EESTI TELEKOM

16 October 2003

THE FINANCIAL RESULTS OF THE FIRST NINE MONTHS OF 2003

Eesti Telekom, the leading provider of telecommunications services in Estonia, hereby announces its results for the third quarter, and nine-month period, which ended 30 September 2003.

Financial highlights

	Q3 2003	Q3 2002	Change %	**9 months 2003**	9 months 2002	Change %
Total revenues, mEUR	**79.4**	71.9	10	**226.0**	216.5	4
EBITDA, mEUR	**36.2**	35.9	1	**106.7**	105.5	1
EBITDA margin, %	**46**	50		**47**	49	
EBIT, mEUR	**22.5**	20.1	12	**64.2**	57.1	13
EBIT margin, %	**28**	28		**28**	26	
Profit before taxes, mEUR	**22.8**	20.2	13	**69.4**	56.8	22
Net profit for the period, mEUR	**22.6**	20.3	11	**50.9**	50.9	-0
EPS, EUR	**0.16**	0.15	11	**0.37**	0.37	-0
CAPEX, mEUR	**11.4**	8.7	32	**19.6**	21.2	-8
Net gearing, %	**-30**	-19		**-30**	-19	
ROA (annualised), %	**33**	31		**24**	25	
ROE (annualised), %	**38**	36		**38**	33	

Commenting on these financial results, Chairman Jaan Männik stresses:

“Strong revenue growth combined with healthy margins continued.”

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EESTI TELEKOM

CHAIRMAN'S STATEMENT

Financial results

The consolidated revenues, of the Eesti Telekom Group, for the third quarter of 2003 amounted to 79.4 mln EUR, up by 10%, compared to the third quarter of 2002. Operating expenses of the third quarter were up by 20%, amounting to 43.2 mln EUR. The EBITDA of the Eesti Telekom Group was 36.2 mln EUR and the EBITDA margin was 46%. Both the revenues and operating expenses of the third quarter were affected by a significant transaction between Elion Enterprises Ltd. and the Tallinn Education Authority (see section "Fixed communications"), and by a new subsidiary, AS Reveko Telekom, being added to the Group. Revenue growth from mobile communications was traditionally high. In the area of fixed communications, higher revenues from the Internet, data communications, and IT compensated the declining revenue from voice communications.

Depreciation of the Eesti Telekom Group in the third quarter of 2003 amounted to 13.7 mln EUR, down by 13%. This decrease is mainly caused by revised depreciation rates applied in a subsidiary company, Elion Enterprises Ltd., at the beginning of 2003. In addition to that, depreciation has started to fall as a result of the relatively low CAPEX that the Group has had during the past years, compared to earlier periods.

The financial revenues of the third quarter exceeded financial expenses by 0.4 mln EUR.

The net profit of the Eesti Telekom Group in the third quarter of 2003 was 22.6 mln EUR or 0.16 EUR per share. Corresponding figures in the third quarter of 2002 were 20.3 mln EUR and 0.15 EUR per share.

During the first nine months of 2003, the consolidated revenues of the Eesti Telekom Group amounted to 226.0 mln EUR, growing by 4%, compared to the first nine month period in 2002. Operating expenses were up by 8%, amounting to 119.3 mln EUR. The EBITDA of the Group was 106.7 mln EUR, up by 1%. The EBITDA margin was 47%. The first nine month consolidated revenues of 2002 included a non-recurring item, a 3.5 mln EUR capital gain from the sale of real estate. The elimination of this capital gain from the revenues of the base-period would make the revenue growth to be 6% and the EBITDA growth to be 5%.

The net profit of the Eesti Telekom Group in the first nine months of 2003 was 50.9 mln EUR or 0.37 EUR per share. Corresponding figures for the first nine months of 2002 were 50.9 mln EUR and 0.37 EUR per share. The net profit of the current year has been affected by an amendment in the taxation regulations, which became effective in 2003. In 2002, the dividend tax applied only to dividend payments to private individuals or nor-resident legal entities. But in 2003, the dividend tax became effective for all dividend payments. Thus, for the Eesti Telekom Group, this tax amendment brought with it a significant increase in the dividend taxes that had to be paid.

At the end of September 2003, the total assets of the Eesti Telekom Group amounted to 276.5 mln EUR (in December 2002, 283.8 mln EUR). Tangible assets were reduced, from the beginning of the year, by 22.7 mln EUR. Current assets were increased by 15.3 mln EUR. This enlargement was mainly the result of an increase of cash and cash equivalents (cash, bank accounts, units of money-market funds and other short-term financial investments) by 14.6 mln EUR. By the end of the period, the net debt of the Group amounted to –74.8 mln EUR, and net gearing was –30%.

The balance of cash and cash equivalents (cash, bank accounts, and units of money-market funds) of the Eesti Telekom Group grew by 16.6 mln EUR during the first nine months of 2003. The net operating cash flow was 81.2 mln EUR (during the corresponding 9 months of 2002, 89.8 mln EUR). Cash outflow into investments was essentially smaller than a year ago: 11.2 mln EUR in 2003 (incl. 4.5 mln EUR from the sale of the minority ownership in AS Connecto, and a 4.5 mln EUR payment for the UMTS licence), compared with 19.6 mln EUR in 2002. The cash outflow into financing was 53.3 mln EUR, including 52.7

mln EUR paid as dividends (during the corresponding 9 months of 2002, 50.6 mln EUR, including 48.3 mln EUR paid as dividends).

Fixed communications

	Q3 2003	Q3 2002	Change %	9M 2003	9M 2002	Change %
Total revenues, mEUR	42.3	38.8	9	121.2	122.9	-1
EBITDA, mEUR	14.1	14.6	-4	43.6	48.3	-10
EBITDA margin, %	33	38		36	39	
EBIT, mEUR	5.8	4.4	32	17.7	16.4	8
EBIT margin, %	14	11		15	13	
Profit before taxes, mEUR	5.8	4.2	39	21.5	15.3	41
Net profit for the period, mEUR	5.6	4.2	33	17.0	15.3	11
CAPEX, mln EUR	4.0	5.1	-21	8.0	11.7	-32
ROA, %	17	11		16	13	
ROE, %	21	16		26	20	

The decrease in the consolidated revenues of the Elion Group stopped in the third quarter of 2003. The consolidated revenues of the Elion Group amounted to 42.3 mln EUR, showing an increase of 9%, compared to the same period in 2002. The operating expenses of the third quarter were up by 17%, amounting to 28.2 mln EUR. The EBITDA of the Group was 14.1 mln EUR and the EBITDA margin was 33%.

In May 2003, the Tallinn Education Authority and Elion Enterprises Ltd. signed a framework agreement concerning the installation of new computers and other equipment into the computer classes of Tallinn schools. The total value of the procurement amounts to more than 4.0 mln EUR. In July, within the framework of the agreement, computers were sold to the Tallinn Education Authority for 2.0 mln EUR. This transaction had a significant impact on both revenues ("revenue from IT and data communications") and expenses ("materials, consumables, supplies, and services") of the third quarter. Since the transaction was extensive, but with a low margin, it resulted in a decrease of the EBITDA margin of the third quarter, compared to the same period in 2002.

