AB LIETUVOS TELEKOMAS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

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PricewaterhouseCoopers UAB
T. Ševčenkos 21
LT-03111 Vilnius
Lithuania
Telephone +370 (5) 239 2300
Facsimile +370 (5) 239 2301
E-mail vilnius@lt.pwc.com
www.pwc.com/lt

Auditor's Report

To the shareholders of AB Lietuvos Telekomas

1. We have audited the accompanying balance sheet of AB Lietuvos Telekomas ("the Company") and together with its consolidated subsidiaries ("the Group") as at 31 December 2004 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing as issued by the International Federation of Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2004 and of the results of its operations and cash flows for the period then ended in accordance with International Financial Reporting Standards.

Vilnius, 21 March 2005

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Ona Armalienė
Auditor's Certificate No.000008

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

INCOME STATEMENT

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2004	2003	2004	2003
Revenues	4	721,039	808,200	693,284	785,846
Expenses	5	(393,428)	(425,383)	(380,573)	(435,686)
Earnings before interest, taxes, depreciation and amortisation		327,611	382,817	312,711	350,160
Depreciation, amortisation and impairment charge	11	(290,816)	(397,495)	(273,875)	(375,494)
Gain on disposal of property, plant and equipment -net		8,475	3,640	5,336	3,585
Loss on sale of investments	6	(398)	-	-	-
Operating profit (loss)		44,872	(11,038)	44,172	(21,749)
Finance costs, net	7	(4,739)	(27,649)	(5,595)	(25,767)
Share of result of subsidiaries before tax	13	-	-	(131)	7,060
Share of result of associates before tax	13	502	562	502	562
Profit (loss) before tax		40,635	(38,125)	38,948	(39,894)
Income tax	8	(6,993)	3,507	(6,758)	3,799
Profit (loss) before minority interest		33,642	(34,618)	32,190	(36,095)
Minority interest	25	(1,452)	(1,477)	-	-
Net profit (loss)		32,190	(36,095)	32,190	(36,095)
Earnings per share (LTL)	9	0.04	(0.05)	0.04	(0.05)

The notes on pages 9 to 31 form an integral part of these financial statements.

The financial statements on pages 4 to 31 have been approved for issue by the Board of Directors as at 18 March 2005 and signed on their behalf by the General Director and the Finance Director:

Arūnas Šikšta
General Director

Jan-Erik Elserius
Finance Director

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

BALANCE SHEET

		As at 31 December			
		GROUP		COMPANY	
	Notes	2004	2003	2004	2003
ASSETS					
Non-current assets					
Property, plant and equipment	11	941,027	1,120,443	809,887	969,745
Intangible assets	12	83,575	142,879	79,074	133,382
Investments in subsidiaries and associates	13	1,294	1,173	151,122	188,317
Other non-current assets		55	60	47	756
		1,025,951	1,264,555	1,040,130	1,292,200
Current assets					
Inventories		6,561	11,923	3,730	7,561
Assets held for sale		1,813	10,990	1,251	9,726
Receivables, prepayments and accrued revenue	14	114,706	136,234	113,210	129,753
Current income tax receivable		11,960	596	11,149	-
Held-to-maturity investments	15	30,115	-	30,115	-
Cash and cash equivalents	16	88,514	117,629	54,858	78,365
		253,669	277,372	214,313	225,405
Total assets		1,279,620	1,541,927	1,254,443	1,517,605
Shareholders' equity					
Share capital	17	814,913	814,913	814,913	814,913
Treasury shares	17	(120,000)	(120,000)	(120,000)	(120,000)
Legal reserve	18	81,499	81,499	81,499	81,499
Translation differences		(33)	(6)	(33)	(6)
Retained earnings		345,036	359,455	345,036	359,455
		1,121,415	1,135,861	1,121,415	1,135,861
Minority interest	25	3,899	3,536	-	-
LIABILITIES					
Non-current liabilities					
Borrowings	20	6,990	14,893	6,547	14,790
Deferred tax liabilities	21	55,149	78,422	39,136	59,722
Grants		9,280	11,832	9,280	11,832
		71,419	105,147	54,963	86,344
Current liabilities					
Trade, other payables and accrued liabilities	19	72,806	95,487	70,055	97,016
Current income tax liabilities		1,927	27,903	-	24,880
Borrowings	20	6,464	172,870	6,397	172,381
Provisions for other liabilities		1,690	1,123	1,613	1,123
		82,887	297,383	78,065	295,400
Total liabilities		154,306	402,530	133,028	381,744
Total equity and liabilities		1,279,620	1,541,927	1,254,443	1,517,605

The notes on pages 9 to 31 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

GROUP and COMPANY	Notes	Share capital	Treasury shares	Legal reserve	Translation differences	Retained earnings	Total
Balance at 1 January 2003		814,913	(120,000)	81,499	(30)	442,159	1,218,541
Dividends paid for 2002	10	-	-	-	-	(46,609)	(46,609)
Net loss		-	-	-	-	(36,095)	(36,095)
Currency translation differences		-	-	-	24	-	24
Balance at 31 December 2003		814,913	(120,000)	81,499	(6)	359,455	1,135,861
Balance at 1 January 2004		814,913	(120,000)	81,499	(6)	359,455	1,135,861
Dividends paid for 2003	10	-	-	-	-	(46,609)	(46,609)
Net profit		-	-	-	-	32,190	32,190
Currency translation differences		-	-	-	(27)	-	(27)
Balance at 31 December 2004		814,913	(120,000)	81,499	(33)	345,036	1,121,415

The notes on pages 9 to 31 form an integral part of these financial statements.

