

**AB Lietuvos Telekomas**  
**Report for the first quarter of the year**  
**2006**

**(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 first quarter of the year 2006.

### 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 5 262 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 and 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 and 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

.....

24 April 2006

Seal

Chief Financial Officer and Deputy General  
Manager of AB Lietuvos Telekomas

Jan-Erik Elsėrius

.....

24 April 2006

The report is prepared in Vilnius, April 2006.

## 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 31 March 2006, the total number of AB Lietuvos Telekomas' shareholders was 11,857. 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 31 March 2006:

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, Holbladsgade 139, DK-2300 København S, Denmark, register code 20758694 (a)	488,947,656	60.00	62.94	---
East Capital Asset Management AB, Norra Kungstornet, Kungsgatan 30, Box 1364, SE-111 93 Stockholm, Sweden, registre code 556564-5370	51,327,797	6.30	6.61	--

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

As on 31 March 2006, the State of Lithuania represented by the State Property Fund held 16,317,335 shares that amount for 2 per cent of the Company's share capital and 2.1 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, U.S.A.

As on 31 March 2006, on the basis of 102,137,510 AB Lietuvos Telekomas' shares there were issued 10,213,751 Global Depository Receipt that amount for 12.53 per cent of the Company's share capital.

As on 31 March 2006, 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 31 March 2006)

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), member of the Remuneration Committee of the Board. From 2003 Senior Vice President and Head of Market Are Baltic Countries at TeliaSonera AB 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, Telia Lithuania AB, Sweden, and Confidence AB, Sweden; member of the Board of Amber Mobile Teleholding AB, Sweden, Baltic Tele AB, Sweden, Lattelekom SIA, Latvia, Drutt Corporation, Sweden, Paynova AB, Sweden, 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), member 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 & Technology and Marketing & Products for TeliaSonera AB operations in Norway, Denmark and Baltic Countries. Member of the Supervisory Board of Lettelekom 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 Hyrynen** (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), member of the Audit Committee of the Board, 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)

**Arūnas Šikšta** (born 1968) from 2 January 2004 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 Securtronics 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). As on 31 March 2006 he was Chairman of UAB Voicecom and member of the Board of UAB Lietuvos Telekomo Verslo Sprendimai. He has no interest in the share capital of AB Lietuvos Telekomas, and is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.



### Chief Sales Officer and Deputy General Manager

**Darius Gudačiauskas** (born 1975) from 1 March 2006 took the office of Chief Sales Officer and Deputy General Manager of AB Lietuvos Telekomas. He has a Bachelor degree of Business Administration (1997), Master of Business Administration (1999) and Doctor of Social Sciences, Economics (2004), at Vilniaus Gedimino Technical University. From 1999 till 2001 he worked as Marketing Manager (Coordinator) Baltics at McDonald's Baltics and Brand Manager at Philip Morris Baltics. During the period of 2001-2004 he was Director of Marketing and Public Relations Department at AB bankas Hansabankas. From February 2004 till February 2006 he held a position of Sales Director and member of the Board of AB Lietuvos Draudimas. As on 31 March 2006 he was a Chairman of UAB Lintel. He has 13,719 shares of AB Lietuvos Telekomas that accounts for 0.0017 per cent of the share capital and gives 0.0018 per cent of votes. He is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.



### Chief Marketing Officer and Deputy General Manager

**Nerijus Ivanauskas** (born 1970) from 1 March 2006 took the Office of Chief Marketing Officer and Deputy General Manager of AB Lietuvos Telekomas. He has Bachelor of Econometrics from Vilnius University (1993), Candidate Master of Business Administration at International Management School, Budapest, Hungary (1995), and Master of Business Administration at Emory University, Atlanta, U.S.A. (1996). From 1996 till 1998 he worked as Marketing Director of UAB Lintel, during January - October of 1998 - Deputy Marketing Director at AB Lietuvos Telekomas, from November 1998 till October 2001 - Marketing and Product Development Director of UAB Lietuvos Telekomo Verslo Sprendimai. During November 2001 and June 2002 he worked as Director of Voice Sector at Lietuvos Telekomas. In July 2002 he left the Company and for one year worked as Territory Manager of Oracle East Central Europe



Limited Vilnius Branch. In July 2003 he returned to Lietuvos Telekomas and held positions of Deputy Chief Marketing and Sales, Director of Sales Department and Director of Marketing Department. He has no interest in the share capital of AB Lietuvos Telekomas, and 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 and Deputy General Manager



**Darius Didžgalvis** (born 1969) from 9 February 2005 holds an office of Chief Operating Officer and Deputy General Manager of AB Lietuvos Telekomas. He is engineer in radio electronics (1993), MSc in Telecommunication Engineering (2001) and International Executive MBA (2003). In 1993 he started working in Lietuvos Telekomas as engineer in Kretinga. From 1996 till 1998 he worked as Manager of Technical Operation Unit at Klaipėda Branch of Lietuvos Telekomas. During 1998 – 1999 he was Director of West Region Technical Center of Network Operation Department, during 1999 – 2001 worked as Director of Operation Sector and Services Delivery Sector at Network Department. From 2001 to 2005 he was Director of Wholesales Department. As on 31 March 2006 he was 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. He is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

#### Chief Financial Officer and Deputy General Manager



**Jan-Erik Elsérius** (born 1943) from 1 March 2004 holds an office of Chief Financial Officer and Deputy General Manager, and also he is a 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. As on 31 March 2006 he was member of the Board of UAB Lietuvos Telekomo Verslo Sprendimai, UAB Lintel, UAB Voicecom, UAB Baltic Data Center and VšĮ Lietuvos Telekomo Sporto Klubas. 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. He is not involved in the business of other Lithuanian companies and does not have interest in the share capital in other Lithuanian companies.

