EESTI TELEKOM

25 April 2002

THE FINANCIAL RESULTS OF THE FIRST THREE MONTHS OF 2002

Eesti Telekom, the leading provider of telecommunication services in Estonia, today announces its results for the three months period ending 31 March 2002.

Financial highlights

	3 months 2002	3 months 2001	Change, %
Total revenues, mEEK	**1,051**	1,004	5
EBITDA, mEEK	**507**	537	-6
EBITDA margin, %	**48**	53	
EBIT, mEEK	**250**	276	-9
EBIT margin, %	**24**	28	
Profits before taxes, mEEK	**251**	276	-9
Net profits for the period	**251**	275	-9
EPS, EEK	**1.82**	2.00	-9
No. of A- shares	**137,383,178**	137,383,178	
Investments, mEEK	**84**	195	-57
Net gearing, %	**-16**	-9	
ROA, %	**23**	24	
ROE, %	**27**	30	

Commenting on these financial results, Chairman, Jaan Männik, stressed:

"The first quarter of 2002 indicated increased stability in our traditional fields of activity. At the same time, several new, important for the future of the Group, projects were started."

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CHAIRMAN'S STATEMENT

Beginning of year 2002 gave reason for satisfaction. Companies of the Eesti Telekom Group have adjusted to the changes in Estonian telecommunications environment that took place in 2001, and with instability of the World economy. Outcome of the first quarter of 2002 confirms continuity of the improvement trend of the economic results. Revenue and profit have grown from quarter to quarter. Cash flow is strongly positive. Net gearing has reached –16%. Investors have also evaluated developments in Eesti Telekom to be positive – the share of the company has had a growth-trend since Autumn 2001.

Several new initiatives of the Group's companies are also gratifying. Estonian market is small, quality of telecommunication services is high and the Group has felt limits of its growth opportunities for some time already. During first months of the current year, both operators of the Group made their first steps in entering the neighbouring markets.

Revenues, expenses, and profit

In the first three months of 2002, consolidated revenues of the Eesti Telekom Group amounted to 1,051 mln EEK, showing a rise of 5%, compared to the first quarter of 2001. Operating expenses were 545 mln EEK, up by 17%. The growth mainly results from release of the OÜ Albufent reserve through operating expenses in the first quarter of 2001 (look at financial results of Eesti Telefon Group). EBITDA of the Group was 507 mln EEK, down by 7% compared to the same period in 2001. EBITDA margin was 48%. Net profit of the Eesti Telekom Group in the first quarter was 251 mln EEK or 1.82 EEK per share, showing a fall of 9%.

Outcome of the first three months of 2002, compared to the same period of 2001, indicates some relapse. However, comparison of the outcome with the results of the second, the third and the forth quarter of 2001 confirms, once again, that difficulties, resulting from opening the market in the beginning of 2001, have been overcome. Loss of market shares and revenues has stopped. Quarterly revenue and profit figures are growing and margins are rising again.

The market for AS Eesti Telefon is much more stable now than it was a year ago. Much more modest activities have relieved the aggressive entry to the fixed communications market by competitors a year ago. Amendments into the Telecommunications Act that became effective in the beginning of 2001 and established some limits on interconnection charges of Eesti Telefon as an operator with significant market power, became invalid from January 1, 2002.

At the end of March 2002, AS Eesti Telefon estimated its market shares of total call minutes, domestic call minutes, fixed to mobile minutes and international call minutes to be 90%, 89%, 74% and 70% respectively. Eesti Telefon estimated its market share of dial-up minutes to be 73%.

Among the main revenue categories of AS Eesti Telefon, revenues from data communications and Internet grew by 100% and main line revenues by 22%, compared to the first quarter of 2001. Revenues from domestic calls fell by 16%, revenues from mobile communications by 23%, dial-up revenues by 37% and revenues from international calls by 21%. In the beginning of 2002, new price-packages were introduced by AS Eesti Telefon, which allow customers with different communication needs to choose between different combinations of monthly fee and minute tariffs, thus optimising their expenditures on communications. Several new products were launched and promotional campaigns were run to foster use of Internet by customers.

