

26 April 2001

FIRST QUARTER RESULTS OF 2001 **‘The first year in full competition’**

Eesti Telekom, the leading provider of telecommunication services in Estonia, today announces its results for the three months ended March 31, 2001.

Financial highlights

	Q1 2001	Q1 2000	Change
Total revenue, mEEK	1,050	939	12%
EBITDA, mEEK	537	503	7%
EBITDA margin, %	51	54	
EBIT, meek	276	256	8%
EBIT margin, %	26	27	
Profit before minority interest and extraordinary items, mEEK	276	247	12%
Net profit for the period	275	246	12%
EPS, EEK	2,00	1.79	12%
No of A- shares	137,383,178	137,383,178	0
Investments, meek	195	244	-20%
Net gearing, %	-9	-5	

Commenting on the results the Chairman, Jaan Männik, said:

“The entire telecommunications market in Estonia is now liberalized. Eesti Telekom Group has succeeded to maintain high profitability and a strong cash flow position.”

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CHAIRMAN'S STATEMENT

The entire telecommunications market in Estonia is now liberalized. Eesti Telekom Group has succeeded to maintain high profitability and a strong cash flow position.

Revenue and expenditure

Total revenue of Eesti Telekom Group in the first quarter of 2001 amounted to 1,050 mln kroons, up by 12%, compared to the same period in 2000. Operating expenses were 513 mln kroons, up by 18%. EBITDA of the Group amounted to 537 mln kroons with EBITDA margin 51%.

Total revenue of Eesti Telefon Group amounted to 758 mln kroons, up by 14%, however, two circumstances should be taken into account when analysing the revenue. Resulting from the termination of the OÜ Albufent lawsuit against AS Eesti Telefon (see "Changes in liabilities and contingencies"), 46 mln kroons of reserves were released under other revenue in the first quarter of 2001. New interconnection agreements with mobile operators and changes in interconnection charges resulted in a significant increase in both mobile calls related revenue (up by 36%) and operating expenses.

Growth in local call revenue has continued. The share of local call revenue in total revenue has risen to 20% (18% in the first quarter of 2000). Local call revenue was up by 31%, compared to the same period in 2000. Approximately 40% of the local call minutes are dial-up minutes. By the end of March, the number of Internet dial-up service users had grown over 50 000. The company had also registered more than 6800 ADSL users, corresponding to 79% of the permanent connections market share. Strong competition has influenced revenue from the other call categories. In March 2001, Eesti Telefon's market shares in trunk and international call minutes through the company's network were 88% and 70% correspondingly. Revenue from trunk calls was down by 26%, compared to the same period in 2000, revenue from international calls down by 37%. Main line revenue was down by 7%, on the annual bases.

Total expenses of Eesti Telefon Group amounted to 467 mln kroons, up by 29%. The growth mainly resulted from the abovementioned new interconnection agreements. The number of employees of the company had fallen to 1,993 by the end of March (2,379 as of December 31, 2000). However, a part of the decline resulted from the transfer of some employees to the new subsidiary AS Connecto, whose number of employees was 349 by the end of March. EBITDA of the group was 291 mln kroons, down by 4%, with EBITDA margin being 38%.

Total revenue of EMT Group amounted to 506 mln kroons, up by 27%. A part of the growth results from the new interconnection agreement between EMT and Eesti Telefon, valid from January 1, 2001, and new interconnection charges. The fastest growing components of the revenue were SMS and event based data revenue. As a result of several successful marketing campaigns and events, the growth of the subscribed customers has accelerated again. In total, 14 thousand new customers joined the operator during the first quarter, 13 thousand of them were subscribed customers and only 1 thousand chose the prepaid package. The total number of customers was 341 thousand, of

which 232 thousand (68%) were post-paid customers. The higher share of contractual clients and changes in interconnection charges, have resulted in improved ARPU. In March 2001 ARPU was 466 kroons (398 in December 2000; 479 in March 2000). From May 1 2001, several changes in minute tariffs of contractual packages should become effective which is likely to limit the further growth of ARPU.