### 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 2005 are audited by the auditors.

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

	31 March 2006	31 Dec. 2005	31 March 2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	685,000	721,528	899,019
Intangible assets	33,384	40,696	68,557
Investments in associates	1,223	1,182	1,055
Other non-current assets	2,807	20	46
	722,414	763,426	968,677
<b>Current assets</b>			
Inventories	4,185	4,492	4,471
Receivables, prepayments and accrued revenue	99,388	106,613	104,797
Current profit tax receivable	281	4,824	13,389
Held-to-maturity investments	145,629	120,151	25,077
Trading investments	34,001	34,769	--
Cash and cash equivalents	201,162	149,601	153,671
Assets held for sale (a)	51,735	74,829	642
	536,381	495,279	302,047
<b>Total assets</b>	<b>1,258,795</b>	<b>1,258,705</b>	<b>1,270,724</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
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	(45)	(21)	(17)
Retained earnings	358,858	327,171	362,198
	1,135,225	1,103,562	1,138,593
<b>Minority interest</b>	2,457	2,329	2,591
<b>Total equity</b>	<b>1,137,682</b>	<b>1,105,891</b>	<b>1,141,184</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings and other financial liabilities	5,024	7,863	5,650
Deferred income tax liabilities	37,706	41,249	50,685
Grants	6,492	7,080	8,580
Provisions	2,025	1,664	--
	51,247	57,856	64,915
<b>Current liabilities</b>			
Trade, other payables and accrued liabilities	58,292	76,186	53,448
Current income tax liabilities	3,284	2,575	2,235
Borrowings and other financial liabilities	5,878	8,206	6,763
Provisions	2,412	3,400	2,179
Liabilities related to assets held for sale (a)	--	4,591	--
	69,866	94,958	64,625
<b>Total liabilities</b>	<b>121,113</b>	<b>152,814</b>	<b>129,540</b>
<b>Total equity and liabilities</b>	<b>1,258,795</b>	<b>1,258,705</b>	<b>1,270,724</b>

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

	January – March 2006	January – March 2005
Revenue	180,409	176,631
Operating expenses	(88,932)	(89,014)
Other income	3,147	1,655
Other expenses	(894)	(267)
Depreciation and amortisation	(54,575)	(67,221)
<b>Operating profit</b>	<b>39,155</b>	<b>21,784</b>
Financial income	1,079	755
Financial expenses	(625)	(221)
Share of result of associates	40	(33)
<b>Profit before income tax</b>	<b>39,649</b>	<b>22,285</b>
Income tax	(8,445)	(5,045)
<b>Profit for the period from continuing operations</b>	<b>31,204</b>	<b>17,240</b>
Discontinued operations:		
Profit for the period from discontinued operations	611	--
<b>Profit for the period</b>	<b>31,815</b>	<b>17,240</b>
Attributable to:		
Equity holders of the Company	31,687	17,162
Minority interest	128	78
	31,815	17,240
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (Litas)	0.04	0.02

NOTES: Other income includes gain on sales of investments and fixed assets, interest income from financial investments and other nonrecurring gains. Other expenses include loss on sales of investments, unrealised loss on financial investments and other nonrecurring losses. Discontinued operations include result of activities of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija for the period from January to February 2006.

## 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 31 March 2006, Lietuvos Telekomas' Group consisted of the parent company, AB Lietuvos Telekomas, (Savanorių ave. 28, LT-03501 Vilnius) and its daughter companies: UAB Lintel (J. Galvydžio str. 7/Žygio str. 97, LT-08222 Vilnius; 100 per cent of shares), UAB Lietuvos Telekomo Verslo Sprendimai (J. Galvydžio str. 7/Žygio str. 97, LT-08236 Vilnius; 100 per cent of shares), UAB Voicecom (Savanorių ave. 28, LT-03501 Vilnius; 100 per cent of shares), OOO Comliet-Kaliningrad (ul. Pugachiova 14a, RUS-236000 Kaliningrad, Kaliningrad Region, Russian Federation; 100 per cent of capital) and UAB Baltic Data Center (Žirmūnų str. 141, LT-09128 Vilnius; 60 per cent of shares). AB Lietuvos Telekomas is a sole founder and owner of a non-profit organisation VšĮ Lietuvos Telekomo Sporto Klubas (Savanorių ave. 28, LT-03116 Vilnius). As on 31 AB Lietuvos Telekomas owned 26 per cent of UAB TietoEnator Consulting (Žirmūnų str. 141, LT-09128 Vilnius) shares.

On 28 February 2006, Lietuvos Telekomas sold all shares of its subsidiary UAB Comliet (Lvovo str. 21a, LT-09313 Vilnius). UAB Comliet specializes in construction of external wide area and indoor telecommunications as well as other indoor engineering networks. This transaction also included the sale of UAB Comliet subsidiary, UAB Comliet Sprendimai (UAB Comliet owns 100 per cent of UAB Comliet Sprendimai shares).

On 31 January 2006, Lietuvos Telekomas acquired from UAB Comliet and UAB Comliet Sprendimai 95 per cent and 5 per cent stake in OOO Comliet-Kaliningrad, Russian Federation, respectively. Now AB Lietuvos Telekomas has 100 per cent of OOO Comliet-Kaliningrad capital.

On 2 March 2006, following the obligation of the Lithuanian Competition Council of 27 October 2005 AB Lietuvos Telekomas sold 100 per cent of UAB MicroLink Lietuva (A. Juozapavičiaus str. 6/2, LT-09310 Vilnius) and 100 per cent of UAB Baltijos Kompiuterių Akademija (Šeimyniškių str. 1A, LT-09312 Vilnius) to the third party. Lietuvos Telekomas acquired 100 per cent of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija shares in November 2005 as a part of the three Baltic telecoms' deal on acquisition of AS MicroLink Group.

On 28 March 2006, liquidation of UAB Verslo Portalas (J. Jasinskio str. 16a, LT-01112 Vilnius) was completed. In March 2004, the shareholders of Verslo Portalas - AB Lietuvos Telekomas held 30 per cent and UAB Verslo Žinios 70 per cent of shares - started liquidation of UAB Verslo Portalas, a business-to-business portal verslas.com.