The consolidated revenues of the Eesti Telefon Group in the first quarter of 2002 amounted to 616 mln EEK, down by 14%, compared to the first quarter of 2001. Operating expenses of the Group were down by 13%, to 368 mln EEK. Operating expenses of the Group in the first quarter of 2001 were affected by releasing reserve related to OÜ Albufent. An insolvent company, OÜ Albufent, had filed a lawsuit against AS Eesti Telefon in the amount of 55 mln EEK. In February 2001, OÜ Albufent submitted an application to the Tallinn City Court to unconditionally drop the claim against AS Eesti Telefon. But over the years, AS Eesti Telefon had built up a monetary reserve, amounting to 46 mln EEK, to deal with this claim. Since the case was dismissed, the company was now able to release this sum through the profit and loss account by reducing expenses. Excluding the Albufent reserve, operating expenses were down by 21%. Both revenues and operating expenses of Eesti Telefon in the first quarter of 2002 were affected by directing a large part of mobile calls directly from the network of one operator to the network of another operator. Smaller mobile transit reduced both revenues and expenses of the Group by 85 mln EEK. EBITDA of the Group was 248 mln EEK with the margin 40%. The net profit amounted to 70 mln EEK, down by 26%, but excluding the Albufent reserve, there were growth in the net profit by 45%.

In case of Eesti Telefon I would like to stress once more on improvement of the financial results compared to the three previous quarters. Profit numbers are significantly higher and margins are improved.

The net growth in the number of customers of AS EMT during the first three months of 2002 was 8.3 thousand. Total number of customers reached 391 thousand, of which 261 thousand were post-paid customers (growth by 5.5 thousand) and 130 thousand were prepaid customers (growth by 3 thousand). The company estimates its market share to be 54%. Monthly ARPU in March 2002 was 420 EEK, lower than in March 2001 (466 EEK) or in December 2001 (439 EEK). During 2001, tariffs of several call-packages were lowered and promotional campaigns took place. As a result, number of customers grew, more calls were made and use of other services improved. EMT's revenues from all main categories were up during the first three months of 2002, compared to the same period in 2001. Growth of SMS-revenue was the largest among all categories, 23% over QI'01.

The EMT Group continues good performance. The total revenues of the EMT Group amounted to 539 mln EEK, up by 7%. The operating expenses of the Group were 276 mln EEK, up by 8%. EBITDA of the EMT Group was 264 mln EEK with the margin 49%. The net profit of the Group was 179 mln EEK, down by 2%, compared to the same period in 2001. Net profit margin of the Group was 33% and (annualised) ROA 42%.

Balance sheet and cash flow

At the end of March 2002, the total assets of the Eesti Telekom Group amounted to 4,405 mln EEK (December 2001: 4,236 mln EEK). There has been a reduction in interest bearing liabilities of the Group. At the same time, cash and bank balances have increased. At the end of the first quarter, the net gearing of the Group was –16%.

The net cash flow of the Group was strongly positive. Cash and cash equivalents grew by 294 mln EEK during the first three months of 2002 (72 mln EEK during 3 months of 2001). The net operating cash flow was 380 mln EEK (2001 3 months: 288 mln EEK).

During the first three months of 2002, investments amounted to 84 mln EEK, which is much less than the 195 mln EEK invested during the same period in 2001.

The Eesti Telefon Group invested 35 mln EEK (2001 3 months: 129 mln EEK). Improving efficiency has been a priority for the Group and return on investments is under strong control. During the first three months of 2002, investments were made into improving the network quality in several districts of Estonia. By the end of March, digitalisation rate had risen to 73.1% (December 2001: 71.8%). ADSL connections were installed for 2.6 thousand clients. Total number of ADSL lines in use rose to 19.5 thousand (1.4 lines per 100 inhabitant). The number of main lines in use at the end of March was 485 thousand or 35.7 lines per 100 inhabitants. The number of lines per employee was 322.

In January 2001, AS Connecto, a 100%-owned subsidiary of AS Eesti Telefon, started its operations. The main field of activities of AS Connecto is design, installation, construction and maintenance services for telecommunications systems. The company ended its first year of activities with 212 mln EEK revenues and 8 mln EEK net profit. In February 2002, AS Eesti Telefon announced its intention to sell minority interest in AS Connecto to a strategic partner. The aim of the sell would be acceleration of the expansion of AS Connecto into other Baltic states. AS Connecto itself acquired, on February 11, 2002, 100 per cent of network construction company SIA Link, which operates in Latvia (look "Widening abroad").