Total expenses of EMT Group amounted to 255 mln kroons, up by 34%. The growth mainly results from the new interconnection agreements. Also, personnel expenses have grown by 93% compared to the same period in 2000. EBITDA of the group totalled to 252 mln kroons, up by 21% with EBITDA margin being 50%.

Net profit and earnings per share

Net profit of Eesti Telekom Group in the first quarter of 2001 amounted to 275 mln kroons, up by 12%. Earnings per share were 2.00 kroons (1.79 kroons in the first quarter of 2000).

There was strong growth in net profit of the EMT Group. Net profit amounted to 183 mln kroons, up by 34%. Notable revenue growth accompanied by high EBITDA margin contributed to the profit. Another factor behind the growth was modest depreciation in the first quarter of 2001, compared to the same period of 2000 when fastened amortisation of NMT network took place. Also, net financing revenue almost doubled compared to the previous year.

Net profit of Eesti Telefon Group amounted to 94 mln kroons, down by 15%. The main factors behind the reduction in profit were strong competition on international and trunk calls market and changes in interconnection charges. There was improvement in net financing result. Net financing costs were 43% lower in the first quarter of 2001 compared to the same period a year ago, resulting from restructuring Eesti Telefon's loans in 2000 and replacing external financing with more favourable inter-company financing.

Investments

Eesti Telekom Group invested 195 mln kroons in the first quarter of 2001 (2000: 244 mln kroons).

Eesti Telefon Group invested 129 mln kroons. The development of ADSL network had the highest share in total investments of the group. The number of main lines per 100 inhabitants was 35.9 at the end of March (260 lines per employee). Digitalisation rate in Estonia raised to 71.2%.

65 mln kroons were invested by EMT Group during the first 3 months of 2001. Majority of the investments went into the construction and improvement of base stations, and exchanges. 7 mln kroons were invested into acquisition of associates or increasing the current ownership in subsidiaries.

On March 7, 2001, several Estonian companies, including Eesti Telefon and EMT, and the government introduced the [look@world](#) project aimed at supporting the use of Internet, improving the quality of life in Estonia and the competitive power of the state in

Europe. An intention of the participants is to boost Internet penetration in Estonia to 74 per cent, thus taking Estonia past Finland in that category in three years. Both Eesti Telefon and EMT will invest 30 mln kroons into the project during the next three years.

Main areas of contribution for Eesti Telefon in the frame of the project will be offering Internet access to possibly numerous people and advantageous permanent connections to non-profit organisations; development of infrastructure for the Internet content and environment; support to the Internet training programs. Contribution areas for EMT are worded as enabling Internet always and everywhere, establishment of an Innovation Centre and support and propaganda to IT-education.

Several new technologies and solutions implemented by the two companies during the first quarter of 2001 can be regarded as steps on the way toward fulfilling the set assignments.

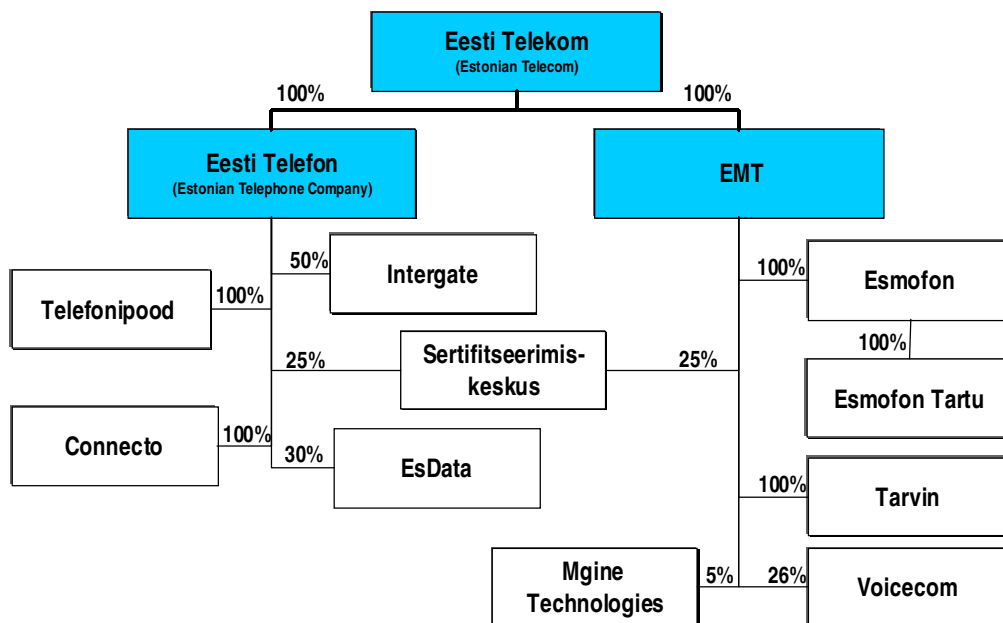
At the beginning of this year Eesti Telefon started to provide wireless connections that allow using both DSL-technology based data communication services and digital telephony communication. The new solution is based on Airspan system AS4000. Through the new technology, Eesti Telefon is able to offer leased-line Internet connection in the areas where Atlas ADSL network is missing. Eesti Telefon will invest 20 mln kroons in 2001 for the implementation of the wireless leased-line Internet connection.

