

AB Lietuvos Telekomas

Report for the First Half of the Year 2005

(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 half of the year 2005.

2. Main data about the Issuer

Name of the Issuer	AB Lietuvos Telekomas
Authorised capital	814,912,760 litas
Registered office	Savanorių ave. 28, LT-03501 Vilnius, Lithuania
Telephone number	+370 6 48 15 11
Fax number	+370 5 212 66 65
E-mail address	info@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
Administrator of Register of Legal Persons	State Enterprise Centre of Registers
Internet address	www.telecom.lt

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, on business days from 8 a.m. till 5 p.m.

The Company's notices, including information and other documents related to the General Meeting to be convened, as well as notices and information about reorganisation or liquidation of the Company, resolutions (decisions) of the General Meeting and the Board, other notices and document which according to the laws of the Republic of Lithuania, these By-laws or resolutions (decisions) of the Company's bodies must be announced to all Shareholders and/or other persons, shall be given in Lietuvos Rytas daily or delivered personally to each Shareholder or any person to whom notification is required, by registered mail or by recorded delivery.

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:

Arūnas Šikšta, General Manager (CEO) of AB Lietuvos Telekomas, tel. +370 5 236 76 00, fax. +370 5 212 66 65.

Jan-Erik Elsėrius, Chief Financial Officer – Deputy General Manager 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 Acting General Manager Darius Didžgalvis and Chief Financial Officer – Deputy General Manager Jan-Erik Elsėrius 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.

Acting General Manager of
AB Lietuvos Telekomas

Darius Didžgalvis

.....

27 July 2005

Seal

Chief Financial Officer – Deputy General
Manager of AB Lietuvos Telekomas

Jan-Erik Elsėrius

.....

27 July 2005

The report is prepared in Vilnius, July 2005.

II. INFORMATION ABOUT THE ISSUER'S SHARE CAPITAL, ISSUED SECURITIES AND MEMBERS OF THE MANAGING BODIES

6. The Issuer's share capital

6.1. Share capital registered in the companies' register

The share capital of AB Lietuvos Telekomas registered in the Companies 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 is as follows:

Type of shares	Number of shares	Nominal value (in Litass)	Total nominal value (in Litass)	Part in the share capital (%)
Ordinary registered shares (ORS)	814,912,760	1	814,912,760	100.00
Total:	814,912,760	-	814,912,760	100.00

All shares of AB Lietuvos Telekomas are paid in.

6.2. Information about projected increase of share capital by conversion or swap of issued debentures or derivatives into shares

7. Shareholders

As on 30 June 2005, the total number of AB Lietuvos Telekomas' shareholders was 10,372. The number of shareholders on the day of the last Annual General Meeting of Shareholders, which was held on 22 April 2005, was 10,743.

The following shareholders hold more than 5 per cent of the Company's share capital as of 30 June 2005:

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, c/o TeliaSonera Danmark A/S, Ejby Industrivej 135, 2600 Glostrup, Denmark, register code 244.793 (a)	488,947,656	60.00	62.94	---

NOTE: (a) Amber Teleholding A/S is a fully owned subsidiary of Swedish TeliaSonera AB.

As on 30 June 2005, the State of Lithuania represented by the State Property Fund held 22,729,592 shares that amount for 2.80 per cent of the Company's share capital and 2.93 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, 60 Street, New York, NY 10005, USA.

As on 30 June 2005, on the basis of 115,969,710 AB Lietuvos Telekomas' shares there were issued 11,596,971 Global Depository Receipts that amount for 14.23 per cent of the Company's share capital.

As on 30 June 2005, UAB Lintel, a subsidiary 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 Lintel are considered as treasury stocks.

8. Securities, which do not certify the participation in the share capital, but which circulation is regulated by the Law on Securities Market

9. Secondary circulation of securities

The following securities of AB Lietuvos Telekomas are included into the Official List of the Vilnius Stock Exchange:

Type of shares	Number of shares	Nominal value (in Litas)	Total nominal value (in Litas)	Issue Code
Ordinary registered shares	814,912,760	1	814,912,760	12391

32,596,510 Lietuvos Telekomas' Global Depository Receipts (1 GDR represents 10 ORS) are admitted to the Official List of the UK Listing Authority and could be traded on London Stock Exchange. Lietuvos Telekomas GDRs could be traded on the PORTAL market, a subsidiary of the Nasdaq Stock Market Inc.

Trading in AB Lietuvos Telekomas' ordinary registered shares on the Central Market of the Vilnius Stock Exchange:

Period	Price (in Litas)		Turnover (in Litas)	
	Highest	Lowest	Biggest	Smallest
01/01/2005 - 31/03/2005	2.38	2.16	2,590,295.00	8,918.00
01/04/2005 - 30/06/2005	2.40	2.15	2,386,063.95	24,739.74

Period	Last session		Total turnover	
	Price (in Litas)	Turnover (in Litas)	Number of shares	In Litas
01/01/2005 - 31/03/2005	2.35	1,338,048.80	21,408,789	48,783,784.57
01/04/2005 - 30/06/2005	2.18	178,394.67	15,295,496	34,721,062.23

Block trading in AB Lietuvos Telekomas' ordinary registered shares:

Period	Average price (in Litas)	Total turnover	
		Number of shares	In Litas
01/01/2005 - 31/03/2005	1.38	2,911,975	4,017,668
01/04/2005 - 30/06/2005	1.72	4,522,066	7,788,030

Trading in Lietuvos Telekomas' Global Depository Receipts on London Stock Exchange:

Period	Price (in US dollars)		Turnover (in GBP)	
	Highest	Lowest	Biggest	Smallest
01/01/2005 - 31/03/2005	9.10	8.25	268,421	0
01/04/2005 - 30/06/2005	9.05	7.50	149,540	0

Period	Last session		Total turnover	
	Price (in USD)	Turnover (in GBP)	Number of GDRs	In GBP
01/01/2005 - 31/03/2005	8.70	0	190,350	885,836
01/04/2005 - 30/06/2005	7.75	0	63,000	271,479

10. Agreements with intermediaries of public trading in securities

On 1 December 2000, AB Lietuvos Telekomas and AB SEB Vilniaus Bankas, Gedimino ave. 12, LT-01103 Vilnius, Lithuania, made an agreement on accounting of the Company's securities and services related to the accounting of securities.