(All tabular amounts are in LTL ‘000 unless otherwise stated)

CASH FLOW STATEMENT

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2004	2003	2004	2003
Operating activities					
Net profit (loss) for the period		32,190	(36,095)	32,190	(36,095)
Income tax	8	6,993	(3,507)	6,758	(3,799)
Minority interest	25	1,452	1,477	-	-
Depreciation and amortisation and impairment charge	11	290,816	397,495	273,875	375,494
Result of equity method accounting for investment in subsidiaries	13	-	-	131	(7,060)
Share of results of associates before tax	13	(502)	(562)	(502)	(562)
Write-off of property, plant and equipment and intangible assets		3,779	2,038	3,546	1,899
Elimination of loss on sale of investments	6	398	-	-	--
Elimination of gain on sale of property, plant and equipment and intangible assets		(8,475)	(3,640)	(5,336)	(3,585)
Other non cash transactions		1,026	24	680	24
Interest income	7	(1,018)	(1,366)	(732)	(3,378)
Interest expenses	7	5,760	24,747	5,569	25,246
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):					
Inventories		5,858	(6,840)	4,199	(5,115)
Trade and other accounts receivable		23,052	14,916	25,940	18,553
Trading investments		-	1,287	-	-
Trade and other accounts payable and deferred revenue		(1,161)	3,949	17,645	9,533
Cash generated from operations		360,168	393,923	363,963	371,155
Interest paid		(17,726)	(26,238)	(17,535)	(26,806)
Tax paid		(66,802)	(47,336)	(61,553)	(42,306)
Net cash from operating activities		275,640	320,349	284,875	302,043

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

CASH FLOW STATEMENT (CONTINUED)

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2004	2003	2004	2003
Investing activities					
Purchase of property, plant and equipment (PPE) and intangible assets		(74,530)	(51,348)	(76,611)	(47,859)
Proceeds from disposal of PPE and intangible assets		29,054	13,290	24,760	12,161
Acquisition of held-to-maturity investments		(29,815)	-	(29,815)	-
Acquisition/disposal of subsidiaries (net of cash acquired)		(11)	(686)	-	-
Change in prepayments for non-current assets		(47)	55	(47)	(73)
Loans repaid (granted) to subsidiaries		-	-	560	910
Dividends received	13	298	162	1,478	37,636
Interest received		931	1,366	732	1,012
Net cash from investing activities		(74,120)	(37,161)	(78,943)	3,787
Financing activities					
Proceeds from borrowings		109,380	-	109,000	-
Repayment of borrowings		(142,249)	(190,414)	(141,830)	(226,935)
Repayment of bonds issued		(150,000)	(12,000)	(150,000)	(12,000)
Minority contribution to share capital of subsidiaries	25	-	21	-	-
Dividends paid to minority shareholders	25	(1,157)	(316)	-	-
Dividends paid		(46,609)	(46,609)	(46,609)	(46,609)
Net cash from financing activities		(230,635)	(249,318)	(229,439)	(285,544)
Increase in cash and cash equivalents		(29,115)	33,870	(23,507)	20,286
Movement in cash and cash equivalents					
At beginning of year		117,629	83,759	78,365	58,079
Increase (decrease) in cash and cash equivalents		(29,115)	33,870	(23,507)	20,286
At end of year	16	88,514	117,629	54,858	78,365

The notes on pages 9 to 31 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

1 General information

AB Lietuvos Telekomas (hereinafter "the Company") was registered as a joint stock company on 16 June 1997. The Company is domiciled in Vilnius, the capital of Lithuania. The address of its registered office is as follows: 28 Savanorių Ave., LT-03501 Vilnius, Lithuania.

The Company's shares are traded on the Vilnius Stock Exchange as from 16 June 2000, and Global Depository Receipts (GDR), representing Company's shares, are traded on the London Stock Exchange.

The shareholders' structure of the Company as at 31 December 2004 was as follows:

	Number of shares	**%**
Amber Teleholding A/S (ultimate parent – TeliaSonera AB)	488,947,656	60.00
UAB Lintel (treasury shares, Note 17)	38,095,242	4.67
Lithuanian State Property Fund	37,129,825	4.56
Other shareholders (including GDR holders)	250,740,037	30.77
	814,912,760	100.00

Pursuant to the Law of the Republic of Lithuania on the Restoration of the Rights of Ownership of Citizens of the Republic of Lithuania to Existing Real Estate and the Lithuanian Government's Resolution dated 12 July 2002 *On Compensation to Citizens for the Existing Real Estate Bought out by the State by Way of Securities Owned by the State*, shares owned by the State Property Fund are used to compensate citizens for expropriated real estate.

The Company's principal activity is the provision of fixed local, long distance and international telecommunication services including internet and data communication to both business and residential customers in the Republic of Lithuania.

The subsidiaries included in the Group's consolidated financial statements and associated entities are indicated below:

		Ownership interest in %		
Subsidiary/ associate	**Country of incorporation**	**31 December 2004**	**31 December 2003**	**Profile**
UAB Lietuvos Telekomo Verslo Sprendimai	Lithuania	100%	100%	Acts on behalf of the Company in selling internet and other data communication services and integrated telecommunication business solutions to major business customers of the Company.
UAB Lintel	Lithuania	100%	100%	Provider of 118 call centre and telemarketing services. UAB Lintel has also taken over management of part of the Company's property. Reorganisation of UAB Lintel and UAB Lintkom was finished in May 2004. All assets, including treasury shares, and liabilities of UAB Lintkom were transferred to UAB Lintel.