Eesti Telefon, in cooperation with Wicom Communications Ltd started to deliver fully IP-based telephony solutions implemented as an outsourced service to the customers in Estonia. The solutions utilize data networks for call transmission within the corporate intranet. In this new solution, a traditional telephone is no longer required. It will be replaced by a software application in a workstation equipped with a microphone and headphones. Full PBX functionality will be supplied by a service centre hosted by Eesti Telefon. The use of VoIP technology for both voice and data transmission widens the possibilities of fixed telephony. Unlike the traditional phone, the virtual phone is not fixed to any physical location and can be used at any places where there is an access to the local area network. Call centre agents can log on and work anywhere, even at home, as long as there is an IP-connection to the company's network.

EMT has started technical testing for GPRS-network. GPRS-mobile connection creates an Internet connection for mobile phones and WAP can also be used over GPRS with increased connection speed. It also provides the possibility to prepare for the implementation of the third generation system (UMTS). EMT's GPRS will come into commercial use in the second half of the current year.

EMT, together with Mgin Technologies, introduced the new PinPoint software that allows increasing the accuracy of mobile phone positioning by 30%. The software will be gradually implemented in position-based services.

Several changes have taken place in the structure of Eesti Telekom Group during the last few months.



On December 23, 2000, AS Eesti Telefon signed an agreement to acquire an additional 30% of the shares of AS Telefonipood. Contractual payments were made in the beginning of 2001 and Eesti Telefon became 100% owner of AS Telefonipood. The increasing share in AS Telefonipood is a part of Eesti Telefon's strategy aimed on improving the effectiveness of the private customer service. Telefonipood is the owner of one of the largest telephone-shops chains in Estonia. Both fixed and mobile telephones are on sale in shops of the chain. The chain also includes about 34% of AS EMT subscriptions.

On January 23, 2001, AS EMT acquired 26% ownership in an information technology company Voicecom OÜ. The remaining shares of Voicecom OÜ belong to Estonian private individuals. The company has created several solutions for telecommunications and banking sector.

On February 16, 2001, Eesti Telefon, EMT and two major commercial banks signed the agreement of the establishment of AS Sertifitseerimiskeskus. The company will provide public key infrastructure-based certification-related services. The statutory core businesses will be certification and timestamp related services. 12 mln kroons have been invested in the establishment of AS Sertifitseerimiskeskus, 3 mln kroons by each participant of the project.

Also in February 2001, EMT's subsidiary AS Esmofon acquired the remaining 32% of the shares of AS Esmofon Tartu and became 100% owner of the company.

On April 11, 2001, AS Eesti Telefon signed the sale and purchase agreement of shares with Eniro Eesti AS thereby selling 60% of AS Teabeliin to a subsidiary of Eniro AB. The sales price of the transaction was 43.5 mln kroons.