The EMT Group invested 45 mln EEK during the three months of 2001 (2001 3 months: 65 mln EEK). The majority of investments made by EMT went into base stations and exchanges.

Introduction of GPRS and UMTS has been a priority for research and investment projects of EMT for some time already. In February, Sonera, the Finnish mobile operator, and EMT successfully demonstrated MMS roaming and interconnection between their respective commercial GPRS networks. The demonstration was performed end-to-end using multimedia messaging service centres (MMSCs) from Nokia, as well as latest generation GPRS handsets from Nokia and other manufacturers. The successful implementation shows that mobile subscribers can send multimedia messages and experience seamless, uninterrupted multimedia messaging service when roaming to a visited network. Moreover, Sonera and EMT demonstrated, also for the first time anywhere, how multimedia messages can be sent between the subscribers of different operators. This breakthrough underscores that MMS is ready for business and will be widely available across networks, greatly expanding the accessible market for such services.

In practical terms, thanks to new interconnection technologies like Sonera GRX, MMS services can now be sent between different GPRS and UMTS networks as easily as SMS messages are routed in GSM. Moreover, for the end-users, multimedia messaging with the latest model MMS handsets is no more complex than SMS.

Widening abroad

Estonian market is limited. Companies of the Eesti Telekom Group have planned widening abroad with some focused services. In the beginning of 2002, both operators of the Group started to execute these plans.

On February 11, 2002, AS Connecto acquired 100 per cent of network construction company SIA Link, which operates in Latvia. In accordance with the purchase and sale agreement, AS Connecto purchased 100 percent of the shares of SIA Link from SIA Fortech, which belongs to the MicroLink Group. By mutual agreement, the parties have not disclosed the price of the purchase and sale transaction. With the purchase of SIA Link, AS Connecto intends to expand its strategic activities, i.e. the construction of fixed-line networks, radio networks and internal networks, to the other Baltic States.

SIA Link was founded on 28 September 2000, and its main business areas are the construction of indoor networks and wireless exterior connections. SIA Link has 20 employees and the company's annual sales total roughly 10 million kroons.

On July 1, 2000, AS EMT launched its mobile parking service in Estonia. The service has become very popular: more than 42% of all parking-payments in Tallinn are made via mobile. On April 10, 2002, mobile Payment Systems AS (mPay), a jointly founded company by AS EMT and Norwegian mobile communication applications developer Scangit AS, launched a pilot mobile parking service project in Oslo, Norway. mPay has scheduled the nationwide launch of the service for the summer of this year. The system of mobile parking allows the users of VISA debit and credit cards pay for their parking by using their mobile telephones. This service will be introduced in joint effort with VISA Norge AS and Sparbank1.

EMT has provided mPay with special technology, which has been integrated with the information systems of the parties needed for the provision of the mobile parking service. mPay will pay EMT an agreed percentage of the net turnover of mPay and additionally EMT has reserved the call option of the mPay stock for securing its dominant influence in this company. The mPay partners in this pilot project are the City Government of Oslo and parking service operators Nordisk Parkering and Parkerings-Compagniet.

EMT, with its foreign partners, is developing its mobile parking solutions in, addition to Estonian and Norwegian markets, also for other European markets.

Trading with AS Eesti Telekom shares

In April 2001, HEX acquired 62% of the shares of Tallinn Stock Exchange (TSE) becoming the strategic owner of TSE. On February 25, 2002, TSE successfully implemented HEX's trading system, creating a common trading environment for Estonian and Finnish securities. The move represented the introduction of HEX Tallinn, the group for HEX's activities in Estonia consisting of TSE and Estonian CSD. Estonian stock exchange became the first one among emerging European markets which has direct connections with the Western-European markets. Trading in Estonian securities now takes place in euros on HEX's trading platform in a harmonised regulative environment. Payments can also be made in Estonian kroons.

The aim of the changes was enhancing the liquidity and visibility of Estonian equities. In addition to the Estonian brokers, the TSE listed securities are now accessible to HEX members.

The London listed GDRs of AS Eesti Telekom have been traded on the International Order Book (IOB) since 18 March. The criterion for being traded on IOB is volume related. The IOB is a fully electronic trading system covering almost 100 most traded GDRs. The IOB offers an investor an open and flexible platform for trading with the GDRs of emerging markets. The main benefits of IOB from a market perspective are the increased transparency of trading and efficiency of execution that results from order driven trading. More information about this service is available on website www.londonstockexchange.com/dr.