On 29 March 2006, AB Lietuvos Telekomas signed agreements on acquisition of 40 per cent stake in UAB Baltic Data Center from TietoEnator Oyj and sale of its 26 per cent stake in UAB TietoEnator Consulting to TietoEnator Oyj. On 7 April 2006, the transaction on acquisition of remaining 40 per cent stake in UAB Baltic Data Center and sale of 26 per cent stake in UAB TietoEnator Consulting was completed. From 7 April 2006 AB Lietuvos Telekomas owns a 100 per cent stake in UAB Baltic Data Center and TietoEnator Oyj - a 100 per cent stake in UAB TietoEnator Consulting.

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 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).

From 1 May 2005 UAB Lietuvos Telekomo Verslo Sprendimai ceased provision of services on behalf of Lietuvos Telekomas and services provided by the company now are provided by Business Customer department of Lietuvos Telekomas. At present company is dormant.

In December 2005, UAB Voicecom took over from UAB Comliet the right to use the national network of mobile analogue cellular radio communication of the NMT-450 standard.

UAB Baltic Data Center provides high-valued-added IT-operation management services. From 7 April 2006 Lietuvos Telekomas owns all shares of UAB Baltic Data Center. UAB Baltic Data Center also has its subsidiary in Latvia – Baltic Data Center SIA, which is a dormant company.

Till 7 April 2006 AB Lietuvos Telekomas had 26 per cent of shares of UAB TietoEnator Consulting that provides companies in the Baltic region with high-value-added IT-related consulting services.

VšĮ Lietuvos Telekomo Sporto Klubas supports Lietuvos Telekomas' women basketball team, a multiple champion of Lithuania and Baltic States, and operates a fitness center at P. Lukšio str. 34 in Vilnius.

### **Lietuvos Telekomas' Group accounting**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses 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 carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.



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. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

	January- March 2006	January- March 2005	Change (%)
Revenue	180,409	176,631	2.1
EBITDA	93,730	89,005	5.3
EBITDA margin (%)	52.0	50.4	
Operating profit	39,155	21,784	79.7
Operating profit margin (%)	21.7	12.3	
Profit before income tax	39,649	22,285	77.9
Profit for the period	31,815	17,240	84.5
Profit margin (%)	17.6	9.8	
Total assets	1,258,795	1,270,724	-0.9
Shareholders' equity	1,137,682	1,141,184	-0.3
Return on capital employed (%)	3.5	2.0	
Return on shareholders' equity (%)	2.8	1.5	
Equity to assets ratio (%)	90.2	89.6	
Cash provided by operating activities	57,063	70,679	-19.3
Number of personnel at the end of period	2,774	3,066	-7.7
Earning per share (in litas)	0.04	0.02	
Average number of shares at the end of period (in thousand) (a)	776,818	776,818	
Number of fixed lines in service	791,469	812,254	-2.6
Penetration of lines per 100 residents (%) (b)	23.3	23.8	
Digitisation rate (%)	93.6	92.9	
Number of lines per full time employee, related to fixed telephony	350	340	

NOTES: (a) excluding treasury stocks held by UAB Lintel; (b) calculated on the basis of the following population: on 31 March 2006 – 3,403 thousand, on 31 March 2005 – 3,419 thousand.



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

	January - March 2006	January - March 2005
<b>Operating activities</b>		
Profit for the period from continuing operations	31,204	17,240
Adjustments for:		
Income tax	8,445	5,045
Depreciation and amortisation and impairment charge	54,575	67,221
Share of result of associates	(40)	33
Gain and losses	(2,213)	(1,232)
Interest income	(1,712)	(585)
Interest expenses	168	212
Other non cash transactions	237	613
	90,664	88,547
Changes in working capital:		
Inventories	308	2,090
Trade and other accounts receivable	(9,887)	9,264
Trade and other accounts payable	(17,939)	(18,384)
<b>Cash generated from operations</b>	<b>63,146</b>	<b>81,517</b>
Interest paid	(161)	(222)
Tax paid	(5,922)	(10,616)
<b>Net cash from operating activities</b>	<b>57,063</b>	<b>70,679</b>
<b>Investing activities</b>		
Purchase of PPE and intangible assets	(11,253)	(14,598)
Proceeds from disposal of PPE and intangible assets	21,413	6,497
Net change in held-to-maturity investments	(24,708)	5,038
Disposal of subsidiaries	9,893	--
Interest received	1,981	443
<b>Net cash from investing activities</b>	<b>(2,674)</b>	<b>(2,620)</b>
<b>Net cash before financing activities</b>	<b>54,389</b>	<b>68,059</b>
<b>Financing activities</b>		
Repayment of borrowings	(2,828)	(2,526)
Dividends paid to minority shareholders	--	(376)
<b>Net cash from financing activities</b>	<b>(2,828)</b>	<b>(2,902)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>51,561</b>	<b>65,157</b>
<b>Movement in cash and cash equivalents</b>		
<b>At start of the period</b>	<b>149,601</b>	<b>88,514</b>
Increase (decrease) during the period	51,561	65,157
<b>At end of the period</b>	<b>201,162</b>	<b>153,671</b>

## 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		
<b>Balance at 1 January 2005</b>	814,913	(120,000)	81,499	(33)	345,036	3,899	1,125,314
Dividends paid for year 2004	--	--	--	--	--	(1,386)	(1,386)
Net profit	--	--	--	--	17,162	78	17,240
Currency translation differences	--	--	--	16	--	--	16
Other movements	--	--	--	--	--	--	--
<b>Balance at 31 March 2005</b>	<b>814,913</b>	<b>(120,000)</b>	<b>81,499</b>	<b>(17)</b>	<b>362,198</b>	<b>2,591</b>	<b>1,141,184</b>
<b>Balance at 1 January 2006</b>	814,913	(120,000)	81,499	(21)	327,171	2,329	1,105,891
Dividends paid for the year 2005	--	--	--	--	--	--	--
Net profit	--	--	--	--	31,687	128	31,815
Currency translation differences	--	--	--	(24)	--	--	(24)
Other movements	--	--	--	--	--	--	--
<b>Balance at 31 March 2006</b>	<b>814,913</b>	<b>(120,000)</b>	<b>81,499</b>	<b>(45)</b>	<b>358,858</b>	<b>2,457</b>	<b>1,137,682</b>