Changes in liabilities and contingencies

The new compensation system of Eesti Telekom Group was introduced in the beginning of 2001. A part of the new system is a stock option scheme where convertible bonds issued in 2001 can be exchanged for the shares of Eesti Telekom in 2003 and 2004. During the course of the initial subscription of the convertible bonds, which took place between December 18 2000, and January 5 2001, 20,750 A series and 20,750 B series bonds were subscribed by 144 employees of the Group. The Management Board of AS Eesti Telekom accepted all subscription application. During the period until March 31, 2001, some bonds have been bought back from employees who have left the group and some bonds have been issued to new key-persons who have joined the group. As of March 2001, in total 21,500 A series and 21,500 B series bonds were issued. The bonds can be exchanged for 215,000 shares of Eesti Telekom in 2003 and for 215,000 shares of Eesti Telekom in 2004.

On January 18, 2001, Eesti Telekom signed a 40 mln EUR syndicated loan agreement. The loan has a maturity of 5 years and interest rate of Euribor + 0.775%. Members of the syndicate are Bankgesellschaft Berlin AG, The Dai-Ichi Kangyo Bank Ltd, Landesbank Schleswig Holstein Girozentrale, Leonia Bank plc, Swedbank and AS Hansapank.

A court case had been initiated against Eesti Telefon in the amount of 55 mln kroons by an insolvent OÜ Albufent. On February 6, 2001, OÜ Albufent submitted to the Tallinn City Court an application to drop unconditionally the claim against Eesti Telefon. On February 19 2001, the Tallinn City Court issued a decree to end the proceedings in the aforementioned case. Within years, Eesti Telefon had built up a reserve amounting to 46 mln kroons against the claim, which the company is now able to release through profit and loss account.

Changes in regulations

On February 13, 2001, Estonian Parliament adopted the Amendment Act to the Telecommunications Act to stipulate the fees for interconnection services. By the Act, interconnection minute tariffs of an operator with significant market power should not exceed, until December 31 2001, the following limits:

- 15% of the national call minute tariff for the local level interconnection;
- 25% of the national call minute tariff for the single transit interconnection, regional level;
- 35% of the national call minute tariff for the double transit interconnection, national level.

As a response to the Amendment Act, Eesti Telefon changed classification and tariffs of its calls from April 1, 2001. As of this date, Eesti Telefon customers can make calls (both local and trunk calls) within Eesti Telefon network as well as to all other Estonian networks with the price 34 cents per minute on peak hours, 28 cents per minute on off-peak hours and 14 cents per minute at night. To determine new minute prices Eesti Telefon reduced interconnection prices adjusting the methods of cost accounting of the customers and interconnection price. New interconnection prices are:

- For national level 7-18 cents per minute (different prices are set for the peak/off-peak hours and night time);
- For regional and local level 6-14 cents per minute.

Those tariffs are the same for all operators in Estonia. Eesti Telefon's interconnection fees follow the European best practices. Estonian National Communications Board has confirmed accordance of the methodology behind the new prices with the laws.

The new classification of calls was not only in response to the regulations. It is also in accordance with Eesti Telefon network construction. Eesti Telefon has constructed an effective network enabling to provide flat intra-Estonian call price and offer to other operators only two interconnection levels: national and regional.

Information to shareholders

The ordinary General Meeting of Eesti Telekom shall be held on May 23, 2001, at 2.00 p.m. at National Library of Estonia (Tõnismägi 2, Tallinn). The 2000 Annual Report and resolution projects are available for all shareholders on Internet page <http://www.telekom.ee> and in the office of AS Eesti Telekom at Roosikrantsi 2, Tallinn since May 2, 2000 on working days from 10.00 a.m. to 2.00 p.m.. Any questions in regard of the General Meeting can be asked by phone +372 6 311 212 or mailed to mailbox@telekom.ee.