The operating expenses of the third quarter were also affected by the launching of a new brand name. On 18 August 2003, Elion Enterprises Ltd. introduced the new brand name of Elion. Elion replaced the former brand names Eesti Telefon, et, Hot, Hallo, and Atlas. One objective of the change was to make the obtaining of services from, and communicating with the company easier for the customer. Elion adjusted its portfolio to customers' needs by making a distinction between household, business, and corporate customers. Already starting this year, the company will also "entertain" its customers at home by launching Internet access to TV, movies, computer games, and music. In addition to that, the company will help to finance the obtaining of IT and communication equipment with hire purchase and leasing opportunities. Operating expenses related to the new brand name amounted to approximately 0.5 mln EUR.

Among the main revenue categories of the Group, the revenues from domestic calls decreased by 12%, compared to the third quarter of 2002. Revenues from international calls were also down by 12%. Revenues from calls into mobile networks were lower by 8%. Revenues from phone installations and monthly fees were down by 4%. Revenues from the Internet, and revenues from IT and data communications were up by 27% and 99% respectively. Revenues from network services were up by 6%.

The market shares of Elion Enterprises Ltd. have been stable. The company estimates its share of total call minutes to be 87% (September 2002: 89%). The estimated market share of domestic call minutes, international call minutes, and fixed to mobile call minutes are 87% (88%), 68% (73%) and 76% (76%) respectively. The estimated market share of dial-up minutes is 95% (95%).

The net profit of the Elion Group in the third quarter of 2003 was 5.6 mln EUR, showing an increase of 27%, compared to the same period in 2002. This growth is largely the result of the implementation of the revised depreciation rates from the beginning of 2003. The new rates are more differentiated than the previous ones. The useful lifetime of different categories of tangible assets is determined more accurately.

In addition to that, depreciation charge has started to fall as a result of the relatively low CAPEX that the Group has had during the last years, compared to earlier periods. Depreciation of the Elion Group, in the third quarter of 2003, was reduced by 1.9 mln EUR or 19%.

The consolidated revenues of the Elion Group, during the first nine months of 2003, amounted to 121.2 mln EUR, down by 1%, compared to the first nine months of 2002. However, the consolidated revenues of the first nine months of 2002 contain a capital gain from the sale of real estate in the amount of 3.5 mln EUR. Elimination of the capital gain would make the revenues of 2003 2% higher than the revenues of 2002. Operating expenses of the period were up by 4%, amounting to 77.7 mln EUR. The EBITDA of the Group was 43.6 mln EUR and the EBITDA margin was 36%. As a result of amendments in regulations on income taxation, the Group declares a dividend income tax expense of 4.3 mln EUR in its first nine months' income statement. The net profit of the Elion Group for the first nine months of 2003 was 17.0 mln EUR, up by 9%, compared to the same period in 2002.

The Elion Group invested 8.0 mln EUR during the first nine months of 2003 (2002: 11.7 mln EUR).

The number of main lines in use at the end of September was 446,240 (a penetration of 32.9 lines per 100 people). The net decrease in the number of main lines, since the beginning of 2003, was 14,020. After launching the new brand name, Elion Enterprises Ltd. started a campaign, which provided customers with the opportunity of joining the company's network without having to pay an installation fee. A total of 5,300 customers applied to be connected in the course of the campaign. 87% of the additions were private individuals. 12% of the new customers also applied for an ADSL connection. The total number of ADSL connections at the end of September was 41,132 (3 connections per 100 people). The net increase in the number of ADSL connections since the beginning of 2003 was 10,650.

The sale of minority interests in AS Connecto, a subsidiary of Elion Enterprises, were completed in June. A 49% minority stake in AS Connecto was sold to ELTEL Networks Corporation, a Finnish telecommunications network development firm. The price of the deal was 4.3 mln EUR, and the capital gain declared was 3.8 mln EUR. Elion Enterprises will remain an active owner of Connecto, but ELTEL Networks has the right to acquire 100% of the company shares after two years. This sale enables Elion Enterprises to focus on its core business, which is the providing of telecommunications and IT solutions. The involvement of a strategic partner will also accelerate the expansion of AS Connecto into the other Baltic states.

On 1 July 2003, AS Connecto, a 51% owned subsidiary of Elion Enterprises Ltd., acquired all of the shares of AS Reveko Telekom. 55% of the shares were purchased from TeliaSonera, and 45% from Estonian private individuals. The price of the deal was 0.9 mln EUR. AS Reveko Telekom was founded in 1995. The firm specialises in various aspects of indoor telecommunications: the sales and installation of telephone relays and communications systems, the construction of computer and telephone networks, the design and installation of low current systems, and operating services. Reveko Telekom has 22 employees.

The number of employees of the Elion Group at the end of September 2003 was 1,974 (in December 2002: 1,999).

Mobile communications

	Q3 2003	Q3 2002	Change %	**9M 2003**	9M 2002	Change %
Total revenues, mEUR	44.9	40.6	11	127.5	115.0	11
EBITDA, mEUR	22.6	21.5	5	64.3	58.2	11
EBITDA margin, %	50	53		50	51	
EBIT, mEUR	17.2	16.0	8	47.7	41.6	15
EBIT margin, %	38	39		37	36	
Profit before taxes, mEUR	17.2	15.9	8	48.3	41.8	16
Net profit for the period, mEUR	17.2	15.9	8	34.8	41.8	-17
CAPEX, mln EUR	7.4	3.6	105	11.6	9.5	22
ROA, %	66	69		42	55	
ROE, %	80	82		77	64	

The growth of the consolidated revenues of the EMT Group accelerated again in the third quarter of 2003. Revenues of the second quarter were up by 9%, compared to the same period in 2002. In the third quarter, the growth reached 11%. Revenues from SMS and data continued to have the highest growth rate, showing an increase of 28%. Revenues from domestic calls, prepaid call-cards, and interconnection have also increased. There was some decline in the revenue from monthly fees, compared to the third quarter of 2002. In September 2003, the ARPU was 27.0 EUR (in September 2002, 27.7 EUR; in December 2002, 27.0 EUR). The lower ARPU was mainly caused by an increase in the usage time of prepaid call-cards.

The operating expenses of the EMT Group in the third quarter of 2003 amounted to 22.3 mln EUR, up by 17%, compared to the same period in 2002. The growth resulted from higher interconnection expenses, caused by an increase of outgoing call minutes, and the increased business activities of a subsidiary of the Group, AS Mobile Wholesale.

The EBITDA of the third quarter was 22.6 mln EUR, up by 5%. The EBITDA margin was 50%. The net profit of the EMT Group was 17.2 mln EUR, showing an increase of 8%, compared to the third quarter of 2002.

