38 60.

#### 4.2. -----

**5. Confirmation of the members of Issuer's managing bodies, its employees and head of administration responsible for the preparation of this report that information contained herein is true and there are no suppressed facts which could have an impact on investors' decisions to buy or sell the Company's securities, as well as the market price of those securities and their valuation.**

AB Lietuvos Telekomas represented by General Manager and President Tapio Paarma and acting Chief Financial Officer and Director of the Finance Department Dzintra Tamuliene hereby confirms that information contained in this report is true and there are no suppressed facts, which could have an impact on investors' decisions to buy or sell the Company's securities as well as on the market price of those securities and their valuation.

General Manager and President of  
AB Lietuvos Telekomas

Tapio Paarma

.....

\_\_\_ April 2003

Seal

Acting Chief Financial Officer and Director  
of the Finance Department of AB Lietuvos  
Telekomas

Dzintra Tamuliene

.....

\_\_\_ April 2003

The report is prepared in Vilnius, April 2003.

## II. INFORMATION ABOUT MAJOR SHAREHOLDERS AND MEMBERS OF THE MANAGING BODIES

### 6. Shareholders

The share capital of AB Lietuvos Telekomas registered in Company's Register of the Republic of Lithuania is 814,912,760 litas.

According to the type of shares, the structure of AB Lietuvos Telekomas share capital as of 31 March 2003 was as follows:

| Type of shares                   | Number of shares | Nominal value (in litas) | Total nominal value (in litas) | Part in the share capital (%) |
|----------------------------------|------------------|--------------------------|--------------------------------|-------------------------------|
| Ordinary registered shares (ORS) | 814,912,759      | 1                        | 814,912,759                    | >99.99                        |
| Special share                    | 1                | 1                        | 1                              | <0.01                         |
| Total:                           | 814,912,760      | -                        | 814,912,760                    | 100.00                        |

As of 31 March 2003, the total number of AB Lietuvos Telekomas' shareholders was 9,376. The number of shareholders on the day of the last General Meeting of Shareholders, which was held on 28 April 2003, was 9,130.

Due to expiration of the term of the Company's special share on 1 January 2003 and following the provisions of the laws and other legal acts of the Republic of Lithuania, the General Meeting of Shareholders, held on 28 April 2003, decided to cancel the status of the Company's special share and convert this share into the Company's ordinary registered share.

The following shareholders hold more than 5 per cent of the Company's share capital as of 31 March 2003:

| Name and surname of the shareholder (name of enterprise, type and registered office, code in the register of enterprises) | Number of ordinary registered shares owned by the right of ownership | Part in the share capital (%) | Part of votes given by the shares owned by the right of ownership (%) | Part of votes held together with persons acting together (%) |
|---|--|-------------------------------|---|--|
| Amber Teleholding A/S, Bredgade 26, Copenhagen, DK-1260, Denmark, no. 244.793 (a)   | 488,947,656  | 60.00                         | 62.94   | ---  |
| The State represented by the State Property Fund, Vilniaus st 16, LT-2001 Vilnius, register code 1007315                  | 81,304,525 (b)   | 9.98                          | 10.47   | ---  |

NOTE: (a) From 9 December 2002 Amber Teleholding A/S is a fully owned subsidiary of TeliaSonera AB; (b) Including the Special share.

On 28 April 2003, the day of Annual General Meeting of Shareholders, the State had 74,716,403 shares that amounted for 9.17 per cent of the share capital and 9.62 per cent of votes.

On 12 June 2000, AB Lietuvos Telekomas launched the Global Depository Receipt (GDR) program. According to the program, one Lietuvos Telekomas' GDR represents ten ordinary registered shares of AB Lietuvos Telekomas. The program's Depository is Deutsche Bank Trust Company Americas, 4 Albany Street, New York, NY 10006, USA.

As of 31 March 2003, on the basis of 113,887,950 AB Lietuvos Telekomas' shares there were issued 11,388,795 Global Depository Receipts that amount to 13.98 per cent of the Company's share capital and 14.66 per cent of votes.

On 28 April 2003, the day of Annual General Meeting of Shareholders, there were 11,183,795 Global Depository Receipts issued on the basis of 111,837,950 shares that amount to 13.72 per cent of the Company's share capital and 14.4 per cent of votes.

As of 31 March 2003, UAB Lintkom, a daughter company of AB Lietuvos Telekomas, held 12,698,412 ordinary registered shares of AB Lietuvos Telekomas and 2,539,683 Lietuvos Telekomas' GDRs, i.e. 4.67 per cent of Lietuvos Telekomas' share capital. Following the Lithuanian Company Law, AB Lietuvos Telekomas' shares held by UAB Lintkom are considered as treasury stocks.

## 7. Members of the managing bodies

The structure of AB Lietuvos Telekomas' managing bodies is as follows:

- General Meeting of Shareholders;
- Board;
- Administration.

The Company's activities are controlled by the Reviser (auditor).

### Board (as of 31 March 2003)

The By-laws of AB Lietuvos Telekomas provide that the Company's Board shall consist of nine members and is elected for the two-year term.