Potential change in ownership structure

On March 26, 2002, Sonera of Finland and Telia of Sweden, the major shareholders of Eesti Telekom, announced that they are planning to merge. Telia will make a purchase offer to the shareholders of Sonera, offering 1.51440 Telia shares for one Sonera share. The merger of the two companies will create the leading telecommunications group in Scandinavia and the Baltic States. The plan for the merger of Sonera and Telia will be presented to the European Union for approval. EU will in turn make its decision within a few months.

The merged company would have the number one position on the Swedish, Finnish, Estonian, Latvian and Lithuanian mobile markets. It would also be among the largest on Norwegian and Danish markets. The company would have ownership in all leading fixed communication operators of Baltic states. After the merger, the combined group would possess a 49% shareholding in Eesti Telekom.

Information to shareholders

The Annual General Meeting of Eesti Telekom shall be held on May 17, 2002, at 2.00 p.m. at National Library of Estonia (Tõnismägi 2, Tallinn). The 2001 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 April 25, 2002 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.

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
INCOME STATEMENT

In thousands of Estonian kroons (EEK)

	Note	3 mths to 31 March 02	3 mths to 31 March 01 Restated	2001
Revenue				
Net sales		1,042,106	991,406	4,154,438
Change in work-in-progress		939	1,844	529
Capitalized self-constructed assets		1,757	2,603	87,112
Other revenue		6,650	8,163	42,461
Total revenue		**1,051,452**	**1,004,016**	**4,284,540**
Operating expenses				
Materials, consumables, supplies and services		311,716	254,617	1,290,730
Other operating expenses		101,485	70,740	494,962
Personnel expenses		122,760	134,582	534,754
Other expenses		8,673	7,349	33,118
Total expenses		**544,634**	**467,288**	**2,353,564**
Profit from operations before depreciation		**506,818**	**536,728**	**1,930,976**
Depreciation and amortisation	**2**	256,480	260,534	1,135,661
Profit from operations		**250,338**	**276,194**	**795,315**
Income (+) / expenses (-) from subsidiaries and associates		-2,214	-392	26,828
Other net financing items		2,471	-134	-11,719
Profit before tax		**250,595**	**275,668**	**810,424**
Income tax expense on dividends		0	0	30,932
Profit after tax		**250,595**	**275,668**	**779,492**
Minority interest		0	354	557
Net profit from ordinary activities		**250,595**	**275,314**	**778,935**
Extraordinary item		0	0	0
Net profit for the period		**250,595**	**275,314**	**778,935**
Earnings per share				
Basic earnings per share (in kroons)	**6d**	1.82	2.00	5.67
Diluted earnings per share (in kroons)		1.82	2.00	5.67

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
BALANCE SHEET
In thousands of Estonian kroons (EEK)

	Note	31 March 2002	31 Dec 2001	31 March 2001 Restated
ASSETS				
Current assets				
Cash and cash equivalents		619,070	403,633	681,430
Short-term investments		138,682	60,584	0
Trade receivables, net		441,448	403,324	417,409
Other receivables		16,674	10,715	8,398
Accrued income		114,524	99,242	81,288
Prepaid expenses		22,308	28,159	54,148
Inventories		113,116	104,013	196,740
Total current assets		**1,465,822**	**1,109,670**	**1,439,413**
Non-current assets				
Long term financial assets	**3,4**	24,257	26,464	35,237
Tangible assets, net	**2**	2,868,804	3,043,869	3,152,975
Intangible assets, net	**2**	46,061	56,139	62,357
Total non-current assets		**2,939,122**	**3,126,472**	**3,250,569**
TOTAL ASSETS		**4,404,944**	**4,236,142**	**4,689,982**
EQUITY AND LIABILITIES				
Current liabilities				
Interest bearing loans and borrowings	**5**	87,264	88,166	154,443
Customer prepayments		7,121	9,237	6,763
Accounts payable to suppliers		165,033	260,932	218,247
Other payables		0	168	11
Tax liabilities		58,022	32,697	44,598
Accrued expenses		168,433	152,644	150,684
Provisions		12,929	17,482	13,104
Prepaid revenue		2,423	10,350	44,969
Total current liabilities		**501,225**	**571,676**	**632,819**
Non-current liabilities				
Interest bearing loans and borrowings	**5**	37,773	49,115	182,845
Other long-term payables		0	0	0
Total non-current liabilities		**37,773**	**49,115**	**182,845**
Minority interest		**0**	**0**	**6,971**
Equity				
Issued capital	**6**	1,373,833	1,373,833	1,373,833
Share premium		309,964	309,964	309,964
Statutory legal reserve		137,384	137,384	124,963
Retained earnings		1,794,170	1,015,235	1,783,273
Net profit for the period		250,595	778,935	275,314
Total equity		**3,865,946**	**3,615,351**	**3,867,347**
TOTAL EQUITY AND LIABILITIES		**4,404,944**	**4,236,142**	**4,689,982**