The total number of customers of EMT grew by 24.3 thousand during the third quarter of 2003. The number of contractual customers was up by 3.8 thousand and the number of customers with prepayment was up by 20.5 thousand. The growth in the number of customers was partly caused by changes in the terms of the Simpel call-cards, which became effective 1 May 2003. Until 1 May 2003, customers could use the calling time stored on their cards in the course of two months for calling out, plus, for one more month, they could receive incoming calls. In accordance with the new terms, the calling time stored on the card can be used for calling out in the course of five months, plus, incoming calls can be received for an additional month. Due to the change in terms, EMT will not close any prepaid cards between 2 August and the end of October. The total number of AS EMT customers reached 463.8 thousand by the end of September. The number of contractual customers was 295.1 thousand, and the number of prepaid customers was 168.7 thousand. EMT estimated its market share to be around 47%.

The consolidated revenues of the EMT Group, during the first nine months of 2003, amounted to 127.5 mln EUR, up by 11%, compared to the same period in 2002. Operating expenses of the period amounted to 63.2 mln EUR, also up by 11%. The EBITDA of the Group was 64.3 mln EUR, and the EBITDA margin was 50%. As a result of amendments, which were made to the regulations concerning the calculating of income tax on dividends, the Group declared a dividend income tax expense of 13.5 mln EUR in its income statement. The net profit of the EMT Group for the nine-month period was 34.8 mln EUR.

The EMT Group invested 11.6 mln EUR during the first nine months of 2003 (during the first nine months of 2002, 9.5 mln EUR).

On 8 May 2003, a direct offer was made by the Estonian National Communications Board to AS EMT, Radiolinja Eesti AS, and Tele2 AS to acquire third generation mobile communications licences. All three operators submitted their applications in July, and received licences from the Communications Board after paying a licence fee and state duty of 4.5 mln EUR per licence. By acquiring a licence, each operator also accepted an obligation to establish, within seven years of the issuance of the licence, a third generation network, covering at least 30% of the Estonian population, and having a data transmission speed of at least 144 Kb/sec in urban areas and 64Kb/sec anywhere else in Estonia.

On 17 September 2003, Meelis Atonen, the minister of economic affairs and communications, and Peep Aaviksoo, the CEO of AS EMT, made the first UMTS-call in Estonia via the EMT trial network. A commercial UMTS-network is expected to start functioning in 2005.

The number of employees of the EMT Group at the end of September 2003 was 417 (in December 2002, 406).

Relations with state regulators

On 25 August 2003, the Estonian National Communications Board presented letters to AS EMT and Elion Enterprises Ltd., in which the Board announces its intention to declare AS EMT and Elion Enterprises Ltd. to be firms with significant market power (SMP) for the year 2004. The Communications Board intends to declare AS EMT to have SMP in the public mobile communications services market throughout Estonia. It intends to declare Elion Enterprises Ltd. to have SMP in the public telephone services market, the public leased line services market, and the public interconnection services market.

AS EMT had also been declared to have SMP in the public mobile communications services market for the years 2002 and 2003. Elion Enterprises Ltd. had also been declared to have SMP in the public telephone services market, the public leased line services market, and the public interconnection services market for the years 2001, 2002, and 2003.

The lawsuit continues between Elion Enterprises Ltd. and the Competition Board over the justification of tariffs for calls inside the network, which were established 1 April 2001. The first and second level courts made their decisions in favour of AS Elion, but the Competition Board appealed to the Supreme Court, which, on 18 December 2002, annulled the earlier judgments and forwarded the case to the Administrative Court for revision. The Supreme Court found that the precept of the Competition Board, regarding minute rates of the voice communication services within a network, is inadequate for making the final judgment. The Administrative and the District Court had, according to the Supreme Court, not assessed all available evidence. The Supreme Court considered it necessary for the Administrative Court to use the assistance of the Communications Board when revising the case.

Reporting schedule in 2004

In 2004, the financial reports of the Eesti Telekom Group will be published on the following dates:

Preliminary results for 2003	5 February 2004
Final results for 2003	5 March 2004
1st quarter results for 2004	15 April 2004
Half-year results for 2004	15 July 2004
9 month results for 2004	14 October 2004

Definitions

Net debt – long term and short term debt, less cash and cash equivalents, and short term investments
ROA – Net profit for the period, expressed as a percentage of average total assets
ROE – Pre-tax profit for the period, expressed as a percentage of average equity

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
QUARTERLY DATA
mln EUR

	Q3-2002	Q4-2002	Q1-2003	Q2-2003	Q3-2003
Revenues	71.9	74.9	70.7	75.9	79.4
Operating expenses	36.1	44.2	36.2	39.9	43.2
Profit from operations before depreciation	35.9	30.7	34.5	36.0	36.2
Depreciation and amortisation	15.8	15.5	14.6	14.1	13.7
Profit from operations	20.1	15.2	19.9	21.8	22.5
Income / (expenses) from subsidiaries and associates	-0.1	0.0	0.0	3.7	-0.1
Other net financing items	0.2	0.4	0.5	0.7	0.4
Profit before tax	20.2	15.5	20.4	26.2	22.8
Income tax on dividends	-0.2	0.0	17.9	0.4	0.0
Minority interest	0.0	0.0	0.0	0.0	0.2
Net profit for the period	20.3	15.5	2.5	25.8	22.6
EBITDA margin, %	49.9%	40.9%	48.8%	47.4%	45.6%
EBIT margin, %	27.9%	20.3%	28.1%	28.8%	28.3%
Net margin, %	28.3%	20.8%	3.5%	34.0%	28.4%
Total assets	267.8	283.9	296.6	278.4	276.6
- Non-current assets	172.6	175.4	163.4	154.6	152.7
- Current assets	95.2	108.5	133.3	123.8	123.9
- Cash and cash equivalents	52.4	61.5	87.7	75.5	76.2
Equity and liabilities	267.8	283.9	296.6	278.4	276.6
- Equity	233.7	249.3	251.8	226.4	249.0
- Minority interest	0.0	0.0	0.0	0.6	0.8
- Non-current liabilities	1.5	1.3	1.3	1.0	0.8
- Interest-bearing borrowings	1.5	1.3	1.3	1.0	0.8
- Current liabilities	32.6	33.3	43.6	50.4	25.9
- Interest-bearing borrowings	6.2	2.3	1.4	1.4	0.6
Proceeds from operating activities	28.6	31.5	29.1	38.9	13.2
Net cash used in investing activities	-12.8	-15.8	2.4	-2.2	-11.5
Net cash before dividends and net loans	15.8	15.7	31.4	36.7	1.7
Dividends paid	0.0	0.0	0.0	-52.7	0.0
Loan repayments (net)	-1.1	-4.2	-0.9	-0.3	-1.0
Share issue	0.0	0.0	0.0	1.5	0.0
Net increase (decrease) in cash and cash equivalents	14.8	11.5	30.6	-14.7	0.7

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
INCOME STATEMENT
Financial statements are prepared in thousands of euros kroons (EUR)

