

AB Lietuvos Telekomas

Report for the 3rd quarter 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

The third quarter 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	Savanoriu ave. 28, LT-03501 Vilnius, Lithuania
Telephone number	+370 46 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	1212 15434
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, Lithuania 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, By-laws of the Company 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 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 Arūnas Šikšta, General Manager, and Jan-Erik Elsėrius, Chief Financial Officer – Deputy General Manager, hereby confirms that information contained in this report is true and there are no suppressed facts, which could have an impact on investors' decisions to buy or sell the Company's securities as well as on the market price of those securities and their valuation.

General Manager of AB Lietuvos Telekomas

Arūnas Šikšta

.....

19 October 2005

Seal

Chief Financial Officer –Deputy General
Manager of AB Lietuvos Telekomas

Jan-Erik Elsėrius

.....

19 October 2005

The report is prepared in Vilnius, October 2005.

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

6. Shareholders

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

According to the type of shares, the structure of AB Lietuvos Telekomas share capital is as follows:

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

All shares of AB Lietuvos Telekomas are paid in.

As on 30 September 2005, the total number of AB Lietuvos Telekomas' shareholders was 11,192. 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 on 30 September 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 TeliaSonera AB, Sweden.

As on 30 September 2005, the State of Lithuania represented by the State Property Fund held 17,287,029 shares that amount for 2.12 per cent of the Company's share capital and 2.23 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 September 2005, on the basis of 108,519,710 AB Lietuvos Telekomas' shares there were issued 10,851,971 Global Depository Receipt that amount for 13.32 per cent of the Company's share capital.

As on 30 September 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.

7. Members of the managing bodies

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

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

Board (as on 30 September 2005)

The By-laws of AB Lietuvos Telekomas provide that the Company's Board shall consist of seven members and is 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 uses International Accounting Standards in its accounting.

Lietuvos Telekomas' Group financial statements for the reporting period are not audited. Lietuvos Telekomas' Group financial statements for the year ended 31 December 2004 are audited by the auditors.

8. Balance Sheet (in thousand of litas)

	30 Sep. 2005	31 Dec. 2004	30 Sep. 2004
ASSETS			
Non-current assets			
Property, plant and equipment	820,712	941,027	981,332
Intangible assets	45,414	83,575	93,356
Investments in associates	1,065	1,294	1,166
Other non-current assets	32	55	59
	867,223	1,025,951	1,075,913
Current assets			
Inventories	4,776	6,561	9,478
Assets held for sale	291	1,813	2,874
Receivables, prepayments and accrued revenue	97,764	114,706	121,296
Current income tax receivable	13,846	11,960	10,359
Held-to-maturity investments	29,923	30,115	10,115
Cash and cash equivalents	189,296	88,514	45,392
	335,896	253,669	199,514
Total assets	1,203,119	1,279,620	1,275,427
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	(7)	(33)	(14)
Retained earnings	304,276	345,036	337,353
	1,080,681	1,121,415	1,113,751
Minority interest	3,035	3,899	3,665
Total equity	1,083,716	1,125,314	1,117,416
LIABILITIES			
Non-current liabilities			
Borrowings	2,258	6,990	9,279
Deferred profit tax liabilities	46,863	55,149	61,574
Grants	7,668	9,280	9,979
	56,789	71,419	80,832
Current liabilities			
Trade, other payables and accrued liabilities	51,792	72,806	55,356
Current income tax liabilities	48	1,927	1,824
Borrowings	7,210	6,464	17,165
Provisions for other liabilities	3,564	1,690	2,834
	62,614	82,887	77,179
Total liabilities	119,403	154,306	158,011
Total equity and liabilities	1,203,119	1,279,620	1,275,427

9. Profit (Loss) Statement (in thousand of litas)

	July- September 2005	July- September 2004	January- September 2005	January- September 2004
Revenue	181,615	177,880	542,564	538,916
Expenses	(91,920)	(93,686)	(277,933)	(285,721)
Gain on disposal of property, plant and equipment (PPE), net	867	933	3,584	4,140
Depreciation and amortisation	(58,066)	(71,078)	(190,649)	(221,450)
Gain (loss) on sales of investment	--	(397)	--	(397)
Operating profit	32,496	13,652	77,566	35,488
Financial activities, net	1,219	146	2,512	(4,802)
Share of result of associates	57	81	(22)	291
Profit before income tax	33,772	13,879	80,056	30,977
Income tax expenses	(10,247)	(2,113)	(19,309)	(5,263)
Profit for the period	23,525	11,766	60,747	25,714
Attributable to:				
Equity holders of the Company	23,318	11,320	60,226	24,507
Minority interest	207	446	521	1,207
	23,525	11,766	60,747	25,714
Earning per share for profit attributable to the equity holders of the Company (Litas)	0.030	0.015	0.078	0.032

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

10. 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 September 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.