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

		Ownership interest in %		
Subsidiary/ associate	**Country of incorporation**	**31 December 2004**	**31 December 2003**	**Profile**
UAB Comliet	Lithuania	100%	100%	In the first half of 2004, a restructuring of UAB Comliet was carried out. As a result of this restructuring functions performed by UAB Comliet such as implementation of telecommunications services installation, fault elimination, order management and network maintenance were transferred to AB Lietuvos Telekomas. All assets and employees of UAB Comliet related to the above-mentioned functions were also transferred to the Company. The core business of UAB Comliet after the above-mentioned restructuring is network and other construction services. UAB Comliet owns a 55% stake in the Estonian company AS Telegrupp, a 100% stake in the Lithuanian company UAB Comliet sprendimai (former UAB Sonex Komunikacijos) and a 100 % stake(together with UAB Comliet sprendimai) in the Russian company registered in Kaliningrad district OOO Comliet Kaliningrad. All the above-mentioned entities are involved in construction and maintenance of low voltage networks.
UAB Baltic Data Center	Lithuania	60%	60%	The subsidiary provides information technology services to the Group and third parties.
UAB Verslo Portalas	Lithuania	30%	30%	This associated entity is under liquidation process.
UAB TietoEnator Consulting	Lithuania	26%	26%	A majority stake of this associated entity's shares is held by TietoEnator Oyj. The associate provides professional information technology services to the Group and third parties.
UAB Voicecom	Lithuania	100%	60%	Dormant subsidiary.
VšĮ Lietuvos Telekomo Sporto Klubas	Lithuania	100%	100%	Provides sports club services and supports a women's basketball team.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention as modified by revaluation of financial assets and financial liabilities at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

Implementation of new accounting policies as a result of new accounting standards, which came into effect as from 1 January 2005, will not have a significant effect on the consolidated figures of the Group as at 31 December 2004, disclosed in these financial statements.

2.2 Group accounting

Subsidiaries

Subsidiaries, which are those companies in which the Group, directly or indirectly, has an interest of more than one half the voting rights or otherwise has power to govern the financial and operating policies are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. See Note 2.5 for the accounting policy on goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Goodwill arising on acquisition of associates is included under intangible assets in the Group accounts. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not to recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

(All tabular amounts are in LTL ‘000 unless otherwise stated)

2.3 Foreign currency translation

Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“the measurement currency”). The consolidated financial statements are presented in Lithuanian Litas (LTL), which is the measurement currency of the Company.

Until 31 January 2002 the exchange rate of the Litas was fixed to the US Dollar (USD) at a rate of 4 LTL=1 USD. As from 1 February 2002 Lithuania repegged the Litas to the Euro at rate of 3.4528 LTL=1 Euro.

Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Group companies

Income statements and cash flows of foreign entities are translated into the Group’s reporting currency at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on 31 December. Exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders’ equity. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Property, plant and equipment

Property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment loss.

Depreciation is calculated on the straight-line method to write off the cost of assets to their residual values over their estimated useful life as follows:

Buildings	10 – 50 years
Plant and machinery	5 – 25 years
Switches, lines and related telecommunication equipment	4 – 10 years
Computers	3 years
Motor vehicles	2 – 10 years
Other tangible fixed assets	1 – 25 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Construction in progress is transferred to appropriate groups of fixed assets when it is completed and ready for its intended use.

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

2.4 Property, plant and equipment (continued)

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Assets held for sale are stated at the lower of cost or net realisable value.

2.5 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries/associates occurring is included in intangible assets in the Group accounts. Goodwill is amortised using the straight-line method over its estimated useful life, which is 5 years.

Other intangible assets

Intangible assets expected to provide economic benefit to the Group in future periods are valued at acquisition cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line method over estimated benefit period as follows:

Licences	10 years
Computer software	3 – 5 years
Other intangible fixed assets	5 years

2.6 Investments

The Group classifies its investments into following categories: trading, held-to-maturity and available-for-sale. During the current period the Group did not hold any investments in trading and available-for-sale categories.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

Held-to-maturity investments are carried at amortised cost using effective interest method.

Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

(All tabular amounts are in LTL ‘000 unless otherwise stated)

2.7 Investments in subsidiaries

Investments in subsidiaries that are included in the separate financial statements of the Company are accounted for using the equity method. Equity accounting involves recognising in the income statement the Company’s share of the subsidiaries’ results for the period. The Company’s share of post-acquisition movements in the subsidiaries’ reserves is recognised in reserves. If under the equity method, the Company’s share of losses of a subsidiary equals or exceeds the acquisition costs of an investment, the investment in the balance sheet is reported at nil value. Additional losses are provided for to the extent that the Company has incurred obligations or made payments on behalf of the subsidiary to satisfy its obligations. The provision for additional losses is accounted for within the share of net result before tax of a subsidiary in the income statement.

2.8 Investments in associates

Investments in associates that are included in the separate financial statements of the Company are accounted for using the equity method.

2.9 Impairment of long lived assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset’s net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

2.10 Accounting for leases – where Group is the lessee

Finance lease

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at amount equal at the inception of lease to the fair value of leased property or, if lower, at present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the asset.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.11 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group from the tax authorities), transport, handling and other costs directly attributable to the acquisition of inventories. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(All tabular amounts are in LTL ‘000 unless otherwise stated)

2.12 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the stage of completion method. The stage of completion is measured by reference to the relationship contract costs incurred for work performed to date bear to the estimated total costs for the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs incurred in the year in connection with future activity on a contract are excluded and shown as contract work in progress. The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts, under receivables and prepayments. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contracts, under trade and other payables.

2.13 Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Interconnection receivables and payables to the same counterparty are stated net.

2.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments, with original maturities of three months or less.

2.15 Treasury shares

Where the Company or its subsidiaries purchase the Company’s own share capital, the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders’ equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders’ equity.

2.16 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of borrowings.

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

2.17 Income tax

Profit is taxable at a rate of 15% (2003: 15%) in accordance with Lithuanian regulatory legislation on taxation.