**Gintautas Zintelis** – Chairman of the Board since 7 July 1998 (re-elected for the two-year term on 26 April 2002; nominated by Amber Teleholding A/S), Senior Expert on IT and Telecommunications issues in AB Lietuvos Telekomas. Graduated from Kaunas University of Technology in 1965 as an engineer in computer science. In 1970, he became Doctor of Science, in 1980 – Habilitated Doctor of Science, in 1983 – Professor and since 1991 is a correspondent member of the Lithuanian Academy of Science. From 1964 till 1992 he worked in Kaunas University of Technology, where in 1982 - 1992 he was Head of Computer Science Department. In 1992 – 1996, he held a position of Minister of Communications and Informatics of the Republic of Lithuania. In 1996 - 2002 he was working as Head of the Information System Protection Division of AB Vilniaus Bankas. Has no interest in the share capital of the Company. Holds 10 per cent of UAB Informatikos ir Rysiu Technologiju Centras.

**Morgan Ekberg** – member of the Board since 30 April 2001 (re-elected for the two-year term on 26 April 2002; nominated by Amber Teleholding A/S), Senior Advisor and Vice President, Norway, Denmark and Baltic Counties, TeliaSonera AB. Has no interest in the share capital of the Company. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

**Matti Hyrynen** – member of the Board since 26 April 2002 (elected for the two-year term; nominated by Deutsche Bank Trust Company Americas), Head of Vilnius representative office of European Bank for Reconstruction and Development. Has no interest in the share capital of the Company. Member of Supervisory Board of AB Drobe. He does not have interest in the share capital in other Lithuanian companies.

**Ingmar Jonsson** – member of the Board since 26 April 2000 (re-elected for the two-year term on 26 April 2002; nominated by Amber Teleholding A/S), Senior Vice President and Chief Information Officer (CIO) responsible for Corporate IT, Networks and Technology, TeliaSonera AB. Has no interest in the share capital of the Company. Is not involved in the business of other

Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

**Jaakko Nevanlinna** – member of the Board since 30 April 2001 (re-elected for the two-year term on 26 April 2002; nominated by Amber Teleholding A/S), Senior Vice President responsible for Networks and Production, TeliaSonera AB Finland Has no interest in the share capital of the Company. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

**Mikko Pirinen** – member of the Board since 30 April 2001 (re-elected for the two-year term on 26 April 2002; nominated by Amber Teleholding A/S), Vice President, Telecom Partnership, TeliaSonera AB Finland. Has no interest in the share capital of the Company. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

**Kennet Radne** – member of the Board since 26 April 2002 (elected for the two-year term; nominated by Amber Teleholding A/S), Senior Vice President responsible for Corporate Fixed Voice Products and Services, Marketing, Products and Services, TeliaSonera AB. Has no interest in the share capital of the Company. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

**Andrius Sukys** – member of the Board since 26 April 2002 (elected for the two-year term; nominated by State Property Fund), Director of Asset Management at State Property Fund. Has no interest in the share capital of the Company. Chairman of the Supervisory Board of AB Lietuvos Juru Laivininkyste, AB Klaipedos Transporto Laivynas and AB Lietuvos Avialinijos, member of the Board of AB Lietuvos Dujos. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

**Timo Virtanen** – member of the Board since 5 July 2000 (re-elected for the two-year term on 26 April 2002; nominated by Amber Teleholding A/S), Senior Adviser, Norway, Denmark and Baltic Countries, TeliaSonera AB Has no interest in the share capital of the Company. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Ingmar Jonsson, Mikko Pirinen and Jaakko Nevanlinna have resigned from the Board from 28 April 2003

## Administration

### **Tapio Paarma** (born in 1948)

General Manager and President of AB Lietuvos Telekomas since 8 July 1998. On 30 April 2003, he will leave the position of General Manager. Until 31 December 2003 he will work as Senior Advisor to the Company.

As of 31 March 2003, he had 246,810 shares of the Company that accounts for 0.03 per cent of the share capital and gives 0.032 per cent of votes.

Chairman of the Board of UAB Baltijos Informaciniu Duomenu Valdymo Centras, UAB Comliet, UAB Lietuvos Telekomo Verslo Sprendimai, UAB Lintel, UAB Lintkom, UAB Voicecom, VSI Lietuvos Telekomo Sporto Klubas and Latvian company Datu Tikli SIA, member of the Board of UAB TietoEnator Consulting, chairman of the Supervisory Board of Estonian company Telegrupp AS.

Education – MSc degree in Community Planning was conferred in 1971 in Helsinki University.

Tapio Paarma started his career in the Finnish PT company, where he worked in the Telecommunications Construction Centre and Administration subdivision before occupying the office of the Head of the Secretariat. In the period from 1988 to 1992, position of the Director of

the Telecom Vaasa. In 1992 - 1993, Director of the Reorganisation team in the Finnish PT, and at the same time occupied the position of the Project Manager of the Northwest GSM company. In 1993 - 1994, and several months in 1998 Tapio Paarma was Director of New Activity Sphere in the Finnish Telecom. In 1995 - 1998, he occupied various positions in Lattelekom SIA, Latvia, including the Chief Activity Officer and Deputy Director General.

**Romualdas Degutis** (born in 1961)

Executive Vice President of AB Lietuvos Telekomas since 1 June 1999.

As of 31 March 2003, he had 10,866 shares of the Company that accounts for 0.0013 per cent of the share capital and gives 0.0014 per cent of votes.