	Notes	9 months to 30 Sept 2003	9 months to 30 Sept 2002 Restated	2002
Revenues				
Net sales	**10**	224,551	211,952	285,513
Other revenues		1,448	4,561	5,863
Total revenues		**225,999**	**216,513**	**291,376**
Operating expenses				
Change in work-in-progress		62	134	55
Capitalized self-constructed assets		1,499	2,033	4,179
Materials, consumables, supplies and services		(74,385)	(69,199)	(96,107)
Other operating expenses		(21,001)	(19,546)	(27,792)
Personnel expenses		(24,421)	(22,874)	(32,787)
Other expenses		(1,101)	(1,523)	(2,735)
Total operating expenses		**(119,347)**	**(110,975)**	**(155,187)**
Profit from operations before depreciation		**106,652**	**105,538**	**136,189**
Depreciation and amortisation	**2**	(42,482)	(48,481)	(63,941)
Profit from operations		**64,170**	**57,057**	**72,248**
Net fnancial income / (-expenses) from associates		3,612	(290)	(329)
Other net financing items		1,593	16	411
Profit before tax		**69,375**	**56,783**	**72,330**
Income tax on dividends		(18,280)	(5,835)	(5,835)
Minority interest		(223)	-	-
Net profit for the period		**50,872**	**50,948**	**66,495**
Earning per share	**7 (f)**			
Basic earning per share (in euros)		0.37	0.37	0.48
Diluted earning per share (in euros)		0.37	0.37	0.48

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
BALANCE SHEET
Financial statements are prepared in thousands of euros (EUR)

	Notes	30 Sept 2003	31 Dec 2002	30 Sept 2002
ASSETS				
Non-current assets				
Property, plant and equipment	**2**	143,833	170,879	168,224
Goodwill	**2**	262	236	404
Licenses, patents and trademarks	**2**	6,930	2,483	1,990
Investments in subsidiaries and associates	**3, 4**	1,314	1,451	1,490
Other investments		185	173	176
Other non-current assets		169	130	360
Total non-current assets		**152,693**	**175,352**	**172,644**
Current assets				
Inventories	**5**	6,573	5,971	6,739
Trade receivables		29,411	27,504	25,983
Other receivables		11,701	13,483	10,108
Investments held for trading		3,101	5,052	7,320
Cash and cash equivalents		73,076	56,497	45,055
Total current assets		**123,862**	**108,507**	**95,205**
TOTAL ASSETS		**276,555**	**283,859**	**267,849**
EQUITY AND LIABILITIES				
Equity	**7**			
Issued capital		87,971	87,804	87,804
Reserves		29,937	28,591	28,591
Translation reserve		(2)	(2)	5
Retained earnings		80,187	66,375	66,375
Net profit for the period		50,872	66,495	50,948
Total equity		**248,965**	**249,263**	**233,723**
Minority interest		829		-
Non-current liabilities				
Interest-bearing loans and borrowings – due after one year	**6**	817	1,263	1,521
Current liabilities				
Trade payables		10,359	15,648	9,894
Other current liabilities		10,164	12,536	12,397
Tax liabilities		3,713	1,825	3,065
Interest-bearing loans and borrowings – due within one year	**6**	589	2,282	6,195
Provisions	**8**	1,119	1,042	1,054
Total current liabilities		**25,944**	**33,333**	**32,605**
TOTAL EQUITY AND LIABILITIES		**276,555**	**283,859**	**267,849**

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
CASH FLOW STATEMENT
Financial statements are prepared in thousands of euros (EUR)

	Notes	9 months to 30 Sept 2003	9 months to 30 Sept 2002 Restated
Operating activities			
Profit operations		64,170	57,057
Adjustments for:			
Depreciation and amortisation	**2**	42,482	48,481
(Profit) from sales and write-off of fixed assets		(852)	(3,392)
Operating cash flow before movements in working capital		105,800	102,146
Change in current receivables		273	(1,328)
Change in inventories		(554)	(22)
Change in current liabilities		(6,054)	(4,823)
Cash generated by operations		99,465	95,973
Interest paid		(29)	(329)
Income tax on dividends paid		(18,280)	(5,835)
Net cash from operating activities		**81,156**	**89,809**
Investing activities			
Purchase of property, plant and equipment	**2**	(14,647)	(20,183)
Purchase of licenses	**2**	(4,951)	(1,041)
Proceeds from sales of property, plant and equipment		1,311	4,929
Acquisition of subsidiaries		(853)	-
Proceeds from sales of subsidiaries		4,355	-
Acquisition of associates		-	(639)
Purchases of other long-term investments		(12)	-
Purchases of trading investments		(3,101)	(14,515)
Proceeds of disposal of trading investments		5,055	11,072
Loans granted		(89)	(14)
Cash receipt from repayment of loans		3	2
Dividends received		1	6
Interest received		1,687	822
Net cash used in investing activities		**(11,241)**	**(19,561)**
Financing activities			
Proceeds from long-term convertible debt	**6**	-	2
Repayment of long-term convertible debt	**6**	(11)	-
Proceeds from nonconvertible long-term debt	**6**	23	180
Repayment of nonconvertible long-term debt	**6**	(578)	(370)
Repayment of long-term borrowings	**6**	(1,487)	(1,763)
Repayment of obligations under finance lease	**6**	(68)	(320)
Shares issues (Rights Offering)	**7 (a)**	1,496	-
Dividends paid	**7 (c)**	(52,683)	(48,293)
Net cash used in financing activities		**(53,308)**	**(50,564)**
Net increase in cash and cash equivalents		**16,607**	**19,684**
Cash and cash equivalents at beginning of year		**56,497**	**25,797**
Effect of foreign exchange rate changes		(28)	(426)
Cash and cash equivalents at end of period		**73,076**	**45,055**

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
STATEMENT OF CHANGES IN EQUITY

Financial statements are prepared in thousands of euros (EUR)

	Notes	Issued capital	Reserves		Translation reserve	Retained earnings	Net profit for the period	TOTAL
			Share premium	Statutory legal reserve				
31 December 2001		**87,804**	**19,810**	**8,781**	**-**	**64,885**	**49,783**	**231,063**
Net profit for the 2001 transferred to retained earnings		-	-	-	-	49,783	(49,783)	-
Exchange differences arising from translation of foreign operations		-	-	-	5	-	-	5
Dividends paid		-	-	-	-	(48,293)	-	(48,293)
Net profit for the period		-	-	-	-	-	50,948	50,948
30 September 2002		**87,804**	**19,810**	**8,781**	**5**	**66,375**	**50,948**	**233,723**
31 December 2002		**87,804**	**19,810**	**8,781**	**(2)**	**66,375**	**66,495**	**249,263**
Net profit for the 2002 transferred to retained earnings		-	-	-	-	66,495	(66,495)	-
Exchange differences arising from translation of foreign operations		-	-	-	-	-	-	-
Dividends paid	**7 (c)**	-	-	-	-	(52,683)	-	(52,683)
Share issuance	**7 (a)**	167	1,346	-	-	-	-	1,513
Net profit for the period		-	-	-	-	-	50,872	50,872
30 September 2003		**87,971**	**21,156**	**8,781**	**(2)**	**80,187**	**50,872**	**248,965**

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

The consolidated interim financial statements for the three months period ending 30 September 2003 are prepared in accordance with the International Financial Accounting Standards (IAS 34). In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2002.