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
CASH FLOW STATEMENT
In thousands of Estonian kroons (EEK)

	Note	3 mths to 31 March 02	3 mths to 31 March 01 Restated
Cash flow from operating activities			
Profit before tax and minority interest		250,595	275,668
Adjustments for:			
Depreciation		256,480	260,534
Profit/loss from sales and write-off of fixed assets		2,477	-271
Income/ expense from subsidiaries and associates		2,214	392
Interests income/ expense, net		-2,232	-1,624
Other non-cash adjustments		881	446
Operating profit before working capital changes		510,415	535,145
Change in current receivables		-50,370	-28,041
Change in inventories		-8,012	-47,517
Change in current liabilities (except loans)		-73,661	-167,362
Adjusted cash generated from operations		378,372	292,225
Interest paid		-1,478	-6,260
Net cash flow from operating activities		**376,894**	**285,965**
Cash flow from investing activities			
Purchase of tangible assets		-79,808	-169,706
Purchase of licenses		-662	-4,026
Purchase of shares, investments and other		0	-20,861
Proceeds from sales of tangible assets		7,709	2,405
Loans granted		-50	-106
Cash receipts from repayment of loans		19	16
Interest received		2,195	3,478
Net cash flow from investing activities		**-70,597**	**-188,800**
Cash flow from financing activities			
Proceeds from convertible long-term debt		30	438
Repayment of convertible long-term debt		0	-8
Proceeds from nonconvertible long-term debt		621	0
Repayment of nonconvertible long-term debt		-1,777	-1,692
Proceeds from long-term borrowings		0	0
Repayment of long-term borrowings		-11,636	-15,940
Payment of finance lease liabilities		0	-8,276
Net cash flow from financing activities		**-12,762**	**-25,478**
Net increase / - decrease in cash and cash equivalents		**293,535**	**71,687**
Cash and cash equivalents at beginning of year		**464,217**	**609,743**
Cash and cash equivalents at end of period		**757,752**	**681,430**

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
STATEMENT OF CHANGES IN EQUITY
In thousands of Estonian kroons (EEK)

	Note	Issued capital	Share premium	Reserves	Retained earnings	Net profit for the period	Total
31 December 2000		**1,373,833**	**309,964**	**124,963**	**661,465**	**1,121,808**	**3,592,033**
Net profit for the period transferred into retained earnings		0	0	0	1,121,808	-1,121,808	0
Amounts transferred to reserves		0	0	0	0	0	0
Dividends paid		0	0	0	0	0	0
Net profit for the period		0	0	0	0	275,314	275,314
31 March 2001		**1,373,833**	**309,964**	**124,963**	**1,783,273**	**275,314**	**3,867,347**
31 December 2001		**1,373,833**	**309,964**	**137,384**	**1,015,235**	**778,935**	**3,615,351**
Net profit for the period transferred into retained earnings		0	0	0	778,935	-778,935	**0**
Amounts transferred to reserves		0	0	0	0	0	**0**
Dividends paid		0	0	0	0	0	**0**
Net profit for the period		0	0	0	0	250,595	**250,595**
31 March 2002		**1,373,833**	**309,964**	**137,384**	**1,794,170**	**250,595**	**3,865,946**

1. Accounting policies and measurement basis used in preparation of interim financial statements

The consolidated interim financial statements for the three month period ending 31 March 2002 are prepared in accordance with the International Accounting Standards (IAS 34). In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2001.

Historical cost has been used as the general ***measurement basis***.