Member of the Board of UAB Comliet, UAB Lietuvos Telekomo Verslo Sprendimai and UAB Lintkom.

Education - Electric Communication Engineer, in 1984 graduated from Kaunas University of Technology.

Employed in the Company since 1984. In 1993, he was appointed to the office of Klaipeda Branch Director of AB Lietuvos Telekomas.

**Jan-Erik Elserius** (born in 1943)

Chief Financial Officer and Director of Finance Department of AB Lietuvos Telekomas since 29 March 1999.

As of 31 March 2003, he had 90,000 shares of the Company that accounts for 0.011 per cent of the share capital and 0.0116 per cent of votes.

General Manager of UAB Lintkom, member of the Board of UAB Baltijos Informaciniu Duomenu Valdymo Centras, UAB Comliet, UAB Lietuvos Telekomo Verslo Sprendimai, UAB Lintel, UAB Voicecom and VSI Lietuvos Telekomo Sporto Klubas.

Education - BA degree in Management, Managerial Economy, Political Economy and Statistics. In 1967, he graduated from Uppsala University.

Between 1969 and 1972, he was employed by Stockholm City/County Council in the Financial Division. From 1972, Head of the Public Office of Financial Division of the Swedish Telecom Administration (Telia). From 1975, he was responsible for the Long term Planning and accountable to the Director General. In the period from 1976 to 1980, Jan-Erik Elserius worked for the Swedtel. In July 1982, he was appointed to the position of the Finance Director of TeleLarm AB, where he occupied various managerial positions, in September 1997 he was appointed as the Director General. Following the merger with the Securitas Teknik AB in 1998, Mr. Elserius was appointed as the Deputy Managing Director of the new company Securitas Larm AB



### III. FINANCIAL STATUS

The following consolidated financial statements of Lietuvos Telekomas' Group are prepared in accordance with the International Accounting Standards. From the year 2000 Lietuvos Telekomas' Group uses International Accounting Standards in its accounting.

Lietuvos Telekomas' Group financial statements for the reporting period are not audited. Lietuvos Telekomas' Group financial statements for the year ended 31 December 2002 are audited by the auditors.

#### 8. Balance Sheet (in thousand of litas)

|   | 31 March<br>2003 | 31 December<br>2002 | 31 March<br>2002 (a) |
|---|------------------|---------------------|----------------------|
| <b>Non-current assets</b>                         |                  |                     |                      |
| Property, plant and equipment                     | 1,356,291        | 1,423,286           | 1,495,569            |
| Intangible assets                                 | 189,756          | 202,113             | 231,275              |
| Prepayments for non-current assets                | 87               | 142                 | 48                   |
| Investments                                       | 867              | 879                 | 196                  |
| Non-current receivables                           | 70               | 68                  | 57                   |
| Total   | 1,547,071        | 1,626,488           | 1,727,145            |
| <b>Current assets</b>                             |                  |                     |                      |
| Inventories                                       | 6,227            | 4,111               | 1,800                |
| Assets held for sale                              | 9,797            | 10,192              | 29,498               |
| Receivables, prepayments and accrued revenue      | 141,455          | 150,193             | 187,617              |
| Financial asset held for trading                  | 1,297            | 1,287               | --                   |
| Cash and cash equivalents                         | 116,504          | 83,759              | 43,473               |
| Total   | 275,280          | 249,542             | 262,388              |
| <b>TOTAL ASSETS</b>                               | <b>1,822,351</b> | <b>1,876,030</b>    | <b>1,989,533</b>     |
| <b>Shareholders' equity</b>                       | 1,220,602        | 1,218,541           | 1,258,397            |
| Minority interest                                 | 2,451            | 2,354               | --                   |
| <b>Non-current liabilities</b>                    |                  |                     |                      |
| Borrowings  | 25,586           | 194,230             | 368,207              |
| Deferred tax liability                            | 104,394          | 113,844             | 139,230              |
| Grants  | 13,826           | 14,492              | 16,281               |
| Total   | 143,806          | 322,566             | 523,718              |
| <b>Current liabilities</b>                        |                  |                     |                      |
| Borrowings  | 314,806          | 178,799             | 134,124              |
| Trade, other payables and accrued liabilities     | 140,686          | 153,770             | 73,294               |
| Total   | 455,492          | 333,569             | 207,418              |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>1,822,351</b> | <b>1,876,030</b>    | <b>1,989,533</b>     |

NOTE. (a) Due to changed principles of accounting payments for international operators, accrued revenue for an amount of 32,155 thousand of litas were netted against accrued liabilities in the balance sheet of 31 March 2002.

## 9. Profit (Loss) Statement (in thousand of Litass)

|   | First Quarter of<br>2003 | First Quarter of<br>2002 |
|---|--------------------------|--------------------------|
| Revenues                                    | 203,956                  | 247,913                  |
| Expenses                                    | (102,248)                | (113,551)                |
| EBITDA                                      | 101,708                  | 134,362                  |
| Depreciation and amortisation               | (90,026)                 | (101,207)                |
| Operating profit                            | 11,682                   | 33,155                   |
| Finance costs, net                          | (8,023)                  | (8,708)                  |
| Share of result before tax of associates    | 176                      | ---                      |
| Profit before profit tax                    | 3,835                    | 24,447                   |
| Profit tax                                  | (1,389)                  | (3,039)                  |
| Group's profit before the minority interest | 2,446                    | 21,408                   |
| Minority interest                           | (413)                    | ---                      |
| NET PROFIT                                  | 2,033                    | 21,408                   |
| Earning per share (in litass)               | 0.003                    | 0.028                    |

## 10. Explanatory letter

Lietuvos Telekomass' Group is the largest telecommunications services provider in Lithuania.