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 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 inter-company transactions and balances have been eliminated.

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

Investments in associates are accounted for according to the equity method. An associate is an enterprise in which the Group holds, directly or indirectly, 20% - 50% 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.

Miscellaneous long-term receivables and loans are valued individually and recorded based upon the probability of collection according to the prudence principle.

Portfolio investments are valued at the lower of cost and net realisable value.

Transactions in foreign currencies are recorded, using the rate of exchange quoted by the Bank of Estonia on the transaction date. On the balance sheet date, monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange quoted by the Bank of Estonia on that date. Respective exchange differences are recognised in the income statement for the year.

The financial statements of foreign subsidiaries are recorded at the Bank of Estonia (*Eesti Pank*) effective exchange rates. Upon the acquisition of a foreign subsidiary, the parent company's share of the net assets of the subsidiary is fixed and recorded, using the exchange rate prevailing on the date of acquisition. These equity items of the subsidiary will maintain their acquisition value even when the rest of the balance sheet of the subsidiary is retranslated. If a foreign subsidiary issues shares, these shares are recorded, using the exchange rate on the date of the issuance. Concerning the future consolidation of the balance sheet of a foreign subsidiary, the assets and liabilities are recorded, using the exchange rates prevailing on the balance sheet date. Income and expense items are recorded, using the average exchange rates for the period. Exchange differences, which arise, are charged to equity and transferred to the Group's recorded reserve. Such recording differences are recognised as income from, or as expenses of, subsidiaries in the period in which the operation has taken place. A recorded reserve in consolidated equity is considered in the calculation of the results of sales of shares of a subsidiary.

Financial statements are prepared in thousand of euros (EUR)

The exchange rates used in the financial statements were the following:

Currency	Exchange rate		
	30 Sept 2003	**30 Sept 2002**	**31 Dec 2002**
EUR	15.64664	15.64664	15.64664
USD	13.41275	15.91319	14.93642
SEK	1.75044	1.71368	1.70284
LVL	24.13885	26.35945	25.49530

Assets with useful life over one year and with a minimum value of 639 EUR are considered to be ***fixed assets***. Fixed assets are recorded at acquisition cost, which is comprised of the purchase price, non-refundable taxes, and other expenditures directly related to taking the fixed asset into use. The cost of property, plant, and equipment constructed by the company includes the cost of materials and direct labour. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount.

Depreciation is calculated on the straight-line method. Depreciation rates are set separately to each asset depending on its estimated useful life as follows:

- buildings 3 - 8% per annum;
- telecommunication network equipment 17.5 - 20% per annum;
- plant and equipment 15 - 40% per annum;
- furniture, fixtures, and fittings 10 - 50% per annum.

Freehold land is not depreciated.

Expenditures on repairs or maintenance of property, plant, and equipment made to restore or maintain future economic benefits expected from the assets are recognised as expenses when incurred.

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired by a controlled entity. Goodwill is recognised as an asset in the Group's consolidated financial statements and is amortised on a straight-line basis. Amortisation of goodwill is recorded in the income statement line "Depreciation and amortisation". The period of amortisation is the period of time during which benefits are expected to arise and does not exceed five years.

Licenses, patents, and trademarks are stated at the lower of carrying amount and recoverable amount. These are amortised, using the straight-line method, over their estimated useful lives (five years, as a rule).

Development costs are charged as an expense in the income statement for the period during which they were incurred. If, in exceptional cases, development costs are capitalised, they are amortised over five years.

Inventories are carried at the lower of cost and net realisable value.

Taxation. The Income Tax Law in Estonia replaces the taxation of earnings with the taxation of dividend distributions and other payments that have the characteristics of a profit distribution. Because of fundamental changes in the principles of taxation, the term *tax base of assets and liabilities* has lost its substance and deferred income tax assets and liabilities as defined in IAS 12 cannot arise.

Receivables recorded on the Balance Sheet are valued based on the probability of collection. Accounts receivable, which are not expected to be collected, are expensed during the financial year and reported net of receivables on the Balance Sheet. Receivables, the collection of which is not feasible or economically justified, are considered to be uncollectible and written-off from the Balance Sheet.

Financial statements are prepared in thousand of euros (EUR)

Previously expensed receivables, which were collected during the financial year, are recorded on the same expense account as a reverse entry.

Liabilities with payment terms over one year after the balance sheet date are considered to be ***long-term liabilities***. Other liabilities are reported as ***short-term liabilities***.

Liabilities which have arisen during the financial year, or prior periods, which have a legal or contractual basis, which are expected to result in the outflow of resources, and which can be reliably measured, but for which the actual payment amount and payment date has not been definitely determined, are recorded as ***provisions*** on the Balance Sheet. Provisions are measured according to the management's estimates, and previous experience, and when necessary, the assessment of independent experts.

Borrowing costs are recognised as an expense during the period in which they were incurred.

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

In relation to ***the sale of goods***, revenue is recognized 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.

Interests, royalties and dividends arising from the use by others of the Group's resources by others are recognized 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 recognized as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt. Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreement. Dividend income is recognized when the shareholder's right to receive payment is established.

Cash and cash equivalents consist of cash on hand, balances with banks and liquid short-term investments.

Cash flows from operating activities are reported under the indirect method. ***Cash flows from investing and financing activities*** are reported based on gross receipts and disbursements made during the accounting period.

Reclassification of balances

At the end of 2002 income statement accounts were partly reclassified.
Respective changes have been made to first nine months 2002 accounts to make them comparable as follows:

	Initial comparative balance 30 Sept 2002	**Reclassification**	**Comparative balance 30 Sept 2002**
Operating expenses			
Materials, consumables, supplies and services	(66,822)	(2,377)	(69,199)
Other operating expenses	(21,923)	2,377	(19,546)

In 2003 Estonia started transition to the new Accounting Law. The new law harmonizes Estonian "good accounting practices" with International Financial Reporting Standards. In connection with the transition, the structure of income statement has been amended. "Change in work-in-progress" and "Capitalized self-constructed assets" have been removed from "Revenue" to "Operating expenses". Comparative data in 2002 were recalculated correspondingly. As a result revenues and expenses decreased by 2,167 thousand EUR in income statement for nine months of 2002.

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.