11. Members of the managing bodies

The managing bodies of AB Lietuvos Telekomas' are as follows:

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

Board (as of 30 June 2005)

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

Erik Hallberg (born 1956) – Chairman of the Board since 16 June 2004, member of the Board since 28 April 2003 (re-elected for the two-year term on 23 April 2004; nominated by Amber Teleholding A/S), Senior Vice President responsible for TeliaSonera Baltic Countries at TeliaSonera AB Norway, Denmark and Baltic Countries. Education – Technical engineer in mechanical construction (1976). From 1990 to 1994 was CEO of Diners Club Sweden AB. 1994 - 1999 - CEO and Senior Vice President Corporate Communications at NETnet International SA. From 1999 to 2001 was Vice President Marketing and Sales, BA Telia Mobile. 2001 - 2002 - President of Speedy Tomato, BA Telia Mobile. From 2002 to 2003 was acting Country Manager, TM Finland, BA Telia Mobile, and Vice President and Head of Unit Partner Services Nordic, BA Telia Mobile. Chairman of the Supervisory Board of AS Eesti Telekom, Estonia, Member of Supervisory Board of Elion Enterprises AS, Estonia, and AS EMT, Estonia; chairman of the Board of Latvijas Mobilais Telefons SIA, Latvia, Amber Teleholding A/S, Denmark, Tilts Communication A/S, Denmark, Amber Mobile Teleholding AB, Sweden, Baltic Tele AB, Sweden, Telia Lithuania AB, Sweden, and Confidence AB, Sweden; member of the Board of Lattelekom SIA, Latvia, and Prevas AB, Sweden. Has no interest in the share capital of AB Lietuvos Telekomas. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Gintautas Žintelis (born 1943) – Deputy Chairman of the Board since 27 July 2004, member of the Board since 7 July 1998 (re-elected for the two-year term on 23 April 2004; nominated by Amber Teleholding A/S), Chairman of the Remuneration Committee of the Board, Adviser-Consultant to Lietuvos Telekomas' General Manager and the Board. Has no interest in the share capital of AB

Lietuvos Telekomas. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Morgan Ekberg (born 1945) – a member of the Board since 30 April 2001 (re-elected for the two-year term on 23 April 2004; nominated by Amber Teleholding A/S), member of the Remuneration Committee of the Board, Head of Network and Technology, Market Area Norway, Denmark and Baltic Countries, TeliaSonera AB Norway, Denmark and Baltic Countries. Member of the Supervisory Board of Lattelekom SIA, Latvia, member the Board of NetCom AS, Norway, TeliaSonera Networks A/S, Denmark, Telia Mobile A/S, Denmark, and Telia Stofa A/S, Denmark. Has no interest in the share capital of AB Lietuvos Telekomas. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Matti Hyyrynen (born 1954) – a member of the Board since 26 April 2002 (re-elected for the two-year term on 23 April 2004; nominated by Deutsche Bank Trust Company Americas), Chairman of the Audit Committee of the Board, Head of Vilnius Representative Office of European Bank for Reconstruction and Development. Has no interest in the share capital of AB Lietuvos Telekomas. Member of the Supervisory Board of AB Drobe. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Tomas Lenke (born 1958) – a member of the Board since 22 April 2005 (elected for the current term of the Board; nominated by Amber Teleholding A/S), Network Manager at TeliaSonera AB, Norway, Denmark and Baltic Countries. Member of the Supervisory Board of AS Eesti Telekom, Estonia, and Latvijas Mobilais Telefons SIA, Latvia. Has no interest in the share capital of AB Lietuvos Telekomas. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Valdo Kalm (born 1966) – a member of the Board since 22 April 2005 (elected for the current term of the Board; nominated by Amber Teleholding A/S), Chairman of the Board and General Manager (CEO) of AS EMT, Estonia. Member of the Supervisory Board of Elion Enterprises AS, Estonia. Has no interest in the share capital of AB Lietuvos Telekomas. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Andrius Šukys (born 1973) – a member of the Board since 26 April 2002 (re-elected for the two-year term on 23 April 2004; nominated by Amber Teleholding A/S), member of Remuneration Committee of the Board, Attorney at Law of Lawyers company Lina Šikšniūtė and Partners LRF Juridiska Byran. Has no interest in the share capital of AB Lietuvos Telekomas. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

General Manager (CEO)

From 2 January 2004 **Arūnas Šikšta** (born 1968) took the office of General Manager (CEO) of AB Lietuvos Telekomas. He has a degree in Management from Natural Science Faculty of Klaipėda University (1995). From 1992 to 1993 he worked as program coordinator at Lithuanian Open Society Fund. Between 1993 and 1996 he was employed by Lithuanian – Dutch joint venture Seceurtronics Technikom as Executive Director. In the period from 1996 to 1997 he held a position of Director of Marketing Department of Lithuanian Agricultural Bank, and from 1997 to 1999 he was Lithuanian Project Manager at International Relations and Network Department of AS Hansapank (Estonia). From May 1999 till June 2001 he was appointed to the position of Chairman of the Board of the bank AB Hansabankas. From June 2001 till 1 November 2003 he was Chairman of the Board of the bank AB Hansa-LTB and member of the Board of AS Hansapank (Estonia). Member of the Supervisory Board of Lattelekom SIA, Latvia, member of the Board of UAB Comliet, UAB Lietuvos Telekomo Verslo Sprendimai and UAB Lintel. Has no

interest in the share capital of AB Lietuvos Telekomas. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Chief Commercial Officer - Deputy General Manager