On 1 January 2003, Lietuvos Telekomass lost its exclusive right to install and provide fixed-line telephony services in Lithuania. Pursuant to the new Law on Telecommunications, from 1 January 2003 AB Lietuvos Telekomass together with its subsidiaries is designated as an operator with significant market power (SMP) in the public fixed-line telephony network and services, leased line services and interconnection services markets.

Besides, AB Lietuvos Telekomass and its subsidiaries provide Internet-related and data communication services, wholesale services for other local and international operators and a wide range of other telecom - related services.

As of 31 March 2003, Lietuvos Telekomass' Group consisted of AB Lietuvos Telekomass, (Savanoriu ave. 28, LT-2600 Vilnius) and its daughter companies: UAB Comliet (Palangos str. 4, LT-2001 Vilnius), UAB Lietuvos Telekomo Verslo Sprendimai (Galvydzio str. 7/Zygio str. 97, LT-2042 Vilnius), UAB Lintel (Galvydzio str. 7/Zygio str. 97, LT-2042 Vilnius), UAB Lintkom (Galvydzio str. 7/Zygio str. 97, LT-2042 Vilnius) and Vsi Lietuvos Telekomo Sporto Klubas (Savanoriu ave. 28, LT-2600 Vilnius). AB Lietuvos Telekomass also owned 60 per cent stake of UAB Baltijos Informaciniu Duomenu Valdymo Centras (Zirmunu str. 141, LT-2012 Vilnius), 60 per cent stake of UAB Voicecom (Eiguliu str. 14, LT-2049 Vilnius), 30 per cent stake of

UAB Verslo Portalas (A. Gostauto str. 12a, LT-2001 Vilnius) and 26 per cent stake of UAB TietoEnator Consulting (Zirmunu str. 141, LT-2600 Vilnius) shares. UAB „Comliet” owns 75 per cent of Latvian company Datu Tikli SIA, 55 per cent of Estonian company Telegrupp AS and 95 per cent of Comliet-Kaliningrad (Russian Federation) shares.

The core business of the parent company, AB Lietuvos Telekomas, includes fixed-line telephony, data communication, fixed-line network, wholesale and Internet-related services. It also operates an Internet portal, *Takas*.

UAB Comliet provides such services as designing and construction of fixed-line and wireless telecommunications networks, installation and maintenance of low voltage networks, as well as telecommunications network maintenance, service installation and fault elimination services.

UAB Lietuvos Telekomo Verslo Sprendimai provides services and complex telecommunications solutions as well as technical consultancy services on telecommunications issues to around 600 major business customers of Lietuvos Telekomas.

UAB Lintel focuses on provision of the Directory Inquiry Service 118, telemarketing and contact center solutions services as well as property management of Lietuvos Telekomas' Group. From 1 March 2003 UAB Lintel took over a function of Lietuvos Telekomas' customer care by telephone.

UAB Lintkom holds 4.67 per cent of Lietuvos Telekomas' shares (treasury stocks) acquired during the Initial Public Offering (IPO) in 2000.

UAB Baltijos Informaciniu Duomenu Valdymo Centras provides IT infrastructure management services to Lietuvos Telekomas and other major companies in Lithuania and the Baltic region. AB Lietuvos Telekomas owns 60 per cent and TietoEnator Oyj - 40 per cent of shares of the company.

UAB Voicecom provides voice over IP (Internet Protocol) services. AB Lietuvos Telekomas owns 60 per cent and Nexcom Telecommunication LLC (USA) - 40 per cent of shares of the company.

UAB Verslo Portalas is engaged in development of a business-to-business portal *verslas.com*. AB Lietuvos Telekomas owns 30 per cent and UAB Verslo Zinios - 70 per cent of shares of the company.

UAB TietoEnator Consulting (before 30 January 2003 known as Baltijos Telekomunikaciju Konsultaciniu Centras) provides companies in the Baltic region with high-value-added IT-related consulting services. AB Lietuvos Telekomas owns 26 per cent and TietoEnator Oyj - 74 per cent of shares of the company.

Lietuvos Telekomas is a sole founder of the non-profit organization VSI Lietuvos Telekomo Sporto Klubas.

Consolidated financial statements of Lietuvos Telekomas' Group combine financial statements of AB Lietuvos Telekomas and its daughter companies: UAB Baltijos Informaciniu Duomenu Valdymo Centras, , UAB Comliet, UAB Lietuvos Telekomo Verslo Sprendimai, UAB Lintel, UAB Lintkom, UAB Voicecom and VSI Lietuvos Telekomo Sporto Klubas added together on a line-by-line basis, eliminating the book value of the related investments against the Group's share of equity, and, in the case of not fully owned subsidiaries, the Group recognises a minority interest consisting of the portion of net income and net assets attributable to the interest owned by the third party. Investments in associated undertakings, where AB Lietuvos Telekomas has between 20 and 50 per cent, are accounted for by the equity method of accounting. Consolidated financial statements of UAB Comliet combine financial statement of UAB Comliet, Datu Tikli SIA, Telegrupp AS and Comliet-Kaliningrad. All statements are prepared on the basis of the same accounting principles.