## Highlights

- Revenue for the first quarter of 2006 amounted to 180 million litas, an increase by 2.1 per cent over the revenue of 177 million litas for the first quarter of 2005.
- During the first three months of 2006 total number of DSL connections increased by 13.8 thousand to 118.6 thousand. At the end of March 2006 total number of main telephone lines in service was 791.5 thousand.
- Lietuvos Telekomas' Group operating expenses for January - March 2006 were a bit below of operating expenses of 89 million litas a year ago.
- EBITDA for the three months' period of 2006 went up by 5.3 per cent to 94 million litas over 89 million litas for the same period a year ago and EBITDA margin reached 52 per cent (50.4 per cent in 2005).
- Profit before income tax for the first quarter of 2005 was up by 78 per cent and amounted to 40 million litas (22 million litas a year ago).
- Profit for the period of the first three months of 2006 (including minority interest and discontinued operations) amounted to 32 million litas, an increase by 85 per cent over 17 million litas in 2005.
- Capital investments in the first quarter of 2006 amounted to 11 million litas (15 million litas in 2005).

- During the three months' period cash and cash equivalents increased by 52 million litas (65 million litas in 2005).

### Revenue

The total consolidated Lietuvos Telekomas Group's revenue in the first quarter of the year 2006 was 180 million litas, an increase by 2.1 per cent over the total revenue of 177 million litas in the first quarter of 2005. Continuously growing revenue from internet and data communication services increased by 23.9 per cent or by more than 8 million litas and fully off set a moderate decline of 2.9 per cent or roughly 4 million litas in revenue from fixed-line telephony services. Due to sale of Comliet (construction activities) in February and in addition to decrease in revenue from construction activities by 62 per cent, total revenue from other services decreased by 8.8 per cent while revenue from other than construction activities increased by 44 per cent.

The part of revenue from internet and data communication in total Group's revenue increased to 24.1 per cent while revenue from the fixed-line telephony services amounted to 71.6 per cent. Revenue from Comliet's construction activities amounted to 0.9 per cent, revenue from other activities (IT services, fitness center, etc.) amounted to 3.4 per cent of total Group's revenue for the first quarter of 2006.

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

	First Quarter of 2006	First Quarter of 2005	Change
Fixed-line Telephony Services	129,151	133,009	-2.9%
Internet and Data Communication Services	43,438	35,045	23.9%
Other Services:	7,820	8,577	-8.8%
- Construction services	1,651	4,289	-61.5%
- Other revenue	6,169	4,288	43.9%
<b>Total revenue</b>	<b>180,409</b>	<b>176,631</b>	<b>2.1%</b>
<i>Total revenue excluding construction services</i>	<i>178,758</i>	<i>172,342</i>	<i>3.7%</i>

Over the year 46 thousand new lines were connected and more than 66 thousand disconnected mainly previously temporary disconnected lines or lines with just incoming calls as the Company offered new payment plans that do not provide for just incoming calls and increased fees for temporary disconnection. As a result total number of main telephone lines in service decreased by roughly 21 thousand or by 2.6 per cent from 812,254 lines at the end of March 2005 to 791,469 lines at the end of March 2006. But as majority of disconnected lines were none revenue generating lines revenue from subscription fees declined by only 0.3 per cent.

Number of payment plans subscribed by Lietuvos Telekomas' customers continued to go up from 420 thousand at the end of March 2005 to almost 446 thousand at the end of March 2006.

Compared with the first quarter of 2005 the total retail telephony traffic in the first quarter of 2006 declined by 0.2 per cent: local calls' traffic decreased by 0.7 per cent, long distance calls' traffic increased by 2.2 per cent, fixed to mobile network traffic and international calls' traffic went down by 0.9 per cent and by 0.3 per cent, respectively. Total traffic generated by residential customers who are main users of payment plans increased by 4.5 per cent, while traffic generated by business customers went down by 8.7 per cent due to competition with mobile operators.

Therefore, revenue from traffic charges went down by 5.5 per cent, interconnect services by 2.3 per cent while revenue from value added services went up by 2.5 per cent.

Revenue from internet broadband services went up by 32.3 per cent as number of DSL and LAN (local access network) connections increased by 1.9 times from 61,928 at the end of March 2005 to

118,560 at the end of March 2006. Subsequently, number of internet dial up services users went down from almost 35 thousand to 19 thousand and revenue from internet dial up services eased by 33 per cent. Revenue from data communications and network capacity sales went up by 10.5 and 30.9 per cent, respectively.

According to the Report of Lithuanian Communications Regulatory Authority for the fourth quarter of 2005 Lietuvos Telekomas' market share on fixed-line telephony market in terms of customers amounted to 92.8 per cent and in terms of revenue - to 93.6 per cent. Penetration of main lines per 100 residents of Lithuania was 23.5. At the end of 2005 Lietuvos Telekomas in terms of revenue had 53.7 per cent of leased lines, 54.9 per cent of data communication and 19.5 per cent of networks' interconnection markets. The Company's market share on total internet providers market in terms of revenue was 43.5 per cent. On 31 December 2005 internet broadband penetration per 100 residents of Lithuania was 6.9 per cent.

During the first quarter of 2006, Lietuvos Telekomas continued to simplify its products portfolio by replacing previous internet plans for residential customers with three major plans: Basic Internet (download speed up to 256 kbps for 26 litas during off-peak time and weekends), Optimum Internet (download speed up to 1 Mbps for 49 litas without usage limitations) and Premium Internet (download speed up to 4 Mbps for 79 litas without usage limitations). Also the Company introduced a new video telephony service.

### **Operating expenses**

Compared with the first quarter of 2005, employee related expenses for the first quarter of 2006 went down by 6.7 per cent, interconnect expenses down by 3.5 per cent, construction service expenses (Comliet activities) were reduced by 66.2 per cent while expenses for telecommunication equipment (PCs and ADSL modems) and marketing expenses (broadband internet promotion campaigns) went up and as a result total operating expenses were almost at the same level as year ago.