Income tax expense is calculated and accrued for in the financial statements on the basis of information available at the moment of the preparation of the financial statements, and estimates of income tax performed by the management in accordance with Lithuanian regulatory legislation on taxation.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred income tax assets are recognised to the extent that is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset only where International Accounting Standard No. 12 allows this treatment.

2.18 Grants relating to purchase of property, plant and equipment

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants relating to the purchase of property, plant and equipment are included in non-current liabilities and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Restructuring provisions are recognised in the period in which the Group becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Group are not provided in advance.

2.20 Financial instruments

Financial instruments are stated at their fair value as at the balance sheet date.

2.21 Revenue recognition

Revenue is recognised as earned. Telecommunications services' revenue is recognised when the services are rendered based on usage of the network and facilities net of value added tax and price discounts directly related to the sales. Other revenues are recognised when products are delivered or services are rendered to customers. At the end of each accounting period a revenue accrual is made to record amounts not yet billed.

Revenue from interconnection is accrued at the end of each accounting period based on the actual traffic of incoming calls from different carriers. Accrued revenue is adjusted to actual after reconciliation with the carrier is performed.

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

2.21 Revenue recognition (continued)

Service activation fees are recognised as income and related costs are expensed at the moment of activating the service.

Under the Company's customer loyalty programmes, customers are entitled to certain discounts relating to the Company's services and goods supplied by third parties. At the end of each reporting period the Company establishes a provision with respect to the total estimated amount of accumulated discounts. In the income statement these discounts are treated as a deduction from revenues.

2.22 Earnings before interest, tax, depreciation and amortisation

The Company defines earnings before interest, tax, depreciation and amortisation (EBITDA) as net profit/(loss) determined in accordance with IFRS, before depreciation and amortization, impairment charges and gains/losses on sales of property, plant and equipment, net result from financial activities, results of subsidiaries and associates and income taxes. EBITDA is not a measure defined by IFRS, but the Company's management believes it serves as a useful supplementary financial indicator of operating performance.

2.23 Employee benefits

Social security contributions
The Company pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

Termination benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.24 Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders.

2.25 Earnings per share

Earnings per share is calculated in accordance with International Accounting Standard No. 33.

2.26 Segment information

The Group uses its fixed line network to generate different types of revenue (see Note 4). The Group is operating in one business segment (fixed line services) and one geographical segment and therefore no segment information is disclosed.

2.27 Comparatives

Where necessary, the comparative figures have been reclassified to conform with changes in presentation of the current year financial statements.

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

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to limit certain exposures.

Risk management is carried out by a central treasury unit (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operation with the Groups operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

Foreign exchange risk
The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar (USD) and Special Drawing Rights (SDR). Foreign exchange risk is controlled by hedging the foreign currency exposure of its purchase contracts and debt commitments. The Group Treasury is responsible for hedging the net position in each currency by using currency borrowings and external forward currency contracts.

Credit risk
The Group has no significant concentrations of credit risk. Credit risks or the risks of counter-parties defaulting, are controlled by the application of credit terms and monitoring procedures. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Liquidity risk
Liquidity risk is managed by the Group Treasury, which is required to maintain a minimum required liquidity position as defined in the Group's Treasury policy. The Group Treasury also handles liquidity placements centrally for the Group.

Interest rate risk
The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's policy is to maintain diversified debt portfolio. Split between fixed and floating interest rate depends on the actual situation in the market.

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

4 Revenues

	GROUP		COMPANY	
	2004	**2003**	**2004**	**2003**
Fixed voice services	547,228	630,136	547,269	631,544
Internet and data services	130,414	119,846	131,022	121,011
Construction services	27,343	35,973	-	-
Other services	16,054	22,245	14,993	33,291
	721,039	808,200	693,284	785,846

5 Expenses

	GROUP		COMPANY	
	2004	**2003**	**2004**	**2003**
Employee related expenses	136,558	147,231	94,968	79,079
Interconnection expenses	103,685	101,856	103,362	100,530
Construction services expenses (excluding employees related expenses)	18,757	24,400	-	-
Impairment of accounts receivable	(3,286)	2,040	(3,719)	1,893
Other expenses	137,714	149,856	185,962	254,184
	393,428	425,383	380,573	435,686

The number of full time staff employed by the Group at the end of 2004 totalled 2,965 (2003: 3,437). The number of full time staff employed by the Company at the end of 2004 totalled 2,098 (2003: 1,528).

6 Loss on sale of investments

In 2004, the Group sold a 75% stake in Datu Tikli SIA at a loss of LTL 398 thousand.

7 Finance costs-net

	GROUP		COMPANY	
	2004	**2003**	**2004**	**2003**
Interest income	1,018	1,366	732	3,378
Other financial income	921	313	838	523
	1,939	1,679	1,570	3,901
Net foreign exchange loss	(597)	(4,119)	(573)	(3,945)
Interest expense	(5,760)	(24,747)	(5,569)	(25,246)
Other financial expenses	(321)	(462)	(1,023)	(477)
	(4,739)	(27,649)	(5,595)	(25,767)

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

8 Income tax

	GROUP		COMPANY	
	2004	2003	2004	2003
Current tax	30,183	31,809	26,157	28,156
Deferred tax (Note 21)	(23,273)	(35,422)	(20,586)	(33,889)
	6,910	(3,613)	5,571	(5,733)
Share of tax of subsidiaries	-	-	1,104	1,828
Share of tax of associates	83	106	83	106
	6,993	(3,507)	6,758	3,799

The tax on the Company's and the Group profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP		COMPANY	
	2004	2003	2004	2003
Profit (loss) before tax and share of result of subsidiaries and associates	40,133	(38,687)	38,577	(47,516)
Tax calculated at a tax rate of 15% (2003: 15%)	6,020	(5,803)	5,787	(7,127)
Income not subject to tax and expenses not deductible for tax purposes	432	8,587	354	7,791
Profit taxed at different rate	(128)	-	-	-
Tax losses for which no deferred income tax was recognised	949	-	-	-
Income tax on dividends	(493)	(5,519)	(700)	(5,519)
Correction of previous years tax balance	130	(878)	130	(878)
Tax charge before share of tax of subsidiaries and associates	6,910	(3,613)	5,571	(5,733)

9 Earnings per share

Basic earnings per share is calculated by dividing the net profit (loss) for the period by the weighted average number of ordinary shares in issue during the period. The Group has no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share.