The consolidated financial statements include all subsidiaries that are controlled by the parent company. When an entity began, or ceased to be controlled during the year, the results are included only from the date control commenced, or up to the date control ceased. Control is presumed to exist where more than one half of a subsidiary's voting power is controlled by the parent company, or the parent company is able to govern the financial and operation policies of a subsidiary, or control the removal or appointment of a majority of a subsidiary's board of directors.

All intercompany transactions and balances have been eliminated.

Minority interests in the equity and results of the entities that are controlled by the parent company are shown as a separate item in the consolidated financial statements.

Investments in associates are accounted for under the equity method of accounting.

An associate is an enterprise in which the Group holds, directly or indirectly, more than 20% of the voting power of the enterprise, or where the Group exercises significant influence over the enterprise, but is not subject to control by the Group.

Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. At the balance sheet date, foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at that date. Resulting exchange differences are recognised in the income statement for the year.

In relation to the rendering of ***services***, revenue is recognised when no significant uncertainties remain concerning the derivation of consideration or associated costs.

In relation to ***the sale of goods***, revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding the derivation of consideration, associated costs, or the possible return of goods.

Interest, royalties and dividends arising from the use by others of the Group' s resources are recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. Interest income is recognised as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt. Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Dividend income is recognised when the shareholder' s right to receive payment is established.

Reclassification

At the end of 2001 balance sheet and income statement accounts were partly reclassified.
Respective changes have been made to I quarter 2001 accounts to make them comparable as follows:

	Beginning balance in thousand of EEK	**Reclassification in thousand of EEK**	**Reclassified balance in thousand of EEK**
a) Income statement			
Revenue			
Other revenue	54,214	-46,051	8,163
Operating expenses			
Materials, consumables, supplies and services	271,546	-16,929	254,617
Other operating expenses	95,989	-25,249	-25,249
Personnel expenses	134,606	-24	134,582
Other expenses	11,198	-3,849	7,349
b) Balance sheet			
Assets			
Trade receivables, net	370,479	46,930	417,409
Other receivables	55,328	-46,930	8,398
Accrued income	83,282	-1,994	81,288
Equity and liabilities			
Tax liabilities	55,769	-11,171	44,598
Accrued expenses	141,507	9,177	150,684

In the opinion of the Company’s Management Board, the financial statements give a true and fair view of the financial position of the Company. The statements are unaudited.

EESTI TELEKOM

2. Tangible and intangible assets

	Tangible assets	Intangible assets
At cost		
31 December 2000	**6,616,868**	**165,440**
Additions	252,358	6,651
Reclassification	-81,273	0
Disposals	-48,879	-504
31 March 2001	**6,739,074**	**171,587**
31 December 2001	**7,315,244**	**199,131**
Additions	115,624	1,460
Reclassification	-33,377	0
Disposals	-61,094	-227
31 March 2002	**7,336,397**	**200,364**
Accumulated depreciation		
31 December 2000	**3,382,780**	**97,837**
Depreciation	249,137	11,397
Depreciation on disposals (-)	-45,818	-4
31 March 2001	**3,586,099**	**109,230**
31 December 2001	**4,271,375**	**142,992**
Depreciation	245,226	11,254
Depreciation on disposals (-)	-49,008	57
31 March 2002	**4,467,593**	**154,303**
Closing net carrying amount		
31 March 2001	**3,152,975**	**62,357**
31 March 2002	**2,868,804**	**46,061**

3. Investments in subsidiaries

	Ownership interest		Owner
	31 March 2002	31 Dec 2001	
AS Eesti Telefon	100%	100%	AS Eesti Telekom
AS Telefonipood	100%	100%	AS Eesti Telefon
AS Connecto	100%	100%	AS Eesti Telefon
SIA Link	100%	0%	AS Connecto
AS EMT	100%	100%	AS Eesti Telekom
AS Esmofon	100%	100%	AS EMT
AS Esmofon Tartu	100%	100%	AS Esmofon
AS Mobile Wholesale	100%	100%	AS EMT

AS Connecto acquired on 11 February 2002 all of the shares of network construction company SIA Link, which operates in Latvia. In accordance with the purchase and sale agreement, AS Connecto purchased 100 percent of the shares of SIA Link from SIA Fortech, which belongs to the MicroLink Group.

