

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, mEUR	67	64	5
EBITDA, mEUR	32	34	-6
EBITDA margin, %	48	53	
EBIT, mEUR	16	18	-9
EBIT margin, %	24	28	
Profits before taxes, mEUR	16	18	-9
Net profits for the period	16	18	-9
EPS, EUR	0.12	0.13	-9
No. of A- shares	137,383,178	137,383,178	
Investments, mEUR	5	12	-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.”

For further information, please contact:

Krister Björkqvist
CFO

+372 6272 465

Hille Võrk
Financial Manager

+372 6272 460

Address
Roosikrantsi 2
10119 Tallinn
Estonia

Phone
+372 6311212
Fax
+372 6311224

E-mail
mailbox@telekom.ee

Home page
www.telekom.ee

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 67 mln EUR, showing a rise of 5%, compared to the first quarter of 2001. Operating expenses were 35 mln EUR, 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 32 mln EUR, 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 16 mln EUR or 0.12 EUR 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 fourth 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 39 mln EUR, down by 14%, compared to the first quarter of 2001. Operating expenses of the Group were down by 13%, to 24 mln EUR. 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 3.5 mln EUR. 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 2.9 mln EUR, 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 5,4 mln EUR. EBITDA of the Group was 16 mln EUR with the margin 40%. The net profit amounted to 4 mln EUR, 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 26.8 EUR, lower than in March 2001 (29.7 EUR) or in December 2001 (28.09 EUR). 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 Q1 01.

The EMT Group continues good performance. The total revenues of the EMT Group amounted to 34 mln EUR, up by 7%. The operating expenses of the Group were 18 mln EUR, up by 8%. EBITDA of the EMT Group was 17 mln EUR with the margin 49%. The net profit of the Group was 11 mln EUR, 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 282 mln EUR (December 2001: 271 mln EUR). 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 19 mln EUR during the first three months of 2002 (5 mln EUR during 3 months of 2001). The net operating cash flow was 24 mln EUR (2001 3 months: 18 mln EUR).

During the first three months of 2002, investments amounted to 5 mln EUR, which is much less than the 12 mln EUR invested during the same period in 2001.

The Eesti Telefon Group invested 2 mln EUR (2001 3 months: 8 mln EUR). 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 14 mln EUR revenues and 0.5 mln EUR 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 3 mln EUR during the three months of 2001 (2001 3 months: 4 mln EUR). 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 639 th EUR.

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.

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
INCOME STATEMENT

In thousands of euros (EUR)

	Note	3 mths to 31 March 02	3 mths to 31 March 01 Restated	2001
Revenue				
Net sales		66,603	63,362	265,516
Change in work-in-progress		60	118	34
Capitalized self-constructed assets		112	166	5,568
Other revenue		425	522	2,714
Total revenue		67,200	64,168	273,832
Operating expenses				
Materials, consumables, supplies and services		19,922	16,273	82,492
Other operating expenses		6,486	4,521	31,634
Personnel expenses		7,846	8,601	34,177
Other expenses		554	470	2,117
Total expenses		34,808	29,865	150,420
Profit from operations before depreciation		32,392	34,303	123,412
Depreciation and amortisation	2	16,392	16,651	72,582
Profit from operations		16,000	17,652	50,830
Income (+) / expenses (-) from subsidiaries and associates		-141	-25	1,715
Other net financing items		158	-9	-749
Profit before tax		16,017	17,618	51,796
Income tax expense on dividends		0	0	1,977
Profit after tax		16,017	17,618	49,819
Minority interest		0	23	36
Net profit from ordinary activities		16,017	17,595	49,783
Extraordinary item		0	0	0
Net profit for the period		16,017	17,595	49,783
Earnings per share				
Basic earnings per share (in kroons)	6d	0.12	0.13	0.36
Diluted earnings per share (in kroons)		0.12	0.13	0.36

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
BALANCE SHEET

In thousands of euros (EUR)