## Key figures of Lietuvos Telekomas' Group (in thousand of litas)

|  | First Quarter<br>of 2003 | First Quarter<br>of 2002 | Change (%) |
|--|--------------------------|--------------------------|------------|
| Revenue  | 203,956                  | 247,913                  | (17.7)     |
| EBITDA   | 101,708                  | 134,362                  | (24.3)     |
| EBITDA margin (%)  | 49.9                     | 54.2                     |            |
| Depreciation and amortisation                                      | 90,026                   | 101,207                  | (11.0)     |
| Operating profit (EBIT)  | 11,682                   | 33,155                   | (64.8)     |
| Operating profit EBIT margin (%)                                   | 5.7                      | 13.4                     |            |
| Financial income and expenses, net                                 | (8,023)                  | (8,708)                  | (7.9)      |
| Profit before profit tax   | 3,835                    | 24,447                   | (84.3)     |
| Net profit   | 2,033                    | 21,408                   | (90.5)     |
| Net profit margin (%)  | 1.0                      | 8.6                      |            |
| Return on capital employed (%)                                     | 0.2                      | 1.4                      |            |
| Return on shareholders equity (%)                                  | 0.2                      | 1.7                      |            |
| Equity to assets ratio (%)   | 67.0                     | 63.3                     |            |
| Cash provided by operating activities                              | 77,996                   | 100,096                  | (22.1)     |
| Earning per share (in litas)                                       | 0.003                    | 0.028                    |            |
| Average number of shares at the end of period (in thousand) (a)    | 776,818                  | 776,818                  |            |
| Number of personnel at the end of period                           | 4,140                    | 4,970                    | (16.7)     |
| Number of fixed lines in service                                   | 892,523                  | 1,116,356                | (20.0)     |
| Penetration of lines per 100 residents (%) (b)                     | 25.8                     | 32.1                     | (19.6)     |
| Digitisation rate (%)  | 88.5                     | 63.0                     | 40.5       |
| Number of lines per full time employee, related to fixed telephony | 273                      | 246                      | 11.0       |

NOTES: (a) excluding treasury stocks held by UAB Lintkom; (b) calculated on the basis of the following population: on 31 March 2002 – 3,476 thousand, on 31 March 2003 – 3,460 thousand.

## Revenue

During the first quarter of 2003 the competition from the mobile operators' side continued. It could be also noted some new competitors in the area of international call services. Due to this development, Lietuvos Telekomas lost more customers and revenue as well. The total consolidated Group's revenue in the first quarter of the year 2003 was LTL 204 million, a decrease by 17.7 per cent over the total revenue of LTL 247.9 million in the first quarter of 2002 or by 14.7 per cent over the revenue of LTL 239 million in the fourth quarter of 2002. The revenue of the first quarter of 2003 is reduced by an amount of LTL 1.5 million, which together with LTL 4 million set aside in the year 2002 was used to adjust the customers' bills for the calls to mobile networks.

In the first quarter of 2003, Lietuvos Telekomas' Group changed grouping of its revenue following the pattern used by TeliaSonera AB for segmentation of telecommunications services. From now on services of Lietuvos Telekomas' Group will be divided into the following three main groups: Fixed-line Telephony Services (including the former Interconnection Services

group), Internet and Data Communication Services (including the former Leased Lines group) and Other Services. The revenue of the previous periods was accordingly reclassified. Contacts Centre services (Inquiry service 118, Operator-assisted services, telesales and telemarketing) were moved from the Fixed-line Telephony Services group to the Other Services group.

#### Reclassified breakdown of the Groups' revenue (in thousand of litas)

|   | First<br>Quarter of<br>2002 | Second<br>Quarter of<br>2002 | Third<br>Quarter of<br>2002 | Fourth<br>Quarter of<br>2002 | First<br>Quarter of<br>2003 |
|---|-----------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| Fixed-line Telephony<br>Services            | 212,367                     | 202,225                      | 196,378                     | 182,906                      | 158,629                     |
| Internet and Data<br>Communication Services | 28,568                      | 30,777                       | 29,587                      | 31,890                       | 32,217                      |
| Other Services                              | 6,978                       | 10,599                       | 11,689                      | 24,248                       | 13,110                      |
| <b>Total</b>                                | <b>247,913</b>              | <b>243,601</b>               | <b>237,654</b>              | <b>239,044</b>               | <b>203,956</b>              |

Compared with the revenue in the fourth quarter of 2002, the revenue from fixed-line telephony services in the first quarter of 2003 decreased by 13.3 per cent. The most significant decline was marked in the revenue from fixed-to-mobile calls and network interconnection.

In December 2002, Lietuvos Telekomas and Omnitel signed a new interconnection agreement. Following the agreement, network interconnection fees were reduced and, accordingly, tariffs for calls from the fixed network to the mobile network of Omnitel were cut by almost 26 per cent. In January 2003, Tele 2 agreed to lower interconnection fees and from 1 February 2003 tariffs for calls from Lietuvos Telekomas' network to Tele 2 network were reduced by almost 30 per cent. Bite GSM unilaterally lowered interconnection fees. Therefore, from 1 February 2003 Lietuvos Telekomas could cut its tariffs for calls to Bite GSM network roughly by 25 per cent.