4. Investments in associates

	Ownership interest	
	31 March 2002	31 Dec 2001
AS Intergate	50%	50%
AS Sertifitseerimiskeskus	50%	50%
AS EsData	30%	30%
AS Voicecom	26%	26%

5. Borrowings

	31 March 2002	31 Dec 2001
Current	87,264	88,166
Non-current	37,773	49,115
	125,037	**137,281**

The movements in the borrowings can be analysed as follows:

Opening balance 31 Dec 2001	137,281
Proceeds from borrowings	651
Repayments of borrowings	-13,413
Other movements	518
Closing balance 31 Mar 2002	**125,037**

6. Equity

a) Share capital

	31 March 2002	31 March 2001
Share capital issued		
Ordinary shares par value 10.00 kroons per share, fully paid	137,383,178	137,383,178
Preference share par value 1000.00 kroons per share, fully paid	1	1
	137,383,179	137,383,179

The holders of ordinary shares are entitled to receive dividends as declared by the general meeting and are entitled to one vote per share at the general meetings of the shareholders of the parent company.

The company has issued one preference share. The holder of the preference share is entitled to a preference dividend of 10,000 kroons, and one vote at the shareholders' general meeting.

b) Reserves

Reserves include the capital reserve required by the Commercial Code. Subject to the approval of the general meeting, the reserve may be used for covering a loss, if the latter cannot be covered with unrestricted equity, and for increasing share capital.

c) Re-acquiring of shares

The AGM, on 23 May 2001, authorised AS Eesti Telekom to acquire, within one year from the adoption of the resolution (i.e. until 23 May 2002) AS Eesti Telekom ordinary shares, so that the total nominal value of own shares held by AS Eesti Telekom would not exceed 1/20 of the share capital of AS Eesti Telekom, and that the price payable per share would not exceed the highest price paid for the ordinary shares of AS Eesti Telekom on the Tallinn Stock Exchange on the day of acquiring the shares. AS Eesti Telekom has to pay for the shares from the company's assets in excess of its share capital, reserve capital, and share premium. The amount of shares to be acquired each time, shall be determined on each occasion separately by a resolution of AS Eesti Telekom's Supervisory Council. As of 31 March 2001, no shares have been re-acquired by AS Eesti Telekom.

d) Employees' share option

At the beginning of 2001, Eesti Telekom group launched a new motivation system for its employees. As a part of the system, bonds were issued by AS Eesti Telekom with the issue price of 10 kroons per bond. 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 90.62 kroons. From 18 December 2000, until 5 January 2001, 144 employees of the Group subscribed 20,750 A series bonds and 20,750 B series bonds during the primary subscription. The Management Board of AS Eesti Telekom approved all subscription applications. By 31 March 2002, bonds had been bought back form the employees who had left the Group and re-issued to newly hired managerial personnel. As of 31 March, 22,625 A series and 22,625 B series bonds had been issued, which can be exchanged for 226,250 AS Eesti Telekom ordinary share in 2003, and for 226,250 AS Eesti Telekom ordinary shares in 2004, respectively

e) Earnings per share

The calculation of basic earnings per share:

EEK 1.82 = (250,595,000 – 10,000) : 137,383,178

In view of the fact that in the first three months of 2002 the average price of the shares of AS Eesti Telekom at the Estonian Central Depository for Securities was 76.17 kroons, the options relating to the bonds do not have a dilutive effect and diluted earnings per share equal basic earnings per share.

7. Segment information

A business segment is a distinguishable division of the Group that is engaged in providing a group of related services or products, and which is subject to risks and returns that are different from those of the other business segments.

Eesti Telekom Group activities have been divided into three segments: fixed network telecommunications, mobile telecommunications, and other activities.

Fixed network telecommunications – this segment deals with operating the national telecommunications network, with providing fixed telecommunication services and related value added services and to provide, produce, market and sell related services. The companies belonging to this segment group are AS Eesti Telefon, AS Telefonipood, AS Connecto and SIA Link.

Mobile telecommunications – this segment deals with operating mobile networks and systems, and with producing, marketing and selling services related thereto. The companies belonging to this segment group are AS EMT, AS Esmofon, AS Esmofon Tartu, AS Mobile Wholesale.

Other activities – this segment covers the activities of the parent company AS Eesti Telekom.

The segment turnovers presented in the report represent the inter-company income and expenses of the three segments. The inter-company turnovers of the companies belonging to the same segment have not been presented in this report.

Inter-company transactions were conducted under market terms.