Due to sale of UAB Comliet, UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija in first quarter of 2006, total number of employees in Lietuvos Telekomas' Group decreased from 3,005 (31 December 2005) to 2,774 (31 March 2006). At the end of March 2006, the number of main lines per one full-time employee in the core business was 350, while a year ago this figure stood at 340.

### **Profit for the Period**

Other income that includes gain on sales of investments and fixed assets, interest income from financial investments and other nonrecurring gains went up by 90 per cent. Other expenses that include loss on sales of investments and fixed assets, unrealised loss on financial investments and other nonrecurring losses also increased by 3.3 times but were 3.5 time lower than other income.

Due to increased total revenue and other income EBITDA for the first quarter of 2006 increase by 5.3 per cent over EBITDA for the first quarter of 2005 and EBITDA margin is back on 50 per cent level amounting to 52 per cent for the January - March of 2006 (50.4 per cent a year ago).

Depreciation and amortisation charges continuously went down by 18.8 per cent year-on-year and in the first quarter of 2006 amounted to 30 per cent of total revenue having a positive effect on profitability margins. Operating profit for the first quarter of 2006 was 79.7 per cent higher than for the same period year ago and operating profit margin reached 21.7 per cent (12.3 per cent a year ago). Due to loan repayment and financial investment activities financial income is higher than financial expenses.

As a result the profit before income tax for the first quarter of 2006 increased by 77.9 per cent over the profit before income tax for the same period last year. The profit for the period of Lietuvos Telekomas' Group (including minority interest and profit for the period from discontinued operations) for January - March 2006 was 31.8 million litas while a year ago it amounted to 17.2 million litas. The profit margin went up from 9.8 per cent for the first quarter of 2005 to double digit 17.6 per cent for the first quarter of 2006.

## Balance Sheet and Cash Flow

During January – March 2006 the total assets of Lietuvos Telekomas' Group increased by just 90 thousand litas and remained on the same level of 1,258 million litas. During the first quarter of 2006 non-current assets decreased by 5.4 per cent and amounted to 57.4 per cent of the total assets while current assets increased by 8.3 and amounted to 42.6 per cent of total assets whereof cash, trading investment and held-to-maturity investments represented to 30.3 per cent of the total assets.

During the first three months of 2006 shareholders' equity increased by 2.9 per cent and amounted to 1,138 million litas. Shareholders' equity amounted to 90.4 per cent of the total liabilities. At the end of March 2006 the total borrowings (including financial liabilities related to financial leasing) amounted to 10.9 million litas and net debt was -369.9 million litas. The net debt to equity ratio was -32.5 per cent.

During the first quarter of 2006 the net cash flow from operating activities was 57 million litas, a decrease by 19.3 per cent over 71 million litas during the same period a year ago, due to decrease in accounts receivable mainly related to disposal of the assets. The cash flow after investing activities was 54 million litas (68 million litas in 2005) as during the first quarter of 2006 additional 25 million litas were invested into financial instruments. An amount of 2.8 million litas was used for financial activities and as a result during the first quarter of 2006 the cash and cash equivalents of Lietuvos Telekomas' Group increased by 51 million litas (65 million litas in 2005).

On 16 March 2006, the Board of Lietuvos Telekomas proposed to the Annual General Meeting of Shareholders' to be held on 24 April 2006 to allocate from the Company's distributable profit 124.3 million litas for the dividend payment for the year 2005 giving 0.16 litas dividend per share.

## Investments

During January – March 2006 the total amount of capital investments made by Lietuvos Telekomas' Group amounted to 11 million litas (15 million litas in 2005). Almost two thirds of capital investments went to internet and data communication related projects.

On 31 March 2006 digitalisation rate of Lietuvos Telekomas' network was 93.6 per cent (92.9 per cent a year ago). Total number of ISDN channels amounted up to 44.7 thousand (44.3 thousand a year ago), total number of internet access points via DSL (including wholesales) and LAN almost doubled and amounted to 118.6 thousand (61.9 thousand in 2005) and number of MPLS VPN (Multiprotocol Label Switching Virtual Private Network) access points reached 1,948 (1,016 in 2005).

In pursue of concentration on core telecommunication and IT business Lietuvos Telekomas continued to streamline its Group structure during the first quarter of 2006. Signed in December 2005 deal on sale of UAB Comliet and its subsidiary UAB Comliet Sprendimai shares were implemented in February and the Company get ride off construction activities. In January, Lietuvos Telekomas took over management of OOO Comliet-Kaliningrad from UAB Comliet (held 95 per cent stake) and UAB Comliet Sprendimai (held 5 per cent stake).

Following the decision of Lithuanian Competition Council regarding the acquisition of UAB MicroLink Lietuva, in March 2006 Lietuvos Telekomas sold all shares of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija to the third party. Also, in March was completed liquidation of UAB Verslo Portalas and signed agreements on acquisition of remaining 40 per cent stake in UAB Baltic Data Center and disposal of 26 per cent of UAB TietoEnator Consulting shares. In April 2006, UAB Baltic Data Center became a fully owned subsidiary of Lietuvos Telekomas and shares of UAB TietoEnator Consulting were sold.

In February, the Board of Lietuvos Telekomas decided to construct a new head-office of the Company in Vilnius at Lvovo str. 21a.

**Management Change**

In February 2006 the Board approved a new governing structure of Lietuvos Telekomas that came into force from 1 March 2006. Also, from 1 March 2006 a new Chief Sales Officers and Deputy General Manager Darius Gudačiauskas and a new Marketing Chief Officer and Deputy General Manager Nerijus Ivanauskas started their work.