Financial statements are prepared in thousand of euros (EUR)

2. Tangible and intangible assets

	Tangible assets	Goodwill	Licenses, patents and trademarks
At cost			
31 December 2001	**467,527**	**2,972**	**9,755**
Additions	20,183	36	1,041
Acquired on acquisition of a subsidiary	89	-	14
Disposals and write-off's (-)	(8,910)	-	(145)
30 September 2002	**478,889**	**3,008**	**10,665**
31 December 2002	**485,667**	**2,804**	**8,698**
Additions	14,647	190	4,951
Acquired on acquisition of a subsidiary	243	-	520
Disposals and write-off's (-)	(6,709)	(2,306)	(187)
30 September 2003	**493,848**	**688**	**13,982**
Accumulated depreciation			
31 December 2001	**272,989**	**2,025**	**7,114**
Depreciation and amortization	46,264	579	1,638
Acquired on acquisition of a subsidiary	57	-	-
Disposals and write-off's (-)	(8,645)	-	(77)
30 September 2002	**310,665**	**2,604**	**8,675**
31 December 2002	**314,788**	**2,568**	**6,215**
Depreciation and amortization	41,323	164	995
Acquired on acquisition of a subsidiary	98	-	6
Disposals and write-off's (-)	(6,194)	(2,306)	(164)
30 September 2003	**350,015**	**426**	**7,052**
Carrying amount			
30 September 2002	**168,224**	**404**	**1,990**
30 September 2003	**143,833**	**262**	**6,930**

Financial statements are prepared in thousand of euros (EUR)

3. Investments in subsidiaries

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 Sept 2003	**31 Dec 2002**		
Elion Enterprises Ltd [1)]	Estonia	100%	100%	Network services for operators, data communication and Internet products, voice communication solutions and Internet content services for business and residential customers	AS Eesti Telekom
AS Elion Esindus [2)]	Estonia	100%	100%	Retail sales of telecommunication products and services	Elion Enterprises Ltd
AS Connecto [3)]	Estonia	51%	100%	Construction and maintenance of telecommunication networks	Elion Enterprises Ltd
Reveko Telekom AS [4)]	Estonia	100%	-	Installing and construction of telecommunication systems and networks as well as operator services	AS Connecto
SIA Connecto Latvia	Latvia	100%	100%	Construction and maintenance of telecommunication networks	AS Connecto
AS EMT	Estonia	100%	100%	Construction and operating of mobile networks, providing mobile communication services	AS Eesti Telekom
AS Esmofon	Estonia	100%	100%	Retail sales of telecommunication products and services	AS EMT
AS Esmofon Tartu [5)]	Estonia	-	100%	Retail sales of telecommunication products and services	AS EMT
AS Mobile Wholesale	Estonia	100%	100%	Wholesale of mobile phones	AS EMT

[1)] On 30 June 2003, the Registration Department of Tallinn City Court renamed AS Eesti Telefon, a fully owned subsidiary of AS Eesti Telekom, Elion Ettevõtted AS (Elion Enterprises Ltd). Company's brand Elion was introduced in August.

[2)] Previously AS Telefonipood.

[3)] Estonian Competition Board gave approval to Elion Enterprises Ltd, a 100%-owned subsidiary of AS Eesti Telekom, to sell a 49% minority stake in its 100% owned subsidiary AS Connecto, to ELTEL Networks Corporation.

On 18 June, the contracting parties executed the closing of the sales-purchase transaction and confirmed the price of the deal, which is 4.3 million euros and the capital gain was booked in Q2 of 2003 will be 3,8 million EUR.

Financial statements are prepared in thousand of euros (EUR)

Elion Enterprises Ltd will remain as an active owner of Connecto, but ELTEL Networks has a right to acquire 100% of the company shares after two years.

5) Connecto Ltd., which is 51%-owned subsidiary of Eesti Telekom's fully owned Elion Enterprises Ltd. (previously Eesti Telefon Ltd.), acquired on 1 July 2003 all of the shares of Estonian telecommunication company Reveko Telekom Ltd. In accordance with the purchase and sale agreement, AS Connecto purchased 55 percent of the shares of Reveko Telekom from TeliaSonera and 45 percent of shares from Estonian private persons. The price of the deal is 0.9 million EUR.

4) In accordance with the decision of the shareholders of AS Esmofon Tartu, made on 29 August 2002, operations of the company were terminated.

4. Investments in associates

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 Sept 2003	**31 Dec 2002**		
AS Intergate	Estonia	50%	50%	Venture capital investments into companies with innovative technologies	Elion Enterprises Ltd
AS Sertifitseerimiskeskus	Estonia	50%	50%	Providing certification and related services	Elion Enterprises Ltd – 25% AS EMT – 25%
EsData AS	Estonia	30%	30%	Internet and data communication services, VoiP long distance calls and equipment hosting services	Elion Enterprises Ltd
OÜ Voicecom	Estonia	26%	26%	Designing and providing software for mobile related services	AS EMT

5. Inventories

In the first nine months 2003, the inventories were impaired and were therefore written off in the total amount of 123 thousand EUR (first nine months 2002: 139 thousand EUR) based on the estimated decline of the net realisation value below their acquisition cost.

6. Borrowings

	30 Sept 2003	31 Dec 2002
Current	589	2,282
Non-current	817	1,263
	1,406	**3,545**

The movements in the borrowings can be analyzed as follows:

Opening balance 31 Dec 2002	**3,545**
Proceeds from borrowings	23
Repayments of borrowings	(2,144)
Other movements	(18)
Closing balance 30 Sept 2003	**1,406**

Financial statements are prepared in thousand of euros (EUR)

7. Equity

a) Share capital

	30 Sept 2003	31 Dec 2002
Share capital issued		
Ordinary shares par value 0.64 EUR per share, fully paid		
At beginning of period	137,383,178	137,383,178
Share issuance	261,250	-
At end of period	137,644,428	137,383,178
Preference share par value 63.91 EUR per share, fully paid	1	1
	137,644,429	137,383,179

The extraordinary general meeting of shareholders of AS Eesti Telekom held on 15 December 2000 approved the issuance of up to 85,000 convertible bonds, including the issuing of up to 42,500 A-series and 42,500 B-series bonds within the framework of the Eesti Telekom Group's employee incentive system. A resolution passed at the same meeting ruled out AS Eesti Telekom shareholders' pre-emptive right to subscribe the convertible bonds to be issued.

During the initial subscription of convertible bonds that took place from 18 December 2000 to 5 January 2001, 144 employees of the Group subscribed 20,750 A-series and 20,750 B-series bonds. The Management Board of AS Eesti Telekom accepted all subscription applications. Additional 21,750 A-series and 21,750 B-series bonds were issued until 1 May 2003, and the total numbers of bonds outstanding as of 1 June 2003 were 41,625 A-series and 41,625 B-series.

In accordance with the "AS Eesti Telekom terms for the issue of convertible bonds", an owner of A-series bond was entitled to (i) redeem a bond and exchange it for 10 Eesti Telekom A-series shares, which have a nominal value of 0.64 euros each and a subscription price of 5.79 euros per share, or (ii) redeem a bond and exchange it for a sum of money (the bond's nominal value 0.64 euros plus accumulated interest of 7% per annum).