From 1 March 2004 **Stefan Albertsson** (born 1963) was appointed to the position of Chief Commercial Officer - Deputy General Manager of AB Lietuvos Telekomas. He is a BSc in Business Administration and Economics and an MSc in Mechanical Engineering (1990). In the period from 1990 to 1996 he worked in various positions at Telia AB, Sweden. Between 1996 and 1999 lead various units at Netia Telekom (Poland) and from 1999 to 2001 was Change Management Director at Eircom, Ireland. In August 2001, he came back to Netia Telekom and till September 2003 held a position of Vice President Marketing. From 3 November 2003 till 1 March 2004 he held a position of Chief Marketing and Sales Officer of AB Lietuvos Telekomas. Chairman of the Board of UAB Lietuvos Telekomo Verslo Sprendimai, UAB Lintel and UAB Voicecom, member of the Board of VšĮ Lietuvos Telekomo Sporto Klubas. Has no interest in the share capital of AB Lietuvos Telekomas. Is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

Chief Operating Officer - Deputy General Manager

From 9 February 2005 **Darius Didžgalvis** (born 1969) holds an office of Chief Operating Officer - Deputy General Manager of AB Lietuvos Telekomas. He is engineer in radio electronics (1993), MSc in Telecommunication Engineering (2001) and International Executive MBA (2003). He works in Lietuvos Telekomas since 1993. From 2001 to 2005 he was Director of Wholesales Department. Chairman of the Board of UAB Comliet, member of the Board of UAB Voicecom and UAB Baltic Data Center. He has 4,669 shares of the Company that accounts for 0.0005 per cent of the share capital and gives 0.0006 per cent of votes.

Chief Financial Officer - Deputy General Manager

From 1 March 2004 **Jan-Erik Elsérius** (born 1943) holds an office of Chief Financial Officer - Deputy General Manager and also Head of Treasury and Investor Relations Unit of AB Lietuvos Telekomas. In 1967, he graduated from Uppsala University as BA in Management, Managerial Economy, Political Economy and Statistics. Between 1969 and 1972, he was employed by Stockholm City/County Council in the Financial Division. From 1972, he was 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, he 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, he was appointed as the Deputy Managing Director of the new company Securitas Larm AB. In 29 March 1999, he was appointed to the position of Chief Financial Officer and Director of Finance Department of AB Lietuvos Telekomas. Member of the Board of UAB Comliet, UAB Lietuvos Telekomo Verslo Sprendimai, UAB Lintel, UAB Voicecom, UAB Baltic Data Center, VšĮ Lietuvos Telekomo Sporto Klubas and Telegrupp AS. He has 90,000 shares of the Company that accounts for 0.011 per cent of the share capital and 0.0116 per cent of votes.

III. FINANCIAL STATUS

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

Lietuvos Telekomas' Group financial statements for the reporting period are not audited. Lietuvos Telekomas' Group financial statements for the year ended 31 December 2003 are audited by the auditors.

12. Balance Sheet (in thousand of Litas)

	30 June 2005	31 Dec. 2004	30 June 2004
ASSETS			
Non-current assets			
Property, plant and equipment	858,175	941,027	1,019,503
Intangible assets	54,418	83,575	108,519
Investments in associates	1,008	1,294	1,085
Other non-current assets	11,	55	59
	913,612	1,025,951	1,129,166
Current assets			
Inventories	4,714	6,561	11,643
Assets held for sale	386	1,813	2,962
Receivables, prepayments and accrued revenue	106,072	114,706	126,367
Current income tax receivable	14,182	11,960	1,486
Held-to-maturity investments	9,772	30,115	--
Cash and cash equivalents	139,136	88,514	64,635
	274,262	253,669	207,093
Total assets	1,187,874	1,279,620	1,336,259
EQUITY			
Shareholders' equity			
Share capital	814,913	814,913	814,913
Treasury shares	(120,000)	(120,000)	(120,000)
Legal reserve	81,499	81,499	81,499
Translation differences	(6)	(33)	(13)
Retained earnings	280,958	345,036	326,033
	1,057,364	1,121,415	1,102,432
Minority interest	2,827	3,899	3,140
Total equity	1,060,191	1,125,314	1,105,572
LIABILITIES			
Non-current liabilities			
Borrowings	4,145	6,990	10,743
Deferred profit tax liabilities	45,968	55,149	69,034
Grants	7,856	9,280	10,681
	57,969	71,419	90,458
Current liabilities			
Trade, other payables and accrued liabilities	57,354	72,806	53,462
Current income tax liabilities	1,769	1,927	20,167
Borrowings	7,244	6,464	64,227
Provisions for other liabilities	3,347	1,690	2,373
	69,714	82,887	140,229
Total liabilities	127,683	154,306	230,687
Total equity and liabilities	1,187,874	1,279,620	1,336,259

13. Profit (Loss) Statement (in thousand of Litass)

	April – June 2005	April-June 2004	January- June 2005	January- June 2004
Revenue	184,318	177,505	360,949	361,036
Expenses	(96,999)	(92,848)	(186,013)	(192,035)
Gain on disposal of property, plant and equipment (PPE), net	1,485	2,051	2,717	3,207
Depreciation and amortisation	(65,362)	(73,795)	(132,583)	(150,372)
Operating profit	23,442	12,913	45,070	21,836
Financial activities, net	603	(1,533)	1,293	(4,948)
Share of result of associates	(46)	70	(79)	210
Profit before income tax	23,999	11,450	46,284	17,098
Income tax expenses	(4,017)	(1,803)	(9,062)	(3,150)
Profit for the period	19,982	9,647	37,222	13,948
Attributable to:				
Equity holders of the Company	19,746	9,215	36,908	13,187
Minority interest	236	432	314	761
	19,982	9,647	37,222	13,948
Earning per share for profit attributable to the equity holders of the Company (Litas)	0.025	0.012	0.048	0.017

NOTES: Income statement for reporting periods is presented according to the amendments to International Financial Reporting Standards implemented as of 1 January 2005.