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

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

On 3 January 2006, the Company announced that on 29 December 2005 by Order of Director of Communications Regulatory Authority, AB Lietuvos Telekomas together with its associates, namely UAB Comliet, UAB Comliet Sprendimai, UAB Baltic Data Center, UAB Lietuvos Telekomo Verslo Sprendimai, UAB Omnitel, UAB Lintel, UAB Verslo Portalas, UAB Voicecom and VSI Lietuvos Telekomo Sporto Klubas is declared as an operator with significant market power on the calls termination in public telephone line networks provided at fixed place market. Communications Regulatory Authority permitted UAB Comliet, a subsidiary of AB Lietuvos Telekomas, to transfer to another subsidiary of AB Lietuvos Telekomas, UAB Voicecom, a right to use radio frequencies (channels) from radio frequencies' bands of 452.9875-457.4875 MHz and 462.9875-467.4875 MHz, to provide services of mobile analogue cellular radio communications, to construct and operate mobile analogue cellular (European NMT standard) radio communications national network using radio frequency band of 450 MHz.

On 3 January 2006, the Company announced that on 30 December 2005, UAB Comliet, a subsidiary of AB Lietuvos Telekomas, sold its 55 per cent stake in Estonian company Telegrupp AS to the third party. Letter of Intent regarding the sale of Telegrupp AS shares was signed on 22 November 2005. On 4 July 2002 UAB Comliet together with Estonian company Merko Ehitus Ltd. acquired all shares of Telegrupp AS. UAB Comliet owned 55 per cent and Merko Ehitus Ltd. 45 per cent of Telegrupp AS shares. This announcement disclosed the content of confidential announcement of material event of 23 November 2005.

On 1 February 2006, the Company announced that AB Lietuvos Telekomas from its subsidiary, UAB Comliet, acquired 95 per cent and from UAB Comliet Sprendimai, a subsidiary of UAB Comliet, 5 per cent of OOO Comliet-Kaliningrad shares. From now all shares of OOO Comliet-Kaliningrad, Russian Federation, are owned by AB Lietuvos Telekomas.

On 8 February 2006, the Board of AB Lietuvos Telekomas approved preliminary unaudited consolidated financial statements of Lietuvos Telekomas' Group for the year ended 31 December 2005 prepared according to International Financial Reporting Standards. During the year 2005 the total revenue of the Group increased by 1.2 per cent or almost 9 million litas to 730 million litas over the revenue of 721 million litas for the year 2004. The total operating expenses for the year 2005 amounted to 387 million litas, a decrease by 1.6 per cent over 393 million litas for the year 2004. EBITDA for the year 2005 increased by 5.2 per cent and amounted to 353 million litas (336 million litas a year ago) and EBITDA margin reached 48.4 per cent (46.6 per cent a year ago). Profit before income tax for the year 2005 was 109 million litas (41 million litas for the year 2004) and profit for the period increased by 2.5 times and amounted to 84 million litas, while for the year 2004 profit for the period amounted to 34 million litas. Net cash flow from operating activities for the year 2005 amounted to 340 million litas (276 million litas for the year 2004). In spite of payout of dividends of 101 million litas and investments into financial instruments of 124 million litas cash and cash equivalents increased by 61 million litas.

On 8 February 2006, the Board of AB Lietuvos Telekomas decided: (1) To sell to Eltel Group Corporation 2,000 of ordinary registered shares of UAB Comliet with nominal value of 5,000 litas each, which constitutes 100 per cent of the share capital of the company. This transaction also includes the sale of UAB Comliet subsidiary, UAB Comliet Sprendimai. An agreement on sale of UAB Comliet shares was signed on 22 December 2005. The transaction should be completed in February 2006. (2) To construct a new head-office of the Company in Vilnius at Lvovo str.21a. (3) To approve a new governing structure of AB Lietuvos Telekomas that will come into force as of 1 March 2006. From current Marketing Division to newly established Sales Division will be transferred Private Customers Department, Business Customers Department and Carrier Business Department and three new departments - Service Development Department, Market

Segmentation Department and Advertising Department - will be established in Marketing Division. Also a new Corporate IT Business development unit, directly reporting to General Manager, will be established.

On 13 February 2006, the Company announced that from 1 March 2006 Nerijus Ivanauskas is appointed to the position of Chief Marketing Officer and Deputy General Manager. Nerijus Ivanauskas (age 35) has been working in Lietuvos Telekomas since 1998 and currently occupies a position of Director of Marketing Department. As a Chief Marketing Officer he will be in charge of Service Development, Market Segmentation and Advertising Departments. From 1 March 2006 Darius Gudačiauskas is appointed to the position of Chief Sales Officer and Deputy General Manager. Doctor of Economical Science Darius Gudačiauskas (age 30) recently worked as Sales Director and Member of the Board of insurance company AB Lietuvos Draudimas. As a Chief Sales Officer he will be in charge of Private Customers, Business Customers and Carrier Business Departments.

On 20 February 2006, AB Lietuvos Telekomas, following the obligation of the Lithuanian Competition Council of 27 October 2005 and having the approval of the buyer by the Competition Council, signed an agreement on sale of all UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija shares to AS Martinson Trigon. Lietuvos Telekomas acquired 100 per cent of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija shares in November 2005 as a part of the three Baltic telecoms' deal on acquisition of AS MicroLink Group. This announcement disclosed the content of confidential announcement of material event of 18 January 2006 and 9 February 2006.

On 28 February 2006, AB Lietuvos Telekomas sold to Finnish Eltel Group Corporation 2,000 of ordinary registered shares of UAB Comliet with nominal value of 5,000 litas each, which constitutes 100 per cent of the share capital of the company. This transaction also includes the sale of UAB Comliet subsidiary, UAB Comliet Sprendimai. An agreement on sale of UAB Comliet shares was signed on 22 December 2005. UAB Comliet provides telecommunications and indoor network design, installation and construction services.