Weighted average number of shares in issue (thousands) for year ended 31 December 2004: 814,913 (ordinary shares) – 38,095 (treasury shares) = 776,818. Weighted average number of shares for the year ended 31 December 2003 was – 776,818.

	GROUP		COMPANY	
	2004	2003	2004	2003
Net profit (loss) attributable to shareholders	32,190	(36,095)	32,190	(36,095)
Weighted average number of ordinary shares in issue (thousands)	776,818	776,818	776,818	776,818
Basic earnings per share (LTL)	0.04	(0.05)	0.04	(0.05)

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

10 Dividends per share

The dividends per share, excluding treasury shares, declared in respect of 2003 and 2002 and paid in 2004 and 2003, were LTL 0.06 and LTL 0.06, respectively. There were no dividends proposed or declared in respect of 2004 as at the date of approval of these financial statements.

11 Property, plant and equipment

Balance of property, plant and equipment consist of following items:

	GROUP		COMPANY	
	2004	**2003**	**2004**	**2003**
Property, plant and equipment	941,018	1,120,429	809,878	969,731
Prepayments for property plant and equipment	9	14	9	14
	941,027	1,120,443	809,887	969,745

GROUP	**Land and buildings**	**Ducts and telecommunication equipment**	**Other tangible fixed assets**	**Construction in progress**	**Total**
Year ended 31 December 2004					
Opening net book amount	188,553	882,130	32,546	17,200	1,120,429
Exchange rate differences	-	-	5	-	5
Additions	228	1,985	2,364	59,803	64,380
Reclassifications	(126)	(557)	(588)	(2)	(1,273)
Disposal of subsidiary	-	-	(194)		(194)
Disposals and retirements	(12,433)	(3,586)	(1,799)	-	(17,818)
Transfers from construction in progress	869	63,518	8,741	(73,128)	-
Depreciation charge	(8,803)	(203,823)	(11,885)	-	(224,511)
Closing net book amount	168,288	739,667	29,190	3,873	941,018
At 31 December 2004					
Cost	234,420	2,188,661	90,534	3,929	2,517,544
Accumulated depreciation	(66,132)	(1,448,994)	(61,344)	(56)	(1,576,526)
Net book amount	168,288	739,667	29,190	3,873	941,018
At 31 December 2003					
Cost	264,205	2,269,063	96,950	18,000	2,648,218
Accumulated depreciation	(75,652)	(1,386,933)	(64,404)	(800)	(1,527,789)
Net book amount	188,553	882,130	32,546	17,200	1,120,429

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

11 Property, plant and equipment (continued)

COMPANY	Land and buildings	Ducts and telecommunication equipment	Other tangible fixed assets	Construction in progress	Total
Year ended 31 December 2004					
Opening net book amount	76,988	864,510	11,033	17,200	969,731
Additions	-	765	6,651	59,774	67,190
Disposals and write-offs	(10,565)	(3,290)	(870)	-	(14,725)
Reclassifications	(127)	799	-	-	672
Transfers from construction in progress	869	67,712	4,534	(73,115)	-
Depreciation charge	(5,696)	(200,646)	(6,648)	-	(212,990)
Closing net book amount	61,469	729,850	14,700	3,859	809,878
At 31 December 2004					
Cost or indexed cost	114,781	2,158,370	61,722	3,915	2,338,788
Accumulated depreciation	(53,312)	(1,428,520)	(47,022)	(56)	(1,528,910)
Net book amount	61,469	729,850	14,700	3,859	809,878
At 31 December 2003					
Cost or indexed cost	142,714	2,229,550	61,853	18,000	2,452,117
Accumulated depreciation	(65,725)	(1,365,041)	(50,820)	(800)	(1,482,386)
Net book amount	76,989	864,509	11,033	17,200	969,731

The depreciation, amortisation and impairment charge in the income statement consists of the following items:

	GROUP		COMPANY	
	2004	**2003**	**2004**	**2003**
Depreciation of property, plant and equipment	224,511	323,271	212,990	306,722
Amortisation of intangible assets (Note 12)	68,380	74,350	62,683	65,588
Impairment of goodwill (Note 13)	-	1,634	-	275
Goodwill depreciation (Note 13)	-	-	924	3,787
Amortisation of grants received	(2,722)	(2,645)	(2,722)	(2,645)
Other movements	647	885	-	1,767
	290,816	397,495	273,875	375,494

As at 31 December 2004 property, plant and equipment include items (ducts and other real estate items) that are not formally registered with the Cadastre and Register of Land and Other Immovable Property. Such registration is formally required to confirm the legal ownership of such property. The carrying value of these assets amounted to LTL 115.7 million as at 31 December 2004 (2003: LTL 120.4 million). There were no practical procedures to estimate the future cost of registration of these assets. The Company uses these assets in its operations and pays real estate tax on these assets. The Company's management has no doubts as to the legal title to these assets.

In 2003, the Company performed a detailed review of the carrying values of specific items of property, plant and equipment. Based on the results of this review the Company's management made a decision to reduce the carrying value of certain assets (mostly telecommunication equipment and buildings) due to the fact that the carrying values of these assets were in excess of their recoverable amounts. The total write-down in the value of property, plant and equipment included in the depreciation charge for 2003 amounts to LTL 43.4 million.