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
INCOME STATEMENT (unaudited)

In thousand of Estonian kroons

	3 mths to 31 March 01	3 mths to 31 March 00	2000
Revenue			
Net sales	991,406	929,023	3,930,154
Change in work-in-progress	1,844	-285	-492
Capitalizes self-constructed assets	2,603	0	0
Other revenue	54,214	10,380	43,829
Total revenue	1,050,067	939,118	3,973,491
Operating expenses			
Materials, consumables, supplies and services	271,546	203,204	925,884
Other operating expenses	95,989	97,104	427,007
Personnel expenses	134,606	115,560	484,494
Other expenses	11,198	20,335	58,062
Total expenses	513,339	436,203	1,895,447
Profit from operations before depreciation	536,728	502,915	2,078,044
Depreciation and amortisation	260,534	247,362	969,305
Profit from operations	276,194	255,553	1,108,739
Income/ -expenses from subsidiaries and associated companies	-392	-103	-310
Other net financing items	-134	-8,405	-11,854
Profit before tax	275,668	247,045	1,096,575
Income tax expenses (-) / income (+)	0	0	0
Profit after tax	275,668	247,045	1,096,575
Minority interest	354	1,432	5,642
Net profit from ordinary activities	275,314	245,613	1,090,933
Extraordinary item	0	0	85,197
Net profit for the period	275,314	245,613	1,176,130
Earnings per share			
Basic earnings per share (in kroons)	2.00	1.79	8.56
Diluted earnings per share (in kroons)	2.00	1.79	8.56

AS EESTI TELEFON AND SUBSIDIARY COMPANIES
INCOME STATEMENT (unaudited)

In thousand of Estonian kroons

	3 mths to 31 March 01	3 mths to 31 March 00	2000
Revenue			
Net sales	705,407	655,517	2,665,939
Change in work-in-progress	1,844	-285	-492
Capitalizes self-constructed assets	2,603	0	0
Other revenue	47,710	8,007	24,837
Total revenue	757,564	663,239	2,690,284
Operating expenses			
Materials, consumables, supplies and services	276,592	178,400	750,260
Other operating expenses	77,721	75,808	349,450
Personnel expenses	106,588	99,794	398,214
Other expenses	6,079	7,286	28,796
Total expenses	466,980	361,288	1,526,720
Profit from operations before depreciation	290,584	301,951	1,163,564
Depreciation and amortisation	186,598	172,860	691,879
Profit from operations	103,986	129,091	471,685
Income/ -expenses from subsidiaries and associated companies	-336	-103	-310
Other net financing items	-9,680	-17,120	-49,279
Profit before tax	93,970	111,868	422,096
Income tax expenses (-) / income (+)	0	0	0
Profit after tax	93,970	111,868	422,096
Minority interest	354	1,214	4,632
Net profit for the period	93,616	110,654	417,464
Earnings per share			
Basic earnings per share (in kroons)	1,403.75	1,659.23	6,259.77
Diluted earnings per share (in kroons)	1,403.75	1,659.23	6,259.77

AS EMT AND SUBSIDIARY COMPANIES
INCOME STATEMENT (unaudited)

In thousand of Estonian kroons

	3 mths to 31 March 01	3 mths to 31 March 00	2000
Revenue			
Net sales	499,292	396,512	1,786,122
Other revenue	7,021	2,606	29,271
Total revenue	506,313	399,118	1,815,393
Operating expenses			
Materials, consumables, supplies and services	202,934	141,782	670,432
Other operating expenses	21,331	23,504	99,964
Personnel expenses	25,970	13,484	73,212
Other expenses	4,298	11,460	25,893
Total expenses	254,533	190,230	869,501
Profit from operations before depreciation	251,780	208,888	945,892
Depreciation and amortisation	73,802	74,409	276,949
Profit from operations	177,978	134,479	668,943
Income/ -expenses from subsidiaries and associated companies	-56	0	0
Other net financing items	4,715	2,436	11,651
Profit before tax	182,637	136,915	680,594
Income tax expenses (-) / income (+)	0	0	0
Profit after tax	182,637	136,915	680,594
Minority interest	0	218	1,010
Net profit for the period	182,637	136,697	679,584
Earnings per share			
Basic earnings per share (in kroons)	2,823.00	2,112.91	10,504.27
Diluted earnings per share (in kroons)	2,823.00	2,112.91	10,504.27

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

BALANCE SHEET (unaudited)