14. Explanatory letter

Lietuvos Telekomas Group is the largest provider of the Internet, public fixed-line telephony, network interconnection and other services in Lithuania. The Company is indirectly owned by the Nordic and Baltic telecommunications leader TeliaSonera.

Lietuvos Telekomas 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.

As on 30 June 2005, Lietuvos Telekomas' Group consisted of the parent company, AB Lietuvos Telekomas, (Savanorių ave. 28, LT-03501 Vilnius) and its daughter companies: UAB Comliet (Lvovo str. 21a, LT-09313 Vilnius), UAB Lietuvos Telekomo Verslo Sprendimai (J. Galvydžio str. 7/Žygio str. 97, LT-08236 Vilnius), UAB Lintel (J. Galvydžio str. 7/Žygio str. 97, LT-08222 Vilnius), UAB Voicecom (Eigulių str. 14, LT-03150 Vilnius) and VšĮ Lietuvos Telekomo Sporto Klubas (Savanorių ave. 28, LT-03116 Vilnius). AB Lietuvos Telekomas also owned 60 per cent stake of UAB Baltic Data Center (Žirmūnų str. 141, LT-09128 Vilnius), 30 per cent stake of

company under liquidation UAB Verslo Portalas (J. Jasinskio str. 16a, LT-01112 Vilnius) and 26 per cent stake of UAB TietoEnator Consulting (Žirmūnų str. 141, LT-09128 Vilnius) shares.

As on 30 June 2005, UAB Comliet owned 100 per cent of UAB Comliet Sprendimai, 95 per cent of OOO Comliet-Kaliningrad (Russian Federation) and 55 per cent of Estonian company Telegrupp AS shares. UAB Comliet Sprendimai owns 5 per cent of shares of OOO Comliet-Kaliningrad.

AB Lietuvos Telekomas, the parent company of the Group, offers customers services within fixed-line telephony, Internet, data communication, networks interconnection. Lietuvos Telekomas also operates an Internet portal *Takas*.

UAB Comliet, a subsidiary of Lietuvos Telekomas, specializes in construction of external wide area and indoor telecommunications as well as other indoor engineering networks.

UAB Lintel is the largest provider of Call Center services in Lithuania that handles 16 million contacts per year. Lintel also provides Directory Inquiry Service 118. From June 2004 UAB Lintel holds 4.67 per cent of Lietuvos Telekomas' shares (treasury stocks).

Following the decision of the Board of Lietuvos Telekomas from 1 May 2005 UAB Lietuvos Telekomo Verslo Sprendimai ceased provision of services on behalf of Lietuvos Telekomas to more than 600 major business customers and services provided by the company now are provided by Business Customer department of Lietuvos Telekomas.

UAB Voicecom on behalf of Lietuvos Telekomas was providing voice over IP services. At present company is dormant and voice over IP services are provided by Lietuvos Telekomas.

UAB Baltic Data Center provides high-valued-added IT-operation management services for corporate customers in the Baltic. TietoEnator Oyj, one of the biggest IT services providers in Nordic countries, owns 40 per cent stake in the company. UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA.

In March 2004, Lietuvos Telekomas together with other shareholder, UAB Verslo Žinios, started liquidation of UAB Verslo Portalas, a business-to-business portal *verslas.com*. The shareholders of Verslo Portalas are AB Lietuvos Telekomas (30 per cent of shares) and UAB Verslo Žinios (70 per cent).

UAB TietoEnator Consulting provides companies in the Baltic region with high-value-added IT-related consulting services. The shareholders of TietoEnator Consulting are Lietuvos Telekomas (26 per cent of shares) and TietoEnator Oyj (74 per cent).

In December 2004, VšĮ Lietuvos Telekomo Sporto Klubas, a non-profit organization solely owned by Lietuvos Telekomas, opened its second sport club facility in Vilnius. The organization also supports Lietuvos Telekomas' women basketball team, a multiple champion of Lithuania and Baltic States.

Subsidiaries, which are those companies in which Lietuvos Telekomas' Group (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. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

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.

Key figures of Lietuvos Telekomas' Group (in thousand of Litas)

	January - June 2005	January - June 2004	Change (%)
Revenue (a)	360,949	361,036	0.0
EBITDA	177,653	172,208	3.2
EBITDA margin (%)	49.2	47.7	
Depreciation and amortisation	132,583	150,372	-11.8
Operating profit	45,070	21,836	106.4
Operating profit margin (%)	12.5	6.0	
Financial activities, net	1,293	(4,948)	126.1
Profit before profit tax	46,284	17,098	170.7
Profit for the period (b)	37,222	13,948	166.9
Profit margin (%)	10.3	3.9	
Cash provided by operating activities	154,436	123,118	25.4
Number of personnel at the end of period	3,023	3,207	-5.7
Earning per share (in litas)	0.048	0.017	
Average number of shares at the end of period (in thousand) (a)	776,818	776,818	
Number of fixed lines in service	806,700	823,504	-2.0
Penetration of lines per 100 residents (%) (c)	23.6	23.9	-1.3
Digitisation rate (%)	93.1	91.7	1.5
Number of lines per full time employee, related to fixed telephony	340	322	5.6

NOTES: (a) according to the amendments to IFRS gain and loss on disposal of property, plant and equipment are excluded from total revenue and total expenses into separate line, and profit for the period includes minority interest; (b) excluding treasury stocks held by UAB Lintel; (c) calculated on the basis of the following population: on 30 June 2005 - 3,419 thousand, on 30 June 2004 - 3,437 thousand.