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

12 Intangible assets

Balance of intangible assets consists of following items:

	GROUP		COMPANY	
	2004	2003	2004	2003
Intangible assets	83,450	142,806	78,949	133,309
Prepayments for intangibles assets	125	73	125	73
	83,575	142,879	79,074	133,382

GROUP	Licences	Software	Goodwill	Other intangible assets	Assets in the course of construction	Total
Year ended 31 December 2004						
Opening net book amount	986	125,178	1,758	7,637	7,247	142,806
Additions	-	667	8	13	9,742	10,430
Disposals and write-offs	-	(4)	-	(115)	-	(119)
Reclassifications	-	15,447	-	1,037	(16,484)	-
Reclassifications to other accounts	-	(1,264)	-	(23)	-	(1,287)
Amortisation charge	(258)	(64,135)	(1,164)	(2,525)	(298)	(68,380)
Closing net book amount	728	75,889	602	6,024	207	83,450
At 31 December 2004						
Cost	2,575	353,040	20,106	15,168	505	391,394
Accumulated amortisation	(1,847)	(277,151)	(19,504)	(9,144)	(298)	(307,944)
Net book amount	728	75,889	602	6,024	207	83,450
At 31 December 2003						
Cost	2,575	341,350	20,728	14,263	7,247	386,163
Accumulated amortisation	(1,589)	(216,172)	(18,970)	(6,626)	-	(243,357)
Net book amount	986	125,178	1,758	7,637	7,247	142,806

The Company holds a licence for the provision of fixed, long distance and international telecommunication services, also including data transmission in Lithuania. The licence also provides the right to construct and develop the network for provision of the above-mentioned services. The licence was issued on 31 October 1997, amended in June 1998 and is valid until 31 October 2007. The cost of the licence amounted to LTL 1.7 million and accumulated amortisation amounted to LTL 1.0 million as at 31 December 2004.

The Company's subsidiary UAB Comliet holds a licence granted on 31 October 1997 for rights to operate NMT 450 mobile cellular network. The licence is valid until 31 October 2007. The Group uses NMT 450 network to provide wireless local loop (WLL) to customers in remote areas and for intra-group communication needs. The cost of the licence amounted to LTL 0.9 million and accumulated amortisation amounted to LTL 0.6 million as at 31 December 2004.

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

12 Intangible assets (continued)

COMPANY	Licences	Software	Other intangible assets	Assets in the course of construction	Total
Year ended 31 December 2004					
Opening net book amount	648	117,809	7,605	7,247	133,309
Additions	-	-	-	9,721	9,721
Disposals and write-offs	-	-	(110)	-	(110)
Reclassifications	-	15,888	1,037	(16,925)	-
Reclassifications to other accounts	-	(1,265)	(23)	-	(1,288)
Amortisation charge	(169)	(60,005)	(2,509)	-	(62,683)
Closing net book amount	479	72,427	6,000	43	78,949
At 31 December 2004					
Cost	1,691	332,956	15,047	43	349,737
Accumulated amortisation	(1,212)	(260,529)	(9,047)	-	(270,788)
Net book amount	479	72,427	6,000	43	78,949
At 31 December 2003					
Cost	1,691	321,352	14,156	7,247	344,446
Accumulated amortisation	(1,043)	(203,543)	(6,551)	-	(211,137)
Net book amount	648	117,809	7,605	7,247	133,309

13 Investments in subsidiaries and associates

	GROUP		COMPANY	
	2004	**2003**	**2004**	**2003**
At the beginning of year	1,173	879	188,317	237,293
Reduction of share capital of subsidiary	-	-	(10,000)	(12,000)
Dividends received	(298)	(162)	(1,478)	(37,636)
Goodwill amortisation	-	-	(924)	(3,787)
Goodwill impairment	-	-	-	(275)
Share of results of subsidiaries before tax	-	-	(131)	7,060
Share of results of associates before tax	502	562	502	562
Share of tax of subsidiaries and associates (Note 8)	(83)	(106)	(1,187)	(1,934)
Impact of treasury shares accounting (Note 17)	-	-	(23,977)	(966)
At end of year	1,294	1,173	151,122	188,317

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

14 Receivables, prepayments and accrued revenue

	GROUP		COMPANY	
	2004	2003	2004	2003
Trade receivables from business and residents	93,863	108,767	85,781	96,425
Trade receivables from other operators	20,344	15,222	20,344	15,222
Provision for impairment	(27,252)	(32,564)	(26,554)	(32,124)
Loans to subsidiaries	-	-	1,000	1,560
Accrued revenues from operators	10,096	32,901	10,096	32,901
Other accrued revenues	4,941	859	3,170	730
Derivative instruments	-	323	-	323
Prepaid expenses and other receivables	12,714	10,726	19,373	14,716
	114,706	136,234	113,210	129,753

The Group's historical experience in collection of accounts receivable falls within the recorded provisions.

15 Held-to-maturity investments

Held-to-maturity investments consist of bonds issued by Lithuanian banks. The effective interest rate on the bonds was 2.32% and these bonds will mature in 114 days on average.

16 Cash and cash equivalents

	GROUP		COMPANY	
	2004	2003	2004	2003
Cash in hand and at bank	69,494	96,978	54,274	72,129
Short term bank deposits	18,436	19,939	-	5,524
Restricted cash	584	712	584	712
	88,514	117,629	54,858	78,365

The effective interest rate on the Group's short-term bank deposits, held with Lithuanian banks was 1.82% and these deposits will mature in 15 days on average.