In thousand of Estonian kroons

	31-Mar-01	31-Dec-00	31-Mar-00
ASSETS			
Current assets			
Cash and cash equivalents	681,430	609,743	647,252
Short-term investments	0	0	40,000
Trade receivables	370,479	374,897	360,581
Other receivables	55,328	33,214	52,099
Accrued income	83,282	58,986	76,143
Prepaid expenses	54,148	64,014	15,568
Inventories	196,740	149,223	123,166
Total current assets	1,441,407	1,290,077	1,314,809
Non-current assets			
Long term financial assets	35,237	29,213	6,142
Tangible assets	3,152,975	3,234,088	2,901,888
Intangible assets	62,357	67,603	57,606
Total non-current assets	3,250,569	3,330,904	2,965,636
TOTAL ASSETS	4,691,976	4,620,981	4,280,445
EQUITY AND LIABILITIES			
Current liabilities			
Interest bearing loans and borrowings	154,443	161,392	49,343
Customer prepayments	6,763	6,619	7,269
Accounts payable to suppliers	218,247	361,996	166,551
Other payables	11	119	376
Tax liabilities	55,769	36,844	121,643
Accrued expenses	141,507	194,195	176,842
Provisions	13,104	14,338	8,188
Prepaid revenue	44,969	44,274	44,353
Total current liabilities	634,813	819,777	574,565
Non-current liabilities			
Interest bearing loans and borrowings	182,845	200,978	424,910
Other long-term payables	0	0	7,252
Total non-current liabilities	182,845	200,978	432,162
Minority interest	6,971	8,193	8,337
Equity			
Issued capital	1,373,833	1,373,833	1,373,833
Share premium	309,964	309,964	309,964
Legal reserve	124,963	124,963	56,851
Retained earnings	1,783,273	607,143	1,279,120
Net profit for the period	275,314	1,176,130	245,613
Total equity	3,867,347	3,592,033	3,265,381
TOTAL EQUITY AND LIABILITIES	4,691,976	4,620,981	4,280,445

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
CASH FLOW STATEMENT (unaudited)

In thousand of Estonian kroons

	3 mths to 31 March 01	3 mths to 31 March 00
Cash flow from operating activities		
Profit before tax and minority interest	275,668	247,045
Adjustments for:		
Depreciation	260,534	247,362
Profit/Loss from sales and write-off of fixed assets	-271	-486
Income/ expense from subsidiaries and associated companies	392	103
Interests income/ expense net	-1,624	1,971
Other non-cash adjustments	699	1,221
Operating profit before working capital changes	<u>535,398</u>	<u>497,216</u>
Change in current receivables	-28,293	-1,491
Change in inventories	-47,517	18,490
Change in current liabilities (except loans)	-167,439	15,136
Adjusted cash generated from operations	<u>292,149</u>	<u>529,351</u>
Interest paid	-5,659	-8,310
Net cash flow from operating activities	<u>286,490</u>	<u>521,041</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	-169,706	-203,186
Purchase of licenses	-4,026	-815
Purchase of shares, investments and other	-20,861	-40,000
Proceeds from sales of property, plant and equipment	2,405	2,175
Proceeds from sales of investments	0	10
Loans granted	-106	-50
Cash receipts from repayment of loans	16	0
Cash receipts from settlement of long-term receivables	0	85
Interest received	2,953	3,326
Net cash flow from investing activities	<u>-189,325</u>	<u>-238,455</u>
Cash flow from financing activities		
Proceeds from convertible long-term debt	438	
Repayment of convertible long-term debt	-8	
Repayment of nonconvertible long-term debt	-1,692	-1,722
Repayment of long-term borrowings	-15,940	-118,440
Payment of finance lease liabilities	-8,276	-282
Dividends paid to minority shareholders		-208
Net cash flow from financing activities	<u>-25,478</u>	<u>-120,652</u>
Net increase / - decrease in cash and cash equivalents	<u>71,687</u>	<u>161,934</u>
Cash and cash equivalents at beginning of year	609,743	485,318
Cash and cash equivalents at end of period	<u>681,430</u>	<u>647,252</u>

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
STATEMENT OF CHANGES IN EQUITY (unaudited)