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 Comliet owns 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.

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. 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).

VšĮ Lietuvos Telekomo Sporto Klubas, a non-profit organization, is solely owned by Lietuvos Telekomas. The organisation has two club facility in Vilnius and 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 - September 2005	January - September 2004	Change (%)
Revenue (a)	542,564	538,916	0.7
EBITDA	268,214	257,335	4.2
EBITDA margin (%)	49.4	47.8	
Depreciation and amortisation	190,649	221,450	-13.9
Operating profit	77,566	35,488	118.6
Operating profit margin (%)	14.3	6.6	
Financial activities, net	2,512	(4,802)	152.3
Profit before profit tax	80,055	30,977	158.4
Profit for the period (b)	60,747	25,714	136.2
Profit margin (%)	11.2	4.8	
Cash provided by operating activities	233,796	178,742	30.8
Number of personnel at the end of period	2,978	3,180	-6.4
Earning per share (in litas)	0.078	0.032	
Average number of shares at the end of period (in thousand) (a)	776,818	776,818	
Number of fixed lines in service	802,462	821,045	-2.3
Penetration of lines per 100 residents (%) (c)	23.5	23.9	-1.7
Digitisation rate (%)	93.2	92.1	1.2
Number of lines per full time employee, related to fixed telephony	342	326	4.9

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 September 2005 – 3,413 thousand, on 30 September 2004 – 3,432 thousand.

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

	January - September 2005	January - September 2004
Operating activities		
Profit for the period	60,747	25,714
Adjustments for:		
Income tax	19,309	5,263
Depreciation and amortisation and impairment charge	190,649	221,450
Share of result of associates	22	(291)
Gain on sales of investments	--	397
Gain on disposal of PPE	(3,584)	(4,140)
Interest income	(2,319)	(690)
Interest expenses	567	5,275
Other non cash transactions	1,284	(834)
	266,675	252,144
Changes in working capital:		
Inventories	1,785	2,827
Trade and other accounts receivable	13,208	13,562
Trade and other accounts payable	(15,195)	(15,417)
Cash generated from operations	266,473	253,116
Interest paid	(588)	(17,341)
Tax paid	(32,089)	(57,033)
Net cash from operating activities	233,796	178,742
Investing activities		
Purchase of PPE and intangible assets	(43,079)	(44,764)
Proceeds from disposal of PPE	17,477	21,221
Disposal of bonds	30,115	--
Acquisition of bonds	(29,733)	(10,115)
Dividends received	207	298
Interest received	2,128	690
Other investing activity items	--	(57)
Net cash from investing activities	(22,885)	(32,727)
Net cash before financing activities	210,911	146,015
Financing activities		
Proceeds from borrowings	--	109,000
Repayment of borrowings	(7,757)	(279,486)
Dividends paid to shareholders	(100,986)	(46,609)
Dividends paid to minority shareholders	(1,386)	(1,157)
Net cash from financing activities	(110,129)	(218,252)
Increase (decrease) in cash and cash equivalents	100,782	(72,237)
Movement in cash and cash equivalents		
At start of the period	88,514	117,629
Increase (decrease) during the period	100,782	(72,237)
At end of the period	189,296	45,392

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

	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	--	--	--	(8)	--	(8)	--	(8)
Dividends paid	--	--	--	--	(46,609)	(46,609)	(1,157)	(47,766)
Profit for the period	--	--	--	--	24,507	24,507	1,207	25,714
Other movements in minority	--	--	--	--	--	--	79	79
30 June 2004	814,913	(120,000)	81,499	(14)	337,353	1,113,751	3,665	1,117,416
31 December 2004	814,913	(120,000)	81,499	(33)	345,036	1,121,415	3,899	1,125,314
Currency translation differences	--	--	--	26	--	26	--	26
Dividends paid	--	--	--	--	(100,986)	(100,986)	(1,386)	(102,372)
Profit for the period	--	--	--	--	60,226	60,226	521	60,747
Other movements in minority	--	--	--	--	--	--	1	1
30 June 2005	814,913	(120,000)	81,499	(7)	304,276	1,080,681	3,035	1,083,716