Restricted cash includes short-term deposits in AB Hansabankas amounting to LTL 0.6 million (2003: LTL 0.7 million) relating to loans granted by AB Hansabankas to the Group's employees to finance purchase or reconstruction of private apartments. The effective interest rate on these deposits is 0.47% (2003: 0.5%).

17 Share capital and treasury shares

Authorised share capital comprises 814,912,760 ordinary shares of LTL 1 par value each. All shares are fully paid.

According to the agreement signed by the State Property Fund, the Company and Amber Teleholding A/S on 7 July 1998, the General Meeting of Shareholders assigned the status of a special share to one of the shares owned by the State Property Fund on 26 April 2000. The special rights attached to this share outlined in the Company's By-laws expired on 1 January 2003. There were no other changes in share capital during 2004 and 2003.

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

17 Share capital and treasury shares (continued)

In September 2002, AB Lietuvos Telekomas acquired from its subsidiary UAB Lintel all the shares of UAB Lintkom. No gain or loss on sale of these shares was recognised in the financial statements of UAB Lintel. As a result of this transaction the Company owned 100% of shares of UAB Lintkom and UAB Lintkom owned 4.67% shares of the Company. As UAB Lintkom was a dormant subsidiary, the shares of AB Lietuvos Telekomas owned by UAB Lintkom were considered to be treasury shares and directly deducted from shareholders' equity in the Company's balance sheet at their purchase cost of LTL 120.0 million as at 31 December 2002.

On 18 December 2003, AB Lietuvos Telekomas sold back all shares of UAB Lintkom to UAB Lintel and a decision was made to merge these companies. No gain or loss on this transaction was recognised in the Company's financial statements. In May 2004, the legal merger of companies was completed. All assets, including treasury shares, and liabilities of UAB Lintkom were transferred to UAB Lintel.

The Company continues to treat AB Lietuvos Telekomas shares held by UAB Lintel as treasury shares and directly deducts them from shareholders' equity in the Company's balance sheet at their purchase cost of LTL 120.0 million as at 31 December 2004.

18 Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of 5% of profit available for distribution, calculated in accordance with Lithuanian regulatory legislation on accounting, is compulsory until the reserve including share premium reaches 10% of the share capital. The legal reserve can be used to cover the accumulated losses.

19 Trade, other payables and accrued liabilities

	GROUP		COMPANY	
	2004	**2003**	**2004**	**2003**
Trade payables	32,028	31,060	36,033	39,943
Trade payables to operators	5,220	10,735	5,220	10,735
Taxes, salaries and social security payable	12,138	4,242	8,563	764
Accruals to operators	4,690	10,496	4,690	10,496
Accrued liabilities	6,928	21,555	4,726	18,136
Derivative instruments (Note 22)	7,351	15,740	7,351	15,740
Other payables and deferred revenue	4,451	1,659	3,472	1,202
	72,806	95,487	70,055	97,016

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

20 Borrowings

	GROUP		COMPANY	
	2004	2003	2004	2003
Current				
Current portion of long-term bank borrowings	6,336	22,381	6,336	22,381
Bonds	-	150,000	-	150,000
Short term borrowings	-	429	-	-
Finance lease liabilities	128	60	61	-
	6,464	172,870	6,397	172,381
Non-current				
Long-term bank borrowings	6,716	14,790	6,336	14,790
Finance lease liabilities	274	103	211	-
	6,990	14,893	6,547	14,790
Total borrowings	13,454	187,763	12,944	187,171

As at 31 December 2004 bank borrowings of LTL 12.7 million (2003: LTL 22.7 million) were guaranteed by the Lithuanian Government.

The exposure of the bonds issued and bank borrowings of the Group to interest rate changes and the periods in which the borrowings reprice are as follows:

	6 months or less	6-12 months	1-5 years	Total
At 31 December 2004				
Total borrowings	13,052	-	-	13,052
At 31 December 2003				
Total borrowings	185,956	665	979	187,600

After taking account of interest rate swaps, the interest rate exposure of borrowings (excluding finance lease) at the balance sheet date was as follows:

	GROUP		COMPANY	
	2004	2003	2004	2003
Total borrowings:				
– at fixed rates	-	159,873	-	159,444
– at floating rates	13,052	27,727	12,672	27,727
	13,052	187,600	12,672	187,171

After taking account of interest rate swaps, the effective interest rates relating to the Group's borrowings at the balance sheet date were as follows

	GROUP		COMPANY	
	2004	2003	2004	2003
Bank borrowings	4.18%	4.22%	4.21%	4.22%
Bonds	-	10.15%	-	10.15%

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

20 Borrowings (continued)

Maturities of non-current borrowings (excluding finance lease liabilities) are disclosed below:

	GROUP		COMPANY	
	2004	2003	2004	2003
Between 1 and 2 years	6,716	7,885	6,336	7,885
Between 2 and 5 years	-	6,905	-	6,905
Over 5 years	-	-	-	-
	6,716	14,790	6,336	14,790

21 Deferred income taxes

The gross movement on the deferred income tax account is as follows:

	GROUP		COMPANY	
	2004	2003	2004	2003
At beginning of year	78,422	113,844	59,722	93,611
Income statement credit (Note 8)	(23,273)	(35,422)	(20,586)	(33,889)
At end of year	55,149	78,422	39,136	59,722

According to Lithuanian tax legislation, investments of the Company in subsidiaries qualify for participation exemption, therefore deferred income tax liabilities have not been established on the unremitted earnings of subsidiaries.