In thousand of Estonian kroons

	31-Mar-01	31-Mar-00
Issued capital		
137 383 178 ordinary shares at EEK 10.00 per share, fully paid	1,373,832	1,373,832
1 preferential share at EEK 1000.00 per share, fully paid	1	1
Total	1,373,833	1,373,833
 Share premium		
Opening balance	309,964	309,964
Closing balance	309,964	309,964
 Legal reserves		
Opening balance	124,963	56,851
Closing balance	124,963	56,851
 Accumulated profits		
Opening balance	1,783,273	1,279,120
Net profit for the period	275,314	245,613
Closing balance	2,058,587	1,524,733

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2001

In thousand of Estonian kroons

1. Accounting policies

The consolidated interim financial statements for the 1st quarter of 2001 are prepared in accordance with the International Accounting Standards (IAS). In all material respects the same accounting principles have been followed as in the preparation of the financial statements for 2000.

In the opinion of the Company's Management Board opinion, the financial statements give true and fair view of the financial position of the Company.

These financial statements are not audited or reviewed by the auditors.

2. Capital expenditure

	Three months ended 31 March 2001	
	Property, plant and equipment	Intangible assets
Opening carrying value	3,234,088	67,603
Additions	169,706	6,651
Disposals	-47,499	-504
Depreciation / amortisation	-203,320	-11,393
Closing carrying value	3,152,975	62,357

Depreciation includes depreciation expense for the period less accumulated depreciation on fixed assets disposed or written off.

3. Borrowings

	<u>31-Mar-01</u>	<u>31-Dec-00</u>
Current	154,443	161,392
Non-current	182,845	200,978
	<u>337,288</u>	<u>362,370</u>

The movements in the borrowings:

	<u>31-Mar-01</u>
Opening balance	362,370
Proceeds from borrowings	438
Repayments of borrowings	(25,916)
Other movements	396
Closing balance	<u>337,288</u>

4. Earnings per share

The calculation of basic earnings per share (in kroons):

$$\text{EEK 2.00} = (275,314,000 - 10,000) : 137,383,278$$

In the first quarter of 2001, AS Eesti Telekom issued the executives of group companies 43,000 bonds as a part of the motivation plan. The bonds are accompanied by an option that allows the holder to exchange them for the parent company's ordinary shares either in spring 2003 (A series) or in spring 2004 (B series). The subscription price of the shares is conditional, depending on the weighted average price of the share at Tallinn Stock Exchange in January 2001 (A series) and April 2001 (B series) but it cannot be lower than 90.62 kroons. In view of the fact that in the first quarter of 2001 the average price of AS Eesti Telekom at Estonian Central Depository for Securities was 79.44 kroons, the options relating to the bonds do not have a dilutive effect and diluted earnings per share equal basic earnings per share.

5. Segment information

For management purposes, the Group is organised into two major operating divisions, fixed network telecommunications and mobile telecommunications. These divisions are the basis on which segmented information is reported. Activities of the divisions are:

- Fixed network telecommunications: the field of activity is to operate, modernise and expand national telecommunication network and to provide telecommunication services as well as related value added services and international connections as well as providing, producing, marketing and selling basic services related thereto.
- Mobile communications: the field of activity is to establish, operate and maintain mobile telephone networks and systems and to produce, market and sell services related hereto in the Republic of Estonia and abroad.
- Other: largely comprises of activities of the parent company.

Business segments

	Fixed network telecommunications		Mobile telecommunications		Other operations		Eliminations		Consolidated	
	3 months	3 months	3 months	3 months	3 months	3 months	3 months	3 months	3 months	3 months
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Revenue										
External - rendering of services and sales	622,949	601,175	372,904	327,563	0	0	0	0	995,853	928,738
- other	47,710	8,007	6,502	2,361	2	12	0	0	54,214	10,380
Inter-segment services	122,915	58,149	150,879	91,279	103	30	-273,897	-149,458	0	0
Total revenue	793,574	667,331	530,285	421,203	105	42	-273,897	-149,458	1,050,067	939,118
Result										
Segment result - profit from operations	104,349	129,012	177,978	134,479	-5,902	-8,148	-231	210	276,194	255,553
Income / - expenses from associated companies									-392	-103
Other net financing items									-134	-8,405
Income tax expenses (-) / income (+)									0	0
Minority interest									-354	-1,432
Net profit									275,314	245,613