	Note	31 March 2002	31 Dec 2001	31 March 2001 Restated
ASSETS				
Current assets				
Cash and cash equivalents		39,566	25,797	43,551
Short-term investments		8,863	3,872	0
Trade receivables, net		28,214	25,777	26,677
Other receivables		1,066	685	537
Accrued income		7,319	6,342	5,195
Prepaid expenses		1,426	1,800	3,461
Inventories		7,229	6,648	12,574
Total current assets		93,683	70,921	91,995
Non-current assets				
Long term financial assets	3,4	1,550	1,692	2,252
Tangible assets, net	2	183,350	194,538	201,511
Intangible assets, net	2	2,944	3,588	3,986
Total non-current assets		187,844	199,818	207,749
TOTAL ASSETS		281,527	270,739	299,744
EQUITY AND LIABILITIES				
Current liabilities				
Interest bearing loans and borrowings	5	5,577	5,635	9,871
Customer prepayments		455	590	432
Accounts payable to suppliers		10,547	16,677	13,948
Other payables		0	11	1
Tax liabilities		3,708	2,090	2,850
Accrued expenses		10,765	9,756	9,630
Provisions		826	1,117	838
Prepaid revenue		155	661	2,874
Total current liabilities		32,033	36,537	40,444
Non-current liabilities				
Interest bearing loans and borrowings	5	2,414	3,139	11,686
Other long-term payables		0	0	0
Total non-current liabilities		2,414	3,139	11,686
Minority interest		0	0	446
Equity				
Issued capital	6	87,804	87,804	87,804
Share premium		19,810	19,810	19,810
Statutory legal reserve		8,781	8,781	7,987
Retained earnings		114,668	64,885	113,972
Net profit for the period		16,017	49,783	17,595
Total equity		247,080	231,063	247,168
TOTAL EQUITY AND LIABILITIES		281,527	270,739	299,744

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
CASH FLOW STATEMENT

In thousands of euros (EUR)

	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		16,017	17,618
Adjustments for:			
Depreciation		16,392	16,651
Profit/loss from sales and write-off of fixed assets		158	-17
Income/ expense from subsidiaries and associates		141	25
Interests income/ expense, net		-143	-104
Other non-cash adjustments		56	28
Operating profit before working capital changes		32,621	34,201
Change in current receivables		-3,219	-1,792
Change in inventories		-512	-3,037
Change in current liabilities (except loans)		-4,708	-10,696
Adjusted cash generated from operations		24,182	18,676
Interest paid		-94	-400
Net cash flow from operating activities		24,088	18,276
Cash flow from investing activities			
Purchase of tangible assets		-5,101	-10,846
Purchase of licenses		-42	-257
Purchase of shares, investments and other		0	-1,333
Proceeds from sales of tangible assets		493	153
Loans granted		-3	-7
Cash receipts from repayment of loans		1	1
Interest received		140	222
Net cash flow from investing activities		-4,512	-12,067
Cash flow from financing activities			
Proceeds from convertible long-term debt		2	28
Proceeds from nonconvertible long-term debt		40	0
Repayment of nonconvertible long-term debt		-114	-108
Repayment of long-term borrowings		-744	-1,019
Payment of finance lease liabilities		0	-529
Net cash flow from financing activities		-816	-1,628
Net increase / - decrease in cash and cash equivalents		18,760	4,581
Cash and cash equivalents at beginning of year		29,669	38,970
Cash and cash equivalents at end of period		48,429	43,551

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
STATEMENT OF CHANGES IN EQUITY

In thousands of euros (EUR)

	Note	Issued capital	Share premium	Reserves	Retained earnings	Net profit for the period	Total
31 December 2000		87,804	19,810	7,987	42,276	71,696	229,573
Net profit for the period transferred into retained earnings		0	0	0	71,696	-71,696	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	17,595	17,595
31 March 2001		87,804	19,810	7,987	113,972	17,595	247,168
31 December 2001		87,804	19,810	8,781	64,885	49,783	231,063
Net profit for the period transferred into retained earnings		0	0	0	49,783	-49,783	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	16,017	16,017
31 March 2002		87,804	19,810	8,781	114,668	16,017	247,080

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
NOTES FOR THE FINANCIAL STATEMENTS AS OF 31 MARCH 2002
In thousands of euros (EUR)

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.

The consolidated financial statements are presented in thousands of euros, unless indicated otherwise. The Group's measurement currency is Estonian kroon. The consolidated financial statements are presented in euros as in reporting currency of the Group for informational purposes. In translation from kroon to euro the same exchange rate is used throughout the consolidated financial statements, as kroon is pegged to euro with fixed exchange rate of 15.64664 kroons per euro.

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

	Beginning balance in thousand of EUR	Reclassification in thousand of EUR	Reclassified balance in thousand of EUR
a) Income statement			
Revenue			
Other revenue	3,465	-2,943	522
Operating expenses			
Materials, consumables, supplies and services	17,354	-1,081	16,273
Other operating expenses	6,135	-1,614	4,521
Personnel expenses	8,603	-2	8,601
Other expenses	716	-246	470
b) Balance sheet			
Assets			
Trade receivables, net	23,678	2,999	26,677
Other receivables	3,536	-2,999	537
Accrued income	5,323	-128	5,195
Equity and liabilities			
Tax liabilities	3,564	-714	2,850
Accrued expenses	9,044	586	9,630

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.