The movement in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the period is as follows:

GROUP– deferred tax liabilities	**Investment relief**	**Other**	**Total**
At 1 January 2004	139,365	-	139,365
Charged/ (credited) to net profit	(29,364)	-	(29,364)
At 31 December 2004	110,001	-	110,001

GROUP – deferred tax assets	**Tax losses**	**Accelerated depreciation**	**Other**	**Total**
At 1 January 2004	-	(58,680)	(2,263)	(60,943)
Charged/ (credited) to net profit	(779)	6,878	(8)	6,091
At 31 December 2004	(779)	(51,802)	(2,271)	(54,852)

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

21 Deferred income taxes (continued)

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of LTL 0.9 million (2003: nil) in respect of losses that can be carried forward against future taxable income and expires in 2009.

The movement in deferred tax assets and liabilities of the Company (prior to offsetting of balances) during the period is as follows:

COMPANY – deferred tax liabilities	**Investment relief**	**Other**	**Total**
At 1 January 2004	120,299	-	120,299
Charged/ (credited) to net profit	(27,410)	-	(27,410)
At 31 December 2004	92,889	-	92,889

COMPANY – deferred tax assets	**Accelerated depreciation**	**Other**	**Total**
At 1 January 2004	(58,680)	(1,897)	(60,577)
Charged/ (credited) to net profit	6,878	(54)	6,824
At 31 December 2004	(51,802)	(1,951)	(53,753)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	GROUP		**COMPANY**	
	2004	**2003**	**2004**	**2003**
Deferred tax assets	(54,852)	(60,943)	(53,753)	(60,577)
Deferred tax liabilities	110,001	139,365	92,889	120,299
	55,149	78,422	39,136	59,722

22 Financial instruments

As at 31 December 2004 the Company's and the Group's borrowings denominated in US dollars comprised USD 5.0 million or LTL 12.7 million (2003: USD 12.6 million or LTL 34.8 million). As at 1 February 2002 the Company entered into swap contracts, according to which the denomination of borrowings in US dollars was swapped to Euro. One contract remains unexpired as 31 December 2004.

At the balance sheet date the fair value of the above-mentioned derivative financial instrument was negative and amounted to LTL 7.4 million (2003: LTL 15.7 million). This amount is disclosed under trade, other payables and accrued liabilities (see Note 19).

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

23 Contingent liabilities

At 31 December 2004, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Company has given guarantees amounting to LTL 1.0 million (2003: LTL 0.8 million). The Company has also given guarantees for the Company's employees amounting to LTL 0.2 million (2003: LTL 0.1 million).

24 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	GROUP		COMPANY	
	2004	**2003**	**2004**	**2003**
Property, plant and equipment	6,346	7,046	6,346	7,046
Intangible assets	249	4,998	183	4,998
	6,595	12,044	6,529	12,044

Operating lease commitments – where the Group is the lessee

The Group and the Company leases passenger cars under operating lease agreements. The future aggregate minimum lease payments under operating leases are as follows:

	GROUP		COMPANY	
	2004	**2003**	**2004**	**2003**
Not later than 1 year	610	-	559	-
Later than 1 year but not later than 5 years	1,191	-	1,043	-
Later than 5 years	24	-	-	-
	1,825	-	1,602	-

25 Minority interest

	GROUP	
	2004	**2003**
At the beginning of year	3,536	2,354
Dividend paid to minority	(1,157)	(316)
Other movements in minority	68	21
Minority share of net profit (loss) of subsidiaries	1,452	1,477
At end of year	3,899	3,536

(All tabular amounts are in LTL ‘000 unless otherwise stated)

26 Related party transactions

The Group is controlled by Amber Teleholding A/S which owns 60 % of the Company’s shares. The ultimate parent of the Group is TeliaSonera AB.

In 2004 international telecommunication and other services revenues from TeliaSonera AB and its subsidiaries except for UAB Omnitel equalled LTL 16.8 million (2003: LTL 12.8 million). International telecommunication and other services expenses incurred with TeliaSonera AB and its subsidiaries except for UAB Omnitel during the year 2004 amounted to LTL 15.6 million (2003: LTL 18.7 million).

As at 31 December 2004 trade receivables from TeliaSonera AB and its subsidiaries, except for UAB Omnitel amounted to LTL 1.5 million (2003: LTL 2.4 million), trade payables amounted to LTL 1.2 million (2003: LTL 2.8 million), accrued interconnection revenues amounted to LTL 1.6 million (2003: LTL 1.3 million) and accrued interconnection expenses totalled LTL 1.3 million (2003: LTL 0.5 million).

In 2004 telecommunication and other services revenues from UAB Omnitel, a subsidiary of TeliaSonera AB equalled LTL 24.6 million (2003: LTL 31.2 million). Telecommunication and other services expenses incurred with UAB Omnitel during the year 2004 amounted to LTL 39.2 million (2003: LTL 37.7 million).

As at 31 December 2004 trade receivables from UAB Omnitel amounted to LTL 0.2 million (2003: LTL 0.3 million), trade payables amounted to LTL 2.2 million (2003: LTL 1.4 million), accrued interconnection revenues amounted to LTL 2.0 million (2003: LTL 2.4 million) and accrued interconnection expenses totalled LTL 3.1 million (2003: LTL 3.0 million).

In 2004 services revenues from associates entity TietoEnator Consulting UAB equalled LTL 0.9 million (2003: LTL 1.9 million), expenses incurred with TietoEnator Consulting UAB during the year 2004 amounted to LTL 4.6 million (2003: LTL 5.0 million). In 2004, the Group also acquired fixed assets of LTL 3.2 million (2003:LTL 4.3 million) from TietoEnator Consulting UAB.

As at 31 December 2004 trade receivables and accrued revenues from TietoEnator Consulting UAB amounted to LTL 0.1 million (2003: LTL 0.1 million), trade payables amounted to LTL 2.1 million (2003: LTL 1.4 million).

All transactions with related parties are carried out based on the arm’s length principle.

In 2004 the total remuneration of the Group’s top four management members (2003: four members) amounted to LTL 1.9 million (in 2003: LTL 1.0 million).