On 2 March 2006 AB Lietuvos Telekomas sold 14,000 ordinary registered shares of UAB MicroLink Lietuva with nominal value of 50 litas each, which constitutes 100 per cent of the share capital of the company, and 1,100 ordinary registered shares of UAB Baltijos Kompiuterių Akademija with nominal value of 100 litas each, which constitutes 100 per cent of the share capital of the company, to Estonian company AS Martinson Trigon. On 20 February 2006, AB Lietuvos Telekomas, following the obligation of the Lithuanian Competition Council of 27 October 2005 and having the approval of the buyer by the Competition Council, signed an agreement on sale of all UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija shares to AS Martinson Trigon. Lietuvos Telekomas acquired 100 per cent of UAB MicroLink Lietuva and UAB Baltijos Kompiuterių Akademija shares in November 2005 as a part of the three Baltic telecoms' deal on acquisition of AS MicroLink Group.

On 6 March 2006, the Company announced that AB Lietuvos Telekomas appealed to the Vilnius District Administrative court requesting to cancel Order of Director of Communications Regulatory Authority of 29 December 2005 on AB Lietuvos Telekomas including its associated entities as entity having significant market power on the market of calls termination in public telephone line network of AB Lietuvos Telekomas provided at fixed place and Order on the definition of the market of calls termination in individual public telephone line networks provided at fixed place. AB Lietuvos Telekomas also appealed to the court requesting to cancel Order of Director of Communications Regulatory Authority of 18 January 2006 on AB Lietuvos Telekomas including its associated entities as entity having significant market power on the wholesales broadband access market and paragraph No. 2 of Order of 18 January 2006 on the definition of wholesales broadband access market. The court has accepted the appeal and on 24 February 2006 satisfied Company's request to invoke interim measures - to suspend the effect of appealed orders till the litigation is settled. On 20 February 2006 by the Orders of Director of

Communications Regulatory Authority AB Lietuvos Telekomas and its associated entities were designated as having a significant market power on the market of national and international transit services on public telephone line network provided at fixed place.

On 16 March 2006, the Board of AB Lietuvos Telekomas decided to convoke the Annual General Meeting of AB Lietuvos Telekomas' Shareholders on 24 April 2006. The record day for Shareholders' Meeting is 13 April 2006. The Board approved audited financial statements of Lietuvos Telekomas' Group for the year 2005 prepared according to International Financial Reporting Standards. Following the International Accounting Standards interest income from financial activities is included into total revenue, therefore consolidated revenue of Lietuvos Telekomas' Group for the year 2005 was LTL 733,495 thousand (EUR 212,435 thousand) (LTL 722,978 thousand (EUR 209,389 thousand) for the year 2004). Also following the International Accounting Standards the Parent Company changed accounting principles of its subsidiaries and associates from equity method to accounting at cost. Therefore financial statements of the Parent Company for the year 2004 were restated (retained earnings were reduced by LTL 215,558 thousand (EUR 62,430 thousand)). It had no effect on net result of Lietuvos Telekomas' Group for the reporting periods: profit for the year 2005 was LTL 84,073 thousand (EUR 24,349 thousand) and profit for the year 2004 was LTL 33,642 thousand (EUR 9,743 thousand). The Board proposes for the Annual General Meeting to allocate from the Company's distributable profit LTL 124,291 thousand (EUR 35,997 thousand) for the dividend payment for the year 2005 or LTL 0.16 (EUR 0.046) dividend per share. The Board approved Company's activities report for the year 2005. The Board elected UAB Pricewaterhouse Coopers as the Company's auditor for two years to audit the Company's financial statements for the year 2006 and 2007, and inspect the Company's activities reports for the year 2006 and 2007.

On 16 March 2006, the Company announced that The Annual General Meeting of AB Lietuvos Telekomas' (code 1212 15434, registered address: Savanorių pr. 28, Vilnius, Lithuania) Shareholders will be held at room 157 of Lietuvos Telekomas' headquarters, Savanorių pr. 28, Vilnius, Lithuania, at 13.00 on 24 April 2006. Registration will take place from 12.00 till 12.45. The meeting is convened by initiative of the Board and following the decision of the Board adopted on 16 March 2006. The record day of the General Meeting of Shareholders is 13 April 2006. Proposed Agenda: 1) Information of the Company's auditors. 2) Approval of the Company's activity report of the year 2005. 3) Approval of the Company's annual financial statements. 4) Allocation of 2005 Company's profit. 5) Election of the Company's auditor. 6) Change of the By-laws of the Company. 7) Recall of the Company's Board members. 8) Election of the Company's Board members. Shareholders who at the end of the record day of the General Meeting of Shareholders, i.e. 13 April 2006, 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 14 April 2006 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, Savanorių ave. 28, Vilnius, Lithuania, tel: +370 5 236 78 78.

On 30 March 2006, the Company announced that on 28 March 2006, UAB Verslo portalas was registered out of the Legal Persons' Register following the decision of the Annual General Meeting of UAB Verslo Portalas' Shareholders of 24 February 2004 and being registered as company under liquidation since 18 March 2004. In August 2001, AB Lietuvos Telekomas acquired 30 per cent of UAB Verslo Portalas from UAB Verslo Žinios. Verslo Portalas was providing services of business-to-business internet portal verslas.com.

On 30 March 2006, the Company announced that following the decision of the Board of AB Lietuvos Telekomas of 8 February 2006, AB Lietuvos Telekomas signed agreements on



acquisition of 40 per cent stake in UAB Baltic Data Center from TietoEnator Oyj and sale of its 26 per cent stake in UAB TietoEnator Consulting to TietoEnator Oyj. At present Lietuvos Telekomas owns 60 per cent of UAB Baltic Data Center. Transactions are planned to be completed in April 2006. At the end of 2001, Lietuvos Telekomas reorganised its Information Systems Department into a separate subsidiary then called Baltijos Informacinių Duomenų Valdymo Centras (from July 2004 called UAB Baltic Data Center) to provide IT infrastructure services. In May 2002, Lietuvos Telekomas sold 40 per cent of the company's shares to TietoEnator Oyj as well as 74 per cent stake in another subsidiary established in March 2002 and then called Baltijos Telekomunikacijų Konsultacinis Centras (from January 2003 - UAB TietoEnator Consulting). UAB TietoEnator Consulting provides related to IT consultancy services. This announcement disclosed the content of confidential announcement of material event of 9 February 2006.