During the first three months of this year the number of main lines in service went down by 43 thousand or by 4.6 per cent to 893 thousand lines at the end of March. The number of business lines in service remained almost unchanged and the rate of business lines connected to digital switches reached 93 per cent (79 per cent a year ago). Overall, on 31 March 2003, the digitalisation rate of Lietuvos Telekomas' network stood at 88.5 per cent (63.0 per cent a year ago) and the number of main lines per 100 inhabitants of Lithuania was 25.8.

In spite of the decreased number of lines in service, the average monthly revenue per line remains stable. Compared with the average monthly revenue per line in the first quarter of 2002, the revenue increased by 2.5 per cent to 74.5 litas in the first quarter of 2003.

Payment plans, which were introduced in May 2002, are gaining popularity among the customers. The number of subscribers using one of five payment plans increased by almost 44 per cent from 204 thousand (31 December 2002) to 293 thousand (31 March 2003).

In February, the first interconnection agreement on wholesale of fixed-line telephony services was signed with UAB Eurocom.

Compared with the reclassified revenue from Internet and data communication services in the first quarter of 2002, the revenue from Internet and data communication (including leased lines) services in the first quarter of 2003 increased by 12.8 per cent. On 31 March 2003, the total number of ISDN channels in service was 35.6 thousand, an increase by 31 per cent, year-on-year. During the year, the number of subscribers of ADSL services almost tripled and amounted to 12,371 at the end of March 2003. At the end of the first quarter of 2003, the total number of Internet dial-up

service users was approximately 32 thousand and there were 4,204 users of the flat rate Internet access service.

During the first quarter of 2003 Lietuvos Telekomas expanded its access bandwidth to the TeliaSonera's IP network by approximately 68 per cent and now the overall access bandwidth to the international IP network is 444 Mbps.

In February, Lietuvos Telekomas and Latvia's telecommunications service provider Telecentrs signed an agreement on network interconnection and provision of international IP services. According to the agreement, Lietuvos Telekomas will provide international IP services in Latvia.

In March, the Company launched a new *DSL Takas* package *A0 Plus* for small business and increased data downloading and uploading rate for A2 and A3 packages. Furthermore, Lietuvos Telekomas offered its first Wireless Local Area Network (WLAN) service for its business customers in one of Vilnius' hotels.

The revenue from Other Services (including Contact Centre services provided by UAB Lintel) in the first quarter of 2003 over the reclassified revenue from Other Services in the first quarter of 2002 increased by 87.9 per cent. This was mainly due to the increased activities of UAB Comliet.

### Expenses

In the first quarter of 2003, Lietuvos Telekomas' Group continued to maintain a high level of efficiency. The total operating expenses, including one-time expenses for employees' redundancy payments of LTL 5 million, went down by 10 and 18.1 per cent compared with the total operating expenses in the first and fourth quarters of 2002. This was mainly as a result of the decrease in network interconnection expenses.

During January-March 2003 the number of employees in Lietuvos Telekomas' Group decreased from 4,531 to 4,140 at the end of the quarter. As of 31 March 2003, the number of main lines per one full-time employee in the core business was 273, while three months ago this figure stood at 253.

Comparable EBITDA (excluding the revenue adjustment for recalculated bills for calls to mobile networks in 2002 and extra redundancy expenses) for the first quarter of 2003 was LTL 108.2 million, a decline by 5.2 per cent over EBITDA for the fourth quarter of 2002. Still, the actual EBITDA margin of 49.9 per cent (comparable EBITDA margin was 52.7 per cent) is higher than EBITDA margin of 47.8 per cent in the last quarter of 2002.

### Net Profit

Due to huge investments made in previous years, depreciation and amortisation charges went down quite slowly (just by 2.1 per cent compared with the fourth quarter of 2002). This has a negative effect on the overall results of the Company.

Net financial costs in the first quarter of 2003 went down by 7.9 per cent on the year-on-year basis. In spite of the lower borrowing level, the Company suffered some currency exchange losses due to the weak US dollar as settlements with international operators are done in US dollars and are deferred in time.

As a result, the profit before profit tax for the first quarter of 2003 was LTL 3.8 million (comparable profit before profit tax was LTL 10.3 million), a decrease by 84.3 per cent over LTL 24.4 million for the same period last year.

Due to the decline in the revenue, extra redundancy expenses, high depreciation and amortisation charges and currency exchange loss, the net profit of Lietuvos Telekomas' Group for January - March 2003 was LTL 2 million. Comparable net profit (excluding the revenue adjustment and redundancy expenses) amounted to LTL 8.5 million.

### Balance Sheet and Cash Flow

On 31 March 2003, the total assets of Lietuvos Telekomas' Group amounted to LTL 1,822.4 million and the shareholders' equity was LTL 1,220.6 million. The net debt decreased by a half from LTL 458.9 million (31 March 2002) to LTL 223.8 million (31 March 2003). The net debt to equity ratio was 18.3 per cent (36.5 per cent on 31 March 2002).