EBITDA - earnings before interest, tax, depreciation and amortisation

Consolidated Cash Flow Statements of Lietuvos Telekomas' Group (in thousand of Litas)

	January - June 2005	January - June 2004
Operating activities		
Profit for the period	37,222	13,948
Adjustments for:		
Income tax	9,062	3,150
Depreciation and amortisation and impairment charge	132,583	150,372
Share of result of associates	79	(210)
Gain on disposal of PPE	(2,717)	(3,207)
Interest income	(1,375)	(451)
Interest expenses	406	4,666
Other non cash transactions	876	504
	176,136	168,772
Changes in working capital:		
Inventories	2,036	321
Trade and other accounts receivable	8,040	10,254
Trade and other accounts payable	(10,758)	(19,189)
Cash generated from operations	175,454	160,158
Interest paid	(412)	(16,658)
Tax paid	(20,606)	(20,382)
Net cash from operating activities	154,436	123,118
Investing activities		
Purchase of PPE and intangible assets	(28,147)	(22,602)
Proceeds from disposal of PPE	9,929	14,663
Held-to-maturity investments	20,382	--
Dividends received	207	298
Interest received	1,336	451
Net cash from investing activities	3,707	(7,190)
Net cash before financing activities	158,143	115,928
Financing activities		
Proceeds from borrowings	--	99,000
Repayment of borrowings and bonds	(5,149)	(220,156)
Dividends paid to shareholders	(100,986)	(46,609)
Dividends paid to minority shareholders	(1,386)	(1,157)
Net cash from financing activities	(107,521)	(168,922)
Increase (decrease) in cash and cash equivalents	50,622	(52,994)
Movement in cash and cash equivalents		
At start of the period	88,514	117,629
Increase (decrease) during the period	50,622	(52,994)
At end of the period	139,136	64,635

Statement of Changes in Shareholder's Equity (in thousand of Litas)

	Attributable to equity holders of the Company						Minority interest	Total Equity
	Share Capital	Treasury Shares	Legal reserves	Translation differences	Retained earnings	Total		
31 December 2003	814,913	(120,000)	81,499	(6)	359,455	1,135,861	3,536	1,139,397
Currency translation differences	--	--	--	(7)	--	(7)	--	(7)
Dividends paid	--	--	--	--	(46,609)	(46,609)	(1,157)	(47,766)
Profit for the period	--	--	--	--	13,187	13,187	761	13,948
30 June 2004	814,913	(120,000)	81,499	(13)	326,033	1,102,432	3,140	1,105,572
31 December 2004	814,913	(120,000)	81,499	(33)	345,036	1,121,415	3,899	1,125,314
Currency translation differences	--	--	--	27	--	27	--	27
Dividends paid	--	--	--	--	(100,986)	(100,986)	(1,386)	(102,372)
Profit for the period	--	--	--	--	36,908	36,908	314	37,222
30 June 2005	814,913	(120,000)	81,499	(6)	280,958	1,057,364	2,827	1,060,191

Highlights

- Revenue for the six months of 2005 was at the same level as a year ago and amounted to 361 million litas. Revenue for the second quarter of 2005 increased by 4.4 per cent over the revenue for the first quarter of 2005.
- At the end of first half 2005 the number of main lines in service was 806.7 thousand and total number of ADSL connections reached almost 70 thousand.
- Operating expenses for the first half of 2005 went down by 3.1 per cent compared with operating expenses year ago and amounted to 186 million litas (2004: 192million litas).
- As a result EBITDA for the six months' period went up by 3.2 per cent to 178 million litas over 172 million litas for the same period a year ago and EBITDA margin stood at 49.2 per cent (47.7 per cent in 2004).
- Profit before profit tax for the first half of 2005 was 46 million litas and profit for the period amounted to 37 million litas, an increase by 2.7 times over the profit for the same period a year ago.
- Net cash flow after investment activities for the six months' period of 2005 amounted to 158 million litas (116 million litas in 2004). In spite of payout of dividends (101 million litas) cash and cash equivalents during the first half of 2005 increased by 51 million litas.
- Investments for the six months of 2005 amounted to 28 million litas (22 million litas in 2004).

Revenue

The total consolidated Lietuvos Telekomas Group's revenue for the second quarter of the year 2005 was higher than revenue for any quarter of 2004 and was higher by 4.4 per cent compared with the revenue for the first quarter of 2005. This resulted in that total revenue for the first half of 2005 did not fall and remained at the same level as year ago.

A moderate decline of 3 per cent in revenue from the fixed-line telephony services for the first half of 2005 over the same period a year ago was fully offset by 11.4 per cent increase in revenue from internet and data communication and 5.2 per cent growth in revenue from other services. Composition of total revenue remains almost unchanged: revenue from fixed-line telephony services amounts to 75 per cent, revenue from internet and data communication services to 19 per cent and revenue from other services to 6 per cent of total Group's revenue.

Breakdown of the Groups' revenue (in thousand of litas)

	Second Quarter of 2005	Second Quarter of 2004	Change (%)	First Half of 2005	First Half of 2004	Change (%)
Fixed-line Telephony Services	136,319	135,507	0.6	268,951	277,322	-3.0
Internet and Data Communication Services	35,043	31,639	10.8	70,088	62,892	11.4
Other Services	12,956	10,359	25.1	21,910	20,822	5.2
Total	184,318	177,505	3.8	360,949	361,036	0.0

NOTE: Gain on disposal of property, plant and equipment is excluded from revenue from other services.

During the year (starting from 30 June 2004) number of main lines in service declined by 2 per cent or 16.8 thousand from 823.5 thousand to 806.7 thousand. As a result revenue from subscription fees eased by just 1 per cent but revenue from traffic charges decreased by 8.8 per cent due to a bit lower number of calls and increased usage of payment plans. Number of subscribed payment plans increased by 9.2 per cent from 391.7 thousand at the end of June 2004 to 427.6 thousand at the end of June 2005.

Due to increased average duration of call the local calls' traffic for the period of six months of 2005 compared with the same period a year ago increased by 4.6 per cent, fixed to mobile networks traffic was up by 3.3 per cent and international call's traffic went up by almost 10 per cent. Long distance calls' traffic went down by 3.5 per cent.