Highlights

- During the third quarter of 2005 revenue went up by 2.1 per cent to 182 million litass over the revenue of 178 million litass a year ago. Total revenue for nine months of 2005 was also higher by 0.7 per cent than year ago and amounted to 543 million litass (539 million litass in 2004).
- During the third quarter of 2005 number of ADSL service users increased by more than 20 per cent and reached almost 85 thousand. Number of main lines in service declined by 0.5 per cent and at the end of September of 2005 stood at 802.5 thousand.
- Operating expenses for nine months of 2005 continuously went down by 2.7 per cent and amounted to 278 million litass (286 million litass in 2004).
- EBITDA for the nine months' period went up by 4.2 per cent to 268 million litass (257 million litass in 2004) and EBITDA margin was 49.4 per cent (47.8 per cent in 2004).
- Profit before profit tax for January - September of 2005 was 80 million litass (31 million litass in 2004) and net profit for the period amounted to 61 million litass, an increase by 2.4 times over 26 million litass during the same period a year ago.
- Net cash flow after investment activities for the nine months' period of 2005 increased by 44.4 per cent and amounted to 211 million litass (146 million litass in 2004). In spite of payout of dividends (101 million litass) cash and cash equivalents during January - September of 2005 increased by 101 million litass while in 2004 decreased by 72 million litass.
- Investments for nine months of 2005 amounted to 43 million litass (45 million litass in 2004).

Revenue

For two consecutive quarters the total consolidated Lietuvos Telekomas Group's revenues were higher than a year ago: during the second quarter of 2005 up by 3.8 per cent and during the third quarter up by 2.1 per cent. As a result total revenue for nine months of 2005 went up by 0.7 per cent compared with the revenue for nine months of 2004.

An increase by 12 per cent increase in revenue from internet and data communication and 15.5 per cent growth in revenue from other services for January - September of 2005 over the same period a year ago fully offset a decline of 3 per cent in revenue from the fixed-line telephony services. The share of revenue from internet and data communication in total revenue increased a bit and now amounts to 20 per cent, but still revenue from fixed-line telephony services is the main source of the Company's income and amounts to 74 per cent, while revenue from other services comprises 6 per cent of the total Group's revenue.

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

	Third Quarter of 2005	Third Quarter of 2004	Change (%)	Nine months of 2005	Nine months of 2004	Change (%)
Fixed-line Telephony Services	131,416	135,602	-3.1	400,367	412,924	-3.0
Internet and Data Communication Services	37,095	32,779	13.2	107,183	95,671	12.0
Other Services	13,104	9,499	38.0	35,014	30,321	15.5
Total	181,615	177,880	2.1	542,564	538,916	0.7

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

Over the year (starting from 30 September 2004) the calls' traffic volume increased in spite of decline in number of main lines in service by 2.3 per cent over from 821 thousand to 802.5 thousand. The local calls' traffic for the period of nine months of 2005 compared with the same period a year ago increased by 2.6 per cent, fixed to mobile networks traffic was up by 2 per cent and international call's traffic went up by 6.6 per cent. Long distance calls' traffic went down by 8.2 per cent.

Stopped customers' churn (number of main lines used by business customers even increased by 1.5 thousand over the year) and increased calls' traffic volume in spite of tough competition from mobile operators and alternative fixed-line operators (particularly on international calls' market) was achieved due to attractive payment plans offered to the customers. At the end of September of 2005 the total number of subscribed payment plans reached 436 thousand.

Furthermore, from 1st of October Lietuvos Telekomas improved its long-distance calls' payment plan, *Šalis (Country)*, by providing better tariffs for peak time calls to mobile networks and off-peak time calls abroad for the same price of 50 litas per month and named it *Universal*. Also the Company launched new payment plan *Lietuvoje (In Lithuania)* that offers 2 hours of free of charge calls within the network of Lietuvos Telekomas (local and long distance calls) for 30 litas per month.