During the first quarter of 2003 the net cash flow from operating activities was LTL 78 million (LTL 100.1 million during the same period a year ago). The cash flow after investing activities was LTL 68.1 million (LTL 62.3 million in 2002). An amount of LTL 35.4 million was used for repayment of the loan. Overall, during the first quarter of 2003 the cash and cash equivalents of Lietuvos Telekomas' Group increased by LTL 32.7 million.

### Investments

During January - March 2003 the total amount of investments made by Lietuvos Telekomas' Group amounted to LTL 14 million (LTL 39.2 million in 2002).

On 13 January 2003, UAB Comliet and UAB Sonex Group signed a Memorandum of Understanding. According to the Memorandum, UAB Comliet intends to acquire a 100 per cent stake in UAB Sonex Komunikacijos, a company owned by Sonex Group. The intended acquisition of UAB Sonex Komunikacijos by UAB Comliet is subject to approval by the Competition Council of Lithuania.

## Consolidated Cash Flow Statements of Lietuvos Telekomas' Group (in thousand of litas):

|  | First Quarter of<br>2003 | First Quarter of<br>2002 |
|--|--------------------------|--------------------------|
| <b>Operating activities</b>  |                          |                          |
| Net profit for period  | 2,033                    | 21,408                   |
| Profit tax   | 1,389                    | 3,039                    |
| Minority interest  | 413                      | -                        |
| Share of result before tax of associates   | (176)                    | -                        |
| Depreciation and amortisation and impairment charge                                | 90,026                   | 101,207                  |
| Provision and write off of doubtful accounts receivable                            | 2,108                    | 3,568                    |
| Elimination of gain on sale of property, plant and equipment and intangible assets | (1,065)                  | (186)                    |
| Change in restructuring provision  | -                        | (7,519)                  |
| Interest income  | (390)                    | (57)                     |
| Interest expenses  | 6,962                    | 7,738                    |
| Other non-cash items   | 64                       | 805                      |
| Changes in working capital:  |                          |                          |
| Inventories and assets held for sale   | (1,721)                  | 38                       |
| Trade and other accounts receivable  | 6,791                    | 15,453                   |
| Trade and other accounts payable and deferred revenue                              | (10,595)                 | (27,843)                 |
| Cash generated from operations   | 95,839                   | 117,651                  |
| Interest paid  | (17,843)                 | (17,555)                 |
| Net cash from operating activities   | 77,996                   | 100,096                  |
| <b>Investing activities</b>  |                          |                          |
| Purchase of property, plant and equipment (PPE) and intangible assets, net         | (10,319)                 | (37,802)                 |
| Change in prepayments for tangible fixed assets                                    | 55                       | (17)                     |
| Interest received  | 390                      | 57                       |
| Net cash used in investing activities  | (9,874)                  | (37,762)                 |
| <b>Financing activities</b>  |                          |                          |
| Repayment of borrowings  | (35,377)                 | (66,763)                 |
| Net cash used in financing activities  | (35,377)                 | (66,763)                 |
| <b>Increase (decrease) in cash and cash equivalents</b>                            | 32,745                   | (4,429)                  |
| Movement in cash and cash equivalents  |                          |                          |
| At start of the period   | 83,759                   | 47,902                   |
| Increase (decrease) during the period  | 32,745                   | (4,429)                  |
| At end of the period   | 116,504                  | 43,473                   |



## IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITY

### 11. Material events in the Issuer's activity

On 6 January 2003, the Company announced that by the order of Director of the Communications Regulatory Authority, from 1 January 2003 AB Lietuvos Telekomas together with its associates, namely UAB Baltijos Informaciniu Duomenu Valdymo Centras, UAB Comliet, UAB Lietuvos Telekomo Verslo Sprendimai, UAB Lintel, UAB Lintkom, UAB Voicecom, VSI Lietuvos Telekomo Sporto Klubas, is declared as an operator with significant market power in the public fixed-line telephony services and network market, and is obliged to fulfil the requirements for legal entities with a significant market power in the public fixed-line telephony services and network market set by Articles 11, 12, 13, 14, 15, 16, 21, 22, 24 of the Law on Telecommunications of the Republic of Lithuania. Also, from 1 January 2003 Lietuvos Telekomas together with its associates is designated as a local loop operator.

On 14 January 2003, the Company announced that By the order of Director of the Communications Regulatory Authority, AB Lietuvos Telekomas together with its associates, namely UAB Baltijos Informaciniu Duomenu Valdymo Centras, UAB Comliet, UAB Lietuvos Telekomo Verslo Sprendimai, UAB Lintel, UAB Lintkom, UAB Voicecom, VSI Lietuvos Telekomo Sporto Klubas, is declared as an operator with a significant market power on the national interconnection market, and is obliged to fulfil the requirements for legal entities with a significant market power on the national interconnection market set by Articles 11, 13, 14, 15, 21, 22, 24 of the Law on Telecommunications of the Republic of Lithuania. Also, Lietuvos Telekomas together with its associates is declared as a legal entity with a significant market power on the leased line services market, and is obliged to fulfil the requirements for legal entities with a significant market power on the leased line services market set by Articles 11, 13, 14, 15, 16, 21, 22, 24, 28 of the Law on Telecommunications of the Republic of Lithuania.

On 14 January 2003, the Company announced that UAB Comliet, a subsidiary of AB Lietuvos Telekomas, and UAB Sonex Grupe signed a Memorandum of Understanding. According to it UAB Comliet intends to acquire a 100 per cent stake in UAB Sonex Komunikacijos, a subsidiary of UAB Sonex Grupe.