Decline in revenue from traffic charges was partly offset by increase in revenue from networks' interconnection services by 6.8 per cent. Revenue from value added services decreased by 3.9 per cent but they amount for just 2 per cent of total revenue of the Group.

According to the Report of Lithuanian Communications Regulatory Authority (CRA) during the first quarter of 2005 Lietuvos Telekomas' market share on fixed-line telephony market in terms of lines remained on the same level of 99 per cent and in terms of revenue amounted to 94.5 per cent. At the end of March 2005 number of main telephone lines per 100 inhabitants was 23.8, or 48 main lines per 100 households.

Revenue from internet and data communication services for the first half of 2005 increased by 11.4 per cent over the revenue a year ago. Revenue from internet services alone grew by 19.5 per cent while revenue from data communication services remained at the same level. Major revenue growth came from development of broadband internet access. Number of ADSL technology based connection subscribed by customers of Lietuvos Telekomas increased by two times from 31,825 (30 June 2004) to 66,963 (30 June 2005) while number of ADSL connection sold on wholesales market was 2,841 (2,249 a year ago). From the middle of last year number of internet dial-up service users went down by 10 thousand and at the end of June 2005 was 30 thousand. Nevertheless, internet dial-up calls traffic increased by 10.7 per cent due number of attractive offers for internet access beginners.

In May, Lietuvos Telekomas offered to its residential customers in largest cities of Lithuania an especially speedy internet payment plan *Takas iD 1 City* which will ensure the 2Mbps speed rate in both Lithuanian and international networks.

According to the Report of CRA during the first quarter of 2005 the Company' internet broadband market share in terms of users amounted to 38.6 per cent and the broadband penetration per 100 inhabitants of Lithuania stood at 4.5 per cent. Lietuvos Telekomas had 95.4 per cent of xDSL internet connections market. The Company's market share in terms of total internet service users was 16.4 per cent but in terms of revenue it amounted to 45.7 per cent. In terms of revenue Lietuvos Telekomas also had 52.2 per cent of leased lines market in Lithuania.

Revenue from other services (mainly from Comliet construction activities and other telecommunication services) for the six month period of 2005 increased by 5.2 per cent over the same period a year ago.

Expenses

Total expenses for the six months of 2005 went down by 3.1 per cent over the total expenses for the same period a year ago. During the year number of employees decreased by 5.7 per cent from 3,207 (June 2004) to 3,023 (June 2005) and as a result employee related expenses were down by 6.4 per cent. Due to increased traffic volumes interconnection expenses for the first half of 2005 were higher than a year ago by 4.6 per cent. Other operating expenses remained on the same level while construction services expense decreased by 21.8 per cent, year-on-year. As on 30 June 2005, the number of main lines per one full-time employee in the core business was 340, while a year ago this figure stood at 322.

Gain on disposal of fixed assets for the first half of 2005 was less than in 2004 by 15.3 per cent but due to stable revenue level and decreasing total expenses EBITDA for the six months of 2005 was up by 3.2 per cent and EBITDA margin stood at 49.2 per cent.

Profit for the Period

The pace of decline in depreciation and amortisation charges slowed down to the rate of some 11-12 per cent per year and 3 per cent per quarter. During the year depreciation and amortisation charges as part of total revenue shrunk from 41.7 per cent (first half of 2004) to 36.7 per cent (first half of 2005).

As a result operating profit for the six months of 2005 increased by 2 times over the same period a year ago and operating profit margin reached 12.5 per cent. From the middle of 2004 when the Company repaid its major loans Lietuvos Telekomas became an investor and from financial activities started to generate income but not costs.

Due to all above, the profit before profit tax for the first half of 2005 was 46 million litas, an increase by 2.7 times over 17 million litas for the same period last year. The profit for the period (including minority interest) of Lietuvos Telekomas' Group for January - June 2005 was 37 million litas while a year ago it amounted to 14 million litas. Profit margin improved from 3.9 per cent to 10.3 per cent and earnings per share amounted to almost 0.05 litas.

Balance Sheet and Cash Flow

The balance sheet of Lietuvos Telekomas' Group is continuously declining due to depreciation and amortisation of the assets, repayment of the borrowings and payout of dividends. During 12 months starting end of first half of 2004 total assets decreased by 11.1 per cent due to decline in fixed assets by 19.1 per cent while current assets (mainly cash and cash equivalents) increased by 32.4 per cent.

During the first six months of 2005 shareholders' equity decreased by 5.8 per cent due to payout of dividends (101 million litas) in May. As of 30 June 2005 total borrowings amounted to 11.4 million litas and net debt was -127.7 million litas. The net debt to equity ratio was -12 per cent.

On 22 April 2005, during the Annual General Meeting shareholders of the Company decided to payout 0.13 litas dividend per share for the year 2004 (in total 101 million litas) and allocate 378 thousand litas for tantiems for the members of the Board.

During the six months of 2005 the net cash flow from operating activities was 154 million litas (123 million litas during the same period a year ago). The cash flow after investing activities was 158 million litas (116 million litas in 2004). An amount of 108 million litas was used in financing activities mainly for payout of dividends for the year 2004. Nevertheless, during the first half of 2005 cash and cash equivalents of Lietuvos Telekomas' Group increased by 51 million litas.

Investments

During January – June 2005 the total amount of investments made by Lietuvos Telekomas' Group amounted to 28 million litas (22 million litas in 2004).

On 30 June 2005, the digitalisation rate of Lietuvos Telekomas' network stood at 93.1 per cent (91.7 per cent a year ago) and the number of main lines per 100 inhabitants of Lithuania was 23.6 (24.0 a year ago). The total number of ISDN channels in service was 44.4 thousand, an increase by almost 2.5 thousand over the same time a year ago. During the period from June 2004 till June 2005 the number of total ADSL access points (including wholesales) doubled from 34,074 to 69,804, and number of MPLS VPN (Multiprotocol Label Switching Virtual Private Network) access points grew from 848 to 1,317.