2. Tangible and intangible assets

	Tangible assets	Intangible assets
<u>At cost</u>		
31 December 2000	422,895	10,574
Additions	16,128	425
Reclassification	-5,194	0
Disposals	-3,124	-32
31 March 2001	430,705	10,967
31 December 2000	467,527	12,727
Additions	7,391	93
Reclassification	-2,133	0
Disposals	-3,905	-15
31 March 2002	468,880	12,805
<u>Accumulated depreciation</u>		
31 December 2000	216,199	6,253
Depreciation	15,923	728
Depreciation on disposals (-)	-2,928	0
31 March 2001	229,194	6,981
31 December 2001	272,989	9,138
Depreciation	15,673	719
Depreciation on disposals (-)	-3,132	4
31 March 2002	285,530	9,861
<u>Closing net carrying amount</u>		
31 March 2001	201,511	3,986
31 March 2002	183,350	2,944

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	5,577	5,635
Non-current	2,414	3,139
	7,991	8,774

The movements in the borrowings can be analysed as follows:

Opening balance 31 Dec 2001	8,774
Proceeds from borrowings	42
Repayments of borrowings	-858
Other movements	33
Closing balance 31 Mar 2002	7,991

6. Equity

(a) Share capital

	31 March 2002	31 March 2001
<u>Share capital issued</u>		
Ordinary shares par value 0.64 EUR per share, fully paid	137,383,178	137,383,178
Preference share par value 63.91 EUR 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 preferred share. The holder of the preferred share is entitled to a preference dividend of 639 euros, 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 5.79 euros. 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 from 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:

$$\text{EUR } 0.12 = (16,017,000 - 639.11) : 137,383,178$$

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 4.87 euros, 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	36,938	39,529	29,665	23,833	0	0			66,603	63,362
Other revenue	350	390	247	416	0	0			597	806
Inter-segment revenue	2,070	5,554	4,561	8,111	2	7	-6,633	-13,672	0	0
Total revenue	39,358	45,473	34,473	32,360	2	7			67,200	64,168
Operating expenses										
Materials, consumables, supplies and services	7,793	8,609	12,129	7,664	0	0			19,922	16,273
Other operating expenses	4,669	3,065	1,655	1,289	162	167			6,486	4,521
Personnel expenses	6,282	6,810	1,447	1,660	117	131			7,846	8,601
Other expenses	208	316	317	102	29	52			554	470
Inter-segment expenses	4,560	8,102	2,070	5,553	3	17	-6,633	-13,672	0	0
Total expenses	23,512	26,902	17,618	16,268	311	367			34,808	29,865
EBITDA	15,846	18,571	16,855	16,092	-309	-360			32,392	34,303
Depreciation and amortisation	10,858	11,925	5,515	4,717	22	17	-3	-8	16,392	16,651
EBIT	4,988	6,646	11,340	11,375	-331	-377			16,000	17,652
Income/ -expenses from subsidiaries and associated companies	-75	-21	-66	-4	15,889	17,664	-15,889	-17,664	-141	-25
Other net financing items	-470	-619	170	301	458	309			158	-9
Income tax expenses (-)/ income (+)	0	0	0	0	0	0			0	0
Minority interest	0	23	0	0	0	0			0	23
Extraordinary item	0	0	0	0	0	0			0	0
Net profit	4,443	5,983	11,444	11,672	16,016	17,596			16,017	17,595
Non-current assets	119,834	145,582	67,540	61,881	221,916	179,651	-221,446	-179,365	187,844	207,749
Current assets	31,734	36,313	46,491	47,689	25,420	74,191	-9,962	-66,198	93,683	91,995
Total assets	151,568	181,895	114,031	109,570	247,336	253,842			281,527	299,744
Owners' equity	99,047	103,196	103,536	55,391	247,078	247,168	-202,581	-158,587	247,080	247,168
Minority interest	0	446	0	0	0	0			0	446
Non-current liabilities	20,726	31,873	522	564	31	27	-18,865	-20,778	2,414	11,686
Current liabilities	31,796	46,380	9,972	53,615	227	6,647	-9,962	-66,198	32,033	40,444
Total equity and liabilities	151,569	181,895	114,030	109,570	247,336	253,842			281,527	299,744
Cash flow from operating activities	10,732	6,224	12,612	11,356	-260	-431	1,004	1,127	24,088	18,276
Investments in tangible and intangible assets	-2,252	-7,386	-2,891	-3,865	0	-20			-5,143	-11,271
Cash flow used in other investing activities	349	-819	310	-64	7,891	-1,879	-7,919	1,838	631	-796
Cash flow from / used in financing activities	-8,548	1,849	815	-539	2	27	6,915	-2,965	-816	-1,628
Net change in cash	281	-132	10,846	7,016	7,633	-2,303			18,760	4,581