On 4 June 2003 the Management Board of AS Eesti Telekom approved the results of the subscription period that lasted from 2 May to 2 June 2003. During that period, applications were received for the exchange of 26,125 bonds for 261,250 AS Eesti Telekom A-series shares. The Management Board of AS Eesti Telekom approved the subscription list, and will submit an application to the registry department of the Tallinn City Government for the registration of 261,250 A-series shares with a nominal value of 10 kroons and an issue price of 5.79 euros, i.e. an issue premium of 5.15 euros. The shares issued are in all respects equivalent to the existing AS Eesti Telekom A-series shares. The new shares entitle shareholders to dividends for the 2003 financial year. The resolution passed at the extraordinary general meeting of shareholders held on 15 December 2000 rules out AS Eesti Telekom shareholders' pre-emptive right to subscribe the issued AS Eesti Telekom A-series shares under the conditions for convertible bonds.

The total number of AS Eesti Telekom A-shares after the share issuance of the new shares is 137,644,428 and share capital 87,970,662 EUR.

A-shares are distributed between the main groups of shareholders as follows:

Republic of Estonia	37 485 000 shares	(27,23%)
Public investors	32 841 672 shares	(23,86%)
TeliaSonera AB:		
Telia AB	16 142 523 shares	(11,73%)
Sonera Holding B.V.	16 142 523 shares	(11,73%)
Baltic Tele AB	35 032 710 shares	(25,45%)

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 639.11 EUR per annum, and one vote at the shareholders' general meeting.

b) Reserves

Reserves include:

- Obligatory legal reserve required by the Commercial Code. Subject to the approval of the general meeting, the reserve may be used for covering cumulated losses, if the latter cannot be covered with other unrestricted equity, and for increasing share capital.
- Share premium – the difference between the issue price and nominal value of issued shares (issue premium).

c) Dividends

The Annual General Meeting of the shareholders of AS Eesti Telekom took place on 22 May 2003. It was decided to pay dividends in the total amount 52,683 EUR : 0.38 EUR per ordinary share as dividends to the holders of ordinary shares and 639.11 EUR to the holder of preference share. The list of shareholders on basis of which dividends were distributed was fixed on 10 June 2003 at 8.00 and dividends were disbursed on 19 June 2003.

d) Re-acquiring of shares

The Annual General Meeting of Shareholders, on May 22, 2003, authorized AS Eesti Telekom to acquire within one year from the adoption of this resolution (i.e. until 22 May 2004; the same authority, which was obtained from last Annual General Meeting on 17 May 2002, terminated on 17 May 2003) AS Eesti Telekom shares of A-series so that the total of nominal values of own shares held by AS Eesti Telekom would not exceed the limit set by statutory regulations, 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, capital reserves, 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 30 September 2003, no shares have been re-acquired by AS Eesti Telekom.

e) Employees' share option

As of 30 September 2003, 41,375 B-series bonds had been issued with the issue price of 0.64 EUR per bond, which can be exchanged for 413,750 AS Eesti Telekom ordinary shares in 2004. The subscription price of the shares is 5.79 EUR. Each bond shall bear interest on its nominal amount at the rate of 7% per annum.

f) Earnings per share

The calculation of basic earnings per share is the following:

<u>9 months 2003</u>: EUR 0.37 = (50,872,000 – 639.11) : ((137,383,178*5/9 + 137,644,428)4/9)

<u>9 months 2002</u>: EUR 0.37 = (50,948,000 – 639.11) : 137,383,178

The calculation of diluted earnings per share is the following:

<u>9 months 2003</u>: 0.37 = (50,872,000 – 639.11) : ((137,383,178 x 5/9) + (137,644,428 x 4/9) + + ((261,250 – (261,250 x 5.79/6.33)) x 5/9) + ((416,250 – (416,250 x 5.79/6.33)) x 9/9))

<u>9 months 2002</u>: In view of the fact that in the nine months of 2002 the average price of the shares of AS Eesti Telekom at the Estonian Central Depository for Securities was 4.82 EUR, the options relating to the bonds do not have a dilutive effect and diluted earnings per share equal basic earnings per share.

Financial statements are prepared in thousand of euros (EUR)

g) Share information

AS Eesti Telekom shares are quoted in the main list of the Tallinn Stock Exchange and in the main list of GDR-s on the London Stock Exchange. Each GDR (*Global Depositary Receipts*) represents three ordinary shares.

The highest price of an AS Eesti Telekom share on the Tallinn Stock Exchange, during the reporting period under review, was 7.90 EUR; the lowest price was 5.14 EUR, and the average price was 6.33 EUR per share.

8. Provisions

	Termination benefits provision	Bonuses by result provision	Other	**Total**
At 30 December 2002	**562**	**458**	**22**	**1,042**
Additional provision in the year	202	463	160	825
Utilisation of provision	(215)	(519)	(14)	(748)
At 30 September 2003	**549**	**402**	**168**	**1,119**

9. Related party transactions

a) Directors' and executives' remuneration

The remuneration of directors and other members of key management during the first nine months 2003 was as follows:

	9 months to 30 Sept 2003	**9 months to 30 Sept 2002**
Salaries	487	344

Financial statements are prepared in thousand of euros (EUR)

b) Trading transactions

Transactions with related parties were conducted under market terms.
During the first nine months 2003, group companies entered into the following transactions with related parties:

	9 months to 30 Sept 2003	9 months to 30 Sept 2002
Telecommunication services provided		
TeliaSonera AB	6,344	6,454
EsData AS	231	172
AS Sertifitseerimiskeskus	6	12
AS Intergate	6	3
OÜ Voicecom	4	4
AdvokaadibürooTark & Co	11	14
Other sales		
EsData AS	1	-
AS Sertifitseerimiskeskus	2	-
OÜ Voicecom	1	-
AdvokaadibürooTark & Co	-	1
Eltel Networks Corporation	6	-
Telecommunication services purchased		
TeliaSonera AB	3,425	5,827
EsData AS	-	21
Voicecom OÜ	66	107
Other services purchased		
TeliaSonera AB	15	40
AdvokaadibürooTark & Co	123	57
Financial income		
AS Sertifitseerimiskeskus	13	13
Financial expenses		
TeliaSonera AB	48	77
Amounts owed by related parties		
TeliaSonera AB	3,786	2,125
EsData AS	31	36
AS Sertifitseerimiskeskus	266	266
AS Intergate	1	-
OÜ Voicecom	1	-
AdvokaadibürooTark & Co	1	2
Eltel Networks Corporation	6	-
Amounts owed to related parties		
AS Eesti Telekom (convertible loan)	30	31
TeliaSonera AB	2,742	2,710
EsData AS	-	2
OÜ Voicecom	8	12

10. 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 Elion Enterprises Ltd, AS Elion Esindus, AS Connecto, Reveko Telekom AS and SIA Connecto Latvia.

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, and AS Mobile Wholesale.

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

Segment expense is expense resulting from the operating activities and is directly attributable to the segment. Segment expense does not include extraordinary items, interest, or income tax expense.