	Fixed network telecommunications		Mobile telecommunications		Other operations		Eliminations		Consolidated	
	3 months 2002	**3 months 2001 Restated**	**3 months 2002**	**3 months 2001 Restated**	**3 months 2002**	**3 months 2001 Restated**	**3 months 2002**	**3 months 2001 Restated**	**3 months 2002**	**3 months 2001 Restated**
Revenue										
Net sales	577,942	618,504	464,164	372,902	0	0			1,042,106	991,406
Other revenue	5,482	6,106	3,861	6,502	3	2			9,346	12,610
Inter-segment revenue	32,385	86,903	71,359	126,909	30	103	-103,774	-213,915	0	0
Total revenue	**615,809**	**711,513**	**539,384**	**506,313**	**33**	**105**			**1,051,452**	**1,004,016**
Operating expenses										
Materials, consumables, supplies and services	121,933	134,700	189,783	119,917	0	0			311,716	254,617
Other operating expenses	73,051	47,966	25,895	20,167	2,539	2,607			101,485	70,740
Personnel expenses	98,295	106,565	22,640	25,970	1,825	2,047			122,760	134,582
Other expenses	3,257	4,927	4,955	1,601	461	821			8,673	7,349
Inter-segment expenses	71,342	126,770	32,386	86,879	46	266	-103,774	-213,915	0	0
Total expenses	**367,878**	**420,928**	**275,659**	**254,534**	**4,871**	**5,741**			**544,634**	**467,288**
EBITDA	**247,931**	**290,585**	**263,725**	**251,779**	**-4,838**	**-5,636**			**506,818**	**536,728**
Depreciation and amortisation	169,889	186,598	86,286	73,802	347	265	-42	-131	256,480	260,534
EBIT	**78,042**	**103,987**	**177,439**	**177,977**	**-5,185**	**-5,901**			**250,338**	**276,194**
Income/ -expenses from subsidiaries and associated companies	-1,182	-336	-1,032	-56	248,606	276,384	-248,606	-276,384	-2,214	-392
Other net financing items	-7,352	-9,681	2,650	4,715	7,173	4,832			2,471	-134
Income tax expenses (-)/ income (+)	0	0	0	0	0	0			0	0
Minority interest	0	354	0	0	0	0			0	354
Extraordinary item	0	0	0	0	0	0			0	0
Net profit	**69,508**	**93,616**	**179,057**	**182,636**	**250,594**	**275,315**			**250,595**	**275,314**
Non-current assets	1,875,000	2,277,861	1,056,769	968,231	3,472,244	2,810,936	-3,464,891	-2,806,459	2,939,122	3,250,569
Current assets	496,531	568,161	727,421	746,180	397,738	1,160,845	-155,868	-1,035,773	1,465,822	1,439,413
Total assets	**2,371,531**	**2,846,022**	**1,784,190**	**1,714,411**	**3,869,982**	**3,971,781**			**4,404,944**	**4,689,982**
Owners' equity	**1,549,727**	**1,614,663**	**1,619,987**	**866,687**	**3,865,945**	**3,867,348**	-3,169,713	-2,481,351	**3,865,946**	**3,867,347**
Minority interest	0	6,971	0	0	0	0			0	6,971
Non-current liabilities	324,296	498,701	8,171	8,822	484	430	-295,178	-325,108	37,773	182,845
Current liabilities	497,508	725,687	156,032	838,902	3,553	104,003	-155,868	-1,035,773	501,225	632,819
Total equity and liabilities	**2,371,531**	**2,846,022**	**1,784,190**	**1,714,411**	**3,869,982**	**3,971,781**			**4,404,944**	**4,689,982**
Cash flow from operating activities	167,913	97,392	197,349	177,695	-4,072	-6,748	15,704	17,626	376,894	285,965
Investments is tangible and intangible assets	-35,241	-115,562	-45,229	-60,481	0	-314			-80,470	-176,357
Cash flow used in other investing activities	5,462	-12,819	4,849	1,007	123,469	-29,397	-123,907	28,766	9,873	-12,443
Cash flow from / used in financing activities	-133,751	28,913	12,756	-8,429	30	430	108,203	-46,392	-12,762	-25,478
Net change in cash	**4,383**	**-2,076**	**169,725**	**109,792**	**119,427**	**-36,029**			**293,535**	**71,687**