Compared with the same period a year ago, revenue from subscription fees for nine months of 2005 eased by 1 per cent, revenue from traffic charges decreased by 8.6 per cent, revenue from value added service went down by 1 per cent while revenue from networks' interconnection services increased by 5.5 per cent.

According to the Report of Lithuanian Communications Regulatory Authority (CRA) Lietuvos Telekomas' market share during the second quarter of 2005 on fixed-line telephony market in terms of revenue amounted to 93.7 per cent and in term of customers to 92.7 per cent. According to the Company's estimations market share in terms of revenue for the third quarter of 2005 remained almost unchanged - at 93.4 per cent.

Fast development of broadband internet market and number of sales promotion campaigns resulted in increased of revenue from internet and data communication services for nine months of 2005 by 12 per cent over the same period year ago. Revenue from internet services alone grew by 18.1 per cent and revenue from data communication services went up by 3.4 per cent. Major revenue growth came from development of broadband internet access while internet dial-up services are declining.

During the third quarter of 2005 the Company sold a record number ADSL technology based internet connection: number of ADSL accesses subscribed by customers of Lietuvos Telekomas increased almost by 15 thousand. Over the year (starting from 30 September 2004) number of retail ADSL connections increase by 2.2 times from 36,997 to 81,921 at the end of September of 2005, while number of ADSL connections sold on wholesales market was 2,685 (2,467 a year ago).

In August, the Company offered an internet payment plan *Takas iD0* that provided long term subscribers of ADSL access with a personal computer just for one litas. Also, Lietuvos Telekomas expanded availability of especially speedy internet plan *Takas iD 1 City* (up to 2Mbps speed rate) and *Takas iD2 City* (up to 1Mbps speed rate) beyond the area of largest cities of Lithuania.

In July, Lietuvos Telekomas together with local municipalities launched a project of public free of charge wireless internet access (based on WiFi technology, up to 2Mbps connection speed rate) on main streets and squares of largest cities of Lithuania. As a result of this successful project, on 18 October the Company officially launched its wireless internet service that is offered at 100 wireless internet hot-spots of Lietuvos Telekomas.

According to the Report of CRA during the second quarter of 2005 the Company's internet broadband market share in terms of users increased to 39.4 per cent and the broadband penetration per 100 inhabitants of Lithuania stood at 5 per cent. Lietuvos Telekomas had 95.8 per cent of xDSL internet connections market. The Company's market share in terms of total internet service users was 15.3 per cent but in terms of revenue it amounted to 42.9 per cent. Also, in terms of revenue Lietuvos Telekomas had 50.9 per cent of leased lines and 49.8 per cent of data communication market in Lithuania.

The Company estimates that in terms of revenue Lietuvos Telekomas' market share of internet market for the third quarter of 2005 was 42.3 per cent but in terms of broadband internet access users should be around 41 per cent.

Revenue from other services (network construction, IT services, Call Centers, sports clubs, etc.) for the nine months' period of 2005 increased by 15.5 per cent over the same period a year ago.

Expenses

Total operating expenses for nine months of 2005 went down by 2.7 per cent over the total expenses for the same period a year ago. During the year number of employees decreased by 6.4 per cent from 3,180 (September 2004) to 2,978 (September 2005) and as a result employee related expenses were down by 4.5 per cent. Interconnection expenses for January-September of 2005 were almost at the same level as year ago - an increase of 0.3 per cent. Construction services expenses decreased by 2.4 per cent and other expenses eased by 0.9 per cent, while provisions for bad debts dropped by 164.6 per cent, year-on-year. As on 30 September 2005, the number of main lines per one full-time employee in the core business was 342, while a year ago this figure stood at 326.

Gain on disposal of fixed assets for the nine months' period of 2005 was less that in 2004 by 13.4 per cent but due to slight increase in revenue and continues reduction of operating expenses EBITDA for nine months of 2005 went up by 4.2 per cent (EBITDA for the third quarter went up by 6.4 per cent) and EBITDA margin stood high at 49.4 per cent (49.9 per cent for the third quarter of 2005).