Segment gross profit is segment revenue less segment expense. Segment gross profit is determined before any adjustments for minority interest.

Segment assets are those operating assets that are operatively employed and that are directly attributable to the segment.

Segment liabilities are those directly attributable to the segment.

Capital expenditure represents total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, and equipment, and intangible assets).

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.

Financial statements are prepared in thousand of euros (EUR)

a) Business segments

	Fixed network telecommunications		Mobile telecommunications		Other operations		Eliminations		Consolidated	
	9 months 2003	**9 months 2002 Restated**	**9 months 2003**	**9 months 2002**	**9 months 2003**	**9 months 2002**	**9 months 2003**	**9 months 2002**	**9 months 2003**	**9 months 2002 Restated**
Revenue										
Net sales	112,428	112,030	112,123	99,922	-	-	-	-	224 551	211,952
Other revenue	1,081	3,937	366	620	1	4	-	-	1 448	4,561
Inter-segment revenue	7,729	6,967	14,998	14,431	2	6	(22,729)	(21,404)	-	-
Total revenue	**121,238**	**122,934**	**127,487**	**114,973**	**3**	**10**	**(22,729)**	**(21,404)**	**225 999**	**216,513**
Operating expenses										
Change in work-in-progress	62	134	-	-	-	-	-	-	62	134
Capitalized self-constructed assets	1,339	1,997	-	-	-	-	160	36	1 499	2,033
Materials, consumables, supplies and services	(28,614)	(29,557)	(45,771)	(39,642)	-	-	-	-	(74 385)	(69,199)
Other operating expenses	(16,216)	(14,180)	(4,221)	(4,853)	(564)	(513)	-	-	(21 001)	(19,546)
Personnel expenses	(18,678)	(17,808)	(5,233)	(4,724)	(510)	(342)	-	-	(24 421)	(22,874)
Other expenses	(567)	(803)	(421)	(651)	(113)	(69)	-	-	(1 101)	(1,523)
Inter-segment expenses	(14,994)	(14,428)	(7,551)	(6,931)	(16)	(9)	22,561	21,368	-	-
Total expenses	**(77,668)**	**(74,645)**	**(63,197)**	**(56,801)**	**(1,203)**	**(933)**	**22,721**	**21,404**	**(119 347)**	**(110,975)**
EBITDA	**43,570**	**48,289**	**64,290**	**58,172**	**(1,200)**	**(923)**	**(8)**	**-**	**106 652**	**105,538**
Depreciation and amortization	(25,890)	(31,851)	(16,583)	(16,574)	(59)	(64)	50	8	(42 482)	(48,481)
EBIT	**17,680**	**16,438**	**47,707**	**41,598**	**(1,259)**	**(987)**	**42**	**8**	**64 170**	**57,057**
Income/ (expenses) from subsidiaries and associated companies	3,672	(166)	(60)	(124)	51,856	57,092	(51,856)	(57,092)	3 612	(290)
Other net financing items	122	(984)	621	323	850	677	-	-	1 593	16
Income tax on dividends	(4,261)	-	(13,473)	-	(546)	(5,835)	-	-	(18 280)	(5,835)
Minority interest	(224)	-	-	-	-	-	1	-	(223)	-
Net profit	**16,989**	**15,288**	**34,795**	**41,797**	**50,901**	**50,947**	**(51,813)**	**(57,084)**	**50 872**	**50,948**

Financial statements are prepared in thousand of euros (EUR)

b) Other information by segments

	Fixed network telecommunications		Mobile telecommunications		Other operations		Eliminations		Consolidated	
	9 months 2003	**9 months 2002**	**9 months 2003**	**9 months 2002**	**9 months 2003**	**9 months 2002**	**9 months 2003**	**9 months 2002**	**9 months 2003**	**9 months 2002**
Non-current assets (except investments in subsidiaries and associates)	88,533	106,564	62,774	64,163	174	19,344	(102)	(18,917)	151,379	171,154
Investments in subsidiaries and associates	1,091	1,189	223	301	210,427	193,783	(210,427)	(193,783)	1,314	1,490
Current assets	45,117	47,275	43,043	32,964	38,709	20,830	(3,007)	(5,864)	123,862	95,205
Total assets	**134,741**	**155,028**	**106,040**	**97,428**	**249,310**	**233,957**	**(213,536)**	**(218,564)**	**276,555**	**267,849**
Owners' equity	**115,558**	**108,320**	**94,941**	**85,515**	**248,994**	**233,723**	**(210,528)**	(193,835)	**248,965**	**233,723**
Minority interset	830	-	-	-	-	-	(1)		829	-
Non-current liabilities	358	19,871	459	500	-	15	-	(18,865)	817	1,521
Current liabilities	17,995	26,837	10,640	11,413	316	219	(3,007)	(5,864)	25,944	32,605
Total equity and liabilities	**134,741**	**155,028**	**106,040**	**97,428**	**249,310**	**233,957**	**(213,536)**	**(218,564)**	**276,555**	**267,849**
Cash flow from operating activities	32,714	40,457	49,374	55,262	(1,970)	(7,046)	1,038	1,136	81,156	89,809
Cash flow used in capital expenditure	(7,996)	(11,748)	(11,580)	(9,475)	(29)	(1)	7	-	(19,598)	(21,224)
Cash flow from / used in other investing activities	5,021	4,481	763	333	75,281	58,351	(72,708)	(61,502)	8,357	1,663
Cash flow from / used in financing activities	(35,426)	(13,986)	(38,348)	(48,675)	(51,197)	(48,291)	71,663	60,388	(53,308)	(50,564)
Effect of foreign exchange rate changes	(22)	51	(2)	-	(4)	(456)	-	(21)	(28)	(426)
Net change in cash and cash equivalents	**(5,709)**	**19,255**	**207**	**(2,555)**	**22,081**	**2,557**	**-**	**1**	**16,579**	**19,258**

c) Net sales by geographic area

	Fixed network telecommunications		Mobile telecommunications		Consolidated	
	9 months 2003	**9 months 2002**	**9 months 2003**	**9 months 2002**	**9 months 2003**	**9 months 2002**
Net sales to customers in Estonia	100,240	99,963	107,090	95,413	207,330	195,376
Net sales to customers outside Estonia	12,188	12,067	5,033	4,509	17,221	16,576
Total	**112,428**	**112,030**	**112,123**	**99,922**	**224,551**	**211,952**

REVIEW REPORT

To the Management Board and shareholders of AS Eesti Telekom:

We have reviewed the accompanying consolidated balance sheet of AS Eesti Telekom and its subsidiaries ("the Group") as at 30 September 2003, and the related consolidated statement of income, cash flows and changes in shareholders' equity for the period then ended. These consolidated financial statements are the responsibility of the AS Eesti Telekom management board. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standards on Auditing applicable to review engagements. These Standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Group's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with International Auditing Standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements of the Group are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

Villu Vaino
Certified auditor
15 October 2003

AS Deloitte & Touche Audit