From 1 May 2005 Sales Department of Lietuvos Telekomas was split into Private Customers Department and Business Customers Department. Business Customers Department also took over provision of services to largest corporate customers of the Company that earlier on behalf of Lietuvos Telekomas was provided by its subsidiary UAB Lietuvos Telekomas Verslo Sprendimai.

On 17 May 2005, the Company announced that for the purpose of development of cooperation relations between telecoms of the Baltic States AB Lietuvos Telekomas is planning to participate in the international transaction on acquisition of AS MicroLink company. On 16 May 2005 AB Lietuvos Telekomas signed the Forward Shares Purchase agreement with Estonian telecommunication company AS Elion Ettevotted and Latvian telecommunication operator SIA Lattelekom, according to which AB Lietuvos Telekomas acquired the right of option regarding the purchase of 100 per cent of shares of UAB Microlink Lietuva, UAB Baltijos Kompiuteriū Akademija and UAB Fortek Information Technologies. After signing of the agreement the telecoms will execute the due diligence of the purchased company, after which the final decision regarding acquisition of the shares of MicroLink and their price will be taken. The competition regulatory authorities of Baltic States will also analyze the transaction and present their opinion. In case of positive resolution of the Board of Lietuvos Telekomas the shares purchase process is foreseen to be completed within 3-4 months.

Information about borrowings of AB Lietuvos Telekomas

Creditor	Currency	Book value as of 30 June 2005 (in thousand of Litass)
European Bank for Reconstruction and Development (a)	USD	10,755
AB SEB Vilniaus Bankas	LTL	290
Nordea Finance Lithuania	LTL	296
Sampo Banko Lizingas	LTL	38
Empower EEE AS	EEK	10
		11,389

NOTE: (a) the loans are guaranteed by the Republic of Lithuania.

15. Information about the audit

IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITY

16. Material events in the Issuer's activity.

On 1 February 2005, the Company announced that the Employment Contract with Romualdas Degutis, Head of Technology Division – Deputy General Manager of AB Lietuvos Telekomas, upon his proposal is being terminated as of 2 February 2005 upon mutual agreement.

On 8 February 2005, the Board of AB Lietuvos Telekomas decided from 9 February 2005 to appoint Darius Didžgalvis to the position of Chief Operating Officer – Deputy General Manager of AB Lietuvos Telekomas. The Board decided to approve the following members of the Board as members of the Remuneration committee for the new term: Gintautas Žintelis, Morgan Ekberg and Andrius Šukys.

On 8 February 2005, the Board of AB Lietuvos Telekomas approved the draft of unaudited financial statements of AB Lietuvos Telekomas' Group for the year 2004 prepared according to International Financial Reporting Standards. In 2004, the total revenue of Lietuvos Telekomas' Group amounted to 730 million litas, a decrease by 10.1 per cent over the revenue of 812 million litas in the year 2003. The total operating expenses for the year 2004 amounted to 394 million litas, a decrease by 7.4 per cent over 426 million litas for the year 2003. EBITDA for the year 2004 amounted to 336 million litas (386 million litas a year ago) and EBITDA margin was 46 per cent (47.6 per cent). Profit before profit tax for the year 2004 was 41 million litas and net profit amounted to 32 million litas, while for the year 2003 net result was a loss of 36 million litas due to assets revaluation in the third quarter of 2003. Net cash flow after investment activities for the year 2004 amounted to 202 million litas (283 million litas for the year 2003). During the year cash and cash equivalents decreased by 29 million due to payout of dividends (47 million litas) and repayment of loans (183 million litas).

On 18 March 2005, the Board of AB Lietuvos Telekomas decided to convoke the Annual General Meeting of AB Lietuvos Telekomas' Shareholders on 22 April 2005. The record day for Shareholders' Meeting is 15 April 2005. The Board approved audited financial statements of Lietuvos Telekomas' Group for the year 2004 prepared according to International Financial Reporting Standards and Lithuanian Business Accounting Standards. Consolidated revenue of Lietuvos Telekomas' Group for the year 2004 was 721,039 thousand litas (808,200 thousand litas for the year 2003). Following the amendments to International Financial Reporting Standards revenue (and/or loss) on disposal of property, plant and equipment is moved from total revenue (and/or expenses) to separate new gain (loss) on property, plant and equipment line in profit (loss) statement for the years 2004 and 2003. It had no effect on net result for reporting periods: net profit for the year 2004 was 32,190 thousand litas and net loss for the year 2003 was 36,095 thousand litas. The Board proposes for the Annual General Meeting to allocate from the Company's distributable profit 100,986 thousand litas for the dividend payment for the year 2004. Thus dividend per share would amount for 0.13 litas. The Board approved a new organisational structure of AB Lietuvos Telekomas. From 1 May 2005 instead of Sales Department will be Private Customers Department and Business Customers Department. Business Customers Department would also provide activities currently on behalf of Lietuvos Telekomas provided by UAB Lietuvos Telekomo Verslo Sprendimai.

On 18 March 2005, the Company announced that the Annual General Meeting of AB Lietuvos Telekomas' (code 121215434, registered address: Savanorių pr. 28, Vilnius, Lithuania) Shareholders will be held at room 157 of Lietuvos Telekomas' headquarters, Savanorių pr. 28, Vilnius, Lithuania, at 3 p.m. on 22 April 2005. Registration will take place from 2 p.m. till 2.45 p.m. The meeting is convened by initiative of the Board and following the decision of the Board adopted on 18 March 2005. The record day of the General Meeting of Shareholders is 15 April 2005. Proposed Agenda: (1) Information of the Company's auditors; (2) Approval of the Company's activity report of the year 2004; (3) Approval of the Company's annual financial statements; (4) Allocation of 2004 Company's profit; (5) Election of the Company's Board

member. Shareholders who at the end of the record day of the General Meeting of Shareholders, i.e. 15 April 2005, will be on the shareholders list of the Company have a right to participate and vote at the General Meeting of Shareholders personally or by proxy, or represented by the person with whom an agreement on the transfer of voting rights is concluded. All persons attending the General Meeting of Shareholders and having a voting right must bring with them a person's identification document. Shareholders' representative must present to the General Meeting an original proxy issued in the form and content established by the Law. From 12 April 2005 shareholders could get familiarised with the documents possessed by the Company related to the agenda of the Meeting, including draft resolutions, at the headquarters of AB Lietuvos Telekomas, Savanoriu ave. 28, Vilnius, Lithuania.