On 17 January 2003, the Company announced that AB Lietuvos Telekomas and UAB Tele2 have agreed to change the interconnection fees and due to this reason, tariffs for calls from the Company's fixed-line network to the mobile network of Tele2 will be reduced from 1 February 2003. In order to make the price for the calls from the fixed-line network to the mobile network of Tele2 to be in line with the requirements of the Resolution of the Government on Establishment of the Price Limits for Public Fixed-line Telephony Services dated 6 December 2001 and the Order of Director of the Communications Regulatory Authority on Establishment of the Temporary Price Limits for Public Fixed Telephony Services and Public Fixed Telephone Network Services Provided by AB Lietuvos Telekomas and its Associated Legal Entities dated 20 December 2002, during the first quarter of 2003 the Company will recalculate the amounts paid by its customers for the calls from the fixed-line network to the mobile network of Tele2 for the period from 5 December 2002 until 1 February 2003.

On 24 January 2003, the Company announced that AB Lietuvos Telekomas and Tele2 have signed an amendment to the interconnection agreement.

On 19 February 2003, the Company announced that AB Lietuvos Telekomas' Board approved the draft of non-audited financial statements for the year 2002 prepared by the Company's administration according to International Accounting Standards. Revenue of AB Lietuvos Telekomas' Group for the year 2002 was LTL 968,212 thousand, net profit for the year 2002 was LTL 67,032 thousand.

On 27 March 2003, the Board of AB Lietuvos Telekomas decided to convoke the Annual General Meeting of AB Lietuvos Telekomas' Shareholders on 28 April 2003 and proposed the following agenda: (1) Information of the Company's auditor; (2) Approval of the Company's activity report of the year 2002; (3) Approval of the annual financial statements; (4) Allocation of 2002 Company's profit; (5) Election of the Company's auditor; (6) Conversion of the Company's Special Share into the Company's Ordinary Registered Share; (7) Change of the By-laws of the Company; (8) Election of the Company's Board members. Company's Board approved audited financial statements of Lietuvos Telekomas' Group of the year 2002. According to International Accounting Standards consolidated Lietuvos Telekomas' revenue in the year 2002 was 968,212 thousand litas and net profit in the year 2002 was 67,032 thousand litas. According to Lithuanian Accounting Principles the Company's revenue in the year 2002 was 927,468 thousand litas and net profit in the year 2002 was 67,032 thousand litas. The Board proposes for the Annual General Meeting to allocate from the Company's net profit 46,609 thousand litas for the dividend payment for the year 2002. Thus dividend per share would amount for 0.06 litas. The Board proposes for the Annual General Meeting to change the By-laws of the Company. The Board of AB Lietuvos Telekomas proposes for the Annual General Meeting to elect UAB PriceWaterhouseCoopers as a Company's auditors.

On 3 April 2003, the Board of AB Lietuvos Telekomas approved General Manager's Mr. Tapio Paarma request for resignation from the Company's General Manager position as of 30 April 2003 and appointed Mr. Kjell-Ove Blom as a new General Manager of AB Lietuvos Telekomas from 1 May 2003. The Board appointed Mr. Tapio Paarma to the temporary position of Senior Advisor of the Company from 1 May 2003 until 31 December 2003. Announcement is not considered confidential and discloses the content of the confidential announcement of the material event of 27 March 2003.

On 28 April 2003, the Company announced that the Board of AB Lietuvos Telekomas has approved unaudited financial statements of AB Lietuvos Telekomas' Group for the first quarter of 2003 prepared according to International Accounting Standards. Consolidated Lietuvos Telekomas' Group revenue for the first quarter of 2003 was LTL 203,956 thousand and net profit for the first quarter of 2003 was LTL 2,033 thousand.

Decisions of the Annual General Meeting of AB Lietuvos Telekomas' Shareholders, held on 28 April 2003: (1) To approve the Report on the Activities of the Company for the year 2002; (2) To approve audited Company's annual financial statement for the year 2002, prepared according to the Accounting Rules of the Republic of Lithuania (LAP) and according to International Accounting Standards. According to IAS, the consolidated revenue of Lietuvos Telekomas' Group in the year 2002 was 968,212 thousand litas and consolidated net profit amounted to 67,032 thousand litas. According to LAP, the revenue of the parent company, AB Lietuvos Telekomas, was 927,468 thousand litas and net profit amounted to 67,032 thousand litas; (3) To allocated the profit of the year 2002 in the following way: 46,609,051 litas for dividends (0.06 litas dividend per share) and 486,000 litas for tantiems for members of the Board; (4) To elect UAB PricewaterhouseCoopers as the Company's auditor to make the audit of the Company's financial statements and to make inspection of the reports on the activities of the Company; (5) To cancel the status of Company's Special Share and to convert this Share into 1 (one) Company's Ordinary Registered Share because of expiration of the term of the Company's Special Share on 1 January 2003; (6) To change the By-laws of the Company; (7) To elect Ms Annika Christiansson, Mr Erik Hallberg and Mr Mats Salomonsson to the Board of the Company for current term of the Board.

All material events related to the activity of the Company have been announced in the Lietuvos Rytas daily.