On 7 April 2006, the transaction on acquisition of remaining 40 per cent stake in UAB Baltic Data Center from TietoEnator Oyj and sale of 26 per cent stake in UAB TietoEnator Consulting to TietoEnator Oyj was completed. Now AB Lietuvos Telekomas owns a 100 per cent stake in UAB Baltic Data Center and TietoEnator Oyj - a 100 per cent stake in UAB TietoEnator Consulting. Agreements on sales/purchase of shares were signed on 29 March 2006.

On 12 April 2006, the Company announced that following the resolution of the Board of AB Lietuvos Telekomas (hereinafter - "the Company") of 16 March 2006 on convocation of the Annual General Meeting of AB Lietuvos Telekomas' (code 1212 15434, registered address: Savanorių pr. 28, Vilnius, Lithuania) Shareholders at room 157 of Lietuvos Telekomas' headquarters, Savanorių pr. 28, Vilnius, Lithuania, at 1 p.m. on 24 April 2006 and decision of the Company's Board of 6 April 2006 to supplement the Agenda of the meeting with a new Agenda item "On the change of AB Lietuvos Telekomas" name, the following supplemented Agenda of the meeting is proposed: 1) Information of the Company's auditors. 2) Approval of the Company's activity report of the year 2005. 3) Approval of the Company's annual financial statements. 4) Allocation of 2005 Company's profit. 5) Election of the Company's auditor. 6) On the change of AB Lietuvos Telekomas name. 7) Change of the By-laws of the Company. 8) Recall of the Company's Board members. 9) Election of the Company's Board members. The record day of the General Meeting of Shareholders is 13 April 2006.

On 12 April 2006, the Company announced about Draft Agenda and draft decisions for the Annual General Meeting of AB Lietuvos Telekomas' Shareholders (hereinafter referred to as "the Company") to be held on 24 April 2006 proposed by the Company's Board: (1) Information of the Company's auditor. Taken for the information. (2) Approval of the Company's activity report of the year 2005. Draft decision: To approve the Company's activity report of the year 2005, inspected by the Company's auditor UAB PricewaterhouseCoopers. (3) Approval of the Company's annual financial statements. Draft decision: To approve audited Company's annual financial statements for year 2005, prepared according to the International Financial Reporting Standards. (4) Allocation of 2005 Company's profit. Draft decision: To allocate the Company's profit of the year 2005 according the draft of profit allocation presented for Annual General Meeting of Shareholders. The Board proposes for the Annual General Meeting to allocate from the Company's distributable profit LTL 124,291 thousand (EUR 35,997 thousand) for the dividend payment for the year 2005 or LTL 0.16 (EUR 0.046) dividend per share. (5) Election of the Company's auditor. Draft decision: 1) To elect UAB PricewaterhouseCoopers as the Company's audit enterprise for two years to make the audit of the 2006 and 2007 Company's financial statements and to make the inspection of the reports on the activity of the Company in 2006 and 2007. 2) To authorize the Company's General Manager to conclude the Agreement for audit services, paying for services the price agreed between the parties but in no case more than 460,000 (four hundred sixty thousand) litas (VAT excluded) for the audit of the Company's financial statements for two years and reports on the activity of the Company (e.g. 230,000 (two hundred thirty thousand) litas (VAT excluded) per one year). (6) On the change of AB Lietuvos Telekomas name. Draft decision: To change Company's name from Akcinė bendrovė „Lietuvos telekomas“ to TEO LT, AB. (7) Change of the By-laws of the Company. Draft decision: 1) To change the

Company's name, stated in the by-laws, from Akcinė bendrovė „Lietuvos telekomas“ to TEO LT, AB and to correct the text of the by-laws accordingly and to indicate that the legal form of the Company is Public limited liability company. 2) To change Subarticle 7 e) of the Article 9.4 of the Company's By-laws by deleting the words "and standards" and to lay down the text as follows: "e) decisions concerning the method of calculation of depreciation of tangible and intangible assets applied in the Company". 3) To amend Article 10.4 of the Company's By-laws with the new item No.13 and to lay it down as follows: "13) set the rates used for calculating asset depreciation in the Company". 4) To approve the new edition of the Company's By-laws with the changes listed in the parts 1, 2 and 3 of this decision. 5) To authorize the General Manager on behalf of the Company to sign approved new edition of the By-laws and to obligate General Manager on its own discretion to authorize the respective employee of the Company to register them under the order specified in the laws of the Republic of Lithuania. (8) Recall of the Company's Board members. Draft decision: To recall from the Board of the Company all members of the Board: Erik Hallberg, Morgan Ekberg, Matti Hyyrynen, Tomas Lenke, Valdo Kalm, Gintautas Žintelis and Andrius Šukys. (9) Election of the Company's Board members. Draft decision: To elect to the Board of the Company for new term of the Board (for 2 years): 1. \_\_\_\_\_, proposed by \_\_\_\_\_, 2. \_\_\_\_\_, proposed by \_\_\_\_\_, 3. \_\_\_\_\_, proposed by \_\_\_\_\_, 4. \_\_\_\_\_, proposed by \_\_\_\_\_, 5. \_\_\_\_\_, proposed by \_\_\_\_\_, 6. \_\_\_\_\_, proposed by \_\_\_\_\_, 7. \_\_\_\_\_, proposed by \_\_\_\_\_. As a shareholder of AB Lietuvos Telekomas, Amber Teleholding A/S proposes to the Annual General meeting of shareholders to be held on 24 April 2006 in Vilnius, Lithuania, the following nominees to be elected to the Board of Directors of AB Lietuvos Telekomas: 1) Mr Erik Hallberg, 2) Mr Gintautas Žintelis, 3) Mr Morgan Ekberg, 4) Mr Valdo Kalm, 5) Miss Brita Hanberger, 6) Mr Matti Hyyrynen as proposed to Amber Teleholding A/S by East Capital, 7) Mr Gert Tiivas as proposed to Amber Teleholding A/S by East Capital. This announcement disclosed the content of confidential announcement of material event of 6 April 2006.

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](http://www.telecom.lt).