Profit for the Period

As major investments were made in 1998 – 2001, depreciation and amortisation charges continue to decline. Following International Accounting Standards in the third quarter of 2005 the Company started reassessment of the useful life of its assets. An impact of reassessment so far has been a decrease of depreciation and amortisation charges by 4.6 million litas. As a result a part of depreciation and amortisation charges in total revenue shrunk from 41 per cent (nine months of 2004) to 35 per cent (nine months of 2005) having a positive effect on profitability of the Company.

In the third quarter of 2004, the Group suffered a loss of 397 thousand litas on sales of shares of Latvian subsidiary of Comliet, Datu Tikli SIA.

Operating profit for nine months of 2005 went up by 2.2 times over the same period a year ago and operating profit margin reached 14.3 per cent (17.9 per cent for the third quarter of 2005). Since the Company has repaid its major loans Lietuvos Telekomas started to generate income from financial activities. As a result the profit before profit tax for nine months of 2005 was 80 million litas, an increase by 2.6 times over 31 million litas for the same period last year.

In June 2005, Lithuanian Parliament passes the law on temporary social tax of 4 per cent rate for the year 2006 and 3 per cent for the year 2007 in addition to regular profit tax of 15 per cent. Following the International Accounting Standards the Company made an additional provision for deferred profit tax liabilities of 4.7 million litas and increased profit tax expenses for the third quarter of 2005 by this amount.

The net profit for the period (including minority interest) of Lietuvos Telekomas' Group for January – September of 2005 was 61 million litas while a year ago it amounted to 26 million litas. Profit margin improved from 4.8 per cent to 11.2 per cent and earnings per share amounted to almost 0.08 litas.

Balance Sheet and Cash Flow

Due to depreciation and amortisation of the assets, repayment of the borrowings and payout of dividends the balance sheet of Lietuvos Telekomas' Group continued to decline. During nine months of 2005 total assets decreased by 6 per cent: fixed assets decreased by 15.5 per cent while current assets (mainly cash and cash equivalents) increased by 32.4 per cent.

During January – September of 2005 shareholders' equity decreased by 3.7 per cent due to payout of dividends (101 million litas) in May. As of 30 September 2005 total borrowings amounted to 9.5 million litas and net debt (including held-to-maturity investments) was negative and amounted to 210 million litas. The net debt to equity ratio was also negative and stood at 19.4 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 nine months of 2005 the net cash flow from operating activities was 266 million litas (253 million litas during the same period a year ago). The cash flow after investing activities was 210 million litas (146 million litas in 2004). An amount of 110 million litas was used in financing activities mainly for payout of dividends for the year 2004. Nevertheless, during January – September of 2005 cash and cash equivalents of Lietuvos Telekomas' Group increased by 101 million litas.

Investments

During nine months of 2005 the total amount of investments made by Lietuvos Telekomas' Group amounted to 43 million litas (45 million litas in 2004).

On 30 September 2005, the digitalisation rate of Lietuvos Telekomas' network stood at 93.2 per cent (92.1 per cent a year ago) and the number of main lines per 100 inhabitants of Lithuania was 23.5 (23.9 a year ago). The total number of ISDN channels in service was 44.1 thousand, an increase by 1.1 thousand over the same time a year ago. During the period from September 2004 till September 2005 the number of total ADSL access points (including wholesales) more than doubled from 39,464 to 84,606, and number of MPLS VPN (Multiprotocol Label Switching Virtual Private Network) access points grew from 898 to 1,545.

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 an option right regarding the purchase of 100 per cent of shares of UAB MicroLink Lietuva, UAB Baltijos Kompiuterių Akademija and UAB Fortek Information Technologies (all members of pan-Baltic IT company MicroLink AS). Execution of this agreement is subject to approval of competition regulatory authorities of Baltic States which is still pending.

On 29 July 2005 the Communications Regulatory Authority confirmed Lietuvos Telekomas as one of the winners of the tender for the provision of terrestrial digital television services. According to the schedule first terrestrial digital television transmitters should be installed next year. The Company plans to invest over 10 million litas into this project depending on the needs and requirements.

IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITY

11. Material events in the Issuer's activity

On 26 July 2005, the Board of AB Lietuvos Telekomas approved unaudited financial statements of Lietuvos Telekomas' Group for the first half of 2005 prepared according to International Financial Reporting Standards. 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. 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).

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.