On 30 March 2005, the Company announced that from 21 April 2005 Timo Virtanen, member of the Board of AB Lietuvos Telekomas, resigns from his position. Timo Virtanen is a member of the Board since 5 July 2000 (re-elected for the two-year term on 23 April 2004; nominated by Amber Teleholding A/S), member of the Audit Committee of the Board, Senior Adviser at TeliaSonera Finland Oyj. Has no interest in the share capital of AB Lietuvos Telekomas.

On 7 April 2005, the Company announced that from 21 April 2005 Kennet Rådne, member of the Board of AB Lietuvos Telekomas, resigns from his position. Kennet Rådne (born in 1957) is a member of the Board since 26 April 2002 (re-elected for the two-year term on 23 April 2004; nominated by Amber Teleholding A/S), member of the Audit Committee of the Board, Senior Vice President responsible for Corporate Products and Services at TeliaSonera AB. Has no interest in the share capital of AB Lietuvos Telekomas.

On 8 April 2005, the Board of AB Lietuvos Telekomas decided to adjust the draft agenda of the Annual General Meeting of AB Lietuvos Telekomas' (code 1212 15434, registered address: Savanorių pr. 28, Vilnius, Lithuania) Shareholders to be held at room 157 of Lietuvos Telekomas' headquarters, Savanorių pr. 28, Vilnius, Lithuania, at 3 p.m. on 22 April 2005. Proposed adjusted Agenda: (1) Information of the Company's auditors; (2) Approval of the Company's activity report of the year 2004; (3) Approval of the Company's annual financial statements; (4) Allocation of 2004 Company's profit; (5) Election of the Company's Board members. The meeting is convened by initiative of the Board and following the decision of the Board adopted on 18 March 2005. The record day of the General Meeting of Shareholders is 15 April 2005. Amber Teleholding A/S (has 60 per cent of the Company's shares) proposes to elect Mr Tomas Lenke and Mr Valdo Kalm as new members of the Board of AB Lietuvos Telekomas for the current term of the Board. Mr Tomas Lenke (born 1958) is Network Manager at TeliaSonera AB, Norway, Denmark and Baltic Countries. Mr Valdo Kalm is Chief Executive Officer (CEO) of Estonian company AS EMT.

On 19 April 2005, the Board of AB Lietuvos Telekomas approved unaudited financial statements of Lietuvos Telekomas' Group for the first quarter of 2005 prepared according to International Financial Reporting Standards. Revenue for the first quarter of 2005 amounted to 177 million litas, a decline by 3.8 per cent over the revenue of 184 million litas for the first quarter of 2004. Lietuvos Telekomas' Group expenses, year-on-year, went down by 10.3 per cent from 99 million litas to 89 million litas. EBITDA for the three months' period went up by 3.9 per cent to 89 million litas over 86 million litas for the same period a year ago and EBITDA margin reached 50.3 per cent (46.6 per cent in 2004). Profit before income tax for the first quarter of 2005 was almost 4 times higher than a year ago and amounted to 22 million litas (5.6 million litas a year ago). Profit for the period of the first three months of 2005 (including minority interest) amounted to 17 million litas, being 4 times higher than in 2004 when it amounted to 4 million litas. Net cash flow after investment activities for the three months' period amounted to 68 million litas (51 million litas for the same period a year ago). During the three months' period cash and cash equivalents increased by 65 million litas.

On 22 April 2005, Annual General Meeting of AB Lietuvos Telekomas decided: (1) to approve the Company's activity report of the year 2004, inspected by the Company's auditor UAB PricewaterhouseCoopers; (2) to approve audited Company's annual financial statements for the

year 2004, prepared according to the Lithuanian Business Accounting Standards and according to International Financial Reporting Standards; (3) to allocate the Company's profit of the year 2004 in the following way: 100,986,277 litas for dividends (0.13 litas dividend per share) and 378,000 litas for tantiems for members of the Board; (4) to elect the Board as the members of the Board of the Company for current term of the Board Tomas Lenke, proposed by Amber Teleholding A/S, and Valdo Kalm, proposed by Amber Teleholding A/S.

On 17 May 2005, the Company announced that for the purpose of development of cooperation relations between telecoms of the Baltic states AB Lietuvos Telekomas is planning to participate in the international transaction on acquisition of AS MicroLink company. On 16 May 2005 AB Lietuvos Telekomas signed the Forward Shares Purchase agreement with Estonian telecommunication company AS Elion Ettevotted and Latvian telecommunication operator SIA Lattelekom, according to which AB Lietuvos Telekomas acquired the right of option regarding the purchase of 100 per cent of shares of UAB Microlink Lietuva, UAB Baltijos Kompiuterių Akademija and UAB Fortek Information Technologies. After signing of the agreement the telecoms will execute the due diligence of the purchased company, after which the final decision regarding acquisition of the shares of MicroLink and their price will be taken. The competition regulatory authorities of Baltic States will also analyze the transaction and present their opinion. In case of positive resolution of the Board of Lietuvos Telekomas the shares purchase process is foreseen to be completed within 3-4 months. This announcement disclosed the content of the confidential announcement of material event of 11 January 2005.

All material events related to the activity of the Company have been submitted to Lithuanian Securities Commission, Vilnius Stock Exchange, Lietuvos Rytas daily, BNS and ELTA news agencies and posted on the Company's internet page www.telecom.lt.

17. Litigation and arbitration

During the first half of the year 2005, there were no litigations, which could have or had a material impact on the financial results of AB Lietuvos Telekomas.